



**Controls Over Account Access  
Follow-Up Audit  
Report A2019-02**

Issued by the  
Internal Audit Office  
January 30, 2019

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***EXECUTIVE SUMMARY***

The Internal Audit Office conducted a Follow-Up Audit of Controls Over Account Access Audit dated August 23, 2017. The original Audit Report contained two findings. Upon completion of the audit fieldwork, we have determined the status of the recommendation for each audit finding as outlined in the table below:

<b>Finding No.</b>	<b>Description of Findings</b>	<b>Status</b>
1	Treasury Services Division's listing of the City's Wells Fargo Bank Accounts is not up to date. Specifically, five (5) Trust Accounts and one (1) Checking Account are not properly restricted from unauthorized use by 2 former City employees.	Implemented
2	The Treasury Services Division does not have documented Policies and Procedures regarding the following: <ul style="list-style-type: none"><li>• Bank Account Setup</li><li>• Bank Account Access</li><li>• Bank Account Management, Monitoring and Maintenance</li><li>• Bank Account Reconciliation</li></ul>	Implemented

For a detailed explanation of the findings and current observations, please refer to the appropriate finding contained in the body of this Audit Report.

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***BACKGROUND***

The Office of the Comptroller (OTC) consists of three core divisions: Fiscal Operations, Grants Administration, and Treasury Services. Responsibilities include timely recording, classifying and reporting of all financial transactions of the City.

"The mission of the Office of the Comptroller is to provide fiscal management and financial reporting, administer treasury services and provide grant accounting information to City Management and elected officials so that they can make informed decisions regarding the provisions of City services."

The Treasury Services Division manages the operating cash balances, banking services, and the investment portfolio of the City. They are responsible for managing the City's investments in accordance with state law, City ordinances, the City Investment Policy and the Debt Policy. These Policies are adopted annually by the City Council. The Treasury Services Division also acts as the contract representative for the City's depository contracts.

***AUDIT OBJECTIVES***

The audit objective was to ensure that corrective action was taken by management to address the recommendations detailed in the original Audit Report dated August 23, 2017.

***AUDIT SCOPE***

The audit period covered the operations of Fiscal Year 2018 – 2019.

***AUDIT METHODOLOGY***

To achieve our audit objectives, we:

- Conducted interviews with the Treasury Services Coordinator and staff,
- Obtained an understanding of the Treasury Services Division's Policies and Procedures,
- Conducted a review of Treasury Services Division's listing of the City of El Paso's Wells Fargo Bank Accounts and Investment Accounts,
- Determined if Treasury Services maintains a list of Account Signatories and if it is reviewed and updated regularly.

We conducted this audit in accordance with *Generally Accepted Government Auditing Standards* and the *International Standards for the Professional Practice of Internal Auditing*. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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***ORIGINAL FINDINGS, ORIGINAL RECOMMENDATIONS, MANAGEMENT'S RESPONSE TO ORIGINAL FINDINGS, CURRENT OBSERVATION, AND STATUS***

Based on the results of follow-up test work, each original finding recommendation will be designated with one of the following four status categories:

<i>Implemented</i>	The finding has been addressed by implementing the original corrective action or an alternative corrective action.
<i>In Progress</i>	The corrective action has been initiated but is not complete.
<i>Not Applicable</i>	The recommendation is no longer applicable due to changes in procedures or changes in technology.
<i>Not Implemented</i>	The recommendation was ignored, there were changes in staffing levels, or management has decided to assume the risk.

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**Finding 1**

**Treasury’s Bank Account Listing**

City of El Paso Strategic Plan 2016:

- *Goal 6.6 – Ensure continued financial stability and accountability through sound financial management, budgeting, and reporting.*

*Cash Management Manual dated May 2014;*

*Section 1.0 Purpose.*

*The Treasury Services Division (“TSD”) of the Office of Comptroller is responsible for the timely and accurate cash flow analysis and cash fund movement to ensure safety, liquidity, and an appropriate yield. This encompasses deposits, disbursements, investments, municipal bonds and other cash transactions.*

*Section 4.0 Management of Cash*

*4.3 All City bank accounts shall be carried in the name of the City with additional designations as to purpose of the bank account as necessary.*

Treasury Services Division’s listing of the City’s Wells Fargo Bank Accounts is not up to date. Specifically, five (5) Trust Accounts and one (1) Checking Account are not properly restricted from unauthorized use by 2 former City employees.

