2012-2013
Annual Audit Plan
1st Quarter Update

Issued by the
Internal Audit Office
As of November 30, 2012

INTRODUCTION

According to Performance Standards 2020 & 2060 of the International Standards for the Professional Practice of Internal Auditing as issued by the Institute of Internal Auditors, the Chief Internal Auditor should report periodically to the Financial and Audit Oversight Committee and Senior Management on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan. The Chief Internal Auditor is also responsible for reporting significant risk exposures, control issues, fraud risks, governance issues, and other matters needed or requested by the Financial and Audit Oversight Committee and Senior Management.

The Chief Internal Auditor is also responsible to communicate the internal audit activity's plans and resource requirements, including significant interim changes, to Senior Management and the Financial and Audit Oversight Committee for review and approval. The Chief Internal Auditor should also communicate the impact of any resource limitations.

Based on this requirement, this Annual Audit Plan update is being provided to the Financial and Audit Oversight Committee. The Chief Internal Auditor will provide an update on the following four critical areas required in the management of an internal audit activity. The four critical areas are:

1. Completed Audits and Projects
2. Pending Audits and Projects
3. Miscellaneous Items affecting the Internal Audit Office's Activity
4. Annual Audit Plan Update

COMPLETED AUDITS & PROJECTS

This section will provide the Financial and Audit Oversight Committee and Senior Management a short synopsis of every audit and project completed during the 1st Quarter of the 2012-2013 Annual Audit Plan.

Consolidated Tax Office - Review of Policies and Procedures (Memo dated September 12, 2012)

At the request of the City's Chief Financial Officer, the Internal Audit Office conducted a review of the Consolidated Tax Office's established Policies and Procedures. Based on our analysis, we determined that the Consolidated Tax Office did not have adequate documented Policies and Procedures to outline all the major processes conducted on a regular course of business. These issues were communicated to the City's Chief Financial Officer for corrective action.

Procurement Card Review – Department of Transportation (Memo dated October 25, 2012)

The Internal Audit Office conducted a review of Procurement Card expenditures made by the Department of Transportation staff. The objectives were to determine if Department of Transportation P-Card Program Administrators are properly reviewing and monitoring the expenditures; if transactions were for proper expenditures; if spending limits on P-Card transactions have been followed; if original receipts properly support transactions; and if appropriate controls have been instituted to ensure employees no longer employed by the City have had their P-Cards cancelled.

Our review of the Department of Transportation's Procurement Card transactions identified four issues regarding current Policies and Procedures. These issues were communicated to the Interim Director for corrective action.

2nd Follow-Up: Environmental Services Accounts Payable Audit (Memo dated October 31, 2012)

The Internal Audit Office conducted a 2nd Follow-Up Audit on the Environmental Services Accounts Payable Audit Report dated April 23, 2010. The Original Audit Report contained (4) four findings. Based on the results of this 2nd Follow-Up Audit, we have determined that (3) three of the four original findings have been implemented and (1) one is still in-progress of being fully implemented. Environmental Services' Management will assume the risk of not implementing the recommendation.

Parks Department – Federal Janitorial Contract Audit (Report dated November 20, 2012)

The Internal Audit Office conducted an audit of the Federal Janitorial Contract #2010-204 to provide janitorial services to three Recreation Centers; Westside (Don Haskins), Seville, and Chihuahuita. The objective of this audit was to determine if Federal Janitorial STG, LLC was adhering to the terms and conditions of the Janitorial Agreement Contract 2010-204 for the time period of September 1, 2011 to August 31, 2012.

Our review of the Federal Janitorial Contract #2010-204 identified four significant findings which included Federal Janitorial overbilling the City of El Paso by $3,605.20. These issues were communicated to the Parks and Recreation Department Director for corrective action.

Airport Revenue Audit – Budget Rent-A-Car (Report dated November 29, 2012)

The Internal Audit Office conducted an audit of the Budget Rent-A-Car operation inside the terminal of the El Paso International Airport. The purpose of this audit was to determine if Budget Rent-A-Car of El Paso, Inc. was adhering to the terms and conditions as agreed to in the Concessionaire's Agreement dated December 1, 2011.

Our review of the Budget Rent-A-Car Concessionaire's Agreement identified two findings which included Budget Rent-A-Car owing the City of El Paso $637.08 due to under reporting gross receipts. These issues were communicated to the Aviation Department Director for corrective action.

