



**City of El Paso, Texas  
Internal Audit Department  
Policies and Procedures Manual**

**As of January 7, 2025**

## **The Internal Audit Department Staff**

Edmundo S. Calderón, CIA, CGAP, CRMA, MBA, Chief Internal Auditor  
[calderones@elpasotexas.gov](mailto:calderones@elpasotexas.gov)

B.A. University of Texas at El Paso, 1980  
M.B.A. University of Phoenix, 1999  
C.I.A., 2002  
C.G.A.P., 2002  
C.R.M.A., 2011

Miguel Montiel, CIA, CGAP, Audit Manager  
[MontielMA@elpasotexas.gov](mailto:MontielMA@elpasotexas.gov)

B.B.A. University of Texas at El Paso, 2002  
C.I.A., 2007  
C.G.A.P., 2005

Elizabeth De La O, CFE, CIA, CGAP, MPA, Auditor IV  
[DelaoEX@elpasotexas.gov](mailto:DelaoEX@elpasotexas.gov)

B.B.A. University of Washington, WA 2001  
M.P.A. University of Texas at El Paso, 2009  
C.I.A., 2005  
C.G.A.P., 2005  
C.F.E., 2011

Martha L. Vargas, MBA, MAcc, CGFM, CFE, CPA, Auditor IV  
[VargasML@elpasotexas.gov](mailto:VargasML@elpasotexas.gov)

B.B.A University of Texas at El Paso, 1998  
M.B.A. University of Texas at El Paso, 2016  
MAcc University of Texas at El Paso, 2019  
C.G.F.M., 2019  
C.F.E., 2019  
C.P.A., 2021  
C.I.A., 2024

Miguel Ortega, CGAP, Auditor III  
[OrtegaMI@elpasotexas.gov](mailto:OrtegaMI@elpasotexas.gov)

B.B.A. University of Texas at El Paso, 2008  
C.G.A.P., 2013

Sergio Carrillo, CGAP, Auditor II  
[CarrilloSJI@elpasotexas.gov](mailto:CarrilloSJI@elpasotexas.gov)

B.B.A. University of Texas at El Paso, 2014  
M.B.A University of Texas at El Paso, 2016  
C.G.A.P., 2021

Esmeralda Herrera, Auditor II  
[HerreraE@elpasotexas.gov](mailto:HerreraE@elpasotexas.gov)

B.B.A. University of Texas at El Paso, 2021  
MAcc University of Texas at El Paso, 2022

Christian Castro, Auditor I  
[CastroC@elpasotexas.gov](mailto:CastroC@elpasotexas.gov)

B.B.A. University of Texas at El Paso, 2020  
MAcc University of Texas at El Paso, 2021

Miguel Olivas, Auditor I  
[OlivasMA@elpasotexas.gov](mailto:OlivasMA@elpasotexas.gov)

**TABLE OF CONTENTS**

**INTERNAL AUDIT DEPARTMENT ORGANIZATIONAL CHART ..... 5**

**CITY OF EL PASO INTERNAL AUDIT CHARTER ..... 6**

**PURPOSE, MISSION AND SCOPE OF WORK ..... 7**

**INTRODUCTION..... 7**

***GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS* ..... 7**

**THE INSTITUTE OF INTERNAL AUDITORS..... 8**

**GLOBAL INTERNAL AUDIT STANDARDS ..... 8**

**THE STANDARDS..... 8**

**PROFICIENCY AND DUE PROFESSIONAL CARE ..... 28**

**CONFIDENTIALITY AND ETHICAL BEHAVIOR..... 29**

**INTERNAL AUDIT SECURITY POLICIES ..... 29**

**INTERNAL AUDIT DEPARTMENT GENERAL POLICIES ..... 29**

**Professional Appearance Standards..... 29**

**Business Hours..... 30**

**Use of Private Vehicle ..... 30**

**Vacation..... 30**

**Sick Leave ..... 30**

**DEPARTMENTAL PLANNING ..... 30**

**COSO: INTERNAL CONTROL - INTEGRATED FRAMEWORK..... 31**

**INTERNAL AUDIT DEPARTMENT REPORTING STRUCTURE ..... 33**

**LIST OF SERVICES PROVIDED BY INTERNAL AUDIT DEPARTMENT ..... 33**

**HOW INTERNAL AUDIT DEPARTMENT SELECTS AREAS TO AUDIT ..... 34**

**Selection Based On Risk Assessment..... 35**

**Annual Audit Plan..... 35**

**Special Projects..... 35**

**Nonaudit Services..... 35**

**PERFORMING THE AUDIT: AN OVERVIEW ..... 47**

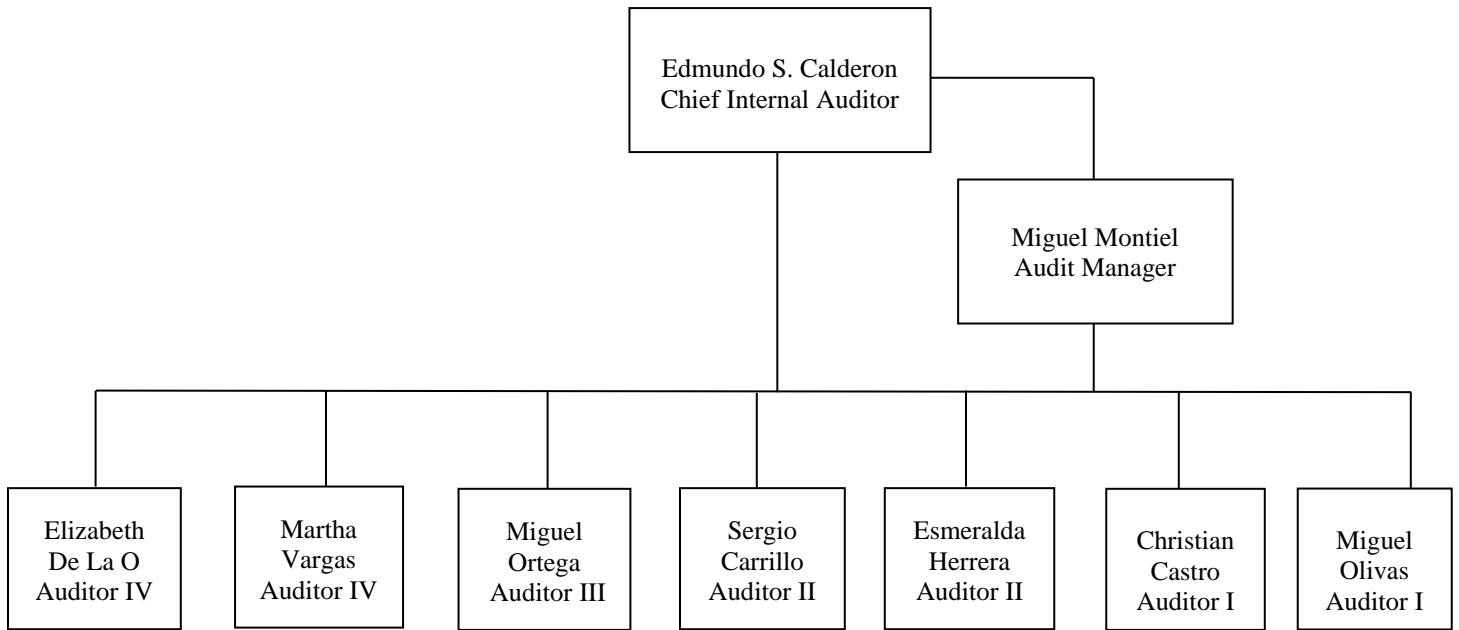
**PERFORMING THE AUDIT: DETAILED GUIDELINES ..... 50**

**Client Surveys..... 65**

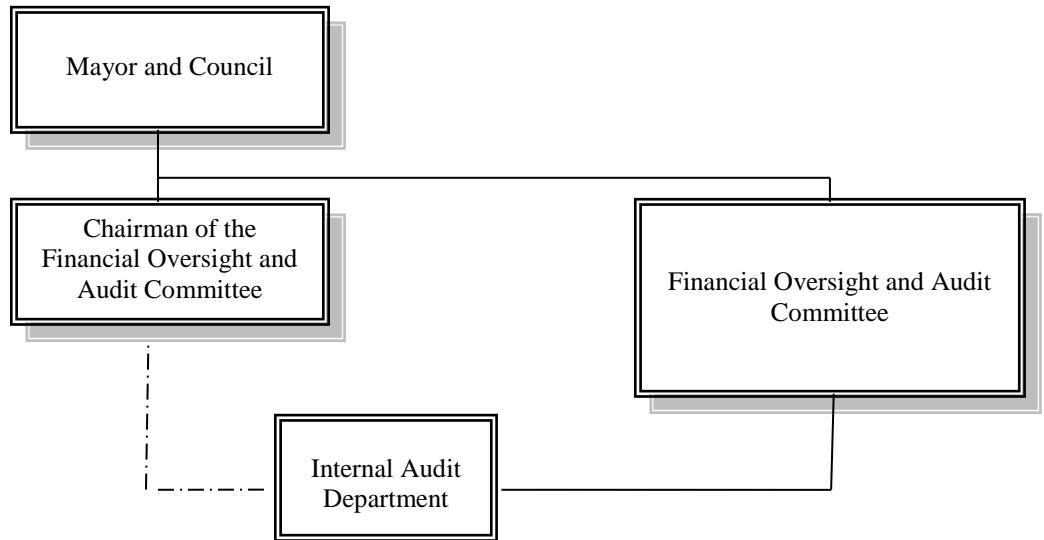
**Cross Reference Guide for Audit Procedures, Forms and Templates ..... 69**

<b>COMMUNICATIONS AND REPORTING.....</b>	<b>71</b>
<b>Reporting To Financial Oversight and Audit Committee: .....</b>	<b>71</b>
<b>Procedure for Posting of Notices/Agendas for Public Meetings .....</b>	<b>71</b>
<b>FOLLOW-UP ON MATTERS REPORTED BY INTERNAL AUDIT .....</b>	<b>72</b>
<b>Cross Reference Guide for Follow-up Audit Procedures, Forms and Templates.....</b>	<b>73</b>
<b>Cross Reference Guide for SRP Procedures, Forms and Templates .....</b>	<b>74</b>
<b>QUALITY ASSUARANCE AND IMPROVEMENT PROGRAM.....</b>	<b>75</b>
<b>FRAUD .....</b>	<b>76</b>
<b>Characteristics of Fraud.....</b>	<b>76</b>
<b>Examples of Fraud and Related Auditing Activity .....</b>	<b>76</b>
<b>Deterrence of Fraud .....</b>	<b>77</b>
<b>Detection of Fraud.....</b>	<b>78</b>
<b>Investigation of Fraud.....</b>	<b>79</b>
<b>Reporting of Fraud.....</b>	<b>80</b>
<b>QUALITY STANDARDS FOR INVESTIGATIONS.....</b>	<b>81</b>
<b>Cross Reference Guide for Investigation Procedures, Forms and Templates.....</b>	<b>85</b>
<b>DESCRIPTION OF ANNUAL DUTIES .....</b>	<b>86</b>
<b>Internal Audit Department Annual Audit Plan .....</b>	<b>86</b>
<b>INTERNAL AUDIT DEPARTMENT RECORD RETENTION POLICY &amp; WAREHOUSE LIST.....</b>	<b>86</b>
<b>INTERNAL AUDIT DEPARTMENT’S RELATIONSHIP WITH EXTERNAL AUDITORS.....</b>	<b>86</b>
<b>FORMS .....</b>	<b>92</b>
<b>RESOURCES .....</b>	<b>87</b>
<b>GLOSSARY.....</b>	<b>88</b>

## INTERNAL AUDIT DEPARTMENT ORGANIZATIONAL CHART



## INTERNAL AUDIT DEPARTMENT REPORTING STRUCTURE



- - - - Operational Oversight  
 ——— Legislative Oversight

**CITY OF EL PASO INTERNAL AUDIT CHARTER**



**Internal Audit  
Charter**

Effective as of  
July 20, 2023

## **PURPOSE, MISSION AND SCOPE OF WORK**

The purpose and mission of the Internal Audit Department is to provide independent, objective assurance and consulting services designed to add value and improve the City of El Paso's operations. The Internal Audit Department helps the management team of the City of El Paso accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The scope of work of the internal audit activity is to determine whether the organization's network of risk management, control, and governance processes, as designed and represented by management, is adequate and functioning in a manner to ensure:

- Risks are appropriately identified and managed.
- Interaction with the various governance groups occurs as needed.
- Significant financial, managerial, and operating information is accurate, reliable, and timely.
- Employee's actions are in compliance with policies, standards, procedures, and applicable laws and regulations.
- Resources are acquired economically, used efficiently, and adequately protected.
- Programs, plans, and objectives are achieved.
- Quality and continuous improvement are fostered in the organization's control process.
- Significant legislative or regulatory issues impacting the organization are recognized and addressed properly.
- Opportunities for improving management control, accountability, and the organization's image may be identified during audits. These opportunities will be communicated to the appropriate level of management.

## **INTRODUCTION**

The Internal Audit Department provides independent, objective assurance and consulting services designed to add value and improve the organization's operations. It helps the organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The Internal Audit Department's Policy and Procedures Manual defines how the Internal Audit Department shall achieve its mission. The audits performed by the Internal Audit Department will be conducted in conformance with the Institute of Internal Auditors *Global Internal Audit Standards* and in accordance with the United States Government Accountability Office *Generally Accepted Government Auditing Standards* ([GAGAS](#)). Investigations conducted by the Internal Audit Department will utilize the *Generally Accepted Principles and Quality Standards for Investigations* established by the Association of Inspectors General (OIG).

### ***GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS***

All Internal Audit activities will be conducted in accordance with the United States Government Accountability Office *Generally Accepted Government Auditing Standards*.

## **THE YELLOW BOOK**

The Yellow Book provides standards and guidance for auditors and audit organizations, outlining the requirements for audit reports, professional qualifications for auditors, and audit organization quality control. Auditors of federal, state, and local government programs use these standards to perform their audits and produce their reports. The 2018 Yellow Book is available in a [digital format](#).

## THE INSTITUTE OF INTERNAL AUDITORS

The Institute of Internal Auditors, Inc (IIA) was established in 1941 and serves over 235,000 members globally in internal auditing, risk management, governance, internal control, information technology, education, and security from more than 165 countries and territories. The IIA provides internal audit practitioners, executive management, boards of directors, and audit committees with standards, guidance, and information on best practices in internal auditing.

### **GLOBAL INTERNAL AUDIT STANDARDS**

All Internal Audit activities will be conducted in conformance with the *Global Internal Audit Standards (Standards)* issued by the Institute of Internal Auditors.

### **THE STANDARDS**

The Institute of Internal Auditor’s Global Internal Audit Standards guide the worldwide professional practice of internal auditing and serve as a basis for evaluating the quality of the internal audit function. At the heart of the Standards are 15 guiding principles that enable effective internal auditing. Each principle is supported by standards that contain requirements, considerations for implementation, and examples of evidence of conformance. Together, these elements help internal auditors achieve the principles and fulfill the Purpose of Internal Auditing.

The Standards apply to the internal audit function and individual internal auditors including the chief audit executive. While the chief audit executive is accountable for the internal audit function’s implementation of and conformance with all principles and standards, all internal auditors are responsible for conforming with the principles and standards relevant to performing their job responsibilities, which are presented primarily in Domain II: Ethics and Professionalism and Domain V: Performing Internal Audit Services.

The Standards are organized into five domains:

- Domain I: Purpose of Internal Auditing.
- Domain II: Ethics and Professionalism.
- Domain III: Governing the Internal Audit Function.
- Domain IV: Managing the Internal Audit Function.
- Domain V: Performing Internal Audit Services.

Domains II through V contain the following elements:

- Principles broad descriptions of a related group of requirements and considerations.
- Standards, which include:
  - Requirements: mandatory practices for internal auditing.
  - Considerations for Implementation: common and preferred practices to consider when implementing the requirements.
  - Examples of Evidence of Conformance: ways to demonstrate that the requirements of the Standards have been implemented.

The *Standards* use the word “must” in the Requirements sections and the words “should” and “may” to specify common and preferred practices in the Considerations for Implementation sections. The *Standards* employs terms that have been given specific meanings that are included in the Glossary of this manual.

While conformance with the requirements is expected, internal auditors occasionally may be unable to conform with a requirement yet still achieve the intent of the standard. Circumstances that may necessitate adjustments are often related to resource limitations or specific aspects of a sector, industry, and/or jurisdiction. In these exceptional circumstances, alternative actions should be implemented to meet the intent of the related standard.



## **Domain I: Purpose of Internal Auditing**

**The purpose statement** is intended to assist internal auditors and internal audit stakeholders in understating and articulating the value of internal auditing.

### **Purpose Statement**

Internal auditing strengthens the organization's ability to create, protect, and sustain value by providing the board and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

Internal auditing enhances the organization's:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve the public interest.

Internal auditing is most effective when:

- It is performed by competent professionals in conformance with the Global Internal Audit Standards, which are set in the public interest.
- The internal audit function is independently positioned with direct accountability to the board.
- Internal auditors are free from undue influence and committed to making objective assessments.

## **Domain II: Ethics and Professionalism**

**The principles and standards** outline the behavioral expectations for professional internal auditors; including chief audit executives, other individuals, and any entities that provide internal audit services.

All internal auditors are required to conform with the standards of ethics and professionalism. While internal auditors are responsible for their own conformance, the chief audit executive is expected to support and promote conformance with the principles and standards in the Ethics and Professionalism domain by providing opportunities for training and guidance. The chief audit executive may choose to delegate certain responsibilities for managing conformance but retains accountability for the ethics and professionalism of the internal audit function.

### **Principle 1 Demonstrate Integrity**

Internal auditors demonstrate integrity in their work and behavior.

**Standard 1.1 Honesty and Professional Courage** – Internal auditors must perform their work with honesty and professional courage.

Internal auditors must be truthful, accurate, clear, open, and respectful in all professional relationships and communications, even when expressing skepticism or offering an opposing viewpoint. Internal Auditors must not make false, misleading, or deceptive statements, nor conceal or omit findings or other pertinent information from communications. Internal Auditors must disclose all material facts known to them that, if not disclosed, could affect the organization's ability to make well-informed decisions.

Internal auditors must exhibit professional courage by communicating truthfully and taking appropriate action, even when confronted by dilemmas and difficult situations.

The chief audit executive must maintain a work environment where internal auditors feel supported when expressing legitimate, evidence-based engagement results, whether favorable or unfavorable.

**Standard 1.2 Organization's Ethical Expectations** – Internal auditors must understand, respect, meet and contribute to the legitimate and ethical expectations of the organization and must be able to recognize conduct that is contrary to those expectations.

Internal auditors must encourage and promote an ethics-based culture in the organization. If internal auditors identify behavior within the organization that is inconsistent with the organization's ethical expectations, they must report the concern according to applicable policies and procedures.

**Standard 1.3 Legal and Ethical Behavior** – Internal auditors must not engage in or be a party of any activity that is illegal or discreditable to the organization of the profession of internal auditing or that may harm the organization or its employees.

Internal auditors must understand and abide by the laws and/or regulations relevant to the industry and jurisdictions in which the organization operates, including making disclosures as required.

If Internal Auditors identify legal or regulatory violations, they must report such incidents to individuals or entities that have the authority to take appropriate action, as specified in laws, regulations, and applicable policies and procedures.

## **Principle 2 Maintain Objectivity**

Internal auditors maintain an impartial and unbiased attitude when performing internal audit services and making decisions.

**Standard 2.1 Individuals Objectivity** – Internal auditors must maintain professional objectivity when performing all aspects of internal audit services. Professional objectivity requires internal auditors to apply an impartial and unbiased mindset and make judgments based on balanced assessments of all relevant circumstances.

Internal auditors must be aware of and manage potential biases.

**Standard 2.2 Safeguarding Objectivity** – Internal auditors must recognize and avoid or mitigate actual, potential, and perceived impairments to objectivity.

Internal auditors must not accept any tangible or intangible item, such as a gift, reward, or favor, that may impair or be presumed to impair objectivity.

Internal auditors must avoid conflicts of interest and must not be unduly influenced by their own interest or the interest of others, including senior management or others in a position of authority, or by the political environment or other aspects of their surroundings.

When performing internal audit services:

- Internal auditors must refrain from assessing specific activities for which they were previously responsible. Objectivity is presumed to be impaired if an internal auditor provides assurance services for an activity for which the internal auditor had responsibility within the previous 12 months.
- If the internal audit function is to provide assurance services where it had previously performed advisory services, the chief audit executive must confirm that the nature of the advisory services does not impair objectivity and must assign resources such that individual objectivity is managed. Assurance engagements for functions over which the chief audit executive has responsibility must be overseen by an independent party outside the internal audit function.
- If internal auditors are to provide advisory services relating to activities for which they had previous responsibilities, they must disclose potential impairments to the party requesting the services before accepting the engagement.

The chief audit executive must establish methodologies to address impairments to objectivity. Internal auditor must discuss impairments and take appropriate actions according to relevant methodologies.

**Standard 2.3 Disclosing Impairments to Objectivity** – If objectivity is impaired in fact or appearance, the details of the impairment must be disclosed promptly to the appropriate parties.

If internal auditors become aware of an impairment that may affect their objectivity, they must disclose the impairment to the chief audit executive or a designated supervisor.

If the chief audit executive determines that an impairment is affecting an internal auditor's ability to perform duties objectively, the chief audit executive must discuss the impairment with the management of the activity under review, the board, and/or senior management and determine the appropriate actions to resolve the situation.

If an impairment that affects the reliability of the engagement findings, recommendations, and/or conclusions is discovered after an engagement has been completed, the chief audit executive must discuss the concern with the management of the activity under review, the board, senior management, and/or other affected stakeholders and determine the appropriate actions to resolve the situation. (See also Standard 11.4 Errors and Omissions.)

If the objectivity of the chief audit executive is impaired in fact or appearance, the chief audit executive must disclose the impairment to the board. (See also Standard 7.1 Organizational Independence.)

### **Principle 3 Demonstrate Competency**

Internal auditors apply the knowledge, skills, and abilities to fulfill their roles and responsibilities successfully.

**Standard 3.1 Competency** – Internal auditors must possess or obtain the competencies to perform their responsibilities successfully. The required competencies include the knowledge, skills, and abilities suitable for one’s job position and responsibilities commensurate with their level of experience. Internal auditors must possess or develop knowledge of The IIA’s Global Internal Audit Standards.

Internal auditors must engage only in those services for which they have or can attain the necessary competencies.

Each internal auditor is responsible for continually developing and applying the competencies necessary to fulfill their professional responsibilities. Additionally, the chief audit executive must ensure that the internal audit function collectively possesses the competencies to perform the internal audit services described in the internal audit charter or must obtain the necessary competencies. (See also Standards 7.2 Chief Audit Executive Qualifications and 10.2 Human Resources Management.)

**Standard 3.2 Continuing Professional Development** – Internal auditors must maintain and continually develop their competencies to improve the effectiveness and quality of internal audit services. Internal auditors must pursue continuing professional development including education and training. Practicing internal auditors who have attained professional internal audit certifications must follow the continuing professional education policies and fulfill the requirements applicable to their certifications.

### **Principle 4 Exercise Due Professional Care**

Internal auditors apply due professional care in planning and performing internal audit services.

**Standard 4.1 Conformance with the Global Internal Audit Standards** – Internal auditor must plan and perform internal audit services in accordance with the Global Internal Audit Standards.

The internal audit function’s methodologies must be established, documented, and maintained in alignment with the Standards. Internal auditors must follow the Standards and the internal audit function’s methodologies when planning and performing internal audit services and communicating results.

If the Standards are used in conjunction with requirements issued by other authoritative bodies, internal audit communications must also cite the use of the other requirements, as appropriate.

If laws or regulations prohibit internal auditors or the internal audit function from conforming with any part of the Standards, conformance with all other parts of the Standards is required and appropriate disclosures must be made.

When internal auditors are unable to conform with a requirement, the chief audit executive must document and communicate a description of the circumstance, alternative actions taken, the impact of the actions, and the rationale. Requirements related to disclosing nonconformance with the Standards are described in Standards 8.3 Quality, 12.1 Internal Quality Assessment, and 15.1 Final Engagement Communication.

**Standard 4.2 Due Professional Care** – Internal auditors must exercise due professional care by assessing the nature, circumstances, and requirements of the services to be provided, including:

- The organization’s strategy and objectives.
- The interest of those for whom internal audit services are provided and the interest of other stakeholders.
- Adequacy and effectiveness of governance, risk management, and the interest of other stakeholders.

- Cost relative to potential benefits of the internal audit services to be performed.
- Extent and timeliness of work needed to achieve the engagement’s objectives.
- Relative complexity, materiality, or significance of risks to the activity under review.
- Probability of significant errors, fraud, noncompliance, and other risks that might affect objectives, operations, or resources.
- Use of appropriate techniques, tools and technology.

**Standard 4.3 Professional Skepticism** – Internal auditors must exercise professional skepticism when planning and performing internal audit services.

To exercise professional skepticism, internal auditors must:

- Maintain an attitude that includes inquisitiveness.
- Critically assess the reliability of information.
- Be straightforward and honest when raising concerns and asking questions about inconsistent information.
- Seek additional evidence to make a judgment about information and statements that might be incomplete, inconsistent, false, or misleading.

### **Principle 5 Maintain Confidentiality**

Internal auditors use and protect information appropriately.

**Standard 5.1 Use of Information** – Internal auditors must follow the relevant policies, procedures, laws, and regulations when using information. The information must not be used for personal gain in a manner contrary or detrimental to the organization’s legitimate and ethical objectives.

**Standard 5.2 Protection of Information** – Internal auditors must be aware of their responsibilities for protecting information and demonstrate respect for the confidentiality, privacy and ownership of information acquired when performing internal audit services or as the result of professional relationships.

Internal auditors must understand and abide by the laws, regulations, policies, and procedures related to confidentiality, information privacy, and information security that apply to the organization and internal audit function.

Considerations specifically relevant to the internal audit function include:

- Custody, retentions, and disposal of engagement records.
- Release of engagement records to internal and external parties.
- Handling of, access to, or copies of confidential information when it is no longer needed.

Internal auditors must not disclose confidential information to unauthorized parties unless there is a legal or professional responsibility to do so.

Internal auditors must manage the risk of exposing or disclosing information inadvertently.

The chief audit executive must ensure that the internal audit function and individuals assisting the internal audit function adhere to the same protection requirements.

### **Principle 6 Authorized by the Board**

The board establishes, approves, and supports the mandate of the internal audit function.

**Standard 6.1 Internal Audit Mandate** – The chief audit executive must provide the board and senior management with the information necessary to establish the internal audit mandate. In those jurisdictions and industries where the internal audit function’s mandate is prescribed wholly or partially in laws or regulations, the internal audit charter must include the legal requirement of the mandate. (See also Standard 6.2 Internal Audit Charter and “Applying the Global Internal Audit Standards in the Public Sector.”)

To help the board and senior management determine the scope and types of internal audit services, the chief audit executive must coordinate with other internal and external assurance providers to gain an understanding of each other's roles and responsibilities. (See also Standard 9.5 Coordination and Reliance.)

The chief audit executive must document or reference the mandate in the internal audit charter, which is approved by the board. (See also Standards 6.2 Internal Audit Charter.)

Periodically, the chief audit executive must assess whether changes in circumstances justify a discussion with the board and senior management about the internal audit mandate. If so, the chief audit executive must discuss the internal audit mandate with the board and senior management to assess whether the authority, role, and responsibilities continue to enable the internal audit function to achieve its strategy and accomplish its objectives.

## **Essential Conditions**

### **Board**

- Discuss with the chief audit executive and senior management the appropriate authority, role, and responsibilities of the internal audit function.
- Approve the internal audit charter, which includes the internal audit mandate and the scope and types of internal audit services.

### **Senior Management**

- Participate in discussions with the board and chief audit executive and provide input on expectations for the internal audit function that the board should consider when establishing the internal audit mandate.
- Support the internal audit mandate throughout the organization and promote the authority granted to the internal audit function.

**Standard 6.2 Internal Audit Charter** – The chief audit executive must develop and maintain an internal audit charter that specifies, at a minimum, the internal audit function's:

- Purpose of Internal Auditing.
- Commitment to adhering to the Global Internal Audit Standards.
- Mandate, including scope and types of services to be provided, and the board's responsibilities and expectations regarding management's support of the internal audit function. (See also Standard 6.1 Internal Audit Mandate.)
- Organizational position and reporting relationships. (See also Standard 7.1 Organizational Independence.)

The chief audit executive must discuss the proposed charter with the board and senior management to confirm that it accurately reflects their understanding and expectations of the internal audit function.

## **Essential Conditions**

### **Board**

- Discuss with the chief audit executive and senior management other topics that should be included in the internal audit charter to enable an effective internal audit function.
- Approve the internal audit charter.
- Review the internal audit charter with the chief audit executive to consider changes affecting the organization, such as the employment of new chief audit executive or changes in the type, severity, and interdependencies of risks to the organization.

### **Senior Management**

- Communicate with the board and chief executive about management's expectations that should be considered for inclusion in the internal audit charter.

**Standard 6.3 Board and Senior Management Support** – The chief executive must provide the board and senior management with the information needed to support and promote recognition of the internal audit function throughout the organization.

The chief audit executive must coordinate the internal audit function’s board communications with senior management to support the board’s ability to fulfill its requirements.

### **Essential Conditions**

#### **Board**

- Champion the internal audit function to enable it to fulfill the Purpose of Internal Auditing and pursue its strategy and objectives.
- Work with senior management to enable the internal audit function’s unrestricted access to the data, records, information, personnel, and physical properties necessary to fulfill the internal audit mandate.
- Support the chief audit executive through regular, direct communications.
- Demonstrate support by:
  - Specifying that the chief audit executive reports to a level within the organization that allows the internal audit function to fulfill the internal audit mandate.
  - Approving the internal audit charter, internal audit plan, budget, and resource plan.
  - Making appropriate inquiries of senior management and the chief audit executive to determine whether any restrictions on the internal audit function’s scope, access, authority, or resources limit the function’s ability to carry out its responsibilities effectively.
  - Meeting periodically with the chief audit executive in sessions without senior management present.

