

August 30, 2024

Commissioners Court  
County of El Paso, Texas  
500 E. San Antonio  
El Paso, Texas 79901

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison statements of the County of El Paso, Texas (the County) for the year ended September 30, 2023. We did not audit the financial statements of the discretely presented component units, those statements were audited by other auditors. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance, and the Texas Grant Management Standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 22, 2023. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Matters

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the County are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, the County implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*, which requires recognition of certain SBITA assets and liabilities. We noted no transactions entered into by the County during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

1. Management's estimate of the allowance for doubtful accounts for taxes is based on historical collection rates and management's analysis of the collectability of the accounts.
2. Management's zero (\$0) estimate of the allowance for uncollectible "accounts receivables" is based on management's opinion that an allowance for doubtful accounts is not necessary for fair presentation.
3. Management's estimate of the depreciation is based on estimated useful lives of the related assets.
4. Management's estimate of the amortization of bond premiums and deferred loss/gain on refunding is based on the life of the debt.

5. Management's estimate of open health care claims is based on the third-party administrator's lag report.
6. Management's estimate for claims and judgments, which consists primarily of Workers Compensation open claims, is based on incurred and paid claims current year data provided by third party administrators as well as prior years' claims history.
7. Management's estimate of the contingent liabilities associated with ongoing litigation is based on legal counsel opinions and past experience.
8. Management's estimate of the arbitration payable is based upon the calculation provided by the arbitration compliance specialist.
9. Management's estimate for accrued wages is based on each employee's salary for the number of days that have been earned and not yet paid by the County as of September 30, 2023.
10. Management's estimate of the total costs of services yet to be performed for construction projects under non-cancellable contracts is based on the related contracts and any applicable change orders.
11. Management's estimates of the total other post-employment benefits (OPEB) liability and deferred inflows and outflows of resources related to OPEB are based upon the actuarial valuation provided by a third party. The portion of the total OPEB liability reported as "due within one year" is based on an estimate of benefit payments expected to be paid within one year provided by the actuary.
12. Management's estimates of the County's share of the net pension asset and net pension liability and the related deferred inflows and outflows of resources related to the Texas County and District Retirement System (TCDRS) and the Texas Emergency Services Retirement System (TESRS) are based on estimates provided by TCERS and TESRS.
13. Management's estimate of the accumulated unpaid leave benefits payable is based upon the historical experience rate of vacation and sick leave taken, and the number of days accrued. In addition, the current portion due is based upon a historical average used in a year.
14. Management's estimate of the lease receivable and related deferred inflows of resources is based on a present value calculation of the future payments to be received.
15. Management's estimate of the right-to-use lease assets and related liability is based on a present value calculation of the future minimum payments. Amortization of the right-to use lease assets is based on the shorter of the lease term or the useful life of the underlying assets.
16. Management's estimate of the right-to-use SBITA assets, an intangible asset, and SBITA liability is based on a present value of the reasonably certain expected payments to be made over the term of the SBITA. Amortization of the right-to-use SBITA assets is based on the shorter of the SBITA term or the useful life of the underlying assets.

We evaluated the methods, assumptions, and data used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit*

The audit issuance was delayed because the County had difficulty gathering data required to complete financial reporting necessary for the implementation of recent effective GASB standards (GASB 96) plus the additional financial reporting required of past GASB standards (GASB 87). With several GASB standard implementations, preparing the financial report requires additional time during the fiscal year to collect the necessary information and make proper evaluations but also requires time after fiscal year end to prepare the necessary entries and note disclosures.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached Schedule of Passed Adjustments summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The uncorrected misstatements or the matters underlying them could potentially cause future period financial statements to be materially misstated, even though, in our judgment, such unrecorded misstatements are immaterial to the financial statements under audit. Management has corrected all such misstatements. A reclassification of a material amount detected as a result of audit procedures for Opioid abatement funds received in fiscal year 2023 was corrected by management. The unspent funds remaining at fiscal year end were reclassified from revenues to unearned revenues.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated August 30, 2024.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the County's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the County's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

During our audit, we became aware of certain matters that we believe are opportunities for strengthening internal controls and operating efficiency. We previously reported on the County's internal controls in our report dated August 30, 2024. These comments do not affect our report on the financial statements of the County of El Paso, Texas. As part of our audit, we also review prior year's comments and provide a status based on our testing as well as inquiry of management. Please see the attached schedule for the status of prior year comments as well as the current year comments.

