



**2012-2013
Annual Audit Plan
4th Quarter Update**

Issued by the
Internal Audit Office
As of August 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

As required by the International Standards for the Professional Practice of Internal Auditing 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.

In addition as required by International Standard 1320, an assessment is ongoing on demonstrating conformance with the Definition of Internal Auditing, the Code of Ethics, and the International Standards. The assessment began in the 4th Quarter of the 2012-2013 Audit Plan year and should be completed during the 1st Quarter of the 2013-2014 Audit Plan year. We anticipate full conformance with International Standard 1320 since we have successfully passed the External Quality Assurance Assessments in 2007 and 2010.

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 4th Quarter of the 2012-2013 Annual Audit Plan.

Tuition Assistance Program Project (Memo dated June 26, 2013)

The Internal Audit Office conducted a review of the Tuition Assistance Program managed by the Human Resources Department. A review was completed of Policies and Procedures, expenditures, program guidelines, program performance, and internal controls.

Based on the results of the review, five (5) observations have been identified. These issues were communicated to City Management and the Human Resources Department Director for corrective action.

Parks and Recreation Day Care Operation Follow-Up Audit (Report dated June 27, 2013)

The Internal Audit Office conducted a Follow-Up Audit on the Parks and Recreation Day Care Operation Audit dated April 6, 2011. The original Audit Report contained (5) five findings.

Based on the results of this Follow-Up Audit, we have determined that (4) four of the original findings have been fully *implemented* and (1) one is still *in-progress* of being fully implemented. Management will assume the risk of not enforcing the policy in Finding #5. The Internal Audit Office will not be scheduling a second Follow-Up Audit due to the cost/benefit of conducting another follow-up on one finding. These issues were communicated to City Management and the Parks and Recreation Department Interim-Director.

Garbage Truck Maintenance Review Audit (Report dated June 28, 2013)

The Internal Audit Office conducted an audit of the General Services – Fleet Services to identify why there are instances where there are not enough garbage trucks available for morning pull out. The Environmental Services Department requires 62 Automatic Side Loader (ASL's) type garbage trucks for every Tuesday through Thursday morning pull out and 67 ASL's on Friday morning pull outs. They also require 8 Rear Loaders for Tuesday through Friday morning pull outs.

Based on the results of the audit, three (3) findings have been identified. All three of these findings are considered significant in nature. These issues were communicated to City Management and the General Services Department Director for corrective action.

Sun Metro Drug and Alcohol Testing Program 2nd Follow-Up Audit (Report dated August 1, 2013)

The Internal Audit Office conducted a 2nd Follow-Up Audit on the Sun Metro Drug and Alcohol Testing Program Audit dated October 18, 2010. The original Audit Report contained (3) three findings. The results of the 1st Follow-Up Audit resulted in recommendations for two (2) findings to be *in-progress*.

Based on the results of this 2nd Follow-Up Audit, we have determined that (2) two of the original findings have been fully *implemented* and (1) one is still *in-progress* of being fully implemented. Management will assume the risk and responsibility of ensuring that proper reconciliation is performed of Random Drug and Alcohol Test counts prior to reporting to the FTA. The Internal Audit Office will not be scheduling a third Follow-Up Audit due to the cost/benefit of conducting another follow-up on one finding. These issues were communicated to City Management and the Sun Metro Department Director.

Internal Control Assessment – Department of Public Health Project (Memo dated August 8, 2013)

The Internal Audit Office conducted an assessment of internal controls regarding cash handling at the Department of Public Health.

Based on the results of the assessment, seven (7) observations have been identified. These issues were communicated to City Management and the Department of Public Health Director for corrective action.

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Employee Hotline (As of August 31, 2013)

As of the 4th Quarter of the 2012-2013 Fiscal Year, the Ethicsline has received a total of 8 calls. As of August 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 4th 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

As required by International Standard 1320, the Internal Audit Office is currently conducting an internal assessment of its Quality Assurance and Improvement Program. International Standard 1312 requires an external assessment be conducted every 5 years. The Generally Accepted Government Auditing Standard 3.96 requires an external assessment be conducted every 3 years. The Internal Audit Office follows both set of professional standards while conducting audit work.