#### **Senior Management**

- Support recognition of the internal audit function throughout the organization.
- Work with board and management throughout the organization to enable the internal audit function’s unrestricted access to the data, records, information, personnel, and physical properties necessary to fulfill the internal audit mandate.

### **Principle 7 Positioned Independently**

The board establishes and protects the internal audit function’s independence and qualifications.

**Standard 7.1 Organized Independence** – The chief audit executive must confirm to the board the organizational independence of the internal audit function at least annually. This includes communicating incidents where independence may have been impaired and the actions or safeguards employed to address the impairment.

The chief audit executive must document in the internal audit charter the reporting relationships and organizational positioning of the internal audit function, as determined by the board. (See also Standard 6.2 Internal Audit Charter.)

The chief audit executive must discuss with the board and senior management any current or proposed roles and responsibilities that have the potential to impair the internal audit function’s independence, either in fact or appearance. The chief audit executive must advise the board and senior management of the types of safeguards to manage actual, potential, or perceived impairments.

When the chief audit executive has one or more ongoing roles beyond internal auditing, the responsibilities, nature of work, and established safeguards must be documented in the internal audit charter. If those areas of responsibility are subject to internal auditing, alternative processes to obtain assurance must be established, such as contracting an objective, competent external assurance provider that reports independently to the board.

When the chief audit executive’s nonaudit responsibilities are temporary, assurance for those areas must be provided by an independent third party during the temporary assignment and for the subsequent 12 months. Also, the chief audit executive must establish a plan to transition those responsibilities to management.

If the governing structure does not support organizational independence, the chief audit executive must document the characteristics of the governing structure limiting independence and any safeguards that may be employed to achieve this principle.

### **Essential Conditions**

#### **Board**

- Establish a direct reporting relationship with the chief audit executive and the internal audit function to enable the internal audit function to fulfill its mandate.
- Authorize the appointment and removal of the chief audit executive.
- Provide input to senior management to support the performance evaluation and remuneration of the chief audit executive.
- Provide the chief audit executive with opportunities to discuss significant and sensitive matters with the board, including meetings without senior management present.
- Require that the chief audit executive be positioned at a level in the organization that enables internal audit services and responsibilities to be performed without interference from management. This positioning provides the organizational authority and status to bring matters directly to senior management and escalate matters to the board when necessary.
- Acknowledge the actual or potential impairments to the internal audit function's independence when approving roles or responsibilities for the chief audit executive that are beyond the scope of internal auditing.
- Engage with senior management and the chief audit executive to establish appropriate safeguards if chief audit executive roles and responsibilities impair or appear to impair the internal audit function's independence.
- Engage with senior management to ensure that the internal audit function is free from interference when determining its scope, performing internal audit engagements, and communicating results.

#### **Senior Management**

- Position the internal audit function at a level within the organization that enables it to perform its services and responsibilities without interference, as directed by the board.
- Recognize the chief audit executive's direct reporting relationship with the board.
- Engage with the board and the chief audit to understand any potential impairments to the internal audit function's independence caused by nonaudit roles or other circumstances and support the implementation of appropriate safeguards to manage such impairments.
- Provide input to the board on the appointment and removal of the chief audit executive.
- Solicit input from the board on the performance evaluation and remuneration of the chief audit executive.

**Standard 7.2 Chief Audit Executive Qualifications** – The chief audit executive must help the board understand the qualifications and competencies of a chief audit executive that are necessary to manage the internal audit function. The chief audit executive facilitates this understanding by providing information and examples of common and leading qualifications and competencies.

The chief audit executive must maintain and enhance the qualifications and competencies necessary to fulfill the roles and responsibilities expected by the board. (See also Principle 3 demonstrate Competency and its standards.)

### **Essential Conditions**

#### **Board**

- Review the requirements necessary for the chief audit executive to manage the internal audit function, as described in Domain IV: Managing the Internal Audit Function.
- Approve the chief audit executive's roles and responsibilities and identify the necessary qualifications, experience, and competencies to carry out these roles and responsibilities.

- Engage with senior management to appoint a chief audit executive with the qualifications and competencies necessary to manage the internal audit function effectively and ensure the quality performance of internal audit services.

#### **Senior Management**

- Engage with the board to determine the chief audit executive’s qualifications, experience and competencies.
- Enable the appointment, development and remuneration of the chief audit executive through the organization’s human resources processes.

### **Principle 8 Overseen by the Board**

The board oversees the internal audit function to ensure the function’s effectiveness.

**Standard 8.1 Board Interaction** – The chief audit executive must provide the board with the information needed to conduct its oversight responsibilities. This information may be specifically requested by the board or may be, in the judgment of the chief audit executive, valuable for the board to exercise its oversight responsibilities.

The chief audit executive must report to the board and senior management:

- The internal audit plan and budget and subsequent significant revisions to them. (See also Standards 6.3 Board and Senior Management Support and 9.4 Internal Audit Plan.)
- Changes potentially affecting the mandate or charter. (See also Standards 6.1 Internal Audit Mandate and 6.2 Internal Audit Charter.)
- Potential impairments to independence. (See also Standard 7.1 Organizational Independence.)
- Results of internal audit services, including conclusions, themes, assurance, advice, insights, and monitoring results. (See also Standards 11.3 Communicating Results, 14.5 Engagement Conclusions, and 15.2 Confirming the implementation of Recommendations or Action Plans.)
- Results from the quality assurance and improvement program. (See also Standards 8.3 Quality, 8.4 External Quality Assessment, 12.1 Internal Quality Assessment, and 12.2 Performance Measurement.)

There may be instances when the chief audit executive disagrees with senior management or other stakeholders on the scope, findings, or other aspects of an engagement that may affect the ability of the internal audit function to execute its responsibilities. In such cases, the chief audit executive must provide the board with the facts and circumstances to allow the board to consider whether, in its oversight role, it should intervene with senior management or other stakeholders.

### **Essential Conditions**

#### **Board**

- Communicate with the chief audit executive to understand how the internal audit function is fulfilling its mandate.
- Communicate the board’s perspective on the organization’s strategies, objectives, and risks to assist the chief audit executive with determining internal audit priorities.
- Set expectations with the chief audit executive for:
  - The frequency with which the board wants to receive communications from the chief audit executive.
  - The criteria for determining which issues should be escalated to the board, such as significant risks that exceed the board’s risk tolerance.
  - The process for escalating matters of importance to the board.
- Gain an understanding of the effectiveness of the organization’s governance, risk management, and control processes based on the results of internal audit engagements and discussions with senior management.
- Discuss with the chief executive disagreements with senior management or other stakeholders and provide support as necessary to enable the chief audit executive to perform the responsibilities outlined in the internal audit mandate.



### **Senior management**

- Communicate senior management’s perspective on the organization’s strategies, objectives, and risks to assist the chief audit executive with determining internal audit priorities.
- Assist the board in understanding the effectiveness of the organization’s governance, risk management, and control processes.
- Work with the board and the chief audit executive on the process for escalating matters of importance to the board.

**Standard 8.2 Resources** – The chief audit executive must evaluate whether internal audit resources are sufficient to fulfill the internal audit mandate and achieve the internal audit plan. If not, the chief audit executive must develop a strategy to obtain sufficient resources and inform the board about the impact of the insufficient resources and how any resource shortfalls will be addressed.

### **Essential Conditions**

#### **Board**

- Collaborate with senior management to provide the internal audit function with sufficient resources to fulfill the internal audit mandate and achieve the internal audit plan.
- Discuss with the chief audit executive, at least annually, the sufficiency, both in numbers and capabilities, of internal audit resources to fulfill the internal audit mandate and achieve the internal audit plan.
- Consider the impact of insufficient resources on the internal audit mandate and plan.
- Engage with senior management and the chief audit executive on remedying the situation if the resources are determined to be insufficient.

#### **Senior Management**

- Engage with the board to provide the internal audit function with sufficient resources to fulfill the internal audit mandate and achieve the internal audit plan.
- Engage with the board and the chief audit executive on any issues of insufficient resources and how to remedy the situation.

**Standard 8.3 Quality** - The chief audit executive must develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the internal audit function. The program includes two types of assessments:

- External assessments. (See also Standards 8.4 External Quality Assessment.)
- Internal assessments. (See also Standard 12.1 Internal Quality Assessment.)

At least annually, the chief audit executive must communicate the results of the internal quality assessment to the board and senior management. The results of the external quality assessments must be reported when completed. In both cases, such communications include:

- The internal audit function’s conformance with the Standards and achievement of performance objectives.
- If applicable, compliance with laws and/or regulations relevant to internal auditing.
- If applicable, plans to address the internal audit function’s deficiencies and opportunities for improvement.

### **Essential Conditions**

#### **Board**

- Discuss with the chief audit executive the quality assurance and improvement program, as outlined in Domain IV: Managing the Internal Audit Function.
- Approve the internal audit function’s performance objectives at least annually. (See also Standard 12.2 Performance Management.)
- Assess the effectiveness and efficiency of the internal audit function. Such an assessment includes:
  - Reviewing the internal audit function’s performance objectives, including its conformance with the Standards, laws and regulations; ability to meet the internal audit mandate; and progress towards completion of the internal audit plan.

- Considering the results of the internal audit function's quality assurance and improvement program.
- Determining the extent to which the internal audit function's performance objectives are being met.

### **Senior Management**

- Provide input on the internal audit function's performance objectives.
- Participate with the board in an annual assessment of the chief audit executive and internal audit function.

**Standard 8.4 External Quality Assessment** – The chief audit executive must develop a plan for an external quality assessment and discuss the plan with the board. The external assessment must be performed at least once every five years by a qualified, independent assessor or assessment team. The requirement for an external quality assessment may also be met through a self-assessment with independent validation.

When selecting the independent assessor or assessment team, the chief audit executive must ensure at least one person holds an active Certified Internal Auditor® designation.

### **Essential Conditions**

#### **Board**

- Discuss with the chief audit executive the plans to have an external quality assessment of the internal audit function conducted by an independent, qualified assessor or assessment team.
- Collaborate with senior management and the chief audit executive to determine the scope and frequency of the external quality assessment.
- Consider the responsibilities and regulatory requirements of the internal audit function and the chief audit executive, as described in the internal audit charter, when defining the scope of the external quality assessment.
- Review and approve the chief audit executive's plan for the performance of an external quality assessment. Such approval should cover, at a minimum:
  - The scope and frequency of assessments.
  - The competencies and independence of the external assessor or assessment team.
  - The rationale for choosing to conduct a self-assessment with independent validation instead of an external quality assessment.
- Require receipt of the complete results of the external quality assessment or self-assessment with independent validation directly from the assessor.
- Review and approve the chief audit executive's action plans to address identified deficiencies and opportunities for improvement, if applicable.
- Approve a timeline for completion of the action plans and monitor the chief audit executive's progress.

#### **Senior Management**

- Collaborate with the board and the chief audit executive to determine the scope and frequency of the external quality assessment.
- Review the results of the external quality assessment, collaborate with the chief audit executive and board to agree on action plans that address identified deficiencies and opportunities for improvement, if applicable, and agree on a timeline for completion of the action plans.

### **Principle 9 Plan Strategically**

The chief audit executive plans strategically to position the internal audit function to fulfill its mandate and achieve long-term success.

**Standard 9.1 Understanding Governance, Risk Management, and Control Processes** – To develop an effective internal audit strategy and plan, the chief audit executive must understand the organization's governance, risk management, and control processes.

To understand governance processes, the chief audit executive must consider how the organization:

- Establishes strategic objectives and makes strategic decisions and operational decisions.
- Oversees risk management and control.

- Promotes an ethical culture.
- Delivers effective performance management and accountability.
- Structures its management and operating functions.
- Communicates risk and control information throughout the organization.
- Coordinates activities and communications among the board, internal and external providers of assurance services and management.

To understand risk management and control processes, the chief audit executive must consider how the organization identifies and assesses significant risks and selects appropriate control processes. This includes understanding how the organization identifies and manages the following key risk areas:

- Reliability and integrity of financial and operational information.
- Effectiveness and efficiency of operations and programs.
- Safeguarding of assets.
- Compliance with laws and/or regulations.

**Standard 9.2 Internal Audit Strategy** – The chief audit executive must develop and implement a strategy for the internal audit function that supports the strategic objectives and success of the organization and aligns with the expectations of the board, senior management, and other key stakeholders.

An internal audit strategy is a plan of action designed to achieve a long-term or overall objective. The internal audit strategy must include a vision, strategic objectives, and supporting initiatives for the internal audit function. An internal audit strategy helps guide the internal audit function toward the fulfillment of the internal audit mandate.

The chief audit executive must review the internal audit strategy with the board and senior management periodically.

**Standard 9.3 Methodologies** – The chief audit executive must establish methodologies to guide the internal audit function in a systematic and disciplined manner to implement the internal audit strategy, develop the internal audit plan, and conform with the Standards. The chief audit executive must evaluate the effectiveness of the methodologies and update them as necessary to improve the internal audit function and respond to significant changes that affect the function. The chief audit executive must provide internal auditors with training on the methodologies. (See also Principles 13 Plan Engagements Effectively, 14 Conduct Engagement Work, and 15 Communicate Engagement Results and Monitor Action Plans, and their standards.)

**Standard 9.4 Internal Audit Plan** – The chief audit executive must create an internal audit plan that supports the achievement of the organization’s objectives.

The chief audit executive must base the internal audit plan on a documented assessment of the organization’s strategies, objectives, and risks. This assessment must be informed by input from the board and senior management as well as the chief audit executive’s understanding of the organization’s governance, risk management, and control processes. The assessment must be performed at least annually.

The internal audit plan must:

- Consider the internal audit mandate and the full range of agreed-to internal audit services.
- Specify internal audit services that support the evaluation and improvement of the organization’s governance, risk management, and control processes.
- Consider coverage of information technology governance, fraud risk, the effectiveness of the organization’s compliance and ethics programs, and other high-risk areas.
- Identify the necessary human, financial, and technological resources necessary to complete the plan.
- Be dynamic and updated timely in response to changes in the organization’s business, risk operations, programs, systems, controls, and organizational culture.

The chief audit executive must review and revise the internal audit plan as necessary and communicate timely to the board and senior management:

- The impact of any resource limitations on internal audit coverage.

- The rationale for not including an assurance engagement in a high-risk area or activity in the plan.
- Conflicting demands for services between major stakeholders, such as high-priority request based on emerging risks and request to replace planned assurance engagements with advisory engagements.
- Limitations on scope or restrictions on access to information.

The chief audit executive must discuss the internal audit plan, including significant interim changes, with the board and senior management. The plan and significant changes to the plan must be approved by the board.

**Standard 9.5 Coordination and Reliance** – The chief audit executive must coordinate with internal and external providers of assurance services and consider relying upon their work. Coordination of services minimizes duplication of efforts, highlights gaps in coverage of key risks, and enhances the overall value added by providers.

If unable to achieve an appropriate level of coordination, the chief audit executive must raise any concerns with senior management and, if necessary, the board.

When the internal audit function relies on the work of other assurance service providers, the chief audit executive must document the basis for that reliance and is still responsible for the conclusions reached by the internal audit function.

## **Principle 10 Manage Resources**

The chief audit executive manages resources to implement the internal audit function’s strategy and achieve its plan and mandate.

**Standard 10.1 Financial Resource Management** – The chief audit executive must manage the internal audit function’s financial resources.

The chief audit executive must develop a budget that enables the successful implementation of the internal audit strategy and achievement of the plan. The budget includes the resources necessary for the function’s operation, including training and acquisition of technology and tools. The chief audit executive must manage the day-to-day activities of the internal audit function effectively and efficiently, in alignment with the budget.

The chief audit executive must seek budget approval from the board. The chief audit executive must communicate promptly the impact of insufficient financial resources to the board and senior management.

**Standard 10.2 Human Resources Management** – The chief audit executive must establish an approach to recruit, develop, and retain internal auditors who are qualified to successfully implement the internal audit strategy and achieve the internal audit plan.

The chief audit executive must strive to ensure that human resources are appropriate, sufficient, and effectively developed to achieve the approved internal audit plan. *Appropriate* refers to the mix of knowledge, skills, and abilities; *sufficient* refers to the quantity of resources; and *effective deployment* refers to assigning resources in a way that optimizes the achievement of the internal audit plan.

The chief audit executive must communicate with the board and senior management regarding the appropriateness and sufficiency of the internal audit function’s human resources. If the function lacks appropriate and sufficient human resources to achieve the internal audit plan, the chief audit executive must determine how to obtain the resources or communicate timely to the board and senior management the impact of the limitations. (See also Standard 8.2 Resources.)

The chief audit executive must evaluate the competencies of individual internal auditors within the internal audit function and encourage professional development. The chief audit executive must collaborate with internal auditors to help them develop their individual competencies through training, supervisory feedback, and/or mentoring. (See also Standard 3.1 Competency.)

**Standard 10.3 Technologies Resources** – The chief audit executive must strive to ensure that the internal audit function has technology to support the internal audit process. The chief audit executive must regularly evaluate the technology used by the internal audit function and pursue to improve effectiveness and efficiency.

When implementing new technology, the chief audit executive must implement appropriate training for internal auditors in the effective use of technological resources. The chief audit executive must collaborate with organization's information technology and information security functions to implement technological resources properly.

The chief audit executive must communicate the impact of technology limitations on the effectiveness or efficiency of the internal audit function to the board and senior management.

### **Principle 11 Communicate Effectively**

The chief audit executive guides the internal audit function to communicate effectively with its stakeholders.

**Standard 11.1 Building Relationships and Communicating with Stakeholders** – The chief audit executive must develop an approach for the internal audit function to build relationships and trust with key stakeholders, including the board, senior management, operational management, regulators, and internal and external assurance providers and other consultants.

The chief audit executive must promote formal and informal communication between the internal audit function and stakeholders, contributing to the mutual understanding of:

- Organizational interest and concerns.
- Approaches for identifying and managing risks and providing assurance.
- Roles and responsibilities of relevant parties and opportunities for collaboration.
- Relevant regulatory requirements.
- Significant organizational processes, including financial reporting.

**Standard 11.2 Effective Communication** – The chief audit executive must establish and implement methodologies to promote accurate, objective, clear, concise, constructive, complete, and timely internal audit communications.

**Standard 11.3 Communicating Results** – The chief audit executive must communicate the results of internal audit services to the board and senior management periodically and for each engagement as appropriate. The chief audit executive must understand the expectations of the board and senior management regarding the nature and timing of communications.

The results of internal audit services can include:

- Engagement conclusions.
- Themes such as effective practices or root causes.
- Conclusions at the level of the business unit or organization.

### **Engagement Conclusions**

The chief audit executive must review and approve final engagement communications, which include engagement conclusions, and decide to whom and how they will be disseminated before they are issued. If these duties are delegated to other internal auditors, the chief audit executive retains overall responsibility. The chief audit executive must seek the advice of legal counsel and/or senior management as required before releasing final communications to parties outside the organization, unless otherwise required or restricted by laws and/or regulations. (See also Standards 11.4 Errors and Omissions, 11.5 Communicating the acceptance of Risk, and 15.1 Final Engagement Communication.)

### **Themes**

The findings and conclusions of multiple engagements, when viewed holistically, may reveal patterns or trends, such as root causes. When the chief audit executive identifies themes related to the organization's governance, risk management, and control processes, the themes must be communicated timely, along with insights, advice, and/or conclusions, to the board and senior management.

### **Conclusion at the Level of the Business Unit or Organization**

The chief audit executive may be required to make a conclusion at the level of the business unit or organization about the effectiveness of governance, risk management, and/or control processes, due to industry requirements, laws and/or regulations, or the expectations of the board, senior management, and/or

other stakeholders. Such a conclusion reflects the professional judgment of the chief audit executive based on multiple engagements and must be supported by relevant, reliable, and sufficient information.

When communicating such a conclusion to the board or senior management, the chief audit executive must include:

- A summary of the request.
- The criteria used as a basis for the conclusion; for example, a governance framework or risk and control framework.
- The scope, including limitations and the period to which the conclusion pertains.
- A summary of the information that supports the conclusion.
- A disclosure of reliance on the work of other assurance providers, if any.

**Standard 11.4 Errors and Omissions** – If a final engagement communication contains a significant error or omission, the chief audit executive must communicate corrected information promptly to all parties who received the original communication.

Significance is determined according to criteria agreed upon with the board.

**Standard 11.5 Communicating the Acceptance of Risk** – The chief audit executive must communicate unacceptable levels of risk.

When the chief audit executive concludes that management has accepted a level of risk that exceeds the organization's risk appetite or risk tolerance, the matter must be discussed with senior management. If the chief audit executive determines that the matter has not been resolved by senior management, the matter must be escalated to the board. It is not the responsibility of the chief audit executive to resolve the risk.

## **Principle 12 Enhance Quality**

The chief audit executive is responsible for the internal audit function's conformance with the Global Internal Audit Standards and continuous performance improvement.

**Standard 12.1 Internal Quality Assessment** – The chief audit executive must develop and conduct internal assessments of the internal audit function's conformance with the Global Audit Standards and progress toward performance objectives.

The chief audit executive must establish a methodology for internal assessments, as described in Standard 8.3 Quality, that includes:

- Ongoing monitoring of the internal audit function's conformance with the Standards and progress towards performance objectives.
- Periodic self-assessments or assessments by other persons within the organization with sufficient knowledge of internal audit practices to evaluate conformance with the Standards.
- Communication with the board and senior management about the results of internal assessments.

Based on the results of period self-assessments, the chief audit executive must develop action plans to address instances of nonconformance with the Standards and opportunities for improvement, including a proposed timeline for actions. The chief audit executive must communicate the results of periodic self-assessments and action plans to the board and senior management. (See also Standards 8.1 Board Interaction, 8.3 Quality and 9.3 Methodologies.)

Internal assessments must be documented and included in the evaluation conducted by an independent third party as part of the organization's external quality assessment. (See also Standard 8.4 External Quality Assessment.)

If nonconformance with the Standards affects the overall scope or operation of the internal audit function, the chief audit executive must disclose to the board and senior management the nonconformance and its impact.

**Standard 12.2 Performance Measurement** – The chief audit executive must develop objectives to evaluate the internal audit function's performance. The chief audit executive must consider the input and expectations of the board and senior management when developing the performance objectives.

The chief audit executive must develop a performance measurement methodology to assess progress toward achieving the function's objectives and to promote the continuous improvement of the internal audit function.

When assessing the internal audit function's performance, the chief audit executive must solicit feedback from the board and senior management as appropriate.

The chief audit executive must develop an action plan to address issues and opportunities for improvement.

**Standard 12.3 Oversee and Improve Engagement Performance** – The chief executive must establish and implement methodologies for engagement supervision, quality assurance, and the development of competencies.

- The chief executive or an engagement supervisor must provide internal auditors with guidance throughout the engagement, verify work programs are complete, and confirm engagement workpapers adequately support findings, conclusions, and recommendations.
- To assure quality, the chief audit executive must verify whether engagements are performed in conformance with the Standards and the internal audit function's methodologies.
- To develop competencies, the chief audit executive must provide internal auditors with feedback about their performance and opportunities for improvement.

The extent of supervision required depends on the maturity of the internal audit function, the proficiency and experience of internal auditors, and the complexity of engagements.

The chief audit executive is responsible for supervising engagements, whether the engagement work is performed by the internal audit staff or by other service providers. Supervisory responsibilities may be delegated to appropriate and qualified individuals, but the chief audit executive retains ultimate responsibility.

The chief audit executive must ensure that evidence of supervision is documented and retained, according to the internal audits function's established methodologies.

### **Principle 13 Plan Engagements Effectively**

Internal auditors plan each engagement using a systematic, disciplined approach.

**Standard 13.1 Engagement Communication** – Internal auditors must communicate effectively throughout the engagement. (See also Principle 11 Communicate Effectively and its related standards and Standard 15.1 Final Engagement Communication.)

Internal auditors must communicate the objectives, scope, and timing of the engagement with management. Subsequent changes must be communicated with management timely. (See also Standards 13.3 Engagement Objectives and Scope.)

At the end of an engagement, if internal auditors and management do not agree on the engagement results, internal auditors must discuss and try to reach a mutual understanding of the issue with the management of the activity under review. If a mutual understanding cannot be reached, internal auditors must not be obligated to change any portion of the engagement results unless there is a valid reason to do so. Internal auditors must follow an established methodology to allow both parties to express their positions regarding the content of the final engagement communication and the reasons for any differences of opinion regarding the engagement results. (See also Standards 9.3 Methodologies and 14.4 Recommendations and Action Plans.)

**Standard 13.2 Engagement Risk Assessment** – Internal auditors must develop an understanding of the activity under review to assess the relevant risks. For advisory services, a formal, documented risk assessment may not be necessary, depending on the agreement with relevant stakeholders.

To develop an adequate understanding, internal auditors must identify and gather reliable, relevant, and sufficient information regarding:

- The organization's strategies, objectives, and risks relevant to the activity under review.
- The organization's risk tolerance, if established.
- The risk assessment supporting the internal audit plan.

- The governance, risk management, and control processes of the activity under review.
- Applicable frameworks, guidance, and other criteria that can be used to evaluate the effectiveness of those processes.

Internal auditors must review the gathered information to understand how processes are intended to operate.

Internal auditors must identify the risks to review by:

- Identifying the potentially significant risks to the objectives of the activity under review.
- Considering specific risks related to fraud.
- Evaluating the significance of the risks and prioritizing them for review.

Internal auditors must identify the criteria that management uses to measure whether the activity is achieving its objectives.

When internal auditors have identified the relevant risks for an activity under review in past engagements, only a review and update of the previous engagement risk assessment is required.

**Standard 13.3 Engagement Objectives and Scope** – Internal auditors must establish and document the objectives and scope for each engagement.

The engagement objectives must articulate the purpose of the engagement and describe the specific goals to be achieved, including those mandated by laws and/or regulations.

The scope must establish the engagement’s focus and boundaries by specifying the activities, locations, processes, systems, components, time period to be covered in the engagement, and other elements to be reviewed, and be sufficient to achieve the engagement objectives.

Internal auditors must consider whether the engagement is intended to provide assurance or advisory services because stakeholder expectations and the requirements of the Standards differ depending on the type of engagement.

Scope limitations must be discussed with management when identified, with a goal of achieving resolution. Scope limitations are assurance engagement conditions, such as resource constraints or restrictions on access to personnel, facilities, data, and information, that prevent internal auditors from performing the work as expected in the audit work program. (See also Standard 13.5 Engagement Resources.)

If a resolution cannot be achieved with management, the chief audit executive must elevate the scope limitation issue to the board according to an established methodology.

Internal auditors must have the flexibility to make changes to the engagement objectives and scope when audit work identifies the need to do so as the engagement progresses.

The chief audit executive must approve the engagement objectives and scope and any changes that occur during the engagement.

**Standard 13.4 Evaluation Criteria** – Internal auditors must identify the most relevant criteria to be used to evaluate the aspects of the activity under review defined in the engagement objectives and scope. For advisory services, the identification of evaluation criteria may not be necessary, depending on the agreement with relevant stakeholders.

Internal auditors must assess the extent to which the board and senior management have established adequate criteria to determine whether the activity under review has accomplished its objectives and goals. If such criteria are adequate, internal auditors must use them for the evaluation. If the criteria are inadequate, internal auditors must identify appropriate criteria through discussion with the board and/or senior management.

**Standard 13.5 Engagement Resources** – When planning an engagement, internal auditors must identify the types and quantity of resources necessary to achieve the engagement objectives.

Internal auditors must consider:

- The nature and complexity of the engagement.
- The time frame within which the engagement is to be completed.



- Whether the available financial, human, and technological resources are appropriate and sufficient to achieve the engagement objectives.

If the available resources are inappropriate or insufficient, internal auditors must discuss the concerns with the chief audit executive to obtain the resources.

**Standard 13.6 Work Program** – Internal auditors must develop and document an engagement work program to achieve the engagement objectives.

The engagement work program must be based on the information obtained during engagement planning, including, when applicable, the results of the engagement risk assessment.

The engagement work program must identify:

- Criteria to be used to evaluate each objective.
- Tasks to achieve the engagement objectives.
- Methodologies, including the analytical procedures to be used, and tools to perform the tasks.
- Internal auditors assigned to perform each task.

The chief audit executive must review and approve the engagement work program before it is implemented and promptly when any subsequent changes are made.

### **Principle 14 Conduct Engagement Work**

Internal auditors implement the engagement work program to achieve the engagement objectives.

**Standard 14.1 Gathering Information for Analyses and Evaluation** – To perform analyses and evaluation, internal auditors must gather information that is:

- Relevant – consistent with engagement objectives, within the scope of the engagement, and contributes to the development of engagement results.
- Reliable – factual and current. Internal auditors use professional skepticism to evaluate whether information is reliable. Reliability is strengthened when the information is:
  - Obtained directly by an internal auditor or from an independent source.
  - Corroborated.
  - Gathered from a system with effective governance, risk management, and control processes.
- Sufficient – when it enables internal auditors to perform analyses and complete evaluations and can enable a prudent, informed, and competent person to repeat the engagement work program and reach the same conclusion as the internal auditor.

Internal auditors must evaluate whether the information is relevant and reliable and whether it is sufficient such that analyses provide a reasonable basis upon which to formulate potential engagement findings and conclusions. (See also Standard 14.2 Analyses and Potential Engagement Findings.)

Internal auditors must determine whether to gather additional information for analyses and evaluation when evidence is not relevant, reliable, or sufficient to support engagement findings. If relevant evidence cannot be obtained, internal auditors must determine whether to identify that as a finding.

**Standard 14.2 Analyses and Potential Engagement Findings** – Internal auditors must analyze relevant, reliable, and sufficient information to develop potential engagement findings. For advisory services, gathering evidence to develop findings may not be necessary, depending on the agreement with relevant stakeholders.

Internal auditors must analyze information to determine whether there is a difference between the evaluation criteria and the existing state of the activity under review, known as the “condition.” (See also Standard 13.4 Evaluation Criteria.)

Internal auditors must determine the condition by using information and evidence gathered during the engagement.

A difference between the criteria and the condition indicates a potential engagement finding that must be noted and further evaluated. If initial analyses do not provide sufficient evidence to support a potential

engagement finding, internal auditors must exercise due professional care to determine whether additional analyses are required.

If additional analyses are required, the work program must be adjusted accordingly and approved by the chief audit executive.

