



**2012-2013
Annual Audit Plan
3rd Quarter Update**

Issued by the
Internal Audit Office
As of May 31, 2013

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

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

COMPLETED AUDITS & PROJECTS

This section will provide the Financial and Audit Oversight Committee and Executive Management a short synopsis of every audit and project completed during the 3rd Quarter of the 2012-2013 Annual Audit Plan.

Environmental Services Department – P-Card Review (Memo dated March 18, 2013)

The Internal Audit Office conducted a review of the Procurement Card Program at the Environmental Services Department. The objective of the review was to determine if the Department was administering the program per City Policies and Procedures.

Our review of the Environmental Services Department's Procurement Card transactions identified three issues regarding current Purchasing and Travel Policies and Procedures. These issues were communicated to City Management and the Environmental Services Director for corrective action.

Follow-Up Audit – Human Resources Payroll (Report dated April 8, 2013)

The Internal Audit Office conducted a Follow-Up Audit on the Human Resources Payroll Audit Report dated February 23, 2011. The original Audit Report contained (5) five findings.

Based on the results of this Follow-Up Audit, we have determined that all (5) five of the original findings are still *in-progress* of being fully implemented. These issues were communicated to City Management and the Human Resources Director for corrective action.

Economic Development – Revolving Loan Fund (Report dated April 9, 2013)

The Internal Audit Office conducted an audit of the City Development – Economic Development Revolving Loan Fund (RLF) which was created via an Interlocal Agreement dated May 16, 2000 between the City of El Paso and the County of El Paso. The audit objectives for the Economic Development RLF Audit were to determine whether the RLF is administered to ensure that funds reach citizens and program objectives are met, was self-sustaining, and in compliance with the City of El Paso Revolving Loan Fund Plan.

Based on the results of the audit, six (6) findings have been identified. All six of these findings are considered significant in nature. These issues were communicated to City Management and the City Development Director for corrective action.

Defensive Driving Course Review (Memo dated April 30, 2013)

At the request of the Human Resources Department, the Internal Audit Office conducted a review of the City of El Paso's Defensive Driving Course. The objective of the review was to determine if the Human Resources Department was administering the Defensive Driving Course per City Policies and Procedures and to review the associated internal controls.

Our review of the City of El Paso's Defensive Driving Course identified seven (7) Observations regarding current Policies and Procedures. These issues were communicated to City Management and the Human Resources Director for corrective action.

El Paso City Employee's Pension Fund – Benefit Refund Review (Memo dated May 8, 2013)

At the request of the City of El Paso's Pension Administrator, the Internal Audit Office conducted a review of the El Paso City Employee's Pension Fund – Benefit Refund Process. The objective of this engagement was to determine if the timeliness of processing contribution refunds were appropriate.

Our review of the El Paso City Employee's Pension Fund – Benefit Refund identified two (2) Observations regarding timeliness of processing refunds and in the delay of monthly reconciliations of Pension Refunds along with the distribution of annual employee statements. These issues were communicated to City Management, the Human Resources Director, and the El Paso City Employee's Pension Fund Board for corrective action.

El Paso Police Department Grant Review Follow-Up Project (Memo dated May 9, 2013)

At the request of the City Manager, the Internal Audit Office performed a follow-up review of the El Paso Police Department Grant Division Assessment Memo dated November 7, 2011. We conducted a review of the corrective actions taken by EPPD Management on the 6 Observations identified in the Original Memo.

One of the more significant current Observations was regarding the amount of outstanding grant drawdowns due the City of El Paso has increased by \$166,183.00 since our original review on November 7, 2011. The current outstanding grant drawdowns balance due is \$2,977,695.00 as of February 2013. There is a need for the EPPD Grants Division to increase its effort in collecting outstanding grant drawdowns. The funds used to pay the grant expenditures have been paid from the General Fund and need to be collected from the Granting Agencies involved.

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In addition, there is a need for creating a Grant Monitoring System within the El Paso Police Department. The Grant Monitoring System could provide periodic inspections of the grant portfolio regarding performance and reimbursements. These issues were communicated to City Management and the Chief of Police for corrective action.