Other Matters

We applied certain limited procedures to the management's discussion and analysis, and other required supplementary information (RSI) as listed in the table of contents which supplement the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the supplementary information as listed in the table of contents which accompany the financial statements but is not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the introductory and statistical sections, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the information and use of the Commissioners Court and management of the County and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

*Hebron Ruddock Patterson LLC*

### **Status of Prior Year Comments**

#### **Grant Reporting**

1. **Observation:** While conducting compliance test work, we noted that for the Disaster Grant - Detention Health Cost from FEMA, personnel had difficulties locating certain documentation and it appeared that a history of submitted documents and correspondence was not maintained. Furthermore, it appears there was a delay in submitting a summary, along with related support, of the actual amounts for the months from October 2021 to March 2022. We recommended that management ensure that a history is maintained of submitted documents and correspondence with the grantor to ensure that the County provides all requested documentation in a timely manner, thereby reducing the risk that pre-awarded funds will not be received.

**Status:** The County's Budget and Finance department submitted applications with supporting documentation for reimbursements to FEMA which provided a letter of approval for reimbursements of FY 2022. The County was directed by FEMA to process the funding request through the State of Texas Division of Emergency Management (TDEM). TDEM denied funding of \$4,237,979 in costs related to University Medical Center (UMC), requesting more detailed documentation. Budget and Finance is unable to obtain the detailed documentation from UMC and has appealed the denial of funds to FEMA. A final decision is pending.

#### **Procurement**

2. **Observation:** While performing our tests over the procurement system, we noted that for several purchases from one vendor exceeding \$50,000 in total, documentation included a reference to an expired cooperative contract, indicating that a proper procurement method was not used. Based on additional procedures performed by the purchasing department, additional purchases from five other vendors were identified where proper procedures for cooperatives were not followed. Additionally, in a separate instance, we noted that the total amount of purchase orders issued under a specified Commissioner's Court approval date exceeded the approved "Not to exceed amount." We recommended that management ensure that its employees follow the proper procedures to ensure purchases are in compliance with statutes and the County's purchasing policy. Furthermore, we recommended that management ensure that procedures are in place to monitor the total amount of purchase orders issued for a Commissioner Court award with a "Not to Exceed" provision.

**Status:** Similar instances were noted in the current year audit. See current year comments.

**Status of Prior Year Comments, continued.**

**Procurement, continued.**

3. Observation: While performing our procurement test for a major program, we noted that for PPE purchases from one vendor exceeding \$50,000 in total, it was communicated that the purchases were made under the Commissioners Court Declaration of Local Disasters due to Public Health Emergency (COVID-19). However, documentation that described the circumstances and identified the individual purchases as emergency purchases under the declaration was not provided. Additionally, the purchases were not brought before the Commissioners Court at the earliest available meeting as required. We recommended that documentation be maintained that describes the circumstances and identifies the emergency exemption. Additionally, in accordance with the Commissioners Court directive, purchases over \$50,000 must be brought before the Court at the earliest available meeting.

Status: No similar instances were noted in the current year audit. However, we noted other procurement items. See current year comments.

**Uniform Guidance Compliance**

4. Observation: Upon review of the County's Purchasing Policies and Procedures for compliance with 2 CFR 200, we noted that the manual does not describe the procedures for some of the Procurement Standards required by 2 CFR 200.318 to 200.327. We recommended that the Purchasing Policies and Procedures be updated to include the procedures the County has implemented to ensure compliance with the Uniform Guidance.

Status: This situation still exists. The Purchasing Agent is planning to update the Purchasing Policies and Procedures in fiscal year 2024 to include the procedures the County has implemented to ensure compliance with the Uniform Guidance.