If internal auditors determine that no additional analyses are required and there is no difference between the criteria and the condition, the internal auditors must provide assurance in the engagement conclusion regarding the effectiveness of the activity's governance, risk management, and control processes.

**Standard 14.3 Evaluation of Findings** – Internal auditors must evaluate each potential engagement finding to determine its significance. When evaluating potential engagement findings, internal auditors must collaborate with management to identify the root causes when possible, determine the potential effects, and evaluate the significance of the issue.

To determine the significance of the risk, internal auditors must consider the likelihood of the risk occurring and the impact the risk may have on the organization's governance, risk management, or control processes.

If internal auditors determine that the organization is exposed to a significant risk, it must be documented and communicated as a finding.

Internal auditors must determine whether to report other risks as findings, based on the circumstances and established methodologies.

Internal auditors must prioritize each engagement finding based on its significance, using methodologies established by the chief audit executive.

**Standard 14.4 Recommendations and Action Plans** – Internal auditors must determine whether to develop recommendations, request action plans from management, or collaborate with management to agree on actions to:

- Resolve the differences between the established criteria and the existing condition.
- Mitigate identified risks to an acceptable level.
- Address the root cause of the finding.
- Enhance or improve the activity under review.

When developing recommendations, internal auditors must discuss the recommendations with the management of the activity under review.

If the internal auditors and management disagree about the engagement recommendations and/or action plans, internal auditors must follow an established methodology to allow both parties to express their positions and rationale and to determine a resolution. (See also Standard 9.3 Methodologies.)

**Standard 14.5 Engagement Conclusions** – Internal auditors must develop an engagement conclusion that summarizes the engagement results relative to the engagement objectives and management's objectives. The engagement conclusion must summarize the internal auditors' professional judgment about the overall significance of the aggregated engagement findings.

Assurance engagement conclusions must include the internal auditors' judgment regarding the effectiveness of the governance, risk management, and/or control processes of the activity under review, including an acknowledgement of when processes are effective.

**Standard 14.6 Engagement Documentation** – Internal auditors must document information and evidence to support the engagement results. The analyses, evaluations, and supporting information relevant to an engagement must be documented such that an informed, prudent internal auditor, or similarly informed and competent person, could repeat the work and derive the same engagement results.

Internal auditors and the engagement supervisor must review the engagement documentation for accuracy, relevance, and completeness. The chief audit executive must review and approve the engagement documentation. Internal auditors must retain engagement documentation according to relevant laws and/or regulations as well as policies and procedures of the internal audit function and the organization.

## **Principle 15 Communicate Engagement Results and Monitor Action Plans**

Internal auditors communicate the engagement results to the appropriate parties and monitor management's progress toward the implementation of recommendations or action plans.

**Standard 15.1 Final Engagement Communication** – For each engagement, internal auditors must develop a final communication that includes the engagement's objectives, scope, recommendations and/or action plans if applicable, and conclusions.

The final communication for assurance engagements also must include:

- The findings and their significance and prioritization.
- An explanation of scope limitations, if any.
- A conclusion regarding the effectiveness of the governance, risk management, and control processes of the activity reviewed.

The final communication must specify the individuals responsible for addressing the findings and the planned date by which the actions should be completed.

When internal auditors become aware that management has initiated or completed actions to address a finding before the final communication, the actions must be acknowledged in the communication.

The final communication must be accurate, objective, clear, concise, constructive, complete, and timely, as described in Standard 11.2 Effective Communication.

Internal auditors must ensure the final communication is reviewed and approved by the chief audit executive before it is issued.

The chief audit executive must disseminate the final communication to parties who can ensure that the results are given due consideration. (See also Standard 11.3 Communicating Results.)

If the engagement is not conducted in conformance with the Standards, the final engagement communication must disclose the following details about the nonconformance:

- Standard(s) with which conformance was not achieved.
- Reason(s) for nonconformance.
- Impact of nonconformance on the engagement findings and conclusions.

**Standard 15.2 Confirming the Implementation of Recommendations or Action Plans** – Internal auditors must confirm that management has implemented internal auditors' recommendations or management's action plans following an established methodology, which includes:

- Inquiring about progress on the implementation.
- Performing follow-up assessment using a risk-based approach.
- Updating the status of management's action in a tracking system.

The extent of these procedures must consider the significance of the finding.

If management has not progressed in implementing the actions according to the established completion dates, internal auditors must obtain and document an explanation from management and discuss the issue with the chief audit executive. The chief audit executive is responsible for determining whether senior management, by delay or inaction, has accepted a risk that exceeds the risk tolerance. (See also Standard 11.5 Communicating the Acceptance of Risks.)

## **PROFICIENCY AND DUE PROFESSIONAL CARE**

The Internal Audit Department's policies and procedures are intended to assure that internal auditors exhibit proficiency and exercise due professional care and skepticism when performing audits or consulting services. (GAGAS 3.109, 3.115; IIA 4.2)

Internal auditors and the Internal Audit Department, collectively, shall exhibit proficiency, which means they shall possess the necessary knowledge, skills and competencies needed to conduct an engagement appropriately. Auditors are encouraged to enhance their knowledge, skills, and other competencies through continuing professional development (GAGAS 3.112, 4.02, 4.03, 4.07; IIA 3.1, 3.2, 10.2). Listed below are the training requirements for The City of El Paso's Internal Auditors:

- Auditors will be required to get 40 CPE hours annually.
- At least 24 hours of CPE hours, in a 2-year period, should be directly related to government auditing or the government environment. (GAGAS 4.16)
- Auditors with an IIA certification are required to earn and report two CPE credit hours in the subject area of ethics annually.
- And CPE requirements for audit related certifications maintained by individual auditors.

Meeting CPE requirements and providing CPE documentation to the Department "Librarian" is primarily the responsibility of individual auditors. The Department "Librarian" is tasked with maintaining Quality Assurance Program documentation, to include CPE records. (GAGAS 5.16) The Librarian periodically reviews each auditor's CPE hours to identify deficiencies. (GAGAS 4.18)

The Chief Internal Auditor may obtain competent advice or assistance from experts outside the internal audit activity to support or complement areas where the internal audit activity is not sufficiently proficient. (GAGAS 3.112; IIA 13.5, 8.2, 10.2)

The Internal Audit activity is to render the care and skill expected of a reasonably prudent and competent internal auditor in the same or similar circumstances. Due professional care is therefore appropriate to the complexities of the engagement being performed. In exercising due professional care, internal auditors should be alert to the possibility of fraud, intentional wrongdoing, errors and omissions, inefficiency, waste, ineffectiveness, conflicts of interest, and behavior that is inconsistent with the City's ethical expectations (IIA 1.2). They shall also be alert to significant risks and those conditions and activities where irregularities are most likely to occur. Auditors will neither assume that management is dishonest nor of unquestioned honesty (GAGAS 3.11). Auditors will use reasonable audit skill and judgment when performing audits (IIA 3.1, 4.2, 13.2).

The Internal Audit Department standard of "due professional care" implies reasonable care and competence, not infallibility or extraordinary performance. Auditors are expected to conduct examinations and verifications to a reasonable extent, with an appropriate degree of testing transactions. Accordingly, the internal auditor cannot give absolute assurance that noncompliance or irregularities do not exist. Nevertheless, the possibility of material irregularities or noncompliance should be considered whenever the internal auditor undertakes an internal audit assignment. Auditor and supervisory practices include a determination of the appropriate type and degree of interviewing, system review and testing to provide proper due care (IIA 4.2).

### **Materiality**

Auditors are required to assess the materiality, impact, and effect in developing potential findings. In some cases, issues that are determined not to be material to the audit scope may be communicated to City staff informally. The Internal Audit Department will not report on issues with an error rate of 2% or less.

## **CONFIDENTIALITY AND ETHICAL BEHAVIOR**

Staff members of the Internal Audit Department must be trustworthy, and maintain the confidentiality of all matters and information obtained in the course of audit business. Any breach of confidentiality can result in written reprimand and/or immediate termination of employment. (IIA 5.2)

All Internal Audit Department staff will maintain a high level of professional behavior in all their endeavors and treat auditees and other City of El Paso employees with the utmost respect and sensitivity at all times. The internal auditors shall, to the maximum extent possible, have no authority over, or responsibility for, any of the activities audited, and shall not perform accounting or other operational functions outside their organization that might require subsequent audit.

Internal Audit Department staff will follow:

- all policies and procedures established by the City of El Paso,
- adhere to the principles and standards in the *Global Internal Audit Standards* established by the Institute for Internal Auditors,
- and adhere to the Ethical Principles established by the Government Auditing Standards.

The ethical principles that guide the work of auditors who conduct audits in accordance with GAGAS are

- a. the public interest;
- b. integrity;
- c. objectivity;
- d. proper use of government information, resources, and positions; and
- e. professional behavior. (GAGAS 3.06)

## **INTERNAL AUDIT SECURITY POLICIES**

The Internal Audit Department shall adhere to stringent policies to secure information, which is gathered during the course of audit work (IIA 5.2, 9.3). The Internal Audit Department's security policies are listed below:

- Access to the Internal Audit Department offices shall be limited to times only when audit staff is present.
- Staff of the Internal Audit Department will lock or log off their computer whenever they leave their desk. All Internal Audit Department computers will be logged off at the end of each day.
- Staff of the Internal Audit Department will not share their network or application passwords with anyone, or allow any individual to use any City of El Paso owned application while signed on to the Internal Audit staff's username. Staff of the Internal Audit Department will adhere to all password and application policies of the City of El Paso.
- Work papers and audit information should not be shared or disclosed to anyone who is not a staff member of the Internal Audit Department without the approval of the Chief Internal Auditor.
- Proper precaution should be taken to safeguard Internal Audit Department information at all times.
- All unused documents containing sensitive and/or confidential information shall be shredded.

## **INTERNAL AUDIT DEPARTMENT GENERAL POLICIES**

### **Professional Appearance Standards**

The Internal Audit Department staff shall project a professional image in their appearance. The standard for the department is business professional, which is appropriate for attending a professional business meeting with management. In addition, staff shall abide by the appearance standards established by the City of El Paso's policy and procedures regarding appearance standards. The Chief Internal Auditor will identify business casual days.

## **Business Hours**

The Internal Audit Department's core business hours are Monday through Friday 8:00 a.m. – 5:00 p.m. Staff members are allowed to alternate their schedules in order to work a 4/10 schedule. Staff members that are classified as exempt shall observe the four-hour rule (five-hour rule if on a 4/10 schedule), which states that any time away from the office exceeding four hours must be submitted on a City of El Paso leave form. Staff shall notify the Chief Internal Auditor or Audit Manager regarding time away from the office. The Chief Internal Auditor or the Audit Manager must approve time away from the office.

The Internal Audit Department will work a professional 40-hour workweek. However, the workload will occasionally require extended work hours. Therefore, Internal Audit staff is encouraged to take a daily lunch break and regular breaks.

## **Use of Private Vehicle**

The Internal Audit Department's staff shall record their mileage when using a personal vehicle while working on audits and City related business. The Chief Internal Auditor shall approve all requests for reimbursement.

## **Vacation**

The Internal Audit Department is encouraged to take accrued annual vacation leave. The Chief Internal Auditor or Audit Manager shall approve vacation requests.

## **Sick Leave**

The Internal Audit Department Staff shall notify the Chief Internal Auditor or Audit Manager when they take sick leave. Notification shall be made by 8:30 a.m. (7:30 if on a 4/10 schedule). In addition, staff shall observe the City of El Paso policies regarding sick leave.

## **DEPARTMENTAL PLANNING**

The Chief Internal Auditor and Internal Audit staff shall plan all the Internal Audit Department's activities. The Annual Audit Plan will be based on an annual risk assessment. The Annual Audit Plan will be consistent with the City of El Paso's goals, the Internal Audit Department's charter, and policies and procedures. The engagements that will be included in the Annual Audit Plan shall include engagements that improve management of risks, add value, and improve operations (IIA 9.1, 9.2, 9.4, 9.1).

The Annual Audit Plan will be sufficiently comprehensive to ensure the complete and effective review of the City's auditable activities on a cyclical basis and allow flexibility to accommodate special tasks and projects requested by Senior Management or the Financial Oversight and Audit Committee (FOAC). The Financial Oversight and Audit Committee shall review the Annual Risk Assessment and Audit Plan and recommend the final approval by City Council. The Chief Internal Auditor will assign all Internal Audit staff member's assignments and audit activities (IIA 9.1, 9.2, 9.4).

Listed below are the Internal Audit Department planning policies:

- All Internal Audit staff members, including the Chief Internal Auditor, will track their time spent on audit engagements and general administrative duties using a time and effort database. A quarterly activity report will be provided to the Financial Oversight and Audit Committee.
- The Financial Oversight and Audit Committee shall review the Annual Audit Plan and any revisions, and recommend approval by City Council.
- The Chief Internal Auditor will monitor work schedules to assure engagement deadlines are met and increase resources if necessary. Internal Audit staff will keep Chief Internal Auditor updated on audit work progress and notify Chief Internal Auditor if additional audit hours are needed to complete engagement.

## **COSO: INTERNAL CONTROL – INTEGRATED FRAMEWORK**

The Annual Risk Assessment is based on the COSO model, which helps to identify and prioritize auditable areas based on the risks pertaining to the achievement of the City of El Paso's objectives.

Senior management and the Financial Oversight and Audit Committee are vitally interested in the adequacy and appropriateness of the enterprise's system of internal control. That is why the City's Internal Audit Department follows the COSO model when conducting audit work.

The data presented in this procedure was extracted from the Executive Summary of *Internal Control – Integrated Framework*. That document was prepared in response to recommendations of the National Commission on Fraudulent Financial Reporting, commonly referred to as the Treadway Commission. The Committee of Sponsoring Organizations of the Treadway Commission (COSO) was formed to support implementation of Treadway Commission recommendations and issued its report *Internal Control – Integrated Framework* in September, 1992. The COSO Framework was updated in March 2023.

Internal control consists of five interrelated components. These are derived from the way management runs a business, and are integrated with the management process. The components are:

- *Control Environment* – The control environment sets the tone of an organization, influencing the control consciousness of its people. It is the foundation for all other components of internal control, providing discipline and structure. Control environment factors include the integrity, ethical values and competence of the entity's people; management's philosophy and operating style; the way management assigns authority and responsibility, and organizes and develops its people; and the attention and direction provided by the Financial Oversight and Audit Committee.
- *Risk Assessment* – Every entity faces a variety of risks from external and internal sources that must be assessed. A precondition to risk assessment is establishment of objectives, linked at different levels and internally consistent. Risk assessment is the identification and analysis of relevant risks to achievement of the objectives, forming a basis for determining how the risks should be managed. Because economic, industry, regulatory and operating conditions will continue to change, mechanisms are needed to identify and deal with the special risks associated with change.
- *Control Activities* – Control activities are the policies and procedures that help ensure management directives are carried out. They help ensure that necessary actions are taken to address risks to achievement of the entity's objectives. Control activities occur throughout the organization, at all levels and in all functions. They include a range of activities as diverse as approvals, authorizations, verifications, reconciliations, reviews of operating performance, security of assets and segregation of duties.
- *Information and Communication* – Pertinent information must be identified, captured and communicated in a form and timeframe that enables people to carry out their responsibilities. Information systems produce reports containing operational, financial and compliance-related information, which make it possible to run and control the business. They deal not only with internally generated data, but also information about external events, activities and conditions necessary to informed business decision-making and external reporting. Effective communication also must occur in a broader sense, flowing down, across and up the organization. All personnel must receive a clear message from top management that control responsibilities must be taken seriously. They must understand their own role in the internal control system, as well as how individual activities relate to the work of others. They must have a means of communicating significant information to management. There also needs to be effective communication with external parties, such as customers, suppliers, regulators and shareholders.
- *Monitoring Activities* – Internal control systems need to be monitored—a process that assesses the quality of the system's performance over time. This is accomplished through ongoing monitoring activities, separate evaluations or a combination of the two. Ongoing monitoring occurs in the course of operations.

It includes regular management and supervisory activities, and other actions personnel take in performing their duties. The scope and frequency of separate evaluations will depend primarily on an assessment of risks and the effectiveness of ongoing monitoring procedures. Internal control deficiencies should be reported upstream, with serious matters reported to top management and the committee.

There is synergy and linkage among these components, forming an integrated system that reacts dynamically to changing conditions. The internal control system is intertwined with the entity's operating activities and exists for fundamental business reasons. Internal control is most effective when controls are built into the entity's infrastructure and are a part of the essence of the enterprise. "Built in" controls support quality and empowerment initiatives, avoid unnecessary costs and enable quick response to changing conditions.

There is a direct relationship between the three categories of objectives, which are what an entity strives to achieve, and components, which represent what is needed to achieve the objectives. All components are relevant to each objective's category. When looking at any one category—the effectiveness and efficiency of operations, for instance, all five components must be present and functioning effectively to conclude that internal control over operations is effective.

The internal control definition, with its underlying fundamental concepts of a process, affected by people, providing reasonable assurance—together with the categorization of objectives and the components and criteria for effectiveness, and the associated discussions, constitute this internal control framework.

## **Roles and Responsibilities**

Everyone in an organization has responsibility for internal controls.

- *Management* – The City Manager is ultimately responsible and should assume "ownership" of the system. More than any other individual, the chief executive sets the "tone at the top" that affects integrity and ethics and other factors of a positive control environment. The City Manager fulfills this duty by providing leadership and direction to senior managers and reviewing the way they're controlling the business. Senior managers, in turn, assign responsibility for establishment of more specific internal control policies and procedures to personnel responsible for the unit's functions. In a cascading responsibility, a manager is effectively a chief executive of his or her sphere of responsibility. Of particular significance are financial officers and their staffs, whose control activities cut across, as well as up and down, the operating and other units of an enterprise.
- *Financial Oversight and Audit Committee*- Management is accountable to the Financial Oversight and Audit Committee, which provide governance, guidance and oversight. Effective committee members are objective, capable and inquisitive. They also have knowledge of the entity's activities and environment, and commit the time necessary to fulfill their committee responsibilities. Management may be in a position to override controls and ignore or stifle communications from subordinates, enabling a dishonest management, which intentionally misrepresents results, to cover its tracks. A strong, active board, particularly when coupled with effective upward communications channels and capable financial, legal and internal audit functions, is often best able to identify and correct such a problem.
- *Internal Auditors* – Internal auditors play an important role in evaluating the effectiveness of control systems, and contribute to ongoing effectiveness. Because of organizational position and authority in an entity, an internal audit function often plays a significant monitoring role.
- *Other Personnel* – Internal control is, to some degree, the responsibility of everyone in an organization and therefore should be an explicit or implicit part of everyone's job description. Virtually all employees produce information used in the internal control system or take other actions needed to effect control. Also, all personnel should be responsible for communicating upward problems in operations, noncompliance with the code of conduct, or other policy violations or illegal actions.



A number of external parties often contribute to achievement of an entity's objectives. External auditors, bringing an independent and objective view, contribute directly through the financial statement audit and indirectly by providing information useful to management and the board in carrying out their responsibilities. Others providing information to the entity useful in effective internal control are legislators and regulators, customers and others transacting business with the City of El Paso, financial analysts, and the news media. External parties, however, are not responsible for, nor are they a part of, the entity's internal control system.

## **INTERNAL AUDIT DEPARTMENT REPORTING STRUCTURE**

The Chief Internal Auditor shall report operationally to the Chairman of the Financial Oversight and Audit Committee, and legislatively to the Financial Oversight and Audit Committee. In addition, the Internal Audit Department shall have the support of senior management. (GAGAS 3.57; IIA 7.1, 2.3)

Legislative reporting to the Financial Oversight and Audit Committee helps assure Internal Audit's independence, authority, ensures broad audit coverage, adequate communication, and appropriate engagement recommendations (GAGAS 3.20, 8.26; IIA 2.3). The Financial Oversight and Audit Committee duties shall include the following:

- Review and recommend the approval of the City of El Paso Internal Audit Charter. (IIA 6.1, 6.2)
- Review and recommend the approval of the internal audit risk assessment and related audit plan.
- Meet with the Chief Internal Auditor without the presence of management. The Chief Internal Auditor shall have open and direct access to the Financial Oversight and Audit Committee and regularly attend committee meetings (IIA 6.3, 8.1).
- Inquire of management and the Chief Internal Auditor to determine if there are budgetary, technological, or scope limitations that may impede the Internal Audit Department's ability to execute their responsibilities (IIA 7.1, 13.3). The Internal Audit Department adheres to the City of El Paso's annual budget processes. Staffing, training needs, and acquisition of technology and tools will be evaluated during the development of the annual budget. If significant additional resources are needed due to unforeseen circumstances, the Chief Internal Auditor will discuss the circumstances with the Chairman of the Financial Oversight and Audit Committee. (IIA 10.1 to 10.3)

## **LIST OF SERVICES PROVIDED BY INTERNAL AUDIT DEPARTMENT**

Internal auditing works to assist management in accomplishing the City of El Paso's goals and objectives. The Internal Audit Department strives to provide the highest quality auditing, advisory, and consulting services to its customers. The Internal Audit Department assists all levels of management to assure that resources are being managed and accounted for and that the City of El Paso is complying with policies, procedures, accounting standards, regulations, and laws.

The efficiency of the City of El Paso is affected by the quality of its management control. Effective management control begins with good planning and appropriately delegated authority and continues through performance and reporting the results of that performance. An effective management control system encourages adherence to policies and procedures and includes carefully designed standards of performance by which an activity functions and by which the activity is measured and evaluated. Operations may be adjusted, if necessary, based on the results of measuring and evaluating activity function.

The Internal Audit Department strategy is responsive to the needs of the City of El Paso and will assist management by performing the following types of services:

1. Operational auditing – To determine whether operational controls, as a whole, achieve a reasonable degree of efficiency and effectiveness. In addition, evaluate the extent to which operational goals and objectives are accomplished.
2. Information Systems auditing – To determine the sufficiency of internal controls for reasonably assuring that system activities capture, process, store, and transmit data accurately, completely, and efficiently.

Confirm system security and backup of data and identify and evaluate contingency and disaster recovery procedures.

3. Internal control auditing – To determine the sufficiency of the system of internal control for assuring that internal control objectives pertaining to authorization, recording, and reporting of business activities and safeguarding of assets are attained. Internal control auditing will also determine if management has identified risk and is managing it by establishing planning, organizing and directing the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved. A control environment includes the following elements:
  - Integrity and ethical values.
  - Management’s philosophy and operating style.
  - Organizational structure.
  - Assignment of authority and responsibility.
  - Human resource policies and practices.
  - Competence of personnel.
4. Compliance auditing – To determine conformity and adherence to policies, plans, procedures, laws, regulations contracts and other requirements.
5. Consulting – Advisory services which are agreed upon by the client and are intended to add value and improve the City of El Paso’s governance, risk management, and control processes without the Internal Auditor assuming management responsibility, for example, counsel, advice, facilitation, and training.

The City of El Paso Internal Audit Department will meet its objectives by providing independent, objective audit and consulting service by providing the following services:

- Identifying and reducing significant risk exposures and effectiveness of risk management.
- Evaluating the adequacy of internal controls.
- Verifying the existence of assets and ensuring the proper safeguards for their protection.
- Assessing compliance with applicable laws, regulations, policies and procedures.
- Conducting training workshops.
- Conducting investigation of allegations of fraud, embezzlement and theft.
- Reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information.
- Reviewing the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations, which could have a significant impact on operations.
- Appraising the economy and efficiency with which resources are employed.
- Reviewing operations and goals to ascertain whether results are consistent with established objectives and whether the operations or programs are being carried out as planned.
- Performing special request projects as directed by senior management.
- Coordinating external audit engagements.
- Being available to City of El Paso staff to receive potential allegations of improprieties.

To carry out these services, City of El Paso Internal audit staff members shall have authorization to have full and unrestricted access to all documents and records pertaining to the audit assignment, including purchasing, accounting, property, and personnel documents and records.

## **HOW INTERNAL AUDIT DEPARTMENT SELECTS AREAS TO AUDIT**

The Internal Audit Department uses different methods in determining which areas to audit. Audit engagements are primarily chosen based on the annual risk assessment, which results in the annual audit plan. Information is gathered throughout the year by the Chief Internal Auditor to help conduct the risk assessment. Additionally, the Chief Internal Auditor conducts interviews with senior management and other stakeholders in order to help identify and consider their expectations when developing the annual risk-based audit plan (IIA 11.1, 11.3). Contingency audit hours are available to conduct special projects assigned by the Financial Oversight and Audit Committee, which may include fraud investigations (IIA 9.4).

## **Selection Based On Risk Assessment**

The primary method of selecting an area to audit is by performing a risk assessment. A risk assessment uses several risk criteria to evaluate risk. Examples of criteria include; management interest; financial impact, length of time since the department's last audit; and changes within the department. The potential audit areas are scored using the criteria. The areas with the highest score are ranked as the greatest risk potential. These areas are given the highest priority when generating the annual audit plan. The Risk Areas are: Management Interest, High Level Decentralization, Legal Claims, Strategic Risk, Compliance Risk, Budget Risk, Reputation Risk, Time Last Audited, and Change in Management. See attachment "A" Risk Assessment for an example (IIA 9.4).

## **Annual Audit Plan**

Each fiscal year the Internal Audit Department prepares the annual audit plan and presents it to the Financial Oversight and Audit Committee for review and recommendation for approval by City Council. The Annual Audit Plan identifies audit projects for the year. It also outlines the resources in staff and time required for each project. The Annual Audit Plan may be amended during the fiscal year for requested audits, projects, or changes in priorities. See attachment "B" Audit Plan Shell for an example (IIA 9.4).

## **Special Projects**

On occasion, the Internal Audit Department will deviate from the Annual Audit Plan schedule to work on special projects that require immediate attention, for example fraud, areas of special interest to management, and consulting engagements. The Financial Oversight and Audit Committee shall review and recommend the approval of changes in audit schedules (IIA 9.4). Knowledge of risks gained from conducting special projects are incorporated into the Chief Internal Auditor's evaluation of the organization's risk management processes (IIA 9.1).

## **Nonaudit Services**

Nonaudit (also known as consulting or advisory) are advisory in nature and are generally performed at the specific request of an engagement client. The nature and scope of the consulting engagement are subject to agreement with the client. The agreed upon scope will be documented in an Engagement Letter or in a documented meeting memo.

Nonaudit services may be accepted dependent upon availability of resources and impact to the completion of the audit plan. The Chief Internal Auditor should consider accepting proposed consulting engagements based on the engagement's potential to improve management of risks, add value, and improve the organization's operations (IIA 9.4). Those engagements that have been accepted must be included in the plan under Contingency Hours. Nonaudit services must not be done as a substitute to completing an audit listed in the Audit Plan.

If internal auditors have potential impairments to independence or objectivity relating to proposed nonaudit services, disclosure must be made to the engagement client prior to accepting the engagement. (GAGAS 3.83, 5.10; IIA 2.2)

In determining whether providing a nonaudit service would create a threat to independence, the auditor should determine that the audited entity has designated an individual who possesses suitable skill, knowledge, or experience, and that the individual understands the services to be performed sufficiently to oversee them. The auditor should document consideration of management's ability to effectively oversee nonaudit services to be performed (GAGAS 3.73) by utilizing the Auditor's Objectivity Statement for SRPs.

The Chief Internal Auditor must decline the nonaudit services or obtain competent advice and assistance if the internal audit staff lacks the knowledge, skills, or other competencies needed to perform all or part of the engagement. (IIA 3.1)

There are three types of nonaudit services:

- 1) Services that impair independence – the Internal Audit Department must not engage in any of the activities:
  - Maintaining or preparing the audited entity's records;

- Posting transactions to the entity's financial records;
- Determining account balances or capitalization criteria;
- Providing payroll services that are material to the subject to audit and /or involve making management decisions;
- Designing, developing, installing, or operating the entity's accounting or information systems;
- Developing an entity's performance measurements system when that system is material or significant to the audit;
- Developing an entity's policies, procedures, and internal controls;
- Carrying out internal audit functions when performed by external auditors; and
- Sit on the source selection as a voting member.

2) Services that do not impair independence:

When providing nonaudit services, the Internal Audit Department must evaluate whether providing nonaudit services creates independence impairment either in fact or appearance with respect to the entities they audit, by applying the following overarching principles:

- The Internal Audit Department must not provide nonaudit services that involve performing management functions or making management decisions (GAGAS 3.76; IIA Domain V introduction); and
- The Internal Audit Department must not audit their own work, therefore the nonaudit services must not produce something that would need to be audited in the future. The Internal Audit Department must not provide nonaudit services in situations where the nonaudit services are significant to the subject matter of audits. An independence evaluation must be documented in all nonaudit services project files. (GAGAS 3.83)

3) Services that will not impair independence if safeguards are used:

The following nonaudit services can be provided by the Internal Audit Department staff as long as the Internal Audit Department complies with the supplemental safeguards (GAGAS 3.84):

- Basic accounting assistance;
- Limited payroll services;
- Advisory services on Information Technology;
- Assist in evaluating potential candidates (panel of at least three);
- Preparing routine tax filings based on information provided by the entity; and
- Can participate as a non-voting member in an advisory role but not as a voting member.

For allowable nonaudit services, the following safeguards must be complied with (GAGAS 3.86, 3.107):

- a) Document that the overarching independence principles have not been violated;
- b) Establish an understanding with the auditee regarding objectives, scope of work, product or deliverables; and management's responsibility for (1) the subject matter of the nonaudit services, (2) the substantive outcome of the work, and (3) making any decisions that involve management functions related to nonaudit service and accepting full responsibility for such decision (GAGAS 3.77, 3.98; IIA Domain V introduction);
- c) Do not reduce the scope and extent of the audit work below the level that would be appropriate.

Nonaudit services project requirements:

For all nonaudit services, auditors must:

- Address risk, controls, consistent with engagement's objectives and be alert to the existence of other significant risks, and control issues (GAGAS 3.116; IIA 13.2);
- Ensure that the scope of the engagement is sufficient to address the agreed-upon objectives. If internal auditors develop reservations about the scope during the engagement, these reservations must be discussed with the client to determine whether to continue with the engagement (IIA 13.3);
- Consider needs and expectations of clients, including the nature, timing and communication of engagement results (IIA 4.2);
- Consider relative complexity and extent of work needed to achieve the engagement's objectives; and

- Consider cost of the consulting engagement in relation to potential benefits (IIA 4.2).
- Incorporate knowledge of risk gained from consulting engagement into their evaluation of the organization's risk management processes (IIA 9.1);
- Incorporate knowledge of controls gained from consulting engagements into evaluation of the organization's control processes (IIA 9.1);
- Evaluate possible management participation threats that could impair independence and any applied safeguards (GAGAS 3.98).

