



2014-2015
Annual Audit Plan
2nd Quarter Update

Issued by the
Internal Audit Office
As of February 28, 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 Executive 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 Executive Management.

In addition by periodically reporting to the Financial and Audit Oversight Committee and Executive Management, 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 Executive Management 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 Executive Management a short synopsis of every audit and project completed during the 2nd Quarter of the 2014-2015 Annual Audit Plan.

Airport Accounts Payable Review Audit (Report dated November 26, 2014)

At the request of the Aviation Director, the Internal Audit Office conducted an audit of the Airport Accounts Payable Review process. The objectives of the audit were to:

1. Determine if the contractors are providing the deliverables in compliance with the service contract terms and conditions.
2. Determine if contractor invoices are being issued and received by the Airport in accordance with the terms of the service contract and the City of El Paso Accounts Payable Manual.
3. Determine if the Airport is making payments in accordance with the City of El Paso Accounts Payable Manual.
4. Determine if the Airport is monitoring the service contracts as needed to ensure proper payments.

Based on the results of the audit, (5) five findings have been identified. The (5) five findings were considered significant in nature. These issues were communicated to City Management and the Aviation Director for corrective action.

Procurement Card Review – Elected Officials and City Manager’s Staff (Memo dated December 15, 2014)

The Internal Audit Office conducted a review of Procurement Card (P-Card) purchases performed by the Elected Officials and staff and P-Card purchases performed by the City Manager’s Office. The current City of El Paso Procurement Card Program has issued 416 active P-Cards to City Employees as of October 20, 2014. The Elected Officials have 21 and the City Manager’s Office Staff have 13 active P-Cards issued to employees. During the audit scope, the Elected Officials and City Manager’s Office Staff conducted 1,214 P-Card purchases totaling \$122,515.22. The objectives of this review were to determine if the current Elected Officials and City Manager’s Staff P-Card Program Administrator was properly reviewing and monitoring the expenditures, to ascertain if proper purchasing procedures were followed, and if P-Card expenditures were proper.

Based on the results of the review, (2) two observations have been identified. The (2) two observations identified issues regarding non-compliance with the City of El Paso’s Food and Beverage Policy, Procurement Card Manual, and Travel Manual. These issues were communicated to City Management and the Chief Financial Officer for corrective action.

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City Wide Cash Count Project (Memo dated December 19, 2014)

At the request of the Chief Financial Officer, the Internal Audit Office conducted a verification of selected City department's change fund/petty cash funds. According to Financial Services records, as of April 30, 2014, there were 24 departments/programs that handle cash with a total of \$106,182.27 in change fund/petty cash allocated. The objectives of the project were to conduct surprise cash counts to identify current cash handling practices at various City of El Paso departments and/or programs that handle cash. In addition, the objectives were to ensure that their change fund/petty cash fund amounts coincide with Financial Services records.

Based on the results of the review, (3) three observations have been identified. The (3) three observations identified issues regarding cash balances not coinciding with Office of the Comptroller records, funds not accounted for/missing, and internal control deficiencies as to current cash handling practices. These issues were communicated to City Management, Chief Financial Officer, Quality of Life Managing Director, Parks and Recreation Department Director and the MCAD Interim Director for corrective action.

FY2014 – 2015 1st Quarter Fire Department Overtime Report Project (Memo dated January 13, 2015)

For Fiscal Year 2014-2015, the Internal Audit Office will be monitoring overtime expenditures for the Fire Department. The objective of this project is to identify the TOP 25 overtime earners for the 1st Quarter of Fiscal Year 2014-2015. The results of the Project were communicated to City Management and the Fire Chief.

FY2014 – 2015 1st Quarter Police Department Overtime Report Project (Memo dated January 13, 2015)

For Fiscal Year 2014-2015, the Internal Audit Office will be monitoring overtime expenditures for the Police Department. The objective of this project is to identify the TOP 25 overtime earners for the 1st Quarter of Fiscal Year 2014-2015. The results of the Project were communicated to City Management and the Chief of Police.

Sun Metro Lift Operations Data Follow-Up Audit (Report dated February 19, 2015)

The Internal Audit Office conducted a Follow-Up Audit on the Sun Metro Lift Operations Data Audit Report dated September 5, 2013. The original Audit Report contained (3) three findings.

Based on the results of this Follow-Up Audit, we have determined that the (3) three original findings have been fully *implemented*. The results of the Follow-Up Audit were communicated to City management and the Sun Metro Mass Transit Director.