El Paso Fire Department – Purchases Review (Memo dated May 15, 2013)

At the request of the El Paso Fire Department, the Internal Audit Office conducted a review of purchases made from Grainger, Inc. by the El Paso Fire Department's Special Operations Division. The objective of this review was to determine if the Grainger purchases were appropriate, within applicable budgetary limits, contained proper documentation, or violated any procurement policies and procedures.

Our review of purchases made from Grainger, Inc. by the El Paso Fire Department's Special Operations Division identified the following two (2) Observations:

1. No violations of purchasing policies or procedures in the issuance of Grainger Purchase Orders.
2. The Fire Department is not reviewing invoices for compliance with quoted prices or price lists prior to payment. In addition a sample of invoices reviewed was not paid in a timely manner. The payments were overdue by 32 to 246 days.

Employee Hotline (As of May 31, 2013)

As of the 3rd Quarter of the 2012-2013 Fiscal Year, the Ethicsline has received a total of 13 calls. As of May 31, 2013, 4 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.

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 worked on by the staff of the Internal Audit Office. A brief synopsis is provided on the scope and objective of the audit or project.

2013 Peer Review Preparation Project

The Internal Audit Office is currently conducting an internal self-assessment to ensure the office meets the auditing guidelines established by both the *Government Auditing Standards* issued by the U.S. Government Accountability Office and the *International Professional Practices Framework* issued by The Institute of Internal Auditors. The Internal Audit Office is preparing to be “peer-reviewed” by the Association of Local Government Auditors who will determine if the Internal Audit Office meets the standards established by the two organizations mentioned above. The peer-review will take place late in calendar year 2013 or early 2014.

Garbage Truck Maintenance Audit

An audit is being conducted of the maintenance and repair of City owned Garbage Trucks by the General Services Department. The objective of the audit is to identify the possible reasons for the limited number of garbage trucks the Environmental Services Department has available for morning pull-outs. On any given day as many as twenty or more garbage trucks are classified as not available for morning pull-out.

Environmental Services Department – Purchasing Audit

An audit is being conducted of the Environmental Services Department Purchasing Program. The objective of the audit is to determine if the purchasing cycle related controls within the Environmental Services Department are meeting management’s objectives, if proper segregation of duties exist, and to determine if the purchasing cycle has a good internal control environment.

Follow-Up Audit – Parks Department Day Care Operations

A follow-up audit is being conducted of the findings contained in the Audit Report titled “*Parks and Recreation Day Care Operation Audit*” dated April 6, 2011. The Parks and Recreation Day Care Operation Audit Report identified five (5) findings. The objectives of the follow-up audit are to determine if the original finding recommendations have been implemented.

Human Resources – Tuition Assistance Program Review

A review is being conducted of the Tuition Assistance Program (TAP) managed by the Human Resources Department. Deputy City Manager David Almonte requested a review of TAP due to an allegation brought forth by the El Paso Municipal Police Officer Association (EPMPOA) that Police Officers are being denied access to Tuition Assistance Program Funds.

El Paso Fire Department Ambulance Compliance Program

The Chief Internal Auditor was designated the 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.

Police and Fire Department Overtime Monitoring Project

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

Ongoing Assistance – STEP Grant

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

Ongoing Assistance – TXDOT Auditors

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

A draft copy of the final report was received from the TXDOT Audit Office on May 14, 2013. Responses are being drafted by the El Paso Police Department.

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FINANCIAL AND AUDIT OVERSIGHT COMMITTEE (“FAOC”)

One FAOC meeting was conducted during the 3rd Quarter of Fiscal Year 2012-2013. Below is a summary of the topics discussed by the Internal Audit Office during the meeting.

