



2015-2016
Annual Audit Plan
2nd Quarter Update

Issued by the
Internal Audit Office
As of February 29, 2016

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 2nd Quarter of the 2015-2016 Annual Audit Plan.

Streets and Maintenance Department – Street Light Maintenance Audit Report (Report dated November 10, 2015)

The Internal Audit Office conducted an audit of the Streets and Maintenance Department – Street Light Maintenance program. The objectives of the audit were to determine; 1) if there was proper oversight of the street lighting maintenance and operation; 2) if Street light maintenance was provided in a timely and cost – effective and efficient manner; 3) if there was an accurate inventory of City owned street lights, and 4) if there were adequate internal controls for street light maintenance to limit exposure to unauthorized or inappropriate transactions

Based on the results of the audit, (6) six findings have been identified. The (6) six findings were considered significant in nature. These issues were communicated to City Management and the Director Streets and Maintenance Department.

Economic Development – 380 Agreement Monitoring Audit Report (Report dated November 13, 2015)

The Internal Audit Office conducted an audit of the Economic Development – 380 Agreement monitoring. The objectives of the audit were to;

- Determine if the practices used by Economic & International Development to monitor 380 Agreements are in compliance with:
 - the City of El Paso Chapter 380 Economic Development Program,
 - 380 Agreement payout terms and deliverables,
 - Chapter 380 of the Texas Local Government Code (“Chapter 380”) and the Texas Constitution Article VIII Section 52-a.
- Determine if the 380 Incentive Program has been successful in meeting the terms of the 380 Agreements and in establishing a permanent business in the City of El Paso.

Based on the results of the audit, (6) six findings have been identified. The (6) six findings were considered significant in nature. These issues were communicated to City Management and the Director of Economic & International Development Department.

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Review of Solicitation No. 2015-896R Professional Municipal Advisory Services (Review requested by Mayor Leeser – Memo dated December 9, 2015)

At the request of Mayor Leeser, the Internal Audit Office conducted a chronological listing of the events regarding Solicitation No. 2015-896R. The chronological listing of events was communicated to Mayor Leeser and City Council.

Animal Services Audit Report (Report dated December 22, 2015)

The Internal Audit Office conducted an audit of the Animal Services Division. The objectives of the audit were to; 1) monitor performance to ensure compliance with customer services standards; 2) determine what processes were in place to ensure most animals are adopted or transferred out of the shelter; and to 3) reduce the number of euthanized animals.

Based on the results of the audit, (6) six findings have been identified. The (6) six findings were considered significant in nature. These issues were communicated to City Management, Environmental Services Director and the Interim Animal Shelter Director.

El Paso Police Department Municipal Vehicle Storage Facility Follow-Up Audit Report (Report dated February 15, 2016)

The Internal Audit Office conducted a Follow-Up Audit on the Police Department Municipal Vehicle Storage Facility Audit” dated May 30, 2014. The original Audit Report contained (5) five findings.

Based on the results of this Follow-Up Audit, we have determined that (4) four of (5) five original findings are now categorized as having the recommendations “*implemented*” and (1) one original finding was categorized as having the recommendations “in-progress” of being implemented. The results of the Follow-Up Audit were communicated to City Management and the Chief of Police.

Employee Hotline (As of February 29, 2016)

As of the 2nd Quarter of the 2015-2016 Fiscal Year, the Ethicsline has received a total of 17 calls. As of February 29, 2016, 13 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.

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Tax Office Refund Review Project

During the 2nd Quarter, the Internal Audit Office conducted 17 Tax Office Refund reviews. For each of the 17 reviews, memos were issued to the Tax Assessor Collector, Chief Financial Officer, and City Manager documenting our review.

This project continues on a recurring basis of conducting 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.

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.

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.

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.

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.

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

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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.

Purchasing & Strategic Sourcing Department Follow-Up Audit

A Follow-Up Audit is being conducted on the original Purchasing & Strategic Sourcing Department Audit Report dated February 12, 2015. The original Audit Report contained (2) two findings. The objectives of the Follow-Up Audit are to determine if the original two findings have been implemented.

Fire Department Auto Part Purchases Follow-Up Audit

A Follow-Up Audit is being conducted on the original Fire Department Auto Part Purchases Audit Report dated November 27, 2013. The original Audit Report contained (4) four findings. The objectives of the Follow-Up Audit are to determine if the original four findings have been implemented.

Community Development Neighborhood Stabilization Program Follow-Up Audit

A Follow-Up Audit is being conducted on the original Community Development Neighborhood Stabilization Program Audit Report dated February 26, 2015. 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.

