



**2015-2016
Annual Audit Plan
1st Quarter Update**

Issued by the
Internal Audit Office
As of November 30, 2015

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 must report periodically to the Financial and Audit Oversight Committee and the City Manager 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 the City Manager.

In addition by periodically reporting to the Financial and Audit Oversight Committee and the City Manager, the Internal Audit Office helps support the City of El Paso's *Strategic Plan* Goals 6.6 and 6.8;

- Goal 6.6: *Ensure continued financial stability and accountability through sound financial management, budgeting and reporting.*
- Goal 6.8: *Support transparent and inclusive government.*

The Chief Internal Auditor is also responsible to communicate the internal audit activity's plans and resource requirements, including significant interim changes, to the City Manager and the Financial and Audit Oversight Committee for review and approval. The Chief Internal Auditor must 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

As required by the International Standards for the Professional Practice of Internal Auditing, Standard 1110, the City of El Paso's Internal Audit Office continues to maintain its independence by reporting functionally to the Financial and Audit Oversight Committee (FAOC). The FAOC approves the Internal Audit Charter and annual risk-based Audit Plan. The FAOC also receives quarterly updates to the Annual Audit Plan from the Chief Internal Auditor.

COMPLETED AUDITS & PROJECTS

This section will provide the Financial and Audit Oversight Committee and the City Manager a short synopsis of every audit and project completed during the 1st Quarter of the 2015-2016 Annual Audit Plan.

Building, Planning and Inspections Audit Report (Report dated July 21, 2015)

The Internal Audit Office conducted an audit of Building, Planning and Inspections Department. The objectives of the audit were to determine; 1) if written Policies and Procedures were developed governing building plan intake, processing and inspections; 2) building plan reviews and expedited plan reviews were processed in a timely manner; 3) inspections were provided timely and in a cost-effective manner; 4) staff overtime requirements were reasonable and approved; and to 4) determine if the Building, Planning and Inspections function was operating in a control conscious environment.

Based on the results of the audit, (4) four findings have been identified. The (4) four findings were considered significant in nature. These issues were communicated to City Management and the Economic Development Director for corrective action.

Police Department – Property Room Audit Report (Report dated September 10, 2015)

The Internal Audit Office conducted an audit of Police Department – Property Room. The objectives of the audit were to determine; 1) if the Property Room has effective internal controls over property and cash; 2) verify that the Property Room safeguards all assets under its control; 3) and to, determine if the Property Room maintains and completes the proper documentation to support the chain of custody of the property.

Based on the results of the audit, (4) four findings have been identified. The (4) four findings were considered significant in nature. These issues were communicated to City Management and the Police Chief for corrective action.

Department of Information Technology Services - Cell Phone Inventory Assessment Project

Due to an alleged theft of a City cellphone from Department of Information Technology Services (DoITS) inventory, the DoITS Director requested an assessment of the internal controls over the inventory of cellphones maintained by DoITS. The objectives of the assessment were to determine; 1) if internal Policies and Procedures are in place relating to cellphone inventory; 2) controls over inventory disbursement; 3) “sign-off” on work orders are documented; 4) security access; and 5) inventory disposal controls.

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Based on our assessment, we have identified 5 (five) issues and provided recommendations regarding the areas of Unaccounted Cellphones, Cellphone Data Not Erased, Physical Security of Cellphones, Lack of an Inventory Listing and Disposal of Cellphones. These recommendations were communicated to City Management and the Director of DoITS for corrective action.

Street Resurfacing Division – Concrete Work Assessment Report (Report dated October 28, 2015)

At the request of the City Manager, the Internal Audit Office conducted an assessment of the installation of concrete on Street Resurfacing Division Projects within District 2 in the City of El Paso. The objective of the assessment was to evaluate the concrete installation process being conducted as part of the Street Resurfacing 2015 Contract #2015-433. We also reviewed support documentation for the approved Application for Payment #4 totaling \$513,495.31.

Based on our assessment, we have identified 4 (four) issues and provided recommendations regarding the areas of operating procedures, design work, inspection documentation and CID Accounts Payable processes. These recommendations were communicated to the City Manager, CID Director and SAM Director for corrective action.

