



2013-2014
Annual Audit Plan
3rd Quarter Update

Issued by the
Internal Audit Office
As of May 31, 2014

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.

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 these requirements, 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 3rd Quarter of the 2013-2014 Annual Audit Plan.

Friedman Recycling Contract Follow-Up Audit (Report dated March 17, 2014)

The Internal Audit Office conducted a Follow-Up Audit on the Friedman Recycling Contract Audit Report dated August 31, 2011. The original Audit Report contained (5) five findings.

Based on the results of this Follow-Up Audit, we have determined that the (5) five original findings have been fully *implemented*. The results of the Follow-Up Audit were communicated to City Management and the Environmental Services Department Director.

Tax Office ACT System Follow-Up Audit (Report dated April 7, 2014)

The Internal Audit Office conducted a Follow-Up Audit on the Tax Office ACT System Audit Report dated March 30, 2012. The original Audit Report contained (9) nine significant findings.

Based on the results of this Follow-Up Audit, we have determined that the (9) nine original findings have been fully *implemented*. The results of the Follow-Up Audit were communicated to City Management and the Tax Assessor/Collector.

Airport Warehouse Review (Memo dated May 8, 2014)

At the request of the Aviation Director, a review was conducted of the internal controls at the Airport's Facility Maintenance Warehouse. The objectives of the review were to evaluate the Airport's Warehouse internal Policies and Procedures, inventory disbursement, security access, and safeguarding of materials.

Based on the results of this review, (5) five observations were identified. The five observations were regarding current Policies, Procedures, and internal controls. These issues were communicated to City Management and the Aviation Director for corrective action.

Engineering & Construction Management Fees Follow-Up Audit (Report May 28, 2014)

The Internal Audit Office conducted a Follow-Up Audit on the Engineering & Construction Management Fees Audit Report dated February 20, 2012. The original Audit Report contained (4) four findings.

Based on the results of this Follow-Up Audit, we have determined that the (4) four original findings have been fully *implemented*. The results of the Follow-Up Audit were communicated to City Management and the City Development Director.

Employee Hotline (As of May 31, 2014)

As of the 3rd Quarter of the 2013-2014 Fiscal Year, the Ethicsline has received a total of 13 calls. As of May 31, 2014, 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 3rd 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 of checks issued to Taxpayers.

RESTITUTION PAYMENTS RECEIVED

General Services Department – Billing System Review Audit

In cooperation with the U.S. Attorney's Office and the FBI, the Internal Audit Office assisted in the collection of data and supporting documentation used in the successful prosecution of two former City of El Paso employees and a vendor to the City. All 3 defendants pleaded guilty to the charges brought up by the US Attorney's Office and were ordered by a Federal Judge to receive jail time and to pay restitution to the City of El Paso.

The City of El Paso received two restitution checks totaling \$223,413.80. In addition to the restitution, the following jail sentences were ordered by the Federal Judge:

1. Former General Services Employee sentenced to 30 months in Federal Prison
2. Former Environmental Services Employee sentenced to 18 months in Federal Prison
3. Owner of the company (Vendor) sentenced to 18 months in Federal Prison

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 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.

The City of El Paso has received a total of \$707.05 in restitution payments during the 3rd Quarter of the Fiscal Year. The total amount of STEP Grant restitution payments collected is \$32,876.16 since June 2012.

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.

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. The Elected Officials and staff have been issued 22 Pcards and the City Manager's Office Staff have 15 Pcards issued to employees. The objectives of this review are to determine if the current Elected Officials 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 Pcard expenditures are proper.

Capital Improvement Program – Budget Transfers Audit

An audit is being conducted of the Engineering and Construction Management's Capital Improvement Program (CIP) – Budget Transfers. The objectives of the audit are to:

- 1) Identify if CIP projects were completed under budget, at budget, or over budget.
- 2) For projects over budget, determine where the extra budget funds came from.
- 3) For projects under budget, determine where the excess budget funds were transferred to.
- 4) Determine if budget transfers were processed per proper protocols.
- 5) Determine the reason or cause for the budget transfers, change orders, etc.
- 6) Determine how bond sales affect the CIP.

Police Department Municipal Vehicle Storage Facility Contract Audit

An audit is being conducted of the contract between the City of El Paso and Rob Robertson Enterprises Inc. for the operation and maintenance of the Police Department Municipal Vehicle Storage Facility located at 11615 Railroad Drive. The objectives of the audit are to determine whether the El Paso Police Department and Rob Robertson Enterprises are adhering to the terms and conditions of Solicitation No. 2011-310R.