Employee Hotline (As of November 30, 2012)

As of the 1st Quarter of the 2012-2013 Fiscal Year, the Ethicsline has received a total of 4 calls. As of November 30, 2012, 2 calls remain open and are pending investigation. The investigations are done either by the Internal Audit Office or the Human Resources Department.

The outreach campaign continues with the Internal Audit Office staff conducting presentations to selected City Departments regarding the Ethicsline. During the 1st Quarter, presentations were conducted twice a month at the New Employee Orientation Training provided by the Human Resources Department.

Tax Office Refund Review Project

This project continues on a recurring basis to conduct reviews of Tax Office Refunds as required by State Statute. Procedures have been designed to properly review refunds for approvals and adequate processing. The adoption of the PeopleSoft System to process refunds at the Consolidated Tax Office along with the upgrade of the PeopleSoft System by the City has caused delays in processing tax levy overpayment refunds. During the month of September 2012 no reviews were conducted due to system delays. Reviews resumed for the months of October and November, but refund delays are still occurring.

PENDING AUDITS & PROJECTS

This section will provide the Financial and Audit Oversight Committee and Senior Management a short synopsis of the pending audits and projects currently being worked on by the staff of the Internal Audit Office. A brief synopsis is provided on the scope and objective of the audit or project.

Hotel Occupancy Tax Audit – Camino Real Hotel

An audit is being conducted of the Camino Real Hotel located in downtown El Paso. The purpose of this audit is to determine if the Camino Real Hotel - El Paso has collected and remitted Municipal Hotel Occupancy Taxes to the City of El Paso in accordance with applicable State and City regulations.

Economic Development – Revolving Loan Fund Audit

An audit is being conducted of the Revolving Loan Fund administered by the City of El Paso Economic Development Department. The City of El Paso, Texas and the County of El Paso, Texas established a Revolving Loan Fund (RLF) under the terms of an Interlocal Agreement dated May 16, 2000. The City/County Revolving Loan Fund (RLF) targets small businesses that can best help the City/County achieve long term economic development objectives. The objectives of the audit are to determine whether the RLF is administered to ensure that funds reach citizens, program objectives are met, revolving loan funds are self-sustaining, and the Economic Development Department is managing the RLF in compliance with applicable laws, regulations, and agency policies.

Follow-Up Audit – Human Resources Payroll

A follow-up audit is being conducted of the findings contained in the Audit Report titled *"Human Resources Payroll Audit"* dated February 23, 2011. The Human Resources Payroll Audit Report identified five findings. The objectives of the follow-up audit are to determine if the original finding recommendations have been implemented.

Follow-Up Audit – Zoo Cashering

A follow-up audit is being conducted of the findings contained in the Audit Report titled *"Zoo Cashiering Function Audit Report"* dated February 23, 2011. Zoo Cashiering Function Audit Report dated February 23, 2011 identified seven findings. The objectives of the follow-up audit are to determine if the original finding recommendations have been implemented.

Follow-Up Audit – Weatherization Assistance Program

A follow-up audit was scheduled of the findings contained in the Audit Report titled *"Weatherization Assistance Program Audit Report"* dated January 25, 2011. Weatherization Assistance Program Audit Report identified six findings

The follow-up audit of the Weatherization Assistance Program has since been cancelled. The Department of Housing and Urban Development (HUD) has completed a final review of the program and has deemed it properly closed.

An alternate audit will be selected to replace this audit.

2nd Follow-Up Audit – Library Purchasing

A 2nd follow-up audit is being conducted of the findings contained in the Audit Report titled *"Library Purchasing Audit"* dated September 29, 2010. The objective of the 2nd Follow-Up Audit will be limited to a review of the one (1) finding and recommendation that was not implemented during the 1st Follow-Up Audit dated June 19, 2012. The 2nd follow-up audit will determine if the original finding recommendation has been implemented.

El Paso Police Department Overtime Project

A review is being conducted of the Police Office overtime payments. The objective of this engagement is to perform a review of Police Officer paid overtime of the top three highest overtime earners in FY 2011-2012. The Internal Audit Office is to provide the Deputy City Manager for Public Safety and Community Services with statistical data summarizing the categories of overtime paid to the top three Police Officers. In addition, the data will identify any overtime payments from grants, hours per overtime category, shifts where overtime was earned, and any other relevant information.