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Employee Hotline (As of February 28, 2015)

As of the 2nd Quarter of the 2014-2015 Fiscal Year, the Ethicsline has received a total of 15 calls. As of February 28, 2015, 9 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 2nd Quarter, presentations were conducted twice a month at the New Employee Orientation Training provided by the Human Resources Department.

We are reintroducing the Hotline with a new ethics theme related to *integrity*. The Hotline's new theme name is *Integrity in Action*. In the upcoming months, we will be distributing new outreach materials that include posters and wallet-sized cards to City Departments and staff.

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 of checks issued to Taxpayers.

RESTITUTION PAYMENTS RECEIVED

The City of El Paso received three restitution checks totaling \$1,301.09 during the 2nd Quarter of Fiscal Year 2015.

STEP Grant Restitution

The City of El Paso received three restitution checks in the amounts of \$883.00, \$0.99, and \$417.10. The Internal Audit Office has been providing assistance to the El Paso County District Attorney's Office regarding cases against former El Paso Police Officers that have been indicted for alleged falsification of government records. The total amount of STEP Grant restitution payments collected is \$37,177.25 since June 2012.

VillaFam Contracting Services

The City of El Paso has not received a restitution payment resulting from the VillaFam case since September 2014. The balance of restitution payments due to the City of El Paso was \$653,870.40 as of September 2014. The Internal Audit Office has contacted the United States District Court (USDC) and they informed us that and the USDC has not received any payments since September 2014. The Internal Audit Office has contacted the City Attorney Office for assistance.

PENDING AUDITS & PROJECTS

This section will provide the Financial and Audit Oversight Committee and Executive Management 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.

Community Development – Neighborhood Stabilization Program

An audit is being conducted of the Community Development – Neighborhood Stabilization Program (NSP). The objectives of the audit are to determine if the NSP is adhering to the terms and conditions of NSP Grant NO B-08MN-48-0003 from the Department of Housing and Urban Development (HUD) and Contract No. 77090000112 from the Texas Department of Housing and Community Affairs (TDHCA).

Purchasing & Strategic Sourcing Department Audit

An audit is being conducted of the Purchasing & Strategic Sourcing Department. The audit objective is to determine if the Purchasing & Strategic Sourcing Department's operations are complying with City guidelines and consistent with "best practices" for procurement functions. The audit will also document areas where inefficiencies exist and where internal controls may be strengthened or improved.

Information Technology Telecommunications Billing Audit

An audit is being conducted of the telecommunications billing procedures of the Department of Information Technology (DoIT). The audit objective is to determine if DoIT has proper procedures in place to ensure telecommunication billing transactions are processed in a timely matter and in accordance with the City of El Paso Policies and Procedures as well with the Texas Prompt Payment Act. The audit will focus on the ensuring proper documentation exists for payments processed, internal controls to limit exposure to unauthorized/inappropriate payment transactions, billings, timeliness of payments, and monitoring of budgetary limits.

Building, Planning, and Inspections Audit

An audit is being conducted of the Building, Planning, and Inspections operations of the Planning and Inspections Department. The audit objectives are to determine whether the Planning and Inspections Department is operating in a control conscious environment. A control conscious environment is characterized by the activity's adequacy and effectiveness in improving risk management, controls and the governance processes.

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Credit Access Business Site Visit Project

The City of El Paso received its first citizen (borrower) complaint against two Credit Access Businesses for allegedly violating lending requirements under City Ordinance No. 17924. During the 2nd Quarter of Fiscal Year 2015, a review committee was formed comprising of the Internal Audit Office, City Development Department, City Attorney's Office, and 311 Call Center in order to respond to the complaint. The Internal Audit Office and Code Compliance subsequently conducted site visits in February 2015 to inspect the records of the two Credit Access Businesses identified by the complainant. The review was on-going during the 2nd Quarter of Fiscal Year 2015.

Financial Review for the City of El Paso – Agreed Upon Procedures Project (Special Audit requested by City Council)

The Internal Audit Office is assisting an external professional financial auditing firm in conducting the Financial Review for the City of El Paso – Agreed Upon Procedures under contract No. 2014-406R dated January 29, 2015. The objectives of the external audit are included as part of *Exhibit A*, *Exhibit B*, and *Exhibit B-1* of contact No. 2014-406R.

Garbage Truck Maintenance Follow-Up Audit

A Follow-Up Audit is being conducted on the original Garbage Truck Maintenance Review Audit Report dated June 28, 2103. The original Audit Report contained (3) three findings. The objectives of the Follow-Up Audit are to determine if the original three findings have been implemented.