Nonaudit services objectives must:

- Be consistent with the organization's values, strategies, and objectives .
- Address governance, risk management, and control processes to the extent agreed upon with the client. (GAGAS 3.76; IIA Domain V introduction, 13.3)

Work programs for nonaudit services may vary in form and content depending upon the nature of the engagement. (IIA 13.6)

The Internal Audit Department may monitor the disposition of consulting results to the extent agreed upon with the client . Communication of the progress and results may vary in form and content depending upon the nature of the engagement (GAGAS 6.48; IIA 13.1). The Chief Internal Auditor is responsible for communicating the final results of consulting engagements to clients. During engagements, governance, risk management, and control issues may be identified. Whenever these issues are significant to the organization, they must be communicated to senior management and the board.



Weighting 15% 15% 15% 15% 10% 10% 10% 5% 5% 100%

5-High to 1-Low 5-High to 1-Low 5-High to 1-Low 5-High to 1-Low 5-High To 1-Low 5-High to 1-Low 5 for 2019 To 1 for 2019 To 5 for 2024 To 5 for 2024

Description	1	2	3	4	5	6	7	8	9		
	Management Interest	Budget Risk	Strategic Risk	Reputation Risk	Compliance Risk	High Level Decentralization	Legal Claims	Time last Audited	Change in Mgt	Raw Total	Weighted Total
Emergency Operations Response											
Health & Safety Division											
Payroll & Overtime											
Communication Division											
Fire Medical Research Division											
Aircraft Rescue Division											
Logistics Division											
Fire Prevention Division											
Professional Development Train											
Operations Research Program											
Planning & Development Division											
Special Operations Division											
Fire Chief Office											
<b>Municipal Court:</b>											
Municipal Court Admin											
<b>Office of Emergency Management</b>											
<b>Public Health Department:</b>											
Immunization Clinics											
Food Program											
STD Clinic											
Dental Clinic											
TB Clinic											
211 Call Center											
<b>Police Chief/Managing Director – Peter Pacillas</b>											
<b>Police Department</b>											
Chief of Police Office:											
Police HR											
Internal Affairs Division											
Director of Public Affairs											
Administrative Services Bureau:											
Vehicle Storage Facility											

Weighting 15% 15% 15% 15% 10% 10% 10% 5% 5% 100%

5-High to 1-Low 5-High to 1-Low 5-High to 1-Low 5-High to 1-Low 5-High To 1-Low 5-High to 1-Low 5 for 2019 To 1 for 2024 1 for 2019 To 5 for 2024

Description	1	2	3	4	5	6	7	8	9		
	Management Interest	Budget Risk	Strategic Risk	Reputation Risk	Compliance Risk	High Level Decentralization	Legal Claims	Time last Audited	Change in Mgt	Raw Total	Weighted Total
Property & Evidence Program											
Finance Program:											
Grants											
Payroll & Overtime											
Fleet Management											
Facility Mgmt											
Records											
Uniform Police Services Bureau 1:											
Community Services Program											
Patrol Program 1											
Traffic/DWI Program											
Downtown Police Services											
Uniform Police Services Bureau 2:											
Training Program											
Patrol Program 2											
Specialized Incident Teams											
Investigations Bureau:											
Investigation Services Program											
El Paso Fusion Center											
<b>Code Enforcement Division</b>											
<b>Senior Deputy City Manager - Dionne Mack</b>											
<b>Strategic Partnerships:</b>											
<b>Community &amp; Human Development:</b>											
Grant Administration											
Housing											
Neighborhood Redevelopment											
Public Services											
<b>Communications</b>											
<b>Military Affairs</b>											



Weighting 15% 15% 15% 15% 10% 10% 10% 5% 5% 100%

5-High to 1-Low 5-High to 1-Low 5-High to 1-Low 5-High to 1-Low 5-High To 1-Low 5-High to 1-Low 5 for 2019 To 1 for 2019 To 5 for 2024 5 for 2024

Description	1	2	3	4	5	6	7	8	9		
	Management Interest	Budget Risk	Strategic Risk	Reputation Risk	Compliance Risk	High Level Decentralization	Legal Claims	Time last Audited	Change in Mgt	Raw Total	Weighted Total
<b><i>Oversight - Destination El Paso:</i></b>											
Water Parks											
Ball Park Baseball											
Civic Center											
Plaza Theater											
Abraham Chavez Theatre											
McKelligon Canyon Theatre											
<b>Chief Transit &amp; Field Operations Officer - Ellen Smyth</b>											
<b><i>Environmental Services:</i></b>											
Recycling Program											
Collections Division											
Landfill Division											
Training & Public Programs Division											
Administration - Purchasing											
<b><i>Mass Transit - Sun Metro:</i></b>											
Administration & Development:											
Accounting & Administration											
Planning/Program Mgt											
Community Relations											
Operations & Maintenance:											
Lift (Paratransit) Services											
Street Car Operations											
Transit Operations											
Maintenance											
<b><i>Streets and Maintenance:</i></b>											
Streets:											
Traffic Engineering											
Street Construction											

Weighting 15% 15% 15% 15% 10% 10% 10% 5% 5% 100%

5-High to 1-Low 5-High to 1-Low 5-High to 1-Low 5-High to 1-Low 5-High To 1-Low 5-High to 1-Low 5 for 2019 To 1 for 2019 To 5 for 2024 5 for 2024

Description	1	2	3	4	5	6	7	8	9		
	Management Interest	Budget Risk	Strategic Risk	Reputation Risk	Compliance Risk	High Level Decentralization	Legal Claims	Time last Audited	Change in Mgt	Raw Total	Weighted Total
Pavement Maintenance System											
Street Operations											
Anti – Graffiti Program											
Maintenance (Facilities & Fleet):											
Fleet Service											
Street Light Maintenance											
Building Maintenance											
<b>Coordination: Title VI</b>											
<b>Chief Financial Officer/DCM -Robert Cortinas</b>											
<b>Airport:</b>											
Revenue Income Streams											
Operations & Security											
Administration											
Foreign Trade Zone No. 68											
Development											
<b>Capital Improvement Department:</b>											
Capital Projects											
Property Leases											
<b>Planning &amp; Inspections:</b>											
Building Permits & Inspections											
Outside Contracts											
Development Services:											
One Stop Shop											
Planning											
Development Assistance Ctr											
<b>Economic &amp; International Devt:</b>											
380 Agreements											
Economic Development Activities											

Weighting 15% 15% 15% 15% 10% 10% 10% 5% 5% 100%

5-High to 1-Low 5-High to 1-Low 5-High to 1-Low 5-High to 1-Low 5-High To 1-Low 5-High to 1-Low 5 for 2019 To 1 for 2019 To 5 for 2024 5 for 2024

Description	1	2	3	4	5	6	7	8	9		
	Management Interest	Budget Risk	Strategic Risk	Reputation Risk	Compliance Risk	High Level Decentralization	Legal Claims	Time last Audited	Change in Mgt	Raw Total	Weighted Total
Economic Development Admin											
<b>International Bridges</b>											
Parking Meters											
Bridge Toll Collections											
<b>Comptroller's Office:</b>											
Financial Reporting											
Hotel Occupancy Tax											
Payroll											
Franchise Fees											
Sales Tax											
Grant Accounting											
Systems Accounting Mgt											
Procurement Card											
Financial/Fiscal Operations											
Treasury Management											
City Cashiers											
Capital Asset Management											
City Auctions											
<b>Tax Office:</b>											
Collections + Refunds + Disbursements											
Administration											
<b>Risk Management:</b>											
Insurance & Benefits											
Risk Management											
Wellness Programs											
<b>Managing Director - Nicole Cote</b>											
<b>Office of Management &amp; Budget:</b>											

Weighting      15%      15%      15%      15%      10%      10%      10%      5%      5%      100%

5-High      5-High      5-High      5-High      5-High      5-High      5-High      5 for 2019      1 for 2019

to      to      to      to      To      to      to      To      To

1-Low      1-Low      1-Low      1-Low      1-Low      1-Low      1-Low      1 for 2024      5 for 2024

Description	1	2	3	4	5	6	7	8	9		
	Management Interest	Budget Risk	Strategic Risk	Reputation Risk	Compliance Risk	High Level Decentralization	Legal Claims	Time last Audited	Change in Mgt	Raw Total	Weighted Total
Annual Budget Management											
Non-Departmental											
<b>Purchasing &amp; Strategic Sourcing Dept.:</b>											
Systems Software											
Administration & Purchasing											
Information Services											
Records Management											
E-Commerce											
Geographic Information Systems											
Mailroom											
<b>Managing Director - Araceli Guerra</b>											
<b>Information Technology:</b>											
IT Cyber Security											
Public Safety Technology											
Licensing											
Wireless Telecom Contract											
<b>Human Resources:</b>											
Civil Service Commission											
Recruitment/Hiring/Termination											
Administration											
Payroll Process											
EEOC & FMLA Compliance											
Employee Records											
HR Information System											
Training											
<b>Transformation Office</b>											
<b>Deputy City Manager - Dionne Mack</b>											
<b>Libraries:</b>											

Weighting 15% 15% 15% 15% 10% 10% 10% 5% 5% 100%

5-High to 1-Low 5-High to 1-Low 5-High to 1-Low 5-High to 1-Low 5-High To 1-Low 5-High to 1-Low 5 for 2019 To 1 for 2019 To 5 for 2024 5 for 2024

Description	1	2	3	4	5	6	7	8	9		
	Management Interest	Budget Risk	Strategic Risk	Reputation Risk	Compliance Risk	High Level Decentralization	Legal Claims	Time last Audited	Change in Mgt	Raw Total	Weighted Total
Branches											
Main											
Administration – Purchasing											
Trans Pecos System											
Technical Services											
<b>Zoo:</b>											
Animal Health											
Administration											
Animal Collections											
Facilities Maintenance											
<b>Managing Director - Ben Fyffe</b>											
<b>Museums &amp; Cultural Affairs:</b>											
El Paso Children's Museum											
Museum of Art											
Cultural Affairs											
Museum of History											
Museum of Archaeology											
<b>Parks and Recreation Department:</b>											
Administration											
Land Management											
Recreation											
Facilities Maintenance											
Sports											

Attachment "B"

**City of El Paso  
Internal Audit Department  
2024-2025 Audit Plan**

	Audit Hours	Admin Hours	Training Hours	Holiday/ Leave Hours
<b>First Quarter</b>				
Dept. Name				
Dept. Name				
<b>Total for Quarter</b>				
<b>Second Quarter</b>				
Dept. Name				
Dept. Name				
<b>Total for Quarter</b>				
<b>Third Quarter</b>				
Dept. Name				
Dept. Name				
<b>Total for Quarter</b>				
<b>Fourth Quarter</b>				
Dept. Name				
Dept. Name				
<b>Total for Quarter</b>				
<b>Grand Total</b>				

**City of El Paso  
Internal Audit Department**

**PERFORMING THE AUDIT: AN OVERVIEW**

- I. Planning (forms)
  - A. Assemble Audit File:
    - 1. Quality Assurance Program (QAP) Worksheet
    - 2. Audit Control Sheet
    - 3. Checklist for Working Papers
    - 4. Assessment of Computer-Processed Information
    - 5. Standard Tick Mark Legend
    - 6. Audit/Project Assignment Sheet
    - 7. Checklist for Understanding the Audit Assignment and Scope
    - 8. Auditor's Objectivity Statement
    - 9. Entrance Meeting Checklist
    - 10. Exit Meeting Checklist
  - B. Obtain Background Information
    - 1. Organizational chart
    - 2. Mission statement (if any)
    - 3. Goals and objectives
    - 4. Relevant policies, procedures, laws, etc.
    - 5. Brief history or background of audit area.
    - 6. Create archive file for information, which can be used for future audits.
    - 7. Review audits from prior years; work papers, notes, and report.
  - C. Issue an Engagement Letter
  - D. Issue City Attorney Letter
  - E. Complete the Entrance Conference Checklist
  - F. Perform Internal Control Risk Assessment
    - 1. Identify at-risk areas, given the scope and objective of the audit.
    - 2. Administer an Internal Control Questionnaire (ICQ).
    - 3. Review the ICQ and conduct additional audit procedures (interviews, personal observations, etc.), if needed.
    - 4. Complete Components and Principles of Internal Control Statement
    - 5. Document your assessment of the at-risk areas.
    - 6. Ensure audit procedures are tailored to address associated risks.
  - G. Write the Audit Program.
  - H. Prepare a Planning Memorandum.
  - I. Obtain Chief Internal Auditor's approval of Audit Program.
- II. Perform Audit Fieldwork
  - A. Divide Audit Program into major sections.
  - B. Complete each individual section of the Audit Plan.
  - C. Complete a Summary Memo for each section completed.
  - D. Submit each completed section for work paper review.
  - E. Clear review points.
  - F. Continue with each section until Fieldwork is completed.
  - G. Prepare Potential Finding Worksheets for each potential finding.
- III. Reporting the Results
  - A. Prepare a draft version of the Audit Report.
  - B. Cross-reference the draft of the Audit Report to the work papers.
  - C. Complete the Checklist for Working Papers.
  - D. Submit working papers for peer review.
  - E. Clear working papers review points.
- IV. Concluding the Audit
  - A. Issue a draft of Audit Report to Chief Internal Auditor for review.

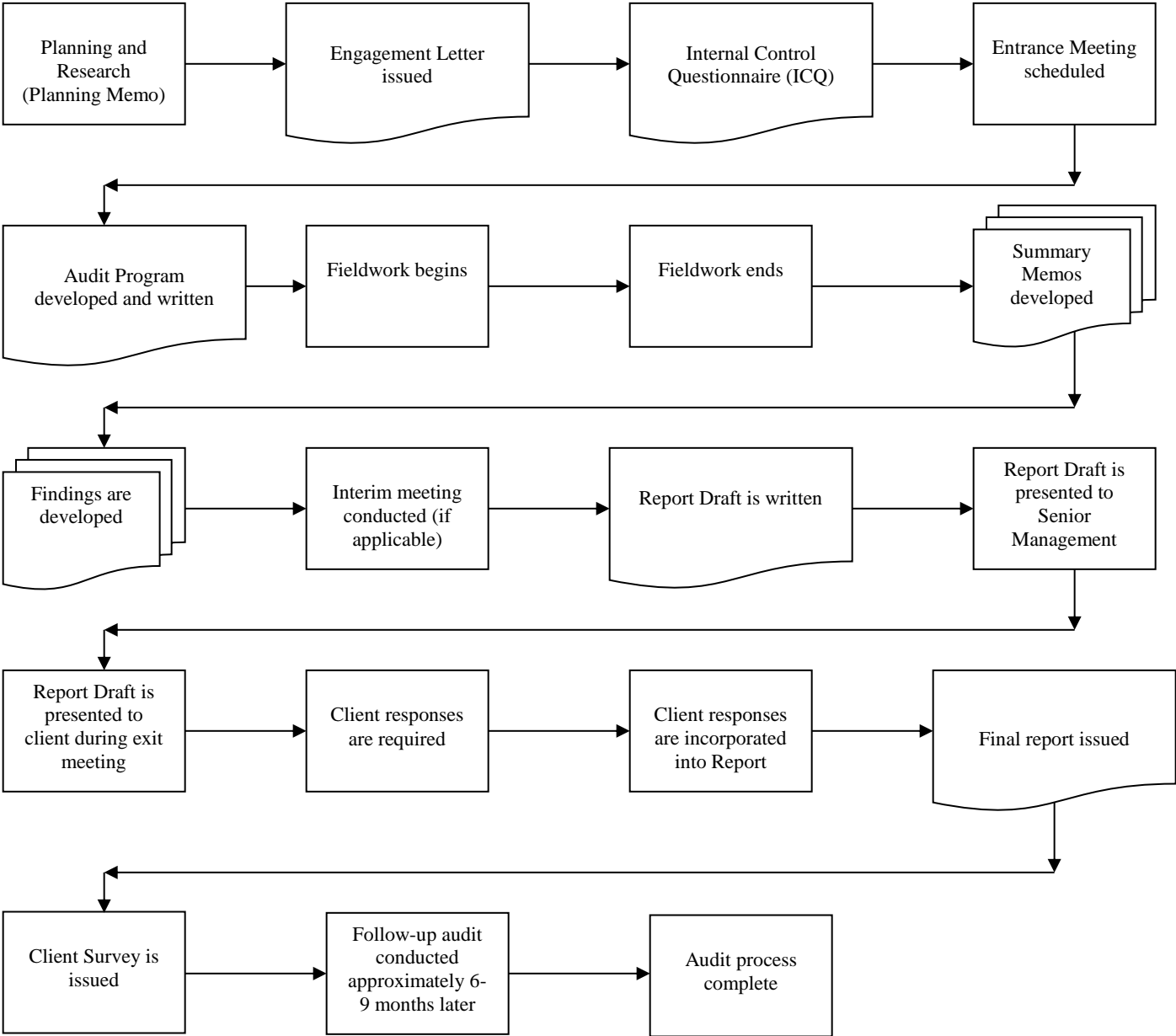
**City of El Paso**  
**Internal Audit Department**

- B. Modify Audit Report accordingly.
- C. Schedule an Exit Meeting and complete Exit Meeting Checklist.
- D. Issue a draft copy of the Audit Report to Auditee.
- E. Incorporate management's responses in the Audit Report.
- F. Submit the entire file to the Reviewer for final review.
- G. Clear working paper review points.
- H. Issue the Audit Report.
  - Post Report on Website: <https://www.elpasotexas.gov/internal-audit>
  - Distribute Audit Report to each individual listed on the distribution list.
  - Distribute Audit Report electronically to Mayor & Council.
- I. Submit audit file for Quality Assurance Program (QAP) review.
- J. File the audit file in a secured file cabinet.
- K. Distribute Audit survey to client.
- L. Conduct "End-of-Audit Evaluations" and Audit debrief.
- M. Update permanent file and place in filing cabinet.



**City of El Paso  
Internal Audit Department**

The following flow chart illustrates the City’s Internal Audit process:



**City of El Paso  
Internal Audit Department**

**PERFORMING THE AUDIT: DETAILED GUIDELINES**

Auditors performing an engagement should determine which levels of service apply to that engagement and refer to the applicable requirements and considerations. (GAGAS 7.02)

The Standards of Internal Auditing are the pillars upon which the practice of Internal Auditing is founded. It is the internal audit procedures, which guide the internal auditors through the proper performance of internal auditing. This section is therefore devoted to outlining the basic criteria in the proper application of these procedures.

**Annual Audit Plan**

The City of El Paso’s fiscal year is September 1 through August 31. An annual audit plan is prepared to coincide with the fiscal year. The annual audit plan is based on:

- Analysis of prior year’s financial statements
- Analysis of current Operating Budgets
- A formal risk assessment using a weighted average calculation
- Federal, state and other authoritative body requirements
- Audit areas to be covered by external auditors
- Expectations of Senior Management and other Stakeholders (IIA 11.1)
- Alignment with the City of El Paso’s annual Strategic Plan
- Auditor judgment

When the audit plan is completed, it is submitted to the Financial Oversight and Audit Committee. The plan should be coordinated with the work of internal and external providers to assess specialty areas outside the internal audit function’s expertise, to enhance risk coverage, and to avoid duplication of efforts. Agreements with external providers are documented and monitored in accordance with the City of El Paso’s Procurement Sourcing Policy (IIA 9.5).

The audit plan will also include budgeted time for Special Requests, Office Administration, Vacation, Holiday and Sick Leave, and Training and Seminars.

Guidelines for reporting individual time, accruing leave, holidays and other attendance policies are addressed in the **Internal Audit Department General Policy** section of this manual.

In charge assignments are usually made at the time that the Annual Audit Plan is prepared but these are subject to change. Staff assignments are made based on staff availability, areas of expertise and the need for on-the-job training. (GAGAS 8.88)

**Auditor Objectivity Statement**

- GAGAS Standard number 3.18 states that “In all matters relating to the GAGAS engagement, auditors and audit organizations must be independent from an audited entity.”
- The Institute of Internal Audit (IIA) Standard number 2.1 states that “Internal auditors must have an impartial, unbiased attitude and avoid conflict of interest.”

Accordingly staff assignments need to be made so that potential and actual conflicts of interest and bias are avoided. Each auditor should report to the Chief Internal Auditor any situation in which a conflict of interest or bias is present or may reasonably be inferred. (GAGAS 3.20, 3.27, 3.107; IIA 2.1, 2.2)

## **City of El Paso Internal Audit Department**

During each fiscal year, each auditor should complete a Conflict of Interest Statement and during any audit engagement, each auditor should complete an Auditor Objectivity statement. If there are no conflicts of interest, this should also be documented. The annual Conflict of Interest Statements also requests that each employee affirm that they are familiar with and in compliance with the Internal Audit Department's Policies and Procedures on independence (GAGAS 5.09). The Conflict of Interest Statement will be maintained in the Internal Audit Department's Quality Assurance Manual and the Objectivity statements will be placed in each audit engagement file (GAGAS 3.20, 3.27, 3.45, 3.64, 3.107, 5.09; IIA 2.1). The Government Auditing Standards list the following examples of threats to independence (GAGAS 3.30):

- a. Self-interest threat – the threat that a financial or other interest will inappropriately influence an auditor's judgment or behavior;
- b. Self-review threat – the threat that an auditor or audit organization that has provided nonaudit services will not appropriately evaluate the results of previous judgments made or services performed as part of the nonaudit services when forming a judgment significant to a GAGAS engagement;
- c. Bias threat – the threat that an auditor will, as a result of political, ideological, social, or other convictions, take a position that is not objective;
- d. Familiarity threat – the threat that aspects of a relationship with management or personnel of an audited entity, such as close or long relationship, or that of an immediate or close family member, will lead an auditor to take a position that is not objective;
- e. Undue influence threat – the threat that influences or pressures from sources external to the audit organization will affect an auditor's ability to make objective judgments;
- f. Management participation threat – the threat that results from an auditor's taking on the role of management or otherwise performing management functions on behalf of the audited entity, which will lead an auditor to take a position that is not objective (IIA Domain V introduction); and
- g. Structural threat – the threat that an audit organization's placement within a government entity, in combination with the structure of the government entity being audited, will affect the audit organization's ability to perform work and report results objectively.

Auditors should exercise professional judgment in making a determination when evaluating threats to independence (GAGAS 3.32). Auditors should determine whether identified threats to independence are at an acceptable level or have been eliminated or reduced to an acceptable level (GAGAS 3.46). In cases where threats to independence are not at an acceptable level, the auditor should document the threat identified and the safeguards applied to eliminate the threats or reduce them to an acceptable level. (GAGAS 3.32)

When threats to independence are so significant that they cannot be eliminated or reduced to an acceptable level through the application of safeguards; the auditor should decline to perform a prospective audit or terminate an audit in progress (GAGAS 3.60). If a threat to independence is identified after the audit report is issued, the Chief Internal Auditor should evaluate the threat's impact on the audit and on GAGAS compliance. If the Chief Internal Auditor determines that the newly identified threat had an impact on the audit that would have resulted in the audit report being different from the report issued had the auditors been aware of it, communication will be made in the same manner as that used to originally distribute the report to those charged with governance, the appropriate officials of the audited entity, the appropriate officials of the organizations requiring or arranging for the audits, and other known users, so that they do not continue to rely on findings or conclusions that were impacted by the threat to independence. If the report was previously posted to the Internal Audit Department website, the Internal Audit Department will remove the report and post a public notification that the report was removed. The Chief Internal Auditor will then determine whether to conduct additional audit work necessary to reissue the report, including any revised findings or conclusions or repost the original report if the additional audit work does not result in a change in findings or conclusions. (GAGAS 3.34; IIA 11.4)

## **City of El Paso Internal Audit Department**

### **Audit Programs**

Audit programs shall be the basis on fieldwork to be performed. They should take into consideration the IIA and GAO Performance Standards. Audit programs may be written formally or informally. The nature of the audit will determine the kind of audit program that needs to be written. Long, involved, and complex audits require formally written audit programs. (GAGAS 8.33)

Small, routine audits can follow the same general framework of a formal audit program, but focused on the specific issue being audited.

The Internal Audit Department has a wide variety of professional literature that provides sample audit programs. Auditor judgment and the expertise of other auditors are also valuable resources when writing and audit program. The objectives of the audit shall be kept in mind when writing the audit program.

#### The Formal Audit Program

The Internal Audit Department uses a standardized audit program, which can be used on different types of audits. The audit program has signoffs and spaces for working paper references

The formal audit program should contain the following elements:

- |            |  |
|------------|--|
| Objectives | What are the objectives of the audit assignment. Refer to the audit assignment sheet.                                  |
| References | Reference materials of the Internal Audit Department.  |
| Planning   | Steps to help plan the audit. Examples: issue engagement letter and conduct entrance conference.                       |
| Fieldwork  | Steps to achieve the audit objectives. Examples: testing of attributes and documentation of interviews with personnel. |
| Reporting  | Reporting the audit results. Examples: completion of Potential Audit Findings Worksheet.                               |

#### The Informal Audit Program

When a formal audit program has not been written, documentation of the audit procedures performed will be found in the Summary Memo/s located in the testing section of the audit folder. Remember that all audit working papers require documentation of the audit procedures performed.

### **Performing the Audit: General Guidelines**

There are seven simple steps involved in performing an internal audit:

1. Planning the audit
2. Contacting the client
3. Risk Assessment (ICQ)
4. Risk Assessment
5. Performing the fieldwork
6. Preparing audit work papers
7. Maintaining on-going communications with the client

**City of El Paso  
Internal Audit Department**

1. Planning the Audit

Auditors must adequately plan and document the planning of the work necessary to address the audit objectives (GAGAS 8.01). When planning an audit ask yourself:

- Why am I doing this audit?
- Did someone request the audit?
- Is it part of the annual plan?
- What are the expectations of senior management and other stakeholders?
- Is it a compliance audit? Who is the authoritative body?
- Where can I find the laws, regulations and/or policies I need to test for compliance?
- Is this an operational audit?
- How can I take the operations and separate them into specific identifiable functions to be tested?
- How can I use technology-based audit tools and other data analysis techniques?
- Who will be affected by this audit?
- Who will I need to talk to regarding this audit?
- Who can provide me with information regarding this audit?
- What kind of records am I going to need to examine?
- Where can I get these records?
- Will there be a time lag between the time I request the records and the time I receive them?
- What kinds of audit procedures will I need to perform to meet the audit objectives?

Complete the following checklists:

- Understanding the Audit assignment and Scope
- Checklist for Working Papers - Planning

2. Contacting the Client

This is a critical part of the audit. It is important and extremely beneficial that the first contact be a positive one for everyone involved. All audits will require the use of an audit engagement letter to formally accomplish this task. An engagement letter communicates an overview of the planned objectives, scope, methodology, and timing of the audit to management of the audited entity, those charged with governance, and requestors as applicable. (GAGAS 8.20, 8.23; IIA 11.3)

3. Risk Assessment Internal Control Questionnaire

The auditor should perform a risk assessment to determine if internal controls are functioning as intended by management. This risk assessment should provide the auditor with a determination of whether the risk level is High, Medium or Low. The initial step should involve the use of a basic internal control questionnaire to identify areas with a potential medium or high risk to determine if they are functioning (IIA 4.2, 13.2).

4. Principles of Internal Control Documentation

If internal control is significant to the audit objectives, auditors determine which of the five components of internal control are significant to the audit objectives, as all components of internal control are generally relevant, but not all components may be significant to the audit objectives. This determination can also identify the underlying principles, control objectives, or specific controls that are significant to the audit objectives. The assessment of the auditee's internal control status will be documented using the Components and Principles of Internal Control Statement Checklist. Determining which internal control components, principles, control objectives, and/or specific controls are significant to the audit objectives is a matter of professional judgement. (GAGAS 8.42)

**City of El Paso  
Internal Audit Department**

5. Risk Assessment Documentation

The auditor should document the Internal Control Structure Assessment and the overall Risk Assessment of the area being audited or reviewed. Auditors should assess significance and audit risk and apply these assessments in defining the audit objectives and the scope and methodology to address those objectives (GAGAS 1.22, 8.05, 8.38). The methodology describes the nature and extent of audit procedures for gathering and analyzing evidence to address the audit objectives. Audit procedures are the specific steps and tests auditors perform to address the audit objectives. Auditors should design the methodology to obtain reasonable assurance that the evidence is sufficient and appropriate to support the auditors' findings and conclusions in relation to the audit objectives and to reduce audit risk to an acceptable level. (GAGAS 8.06, 8.113a, 8.99)

Auditors should assess audit risk and significance within the context of the audit objectives by gaining an understanding of the:

- Nature and profile of the program and user needs (GAGAS 8.36)
- Design and implementation of internal controls (GAGAS 8.39, 8.49)
- Design and implementation of information system controls (GAGAS 8.59 to 8.67)
- Legal and regulatory requirements, contract provisions, grant agreements, potential fraud and abuse (GAGAS 8.119, 8.38a, 8.68, 8.71)
- Impact of ongoing investigation and legal proceedings (GAGAS 8.29)
- Results of previous engagements (GAGAS 8.30)

6. Performing the Fieldwork

Performing the fieldwork is the core of any audit. When time and thought have been given to steps one and two, performing the fieldwork becomes much easier. Audit procedures will vary with each audit. However, if you organize and document your work, document interviews with clients or other appropriate personnel, maintain a record of exceptions noted, and work to resolve exceptions as you progress through the audit, you will be more efficient and effective.

7. Preparing Audit Working Papers

If the work has been well planned, client communications have been constructive, and the audit work has been documented, then preparing the working papers is only a matter of organization, communication, mechanics, and time.

Preparing working papers involves organization of what has already been documented, communication of what has been done and your conclusions, the mechanics of referencing and other good working paper techniques and whatever amount of time takes to bring it all together.