Police and Fire Department Overtime Monitoring Project

This is a continuous project of monitoring overtime at the Police and Fire Departments for the Deputy City Manager for Health and Safety. Quarterly data for FY 2012-2013 will be analyzed once the final payroll period is processed for the specific quarters. A comprehensive report will be provided with year-to-date data.

Ongoing Assistance – STEP Grant

The Internal Audit Office has been providing assistance to the El Paso County District Attorney's (DA) Office regarding cases against several former El Paso Police Officers that have been indicted for alleged falsification of government records. The indictments relate to the falsification of records used to support overtime payments from Texas Department of Transportation (TXDOT) funded grants. The Internal Audit Office has been calculating overtime earned by the Police Officers that is being used to establish the restitution amounts by the DA Office.

Ongoing Assistance – TXDOT Auditors

The Internal Audit Office has been providing assistance to Texas Department of Transportation (TXDOT) Auditors who have been conducting audits of TXDOT funded grants awarded to the El Paso Police Department. The Internal Audit Office's staff assists the TXDOT Auditors as needed.

Ongoing Assistance – Department of Justice – U.S. Attorney's Office

The Internal Audit Office has been providing assistance to the U.S. Attorney's Office who is pursuing criminal cases resulting from an investigation conducted by the Federal Bureau of Investigations (FBI). The FBI investigation resulted from an audit conducted by the Internal Audit Office of the General Services Department. The Original Audit Report is titled *"General Services Department-Billing System Review Audit Report"* dated October 1, 2008.

General Services – Janitorial Services Solicitation Review

The Internal Audit Office has been providing assistance to the Purchasing Division regarding a janitorial services contract managed by the General Services Department.

MISCELLANEOUS ITEMS

This section provides the Financial and Audit Oversight Committee and Senior Management with miscellaneous information regarding the Internal Audit Office's activities. These activities can vary from community service activities, training sessions attended, Professional Certification Examinations attempted with results and/or Internal Audit Profession news and updates.

Training Sessions

Association of Certified Fraud Examiners – Webinar – "An Enterprise Approach to Fraud Detection and Prevention in Government Programs" September 6, 2012

Liz De La O, Lead Auditor; completed the Institute of Internal Auditors webinar training on "An Enterprise Approach to Fraud Detection and Prevention in Government Programs" on September 6, 2012. She earned one hour of Continuing Professional Education Credit.

Institute of Internal Auditors – Webinar – "Guidance Briefing – IT Risks and Controls" September 12, 2012

Edmundo Calderon, Chief Internal Auditor; Miguel Montiel, Audit Supervisor; and Rebecca Garcia, Auditor completed the Institute of Internal Auditors webinar training on "Guidance Briefing – IT Risks and Controls" on September 12, 2012. Each staff member earned one hour of Continuing Professional Education Credit.

Institute of Internal Auditors – "2012 Southern Regional Conference" September 16-19, 2012

Edmundo Calderon, Chief Internal Auditor; Miguel Ortega, Auditor; Laura Prine, Auditor; and Rebecca Garcia, Auditor attended the Institute of Internal Auditors "2012 Southern Regional Conference" held September 16-19, 2012. The Chief Internal Auditor earned 19 hours of Continuing Professional Education Credit while the staff members earned 31 hours of Continuing Professional Education Credit attending a Certified Government Auditing Professional Certification course held during the conference.

Institute of Internal Auditors – "Essential Interviewing Secrets for the Auditor" October 12, 2012

Edmundo Calderon, Chief Internal Auditor completed the Institute of Internal Auditors webinar training on "Essential Interviewing Secrets for the Auditor" on October 12, 2012. The Chief Internal Auditor earned two hours of Continuing Professional Education Credit.

Institute of Internal Auditors – Webinar – "Fraud Risk Assessments: Are Auditors Assessing the Right Risks?" October 16, 2012

Edmundo Calderon, Chief Internal Auditor; Miguel Montiel, Audit Supervisor; Liz De La O, Lead Auditor; Daryl Olson, Senior Auditor; and Rebecca Garcia, Auditor completed the Institute of Internal Auditors webinar training on "Fraud Risk Assessments: Are Auditors Assessing the Right Risks?" on October 16, 2012. Each staff member earned one hour of Continuing Professional Education Credit.