P-Card Review - Museums and Cultural Affairs Department

A review is being conducted of Procurement Card (Pcard) purchases performed by the Museums and Cultural Affairs Department (MCAD) staff. MCAD Staff have 32 Pcards issued to employees. The objectives of this review are to determine if the MCAD 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 Pcard expenditures are proper.

City Development Travel Review

At the request of the City Manager, a review is being conducted of travel performed by City Development Department employees. The objective of the review is to determine if the City's Travel Policies and Procedures and Procurement Card Procedures are being followed by management and staff of the City Development Department.

Airport Accounts Payable Audit

At the request of the Aviation Director, an audit is being conducted of the Airport's Service Contracts. The objectives of the audit are to determine if the Airport is receiving the deliverables as described in the service contracts. The audit will focus on the contract deliverables, contract billings, payments and contract monitoring.

City Wide Cash Count Project

At the request of the Chief Financial Officer, a verification of selected City department's change fund/petty cash funds is being conducted. According to Financial Services records, as of April 30, 2014, there are 24 departments/programs that handle cash with a total of \$106,182.27 in change fund/petty cash allocated. The objectives of the project are 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 to ensure that their change fund/petty cash fund amounts coincide with Financial Services records.

Human Resources Payroll 2nd Follow-Up Audit

A Second Follow-Up Audit is being conducted on the original Human Resources Payroll Audit Report dated February 23, 2011. The original Audit Report contained (5) five significant findings.

The results of the First Follow-Up Audit – Human Resources Payroll Audit Report dated April 8, 2013 determined that none of the 5 original findings had been fully implemented and were categorized as *In Progress*.

El Paso Fire Department Ambulance Compliance Program

The Chief Internal Auditor was designated Compliance Officer for the Fire Department Medicare Billing Process. As part of the new Compliance Program, the Internal Audit Office has been tasked to establish a Medicare Billing Compliance Program. This will be a continuous project for the monitoring of Medicare billing by the El Paso Fire Department.

During the 3rd Quarter, the following actions have occurred:

- A Compliance Committee meeting was held on May 28, 2014.
- The services agreement between the City of El Paso and Fitch and Associates was finalized.
- The 1st quarterly review of 50 incidents has been initiated.

International Bridges – Internal Controls Follow-Up Audit

A Follow-Up Audit is being conducted on the original International Bridges – Internal Controls Audit Report dated August 23, 2012. The original Audit Report contained (6) six findings. The objectives of the Follow-Up Audit are to determine if the original six findings have been implemented.

Pension Fund – Accounts Payable Review

At the request of the Pension Administrator, a review is being conducted of the Pension Fund expenditures. The objectives of the project are to determine if expenditures contain proper support documentation and approvals for payment. In addition to evaluate whether internal controls are adequate and operating appropriately.

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FINANCIAL AND AUDIT OVERSIGHT COMMITTEE (“FAOC”)

One FAOC meeting was conducted during the 3rd Quarter of Fiscal Year 2013-2014. Below is a summary of the topics discussed by the Internal Audit Office during the meeting.

April 28, 2014

- Approval of Minutes for the Financial and Audit Oversight Committee meeting of February 24, 2014.
- Audit Plan 2nd Quarter Update given by Edmundo Calderon, Chief Internal Auditor.
- Discussion on Client Surveys to be emailed out after the completion of each audit.

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

Association of Local Government Auditors – Webinar – “Best Practices for Navigating the Intersection of Audit and Investigation” on March 4, 2014

Edmundo Calderon, Chief Internal Auditor; Miguel Montiel, Audit Supervisor; and Liz De La O, Lead Auditor; Daryl Olson, Senior Auditor; Miguel Ortega, Auditor; Rebecca Garcia, Auditor; Lyz Gonzalez, Auditor; and Linda Roa, Research & Management Assistant, completed the Association of Local Government Auditors – Webinar – “Best Practices for Navigating the Intersection of Audit and Investigation” on March 4, 2014. Each staff member earned one hour of Continuing Professional Education Credit.

YellowBook-CPE – Self-Study – “Yellow Book Interpreted” on March 26, 2014

Liz De La O, Lead Auditor completed the YellowBook-CPE – Self-Study – “Yellow Book Interpreted” on March 26, 2014. Liz earned 17 hours of Continuing Professional Education Credit.

Institute of Internal Auditors – Training – “Spring Seminar” on March 27, 2014

Lyz Gonzalez, Auditor and Linda Roa, Research & Management Assistant completed the Institute of Internal Auditors – Training – “Spring Seminar” on March 27, 2014. Linda and Lyz earned 8 hours of Continuing Professional Education Credit.