May 23, 2013

- Approval of Minutes for the Financial and Audit Oversight Committee meeting of January 30, 2013.
- Audit Plan Update given by Edmundo Calderon, Chief Internal Auditor.
- Discussion and Action on replacing the Sun Metro Purchasing Audit with the Sun Metro/MV Transportation Data Review 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

Institute of Internal Auditors – Webinar – “Creating a Top-Down Risk Based Audit Plan” March 12, 2013

Miguel Montiel, Audit Supervisor; Laura Prine, Auditor; and Rebecca Garcia, Auditor completed the Institute of Internal Auditors – Webinar – “Creating a Top-Down Risk Based Audit Plan” on March 12, 2013. Each staff member earned one hour of Continuing Professional Education Credit.

Institute of Internal Auditors – Training – “Current Hot Frauds” March 20, 2013

Miguel Montiel, Audit Supervisor; Liz De La O, Lead Auditor; and Daryl Olson, Senior Auditor; attended the Institute of Internal Auditors – Training – “Current Hot Frauds” on March 20, 2013. Each staff member earned one hour of Continuing Professional Education Credit.

Association of Local Government Auditors – Webinar – “OMB Grant Reforms” March 27, 2013

Edmundo Calderon, Chief Internal Auditor; Miguel Montiel, Audit Supervisor; Liz De La O, Lead Auditor; Daryl Olson, Senior Auditor; Miguel Ortega, Auditor; and Rebecca Garcia, Auditor completed the Association of Local Government Auditors – Webinar – “Audit Issues Associated with Local Government Pensions” on February 12, 2013. Each staff member earned two hours of Continuing Professional Education Credit.

Association of Government Accountants – Webinar – “Understanding the Sequester - Where Do We Go From Here?” March 28, 2013

Liz De La O, Lead Auditor; completed the Association of Association of Government Accountants – Webinar – “Understanding the Sequester - Where Do We Go From Here?” on March 28, 2013. Liz De La O earned two hours of Continuing Professional Education Credit.

Institute of Internal Auditors – Exam – “Certification in Risk Management Assurance Questions - BI” April 9, 2013

Edmundo Calderon, Chief Internal Auditor successfully completed questions used to assist The IIA in evaluating potential future examination questions for one of The IIA’s certification programs. Edmundo Calderon earned one hour of Continuing Professional Education Credit.

Institute of Internal Auditors – Webinar – “The Audit Committee Perspective” April 10, 2013

Edmundo Calderon, Chief Internal Auditor; Miguel Montiel, Audit Supervisor; Liz De La O, Lead Auditor; Daryl Olson, Senior Auditor; Miguel Ortega, Auditor; Laura Prine, Auditor; and Rebecca Garcia, Auditor completed the Institute of Internal Auditors – Webinar – “The Audit Committee Perspective” on April 10, 2013. Each staff member earned one hour of Continuing Professional Education Credit.

Institute of Internal Auditors – Webinar – “Emerging Fraud Risks” April 16, 2013

Edmundo Calderon, Chief Internal Auditor; Miguel Montiel, Audit Supervisor; Liz De La O, Lead Auditor; Laura Prine, Auditor; and Rebecca Garcia, Auditor completed the Institute of Internal Auditors – Webinar – “Emerging Fraud Risks” on April 16, 2013. Each staff member earned one hour of Continuing Professional Education Credit.

Association of Local Government Auditors – Training – “14 OMB A-133 Compliance Requirements” April 23, 2013

Edmundo Calderon, Chief Internal Auditor; Liz De La O, Lead Auditor; Daryl Olson, Senior Auditor; Miguel Ortega, Auditor; Laura Prine, Auditor; and Rebecca Garcia, Auditor attended the Association of Local Government Auditors – Training – “14 OMB A-133 Compliance Requirements” on April 23, 2013. Each staff member earned one hour of Continuing Professional Education Credit.

The University of Texas at El Paso – Professional Development – “City of El Paso Leadership Training Program” May 3, 2013

Laura Prine, Auditor; completed the “City of El Paso Leadership Training Program” on May 3, 2013. Laura Prine earned 6.5 hours of Continuing Education Unit Credits.