An external assessment will be conducted by the Association of Local Government Auditors during the week of December 2-6, 2013. A team of four independent reviewers will be in El Paso to review our audit Policies and Procedures for the period of September 1, 2010 to August 31, 2013.

Airport Revenue Audit – Paradies Shops

An audit is being conducted of Paradies Shops operating at the El Paso International Airport. The objectives of this audit are to determine if Paradies – El Paso, LLC is adhering to the terms and conditions as agreed to in the Concessionaire’s Agreement dated December 22, 2006 and subsequent amendment dated May 11th 2010.

Information Technology – POD Purchase Contract Audit

An audit is being conducted of the Information Technology Department’s procurement of various IT goods and services for the datacenters installed to centrally house the City’s server infrastructure. The objectives of this audit are to: 1) Confirm that the procurement of various IT goods and services for the POD are in compliance with local, state, and federal laws; 2) Determine if there are adequate controls and proper protocols for POD IT equipment purchases and expenditures, and; 3) To identify City-paid County equipment that the City has not been reimbursed.

Environmental Services Purchasing Audit

An audit is being conducted of the Environmental Services Department Purchasing processes. The objectives of this audit are to: 1) Determine if the purchasing cycle related controls within the Environmental Services system are meeting management's objectives; 2) To determine if proper segregation of duties exist within the Environmental Services' purchasing function, and; 3) To determine if the Environmental Services purchasing cycle has a good internal control environment.

MCAD – Kids Excel Project

An audit is being conducted of the Museum and Cultural Affairs Department (MCAD) Operational Support Program Contract #135585 between the City and Kids Excel El Paso dated October 10, 2012. The MCAD awarded \$17,500.00 to Kids Excel El Paso. The objectives of this audit are to determine if Kids Excel El Paso is in compliance with; 1) the City of El Paso's contract #135585 dated October 10, 2012; 2) Museum and Cultural Affairs Department's Operational Support Program Funding Guidelines, and; 3) Texas Commission on the Arts General Guidelines and Policies.

MV Transportation Data Audit

An audit is being conducted of MV Transportation who is providing paratransit service for ADA paratransit-eligible clients. The objectives of this audit are to verify the periodic performance data provided to the City of El Paso Mass Transit Board by MV Transportation.

Follow-Up Audit – Tax Office ACT System

A Follow-Up Audit is being conducted of the findings contained in the Audit Report titled "*Tax Office ACT System Audit Report*" dated March 30, 2012. The *Tax Office ACT System Audit Report* identified nine (9) findings. The objectives of the follow-up audit are to determine if the original nine finding recommendations have been implemented.

Economic Development – Employee Travel Project

A review is being conducted of Economic Development Department's employee travel. The objective of this review is to determine if City of El Paso's Travel Policy has been followed.

Fire Department Auto Parts Audit

An audit is being conducted of the El Paso Fire Department Maintenance Garage internal controls as they relate to the ordering, receiving and payment of auto parts. The objectives of this audit are to: 1) Determine if employees are purchasing vehicle parts for personal gain or use. Also, confirm that parts purchased for vehicles are in compliance with procurement laws, regulations, and contracts; 2) Determine if the Fire Department has adequate internal controls and proper protocols when ordering, receiving, and paying invoices for vehicle parts, and; 3) Evaluate the inventory process of vehicle parts to ensure the process is operating efficiently and effectively.

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.

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.

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FINANCIAL AND AUDIT OVERSIGHT COMMITTEE (“FAOC”)

No FAOC meetings were scheduled during the 4th Quarter of FY2013. A new Mayor and 4 City Representatives were (re)elected as a result of the May 11, 2013 General Election and subsequent General Runoff Election of June 15, 2013. Replacement Committee Members assignments for the outgoing City Representatives had not been made as of August 31, 2013.