## Current Year Comments

### **Procurement**

1. Observation: During procurement testing, we noted that the County utilized another governmental entity's vendor contract for a purchase without an interlocal agreement in place with that governmental entity. In another instance of procurement testing, we noted that expenditures were incurred after the contract expired on September 30, 2021.

Recommendation: We recommend that the County ensure that interlocal agreements are in place, and approved by Commissioner's Court, for purchases that utilize another government's contract in accordance with Local Government Code 791. We recommend that interlocal agreements and related piggy-back contracts are monitored and evaluated annually.

Management Response: *Management agrees with the recommendation. Recommended training and monitoring procedures are in the process of being developed and implemented, as well as internal reporting.*

2. Observation: In another instance of procurement testing, we noted that expenditures were incurred after the contract expired on September 30, 2021.

Recommendation: We recommend that interlocal agreements and related piggy-back contracts are monitored and evaluated annually.

Management Response: *Management agrees with the recommendation. Recommended training and monitoring procedures are in the process of being developed and implemented, as well as internal reporting.*

### **Public Funds Investment Act Compliance**

3. Observation: The investment policy does not appear to identify the methods for monitoring the market price of investments or procedures to monitor rating changes in investments acquired with public funds as required by Texas Government Code 2256.005(b).

Recommendation: We recommend that management ensure that the County's investment policy includes all requirements of the Public Funds Investment Act.

Management Response: *Management agrees with the recommendation and will update the Investment Policy in the next annual update.*

**Current Year Comments, continued.**

**Federal Program Compliance – Emergency Food and Shelter Board Program**

4. Observation: We noted that a subrecipient contract did not include all the required information to the subrecipient in accordance with the Uniform Guidance.

Recommendation: We recommend that management ensure that all grant subrecipient contracts include the information required by the Uniform guidance.

Management Response: *Management agrees with the recommendation. All grant subrecipient contracts will be reviewed by County Auditor Grant staff to ensure information required by the Uniform Guidance is included.*

**Federal Program Compliance – Coronavirus State and Local Fiscal Recovery Funds**

5. Observation: We noted that certification forms of a subrecipient contract were not signed by the subrecipient. Based on our inquiry during the audit, the forms were subsequently signed by the subrecipient.

Recommendation: We recommend that management ensure that all certification forms in grant subrecipient contracts are properly completed and signed by the subrecipient.

Management Response: *Management agrees with the recommendation. County Auditor Grant staff will review grant subrecipient contracts to ensure they are completed and signed by the subrecipient.*

**Financial Reporting – Accounting Matters**

6. Observation: As part of our preliminary inquiries, we noted the implementation team was not confirming key aspects of proper implementation of the GASB 96 standard. Reasonably certain to renew inquiries were not made of various department personnel when evaluating contracts. In addition, the County erroneously evaluated an agreement as long-term and within the scope of GASB 96.

Recommendation: We recommend the lease and SBITA implementation team receive ongoing training to ensure the standards are implemented properly for financial reporting accuracy.

Management Response: *Management agrees with the observation and ongoing training will be implemented.*



**County of El Paso, Texas**

Passed Adjustments

September 30, 2023

Account Description	Account No.	Government Wide (Exhibit 1)		Government Wide (Exhibit 2)		Governmental Funds (Exhibit 3)		Governmental Funds (Exhibit 4)		
		Balance Sheet		Income Statement		Balance Sheet		Income Statement		
		Dr	Cr	Dr	Cr	Dr	Cr	Dr	Cr	
1 Capital expenditures - consult/professional services Accounts Payable	3017.750001 3017.201001		145,418	145,418			145,418		145,418	
To pass on recording capital expenditures for services performed in fiscal year 2023. See WP 9J-3.										
2 Expense - general government Contingent liabilities		165,000			165,000					
To pass on adjusting contingent liabilities per legal letter dated 8/13/2024. See WP 80N-4.										
3 Expense - general government Prior period adjustment				574,047	574,047					
To pass on correcting entry for implementation of GASB 96 as described at WP 80M-2 and restatement paragraph in Note O.										
		165,000	145,418	719,465	739,047	-	145,418	145,418	-	