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Association of Local Government Auditors – Training – “Conducting an ALGA Peer Review” May 5, 2013

Miguel Montiel, Audit Supervisor and Liz De La O, Lead Auditor attended the Association of Local Government Auditors – Training – “Conducting an ALGA Peer Review” on May 5, 2013. Each staff member earned 8 hours of Continuing Professional Education Credit.

Association of Local Government Auditors – Conference – “2013 ALGA Annual Conference” May 6-7, 2013

Edmundo Calderon, Chief Internal Auditor; Miguel Montiel, Audit Supervisor; and Liz De La O, Lead Auditor attended the Association of Local Government Auditors – Conference – “2013 ALGA Annual Conference” on May 6-7, 2013. Edmundo Calderon earned 15 hours of Continuing Professional Education Credit and the two staff members earned 14 hours of Continuing Professional Education Credit.

Institute of Internal Auditors – Webinar – “Auditing Privacy Risks” May 8, 2013

Miguel Montiel, Audit Supervisor; Liz De La O, Lead Auditor; Miguel Ortega, Auditor; Laura Prine, Auditor; and Rebecca Garcia, Auditor completed the Institute of Internal Auditors – “Auditing Privacy Risks” on May 8, 2013. Each staff member earned one hour of Continuing Professional Education Credit.

Institute of Internal Auditors – Webinar – “Governance Audits” May 21, 2013

Miguel Montiel, Audit Supervisor; Laura Prine, Auditor; and Rebecca Garcia, Auditor completed the Institute of Internal Auditors – “Governance Audits” on May 21, 2013. Each staff member earned one hour of Continuing Professional Education Credit.

Association of Local Government Auditors – Conference – “2013 Professional Development Conference” May 29-30, 2013

Daryl Olson, Senior Auditor; Miguel Ortega, Auditor; Laura Prine, Auditor; and Rebecca Garcia, Auditor attended the Association of Local Government Auditors – Conference – “2013 Professional Development Conference” on May 29-30, 2013. Each staff member earned 16 hours of Continuing Professional Education Credit.

Community Service

City of El Paso – Presentation – Business Manager’s Forum

Edmundo Calderon, Chief Internal Auditor performed a presentation to the City of El Paso – Business Manager Forum regarding contract compliance and contract monitoring on April 18, 2013.

City of El Paso – Presentation – El Paso Fire Department

Edmundo Calderon, Chief Internal Auditor performed a presentation to the City of El Paso – Fire Department Management regarding the “do’s and don’ts” of City employee interactions with vendors on May 9, 2013.

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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 2012-2013 Annual Audit Plan. An analysis is provided listing the Audits/Projects scheduled by quarter with their associated budgeted hours. The actual audit hours worked per Audit/Project is provided. This analysis is a great management tool to demonstrate how the Internal Audit Office resources are being used.

	BUDGETED HOURS	YTD as of 05/31/13
First Quarter		
Hotel Occupancy Tax Audit - Camino Real Hotel	500.00	298.00
Airport Revenue Audit - Budget Rent-A-Car	400.00	519.75
Parks Department - Federal Janitorial Contract Audit	400.00	584.75
General Services - Garbage Truck Maintenance Audit	400.00	450.00
2nd Follow-Up Audit - Environmental Services A/P	100.00	121.50
Tax Office Refund Review Project	75.00	89.00
P-Card Reviews	250.00	182.50
Ethicsline	75.00	13.50
Police and Fire Overtime Monitoring Project	50.00	27.00
Contingency Hours	79.00	-
1st F/U Library Purchasing Audit	-	15.50
Audit Plan	-	118.25
Consulting	-	248.25
International Bridges Audit	-	122.50
Information Technology Dept - Purchasing Audit	-	66.75
STEP Grant Project	-	66.25
TX DOT Assist Project	-	4.25
Follow-Up Audit – Weatherization Grant	-	7.50
Administrative Duties - Chief Internal Auditor	250.00	239.50
Administrative Duties – Audit Supervisor	150.00	96.25
Administrative Duties - Staff Auditor	325.00	533.00
Auditor Training	105.00	197.50
Vacation/Sick Leave/Holiday	481.00	357.25
Total	3,640.00	3,908.75
Second Quarter		
Airport Revenue Audit - Paradise Shops	500.00	-
Economic Development - Revolving Loan Fund	400.00	384.00
Information Technology - POD Purchase Contract	400.00	3.25
Police Department - Overtime Review	200.00	152.50
Follow-Up Audit - Human Resources Payroll	225.00	225.50
2nd Follow Up Audit - Library Purchasing	100.00	124.50
Tax Office Refund Review Project	75.00	128.00
Ethicsline	75.00	60.25
Police and Fire Overtime Monitoring Project	50.00	17.00