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 Airport Internal Auditors – Seminar – “24th Annual Conference” on June 2-5, 2013

Daryl Olson, Senior Auditor completed the Association of Airport Internal Auditors – Seminar – “24th Annual Conference” on June 2-5, 2013. Daryl earned eighteen hours of Continuing Professional Education Credit.

Association of Local Government Auditors – Webinar – “Performance Auditing of Human Resource Operations” on June 18, 2013

Edmundo Calderon, Chief Internal Auditor; Miguel Montiel, Audit Supervisor; Daryl Olson, Senior Auditor; Miguel Ortega, Auditor; Rebecca Garcia, Auditor; and Laura Prine, Auditor, completed the Association of Local Government Auditors – Webinar – “Performance Auditing of Human Resource Operations” on June 18, 2013. Each staff member earned one hour of Continuing Professional Education Credit.

Institute of Internal Auditors – Webinar – “Career Development for the Internal Auditor” on June 18, 2013

Miguel Montiel, Audit Supervisor and Rebecca Garcia, Auditor completed the Institute of Internal Auditors – Webinar – “Career Development for the Internal Auditor” on June 18, 2013. Each staff member earned one hour of Continuing Professional Education Credit.

GLEIM Knowledge Transfer Systems – Webinar – “Obamacare: Taxes and the Affordable Care Act” on June 25, 2013

Edmundo Calderon, Chief Internal Auditor; Miguel Montiel, Audit Supervisor; Liz De La O, Lead Auditor; Rebecca Garcia, Auditor; and Laura Prine, Auditor completed the GLEIM Knowledge Transfer Systems – Webinar – “Obamacare: Taxes and the Affordable Care Act” on June 25, 2013. Each staff member earned two hours of Continuing Professional Education Credit.

Institute of Internal Auditors – Webinar – “PG Maturity Models” on July 10, 2013

Miguel Ortega, Auditor; Rebecca Garcia, Auditor; and Laura Prine, Auditor completed the Institute of Internal Auditors – Webinar – “PG Maturity Models” on July 10, 2013. Each staff member earned one hour of Continuing Professional Education Credit.

Association of Local Government Auditors – Webinar – “Organizational Risk Assessment – More Tools for Your Toolbox” on July 30, 2013

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 Laura Prine, Auditor completed the Association of Local Government Auditors – Webinar – “Organizational Risk Assessment – More Tools for Your Toolbox” on July 30, 2013. Each staff member earned one-and-a-half hours of Continuing Professional Education Credit.

Institute of Internal Auditors – Webinar – “Pulse of the Profession” on July 30, 2013

Edmundo Calderon, Chief Internal Auditor; Miguel Montiel, Audit Supervisor; Liz De La O, Lead Auditor; and Rebecca Garcia, Auditor completed the Institute of Internal Auditors – Webinar – “Pulse of the Profession” on July 30, 2013. Each staff member earned one hour of Continuing Professional Education Credit.

Institute of Internal Auditors – Webinar – “Enterprise Risk Management” on August 13, 2013

Edmundo Calderon, Chief Internal Auditor; Miguel Montiel, Audit Supervisor; Liz De La O, Lead Auditor; and Laura Prine, Auditor completed the Institute of Internal Auditors – Webinar – “Enterprise Risk Management” on August 13, 2013. Each staff member earned one hour of Continuing Professional Education Credit.

Institute of Internal Auditors – Webinar – “PA Internal Audit Coverage of Risks to Achieving Strategic Objectives” on August 14, 2013

Edmundo Calderon, Chief Internal Auditor and Liz De La O, Lead Auditor completed the Institute of Internal Auditors – Webinar – “PA Internal Audit Coverage of Risks to Achieving Strategic Objectives” on August 14, 2013. Each staff member earned one hour of Continuing Professional Education Credit.

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Association of Government Accountants – Training – “Let’s Play Ball! A discussion of the Design, Financing, and Construction of the El Paso Ball Park” on August 22, 2013

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 Government Accountants – Training – “Let’s Play Ball! A discussion of the Design, Financing, and Construction of the El Paso Ball Park” on August 22, 2013. Each staff member earned one hour of Continuing Professional Education Credit.