Audit working papers are a critical audit product. Working papers must support the audit report. They must be neat and organized. Work papers should have sufficient, appropriate detail to enable an experienced auditor, having no previous connection to the engagement, to understand from the documentation the nature, timing, extent, and results of procedures performed and the evidence obtained and its source and the conclusions reached, including evidence that supports the auditors' significant judgments and conclusions (GAGAS 7.33, 7.34, 8.12, 8.77, 8.102, 8.109, 8.132). It is necessary to refer to working papers from prior audits, and this is easier done when the work is well documented. When our department undergoes peer review, our working papers will be examined as part of a comprehensive evaluation of the quality of work provided by the department.

**City of El Paso  
Internal Audit Department**

Step 1 Analyze the objectives and purpose of the audit assignment.

- Understand the assignment (Interviews and checklists)
- Establish audit scope (Interviews and checklists)

Step 2 Gather facts about the audit area.

- Gather background data on the audit area (Permanent files and questionnaires)
- Gather background data on similar audits (Reports, working papers, and interviews)
- Visit the audit area (Flowcharts, questionnaires, and interviews)
- Interview key audit area personnel (Interview and questionnaires)
- Organize the facts that have been collected (Indexing/cross-referencing, problems, and questionnaires)

Step 3 Identify potential control weaknesses and perform risk analysis.

- Identify risks (List of common risks and risk scenarios)
- Identify vulnerabilities (Risk matrices)
- Estimate the magnitude of vulnerability (Risk analysis formula and vulnerability ranking)
- Select audit risks (Vulnerability ranking)

Step 4 Identify potential sources of information that could be used as audit evidence. (GAGAS 8.77)

- Document the application flow (data flow diagram)
- Identify evidence on document flow (Data flow diagram)
- Identify and document audit evidence (Data flow diagrams, data dictionary, record layouts, and physical specimens)

Step 5 Write detailed audit objectives. The characteristic of a good audit objective include: (1) the area covered by the audit objective, (2) a detailed and measurable goal to be accomplished, and (3) criteria for measuring the success of the objective (GAGAS 8.07):

- Identify audit objective to accomplish the audit assignment (Checklist)
- Document the audit objectives (Audit program worksheet)

Step 6 Schedule and staff the audit.

- Establish a tentative audit schedule
- Provide sufficient staff and resources to accomplish the stated audit objectives

**City of El Paso**  
**Internal Audit Department**

Step 7 Develop an Audit Program. The program defines how the audit objectives are to be accomplished. (GAGAS 8.03, 8.33; IIA 13.6)

- Identify the tests and procedures required to accomplish each audit objective (Auditor judgment)
- Identify the resources required to accomplish each item (Auditor judgment and experience)
- Document the audit work program (Audit program worksheet)

8. Maintaining On-Going Communications with the Client

Although this is actually a part of performing the fieldwork, because it is such a critical element of a successful audit, it is a separate step. Communicate with the client. Appropriate intervals for client contact will depend on the nature and duration of the audit. Notify clients as soon as possible when an exception is noted. If you are unsure about how and when to contact clients talk to your supervisor.

Notifying the client in a timely manner:

1. Gives them an opportunity to provide you with information to resolve the exception.
2. Gives you time to fully understand the exception and to determine whether it is “report worthy” and,
3. Keeps things above board. Open communication is effective communication.

Finally in all of your on-going communications with the Client, remember to:

- BE COURTEOUS
- BE ATTENTIVE
- BE INFORMED
- BE OPEND-MINDED
- BE SINCERE

We are a management tool. And we are most effective and most valuable when we can provide management with accurate and objective information.

**Entrance Conference**

The entrance conference initiates the audit fieldwork. The conference establishes the tone and framework under which the audit will be conducted. An entrance conference is the initial conference, held at or near the inception of the audit, between the auditor(s) and management of the department or office being audited. The entrance conference signals the formal start of fieldwork, just as the exit conference marks the conclusion of fieldwork. An audit should have a definite beginning and a definite end.

The primary purposes of an entrance conference are to acquaint the appropriate area management with the audit plans, to get suggestions for areas needing audit coverage or emphasis, and to make administrative arrangements. The entrance conference provides the opportunity to confirm or clarify detailed arrangements. Auditors should communicate pertinent information that in the auditors’ professional judgment needs to be communicated to management. (GAGAS 6.06, 8.20; IIA 11.1)

Perhaps more importantly, the entrance conference provides an opportunity for the auditor(s) and the auditee(s) to get to know each other. Properly structured and professionally conducted, the entrance conference can establish an atmosphere of trust and cooperation that should result in an effective and efficient audit.

Refer to the Entrance Conference Planning Checklist.



**City of El Paso  
Internal Audit Department**

Objectives of the Entrance Conference

The entrance conference should be designed to accomplish the following objectives:

a. Establish Lines of Communication

The conference should define the channels through which communication will funnel during the conduct of the audit. The auditor must determine the types of communications that need to occur during the audit. A minimum discussion should include:

1. Establish a Point of Contact who will oversee the engagement. (GAGAS 3.76)
2. Requests for access to files, documents, and other sources of information.
3. Requests for specific documents, such as invoices, personnel transaction forms, or contracts.
4. Access to computer files and other computer media.
5. Permission to interview personnel (Auditors generally have this authority, but it is best to request it).
6. A means for clearing audit concerns and raising audit and control issues.
7. The distribution list for draft copies of the audit report.

b. Identify Concerns

Department management should be the primary source of information for auditing. Auditors should not miss the opportunity to question departmental management about areas of concern. The entrance conference is such an opportunity.

The auditor in charge should plan to:

1. Inquire if there are specific activities or systems that he would like to have auditors review and, if so, why?
2. Inquire of the audited department head to identify areas within the department's sphere of activity that have been of concern to senior management.
3. Inquire of the audited department head to identify areas in which the department is experiencing losses or having problems.
4. Inquire for access to any information indicating dissatisfaction with services or products.

c. Obtain the Support of Audited Area Management and Staff

The entrance conference provides the opportunity to build a cooperative relationship with the people in the audited area.

The audit department should request management assistance regarding documentation issues and to assist in answering questions to provide the auditor with an understanding of the transactions, procedures or processes under audit.

## **City of El Paso Internal Audit Department**

You should plan to explain the purpose and objective of the audit process. You should stress that the department head or director will see the audit findings and recommendations before anyone else. They will also have an opportunity to review a copy of the draft report so they can provide management responses prior to its final issuance. (IIA 13.1)

### **d. Communicate Details of the Audit**

Prior to the entrance conference, you should determine as clearly as possible the requests to be made of auditee staff, consider the following:

1. Use of desks, copiers, and other physical needs.
2. Documents, files, or other, materials that you will need to use during the audit, and the length of time that you will need to hold these items.
3. The assistance of auditee personnel in performing certain parts of the audit.
4. Arrangements for access to offices or other areas during non-working hours.
5. Special procedures that you expect to perform (e.g., a physical inventory).

### Preparing for the Entrance Conference

The auditor in charge must initiate an engagement letter. They must personally contact the manager to schedule the entrance conference and otherwise prepare for the conference. See the Engagement Letter and the Entrance Conference Planning Checklist.

### **Audit Fieldwork**

The purpose of fieldwork is to obtain sufficient, competent, relevant, and useful information to form an opinion on the objectives of the audit (IIA 14.1).

Internal auditors should ensure that audit work programs are adequate to meet the audit objectives and should identify, analyze, evaluate and record sufficient information to achieve the engagement's objectives (IIA Principle 14). Testimonial evidence may be useful in interpreting or corroborating documentary or physical information. Auditors should evaluate the objectivity, credibility, and reliability of the testimonial evidence. Documentary evidence may be used to help verify, support, or challenge testimonial evidence (GAGAS 8.105; IIA 4.3). If relevant evidence cannot be obtained from the client, internal auditors must determine whether to identify that as a finding (IIA 14.1).

During fieldwork, the audit program is completed, controls are tested, and all test results are documented. Test results are quantified, areas of concern are developed, and final conclusions are summarized for communication to management.

### **Audit Working Papers**

As sections of the working papers are completed, the in-charge auditor is responsible for submitting completed sections to the reviewer assigned to the project. Once test work is completed and the conclusions are written, the Potential Findings are prepared and the report draft is written.

1. Introduction

**City of El Paso**  
**Internal Audit Department**

Working papers document the auditor's tests, procedures and conclusions. They help to support findings, recommendations, and to prove that the examination was conducted in accordance with the *Global Internal Audit Standards* and in accordance with the United States Government Accountability Office *Generally Accepted Government Auditing Standards* ([GAGAS](#)). Any departures from the *Global Internal Audit Standards* and GAGAS requirements should be documented and the impact on the engagement and on the auditors' conclusions when the engagement is not in compliance with applicable *Standards* due to law, regulation, scope limitations, restrictions on access to records, or other issues impacting the audit. This applies to departures from unconditional requirements and from presumptively mandatory requirements when alternative procedures performed in the circumstances were not sufficient to achieve the objectives of the requirement (GAGAS 2.19, 9.20; IIA 13.3). When auditors do not comply with all applicable *Global Internal Audit Standards* and GAGAS requirements, they should include a modified *Global Internal Audit Standards* and/or GAGAS compliance statement in the audit report (IIA 4.1, 15.1). For performance audits, auditors should use a statement that includes either (1) the language in GAGAS 9.03, modified to indicate the requirements that were not followed or (2) language that the auditor did not follow GAGAS (GAGAS 9.05).

When auditors use information provided by officials of the audited entity as part of their evidence, they should determine what the officials of the audited entity or other auditors did to obtain assurance over the reliability of the information. The auditor may find it necessary to perform testing of management's procedures to obtain assurance or perform direct testing of the information. The nature and extent of the auditors' procedures will depend on the significance of the information to the audit objectives and the nature of the information being used (GAGAS 8.93). If auditors believe that it is likely that sufficient, appropriate evidence will not be available, they may revise the audit objectives or modify the scope and methodology and determine alternative procedures to obtain additional evidence or other forms of evidence to address the current audit objectives. Auditors should also evaluate whether the lack of sufficient, appropriate evidence is due to internal control deficiencies or other program weaknesses, and whether the lack of sufficient, appropriate evidence could be the basis for audit findings. (GAGAS 8.79, 8.114; IIA 4.3, 14.1)

The quantity, type and content of working papers depend upon the requirements of the particular audit assignment and are a matter of the auditor's professional judgment (GAGAS 8.134). Auditors shall prepare work papers in good form with proper attention to layout, design, legibility, headings, explanation of sources, and verification of work performed. They should reflect a conscientious attention to detail, while maintaining a clear distinction between the important and trivial. Auditors should document the work performed and evidence obtained to support significant judgments and conclusions, including descriptions of transactions and records examined (for example, by listing file numbers, case numbers, or other means of identifying specific documents examined, but copies of documents examined or detailed listings of information from those documents are not required). (GAGAS 8.135b.)

To give the reader a basis for judging the prevalence and consequences of potential findings, auditors should, as appropriate, relate the instances identified to the population or the number of cases examined and quantify the results in terms of dollar value, or other measures. If the results cannot be projected, auditors should limit their conclusions appropriately. (GAGAS 9.21)

Auditors are required to assess the materiality, impact, and effect in developing potential findings. In some cases, issues that are determined not to be material to the audit scope may be communicated to City staff informally. The Internal Audit Department will not report on issues with an error rate of 2% or less. (IIA 14.3)

Any information of sufficient value to warrant inclusion in the working papers merits a complete sheet of paper with a descriptive heading. Only one side of a sheet of paper is to be used; this prevents the overlooking of material recorded on the back of the paper. Leave space at the bottom of each working paper for added comments by reviewers and for any other data that may be added later. Working papers should be prepared in a systematic method and properly reviewed.

**City of El Paso  
Internal Audit Department**

2. Working Paper Preparation Standards

There will be one Audit File for each audit. This one file will include the following:

- Audit Report
- Engagement Assignment
- Audit Program
- Planning (Includes Internal Control Risk Assessment)
- Fieldwork (Includes Assessment of Computer-Processed Information – GAGAS 8.98)
- Findings
- Management Responses
- Entrance Conference
- Exit Conference
- Correspondence (If required)
- Interviews (If required)

The following should be observed when preparing working papers:

Proper Identification

Every working paper must be properly identified.

A heading which includes City of El Paso, Internal Audit Department, the name and number of the audit and a descriptive title or purpose of the information presented must appear on every page of the working papers.

Example:

City of El Paso  
Internal Audit Department  
Name of Audit A2024-01  
Description of Work Paper (i.e., Background Info)

Initial and Date

Every working paper should be stamped and contain the name or initials of the preparer, the date, and name or initials of the reviewer. This information should be placed in the lower right-hand corner of each working paper.

Example:

<b>Date:</b>	<b>Prepared by:</b>	<b>Working Paper No.</b>
<b>Date:</b>	<b>Reviewed by:</b>	

Source and Purpose of Data

The source and purpose of data presented on each working paper should be clearly stated and placed at the bottom of the document from which this information was obtained. If the document was supplied and prepared by the client it should be clearly stated as such. If multiple sources are referenced in a working paper, the source that supplied the information for each topic in the working paper should be identified to ensure that findings can be supported and verified.

## City of El Paso Internal Audit Department

### Conclusion

Where warranted include a brief conclusion which summarizes the work performed and include a reference which describes whether the audit objective was met and whether there are exceptions to the tests or work performed.

### Update the Audit File

When a change affects a number of working papers, it should be carried through so that each working paper reflects the more current information.

### Odd-Sized Papers

The auditor should attempt to reduce odd-sized papers, those that are not 8 1/2" x 11". Odd-sized papers should be taped onto 8 1/2" x 11" paper, properly identified, and indexed. If multiple pages are adhered to one 8 1/2" x 11" sheet of paper, each page should be numbered. It is suggested that these odd-sized papers be attached such that the information can be read from left to right without having to turn the folder around.

### Additional Information

Miscellaneous notes, documents and memos, which are retained only temporarily, should be kept in a "throw-away" folder to be discarded upon the completion of the audit. Only include the information that explains specific testing and documents conclusions in the audit file.

### 3. Working Paper Organization

Proper working paper organization will ease working paper review and improve the quality of the work performed.

### Working Paper Referencing

All working papers must have a working paper reference number in BLUE pencil in the lower right-hand corner along with the preparer's initials and date.

The following scheme should be used for working paper referencing:

A - 1  
A - 1.1  
A - 1.2.1  
A - 2  
A - 3

The sections should be referenced from the front to the back of the file sections. For example the Audit Assignment Sheet would be referenced A-1. The next working paper section should be B-1, followed by C-1, etc.

### Working Paper Cross-Referencing

Cross-referencing within the same working paper should be indicated by a circled letter or number; i.e., "1" next to an item indicates that footnote "1" on this page explains something about this item. This referencing should be done in BLUE pencil. Cross-referencing between working papers will always be done in BLUE pencil. Cross-referencing should be used for important information, which is relevant in support of an Auditor's conclusion(s). Use professional judgment. (Avoid instances of over referencing. Use a common-sense relevance test).

**City of El Paso  
Internal Audit Department**

Tick Marks

The Internal Audit Department has a Standard Tick Mark Legend in practice to identify basic audit functions such as footing, cross-footing, verifying calculation, tracing to the Statements of Account, etc. Use these tick marks if they apply; otherwise design your own tick mark. All tick marks should be in Blue pencil.

Binding, Labeling and Filing

All working papers will be three-hole punched for inclusion in the working file (usually a 3-ring binder) and storage folder (usually a brown, pressboard folder).

Storage folders should be labeled with an audit title. The Chief Internal Auditor assigns audit titles.

Folders are filed by alphabetical order.

4. Additional Working Paper Requirements

- a. All calculations should be recalculated.
- b. All schedules should be footed and cross-footed.
- c. Each audit procedure performed should include a brief narrative summarizing the results.
- d. Source and purpose shall be clearly identified using BLUE pencil, ink, or highlighter.
- e. RED pencil is reserved for reviewer's notes.

5. Common Working Paper Deficiencies

- a. Source and/or purpose are not clear for every working paper.
- b. Each page in a working paper is not initialed and dated.
- c. Cross-referencing is not complete. (Be sure to cross-reference the audit findings and audit report to the working papers).
- d. All supporting documents are not referenced.
- e. There are no tick marks to indicate the performance of standard audit procedures.

6. Review of Working Papers

Audit documentation is an essential element of audit quality. The process of preparing and reviewing audit documentation contributes to the quality of an audit. Audit documentation serves to (1) provide the principal support for the auditors' report, (2) aid auditors in conducting and supervising the audit, and (3) allow for the review of audit quality (GAGAS 8.137). All audit working papers should be reviewed to ensure that they properly support the audit report, to verify that the project's objectives have been met and to ensure that all necessary auditing procedures have been performed. The internal review of working papers is an integral part of the quality assurance of the department's work. The review ensures that quality working paper documentation is maintained, and that adequate supporting documentation is present. Using red ink or red pencil the reviewer must initial and date each working paper as the review is completed (IIA 12.3).

## City of El Paso Internal Audit Department

There are various types of reviews performed on working papers. The following is a breakdown of the review process:

The **preparer** should review all his/her work to ensure that the working papers adequately document the results of the applied tests, that the results are clearly and concisely recorded, and that all supporting documents are logically organized. Once the planning phase of the audit is complete, the preparer should meet with the Chief Internal Auditor for the **preliminary review**.

The Chief Internal Auditor will conduct the **preliminary review**. This review includes all working papers related to the planning phase of an audit. An internal control risk assessment should be completed as well as the audit program. The Chief Internal Auditor will also review the Detailed Time Budget for the audit. Once the **preliminary review** is complete, the Chief Internal Auditor will return the working papers to the preparer for clearing of the review notes. After all review notes have been cleared, the audit program has been approved and the Detailed Time Budget has been agreed upon, fieldwork can begin. During fieldwork, any changes to the engagement objectives or scope need to be approved by the Chief Internal Auditor (IIA 13.3, 14.2). After the fieldwork is done, a **peer review** occurs. The peer reviewer conducts a detailed review of the working papers related to fieldwork. All schedules should be footed and cross-footed. Calculations should be recalculated and tick marks should be explained. The **peer reviewer** ensures that all audit testing is properly summarized and correctly cross-referenced. The **peer reviewer** also ensures that audit objectives have been met and that working papers support the assertions made in the Summary Memos and in the Potential Finding Worksheets. When the **peer review** is completed, the working papers are returned to the preparer for clearing of review notes (IIA 14.6).

The complete set of working papers, with a draft copy of the audit report, should be given to the Chief Internal Auditor or Audit Manager for the **final review**. All **peer review** should be documented before the date of the audit report, of the evidence that supports findings, conclusions, and recommendations contained in the audit report (GAGAS 8.133, 8.135c). The **final reviewer** should review each audit program step to ensure that the step was performed to the extent planned. The **final reviewer** should review the audit report to ensure that the report is adequately supported by the working papers, and is cross-referenced, objective, clear and concise. After all final review notes have been cleared, an exit conference is scheduled with the client to review and discuss the audit report.

### **Exit Conference**

After the audit report and working papers have been reviewed, the auditor contacts the client to schedule an Exit Conference. The auditor may choose to provide the potential audit findings to the client prior to the Exit Conference. All issues discussed or concerns addressed in this meeting are documented and included in the working papers. The Chief Internal Auditor and all auditors who participated on the audit attend the meeting.

Upon conclusion of the Exit Conference, the auditor requests that the client respond, in writing, to each of the audit recommendations (GAGAS 6.57, 6.58). Responses to audit recommendations should include the client's plan for corrective action, the person responsible for implementing the recommendation, and the date the action will be implemented. The client should be given 7-14 working days to generate this response. When the client's response is received, it is included in the audit report (GAGAS 6.59). Any comments are included in the working papers. If the audited entity refuses to provide comments or is unable to provide comments within a reasonable period of time, the auditors should issue the report without receiving comments from the audited entity. In such cases, the auditors should indicate in the report that the audited entity did not provide comments. (GAGAS 6.60)

### Issuance of Formal Audit Report

The formal audit report is issued after the review is complete and management has properly addressed the recommendations made in the report draft.

## **City of El Paso Internal Audit Department**

### Definition of a Formal Audit Report

For purposes of this policy, a formal audit report is a written report of the results of any internal audit activity, including recommendations for improvement, if any, and management's responses, that are issued to the Financial Oversight and Audit Committee (IIA 11.3, 14.5, 15.1).

### Criteria for Issuance of a Formal Audit Report

If the reviewed activity meets any one of the following conditions, a formal audit report probably will be issued:

1. Significant deficiencies and material weaknesses in internal controls were identified.
2. The findings suggest theft, fraud, illegal acts, or other violations of State or Federal Laws.
3. Noncompliance with provisions of contracts or grant agreements that have a material effect on the subject matter.
4. Abuse that is material to the subject matter.
5. The subject matter warrants the attention of those charged with governance or members of the Financial Oversight and Audit Committee request the audit.
6. The findings provide an opportunity to report on exceptional management, efficiency, and effectiveness.

### Executive Summary

The purpose of the Executive summary is to provide the reader with a summary of the significant observations presented in the related audit report. It is usually prepared when the draft copy of the report is prepared and is subject to final review.

### Report Conclusion

Auditors should report conclusions based on the audit objectives and the audit findings. Report conclusions are logical inferences about the program based on the auditors' findings, not merely a summary of the findings. The strength of the auditors' conclusions depends on the sufficiency and appropriateness of the evidence supporting the findings and the soundness of the logic used to formulate the conclusions. Conclusions are more compelling if they lead to the auditors' recommendations and convince the knowledgeable user of the report that action is necessary. (GAGAS 9.19)

### Report Distribution

Audit reports will be distributed to the following officials charged with governance:

- Financial Oversight and Audit Committee
- City Manager
- Applicable Deputy City Manager
- Applicable Department Head
- Electronically to Mayor & Council
- Others, as appropriate

Audit reports are posted on the Internal Audit website for public view: <https://www.elpasotexas.gov/internal-audit/services-and-documents/> and are safeguarded on the department's directory.

If, after the report is issued, the auditors discover that they did not have sufficient, appropriate evidence to support the reported findings or conclusions, they should communicate in the same manner as that used to originally distribute the report to those charged with governance, the appropriate officials of the audited entity, the appropriate officials of the organizations requiring or arranging for the audits, and other known users, so that they do not continue to rely on the findings or conclusions that were not supported. If the report was previously posted to the Internal Audit Department website, the auditors should remove the report and post a public notification that the



## City of El Paso Internal Audit Department

report was removed. The Chief Internal Auditor should then determine whether to conduct additional audit work necessary to reissue the report, including any revised findings or conclusions or repost the original report if the additional audit work does not result in a change in findings or conclusions. (GAGAS 9.68; IIA 11.4)

### Separate Reports

A Memorandum or a Management Letter is utilized to report on issues that are reported separately from the audit report.

- Certain information may be classified or may be otherwise prohibited from general disclosure by federal, state, or local laws or regulations. In such circumstances, auditors may issue a separate, classified or limited use report containing such information and distribute the report only to persons authorized by law or regulation to receive it (GAGAS 9.65). If a separate issue is being reported due to security concerns or an investigation, a reference will be made about the separate communication either within the audit report or in a separate Memorandum. (GAGAS 9.31)
- Separate issues not deemed significant or material enough to be reported in the audit report are reported in a Management Letter without a reference to the separate communication. (GAGAS 9.34, 9.38)
- If an audit is terminated before it is completed and no audit report is issued, auditors should document results of their work to date and why it was terminated. (GAGAS 5.25)

### **Audit Debrief**

At the conclusion of an audit, audit follow-up, or Special Request Project (SRP) it will be the auditor's responsibility to schedule an audit debrief with the Chief Internal Auditor and audit team to discuss the overall management of the audit and to conduct "End-of Audit Evaluations." Items for discussion include but are not limited to areas that functioned as planned, areas that were inefficient and others areas that should be noted for future engagements. Please refer to the audit debrief forms.

### **Client Surveys**

The Internal Audit Department utilizes Survey Monkey® to send Client surveys. The purpose of surveys are to:

- Assess the efficiency and effectiveness of the Internal Audit Department.

**From:** Employee  
**Sent:** Thursday, August 21, 2024 8:29 AM  
**To:** Financial Research Analyst  
**Subject:** Request of Survey

Good Morning,

Would you please create a survey for "HOT-Hilton Garden Inn El Paso/University A2024-09" Thank you.

- Identify opportunities, ideas and counsel for improving the performance of the Internal Audit Department.
- Provide an opinion as to whether the Internal Audit Department provided a value-added service to clients during audit engagements.

The following steps are to be utilized by auditors to request and send Client surveys:


1. Send an email to the Financial Research Analyst (FRA) requesting a survey with the title of the audit/project and the audit/project number.

**City of El Paso  
Internal Audit Department**

2. FRA will then respond with an email that includes the template survey with the Email Link along with any further instructions.

**From:** Financial Research Analyst  
**Sent:** Monday, August 25, 2024 9:24 AM  
**To:** Employee  
**Subject:** HOT-Hilton Garden Inn El Paso/University A2024-09

Please see below as per your request. Also don't forget to change the names and add a respond by date and if you would please blind copy me and the Lead Auditor on your notices that you send out. Thank you.



Dear Mr./Ms:


The Internal Audit Department at the City of El Paso is requesting your assistance in completing our Quality Service Survey at the following link (<https://www.surveymonkey.com/s/6ZJ693R>).

The purpose of the survey is to:

1. Assess the efficiency and effectiveness of the Internal Audit Department.
2. Identify opportunities, ideas and counsel for improving the performance of the Internal Audit Department.
3. Provide an opinion as to whether the Internal Audit Department provided a value-added service to your department during the recent audit engagement.

Please complete the online survey on or before \_\_\_\_\_.

Your response will be kept entirely confidential. Without identifying sp



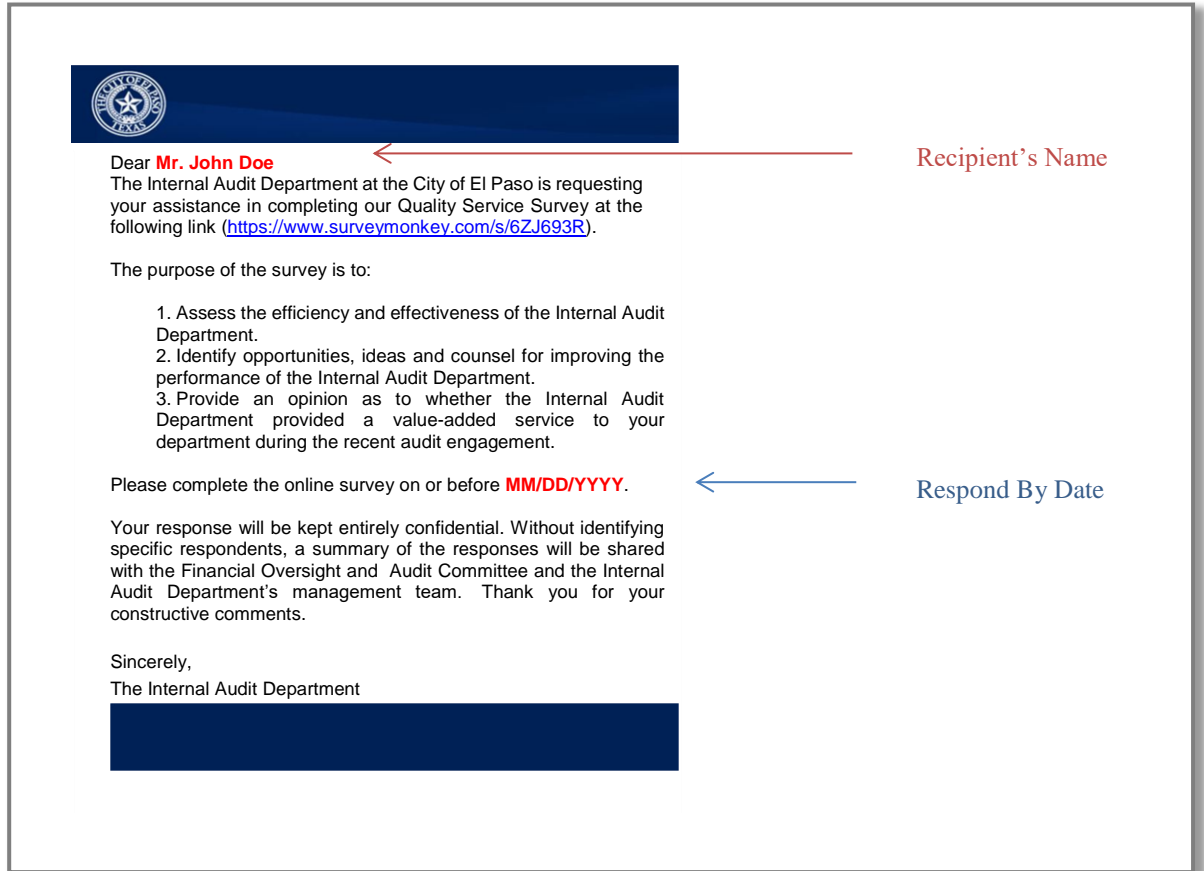
pecific respondents, a summary of the responses will be shared with the Financial Oversight and Audit Committee and the Internal Audit Department's management team. Thank you for your constructive comments.

Sincerely,  
The Internal Audit Department

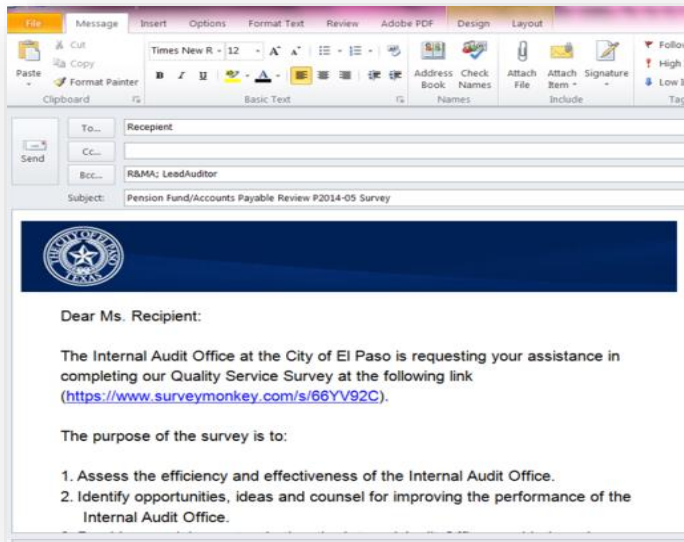
**City of El Paso  
Internal Audit Department**

3. The template will need to be revised by performing the following:

- Add the recipient's name. If there is more than one recipient, then a new survey email will need to be created for each recipient.
- A "respond by" date will need to be added and the time frame should be two weeks from the date it will be sent out.