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FINANCIAL AND AUDIT OVERSIGHT COMMITTEE (“FAOC”)

The FAOC met on March 23, 2016 to discuss the 1st Quarter Update of Fiscal Year 2015-2016.

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

MetricStream – Webinar – “Key Factors in Strengthening Internal Audit Performance” on December 3, 2015

Rebecca Garcia, Senior Auditor completed the MetricStream – Webinar – “Key Factors in Strengthening Internal Audit Performance” on December 3, 2015. Rebecca earned one hour of Continuing Professional Education Credit.

Association of Certified Fraud Examiners (El Paso Chapter) – Training – “Criminal White Collar Investigations” on December 10, 2015

Edmundo Calderon, Chief Internal Auditor; Miguel Montiel, Audit Supervisor; Liz De La O, Lead Auditor; Daryl Olson, Lead Auditor; Miguel Ortega, Senior Auditor; Rebecca Garcia, Senior Auditor; and Lyz Gonzalez, Auditor completed the Association of Certified Fraud Examiners (El Paso Chapter) – Training – “Criminal White Collar Investigations” on December 10, 2015. Each staff member earned one hour of Continuing Professional Education Credit.

Institute of Internal Auditors – Webinar – “2016 Emerging Risks” on January 7, 2016

Liz De La O, Lead Auditor completed the Institute of Internal Auditors – Webinar – “2016 Emerging Risks” on January 7, 2016. Liz earned two hours of Continuing Professional Education Credit.

Institute of Internal Auditors (El Paso Chapter) – Training – “The Evolving Cyber Security Landscape” on January 14, 2016

Edmundo Calderon, Chief Internal Auditor; Liz De La O, Lead Auditor; Daryl Olson, Lead Auditor; Miguel Ortega, Senior Auditor; Rebecca Garcia, Senior Auditor; Lyz Gonzalez, Auditor; and Linda Roa, Research & Management Assistant completed the Institute of Internal Auditors (El Paso Chapter) – Training – “The Evolving Cyber Security Landscape” on January 14, 2016. Each staff member earned four hours of Continuing Professional Education Credit.

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CFO – Webinar – “Five Key Risks of Delaying a Move to the Cloud: What every CFO needs to Know for 2016” on January 19, 2016

Liz De La O, Lead Auditor completed the CFO – Webinar – “Five Key Risks of Delaying a Move to the Cloud: What every CFO needs to Know for 2016” on January 19, 2016. Liz earned one hour of Continuing Professional Education Credit.

Association of Government Accountants – Webinar – “2016 Virtual Federal Financial Systems Summit” on January 19, 2016

Miguel Montiel, Audit Supervisor completed the Association of Government Accountants – Webinar – “2016 Virtual Federal Financial Systems Summit” on January 19, 2016. Each staff member earned three and one-half hours of Continuing Professional Education Credit.

Institute of Internal Auditors – Webinar – “2016 Industry Outlook” on January 20, 2016

Liz De La O, Lead Auditor; Rebecca Garcia, Senior Auditor; and Lyz Gonzalez, Auditor completed the Institute of Internal Auditors – Webinar – “2016 Industry Outlook” on January 20, 2016. Each staff member earned one hour of Continuing Professional Education Credit.

Protiviti – Webinar – “Taking the Best Route to Managing Fraud and Corruption Risk” on January 27, 2016

Miguel Montiel, Audit Supervisor; Liz De La O, Lead Auditor; Miguel Ortega, Senior Auditor; Rebecca Garcia, Senior Auditor; and Lyz Gonzalez, Auditor completed the Protiviti – Webinar – “Taking the Best Route to Managing Fraud and Corruption Risk” on January 27, 2016. Each staff member earned one and one-half hours of Continuing Professional Education Credit.

Cash Recovery Partners – Webinar – “Turning Analytics From Nice to Have to Must Have” on February 10, 2016

Liz De La O, Lead Auditor and Lyz Gonzalez, Auditor completed the Cash Recovery Partners – Webinar – “Turning Analytics From Nice to Have to Must Have” on February 10, 2016. Each staff member earned two hours of Continuing Professional Education Credit.

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Institute of Internal Auditors – Webinar – “Getting to Know the Proposed Changes to the Standards” on February 11, 2016

Liz De La O, Lead Auditor completed the Institute of Internal Auditors – Webinar – “Getting to Know the Proposed Changes to the Standards” on February 11, 2016. Liz earned one hour of Continuing Professional Education Credit.