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	BUDGETED HOURS	YTD as of 05/31/13
Second Quarter (continued)	-	-
Contingency Hours	248.00	-
Defensive Driving Procedures Project	-	281.75
F/U Police Department Grants Project	-	178.50
Audit Plan	-	40.50
STEP Grant Project	-	40.75
Fire Department Ambulance Compliance Project	-	25.00
Tax Office ACT Audit	-	2.25
Consulting	-	311.50
Administrative Duties - Chief Internal Auditor	250.00	272.50
Administrative Duties – Audit Supervisor	150.00	137.75
Administrative Duties - Staff Auditor	325.00	597.00
Auditor Training	105.00	223.75
Vacation/Sick Leave/Holiday	481.00	561.50
Total	3,584.00	4,425.75
Third Quarter		
Environmental Services Purchasing Audit	450.00	140.75
MCAD – Kids Excel Grant Project	400.00	12.25
Engineering & Construction Mgt - CIP Budget Transfers	400.00	-
MV Transportation Data Audit	400.00	-
2nd Follow-Up Audit - Sun Metro Drug & Alcohol Testing	100.00	3.25
Tax Office Refund Review Project	75.00	88.50
El Paso City Employees' Pension Fund Confirmation Project	150.00	172.25
P-Card Reviews	250.00	255.00
Ethicsline	75.00	80.50
Police and Fire Overtime Monitoring Project	50.00	26.50
Contingency Hours	147.00	-
Audit Plan	-	82.00
Consulting	-	48.50
Fire Department Compliance Program	-	2.00
Fire Department Purchasing Project	-	109.75
2013 Peer Review Preparation	-	23.75
STEP Grant Project	-	29.00
Tuition Assistance Program Review	-	78.25
Administrative Duties - Chief Internal Auditor	250.00	266.50
Administrative Duties – Audit Supervisor	150.00	175.25
Administrative Duties - Staff Auditor	325.00	686.50
Auditor Training	105.00	293.00
Vacation/Sick Leave/Holiday	369.00	385.50
Total	3,696.00	2,751.00

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	BUDGETED HOURS	YTD as of 05/31/13
Fourth Quarter		
Airport Revenue Audit - Lone Star Golf Course	500.00	-
City Development - Subdivision Inspection Audit	400.00	-
Follow-Up Audit - Zoo Cashiering	300.00	306.25
Follow-Up Audit - Friedman Recycling Contract	250.00	-
Follow-Up Audit - Parks Department Day Cares	250.00	107.25
Follow-Up Audit - Tax Office ACT System	250.00	-
Tax Office Refund Review Project	75.00	-
Ethicsline	75.00	-
Police and Fire Overtime Monitoring Project	50.00	-
Contingency Hours	291.00	-
Administrative Duties - Chief Internal Auditor	250.00	-
Administrative Duties – Audit Supervisor	150.00	-
Administrative Duties - Staff Auditor	325.00	-
Auditor Training	105.00	-
Vacation/Sick Leave/Holiday	425.00	-
Total	3,696.00	413.50
Totals for 1st, 2nd, 3rd & 4th Quarters	14,616.00	11,499.00

CONCLUSION

The 3rd Quarter of the 2012-2013 Audit Plan was another productive quarter for the Internal Audit Office. During the 3rd Quarter a total of 9 audits/projects were completed by the staff and 8 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



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Chief Internal Auditor
City of El Paso

Distribution:

Financial and Audit Oversight Committee
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