Treasury Services Division’s listing of City bank accounts includes 44 Checking Accounts, 5 Trust Accounts and 1 Securities Investment Account. A total of 50 accounts are listed. The following inconsistencies were identified after comparing Treasury’s listing as of 2/8/2017 against the Wells Fargo Bank confirmations received:

**44 Checking Accounts Listed:**

Number of Accounts	Wells Fargo Confirmed as of 6/1/2017	Treasury Service’s Listing as of 2/8/2017
2	Closed per confirmation on 6/1/2017.	Does not include current status.
6 (5 CRRMA Accts. and 1 Municipal Storage Facility Acct.)	Inactive.	Does not include current status.
3	3 Signers Listed.	Lists Signers as Unknown.
*1	3 Signers Listed (one ex-employee).	2 Signers Listed.

\* An Addendum to the Certificate of Authority dropping one (1) ex-employee was submitted to Wells Fargo on 11/02/2016. The processing of Addendum has not been confirmed by Treasury Services.

**5 Trust Accounts Listed:**

Number of Accounts	Wells Fargo Confirmed as of 5/23/2017	Treasury Service’s Listing as of 2/8/2017
5	4 Signers Listed (2 are ex-employees of the City).	Signer cells left blank due to information being unknown.

**1 Investment Account Listed:**

- On 2/8/2017 Treasury Services Division provided a listing of the City’s Bank Accounts. For this

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Investment Account, two (2) current City Employees were listed as signatories.

- A Wells Fargo Securities, LLC confirmation as of 5/25/2017 lists four (4) current City employees as signatories. Wells Fargo provided a copy of the Certificate of Authority submitted by the City Treasury Services Division authorizing four (4) current City employees as signatories as of 2/6/2017.
- Treasury Services Division's listing of City Bank Accounts had not been updated to reflect the change.

**4 Investment Pool Accounts:**

- As of 5/25/2017 two (2) of four (4) investment pool accounts had outdated client contact information (i.e. mailing address of 2 Civic Center Plaza and old phone numbers).

**Treasury Services Division's Listing:**

- 11 of 50 (22%) bank accounts on Treasury Services Division's listing of City Bank Accounts as of 2/8/2017, do not have an account purpose documented in the "Account Purpose" column.

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**Recommendation**

- Treasury Services Division should update their Bank and Investment Account information (i.e. signers, account purpose, accounts contact info etc.) should be updated and maintained on a regular basis.
- Treasury Services Division should confirm account signer additions and deletions.

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**Management's Response**

The five Trust accounts were created to receive bond proceeds related to the construction of the Ball Park. These five accounts were established with certain signatories who were authorized to interact with Wells Fargo regarding the accounts. It was the decision of the Chief Financial Officer, Mark Sutter, that the signers should remain as shown because the proceeds had been spent in accordance with their restricted use. In addition, there exists dual control on the accounts and as such the accounts are properly restricted and not subject to unauthorized use. The total amount in the accounts is \$2,816.49. These amounts are distributed among the five accounts as follows: \$2,815.19, \$1.27, \$0.02, \$0.01, \$0.00. The balances in these accounts will be closed by October 31, 2017.

Regarding the checking account that was found not to be properly restricted from unauthorized use by a former City employee (Tony Ramos, former City Treasurer), the Treasury Services Division had requested that Wells Fargo remove that former employee as a signer on all Wells Fargo accounts on November 2, 2016. Wells Fargo failed to remove the former employee from one account and as such the bank retained liability for any fraud that could have been perpetrated on that account. The account has had a balance of \$0.00 since September 1, 2016. Separately, access to the account requires the use of hard token two factor authentication which the former employee no longer had access to. To re-enable the hard token two factor authentication would have required additional authorization from the Chief Financial Officer, the Comptroller, or the current Treasurer. As such, no amounts were at risk.