FY2014 – 2015 4th Quarter Fire Department Overtime Report Project (Memo dated October 20, 2015)

The Internal Audit Office monitored overtime expenditures for the Fire Department for Fiscal Year 2014-2015. The objective of this project was to identify the TOP 25 overtime earners for the 4th Quarter of Fiscal Year 2014-2015 ending August 31, 2015. The results of the Project were communicated to City Management and the Fire Chief.

FY2014 – 2015 4th Quarter Police Department Overtime Report Project (Memo dated October 20, 2015)

The Internal Audit Office monitored overtime expenditures for the Police Department for Fiscal Year 2014-2015. The objective of this project was to identify the TOP 25 overtime earners for the 4th Quarter of Fiscal Year 2014-2015 ending August 31, 2015. The results of the Project were communicated to City Management and the Chief of Police.

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Employee Hotline (As of November 30, 2015)

As of the 1st Quarter of the 2015-2016 Fiscal Year, the Ethicsline has received a total of 15 calls. As of November 30, 2015, 7 calls remain open and are pending investigation. The investigations are conducted 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

During the 1st Quarter, the Internal Audit Office conducted 19 Tax Office Refund reviews. For each of the 19 reviews, memos were issued to the Tax Assessor Collector, Chief Financial Officer, and City Manager for review.

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 of checks issued to Taxpayers.

Payday Loan Complaints Review Project

During the 1st Quarter, the Internal Audit Office reviewed 2 Payday Loan complaints from citizens. As of November 30, 2015 the 2 complaints remained open and were pending an opinion from the City Attorney's Office due to a title loan company not operating as a Credit Access Business. The reviews are conducted in collaboration between the Internal Audit Office, City Attorney's Office, and Planning & Inspections Department.

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RESTITUTION PAYMENTS RECEIVED

The City of El Paso has not received any restitution payments during the 1st Quarter of Fiscal Year 2016.

As a recap of the 24 Police Officers that were indicted for tampering with government records, the last trial for a Police Officer took place on September 9, 2015. A total of \$37,177.25 was received in restitution from the Officers ordered to pay restitution. This total does not include the \$10,033.79 received from Lt. Alfred Lowe.

PENDING AUDITS & PROJECTS

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

Economic Development – 380 Agreement Monitoring Audit

An audit is being conducted of the 380 Agreement Monitoring processes within Economic and International Development Department. The audit objectives are to determine; 1) if a sample of 380 Agreements are in compliance with the City of El Paso Chapter 380 Economic Development Program; 2) compliance with 380 Agreement payout terms and deliverables; 3) and compliance with Chapter 380 of the Texas Local Government Code. The audit will also determine if the 380 Incentive Program has been successful in meeting the terms of the 380 Agreements and in establishing permanent businesses within the City of El Paso.

Streets and Maintenance – Street Light Maintenance Audit

An audit is being conducted of the of the Street Light Maintenance processes within Streets and Maintenance Department. The audit objectives are to determine: 1) if there is proper oversight of the street lighting maintenance and operations; 2) determine if street light maintenance is being provided in a timely, cost-effective and efficient manner; 3) if there is an accurate inventory of City owned street lights; and to 4) determine if there are adequate internal controls for street light maintenance to limit exposure to unauthorized or inappropriate transactions. In addition, the City Manager requested a review of the pedestrian lights installed on Country Club Road.

Aviation Department – Standard Parking Audit

An audit is being conducted of the of the contract between the City of El Paso and Standard Parking Corporation for the management and operation of the short-term and long-term parking lots at the El Paso International Airport. The current contract expires on February 28, 2017. The audit objectives are to determine if Standard Parking Corporation is adhering to the contract terms and conditions.

Review of Solicitation No. 2015-896R Professional Municipal Advisory Services (Review requested by Mayor Leeser)

At the request of Mayor Leeser, the Internal Audit Office is compiling a timeline of events related to Solicitation No. 2015-896R – Professional Municipal Advisory Services.

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Animal Services Audit

An audit is being conducted of the of the Animal Services function within Environmental Services Department. The audit objectives are to determine; 1) if performance is monitored to ensure compliance of customer service standards; 2) determine what processes are in place to ensure most animals are adopted or transferred out of the shelter; and to 3) determine what efforts are being conducted to reduce the number of euthanized animals.

