



**Accounts Receivable Program
Follow-Up Audit
No. A2024-07**

Issued by the
Internal Audit Department
July 31, 2024

City of El Paso
Internal Audit Department
Accounts Receivable Program Follow-Up Audit A2024-07

EXECUTIVE SUMMARY

The Internal Audit Department conducted a Follow-Up Audit of the Accounts Receivable Program Audit Report dated August 11, 2022. The original Audit Report contained three (3) findings. Upon completion of the audit fieldwork, we have determined the status of the recommendations for each audit Finding as outlined in the table below:

| Finding No. | Description of Original Findings | Status |
|--------------------|---|---------------|
| 1 | <p>Our review identified seven (7) out of seven (7) departments (100%) are following their own interpretation of how Accounts Receivable <u>should be billed</u>. The <i>City of El Paso Accounts Receivable Policy</i> dated September 2020 should be updated to contain specific procedural guidance for City Departments in the following areas:</p> <ul style="list-style-type: none"> • Defining transactions to be recorded in the PeopleSoft Accounts Receivable Module. • Training requirements for staff who process Accounts Receivable transactions. • Steps to record, invoice, and post payments for Accounts Receivables. • Reconciling Accounts Receivable payments posted in PeopleSoft to invoices issued. • Reporting Accounts Receivable information to the Office of the Comptroller (OTC). | In Progress |
| 2 | <p>Our review identified seven (7) out of seven (7) departments (100%) who created their own procedures for the collection and account management of past-due Accounts Receivable. The City of El Paso Accounts Receivable Policy should be updated to contain specific procedural guidance for past-due account management that address the following:</p> <ul style="list-style-type: none"> • A policy to determine whether City Departments or the Office of the Comptroller, is responsible for collecting on past-due Accounts Receivable accounts. • A procedure to refer past-due Accounts Receivable accounts to a 3rd-party collection agency. Departments do not know whether the option is available to them. • A policy of restricting customers with past-due Accounts Receivable accounts from conducting future business with the City of El Paso. | In Progress |
| 3 | <p>Our review identified six (6) out of seven (7) departments (85.72%) are not following the City of El Paso Accounts Receivable Policy for recording, invoicing, posting, and reconciling billable activities:</p> <ul style="list-style-type: none"> • Three (3) out of seven (7) departments (42.86%) do not consistently record and track all their billable activities in the PeopleSoft Accounts Receivable Module. • Two (2) out of seven (7) departments (28.58%) are not invoicing customers within 30 days from the date of providing a service. • One (1) out seven (7) departments (14.29%) had a payment for a receivable posted to an incorrect account. Since the department did not receive the payment, the receivable became delinquent and was allocated to the Allowance for Doubtful Accounts. • Five (5) out of seven (7) departments (71.43%) conduct monthly Accounts Receivable reconciliations. Only one (1) department provides a monthly Accounts Receivable report to OTC. | In Progress |

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

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BACKGROUND

The *Generally Accepted Government Auditing Standards* (Standard 8.30) states that auditors should evaluate whether the audited entity has taken appropriate corrective action to address findings and recommendations from previous engagements. The *International Standards for the Professional Practice of Internal Auditing* (Performance Standard 2500.A1) require that the Chief Audit Executive establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.

AUDIT OBJECTIVES

The audit objective was to ensure that corrective action was taken by management to address the recommendation for the Findings identified in the original Audit Report dated August 11, 2022.

AUDIT SCOPE

The audit period covered the Accounts Receivable Program for Fiscal Year 2024.

AUDIT METHODOLOGY

To achieve our audit objectives, we:

- Reviewed the Comptroller's responses provided in the Internal Control Questionnaire regarding the progress to update the City of El Paso Accounts Receivable Policy.
- Reviewed information provided by the Comptroller regarding delays with implementation and policy updates.
- Reviewed documents provided by the Comptroller regarding the Accounts Receivable collection processes and policy updates.
- Reviewed the Collection Letter Procedures, Collection Process flowchart and Month End Process Checklist provided by the Comptroller.
- Summarized the results of testing.