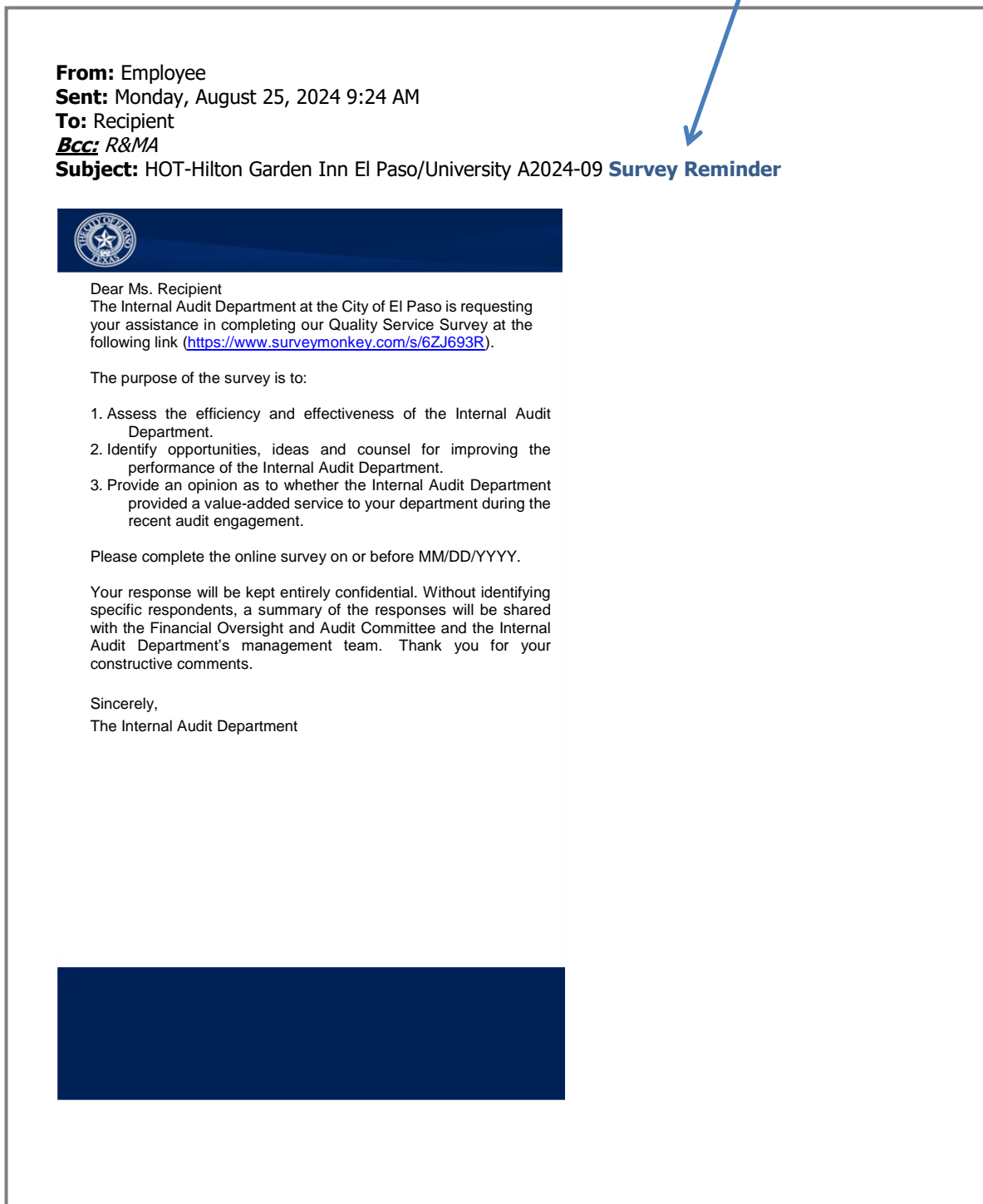


4. A "clean email" with just the survey should then be sent to the recipients separately as well as *blind* copying the FRA and the Dep. Librarian.



**City of El Paso  
Internal Audit Department**

5. If there are no responses in a week after the survey was sent out, then a “reminder” email should be sent to the recipient and the FRA.



6. After the two-week period, the survey will be closed by the FRA and all surveys, if any, will be emailed to the employee, Department “Librarian”, and Chief Internal Auditor.

**City of El Paso  
Internal Audit Department**

The following table can be used for ease in finding the appropriate form and template to use while performing audit procedures. Refer to the copy of the form at the FORMS section in this manual and use the appropriate template to create a working copy for your particular audit procedure.

Cross Reference Guide for Audit Procedures, Forms and Templates

<u>Audit Procedure</u>	<u>Form</u>	<u>Page no.</u>
Planning	<a href="#">Assignment Sheet</a>	93
Planning	<a href="#">Audit Control Sheet</a>	94
Planning	<a href="#">Auditor's Objectivity Statement</a>	96
Planning	<a href="#">Entrance Meeting Checklist</a>	98
Planning	<a href="#">Entrance Meeting Agenda</a>	99
Planning	<a href="#">Components and Principles of Internal Control Statement</a>	100
Planning	<a href="#">Internal Control Questionnaire</a>	101
Planning	<a href="#">Internal Control Structure Assessment</a>	112
Planning	<a href="#">Internal Control Risk Assessment</a>	114
Planning	<a href="#">Checklist for Understanding the Audit Assignment and Scope</a>	115
Planning	<a href="#">Planning Memo</a>	116
Planning	<a href="#">City Attorney Letter</a>	121
Planning	<a href="#">Engagement Letter</a>	122
Fieldwork	<a href="#">Audit Program</a>	125
Fieldwork	<a href="#">Exit Meeting Checklist</a>	133
Fieldwork	<a href="#">Exit Meeting Agenda</a>	134
Fieldwork	<a href="#">Summary Memo</a>	135
Fieldwork	<a href="#">Potential Report Findings Worksheet</a>	136
Fieldwork	<a href="#">Assessment of Computer-Processed Information</a>	137
Fieldwork	<a href="#">Standard Tick Mark Legend</a>	138
Review	<a href="#">Quality Assurance Program Worksheet</a>	139
Review	<a href="#">Working Paper Review Points</a>	142
Review	<a href="#">Checklist for Working Papers - Planning</a>	143
Review	<a href="#">Checklist for Working Papers - Fieldwork</a>	145
Review	<a href="#">Checklist for Working Papers - Reporting</a>	149
Reporting	<a href="#">Audit Report Cover Sheet</a>	151
Reporting	<a href="#">Audit Report</a>	152
Reporting	<a href="#">Management Letter (If Applicable)</a>	158
Other	<a href="#">End-of Audit Evaluations</a>	160
Other	<a href="#">Audit Debrief</a>	168
Other	<a href="#">Client Survey</a>	65

**City of El Paso  
Internal Audit Department**

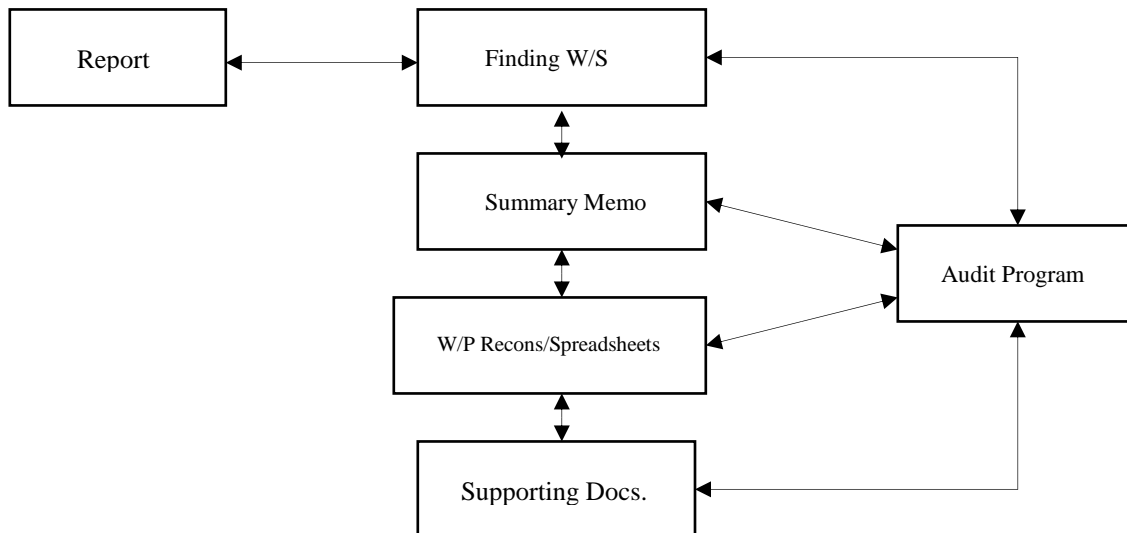
The Internal Audit staff will properly document all engagements according to the Standards. All Audit Engagement files will contain, but are not limited to, the following:

- Quality Assurance Program Worksheet
- Audit Control Sheet
- Checklists for Working Papers (Planning, Fieldwork, Reporting)
- Assessment of Computer-Processed Information
- Standard Tick Mark Legend
- Audit Report
- Project Assignment Sheet approved by the Chief Internal Auditor
- An Audit Program approved by the Chief Internal Auditor
- Planning Memo
- Components and Principles of Internal Control Statement
- Completed Risk Assessment
- Copy of Engagement Letter and Letter to City Attorney
- Entrance Meeting Checklist, Agenda, and Minutes
- Auditor’s Objectivity Statements
- Summary Memos for each of the main sections of the Audit Program (IIA Principle 14, 14.5, 14.6, 2330).

All Summary Memos will include:

- **Purpose** of test
- **Source** and name of all relevant information needed to complete the test
- **Procedure** used to complete the testing
- **Conclusion** summarizing the results of tests, inquiries, and observations.
- Reference to appropriate Audit program section
- Relevant work papers to support audit conclusions (IIA 14.1, 14.6). All work papers will include:
  - Identification of audit
  - Statement of purpose.
  - Statement of source of information.
  - Initials of the preparer and reviewer with dates completed for each, and a working paper number (Refer to standard stamp).
- Potential Finding Worksheets for each finding identified in the engagement
- Exit Meeting Checklist, Agenda, and Minutes

Work papers are to be cross-referenced using the following process:



Electronic documents relating to an audit engagement are always to be developed and saved in the Internal Audit drive under the appropriate audit/project folder.

**City of El Paso  
Internal Audit Department**

**COMMUNICATIONS AND REPORTING**

**Executive and Senior Management:**

The Chief Internal Auditor is responsible for communicating audit findings to the City Manager and appropriate Senior Management (IIA 11.3, 15.1).

- The Internal Audit staff members should develop sufficient professional judgment in any engagement to assist the Chief Internal Auditor in reporting significant risk exposures and control issues, and other matters needed by the Financial Oversight and Audit Committee and senior management. The Internal Audit staff will report these issues directly to the Chief Internal Auditor.
- Questions concerning audit findings should be referred to the Chief Internal Auditor. Audit findings should not be discussed outside the Internal Audit Department.
- Reports will follow a standard reporting format, which includes a cover sheet, an executive summary, and scope, audit findings including applicable recommendations and management’s response, inherent limitations, and a conclusion. Report drafts are distributed to the appropriate Senior Managers for responses to recommendations. The Chief Internal Auditor shall sign all reports along with the Audit Manager/Supervisor and staff auditor.
- It is the policy of internal auditing to reach agreement with affected personnel concerning the correctness of the facts surrounding the audit findings prior to distribution of the final report. Where appropriate, corrective action to be taken should be ascertained and included in the report. The individual responsible for the corrective action and the key milestone dates for corrective action completion should also be included. On occasion the internal audit staff may work with audit customers to seek the best solution to deficiencies noted during the audit.
- When internal auditors become aware that management has initiated or completed actions to address a finding before the final communication, the actions must be acknowledged in the communication. (IIA 15.1)
- To assure that agreement is reached as to statements of facts, the audit results to be included in the report are reviewed with the Division Head, Controller, or their designee who is later furnished a draft copy of the audit report for review prior to distribution.
- The Chief Internal Auditor is ultimately responsible for evaluating the client’s responses. The Chief Internal Auditor will work with management to resolve any management concerns to try to reach a mutual understanding of the issue. (IIA 13.1, 14.4)
- After the Chief Internal Auditor is satisfied that the audit report is appropriate in the circumstances, final distribution of the report is made. Copies of the report are issued to the appropriate personnel and posted on the Internal Audit Department website under “Services & Documents” (IIA 11.2, 11.3, 15.1).

**Reporting to Financial Oversight and Audit Committee:**

The Chairman of the Financial Oversight and Audit Committee has operational oversight over the internal audit function and the Financial Oversight and Audit Committee has legislative oversight of the internal audit function. They review the status of current activities in the audit department, monitor the implementation of all audit report recommendations and responses, review the annual and long-range audit plans, review the risk assessment methodology and its application, and request external peer reviews every three years. (GAGAS 5.84; IIA 8.1, 8.3, 9.4, 11.3, )

The Chief Internal Auditor reports quarterly to the Financial Oversight and Audit Committee on the internal audit activity’s performance relative to its plan. The Chief Internal Auditor will provide a summary of all Audit reports completed with a brief description of what is contained in the report (scope, objectives, findings, and management’s corrective action). Chief Internal Auditor reports on significant risk exposures and control issues, corporate governance issues, and other matters needed or requested by the committee (IIA 6.3, 8.1, 9.4, 11.3).

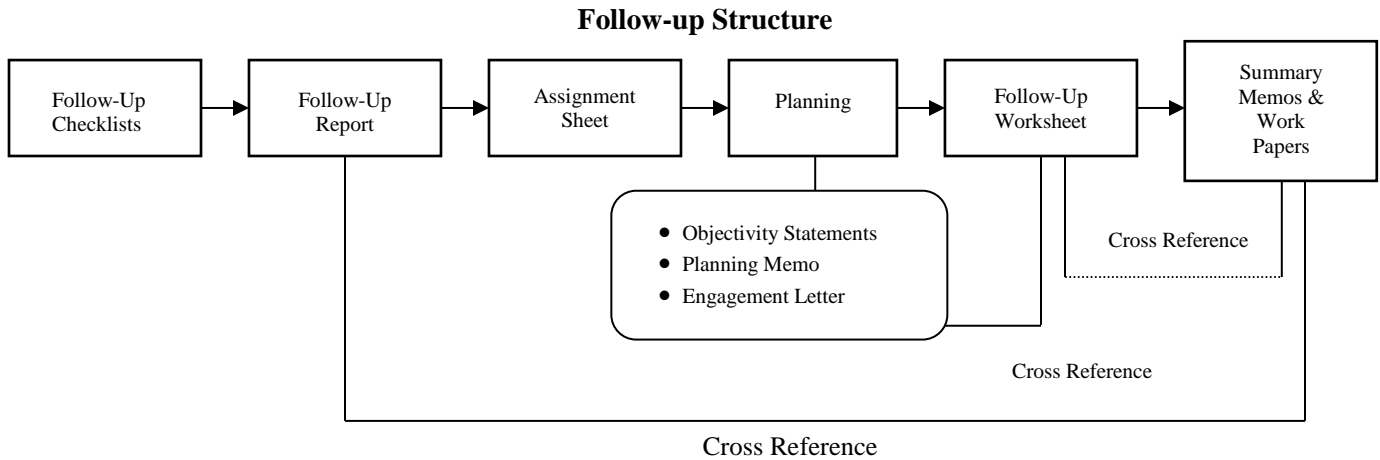
**Procedure for Posting of Notices/Agendas for Public Meetings**

The Internal Audit Department is responsible for posting Financial Oversight and Audit Committee Meetings. The items must be posted 72 hours in advance.

**City of El Paso  
Internal Audit Department**

**FOLLOW-UP ON MATTERS REPORTED BY INTERNAL AUDIT**

The *Generally Accepted Government Auditing Standards* (Standard 8.30) and the Institute of Internal Auditor’s *Global Internal Audit Standards* ( Standard 15.2) require a post audit follow-up on all audit recommendations made to determine that appropriate action was taken on reported audit findings. For purposes of follow-up actions on findings and recommendations, we must determine which recommendations have been implemented, have not been implemented, are in progress, or are no longer applicable. Our follow-up must include the following Audit Standards: planning, objectivity, fieldwork, adequate documentation, and reporting .



Work papers for follow-ups should at a minimum contain the following,

- Quality Assurance Program Worksheet (Follow-up Audit)
- Follow-Up Audit Control Checklist
- Checklists for Follow-Up Working Papers (Planning, Fieldwork, Reporting)
- Assessment of Computer-Processed Information
- Standard Tick Mark Legend
- Follow-up Audit Report cross referenced to Summary Memos
- Audit Assignment Sheet filled out with time and dates
- Completed Auditor’s Objectivity Statements
- Copy of Engagement Letter
- A short planning memo of how the follow-up will be accomplished
- Internal Control Questionnaire and Assessment
- Components and Principles of Internal Control Statement
- Internal Control Risk Assessment
- Follow-Up Audit Program
- Summary Memos for each finding being followed-up on – cross referenced to work paper support
- Work papers supporting findings

The appropriate operating senior management is responsible for the timely implementation of corrective action for items reported by internal audit, and is to keep the Chief Internal Auditor advised of the status. If there are delays in implementing corrective action, the Chief Internal Auditor should be notified immediately as to the nature and reason for the delay.

The Chief Internal Auditor will report to senior management and the Financial Oversight and Audit Committee on progress the organization is making on those matters previously reported by internal audit. Where progress is not satisfactory or management has accepted a level of residual risk that may not be acceptable to the City, the Chief Internal Auditor may consider inviting the responsible management to discuss the matter with senior management and the Financial Oversight and Audit Committee (IIA 11.5, 15.2).



**City of El Paso  
Internal Audit Department**

The following table can be used for ease in finding the appropriate form and template to use while performing follow-up audit procedures. Refer to the copy of the form at the FORMS section in this manual and use the appropriate template to create a working copy for your particular follow-up audit procedure.

Cross Reference Guide for Follow-up Audit Procedures, Forms and Templates

<u>Audit Procedure</u>	<u>Form</u>	<u>Page no.</u>
Planning	<a href="#">Assignment Sheet</a>	93
Planning	<a href="#">Follow-up Audit Control Sheet</a>	94
Planning	<a href="#">Auditor’s Objectivity Statement</a>	96
Planning	<a href="#">Entrance Meeting Checklist</a>	98
Planning	<a href="#">Entrance Meeting Agenda</a>	99
Planning	<a href="#">Components and Principles of Internal Control Statement</a>	100
Planning	<a href="#">Internal Control Questionnaire</a>	101
Planning	<a href="#">Internal Control Structure Assessment</a>	112
Planning	<a href="#">Internal Control Risk Assessment</a>	114
Planning	<a href="#">Planning Memo</a>	118
Planning	<a href="#">Engagement Letter</a>	123
Fieldwork	<a href="#">Follow-up Audit Programs</a>	132
Fieldwork	<a href="#">Exit Meeting Checklist</a>	133
Fieldwork	<a href="#">Exit Meeting Agenda</a>	134
Fieldwork	<a href="#">Summary Memo</a>	135
Fieldwork	<a href="#">Potential Report Findings Worksheet (if required)</a>	136
Fieldwork	<a href="#">Assessment of Computer-Processed Information</a>	137
Fieldwork	<a href="#">Standard Tick Mark Legend</a>	138
Review	<a href="#">Follow-up Quality Assurance Program Worksheet</a>	140
Review	<a href="#">Working Paper Review Points</a>	142
Review	<a href="#">Follow-up Checklist for Working Papers – Planning</a>	143
Review	<a href="#">Follow-up Checklist for Working Papers – Fieldwork</a>	147
Review	<a href="#">Follow-up Checklist for Working Papers - Reporting</a>	150
Reporting	<a href="#">Audit Report Cover Sheet</a>	151
Reporting	<a href="#">Audit Report</a>	155
Reporting	<a href="#">Management Letter (If Applicable)</a>	158
Other	<a href="#">End-of Audit Evaluations &amp; Audit Debrief</a>	160, 168
Other	<a href="#">Client Survey</a>	65

**City of El Paso  
Internal Audit Department**

The following table can be used for ease in finding the appropriate form and template to use while performing an SRP (Special Request Project). Refer to the copy of the form at the FORMS section in this manual and use the appropriate template to create a working copy for your particular SRP.

Cross Reference Guide for SRP Procedures, Forms and Templates

<u>Audit Procedure</u>	<u>Form</u>	<u>Page no.</u>
Planning	<a href="#">Assignment Sheet</a>	93
Planning	<a href="#">Special Request Project Control Sheet</a>	95
Planning	<a href="#">Auditor's Objectivity Statement</a>	97
Planning	<a href="#">Entrance Meeting Checklist (If required)</a>	98
Planning	<a href="#">Entrance Meeting Agenda (If required)</a>	99
Planning	<a href="#">Internal Control Questionnaire (If required)</a>	101
Planning	<a href="#">Internal Control Structure Assessment (If required)</a>	112
Planning	<a href="#">Planning Memo</a>	120
Planning	<a href="#">Special Request Project Engagement Letter</a>	124
Fieldwork	<a href="#">Exit Meeting Checklist (If required)</a>	133
Fieldwork	<a href="#">Exit Meeting Agenda (If required)</a>	134
Fieldwork	<a href="#">Summary Memo</a>	135
Fieldwork	<a href="#">Standard Tick Mark Legend</a>	138
Review	<a href="#">Quality Assurance Program Worksheet (Special Request Project)</a>	141
Review	<a href="#">Working Paper Review Points</a>	142
Review	<a href="#">Checklist for Working Papers - Planning</a>	144
Review	<a href="#">Checklist for Working Papers - Fieldwork</a>	145
Review	<a href="#">Checklist for Working Papers - Reporting</a>	149
Reporting	<a href="#">SRP Memorandum</a>	159
Other	<a href="#">Audit Debrief</a>	168
Other	<a href="#">Client Survey</a>	65

**City of El Paso  
Internal Audit Department**

**QUALITY ASSUARANCE AND IMPROVEMENT PROGRAM**

The Chief Internal Auditor is in charge of developing and maintaining a quality assurance and improvement program that covers all aspects of the internal audit activity and continuously monitor its effectiveness. The program is designed to help the internal audit activity add value and improve the organization's operations and to provide assurance that the internal audit activity is in conformity with the Standards (IIA 8.3, 12.1).

To meet this goal there are three things to do. First, determine what our audit clients want and need. Second, we must meet those needs on time. Finally, and perhaps most important, we must continually strive to ensure that a quality and improvement process is in place and is in conformance with the Standards of the IIA and the Government Auditing Standards.

The department monitors quality on an on-going basis by conducting quality assurance reviews for every engagement and conducting an end-of-audit debrief to assess what went right and what could have gone better. To continue to improve our audit performance and our contribution to the organization, we have also adopted the practice of sending surveys to our clients about the audit process. Questions cover such topics as (1) how well we communicated audit objectives before the audit, (2) how well auditors solicited and responded to the audit client's ideas, (3) the breadth of the updates during the audit, and (4) how we could make to improve the overall audit process. Internal procedures are updated as needed and monthly staff meetings are frequently used as a forum to discuss and make changes to internal processes. (IIA 9.3)

External assessments, such as quality assurance reviews, should be conducted at least once every three years by a qualified, independent assessor (team) from outside the organization. At least one person on the assessment team must hold an active Certified Internal Auditor designation. (IIA 8.3, 8.4). The following steps outlined by the IIA assist departments in getting started on the external assessment:

1. Review the *Global Internal Audit Standards* and the *Generally Accepted Government Auditing Standards*. Determine if there are any immediate changes needed.
2. Review the Practice Advisories, especially advisories related to quality assurance.
3. Talk with internal auditors from other organizations about their experiences with quality assurance reviews. Obtain an understanding of how the review process might work, how to best prepare for one and review team selection process. IIA Chapter meetings are a good forum for this step.
4. Contact organizations that might be willing to perform the quality assurance review. Consider organizations like the IIA, ALGA, accounting firms, or other consultants.
5. If applicable, obtain a proposal from at least 2 of these organizations and then select the one that provides the best value.

The Internal Audit Department has chosen to participate in ALGA's peer review program which was developed in order to assist local government audit organizations in meeting the profession's peer review requirements. The Chief Internal Auditor will communicate the results of the internal and external assessments to the Financial Oversight and Audit Committee.

## City of El Paso Internal Audit Department

### FRAUD

Internal Auditors must have sufficient knowledge to evaluate the risk of fraud and the manner in which it is managed by the organization, but are not expected to have the expertise of a person whose primary responsibility is detecting and investigating fraud (IIA 3.1). If during the course of performing an engagement, significant deficiencies; material weaknesses; instances of fraud, noncompliance with provisions of laws, regulations, contracts, or grant agreements; or abuse come to the auditors' attention that warrant the attention of those charged with governance, auditors should communicate such matters to the Chief Internal Auditor (GAGAS 8.25). The Chief Internal Auditor will contact the Chairman of the Financial Oversight and Audit Committee, appropriate senior management members, and applicable external parties to determine whether an audit or investigation in the suspected areas of wrongdoing is appropriate. (GAGAS 9.45)

#### Characteristics of Fraud

Fraud encompasses an array of irregularities and illegal acts characterized by intentional deception. It can be perpetrated for the benefit of, or to the detriment of, the organization; and by persons outside as well as inside the organization.

Periodic audit training, distribution of audit publications, and other communication methods are in place to apprise auditors of the nature of fraud and the control environment in which fraud may occur.

Fraud designed to benefit the organization generally produces benefit by exploiting an unfair or dishonest advantage that also may deceive an outside party. Perpetrators of such frauds usually benefit indirectly, since the personal benefit usually accrues when the organization is aided by the act.

Audit activities are specifically designed in a manner, which provides review of the control environment and the inherent potential for fraud. Audit risk analysis and audit selection is based on the degree of change and "pressure" in operating units. Where appropriate, financial and operating systems are tied to related accounting and reporting information to validate propriety.

#### Examples of Fraud and Related Auditing Activity

- Sale or assignment of fictitious or misrepresented assets.

Asset audits include steps to validate asset accounting and evaluate the propriety of asset purchases, transfers and disposals.

- Improper payments such as illegal political contributions, bribes, kickbacks, and payoffs to government officials, intermediaries of government officials, customers, or suppliers.

Certain audits (e.g., purchasing) review control environments in order to detect unwarranted potential for personal benefit. Government compliance reviews includes specific control steps to evaluate potential illegal relationships and payments.

- Intentional, improper misrepresentation or valuation of transactions, assets, liabilities, or income.

Revenue cycle, disbursement cycle, and asset audits include validation steps for proper valuation and recognition.

- Intentional, improper transfer pricing (e.g., valuation of goods exchanged between related entities). By purposely structuring pricing techniques improperly, management can improve the operating results of an organization involved in the transaction to the detriment of the other organization.

## City of El Paso Internal Audit Department

Where risks imply the need, intercompany accounting and/or international subsidiary audits will include analysis of intercompany accounting and pricing. Certain government compliance audits may also focus on the propriety of costs for interdivisional transfers.

- Intentional, improper related party transactions in which one party receives some benefit not obtainable in an "arm's length" transaction.

Organization control review steps in audits may be concerned with related party risk. When a specific concern is identified, audit or investigation work may be performed.

- Intentional failure to record or disclose significant information to improve the financial picture of the organization to outside parties.

External reporting practices are reviewed in detail by the external auditors, and internal auditors may assist in the year-end close external audit to support this objective. Validating the integrity of accounting and financial reporting accuracy are common program steps in audits.

- Prohibited business activities such as those which violate government statutes, rules, regulations or contracts.

Government compliance audits and reviews evaluate preventative and detective controls and related compliance under applicable laws, regulations, rules, and contracts.

- Fraud perpetrated to the detriment of the organization generally is for the direct or indirect benefit of an employee, outside individual, or another firm. Some examples are:

Acceptance of bribes or kickbacks.

Diversion to an employee or outsider of a potentially profitable transaction that would normally generate profits for the organization.

Embezzlement, as typified by the misappropriation of money or property, and falsification of financial records to cover up the act, thus making detection difficult.

Intentional concealment or misrepresentation of events or data. Claims submitted for services or goods not actually provided to the organization.

Auditors will receive periodic training in the area of fraud indicators and related methods, and all auditors should remain aware of the potential for fraud in all of the noted areas such as bribes, kickbacks, diversion, embezzlement, concealment and misrepresentation. System reviews in the core business cycles (revenue, disbursement, conversion/inventory/cost, payroll/benefits, and capital assets) will evaluate the overall control environment and related potential for fraudulent actions to take place. When a specific concern is identified from the normal audit process or by an employee or management concern, auditors may become involved in audit or investigative work in these areas (IIA 3.1).

### Deterrence of Fraud

Deterrence consists of those actions taken to discourage the perpetration of fraud and limit the exposure if fraud does occur. The principal mechanism for deterring fraud is control. Management is responsible for the maintenance of an effective control environment. Auditors are tasked to evaluate the control environment at audited locations to determine the adequacy of internal control in selected systems.

## City of El Paso Internal Audit Department

Internal auditing is responsible for assisting in the deterrence of fraud by examining and evaluating the adequacy and the effectiveness of controls, commensurate with the extent of potential exposure/risk in the various segments of the entity's operations (IIA 9.4). In carrying out this responsibility, internal auditing should, for example, determine whether:

- The organizational environment fosters control consciousness.

The organizational environment is considered along with other appropriate factors in the risk analysis process leading to audit selection and audit program development.

- Realistic organizational goals and objectives are set.

Audit actions such as system reviews evaluate the adequacy of the total system of the internal controls including review of strategic plans, annual plans, and quarterly budgets.

- Written corporate policies (e.g., code of conduct) exist that describe prohibited activities and the action required whenever violations are discovered.