Association of Local Government Auditors – "Staying Relevant: A New IT Auditing Emphasis in GAGAS Audits" October 17, 2012

Edmundo Calderon, Chief Internal Auditor; Miguel Montiel, Audit Supervisor; Liz De La O, Lead Auditor; Daryl Olson, Senior Auditor; Miguel Ortega, Auditor; Laura Prine, Auditor; and Rebecca Garcia, Auditor completed the Association of Local Government Auditors webinar training on "Staying Relevant: A New IT Auditing Emphasis in GAGAS Audits" on October 17, 2012. Each staff member earned two hours of Continuing Professional Education Credit.

FraudAware – Webinar – "When Law Enforcement Comes Knocking" October 23, 2012

Laura Prine, Auditor completed the FraudAware webinar training on "When Law Enforcement Comes Knocking" on October 23, 2012. The Auditor earned one and a half hours of Continuing Professional Education Credit.

Association of Government Accountants – "Border Region Modeling Project" October 25, 2012

Edmundo Calderon, Chief Internal Auditor; Miguel Montiel, Audit Supervisor; Liz De La O, Lead Auditor; Daryl Olson, Senior Auditor; Miguel Ortega, Auditor; Laura Prine, Auditor; and Rebecca Garcia, Auditor completed the Institute of Internal Auditors webinar training on "Border Region Modeling Project" on October 25, 2012. Each staff member earned one hour of Continuing Professional Education Credit.

Institute of Internal Auditors – "Global Briefing: Evaluating Ethics-related Programs and Activities" October 17, 2012

Edmundo Calderon, Chief Internal Auditor completed the Institute of Internal Auditors webinar training on "Global Briefing: Evaluating Ethics-related Programs and Activities" on October 17, 2012. The Chief Internal Auditor earned one hour of Continuing Professional Education Credit.

Institute of Internal Auditors – "Building and Maintaining a Robust FCPA Compliance Program" November 16, 2012

Edmundo Calderon, Chief Internal Auditor; Miguel Montiel, Audit Supervisor; Liz De La O, Lead Auditor; and Laura Prine, Auditor completed the Institute of Internal Auditors webinar training on "Building and Maintaining a Robust FCPA Compliance Program" on November 16, 2012. Each staff member earned one hour of Continuing Professional Education Credit.

Institute of Internal Auditors – "Guidance Briefing – GTAG 16 Data Analysis" November 14, 2012

Edmundo Calderon, Chief Internal Auditor completed the Institute of Internal Auditors webinar training on "Guidance Briefing – GTAG 16 Data Analysis" on November 14, 2012. The Chief Internal Auditor earned one hour of Continuing Professional Education Credit.

Community Service

Institute of Internal Auditors – El Paso Chapter – Fiscal Year 2013 Board Membership

Miguel Ortega, Auditor was elected to serve as a Board Member of the El Paso Chapter of the Institute of Internal Auditors. Miguel Montiel, Audit Supervisor and Liz De La O, Lead Auditor continue their terms as Board Members of the El Paso Chapter of the Institute of Internal Auditors and promoting the Internal Audit profession in the region.

AUDIT PLAN UPDATE

This section will provide the Financial and Audit Oversight Committee and Senior Management with an update on the progress of the 2012-2013 Annual Audit Plan. An analysis is provided listing the Audits/Projects scheduled by quarter with their associated budgeted hours. The actual audit hours worked per Audit/Project is provided. This analysis is a great management tool to demonstrate how the Internal Audit Office resources are being used.