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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CURRENT OBSERVATION AND STATUS

Based on the follow-up audit results, the 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. |

Finding 1

Current Observation

The Office of the Comptroller (OTC) is updating the *City of El Paso Accounts Receivable Policy* to ensure all billable activities are recorded and tracked in the PeopleSoft Accounts Receivable Module. City Departments remain responsible for reconciling and ensuring the accuracy of the receivables ledger and any payments posted to PeopleSoft. The OTC staff researches incorrect postings and works with the departments to correct errors. City Department Supervisors are asked to submit to OTC a quarterly reconciliation of outstanding receivables in their department. However, the OTC does not have a process or policy to receive or review Accounts Receivable reconciliations.

OTC is working with the Learning Office to deploy an on-demand training for all employees with access to the PeopleSoft Financials module. All new system users will be required to complete the training before obtaining access to the system.

Status

In Progress - The Office of the Comptroller should continue the update of the *City of El Paso Accounts Receivable Policy* to include specific billing procedures for City Departments. The *Policy* should also include procedures on how to reconcile Accounts Receivable payments posted in PeopleSoft. The updated *Policy* is set to deploy on September 1, 2024.

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Finding 2

Current Observation

The Office of the Comptroller (OTC) is in the process of updating the *City of El Paso Accounts Receivable Policy* to contain guidance for the collection and account management of past-due accounts. OTC has developed a collections flowchart and is developing a process to generate and track Collection Letters.

The OTC has been working on developing an Accounts Receivable collection process, however, the City's PeopleSoft software upgrade that occurred in March 2024 caused delays for the collection process and policy updates.

Status

In Progress - The Office of the Comptroller should continue the update the of *City of El Paso Accounts Receivable Policy* to include guidance for City Department's staff for the collection and account management of past-due accounts. The collection process is set to deploy on September 1, 2024.

Finding 3

Current Observation

The Office of the Comptroller (OTC) has asked City Departments to use OTC's "Month End Closing Checklist-Dept" to ensure that City Departments complete the following items each month:

- record all deposits,
- approve Accounts Receivable invoices within 30 days of the date of service,
- post Accounts Receivable payments,
- reconcile the Accounts Receivable account and inform OTC when a payment has been posted to the incorrect account, and
- submit quarterly reconciliations of outstanding receivables.

The OTC requested the Streets and Maintenance Department to use the PeopleSoft Accounts Receivable Module to record all receivables. The rest of the City Departments requesting an invoice to record a receivable are required to use the "Invoice/Credit Memo Request" form.

Status

In Progress - The Office of the Comptroller should continue to ensure all City Departments record and track all billable activities, invoice customers within 30 days of the date of service, inform OTC when a payment is posted to an incorrect account so it can be corrected and conduct monthly Accounts Receivable reconciliations.

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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 Accounts Receivable Program 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 whether the Office of the Comptroller met the objectives of this Follow-Up Audit.

Based on our audit work, the Office of the Comptroller (OTC) is in progress of updating the *City of El Paso Accounts Receivable Policy* to contain specific billing procedures for City Departments and guidance for the collection and account management of past-due accounts. The Office of the Comptroller is working to ensure that all City Departments complete the following:

- Record and track all billable activities in PeopleSoft,
- Invoice customers within 30 days of the date of service,
- Inform OTC when payment is posted incorrectly so the error can be corrected, and
- Submit monthly Accounts Receivable reconciliations to OTC for review.

A 2nd Follow-Up Audit will be conducted in the future to ensure that management has properly addressed the audit's recommendations. We wish to thank the Office of the Comptroller 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

Esmeralda Herrera, MAcc
Auditor II

Signature on File

Miguel Montiel, CIA, CGAP
Audit Manager

Distribution:

Financial Oversight and Audit Committee

Dionne Mack, City Manager

Robert Cortinas, Deputy City Manager of Support Services & Chief Financial Officer

Margarita Marin, Comptroller