



COUNTY OF EL PASO
OFFICE OF THE COUNTY AUDITOR

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04-11

April 15, 2024

The Honorable Bill D. Hicks
District Attorney, 34th Judicial District
500 E. San Antonio, 2nd Floor
El Paso, Texas 79901

Dear Mr. Hicks:

The County Auditor's Internal Audit division performed a regular, recurring audit of the 34th Judicial District financial records to determine if internal controls are adequate to ensure proper preparation of the District Attorney (DA) financial reports. Policies, procedures and regulations were also reviewed to ensure processes are documented, operating and efficient.

The audit report is attached. We tested seven financial controls and three operating controls with a total of 260 samples. There were five findings noted as a result of the audit procedures; all are repeat findings. We wish to thank the management and staff of the District Attorney's office for their assistance and courtesies extended during this audit.

Because of certain statutory duties required of the County Auditor, this office is not independent in regard to your office, as defined by AICPA professional standards. However, our audit was performed with objectivity and due professional care.

Respectfully,

A handwritten signature in blue ink that reads "Barbara Parker".

Barbara Parker
County Auditor

BP:DC:ya

cc: Ms. Betsy Keller, Chief Administrator
Mr. Rene Diaz, Chief of Staff



**District Attorney, 34th Judicial District Audit
For the Period of March 2022 thru February 2023**



EXECUTIVE SUMMARY

BACKGROUND

The District Attorney (DA) for the 34th Judicial District prosecutes adult felony and misdemeanor cases committed in the El Paso, Culberson and Hudspeth Counties. The DA’s office also administers the Victim Assistance Program for victims of misdemeanor and felony crimes. Financial reports are generated from QuickBooks showing all transactions occurring each month. The current District Attorney has been in office since December 2022. The audit was performed by Daisy Caballero, internal auditor certified. The most recent prior audit was issued in May 2020, with five findings.

SCOPE

The scope of the audit includes financial records from March 2022 through February 2023.

OBJECTIVES

The audit evaluated the adequacy of controls and processes to achieve key business objectives related to the DA’s financial reports. Following are the business objectives and related control assessment.

Business Objective	Control Assessment
1. Bank deposits in accordance with <i>Local Government Code (LGC) §113.022</i>	Needs improvement
2. Timely, complete, and accurate bank reconciliations	Satisfactory
3. Functioning discretionary account disbursement controls and compliance with <i>Code of Criminal Procedure § 59.06</i>	Needs Improvement
4. Functioning general fund account disbursement controls	Needs Improvement
5. Updated discretionary bank account signature cards	Satisfactory
6. Adequate voided transaction controls	Needs Improvement
7. Manual receipts are properly documented and funds are deposited timely	Satisfactory
8. Adequate safe access controls	Satisfactory
9. Adequate unused checks security	Satisfactory
10. Documentation of updated policies and procedures	Needs Improvement

METHODOLOGY

To achieve the audit objectives, we:

- Tested a sample of the DA Special account and DA Forfeiture/Seizure account deposit slips and compared them to deposit supporting documentation to ensure proper documentation and timely deposit in accordance with *LGC §113.022*
- Reviewed and verified the DA’s monthly reconciliations of the QuickBooks financial reports to the bank statements for the DA Special and DA Forfeiture/Seizures accounts
- Tested a sample of the DA Special account disbursements for proper documentation, justification and management approval
- Tested a sample of the general fund account disbursements for proper documentation, justification and management approval
- Inquired with the County’s financial institution to ensure authoritative signatures are current and up to date
- Tested a sample of voided checks for justification, proper documentation and management review
- Tested a sample of manual receipts for proper documentation, timely deposit and posting to QuickBooks
- Inquired about safe access controls
- Inquired about unused check security
- Reviewed the policies and procedures manual
- Reviewed previous audit action plans for implementation



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EXECUTIVE SUMMARY

RESULTS

Listed below are controls and findings summaries, with findings listed from highest to lowest risk. Please see the *Findings and Action Plans* section of this report for details and management action plans.

Control Summary	
Good Controls	Weak Controls
<ul style="list-style-type: none"> • Timely and accurate bank reconciliations (Obj. 2) • Updated bank signature cards (Obj. 5) • Manual receipt controls (Obj. 7) • Safe access controls (Obj. 8) • Safeguarding unused checks (Obj. 9) 	<ul style="list-style-type: none"> • Timely bank deposits (Obj. 1) • DA Special disbursement controls (Obj. 3) • General fund disbursement controls (Obj.4) • Void transaction controls (Obj. 6) • Documentation of policies and procedures (Obj. 10)
Findings Summary	
<ol style="list-style-type: none"> 1. Three (14%) deposits were not in compliance with the timely deposit law (prior finding). Two (10%) checks received by mail were not date stamped (prior finding). 2. Two (3%) DA Special account disbursements were for unallowable gift card expenditures totaling \$1,193.46 (prior administration finding). Additionally, five (6%) disbursements were not in compliance with the El Paso County Travel Policy (prior finding). 3. Eight (7%) general fund disbursements lacked segregation of duties in the ordering and receiving functions (prior finding). 4. Management is not performing a documented review of voided checks as per the DA’s policies and procedures manual (prior finding). 5. Documented policies and procedures need to be updated (prior finding). 	