Hotel Occupancy Tax Audit – Request For Quotes

The Internal Audit Office is working on a Request for Qualifications in order to hire a firm to conduct Hotel Occupancy Tax audits.

Internal Point of Service Surveys Assist

The Internal Audit Office has been assisting the Performance Office in coordinating meetings with City Departments in preparation for the Internal Point of Service Surveys.

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FINANCIAL AND AUDIT OVERSIGHT COMMITTEE (“FAOC”)

No FAOC meetings were conducted during the 2nd Quarter of Fiscal Year 2014-2015.

MISCELLANEOUS ITEMS

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

Training Sessions

American Institute of CPAs – Webinar – “Building a Fraud – Resistant Organization” on January 8, 2015

Liz De La O, Lead Auditor and Rebecca Garcia, Senior Auditor completed the American Institute of CPAs – Webinar - “Building a Fraud – Resistant Organization” on January 8, 2015. Each staff member earned one and a half of hours of Continuing Professional Education Credit.

Association of Local Government Auditors – Webinar – “IT Audit for non-IT Auditors” on January 13, 2015

Miguel Montiel, Audit Supervisor; Liz De La O, Lead Auditor; Daryl Olson, Senior Auditor; Miguel Ortega, Senior Auditor; Rebecca Garcia, Senior Auditor; Lyz Gonzalez, Auditor; and Linda Roa, Research & Management Assistant completed the Association of Local Government Auditors – Webinar – “IT Audit for non-IT Auditors” on January 13, 2015. Each staff member earned one hour of Continuing Professional Education Credit.

Association of Certified Fraud Examiners – Training – “Ethics for Professionals & Fraud in the City Seminar” on January 14, 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; Lyz Gonzalez, Auditor; and Linda Roa, Research & Management Assistant completed the Association of Certified Fraud Examiners – Training – “Ethics for Professionals & Fraud in the City Seminar” on January 14, 2015. Each staff member earned four hours of Continuing Professional Education Credit.

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Protiviti – Webinar – “The Death of the Tick Mark, Birth of the Rockstar Internal Auditor” on January 21, 2015

Rebecca Garcia, Senior Auditor completed the Protiviti – Webinar – “The Death of the Tick Mark, Birth of the Rockstar Internal Auditor” on January 21, 2015. Rebecca earned one hour of Continuing Professional Education Credit.

Institute of Internal Auditors – Training – Training – “Auditing Information Security” on January 22, 2015

Miguel Montiel, Audit Supervisor; Daryl Olson, Senior Auditor; and Lyz Gonzalez, Auditor completed the Institute of Internal Auditors – Training – “Auditing Information Security” on January 22, 2015. Each staff member earned eight hours of Continuing Professional Education Credit.

Institute of Internal Auditors – Certification – “Certified Government Auditing Professional” on January 31, 2015

Daryl Olson, Senior Auditor completed the Institute of Internal Auditors – Certification – “Certified Government Auditing Professional” on January 31, 2015. Daryl earned twenty hours of Continuing Professional Education Credits for Calendar Year 2015 and twenty hours for 2016.

Protiviti – Webinar – “Setting the 2015 Audit Committee” on February 10, 2015

Liz De La O, Lead Auditor and Lyz Gonzalez, Auditor completed the Protiviti – Webinar – “Setting the 2015 Audit Committee” on February 10, 2015. Each staff member earned one hour of Continuing Professional Education Credit.

Association of Local Government Auditors – Webinar – “The Supercircular: The Changes Coming in Federal Grant Rules” on February 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; Lyz Gonzalez, Auditor; and Linda Roa, Research & Management Assistant completed the Association of Local Government Auditors – Webinar – “The Supercircular: The Changes Coming in Federal Grant Rules” on February 10, 2015. Each staff member earned one hour of Continuing Professional Education Credit.

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Institute of Internal Auditor – Webinar – “Audit Committee Reporting: Trends and Best Practices” on February 17, 2015

Edmundo Calderon, Chief Internal Auditor and Liz De La O, Lead Auditor completed the Institute of Internal Auditors – Webinar – “Audit Committee Reporting: Trends and Best Practices” on February 17, 2015. Each staff member earned one hour of Continuing Professional Education Credit.

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Community Service

There is no Community Service to report during the 2nd Quarter of Fiscal Year 2015.