Museum of Art – Change in Management Audit

At the request of the MCAD Director, a Change in Management audit is being conducted to assess the current state of the Museum of Art (MoA) for when a new Art Director is hired. The audit objectives are to determine; 1) if MoA is safeguarding the museum's assets; 2) if MoA is following the City's Policies and Procedures for making purchases and paying invoices; 3) if MoA maintains an accurate inventory listing of art work and store merchandise exists; 4) if appropriate internal controls over revenue collection are in place; and 5) if MoA is in compliance with grant funding requirements.

El Paso Police Department Municipal Vehicle Storage Facility Follow-Up Audit

A Follow-Up Audit is being conducted on the original El Paso Police Department Municipal Vehicle Storage Facility Audit Report dated May 30, 2014. The original Audit Report contained (5) five findings. The objectives of the Follow-Up Audit are to determine if recommendations to the original five findings have been implemented.

Information Technology Cyber Security Assessment Audit

An audit is being conducted of the of the Cyber Security function within the Department of Information Technology Services. The audit objectives are to determine; 1) DoITS methods of identifying cyber security risks; 2) identify efforts to protect City networks and information; 3) identify efforts to mitigate risks associated with customer remote access and fund transfer requests; 4) if DoITS has mitigated risks associated with vendors and other third parties accessing City infrastructure; 5) DoITS' efforts to detect unauthorized activity; and 6) identify efforts to monitor and report unauthorized activity.

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P-card Elected Officials and City Manager's Staff

A review is being conducted of Procurement Card (Pcard) purchases performed by the Elected Officials and staff. Also purchases performed by the City Manager's Office are being reviewed. As of November 24, 2015, the City of El Paso Procurement Card (P-Card) Program has issued 449 active P-Cards to City Employees. The Elected Officials and staff have 18 and the City Manager's Office Staff has 17 active P-Cards issued to employees. During the audit scope, the Elected Officials and City Manager's Offices Staff conducted 1,976 P-Card purchases totaling \$263,351.10. The objectives of this review are to determine if the current Elected Officials and staff and City Manager's Staff P-Card Program Administrator is properly reviewing and monitoring the expenditures. In addition, to ascertain if proper purchasing procedures have been followed and if P-Card expenditures are proper.

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FINANCIAL AND AUDIT OVERSIGHT COMMITTEE (“FAOC”)

One FAOC meeting was conducted during the 1st Quarter of Fiscal Year 2015-2016. Below is a summary of the topics discussed by the Internal Audit Office during the meetings.

September 21, 2015

- Approval of Minutes for the Financial and Audit Oversight Committee meeting of April 22, 2015.
- Discussion on Audit Plan Updates.
- Discussion and Action on the City of El Paso Internal Audit Charter.
- Discussion and Action of the Fiscal Year 2016 Annual Internal Audit Plan.
- Discussion and Client Surveys.

MISCELLANEOUS ITEMS

This section provides the Financial and Audit Oversight Committee and the City Manager 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 result, and Internal Audit Profession news and updates.

Training Sessions

Institute of Internal Auditors – Webinar – “Cybersecurity: The Potential Impact of Pending Legislative and regulatory Action” on September 15, 2015

Miguel Ortega, Senior Auditor and Lyz Gonzalez, Auditor completed the Institute of Internal Auditors – Webinar – “Cybersecurity: The Potential Impact of Pending Legislative and regulatory Action” on September 15, 2015. Each staff member earned one hour of Continuing Professional Education Credit.

Institute of Internal Auditors – Webinar – “Data Analytics in the Public Sector: Best Practices and Lessons Learned” on September 17, 2015

Miguel Ortega, Senior Auditor and Rebecca Garcia, Senior Auditor completed the Institute of Internal Auditors – Webinar – “Data Analytics in the Public Sector: Best Practices and Lessons Learned” on September 17, 2015. Each staff member earned one hour of Continuing Professional Education Credit.

CFO – Webinar – “The CFO Playbook on Accounting: The Latest Financial Reporting Developments” on October 19, 2015

Miguel Ortega, Senior Auditor completed the CFO – Webinar – “The CFO Playbook on Accounting: The Latest Financial Reporting Developments” on October 19, 2015. Miguel earned one hour of Continuing Professional Education Credit.