Institute of Internal Auditors – Webinar – “CGAP 4-Part Review Sessions 1-4” on April 1, 3, 8, 10, 2014

Daryl Olson, Senior Auditor and Lyz Gonzalez, Auditor, completed the Institute of Internal Auditors – Webinar – “CGAP 4-Part Review Sessions 1-4” on April 1, 3, 8, 10, 2014. Each staff member earned 10 hours of Continuing Professional Education Credit.

Attorney General of Texas – Webinar – “Open Meetings Act” on April 2, 2014

Liz De La O, Lead Auditor and Rebecca Garcia, Auditor completed the Attorney General of Texas – Webinar – “Open Meetings Act” on April 2, 2014. No Continuing Professional Education Credit hours were offered.

Attorney General of Texas – Webinar – “Public Information Act” on April 3, 2014

Liz De La O, Lead Auditor and Rebecca Garcia, Auditor completed the Attorney General of Texas – Webinar – “Public Information Act” on April 3, 2014. No Continuing Professional Education Credit hours were offered.

City of El Paso Human Resources Department – Training – “Basic Supervisor’s Course” on April 15-24, 2014

Miguel Montiel, Audit Supervisor and Liz De La O, Lead Auditor completed the City of El Paso Human Resources Department – Training – “Basic Supervisor’s Course” on April 15-24, 2014. No Continuing Professional Education Credit hours were offered.

Institute of Internal Auditors – Training – “Swinging for the Fences: Making a Difference” on April 16, 2014

Edmundo Calderon, Chief Internal Auditor; Miguel Ortega, Auditor; Lyz Gonzalez, Auditor; and Linda Roa, Research & Management Assistant completed the Institute of Internal Auditors – Training – “Swinging for the Fences: Making a Difference” on April 16, 2014. Each staff member earned one hour of Continuing Professional Education Credit.

Institute of Internal Auditors – Conference – “2014 Leadership Academy” on April 27-29, 2014

Lyz Gonzalez, Auditor completed the Institute of Internal Auditors – Conference – “2014 Leadership Academy” on April 27-29, 2014. Lyz earned 16.5 hours of Continuing Professional Education Credit.

Association of Local Government Auditors – Conference – “2014 ALGA Annual Conference” on May 5-6, 2014

Edmundo Calderon, Chief Internal Auditor attended the Association of Local Government Auditors – Conference – “2014 ALGA Annual Conference” on May 5-6, 2014. Edmundo earned 15 hours of Continuing Professional Education Credit.

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Institute of Internal Auditors – Webinar – “Cyber Defense in the Public Sector” on May 15, 2014

Edmundo Calderon, Chief Internal Auditor; Miguel Montiel, Audit Supervisor; Liz De La O, Lead Auditor; Daryl Olson, Senior Auditor; Miguel Ortega, Auditor; Rebecca Garcia, Auditor; and Lyz Gonzalez, Auditor completed the Institute of Internal Auditors – Webinar – “Cyber Defense in the Public Sector” on May 15, 2014. Each staff member earned four hours of Continuing Professional Education Credit.

Institute of Internal Auditors – Webinar – “SOX, Supreme Court & Whistleblowing: Compliance & Internal Audit Implications” on May 20, 2014

Lyz Gonzalez, Auditor completed the Institute of Internal Auditors – Webinar – “SOX, Supreme Court & Whistleblowing: Compliance & Internal Audit Implications” on May 20, 2014. Lyz earned one hour of Continuing Professional Education Credit.

Association of Government Accountants – Training – “Understanding Economic Trends – Developing Future leaders in Government” on May 21- 22, 2014

Miguel Montiel, Audit Supervisor; Miguel Ortega, Auditor; Rebecca Garcia, Auditor; Lyz Gonzalez, Auditor; and Linda Roa, Research & Management Assistant completed the Association of Government Accountants – Training – “Understanding Economic Trends – Developing Future leaders in Government” on May 21- 22, 2014. Each staff member earned 16 hours of Continuing Professional Education Credit.

Fraud Hotline Conference Series – Webinar – “The Importance of Hotlines and Publicizing Their Results” on May 29, 2014

Liz De La O, Lead Auditor completed the Fraud Hotline Conference Series – Webinar – “The Importance of Hotlines and Publicizing Their Results” on May 29, 2014. No Continuing Professional Education Credit hours were offered.