Institute of Internal Auditors – Training – “Quality Assurance Program” on August 29, 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 Institute of Internal Auditors – Training – “Quality Assurance Program” on August 29, 2013. Each staff member earned one-and-a-half hours of Continuing Professional Education Credit.

Community Service

University of El Paso – Lectures – Fraud Auditing Class

Edmundo Calderon, Chief Internal Auditor and Elizabeth De La O, Lead Auditor assisted in developing the Fraud Auditing Class for the June summer classes at UTEP. Edmundo and Elizabeth both lectured the class and assisted in obtaining guest speakers for the class during the month of June 2013.

Institute of Internal Auditors El Paso Chapter – Board Meeting – IIA Strategic Planning Meeting

Elizabeth De La O, Lead Auditor and Miguel Ortega, Auditor attended the yearly IIA-El Paso Chapter Strategic Planning Meeting on July 19, 2013. Elizabeth and Miguel are both on the Board of Governors of the IIA El Paso Chapter for FY 2013-2014. The objective of the meeting was to assist the IIA El Paso Chapter in planning for trainings/seminars to support the needs of local internal auditors.

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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 08/31/13
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	769.00
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	4,677.75
Second Quarter		
Airport Revenue Audit - Paradise Shops	500.00	159.00
Economic Development - Revolving Loan Fund	400.00	408.25
Information Technology - POD Purchase Contract	400.00	110.75
Police Department - Overtime Review	200.00	155.00
Follow-Up Audit - Human Resources Payroll	225.00	227.50
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 08/31/13
Second Quarter (continued)	-	-
Contingency Hours	248.00	-
Defensive Driving Procedures Project	-	285.75
F/U Police Department Grants Project	-	196.25
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	4,084.75
Third Quarter		
Environmental Services Purchasing Audit	450.00	515.50
MCAD – Kids Excel Grant Project	400.00	238.00
Engineering & Construction Mgt - CIP Budget Transfers	400.00	-
MV Transportation Data Audit	400.00	292.25
2nd Follow-Up Audit - Sun Metro Drug & Alcohol Testing	100.00	130.00
Tax Office Refund Review Project	75.00	88.50
El Paso City Employees' Pension Fund Confirmation Project	150.00	181.00
P-Card Reviews	250.00	257.50
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	-	116.00
2013 Peer Review Preparation	-	23.75
STEP Grant Project	-	29.00
Tuition Assistance Program Review	-	242.75
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	4,160.50

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	BUDGETED HOURS	YTD as of 08/31/13
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	199.50
Follow-Up Audit - Tax Office ACT System	250.00	66.50
Tax Office Refund Review Project	75.00	48.25
Ethicsline	75.00	37.50
Police and Fire Overtime Monitoring Project	50.00	37.50
Contingency Hours	291.00	-
Audit Plan	-	82.00
Consulting	-	107.50
Economic Development – Employee Travel Project	-	232.00
Fire Department Compliance Program	-	15.75
Fire Department Auto Parts Purchasing Audit	-	36.50
2013 Peer Review Preparation	-	34.25
STEP Grant Project	-	21.75
Administrative Duties - Chief Internal Auditor	250.00	267.00
Administrative Duties – Audit Supervisor	150.00	93.75
Administrative Duties - Staff Auditor	325.00	449.00
Auditor Training	105.00	124.00
Vacation/Sick Leave/Holiday	425.00	391.75
Total	3,696.00	2,550.75
Totals for 1st, 2nd, 3rd & 4th Quarters	14,616.00	15,473.75

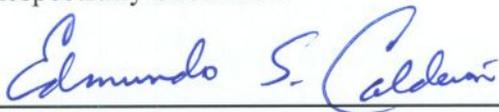
CONCLUSION

The 4th Quarter of the 2012-2013 Audit Plan was another productive quarter for the Internal Audit Office. During the 4th Quarter a total of 4 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 4th 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
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