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AUDIT PLAN UPDATE

This section will provide the Financial and Audit Oversight Committee and Executive Management with an update on the progress of the 2014-2015 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 02/28/15
First Quarter	-	-
Purchasing Department Audit	300.00	581.00
Community Development – Neighborhood Stabilization Program	300.00	628.00
Airport Revenue Audit – Accounts Payable Audit	300.00	424.75
Information Technology – Telecommunications Billing Audit	500.00	395.75
Follow-Up Audit – Federal Janitorial	250.00	180.00
Police and Fire Overtime Review	75.00	48.25
Fire Department Medicare Compliance Review	75.00	39.25
Tax Office Refund Review Project	75.00	112.00
P-Card Reviews	250.00	-
P-Card Elected Officials Project	-	179.25
Ethicsline	75.00	164.75
Contingency Hours	478.50	-
Audit Plan	-	275.50
CIP Audit	-	124.50
City Wide Cash Count Project	-	69.25
Consulting	-	194.25
EPDOT Travel Review Project	-	8.25
F/U Economic Development RLF	-	76.50
2 nd F/U HR Payroll Audit	-	39.25
HOT Hilton Garden Inn Audit	-	0.75
Pension A/P Project	-	3.25
STEP Grant Project	-	1.00
Administrative Duties - Chief Internal Auditor	225.00	207.00
Administrative Duties – Audit Supervisor	90.00	177.25
Administrative Duties - Staff Auditor	475.00	639.25
Auditor Training	120.00	113.50
Vacation/Sick Leave/Holiday	571.50	563.00
Total	4,160.00	5,245.50
Second Quarter		
Economic Development – 380 Agreement Monitoring Audit	500.00	34.25
City Development – Building, Planning and Inspections Audit	500.00	189.50
Police Department – Property Room Audit	500.00	-
Follow-Up Audit – Garbage Truck Maintenance	250.00	106.50
Follow-Up Audit – Life Operations	250.00	-

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	BUDGETED HOURS	YTD as of 02/28/15
Second Quarter (continued)	-	-
Police and Fire Overtime Review	75.00	21.00
Tax Office Refund Review Project	75.00	138.00
Ethicsline	75.00	50.25
Contingency Hours	453.50	-
Airport General	-	0.75
Audit Plan	-	253.50
Consulting	-	142.00
F/U Sun Metro	-	149.50
OT Reports Project (all departments)	-	26.50
Payday Loan Review Project	-	104.50
Six Sigma Assist Project	-	43.00
STEP Grant Project	-	0.75
Administrative Duties - Chief Internal Auditor	225.00	168.00
Administrative Duties – Audit Supervisor	90.00	114.00
Administrative Duties - Staff Auditor	475.00	601.25
Auditor Training	120.00	176.00
Vacation/Sick Leave/Holiday	571.50	822.25
Total	4,160.00	3,141.50
Third Quarter		
Street Light Maintenance Audit	500.00	-
Airport Revenue Audit	500.00	-
Information Technology – Cyber Security Assessment Review	300.00	-
Follow-Up Audit – Environmental Services Purchasing Audit	250.00	-
Follow-Up Audit – IT Purchasing	250.00	-
Police and Fire Overtime Review	75.00	-
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	256.5	-
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	443.50	-
Total	4,160.00	-

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	BUDGETED HOURS	YTD as of 02/28/15
Fourth Quarter		
Community Development – CDBG Account Balances	500.00	-
Hotel Occupancy Audit	500.00	38.00
Sun Metro Operations Audit	500.00	-
Parking Meter Collections internal Control Review	300.00	-
Follow-up Audit – Fire Department Auto Parts Purchases	250.00	-
Follow-up Audit – Kids Excel El Paso Contract	250.00	-
Police and Fire Overtime Review	75.00	-
Tax Office Refund Review Project	75.00	-
Ethicsline	75.00	-
Contingency Hours	281.50	-
Administrative Duties - Chief Internal Auditor	225.00	-
Administrative Duties – Audit Supervisor	90.00	-
Administrative Duties - Staff Auditor	475.00	-
Fourth Quarter (continued)	-	-
Auditor Training	120.00	-
Vacation/Sick Leave/Holiday	507.50	-
Total	4,224.00	38.00
Totals for 1st, 2nd, 3rd & 4th Quarters	16,704.00	8,425.00

CONCLUSION

The 2nd Quarter of the 2014-2015 Audit Plan was another productive quarter for the Internal Audit Office. During the 2nd Quarter a total of 8 audits/projects were completed by the staff and 7 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 2nd 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, CIA, CGAP, CRMA
Chief Internal Auditor
City of El Paso

Distribution:

Financial and Audit Oversight Committee
Tommy Gonzalez, City Manager