Institute of Internal Auditors – Webinar – “Financial Statement Fraud” on October 20, 2015

Miguel Montiel, Audit Supervisor and Lyz Gonzalez, Auditor completed the Institute of Internal Auditors – Webinar – “Financial Statement Fraud” on October 20, 2015. Each staff member earned one hour of Continuing Professional Education Credit.

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Association of Certified Fraud Examiners (El Paso Chapter) – Training – “Is That the Truth? Detecting Deception within Interpersonal Communication” on October 21, 2015

Liz De La O, Lead Auditor completed the Association of Certified Fraud Examiners (El Paso Chapter) – Training – “Is That the Truth? Detecting Deception within Interpersonal Communication” on October 21, 2015. Liz earned 8 hours of Continuing Professional Education Credit.

CFO – Webinar – “What Senior Finance Executives Need to Know about the Latest Tax Developments” on October 28, 2015

Miguel Ortega, Senior Auditor completed the CFO – Webinar – “What Senior Finance Executives Need to Know about the Latest Tax Developments” on October 28, 2015. Miguel earned one hour of Continuing Professional Education Credit.

Association of Local Government Auditors – Webinar – “How to Audit Wireless Communication Devices: Can You Hear Me Now?” on November 10, 2015

Edmundo Calderon, Chief Internal Auditor; Miguel Montiel, Audit Supervisor; Liz De La O, Lead Auditor; Daryl Olson, Senior Auditor; Miguel Ortega, Senior Auditor; Rebecca Garcia, Senior Auditor; and Lyz Gonzalez, Auditor completed the Association of Local Government Auditors – Webinar – “How to Audit Wireless Communication Devices: Can You Hear Me Now?” on November 10, 2015. Each staff member earned one hour of Continuing Professional Education Credit.

Community Service

Evolve Federal Credit Union's Supervisory Committee

Edmundo Calderon participated in the Evolve Federal Credit Union's Supervisory Committee Meetings held September 16, 2015. Edmundo has been on the Supervisory Committee for 2 years and is contributing his knowledge and expertise in overseeing the internal auditing activity for Evolve Federal Credit Union.

City of San Jose – Office of the City Auditor – Peer Review Program – Association of Local Government Auditors

Liz De La O, Lead Auditor served as a Member of a Peer Review Team conducting a review of the City of San Jose Internal Audit Office the week of October 5-9, 2015.

Institute of Internal Auditors (Las Vegas Chapter) – Presentation – “Creating a Fraud Policy” on October 1, 2015

Edmundo Calderon, Chief Internal Auditor was a guest speaker at a presentation at the Las Vegas Chapter of the Institute of Internal Auditors on October 1, 2015. The topic presented was on “Creating a Fraud Policy”. Edmundo earned two hours of Continuing Professional Education Credit for being a presenter.

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AUDIT PLAN UPDATE

This section will provide the Financial and Audit Oversight Committee and the City Manager with an update on the progress of the 2015-2016 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's resources are being used.

	BUDGETED HOURS	YTD as of 11/30/15
First Quarter	-	-
Airport Revenue Audit - Standard Parking (CarryFwds)	500	123.75
Museum of Art - Change in Management Audit	500	104.50
Animal Services Audit	500	430.00
Capital Improvement Department Reimbursement Reviews	300	46.50
HOT Audits	75	39.00
Police & Fire Overtime Review	50	16.00
Fire Medicare Compliance Review	75	9.50
Tax Office Refund Review Project	75	128.50
P-Card Reviews	250	-
P-Card Elected Officials Project	-	21.50
Ethicsline	75	72.50
Contingency Hours	286	-
Audit Plan	-	216.00
Building, Planning & Inspections Audit	-	50.50
Consulting	-	130.00
DoITS Cellphone Inventory Project	-	77.50
Economic Development 380 Agreement Monitoring Audit	-	169.50
CIP Management Assessment Project	-	46.00
Follow-Up Audit - Environmental Services Purchasing	-	29.75
Financial Advisor Review Project	-	60.50
Payday Loan Review Project	-	4.50
Police Department - Property Room Audit	-	79.75
STEP Grant Project	-	0.50
Street Light Maintenance Audit	-	352.00
Street Resurfacing Div. - Concrete Work Assessment Project	-	237.50
Administrative Duties - Chief Internal Auditor	225.00	197.00
Administrative Duties - Audit Supervisor	90.00	107.50
Administrative Duties - Staff Auditor	475.00	384.50
Auditor Training	120.00	45.75
Vacation/Sick Leave/Holiday	572.00	987.75
Total	4,168.00	4,168.25
Second Quarter		
Chihuahua Baseball Team Contract Requirements Audit	500.00	-
Information Technology - Cyber Security Assessment Audit	500.00	45.50
Sun Metro - Operations Audit	500.00	-
Follow-Up Audit - Information Technology - POD Purchase Contract	250.00	-
Follow-Up Audit - IT Purchasing (CarryFwds)	250.00	-