The two accounts shown as closed per Internal Audit's confirmation on June 1, 2017 but not reported as such on February 8, 2017 were still open as of February 8, 2017. The accounts were closed on February 24, 2017 and April 30, 2017 respectively.

The five CRRMA accounts shown as inactive are new accounts for the Camino Real Regional Mobility Authority. CRRMA is working on transitioning its banking activity from existing accounts to these new accounts.

Regarding the list of bank accounts and their associated attributes, the Treasury Services Division will work to ensure that all such attributes are current.

Finally, the Treasury Services Division disagrees with the classification of this finding as significant as there are no risks to the City associated with the items discussed above.

**Responsible Party**

Luis Mier

**Implementation Date**

October 31, 2017

**Chief Internal Auditor's Response**

"In response to the "Management Responses" received from the Treasury Services Division that states the findings identified in this Audit Report are not significant.

The finding regarding the monitoring of authorized signatories' on City of El Paso's Investments and Bank Accounts is considered a major internal control within the Treasury Services Division. The Treasury Services Division should be monitoring the person's authorized to sign on the City of El Paso's Investments and Bank Accounts at all times. No matter what the balance contained in the accounts are. The lack of a

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monitoring process is considered a major internal control breakdown. We have recommended that the Treasury Services Division monitor the City of El Paso's Investment and Bank Accounts at all times.

In addition, the creation of a set of Policies and Procedures is another major internal control that should be present within the Treasury Services Division. The lack of a set of established Policies and Procedures within the Treasury Division is considered another major internal control breakdown. During the audit, the Internal Audit Office located an outdated version of the "City of El Paso Treasury Manual dated October 2010", which the Treasury Services Coordinator was unaware of. It has been recommended to use the October 2010 Manual as a basis for creating an updated City of El Paso's Treasury Services Division Manual. It is very concerning that the City of El Paso's Treasury Services Division is responsible for hundreds of millions of Taxpayer dollars and is operating without documented Policies and Procedures."

**Current Observation**

The Treasury Services Division provided a current and up-to-date List of the City's Bank and Investment Accounts Information to include authorized signers, account purpose, and account contact information.

The Treasury Services Division confirmed with Wells Fargo Bank, as of January 15, 2019, the list of Authorized Account Signers is current and up-to-date.

**Status**

Implemented

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Finding 2

**Policies and Procedures**

City of El Paso Strategic Plan 2016:

- Goal 6.13; *Maintain systems integrity, compliance, and business continuity.*

*A strong system of internal controls requires that Policies and Procedures are written to document routine or repetitive activity followed by an organization. The development and use of Policies and Procedures are an integral part of a successful quality of system as it provides individuals with the information and guidance to perform a job properly.*

During the audit, the auditors requested a copy of the Treasury Services Division's current Policies and Procedures manual. The Treasury Services Division provided the "*Cash Management Manual*" dated May 2014. The manual is 15 pages and does not identify daily, weekly, or monthly activities for the Treasury Services Division. The Internal Audit Office located a "*City of El Paso Treasury Manual*" dated October 2010 on the City Public Drive. The 2010 manual contains 94 pages and identifies daily, weekly and monthly activities and includes more detail regarding Treasury Services activities. The Treasury Services Division was not aware this manual existed.

The Treasury Services Division does not have documented Policies and Procedures regarding the following:

- Bank Account Setup
- Bank Account Access
- Bank Account Management, Monitoring and Maintenance
- Bank Account Reconciliation

**Recommendation**

- Treasury Services Division should ensure that Policies and Procedures specific to bank account management, monitoring, maintenance and reconciliation are documented.
- Treasury Services Division should review the October 2010 City of El Paso Treasury Manual for possible use as a basis to create an updated manual.

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**Management's Response**

The City of El Paso Treasury Manual dated October 2010 was developed prior to the 2012 implementation of the City's current financial reporting system "PeopleSoft Financials". Subsequent to implementation, the Treasury Services Division transitioned to the Cash Management Manual dated May 2014. Procedures related to bank account setup, access, management, and maintenance are governed by the City's depository institution. Changes to these procedures are made as the depository institution responds to changes in the banking environment, government regulation, and technology.