Institute of Internal Auditors – Webinar – “Filling the Void: Addressing Today’s Skills Gaps in Internal Audit” on February 16, 2016

Miguel Montiel, Audit Supervisor; Liz De La O, Lead Auditor; Miguel Ortega, Senior Auditor; Rebecca Garcia, Senior Auditor; Lyz Gonzalez, Auditor; and Linda Roa, Research & Management Assistant completed the Institute of Internal Auditors – Webinar – “Filling the Void: Addressing Today’s Skills Gaps in Internal Audit” on February 16, 2016. Each staff member earned one hour of Continuing Professional Education Credit.

Community Service

Institute of Internal Auditors (El Paso Chapter) – Director’s Roundtable – February 10, 2015

Edmundo Calderon, Chief Internal Auditor and Miguel Montiel, Audit Supervisor attended The Institute of Internal Auditors El Paso Chapter Director’s Roundtable meeting. Auditor training needs were discussed with other El Paso area Internal Audit Directors.

Association of Local Government Auditors – Conference Committee – Austin (May 23-26)

Edmundo Calderon, Chief Internal Auditor is assisting with planning and facilitating the Association of Local Government Auditors Annual Conference in Austin, TX to be held May 23-26, 2016. Edmundo participated in conference calls with the conference organizing committee on December 3, January 27 and February 4.

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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 02/29/2016
First Quarter	-	-
Airport Revenue Audit - Standard Parking (CarryFwds)	500	344.24
Museum of Art - Change in Management Audit	500	157.00
Animal Services Audit	500	566.00
Capital Improvement Department Reimbursement Reviews	300	72.50
HOT Audits	75	39.00
Police & Fire Overtime Review	50	16.00
Fire Medicare Compliance Review	75	43.25
Tax Office Refund Review Project	75	128.50
P-Card Reviews	250	-
P-Card Elected Officials Project	-	234.25
Ethicsline	75	72.50
Contingency Hours	286	-
Audit Plan	-	216.00
Building, Planning & Inspections Audit	-	62.50
Consulting	-	130.00
DoITS Cellphone Inventory Project	-	77.50
Economic Development 380 Agreement Monitoring Audit	-	232.50
CIP Management Assessment Project	-	46.00
Follow-Up Audit - Environmental Services Purchasing	-	29.75
Financial Advisor Review Project	-	379.00
Payday Loan Review Project	-	4.50
Police Department - Property Room Audit	-	119.00
STEP Grant Project	-	7.50
Street Light Maintenance Audit	-	435.75
Street Resurfacing Div. - Concrete Work Assessment Project	-	263.25
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	5,399.00
Second Quarter		
Chihuahua Baseball Team Contract Requirements Audit	500.00	-
Information Technology - Cyber Security Assessment Audit	500.00	246.00
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 02/29/2016
Second Quarter (continued)	-	-
HOT Audits	75.00	39.50
Police and Fire Overtime Review	50.00	2.00
Tax Office Refund Review Project	75.00	129.25
Ethicsline	75.00	52.50
Contingency Hours	411.00	-
Audit Plan	-	161.25
Consulting	-	48.00
Payday Loan Review Project	-	2.50
Administrative Duties - Chief Internal Auditor	225.00	188.50
Administrative Duties – Audit Supervisor	90.00	103.00
Administrative Duties - Staff Auditor	475.00	710.75
Auditor Training	120.00	144.25
Vacation/Sick Leave/Holiday	588	790.50
Total	4,184.00	2,618.00
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	79.25
Follow-Up Audit - EPPD Municipal Vehicle Storage Facility Contract	250.00	256.00
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	335.25
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	62.50
Follow-Up Audit - Capital Improvement Budget Transfer	250.00	-
Follow-Up Audit - Community Development NSP Program Audit	250.00	39.00
Follow-Up Audit - Parking Meter Collections Internal Control Review	250.00	-
Peer Review - IAO Self-Assessment Project	250.00	
HOT Audits	75.00	

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	BUDGETED HOURS	YTD as of 02/29/2016
Fourth Quarter (continued)	-	-
Police and Fire Overtime Review	50.00	-
Tax Office Refund Review Project	75.00	-
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	101.50
Totals for 1st, 2nd, 3rd & 4th Quarters	16,832.00	8,453.75

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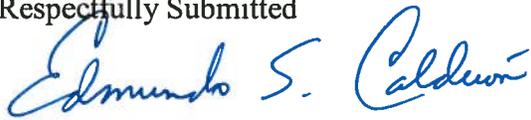
CONCLUSION

The 2nd Quarter of the 2015-2016 Audit Plan was another productive quarter for the Internal Audit Office. During the 2nd Quarter a total of 7 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, 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