	BUDGETED HOURS	**YTD as of 11/30/11**
First Quarter		
Hotel Occupancy Tax Audit - Camino Real Hotel	500.00	79.00
Airport Revenue Audit - Budget Rent-A-Car	400.00	378.00
Parks Department - Federal Janitorial Contract Audit	400.00	455.75
Follow Up Audit - Weatherization Grant	400.00	3.75
2nd Follow-Up Audit - Environmental Services A/P	100.00	121.50
Tax Office Refund Review Project	75.00	89.00
P-Card Review - Streets Department	250.00	155.75
Ethicsline	75.00	13.50
Police and Fire Overtime Monitoring Project	50.00	27.00
Contingency Hours	79.00	-
1st F/U Library Purchasing Audit	-	12.75
Audit Plan	-	118.25
Consulting	-	248.25
International Bridges Audit	-	121.75
Information Technology Dept - Purchasing Audit	-	66.75
P-Card Review - 10th Floor	-	26.75
STEP Grant Project	-	66.25
TX DOT Assist Project	-	4.25
Administrative Duties - Chief Internal Auditor	250.00	239.50
Administrative Duties - Staff Auditor	475.00	629.25
Auditor Training	105.00	197.50
Vacation/Sick Leave/Holiday	481.00	357.25
Total	**3,640.00**	**3,411.75**
Second Quarter		
Airport Revenue Audit - Paradise Shops	500.00	-
Economic Development - Revolving Loan Fund	400.00	102.25
Information Technology - POD Purchase Contract	400.00	-
Police Department - Overtime review	200.00	76.25
Follow-Up Audit - Human Resources Payroll	225.00	62.00
2nd Follow Up Audit - Library Purchasing	100.00	52.75
Tax Office Refund Review Project	75.00	-
Ethicsline	75.00	-
Police and Fire Overtime Monitoring Project	50.00	-
Contingency Hours	248.00	-
Administrative Duties - Chief Internal Auditor	250.00	-

City of El Paso
Internal Audit Office
Financial and Audit Oversight Committee
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	BUDGETED HOURS	YTD as of 11/30/12
Second Quarter (continued)		
Administrative Duties - Staff Auditor	475.00	-
Auditor Training	105.00	-
Vacation/Sick Leave/Holiday	481.00	-
Total	**3,584.00**	**293.25**
Third Quarter		
Environmental Services Purchasing Audit	450.00	-
MCAD - Holocaust Museum Funding	400.00	-
Engineering & Construction Mgt - CIP Budget Transfers	400.00	-
Sun Metro Purchasing Audit	400.00	-
2nd Follow-Up Audit - Sun Metro Drug & Alcohol Testing	100.00	3.25
Tax Office Refund Review Project	75.00	-
El Paso City Employees Pension Fund Confirmation Project	150.00	
P-Card Reviews	250.00	-
Ethicsline	75.00	-
Police and Fire Overtime Monitoring Project	50.00	-
Contingency Hours	147.00	-
Administrative Duties - Chief Internal Auditor	250.00	-
Administrative Duties - Staff Auditor	475.00	-
Auditor Training	105.00	-
Vacation/Sick Leave/Holiday	369.00	-
Total	**3,696.00**	**3.25**
Fourth Quarter		
Airport Revenue Audit - Lone Star Golf Course	500.00	-
City Development - Subdivision Inspection Audit	400.00	-
Follow-Up Audit - Zoo Cashiering	300.00	44.75
Follow-Up Audit - Friedman Recycling Contract	250.00	-
Follow-Up Audit - Parks Department Day Cares	250.00	4.75
Follow-Up Audit - Tax Office ACT System	250.00	-
Tax Office Refund Review Project	75.00	-
Ethicsline	75.00	-
Police and Fire Overtime Monitoring Project	50.00	-
Contingency Hours	291.00	-
Administrative Duties - Chief Internal Auditor	250.00	-
Administrative Duties - Staff Auditor	475.00	-
Auditor Training	105.00	-
Vacation/Sick Leave/Holiday	425.00	-
Total	**3,696.00**	**49.50**
Totals for 1st, 2nd, 3rd & 4th Quarters	**14,616.00**	**3,782.50**

CONCLUSION

The 1st Quarter of the 2012-2013 Audit Plan was another productive quarter for the Internal Audit Office. During the 1st Quarter a total of 7 audits/projects were completed by the staff and 12 audits/projects are in various stages of completion.

The Internal Audit Office staff made a strong effort to complete as many audits and projects as possible during the 1st Quarter. Extra effort was displayed by the staff during this quarter. Continuous monitoring of the Audit Plan will continue until the end of the year.

It continues to be a pleasure serving City Council, the Financial and Audit Oversight Committee, the City Manager, and the Deputy City Managers. The Internal Audit Office staff continues to strive for excellence in meeting our departmental motto, "Exceeding our Client's Expectations."

Respectfully Submitted

Edmundo S. Calderon

Edmundo S. Calderon, CIA, CGAP, CRMA
Chief Internal Auditor
City of El Paso

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