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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 2013-2014 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 11/30/13
First Quarter	-	-
MCAD – Kids Excel Contract	200.00	160.25
Airport Revenue Audit – Paradise Shops	200.00	455.50
Information Technology – POD Purchase	200.00	337.25
Fire Department – Automotive Parts Purchase Audit	400.00	373.25
Engineering & Construction Management – CIP Budget Transfers	400.00	528.50
Follow-Up Audit – Tax Office ACT System	200.00	188.50
Tax Office Refund Review Project	75.00	49.75
P-Card Reviews	250.00	-
Elected Officials and City Manager's Office	-	411.50
Ethicsline	75.00	71.50
Contingency Hours	429.00	-
Airport General	-	1.50
Audit Plan	-	106.75
Consulting	-	59.25
Economic Development – Employee Travel	-	333.50
Environmental Services Purchasing Audit	-	127.25
Fire/Ambulance Compliance Project	-	16.00
General Services – Truck Maintenance Audit	-	16.75
Sun Metro Lift Audit	-	105.00
STEP Grant	-	6.00
Tuition Assistance Program Audit	-	18.75
Administrative Duties - Chief Internal Auditor	225.00	300.00
Administrative Duties – Audit Supervisor	90.00	99.00
Administrative Duties - Staff Auditor	300.00	395.00
Auditor Training	105.00	74.75
Vacation/Sick Leave/Holiday	491.00	371.25
Total	3,640.00	4,606.75
Second Quarter		
2013 External Quality Assessment	500.00	195.50
City Development – Subdivision Inspection Audit	500.00	-
Police Department – Storage Facility Contract Audit	450.00	753.50
Follow-Up Audit – Friedman Recycling	250.00	224.50
2 nd Follow-Up Audit – Human Resources Payroll	250.00	48.75
Tax Office Refund Review Project	75.00	58.75

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	BUDGETED HOURS	YTD as of 11/30/13
Second Quarter (continued)	-	-
Ethicsline	75.00	32.50
Contingency Hours	273.00	-
Airport General	-	2.50
Airport Warehouse Review	-	159.50
Audit Plan	-	65.75
Consulting	-	43.00
Fire/Ambulance Compliance Project	-	13.50
STEP Grant	-	1.25
Administrative Duties - Chief Internal Auditor	225.00	258.50
Administrative Duties – Audit Supervisor	90.00	201.25
Administrative Duties - Staff Auditor	300.00	552.75
Auditor Training	105.00	196.75
Vacation/Sick Leave/Holiday	491.00	582.00
Total	3,584.00	3,390.25
Third Quarter		
Airport Audit – Accounts Payable	500.00	91.00
Community Development – Neighborhood Stabilization Program	500.00	-
Travel Reviews – Randomly Selected Departments	200.00	-
-City Development Department	-	281.75
Follow-Up Audit – International Bridges Internal Controls	250.00	32.25
Follow-Up Audit – Engineering & Construction Management Fees	250.00	95.75
Tax Office Refund Review Project	75.00	120.50
El Paso City Employee’s Pension Fund A/P Project	200.00	95.75
P-Card Reviews	250.00	-
Museum and Cultural Affairs Department	-	213.00
Ethicsline	75.00	14.00
Contingency Hours	241.00	-
Audit Plan	-	65.00
City Wide Cash Count Project	-	31.50
Consulting	-	81.50
Fire/Ambulance Compliance Project	-	13.50
STEP Grant	-	5.25
Administrative Duties - Chief Internal Auditor	225.00	293.00
Administrative Duties – Audit Supervisor	90.00	217.50
Administrative Duties - Staff Auditor	300.00	634.00
Auditor Training	105.00	367.75
Vacation/Sick Leave/Holiday	379.00	411.75
Total	3,640.00	3,064.75

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	BUDGETED HOURS	YTD as of 11/30/13
Fourth Quarter		
Hotel Occupancy Tax Audit	500.00	-
Purchasing Department Audit	400.00	-
City Development – One Stop Shop Audit	400.00	-
IT Department – Cellular Phone Contract Audit	400.00	-
Follow-up Audit – Economic Development Audit RLF	250.00	-
Follow-up Audit – IT POD Purchase	250.00	-
Tax Office Refund Review Project	75.00	-
Ethicsline	75.00	-
Contingency Hours	191.00	-
Administrative Duties - Chief Internal Auditor	225.00	-
Administrative Duties – Audit Supervisor	90.00	-
Administrative Duties - Staff Auditor	300.00	-
Auditor Training	105.00	-
Vacation/Sick Leave/Holiday	435.00	-
Total	3,696.00	-
Totals for 1st, 2nd, 3rd & 4th Quarters	14,560.00	11,061.75

CONCLUSION

The 3rd Quarter of the 2013-2014 Audit Plan was another productive quarter for the Internal Audit Office. During the 3rd Quarter a total of 6 audits/projects were completed by the staff and 11 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 3rd 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