INHERENT LIMITATIONS

This financial review was designed to provide reasonable assurance that the internal control structure is adequate to safeguard the County’s assets from loss, theft or misuse. The County’s internal control structure is designed to provide reasonable, but not absolute assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of implementing the controls should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires the use of estimates and judgment by management. Because of the inherent limitations in any system of internal controls, errors or irregularities may occur and not be detected.

CONCLUSION

The DA’s office met five of the current ten objectives of this audit. The prior audit findings were addressed to the prior administration; however, they are also current audit findings for the current administration. Implementation of the recommendations provided in this report should assist the DA’s office in producing complete and accurate financial reports by strengthening their internal control structure.



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FINDINGS AND ACTION PLANS

Prior Audit Findings Summarized with Current Status

Status

H Open

See current finding #3

- 1. Finding:** Purchase requisitions do not have documented management approval. There is a lack of segregation of duties in the ordering and receiving functions within the DA's office.
Recommendation: Update Enterprise ERP workflow for purchase requisitions to include management approval. Ordering and receiving functions should be segregated.
Action Plan: The prior administration coordinated with the auditor's office and updated the purchase requisition workflow to include management approval requirements. The ordering and receiving functions within the DA's office will be segregated. However, finding has reoccurred with current administration due to change in staff and duties. **Unresolved**

H Open

See current finding #1

- 2. Finding:** Four (13%) deposits sampled were not timely, five (16%) checks received by mail were not date stamped, and deposit slips do not have sequential identifying numbers.
Recommendation: Make deposits in accordance with LGC §113.022. All checks received by mail should be stamped upon receipt. Order deposit slip books that are sequentially pre-numbered.
Action Plan: Management concurs with the recommendation. **Unresolved**

M Open

See current finding #2

- 3. Finding:** 17 (38%) of the DA Special account disbursements sampled did not have justification documentation. DA Special account travel is not in compliance with the El Paso County Travel Policy.
Recommendation: All disbursements should have complete supporting documentation. The DA's office should adhere to the County of El Paso Travel Policy.
Action Plan: Management concurs with the recommendation. The travel policy has been documented in the DA's policies and procedures manual. **Unresolved**

M Open

See current finding #4

- 4. Finding:** Four (19%) voided checks sampled did not have documented justification. None of the voided checks reviewed had documented management review.
Recommendation: Management should conduct documented reviews of voided checks. All voided checks should have justification documentation.
Action Plan: The office manager will conduct documented reviews of voided checks on a monthly basis. **Unresolved**

L Open

See current finding #5

- 5. Finding:** Documented policies and procedures need to be updated.
Recommendation: The written policies and procedures should be updated to reflect current procedures and policies in use.
Action Plan: Management concurs with the recommendation. **Unresolved**



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FINDINGS AND ACTION PLANS

Current Audit Findings

Finding #1		Risk Level H
<p>Deposits – A sample of 21 (20%) DA Special and Forfeiture/Seizure account deposits was tested and the following was noted:</p> <ul style="list-style-type: none"> • Three (14%) were deposited an average of eight business days after receipt (repeat finding). One check included in the deposits was postdated two days. The accounting specialist explained forfeiture checks are occasionally postdated due to the lengthy forfeiture check review process. Checks should not be postdated as it does not reflect when the check was generated and can create confusion. Additionally, <i>LGC §113.022</i> requires collections to be deposited on the following day, or if that is not possible, by the fifth business day from when the money was received. • Two (10%) checks received by mail were not date stamped. The DA's policies and procedures manual requires checks received by mail be date stamped. <p>Weak cash handling controls could result in misappropriation of funds.</p>		
Recommendation		
<p>Make deposits in accordance with <i>LGC §113.022</i>. The forfeiture checks approval process should be reviewed and modified to comply with the timely deposit law. The amended procedure should be documented in the policies and procedures manual. Furthermore, all checks received by mail should be date stamped immediately upon receipt.</p>		
Action Plan		
Person Responsible	District Attorney	Estimated Completion Date 5/31/2024
<p>Management is seeking to streamline the forfeiture approval process to comply with <i>LGC §113.022</i> while maintaining the integrity of the review process. Checks received by mail will be date stamped immediately upon receipt. The updated procedures will be documented in the policies and procedures manual.</p>		