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	BUDGETED HOURS	YTD as of 11/30/15
Second Quarter (continued)	-	-
HOT Audits	75.00	-
Police and Fire Overtime Review	50.00	-
Tax Office Refund Review Project	75.00	-
Ethicsline	75.00	-
Contingency Hours	411.00	-
Administrative Duties - Chief Internal Auditor	225.00	-
Administrative Duties – Audit Supervisor	90.00	-
Administrative Duties - Staff Auditor	475.00	-
Auditor Training	120.00	-
Vacation/Sick Leave/Holiday	588	-
Total	4,184.00	45.50
Third Quarter		
El Paso Employees' Pension Fund Project	500.00	-
EPPD - Operation Stonegarden Grant Audit	500.00	-
Follow-Up Audit - Airport A/P Review Audit	250.00	-
Follow-Up Audit - Purchasing and Strategic Sourcing Dept. Audit	250.00	-
Follow-Up Audit - EPPD Municipal Vehicle Storage Facility Contract	250.00	50.25
HOT Audits	75.00	-
Police and Fire Overtime Review	50.00	-
Fire Department Medicate Compliance Review	75.00	-
Tax Office Refund Review Project	75.00	-
El Paso City Employees' Pension Fund Confirmation Project	200.00	-
P-Card Reviews	250.00	-
Ethicsline	75.00	-
Contingency Hours	328.00	-
Administrative Duties - Chief Internal Auditor	225.00	-
Administrative Duties – Audit Supervisor	90.00	-
Administrative Duties - Staff Auditor	475.00	-
Auditor Training	120.00	-
Vacation/Sick Leave/Holiday	452.00	-
Total	4,240.00	50.25
Fourth Quarter		
SAM - City Facilities Maintenance Program Audit	500.00	-
ESD - Friedman Recycling Program Audit	500.00	-
Follow-Up Audit - Fire Department Auto Parts Purchases (CarryFwds)	250.00	-
Follow-Up Audit - Capital Improvement Budget Transfer	250.00	-
Follow-Up Audit - Community Development NSP Program Audit	250.00	-
Follow-Up Audit - Parking Meter Collections Internal Control Review	250.00	-
Peer Review - IAO Self-Assessment Project	250.00	-
HOT Audits	75.00	-
Police and Fire Overtime Review	50.00	-
Tax Office Refund Review Project	75.00	-

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	BUDGETED HOURS	YTD as of 11/30/15
Fourth Quarter (continued)	-	-
Ethicsline	75.00	-
Contingency Hours	353.00	-
Administrative Duties - Chief Internal Auditor	225.00	-
Administrative Duties – Audit Supervisor	90.00	-
Administrative Duties - Staff Auditor	475.00	-
Auditor Training	120.00	-
Vacation/Sick Leave/Holiday	452.00	-
Total	4,240.00	0.00
Totals for 1st, 2nd, 3rd & 4th Quarters	16,832.00	4,264.00

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CONCLUSION

The 1st Quarter of the 2015-2016 Audit Plan was another productive quarter for the Internal Audit Office. During the 1st Quarter a total of 9 audits/projects were completed by the staff and 9 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, Chief Performance Officer, Chief Financial Officer, and the Managing Directors. 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, CIA, CGAP, CRMA
Chief Internal Auditor
City of El Paso

Distribution:

Financial and Audit Oversight Committee
Tommy Gonzalez, City Manager