The Treasury Services Division agrees that more detailed policies and procedures specific to areas controlled by the City will improve the effectiveness and efficiency of the Division and will contribute to business continuity and customer service. The Cash Management Manual will be updated by October 31, 2017.

Finally, the Treasury Services Division disagrees with the classification of this finding as significant as there are no risks to the City associated with the items discussed above.

**Responsible Party**

Luis Mier

**Implementation Date**

October 31, 2017

**Chief Internal Auditor's Response**

"In response to the "Management Responses" received from the Treasury Services Division that states the findings identified in this Audit Report are not significant.

The finding regarding the monitoring of authorized signatories' on City of El Paso's Investments and Bank Accounts is considered a major internal control within the Treasury Services Division. The Treasury Services Division should be monitoring the person's authorized to sign on the City of El Paso's Investments and Bank Accounts at all times. No matter what the balance contained in the accounts are. The lack of a monitoring process is considered a major internal control breakdown. We have recommended that the Treasury Services Division monitor the City of El Paso's Investment and Bank Accounts at all times.

In addition, the creation of a set of Policies and Procedures is another major internal control that should be present within the Treasury Services Division. The lack of a set of established Policies and Procedures within the Treasury Division is considered another major internal control breakdown. During the audit, the Internal Audit Office located an outdated version of the "City of El Paso Treasury Manual dated October 2010", which the Treasury Services Coordinator was unaware of. It has been recommended to use the October 2010 Manual as a basis for creating an updated City of El Paso's Treasury Services Division Manual. It is very concerning that the City of El Paso's Treasury Services Division is responsible for hundreds of millions of Taxpayer dollars and is operating without documented Policies and Procedures."

**Current Observation**

The Treasury Services Division accomplishes the management, monitoring, maintenance and reconciliation of the City's Bank Accounts via the Wells Fargo Commercial Electronic Office (CEO) System, assistance from the Bank Representative and the creation of Policies and Procedures.

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- The CEO System includes security features such as, encryption, dual approval or secure validation, threshold limits, alert system email notification, and layered security requiring tokens for high-risk functions and transactions, adding to management’s supervision of the Accounts.
- The Wells Fargo Bank Representative provides the necessary forms and instructions, either verbally or via secure email in order to implement the required Account changes.
- The Treasury Services Division provided documented Policies and Procedures specific to Bank Cash Reconciliation.

Additionally, a spreadsheet was created to index current Procedures by category, name, date last reviewed/updated, responsible party and a hyperlink to the document.

**Status**

Implemented

***INHERENT LIMITATIONS***

Because of the inherent limitations of internal controls, errors or irregularities may occur and not be detected. Also, projections of any evaluation of the internal control structure to future periods beyond the Audit Report date are subject to the risk that procedures may become inadequate due to changes in conditions, management override of internal controls, or that the degree of compliance with the procedures may deteriorate. This was a limited scope audit which only reviewed the areas stated in the Audit Objectives during the Audit Scope period. No representations of assurance are made to other areas or periods not covered by this audit.

***CONCLUSION***

We have concluded our audit work on the objectives of the Controls Over Account Access Follow-Up Audit. The audit evidence used in the analysis is sufficient and appropriate for addressing the objectives and supporting the observations and conclusion. In accordance with *Generally Accepted Government Auditing Standards*, we are required to conclude on whether Treasury Services Division met the objectives of this Follow-Up Audit. Based on our audit work, we have determined that Treasury Services Division met the audit objectives in the following areas:

- The Treasury Services Division List of the City’s Bank and Investment Accounts Information is current and up-to-date.
- The Treasury Services Division confirmed with Wells Fargo Bank, as of January 15, 2019, the list of Authorized Account Signers is current and up-to-date.
- The Treasury Services Division accomplished the management, monitoring, maintenance and reconciliation of the City’s Bank Accounts via the Wells Fargo Commercial Electronic Office (CEO) System, assistance from the Bank Representative and the creation of Policies and Procedures.

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We wish to thank Treasury Services Division management and staff for their assistance and courtesies extended during the completion of this Follow-Up Audit.

Signature on File

Edmundo S. Calderón, CIA, CGAP, CRMA, MBA  
Chief Internal Auditor

Signature on File

Marina Almodovar, CISA, CIA  
Auditor II

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