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FINDINGS AND ACTION PLANS

Finding #2		Risk Level H
<p>DA Special Account Disbursements– A sample of 80 (20%) DA Special account disbursements was tested and the following was noted:</p> <ul style="list-style-type: none"> Two (3%) were for unallowable gift card expenditures totaling \$1,193.46. The restaurant gift cards were bought for employee appreciation purposes by the prior DA administration which was effective from January 2021 to December 2022. Forfeiture funds should not be used to increase a salary, expense or allowance for an employee unless approved by Commissioners Court, as per <i>Code of Criminal Procedure, Article 59.06 (d-1)(7)</i>. Additionally, the distribution of gift cards was not documented or reported to the payroll division for tax purposes. Inaccurate employee tax withholding could result in penalties from the Internal Revenue Service (IRS). Moreover, failure to comply with Chapter 59 guidelines could result in an investigation by the State comptroller and a civil penalty of up to \$100,000. The District Attorney would be liable for the costs of the comptroller in performing the investigation. Five (6%) were not in compliance with the El Paso County Travel Policy. The required travel documentation was not completed and submitted to the County Auditor’s Office for review. The County’s travel policy provides guidelines for prudent and cost-effective travel. Noncompliance with the travel policy could result in disciplinary action and cancellation of the County travel credit card. 		
Recommendation		
<p>Every expenditure made with State forfeiture funds should comply with <i>Code of Criminal Procedure, Article 59.06</i> and should have complete supporting documentation. An increase in salaries, expenses or allowances for an employee must be approved by Commissioners Court, as per <i>Code of Criminal Procedure, Article 59.06 (d-1)(7)</i>. Furthermore, the DA’s office should adhere to the El Paso County Travel Policy.</p>		
Action Plan		
Person Responsible	District Attorney	Estimated Completion Date 4/09/2024
<p>Expenditures will be properly documented and in compliance with <i>Code of Criminal Procedure, Article 59.06</i>. The DA’s office employees will submit required travel documentation in accordance with the El Paso County Travel Policy.</p>		



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FINDINGS AND ACTION PLANS

Finding #3		Risk Level M	
<p>General fund disbursements – Of the 122 (20%) general fund disbursements tested, eight (7%) lacked segregation of duties in the ordering and receiving functions. The accounting specialist enters and approves the requisition and handles the receiving process. Lack of controls over the ordering and receiving process could result in the theft and misuse of County property and funds.</p>			
Recommendation			
<p>Update Enterprise ERP workflow for purchase requisitions to include management approval. The approval workflow should be set up so the same person cannot approve their own purchase requisition entries. Further, the ordering and receiving functions within the DA's office should be segregated and the updated procedure should be documented in the DA's policies and procedures manual.</p>			
Action Plan			
Person Responsible	District Attorney	Estimated Completion Date	4/30/2024
<p>The purchase requisitions workflow will be updated to include management approval. The ordering and receiving functions within the DA's office will be segregated. Further, the updated procedures will be documented in the policies and procedures manual.</p>			

Finding #4		Risk Level M	
<p>Voided Checks – Management is not performing a documented review of voided checks. Management should conduct a documented review of voided checks monthly as per the DA's policies and procedures manual. Lack of management review could result in vendors not receiving payment, procedure deficiencies not being addressed or fraud.</p>			
Recommendation			
<p>Management should conduct documented reviews of voided checks. A voids report should be extracted from QuickBooks and a sample of voids should be reviewed periodically for justification and proper documentation.</p>			
Action Plan			
Person Responsible	District Attorney	Estimated Completion Date	5/31/2024
<p>A QuickBooks voids report will be generated and submitted to the chief of staff for monthly documented review.</p>			



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FINDINGS AND ACTION PLANS

Finding #5		Risk Level L
<p>Policies and Procedures – The following policies and procedures need to be updated:</p> <ul style="list-style-type: none"> • Timely forfeiture checks review process • An employee salary increase using forfeiture funds needs Commissioners Court approval as per <i>Code of Criminal Procedure, Article 59.06 (d-1)(7)</i> • Ordering and receiving process within the DA's office • Mailed payment log procedure <p>Policies and procedures serve as an accountability and training tool for employees and sets guidelines for consistent best practices. Lack of documented procedures can increase the risk of inconsistent practices and possible financial losses to the County.</p>		
Recommendation		
The written policies and procedures should be updated to reflect current procedures and policies in use.		
Action Plan		
Person Responsible	District Attorney	Estimated Completion Date 6/30/2024
Management concurs with the recommendation.		