Certain audits include evaluation of location practices and supporting controls versus established Standards of Business Conduct.

- Appropriate authorization policies for transactions are established.

Authorization practices are commonly audited including procedure reviews, management interviewing to determine authorization expectations and detailed compliance testing to determine authorization compliance.

- Policies, practices, procedures, reports and other mechanisms are developed to monitor activities and safeguard assets, particularly in high-risk areas.

Audit objectives commonly include adequacy and compliance reviews of policies, procedures, reports and monitoring activities. Asset safeguarding practices are evaluated in normal internal control review and during asset audits.

- Communication channels provide management with adequate and reliable information.

Two-way communication and reporting are commonly evaluated, and certain information system audits include tests for information adequacy and usefulness.

- Recommendations need to be made for the establishment or enhancement of cost-effective controls to help deter fraud.

Whenever appropriate, potential risk/impact/effect statements in audit reports highlight irregularity risks. All recommendations are written with cost justification in mind. Often the audit client is contacted to establish cost/benefit impacts.

### Detection of Fraud

Detection consists of identifying indicators of fraud sufficient to warrant recommending an investigation. These indicators may arise as a result of controls established by management, tests conducted by auditors, and other sources both within and outside the organization. Auditors should:

- Have sufficient knowledge of fraud to be able to identify indicators that fraud might have been committed. This knowledge includes the characteristics of fraud, the techniques used to commit fraud, and the types of frauds associated with the activities audited.

## **City of El Paso Internal Audit Department**

- Be alert to opportunities, such as control weaknesses, that could allow fraud. If significant control weaknesses are detected, additional tests conducted by internal auditors should include tests directed toward identification of fraud indicators with the concurrence of the CAE (IIA 13.2).

If significant control weaknesses are detected, additional tests may be performed to identify other indicators of fraud (GAGAS 8.72). All audit and investigation activity will be carefully coordinated with the approval/involvement of the City Attorney's Office and Law Enforcement as appropriate.

The Internal Auditors will review potential fraud indicators derived from fieldwork or from employee or management contact, and work with the Chairman of the Financial Oversight and Audit Committee, City Manager and/or City Attorney's Office, and appropriate senior management to determine whether to investigative or further audit work is appropriate by members of the Internal Audit Department.

Internal auditors are not expected to have knowledge equivalent to that of a person whose primary responsibility is detecting and investigating fraud. Also, audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

### Investigation of Fraud

Avoiding interference with investigations or legal proceedings is important in pursuing indications of fraud, noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse. Laws, regulations, or policies may require auditors to report indications of certain types of fraud, noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse to law enforcement or investigatory authorities before performing additional audit procedures. When investigations or legal proceedings are initiated or in process, auditors should evaluate the impact on the current examination engagement. In some cases, it may be appropriate for the auditors to work with investigators or legal authorities, or withdraw from or defer further work on the examination engagement or a portion of the examination engagement to avoid interfering with an ongoing investigation or legal proceeding. (GAGAS 8.28, 8.29)

Investigation consists of performing extended auditing procedures necessary to determine whether fraud, as suggested by the indicators, has occurred. It includes gathering sufficient evidential matter about the specific details of a discovered fraud. Internal auditors, lawyers, investigators, security personnel, and other specialists from inside or outside the organization are the parties that usually conduct or participate in fraud investigations.

When an investigation is deemed necessary, the Chief Internal Auditor will confer with the Chairman of the Financial Oversight and Audit Committee, the City Manager, and City Attorney leading to a decision as to the appropriate mix of internal or external resources to complete the investigation based on required expertise or competency.

Auditors involved in a fraud investigation assess the probable level and the extent of fraud within the organization to help ensure auditors avoid providing information to, or obtaining misleading information from, persons who may be involved. If it is determined that internal auditors will be involved in an investigation, the Chief Internal Auditor determines the knowledge, skills, and disciplines needed to effectively carry out the investigation. It is most common for the Chief Internal Auditor or a Supervisor/Manager to be personally involved in the investigation to help assure the most effective and professional results. Outside resources may be used in an internal investigation. The Internal Audit Department will coordinate its activities internally and with other components of government to assure effective and efficient use of available resources.

A written program will be used to detail carefully designed procedures to attempt to identify the perpetrators, extent, techniques, and cause of fraud.

## **City of El Paso Internal Audit Department**

Auditors involved in the investigations must be cognizant of the rights of alleged perpetrators and personnel within the scope of the investigation and the reputation of the organization itself.

Once a fraud investigation is concluded, Internal Audit assesses the facts in order to:

- Determine if controls need to be implemented or strengthened to reduce future vulnerability.
- Help meet the internal auditor's responsibility to maintain sufficient knowledge of fraud and thereby be able to identify future indicators of fraud.

### Reporting of Fraud

If the Internal Audit Department receives a credible allegation or other evidence of a significant and immediate danger to the health or safety of people or property, the Internal Audit Department will inform appropriate individuals as soon as possible, consistent with confidentiality requirements. The form, nature, and timing of appropriate fraud investigation communication to management and external parties will be predetermined by the Chief Internal Auditor. If applicable, the investigation will be conducted within the 120-day investigation timeframe required by the Human Resources Department.

A preliminary or final report may be drafted at the conclusion of the detection phase. The report should include the internal auditor's conclusion as to whether sufficient information exists to conduct an investigation. It should also summarize findings that serve as the basis for such decision.

When the incidence of significant fraud has been established to a reasonable certainty, the Chairman of the Financial Oversight and Audit Committee will be notified immediately.

If fraud investigation results are determined to materially affect the reported financial statement results, the Chief Internal Auditor will advise the Chief Financial Officer. Significant misstatements would be included in the category of important control issues communicated to top management as appropriate.

Written reports are issued to communicate the results of Internal Audit involvement in the investigation phase. It will include findings, conclusions, recommendations and, where appropriate, corrective action taken.

If management fails to satisfy legal or regulatory requirements to report such information to external parties specified in law or regulation, the Internal Audit Department will first communicate the failure to report such information to the Financial Oversight and Audit Committee (FOAC). If the audited entity still does not report this information to the specified external parties as soon as practicable after the auditors' communication with the FOAC, then the Internal Audit Department will report the information directly to the specified external parties. (GAGAS 9.45a)

If management fails to take timely and appropriate steps to respond to known or likely fraud, noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse that (1) is likely to have a material effect on the subject matter or an assertion about the subject matter and (2) involves funding received directly or indirectly from a government agency, auditors should first report management's failure to take timely and appropriate steps to the Financial Oversight and Audit Committee (FOAC). If the audited entity still does not take timely and appropriate steps as soon as practicable after the auditors' communication with the FOAC, then the auditors should report the entity's failure to take timely and appropriate steps directly to the funding agency. (GAGAS 9.45b)

Auditors should obtain sufficient, appropriate evidence, such as confirmation from outside parties, to corroborate assertions by management of the audited entity that it has reported such findings in accordance with laws, regulations, or funding agreements. When auditors are unable to do so, they should report such information directly as discussed above. (GAGAS 9.47)



**City of El Paso  
Internal Audit Department**

**QUALITY STANDARDS FOR INVESTIGATIONS**

The Internal Audit Department should strive to deliver outstanding products that are timely, objective, accurate, balanced, and presented in such a way that appropriate officials will be able to act on the information conveyed. Conclusions and recommendations should be well thought out and adequately supported by objective evidence. In order to ensure that these characteristics are integrated into investigations, this document contains quality standards for investigations conducted by Offices of Inspector General (OIGs). They have been formulated and approved by the Association of Inspectors General. The standards are advisory and are not intended to impose requirements. They are for Office of the Inspector General (OIG) use to guide the conduct of official duties in a professional manner. OIGs are established with generally similar missions, but often under differing authorities and mandates. Investigations conducted by the Internal Audit Department will utilize the *Generally Accepted Principles and Quality Standards for Investigations* established by the Association of Inspectors General (OIG).

*Note: Standards are presented in bold, italicized typeface and must be followed if adopted by an OIG.*

**GENERAL STANDARDS**

**A. Staff Qualifications**

*Individuals assigned to conduct the investigative activities should collectively possess the knowledge, skills, and experience required for the investigative work.*

**B. Independence**

*The Inspector General and OIG staff involved in performing or supervising any investigative assignment must be free from personal or external impairments to independence and should constantly maintain an independent attitude and appearance.*

**C. Due Professional Care**

*Due professional care should be used in conducting investigations and in preparing accompanying reports.*

**Guidelines**

Exercising due professional care means using good judgment in choosing investigation subjects and methodology as well as creating accurate and complete investigation documentation and investigative reports. Due professional care presumes a working knowledge consistent with investigation objectives.

Due professional care requires:

- Standards - OIGs and their investigators should follow the Associations professional standards and comply with applicable standards of conduct.
- Thoroughness - Investigations should be conducted in a diligent and complete manner, and reasonable steps should be taken to ensure that sufficient relevant evidence is collected; pertinent issues are sufficiently resolved; and appropriate criminal, civil, contractual, or administrative remedies are considered.
- Legal Requirements - Investigations should be initiated, conducted, and reported in accordance with (a) all applicable laws, rules, and regulations; (b) guidelines from applicable prosecutorial authorities; and (c) internal agency policies and procedures. Investigations will be conducted with due respect for rights and privacy of those involved.

**City of El Paso  
Internal Audit Department**

- Appropriate Techniques - Methods and techniques used in each investigation should be appropriate for the circumstances and objectives.
- Objectivity - Evidence should be gathered and reported in a fair, unbiased manner in an effort to determine the validity of alleged improprieties or evaluate the likelihood of violations of statutes, rules, or regulations.
- Ethics - At all times the actions of the OIG investigators should conform with the high standards expected of OIG staff.
- Timeliness - Investigations must be conducted in a timely manner while recognizing the individual complexities of each investigation.
- Accurate and Complete Documentation - Investigative findings, conclusions, and outcomes (such as indictments, convictions, and recoveries) should be supported by adequate documentation, including investigator notes, court orders of judgment and commitment, suspension or debarment notices, settlement agreements, and other documents) in the case file.
- Coordination - Appropriate OIG staff should coordinate investigations with appropriate officials. In cases where civil or administrative actions are necessary, appropriate OIG staff should coordinate actions with prosecutors and other appropriate officials.

**QUALITATIVE STANDARDS**

**A. Quality Control**

*To ensure quality and expedite the progress of investigations, proper supervision will be exercised from the start of such work to its completion.*

**Guidelines**

Supervision adds expert judgment to the work done by less experienced staff and provides necessary training for them. Supervisors should satisfy themselves that investigators clearly understand their assigned tasks before starting the work. Team members should work cooperatively with each other and their supervisors to understand not only what work they are to do and how they are to proceed, but why the work is to be done and what it is expected to accomplish. Supervisory reviews should determine that:

- Evidence adequately supports any referrals for possible criminal, civil, or administrative action; findings; conclusions; and recommendations.
- Investigation objectives are met.
- Investigative plans are followed, unless deviation is justified and authorized.

**B. Planning**

*Investigative work is to be adequately planned.*

**City of El Paso  
Internal Audit Department**

**Guidelines**

The standard for planning investigations is intended to clarify investigative issues to be addressed in advance of initiating the investigation and includes preparing a written investigative plan. Effective planning provides the basis to clearly identify the investigative issues to be addressed prior to initiating the investigation and includes preparing a written investigative plan spelling out the objectives of the investigation and specific investigative steps to be performed. In this process sufficient effort should be undertaken to assure that investigative objectives will be met within anticipated time constraints of the assignment. In addition, adequate coordination can prevent unnecessary duplication of effort.

**C. Data Collection and Analysis**

*Information and data gathered during an investigation should be carefully documented and organized relative to case objectives.*

**Guidelines**

Sources of investigative information should be documented in sufficient detail to provide a basis for assessing its reliability. Such documentation should address pertinent questions related to the objectives of the investigation and provide information needed to determine the facts relative to potential violations of laws, rules, regulations, policies and procedures.

Data gathered and analyzed as part of the investigation should be accurately interpreted, logically presented, and maintained in the investigative case file. The basis and support for the results of investigations should be carefully organized and described in the investigative case file.

**D. Evidence**

*Sufficient, competent, and relevant evidence is to be obtained to afford a reasonable basis for the investigative findings and conclusions.*

**E. Timeliness**

*Investigations should be conducted in a timely manner.*

**Guidelines**

Timeliness increases the value of investigations. The nature of investigations also requires that schedules be flexible in order to respond to changing priorities or unforeseen circumstances, such as the need to expand the scope of an investigation or respond to an emergent need caused by other events.

**F. Reporting**

*Where appropriate, investigative activity should result in a timely referral for criminal prosecution or written report. All reports shall present factual data accurately, fairly, and objectively, and present the results of investigation in a persuasive manner.*

**Guidelines**

Investigative report language should be clear and concise, recognizing that some assignments deal with highly technical or sensitive material and should be written in terms that are intelligible to informed professionals.

**City of El Paso  
Internal Audit Department**

Systemic weaknesses or management problems disclosed in an investigation should be reported to appropriate officials. Normally such disclosures will be made as part of a separate written report including recommendations as to specific corrective actions.

**G. Confidentiality**

*The OIG should establish and follow procedures for safeguarding the identity of confidential sources and for protecting privileged and confidential information.*

**H. Follow-Up**

*Appropriate follow-up to administrative or systemic issues identified by investigators should be performed to assure that any recommendations made to appropriate officials are adequately considered and properly addressed.*

**Guidelines**

Ultimate investigative success depends on whether necessary corrective actions are taken. Therefore, each OIG should take steps as necessary to determine whether appropriate officials take timely, complete, and reasonable actions to correct problems identified in investigative reports.

**City of El Paso  
Internal Audit Department**

The following table can be used for ease in finding the appropriate form and template to use while performing an investigation. Refer to the copy of the form at the FORMS section in this manual and use the appropriate template to create a working copy for your particular investigation.

Cross Reference Guide for Investigation Procedures, Forms and Templates

<u>Audit Procedure</u>	<u>Form</u>	<u>Page no.</u>
Planning	<a href="#">Investigation Control Sheet</a>	171
Planning	<a href="#">Auditor's Objectivity Statement</a>	172
Planning	<a href="#">Investigative Plan</a>	180
Planning	<a href="#">Investigation Entrance Meeting Checklist (If required)</a>	182
Planning	<a href="#">Investigation Entrance Meeting Agenda (If required)</a>	183
Fieldwork	<a href="#">Fraud Examination Checklist – List of Suspects</a>	177
Fieldwork	<a href="#">Fraud Examination Checklist – List of Witnesses</a>	178
Fieldwork	<a href="#">Release of Information</a>	179
Fieldwork	<a href="#">Investigation Exit Meeting Checklist (If required)</a>	184
Fieldwork	<a href="#">Investigation Exit Meeting Agenda (If required)</a>	185
Fieldwork	<a href="#">Summary Memo</a>	135
Review	<a href="#">Quality Assurance Program Worksheet (Investigations)</a>	170
Review	<a href="#">Working Paper Review Points</a>	142
Review	<a href="#">Fraud Examination Checklist - Planning</a>	173
Review	<a href="#">Fraud Examination Checklist - Fieldwork</a>	174
Review	<a href="#">Fraud Examination Checklist - Reporting</a>	176
Reporting	<a href="#">Memorandum</a>	159
Other	<a href="#">Debrief form</a>	168

## **City of El Paso Internal Audit Department**

### **DESCRIPTION OF ANNUAL DUTIES**

#### Internal Audit Department Annual Audit Plan

The Chief Internal Auditor will submit an internal audit plan to the Financial Oversight and Audit Committee before the beginning of each fiscal year for review and recommendation for approval by City Council. The plan will include a rotating schedule of coverage. Refer to the Departmental Planning Section for further information on the development of the Annual Audit Plan.

### **INTERNAL AUDIT DEPARTMENT RECORD RETENTION POLICY & WAREHOUSE LIST**

The City of El Paso Internal Audit Department will adhere to the State of Texas Records Retention Schedules and work with the City of El Paso Records Management Division and the City Attorney's Office in order to ensure compliance with records retention requirements and requests (GAGAS 5.46, 8.140, 9.63, 9.67; IIA 5.2, 9.3). The following is a listing of records commonly produced by the Internal Audit Department with their corresponding retention period:

- Permanent Retention for:
  - Listing of destroyed records
  - Internal Audit Reports
- A minimum of 3-year retention or until next scheduled Quality Assurance Review whichever is later for:
  - Department administrative records
  - Workpapers (Retention: 3 years after all questions arising from the audit have been resolved)
  - Mandatory Reporting Reviews
- A minimum of 5 years retention for investigation work papers.

#### Department Records Management

The Internal Audit Department will maintain a designated department librarian whom will be responsible for the management of all department records. The librarian will maintain an inventory listing of all:

- Records in storage
- Destroyed records
- Permanent files
- Audit files (not in storage)
- Special project files
- Audit Reports
- Special project memos

Once an audit file or special project file has gone through Quality Assurance (QA) it needs to be filed and added to the department's library. Once filed, the file becomes part of the department's library and will require anyone wishing to review the file to sign for the release of the file.

### **INTERNAL AUDIT DEPARTMENT'S RELATIONSHIP WITH EXTERNAL AUDITORS**

An attitude of cooperation and collaboration best describes the relationship of internal auditing to external auditors. This relationship, rather than one which recognizes internal auditing merely as an extension of the external auditors, is necessary due to the difference in objectives. For example, in some cases external auditors are primarily concerned with the annual examination, which takes the form of a verification of assets and liabilities as of a certain date, and such analysis of the income statement as will enable them to express an opinion as to the fairness of the financial statements. The scope of their examination includes a review of internal controls concerned mainly with

**City of El Paso  
Internal Audit Department**

the safeguarding of assets and reliability of financial records. In contrast, internal auditing is concerned with a comprehensive continuing program of audits which places emphasis on risk management, control, governance processes and efficient profitable operations. The scope of this program includes the COSO control model framework to include environmental controls, risk assessment, control activities, information and communication and monitoring.

Coordination of internal audit activities with the external auditors principally involves checking and working with each other to ensure: (1) maximum audit coverage is obtained; (2) there is an exchange of information, and (3) a minimum duplication of effort and expense on routine phases of audit work. Ongoing, direct communication between the Chief Internal Auditor and the external auditors is maintained to foster coordination of audit work (IIA 9.3, 9.5).

**FORMS**

All forms required during the course of an audit or project are available at the end of this manual. However, for a quick reference guide please refer to page 69 for audits, page 73 for follow-up audits, page 74 for SRPs (Special Request Projects), and page 85 for investigations.

**RESOURCES**

[The IIA](#)

[COSO](#)

[A.L.G.A](#)

[Auditnet.org](#)

[GAO](#)

[ACFE](#)

[Association of Inspectors General](#)

**City of El Paso  
Internal Audit Department**

**GLOSSARY**

**Activity Under Review** – The subject of an internal audit engagement. Examples include an area, entity, operation, function, process, or system.

**Advisory Services** – Services through which internal auditors provide advice to an organization’s stakeholders without providing assurance or taking on management responsibilities. The nature and scope of advisory services are subject to agreement with relevant stakeholders. Examples include advising on the design and implementation of new policies, processes, systems, and products; providing forensic services; providing training; and facilitating discussions about risks and controls. “Advisory services” are also known as “consulting services.”

**Assurance** – Statement intended to increase the level of stakeholders’ confidence about an organization’s governance, risk management, and control processes over an issue, condition, subject matter, or activity under review when compared to established criteria.

**Assurance Services:** An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes for the organization. Examples, may include financial, operational/performance, compliance, and technology engagements. Internal Auditors may provide limited or reasonable assurance, depending on the nature, timing, and extent of procedures performed.

**Board:** The highest level of governing body charged with the responsibility to direct and/or oversee the activities and hold senior management accountable (e.g., a board of directors, a supervisory board, or a board of governors or trustees). Although governance arrangements vary among jurisdictions and sectors, typically the board includes members who are not part of management and is not solely comprised of members of management. If a board does not exist, the word “board” in the *Standards* refers to a group or person charged with governance. Furthermore, “board” in the *Standards* may refer to a committee or another body to which the governing body has delegated certain functions (e.g. an audit committee or risk committee).

**Chief Audit Executive:** The leadership role responsible for effectively managing all aspects of the internal audit function and ensuring the quality performance of internal audit services in accordance with the internal audit charter and the Internal Audit Standards. The chief audit executive or others reporting to the chief audit executive will have appropriate professional certifications and qualifications. The specific job title and/or role of the chief audit executive may vary across organizations.

**Competency** – Knowledge, skills, and abilities.

**Compliance:** Adherence to policies, plans, procedures, laws, regulations, contracts, or other requirements.

**Conflict of Interest:** A situation, activity, or relationship that may influence, or appear to influence, an internal auditor’s ability to make objective professional judgements or perform responsibilities objectively.

**Consulting Services:** Advisory and related client service activities, the nature and scope of which are agreed with the client and which are intended to add value and improve an organization’s governance, risk management, and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation, and training.

**Control:** Any action taken by management, the board, and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved.

**Control Environment:** The attitude and actions of the board and management regarding the importance of control within the organization. The control environment provides the discipline and structure for the achievement of the primary objectives of the system of internal control. The control environment includes the following elements:



**City of El Paso  
Internal Audit Department**

- Integrity and ethical values.
- Management’s philosophy and operating style.
- Organizational structure.
- Assignment of authority and responsibility.
- Human resource policies and practices.
- Competence of personnel.

**Control Processes:** The policies, procedures, and activities designed and operated to manage risks to be within the level of an organization’s risk tolerance.

**Criteria** – In an engagement, specifications of the desired state of the activity under review (also called “evaluation criteria”).

**Engagement:** A specific internal audit assignment or project that includes multiple tasks or activities designed to accomplish a specific set of related objectives. See also “assurance services” and “advisory services.”

**Engagement Conclusion** – Internal auditors’ professional judgement about engagement findings when viewed collectively. The engagement conclusion should include satisfactory or unsatisfactory performance.

**Engagement Objectives:** Statements that articulate the purpose of an engagement and describe the specific goals to be achieved.

**Engagement Planning** – Process during which internal auditors gather information, assess and prioritize risks relevant to the activity under review, establish engagement objectives and scope, identify evaluation criteria, and create a work program for an engagement.

**Engagement Results** – The findings and conclusion of an engagement. Engagement results may also include recommendations and/or agreed upon action plans.

**Engagement Supervisor** – An internal auditor responsible for supervising an internal audit engagement, which may include training and assisting internal auditors as well as reviewing and approving the engagement work program, workpapers, final communication, and performance. The chief audit executive may be the engagement supervisor or may delegate such responsibilities.

**Engagement Work Program:** A document that identifies the tasks to be performed to achieve the engagement objectives, the methodology and tools necessary, and the internal auditors assigned to perform the tasks. The work program is based on information obtained during engagement planning.

**External Service Provider:** Resource from outside the organization that provides relevant knowledge, skills, experience, and /or tools to support internal audit services.

**Finding** – In an engagement, the determination that a gap exists between the evaluation criteria and the condition of the activity under review. Other terms, such as “observations,” may be used.

**Fraud:** Any intentional act characterized by deceit, concealment, dishonesty, misappropriation of assets or information, forgery, or violation of trust perpetrated by individuals or organizations to secure unjust or illegal personal or business advantage.

**Governance:** The combination of processes and structures implemented by the board to inform, direct, manage, and monitor the activities of the organization toward the achievement of its objectives.

**City of El Paso**  
**Internal Audit Department**

**Impact** – The result or effect of an event. The event may have a positive or negative effect on the entity’s strategy or business objectives.

**Impairment:** Impairment to individual objectivity and organizational independence may include personal conflict of interest, scope limitations, restrictions on access to records, personnel, and properties, and resource limitations (funding).

**Independence:** The freedom from conditions that may impair the ability of the internal audit function to carry out internal audit responsibilities in an unbiased manner.

**Inherent Risk** – The combination of internal and external risk factors that exists in the absence of any management actions.

**Integrity** – Behavior characterized by adherence to moral and ethical principles, including demonstrating honesty and the professional courage to act based on relevant facts.

**Internal Audit Charter:** A formal document that includes the internal audit function’s mandate, organizational position, reporting relationships, scope of work, types of services, and other specifications. The charter should specify, at a minimum, the internal audit function’s: (a) Purpose of Internal Auditing; (b) Commitment to adhering to the Global Internal Audit Standards; (c) Mandate, including scope and types of services to be provided, and the board’s responsibilities and expectation regarding management’s support of the internal audit function; (d) Organizational position and reporting relationships. (IIA 6.2)

**Internal Audit Function:** A department, division, team of consultants or other practitioner(s) that provides independent, objective assurance and advisory services designed to add value and improve an organization’s operations. The internal audit function helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

**Internal Audit Mandate** – The internal audit function’s authority, role, and responsibilities, which may be granted by the board and/or laws and regulations.

**Internal Audit Manual** – The chief audit executive’s documentation of the methodologies (policies, processes, and procedures) to guide and direct internal auditors within the internal audit function.

**Internal Audit Plan** – A document, developed by the chief audit executive, that identifies the engagements and other internal audit services anticipated to be provided during a given period. The plan should be risk-based and dynamic, reflecting timely adjustments in response to changes affecting the organization.

**Internal Auditing** – An independent, objective assurance and advisory service designed to add value and improve an organization’s operations. It helps an organization accomplish its objectives by bringing a systemic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

**May** – As used in the Considerations for Implementation of the Global Internal Audit Standards, the word “may” describes optional practices to implement the Requirements.

**Methodologies** – Policies, processes, and procedures established by the chief audit executive to guide the internal audit function and enhance its effectiveness.

**Must:** The *Standards* use the word “must” to specify an unconditional requirement.

## City of El Paso Internal Audit Department

**Objectivity:** An unbiased mental attitude that allows internal auditors to make professional judgements, fulfill their responsibilities, and achieve the Purpose of Internal Auditing without compromise.

**Outsourcing** – Contracting with an independent external provider of internal audit services. Fully outsourcing a function refers to contracting the entire internal audit function, and partially outsourcing (also called “cosourcing”) indicates that only a portion of the services are outsourced.

**Periodically** – At regularly occurring intervals, depending on the needs of the organization, including the internal audit function.

**Professional Skepticism** – Questioning and critically assessing the reliability of information.

**Public Sector** – Governments and all publicly controlled or publicly funded agencies, enterprises, and other entities that deliver programs, goods, or services to the public.

**Quality Assurance and Improvement Program** – A program established by the chief audit executive to evaluate and ensure the internal audit function conforms with the *Standards*, achieves performance objectives, and pursues continuous improvement. The program includes internal and external assessments.

**Residual Risk** – The portion of inherent risk that remains after management actions are implemented.

**Risk:** The possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact and likelihood.

**Risk and Control Matrix** – A tool that facilitates the performance of internal auditing. It typically links business objectives, risks, control processes, and key information to support the internal audit process.

**Risk Appetite:** The types and amount of risk that an organization is willing to accept in the pursuit of its strategies and objectives.

**Risk Assessment** – The identification and analysis of risks relevant to the achievement of an organization’s objectives. The significance of risks is typically assessed in terms of impact and likelihood.

**Risk Management:** A process to identify, assess, manage, and control potential events or situations, to provide reasonable assurance regarding the achievement of the organization’s objectives.

**Senior Management** – The highest level of executive management of an organization that is ultimately accountable to the board for executing the organization’s strategic decisions, typically a group of persons that includes the chief executive officer or head of the organization.

**Should:** The *Standards* use of the word “should” to describe practices that are preferred but not required.

**Significance:** The relative importance of a matter within the context in which it is being considered, including quantitative and qualitative factors, such as magnitude, nature, relevance, and impact. Professional judgement assists internal auditors when evaluating the significance of matters within the context of the relevant objectives.

**Stakeholder** – A party with a direct or indirect interest in an organization’s activities and outcomes. Stakeholders may include the board, management, employees, customers, vendors, shareholders, regulatory agencies, financial institutions, external auditors, the public, and others.

**Workpapers** – Documentation of the internal audit work done when planning and performing engagements. The documentation provides the supporting information for engagement findings and conclusions.

**City of El Paso  
Internal Audit Department**

**FORMS**

**City of El Paso  
Internal Audit Department**

AUDIT ASSIGNMENT SHEET							
<b>Name of Audit &amp; No.:</b>				<b>Team Members:</b>			
				<b>Team Reviewer:</b>			
<b>Contact:</b>				<b>Location:</b>			
<b>Source of Audit:</b>				<b>Work Code:</b>			
<b>Time (Hours):</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>Dates:</b>	<b>Deadline</b>	<b>Completion Date</b>	
Planning				<b>Planning Started</b>			
Fieldwork				Planning			
Review				Entrance Meeting			
Report				Field Work			
Other				(Report Issue Date)			
Total				Review			
<b>Note:</b>				Report Draft			
<b>Variance:</b> _____				Exit Meeting			
_____				Final Report (distributed)			
				QAP Review			
				Debriefing			
<b>Purpose for the Audit</b>							
<b>Scope and Objectives</b>							
1.							
<b>Time Period and Area to be Audited</b>							
<b>Other Comments</b>							
<b>Prepared by:</b>				<b>Date:</b>			
<b>Approved by:</b>				<b>Date:</b>			

**City of El Paso  
Internal Audit Department**

**AUDIT CONTROL SHEET / FOLLOW-UP AUDIT CONTROL SHEET**

Audit Name and Number: \_\_\_\_\_

ACTIVITY	DATE	INITIALS
<i>Planning</i>		
Scheduled date of completion (per Planning Memo)		
Planning completed and submitted to Chief Internal Auditor or Audit Manager for review		
Planning notes cleared; return for approval		
Planning review completed		
<i>Peer Review</i>		
Fieldwork completed and working papers submitted to peer for review		
Working paper review completed; return to auditor to clear notes		
Working paper notes cleared; return to peer reviewer		
Working paper review completed		
<i>Reporting</i>		
Initial draft report submitted to Chief Internal Auditor for review		
Exit conference conducted & management responses requested		
Management responses received (not required for Follow-Up Audits)		
Second draft, with responses, submitted to Chief Internal Auditor and Client (not required for Follow-Up Audits)		
Final report and file submitted to peer for final review		
Report notes completed; return to auditor to clear notes		
Reporting notes cleared; return to peer reviewer		
Reporting review completed		
Final report and file submitted for QAP review		
Report issued		
Report distributed		

**City of El Paso  
Internal Audit Department**

**SPECIAL REQUEST PROJECT CONTROL SHEET**

Special Request Project Name and Number: \_\_\_\_\_

ACTIVITY	DATE	INITIALS
<i><b>Planning</b></i>		
Scheduled date of completion (per Planning Memo)		
Planning completed and submitted to Chief Internal Auditor or Audit Manager for review		
Planning notes cleared; return for approval		
Planning review completed		
<i><b>Peer Review</b></i>		
Fieldwork completed and working papers submitted to peer for review		
Working paper review completed; return to auditor to clear notes		
Working paper notes cleared; return to peer reviewer		
Working paper review completed		
<i><b>Reporting</b></i>		
Initial draft memorandum submitted to Chief Internal Auditor for review		
Exit conference conducted		
Final memorandum and file submitted to peer for final review		
Memorandum notes completed; return to auditor to clear notes		
Memorandum notes cleared; return to peer reviewer		
Reporting review completed		
Final memorandum and file submitted for QAP review		
Memorandum issued		
Distribute a hard copy of Memo and electronically to Mayor & Council		

**City of El Paso  
Internal Audit Department**

We expect our auditors to maintain objectivity of mental attitude in the conduct of all assigned assurance work, to be fair and impartial, and to conduct themselves so that clients and third parties will see the Department in this way (IIA 2.1). Each staff member must promptly notify the Chief Internal Auditor, in writing, concerning any situation that would impair the staff member's or the Department's objectivity on an audit, or that might lead others to question the objectivity. If a staff member has any doubt about whether a situation may be an impairment to objectivity, he or she should consult with the Chief Internal Auditor (IIA 2.3).

**Employee:** \_\_\_\_\_ **Position:** \_\_\_\_\_  
**Client Name:** \_\_\_\_\_ **Audit Period:** \_\_\_\_\_

**Possible Personal Impairments to My Objectivity on this Audit.** I have reviewed my personal situation with respect to this audit. I am not aware of any circumstances that might impair my ability to be objective on the audit or that might lead others to question it, except as indicated below or on attached pages.

<b><u>Type of Personal Impairment</u></b>	<b><u>Not Applicable</u></b>	<b><u>Possibly Applicable</u></b>
Official, professional, personal, or financial relationships that might cause the auditor to limit the extent of the inquiry, to limit disclosure, or to weaken or slant audit findings in any way (includes relatives employed by the client).	_____	_____
Preconceived ideas toward individuals, groups, organizations, or objectives of a particular program that could bias the audit.	_____	_____
Previous responsibility for decision-making or managing an entity that would affect current operations of the entity or program being audited.	_____	_____
Biases, including those induced by political or social convictions, that result from employment in or loyalty to, a particular group, organization, or level of government.	_____	_____
Subsequent performance of an audit by the same individual who, for example, had previously approved invoices, payrolls, claims, and other proposed payments of the entity or program being audited.	_____	_____
Concurrent or subsequent performance of an audit by the same individual who maintained the official accounting records.	_____	_____
Financial interest, direct or substantially indirect, in the audited entity or program.	_____	_____
Offer of or application for a position with the client during the preceding year (Note: an offer of or intention to apply for a position with the client once the audit is in progress must also be reported).	_____	_____

**DETAILS MUST BE COMMUNICATED TO THE CHIEF INTERNAL AUDITOR BY CONFIDENTIAL MEMORANDUM.**

**Responsibility to Update this Disclosure.** I understand that I am responsible for making a timely written notification to the Chief Internal Auditor in the event that any circumstance may arise during the course of this audit that might impair or appear to impair my objectivity with respect to the audit.

**Signature:** \_\_\_\_\_ **Date:** \_\_\_\_\_



**City of El Paso  
Internal Audit Department**

We expect our auditors to maintain objectivity of mental attitude in the conduct of all assigned assurance work, to be fair and impartial, and to conduct themselves so that clients and third parties will see the Department in this way (IIA 2.1). Each staff member must promptly notify the Chief Internal Auditor, in writing, concerning any situation that would impair the staff member's or the Department's objectivity on an engagement, or that might lead others to question the objectivity. If a staff member has any doubt about whether a situation may be an impairment to objectivity, he or she should consult with the Chief Internal Auditor (IIA 2.3).

**Employee:** \_\_\_\_\_ **Position:** \_\_\_\_\_  
**Client Name:** \_\_\_\_\_ **Scope:** \_\_\_\_\_

Possible Personal Impairments to My Objectivity on this Engagement. I have reviewed my personal situation with respect to this engagement. I am not aware of any circumstances that might impair my ability to be objective on the engagement or that might lead others to question it, except as indicated below or on attached pages.

<u>Type of Personal Impairment</u>	<u>Not Applicable</u>	<u>Possibly Applicable</u>
Official, professional, personal, or financial relationships that might cause the auditor to limit the extent of the inquiry, to limit disclosure, or to weaken or slant observations in any way (includes relatives employed by the client).	_____	_____
Preconceived ideas toward individuals, groups, organizations, or objectives of a particular program that could bias the engagement.	_____	_____
Previous responsibility for decision-making or managing an entity that would affect current operations of the entity or program being reviewed.	_____	_____
Biases, including those induced by political or social convictions, that result from employment in or loyalty to, a particular group, organization, or level of government.	_____	_____
Subsequent performance of an audit by the same individual who, for example, had previously approved invoices, payrolls, claims, and other proposed payments of the entity or program being audited.	_____	_____
Concurrent or subsequent performance of an audit by the same individual who maintained the official accounting records.	_____	_____
Financial interest, direct or substantially indirect, in the reviewed entity or program.	_____	_____
Offer of or application for a position with the client during the preceding year (Note: an offer of or intention to apply for a position with the client once the engagement is in progress must also be reported).	_____	_____
The audited entity has designated an individual who possesses suitable skill, knowledge, or experience, and the individual understands the services to be performed sufficiently to oversee them (GAGAS 3.73).	_____	_____

**DETAILS MUST BE COMMUNICATED TO THE CHIEF INTERNAL AUDITOR BY CONFIDENTIAL MEMORANDUM.**

Responsibility to Update this Disclosure. I understand that I am responsible for making a timely written notification to the Chief Internal Auditor in the event that any circumstance may arise during the course of this engagement that might impair or appear to impair my objectivity with respect to the engagement.

**Signature:** \_\_\_\_\_ **Date:** \_\_\_\_\_

**City of El Paso  
Internal Audit Department**

**Entrance Meeting Checklist**

**Audit/SRP Name and Number:**

Procedure	Initials/Date
Set the date, time, and location of the entrance meeting.	
Prepare and distribute an agenda for the meeting. The agenda should include the following:	
<ul style="list-style-type: none"> <li>• Discussion of the audit/SRP scope and objectives (theirs and ours).</li> </ul>	
<ul style="list-style-type: none"> <li>• Identification of auditors assigned to the audit/SRP.</li> </ul>	
<ul style="list-style-type: none"> <li>• Estimated completion date.</li> </ul>	
<ul style="list-style-type: none"> <li>• Process of communication.</li> </ul>	
<ul style="list-style-type: none"> <li>• Distribution of findings.</li> </ul>	
<ul style="list-style-type: none"> <li>• Conditions and operations of the audit area (management changes, changes to systems, etc.).</li> </ul>	
<ul style="list-style-type: none"> <li>• Audit/SRP reporting process.</li> </ul>	
<ul style="list-style-type: none"> <li>• Client concerns.</li> </ul>	
<ul style="list-style-type: none"> <li>• Follow up process.</li> </ul>	
Distribute <i>Request for Information</i> memo to management requesting documentation needed for the audit/SRP.	
Document the results of the entrance meeting.	
If applicable, arrange a tour of the audit/SRP area and meet personnel you will be working with during the audit/SRP.	

**City of El Paso  
Internal Audit Department**

**City of El Paso  
Internal Audit Department  
Name of Audit/SRP**

**ENTRANCE MEETING AGENDA  
Department Name  
Date**

**I. Introductions**

**II. Overview**

**III. Audit/SRP Objectives**

**IV. Duration and Scope of Work**

- A. Planning
- B. Entrance Meeting
- C. Fieldwork
- D. Summarization of fieldwork results
- E. Interim Meeting
- F. Reporting
- G. Exit Meeting
- H. Duration:

**V. Points of Contact**

**VI. Questions**

**VII. Management's Concerns or Areas of Interest**

**City of El Paso  
Internal Audit Department**

**Components and Principles of Internal Control Statement**

Under Generally Accepted Government Auditing Standard (GAGAS) 8.39 Auditors should determine and document whether internal control is significant to the audit objectives. If internal control is significant to the audit objectives, auditors determine which of the five components of internal control and underlying 17 principles are significant to the audit objectives (8.42). Determining which internal control components and principles and/or specific controls are significant to the audit objectives is a matter of professional judgement and requires an understanding of the 17 principles.

**Documentation.** The significance of internal controls should be evaluated and documented during the completion of the risk assessment in order to comply with GAGAS standard 8.54. Review the following and determine which components of internal control may be significant to the audit objectives:

<b>Five Components</b>	<b>17 Principles</b>	<b>Not Applicable</b>	<b>Possibly Applicable</b>
Control Environment	(1) The oversight body and management should demonstrate a commitment to integrity and ethical values.		
	(2) The oversight body should oversee the entity’s internal control system.		
	(3) Management should establish an organizational structure, assign responsibility, and delegate authority to achieve the entity’s objectives.		
	(4) Management should demonstrate a commitment to recruit, develop, and retain competent individuals.		
	(5) Management should evaluate performance and hold individuals accountable for their internal control responsibilities.		
Risk Assessment	(6) Management should define objectives clearly to enable the identification of risks and define risk tolerances.		
	(7) Management should identify, analyze and respond to risks related to achieving the defined objectives.		
	(8) Management should consider the potential for fraud when identify, analyzing, and responding to risks.		
	(9) Management should identify, analyze, and respond to significant changes that could impact the internal control system.		
Control Activities	(10) Management should design control activities to achieve objectives and respond to risks.		
	(11) Management should design the entity’s information system and related control activities to achieve objectives and respond to risks.		
	(12) Management should implement control activities through policies.		
Information & Communication	(13) Management should use quality information to achieve the entity’s objectives.		
	(14) Management should internally communicate the necessary quality information to achieve the entity’s objectives.		
	(15) Management should externally communicate the necessary quality information to achieve the entity’s objectives.		
Monitoring Activities	(16) Management should establish and operate monitoring activities to monitor the internal control system and evaluate the results.		
	(17) Management should remediate identified internal control deficiencies on a timely basis.		

Principles that are identified as possibly relevant to the audit objectives, should be risked out as part of the audit’s risk assessment.

Preparer: \_\_\_\_\_

Date: \_\_\_\_\_

Reviewer: \_\_\_\_\_

Date: \_\_\_\_\_

**City of El Paso  
Internal Audit Department**

**Internal Control Questionnaire**

No	Category	Question	Yes, No, N/A	Comments
1.	General	<p>Has the Department been audited or reviewed by a Government Agency, External Auditors, Grant Sources, Granting Agencies, Professional Organizations, etc. within the last year?</p> <ul style="list-style-type: none"> <li>• If so, by whom and when?</li> </ul> <p>Please provide copies of the audit reports.</p>		
2.	General	<p>Has the Department designated a Department Contract Administrator (DCA)?</p>		
3.	General	<p>Has the Department designated an individual to monitor budget limits for Department purchases?</p>		
4.	General	<p>Are there any special issues or areas of concern to which the Department feels that Internal Audit should devote additional time? If so, please describe.</p>		
5.	General	<p>Are you aware of any issues or concerns that may be an indication of fraudulent activity?</p> <p>Examples of fraudulent activity and other similar irregularities include, but are not limited to:</p> <ul style="list-style-type: none"> <li>• Misappropriation, theft or misuse of City funds (cash, checks, credit cards), equipment, vehicles, supplies, or other City assets;</li> <li>• Loans made to employees from daily sales activity?</li> <li>• Improperly reporting of financial transactions, under reporting funds received, deceitfully claiming reimbursement of expenses not incurred or hours worked;</li> <li>• Accepting or seeking anything of material value from vendors, contractors, or other persons in an exchange for favorable consideration on City projects or purchases.</li> </ul>		

**City of El Paso  
Internal Audit Department**

No	Category	Question	Yes, No, N/A	Comments
6.	Ethics	<p>Are employees instructed to report any gifts received with a face value from \$10.00 to \$75.00 to the City Clerk as required by the Ethics Ordinance (<i>Municipal Code Title 2.92.070 Reporting Requirements – Section B Reporting of Gifts</i>)?</p> <ul style="list-style-type: none"> <li>• If so, how is this documented?</li> </ul>		
7.	Ethics	<p>Are employees instructed to not solicit, accept, or agree to accept for themselves or a relative any gift with a value exceeding \$75.00 in value as required by the Ethics Ordinance (<i>Municipal Code Title 2.92.040 Gifts</i>)?</p> <ul style="list-style-type: none"> <li>• If so, how is this documented?</li> </ul>		
8.	General	Does the Department have a documented "Mission" statement? If yes, please attach a copy.		
9.	General	Does the Department have documented goals and objectives? If yes, please attach a copy.		
10.	General	What are the approximate annual expenditures of the Department?		
11.	General	Are there established budgets for each expenditure type?		
12.	General	Are there internal policies and procedures, which are unique to the Department?		
13.	General	Are there procedural manuals (City and Departmental) available to all personnel?		
14.	General	Does the Department have access to City's operating procedures and policies?		
15.	General	Does someone in the Department maintain the procedural manuals (updates and dispositions) listed above?		
16.	General	Does the Department have a <i>Risk Assessment and Implementation Plan</i> ?		
17.	General	<p>Are the Department's transactions reconciled to the Statement of Accounts?</p> <p>If so, by whom and how often?</p>		
18.	General	<p>Does the Department Head review the account reconciliation and supporting documentation?</p> <p>If so, how often?</p>		
19.	General	Are employees' duties and responsibilities clearly defined?		

**City of El Paso  
Internal Audit Department**

No	Category	Question	Yes, No, N/A	Comments
20.	General	Are these duties and responsibilities documented (written job descriptions, etc.)? If written job descriptions or other documentation is available, when was the most recent update?		
21.	General	Does the Department have a current organization chart? If yes, please attach a copy.		
22.	General	Are performance evaluations completed and documented on an annual basis for all employees?		
23.	General	Are employees' duties and responsibilities clearly defined and documented?		
24.	General	Does the Department have a program for staff training and on-the-job cross training?		
25.	General	Are duties of certain employees periodically rotated?		
26.	General	Does the Department require that all employees take vacation?		
27.	General	Are duties of employees while on vacation, performed by other employees?		
28.	General	Are there any employees in the Department who have a controlling interest/investment in a business outside of the City? <i>If so, what is the nature of the business?</i>		
29.	General	Does the Department have a relationship with this business?		
30.	General	Are employees required to sign a conflict of interest or ethics statement annually?		
31.	General	Are employees aware of prohibitions against conflicts of interest?		
32.	General	Are there any unusual characteristics with respect to the Department (location of work performed, hours worked, contractors involved, etc.)?		
33.	General	Are there any special issues or areas of concern to which the Zoo feels that Internal Audit should devote additional time? If so, please describe.		
34.	General	Does the Department have any procurement cards (P-Cards) assigned to personnel? If yes, how many and to whom?		
35.	General	Does the Department maintain a P-Card transaction log?		
36.	General	Are original receipts kept on file for purchases made using the P-Card?		

**City of El Paso  
Internal Audit Department**

No	Category	Question	Yes, No, N/A	Comments
37.	Equipment & Inventory Procedures	Does the Department have an up-to-date listing of all tangible assets apart from records available on PeopleSoft? Please attach a copy of the Department's list.		
38.	Equipment & Inventory Procedures	Is an inventory of equipment and other assets taken? If so, how often and by whom?		
39.	Equipment & Inventory Procedures	Are all items of the City properly labeled or marked with City property numbers?		
40.	Equipment & Inventory Procedures	Is a record of all Office property locations maintained?		
41.	Equipment & Inventory Procedures	Who maintains the aforementioned property lists?		
42.	Equipment & Inventory Procedures	Are City property records maintained in electronic form?		
43.	Equipment & Inventory Procedures	Who is responsible for inventory dispositions (transfers, disposals, etc.)?		
44.	Equipment & Inventory Procedures	Is City property safeguarded from theft? Please provide a brief description on how property is safeguarded.		
45.	Disbursement Procedures	Have procedures been established to ensure that expenditures are made in accordance with City guidelines or, when applicable, grant provisions?		
46.	Disbursement Procedures	Are procedures in place to compare expenditures to budgeted projections and review routine expenditures for unusual trends?		
47.	Disbursement Procedures	Who performs the functions of ordering, receiving, payment authorization and bookkeeping for purchases within the Department?		
48.	Disbursement Procedures	Are purchase requisitions used for all disbursements over \$3,000.00?		
49.	Disbursement Procedures	Are goods shipped directly to the Department compared with approved purchase orders?		
50.	Disbursement Procedures	Are packing slips or other receiving reports initialed to indicate such review?		



**City of El Paso  
Internal Audit Department**

No	Category	Question	Yes, No, N/A	Comments
51.	Disbursement Procedures	Does the Department have a petty cash fund(s)?		
52.	Disbursement Procedures	Do employees purchase equipment or supplies with their own funds for which they are later reimbursed?		
53.	Disbursement Procedures	Are disbursements supported by original invoices?		
54.	Disbursement Procedures	Are all employees aware of the City policy with respect to the personal use of City equipment?		
55.	Disbursement Procedures	Which employee(s) approve travel and entertainment vouchers?		
56.	Disbursement Procedures	Who is used for all business-related travel arrangements?		
57.	Disbursement Procedures	Is there a requirement for original travel and entertainment receipts before reimbursement of employee travel and entertainment expenses?		
58.	Disbursement Procedures	Are expenses claimed on the travel or entertainment vouchers appropriate and do they comply with the established City dollar guidelines?		
59.	Disbursement Procedures	What is the nature of the products or services received from such contractors or consultants?		
60.	Disbursement Procedures	Does the Department determine contractor work specifications or work schedules?		
61.	Disbursement Procedures	Is the selection process unbiased and objectives?		
62.	Disbursement Procedures	Does the Department own or lease City vehicles? If so, does the Department maintain a log of usage for each vehicle?		
63.	Disbursement Procedures	Does the Department utilize City credit cards (including procurement and long-distance calling cards)? If so, what are the names of employees who possess or control the use of the credit cards?		
64.	Disbursement Procedures	Who is responsible for reconciling the Department's credit card usage?		
65.	Disbursement Procedures	Does someone else review the reconciliation?		
66.	Disbursement Procedures	Does the Department maintain cell telephones for employees? If so, how are billing statements reconciled?		

**City of El Paso  
Internal Audit Department**

No	Category	Question	Yes, No, N/A	Comments
67.	Disbursement Procedures	Does the Department maintain credit accounts with any vendors? If so, who are the vendors and which employees are authorized to charge purchases from each vendor?		
68.	Disbursement Procedures	Who is responsible for making personnel appointment changes?		
69.	Disbursement Procedures	Who reviews and approves these changes?		
70.	Disbursement Procedures	Who is responsible for initiating the monthly hourly payroll process?		
71.	Disbursement Procedures	Do both employee and immediate supervisor sign hourly payroll timesheets?		
72.	Disbursement Procedures	Are hourly payroll timesheets reviewed for mathematical accuracy? If so, by whom and how often?		
73.	Disbursement Procedures	Does the Department utilize an electronic time clock for its hourly employees?		
74.	Disbursement Procedures	Are the Department's usage accounts, including those belonging to contracts or grants, reconciled on a monthly basis? If so, by whom?		
75.	Disbursement Procedures	If usage accounts are reconciled, does the Department Head review the reconciliation?		
76.	Payroll & Personnel Procedures	Is there a process in place to maintain sick and vacation leave records? If so, briefly explain the process and identify the person responsible for maintaining the records.		
77.	Payroll & Personnel Procedures	Does the department use a separate form to request, approve, and record vacation leave, sick leave and other absences?		
78.	Payroll & Personnel Procedures	Is overtime work paid by compensatory time off or through payroll?		
79.	Payroll & Personnel Procedures	Who approves overtime? Is the approval in advance and in writing?		
80.	Payroll & Personnel Procedures	Approximately how many employees in the department now have a compensatory leave balance in excess of 40 hours?		

**City of El Paso  
Internal Audit Department**

No	Category	Question	Yes, No, N/A	Comments
81.	Payroll & Personnel Procedures	Is payroll, including comp time, recorded on time sheets, timecards, or other documentation?		
82.	Payroll & Personnel Procedures	Who approves time sheets?		
83.	Payroll & Personnel Procedures	Which individuals have access to payroll records once processing is completed for a given month?		
84.	Payroll & Personnel Procedures	Are the payroll expense reports reviewed on a monthly basis to determine the validity and accuracy of payroll charges and credits?		
85.	Payroll & Personnel Procedures	Is there a standard form in use in the department to request a personnel action (hiring, work change, etc.)?		
86.	Payroll & Personnel Procedures	Who approves personnel action forms?		
87.	Payroll & Personnel Procedures	Are such personnel action forms reviewed for fund availability before being sent out of the office?		
88.	Payroll & Personnel Procedures	Do personnel files (improperly) include items not directly related to the job, including pre-employment information, EEO data, credit reports, garnishments, grievances, and other such records?		
89.	Payroll & Personnel Procedures	Is access to personnel records adequately restricted?		
90.	Payroll & Personnel Procedures	Are written personnel evaluations completed at least annually for all full-time and part-time employees?		
91.	Computer Security	Has the Department ever experienced a theft of computer equipment? If so, explain nature of loss and preventative measures taken.		
92.	Computer Security	Are surge protectors used to safeguard the Department's computer components against damage from electrical power surges?		
93.	Computer Security	Are the Department's computer components and peripherals located near windows, heating vents, or indoor plants?		

**City of El Paso  
Internal Audit Department**

No	Category	Question	Yes, No, N/A	Comments
94.	Computer Security	Are rooms with significant computer components locked during non-business hours?		
95.	Computer Security	Does the Department have a listing of software applications and operating systems currently installed in workstations? If so, are version numbers included on this list?		
96.	Computer Security	Are all workstations in the Department password protected? If so, what types of passwords (i.e. boot up, screen saver, etc.) are enabled and how often are they changed?		
97.	Computer Security	Has the Department identified applications, data, hardware, or software that requires an additional layer of security due to its confidential or sensitive nature?		
98.	Computer Security	Are any workstations left unattended during business hours?		
99.	Computer Security	Is there a staff member designated with the responsibility to store and protect all non-hard drive storage devices?		
100.	Computer Security	Are you aware of any information or telecommunication resources that are leased?		
101.	Computer Security	Does the Department have a procedure for file backup and recovery?		
102.	Computer Security	Are you aware of any situation(s) in which a password is not used exclusively by the owner? If yes, please explain.		
103.	Computer Security	Do employees have access to the Internet?		
104.	Computer Security	Does the Department operate or utilize a file server? If so, what is the name of the file server and who is responsible for maintaining it?		
105.	Computer Security	Has the Department experienced breaches of security, such as unauthorized access of information systems (hacking)? If yes, please explain.		
106.	Computer Security	Does the Department maintain a listserv?		
107.	Computer Security	Are employees informed of the City's policy regarding software copyright infringement? If so, how is this conveyed?		

**City of El Paso  
Internal Audit Department**

No	Category	Question	Yes, No, N/A	Comments
108.	Computer Security	Is there as designated staff member responsible for upgrading and maintaining workstations within the Department?		
109.	Computer Security	Does the Department maintain a web page? If so, who is designated the responsibility for maintaining it?		
110.	Computer Security	Does staff access any system remotely?		
111.	Computer Security	Is there a procedure in place to report information security incidents?		
112.	Cash Handling/Deposit	Does the department handle cash or collect money? If so, what is the average amount of monthly or annual deposits?		
113.	Cash Handling/Deposit	What is done with cash or other money collected?		
114.	Cash Handling/Deposit	Are all deposits made to the correct fund? (Normally deposits should be made to the fund from which related expenses are incurred).		
115.	Cash Handling/Deposit	Are deposits made on a daily basis or according to City policy?		
116.	Cash Handling/Deposit	If not immediately (i.e. daily) processed or deposited, are cash and check receipts safeguarded?		
117.	Cash Handling/Deposit	Are bank deposits made intact, i.e., without the cashing of checks?		
118.	Cash Handling/Deposit	Are adequate controls in place to ensure that revenues are collected for all services provided?		
119.	Cash Handling/Deposit	Are checks made payable to City of El Paso?		
120.	Cash Handling/Deposit	Are all checks restrictively endorsed immediately upon receipt?		
121.	Cash Handling/Deposit	Does an employee who does not prepare deposits and does not have access to accounting records open incoming mail, which includes checks? If so, who is this employee?		
122.	Cash Handling/Deposit	Does the employee assigned to the opening of incoming mail prepare a list of cash and checks received? If so, is this list reconciled to bank and book cash deposit records?		

**City of El Paso  
Internal Audit Department**

No	Category	Question	Yes, No, N/A	Comments
123.	Cash Handling/Deposit	Are sequentially pre-numbered receipts completed and initialed by the issuer when money is received?		
124.	Cash Handling/Deposit	Is receipt stock adequately controlled and are unused receipts periodically accounted for?		
125.	Cash Handling/Deposit	Are all copies of the pre-numbered receipts accounted for?		
126.	Cash Handling/Deposit	Do persons other than those receiving payments and completing the receipts compare receipts to the supporting documentation?		
127.	Cash Handling/Deposit	Does each person receiving cash have a separate drawer or register?		
128.	Cash Handling/Deposit	Is access to the cash drawer or register adequately restricted to the responsible party?		
129.	Cash Handling/Deposit	Does each person with a cash drawer or register balance out daily?		
130.	Cash Handling/Deposit	Does someone not involved in the cash receipt function verify that balancing?		
131.	Cash Handling/Deposit	Is there training for those receiving cash? If so, briefly describe the kind of training.		
132.	Cash Handling/Deposit	Does the department receive installment or periodic payments? If so, are systems to monitor such payments adequate to ensure that all amounts due are received? Are all amounts due known and accounted for?		
133.	Cash Handling/Deposit	Does the department have a cash fund (petty cash) used to purchase small-dollar items for City or department use? If so, what is the petty cash fund amount, where is it located and who is responsible for handling the fund?		
134.	Cash Handling/Deposit	Are purchase receipts received for all petty cash disbursements?		
135.	Cash Handling/Deposit	Do such purchase receipts adequately substantiate the disbursements from petty cash accounts? (Receipts should include date, vendor name, validated cash register receipt or other similar documentation, description of purchase and signature of the purchaser).		
136.	Cash Handling/Deposit	Is the physical security of the petty cash fund (locked receptacle, limited access, etc.) maintained?		



**City of El Paso  
Internal Audit Department**

**Internal Control Structure Assessment**

**Date:**

**To:** The Files

**From:**

**Subject:** Internal Control Structure Assessment

---

**PURPOSE**

To document our assessment of the Internal Control Structure in accordance with GAGAS planning requirements. Our review of the ICQ provided by management and our assessment of the internal control structure includes inquiries, observations and additional tests as necessary to obtain an understanding of the internal control structure. Our assessment is listed below.

**DISCUSSION**

**In Accordance with GAGAS 8.05** Auditors should assess significance and audit risk. Auditors should apply these assessments to establish the scope and methodology for addressing the audit objectives:

- a. the nature and profile of the programs and the needs of potential users of the audit report (see paragraph 8.36);
- b. internal control as it relates to the specific objectives and scope of the audit (see paragraph 8.39);
- c. information systems controls for purposes of assessing audit risk and planning the audit within the context of the audit objectives (see paragraph 8.59);
- d. provisions of laws, regulations, contracts, and grant agreements that are significant within the context of the audit objectives (see paragraph 8.68);
- e. ongoing investigations or legal proceedings within the context of the audit objectives (see paragraph 8.27); and
- f. the results of previous engagements that are significant within the context of the audit objectives (see paragraph 8.30).

**In Accordance with GAGAS 8.72** Assessing the risk of fraud is an ongoing process throughout the audit. When information comes to the auditors' attention indicating that fraud, significant within the context of the audit objectives, may have occurred, auditors should extend the audit steps and procedures, as necessary, to (1) determine whether fraud has likely occurred and (2) if so, determine its effect on the audit findings.



**City of El Paso  
Internal Audit Department**

The results of our review of the Internal Control Questionnaire are as follows:

Planning Area	Internal Control Questionnaire Response	Internal Audit Assessment
Internal Controls		
Information Systems Controls		
Fraud		

**In Accordance with GAGAS 8.04** Auditors must plan the audit to reduce audit risk to an acceptably low level:

- a. identify and use suitable criteria based on the audit objectives (see paragraph 8.07);
- b. design the methodology to obtain sufficient, appropriate evidence that provides a reasonable basis for findings and conclusions based on audit objectives and to reduce audit risk to an acceptably low level (see paragraph 8.06);
- c. evaluate whether to use the work of other auditors and specialists to address some of the audit objectives (see paragraph 8.32);
- d. assign sufficient auditors with adequate collective professional competence to conduct the audit (see paragraph 8.31);
- e. communicate about planning and performance of the audit to management officials, those charged with governance, and others as applicable (see paragraph 8.20); and
- f. prepare a written audit plan (see paragraph 8.33).

Planning Area	Internal Control Questionnaire Response	Internal Audit Assessment
Evaluation on whether to use the work of other auditors and experts to address some of the audit objectives.		





**INHERENT LIMITATIONS**

Because of the inherent limitations of internal controls, errors or irregularities may occur and not be detected. Also, projections of any evaluation of the internal control structure to future periods are subject to the risk that procedures may become inadequate due to changes in conditions, or that the degree of compliance with the procedures may deteriorate.





**City of El Paso  
Internal Audit Department**

**Risk Assessment**

#	ACTIVITIES	RISKS												
		1	2	3	4	5	6	7	8	9	10	11	12	
1	Activity 1	HH	Risk	HM	Risk	HM	Risk	HM	Risk	HM	Risk	HL	Risk	HL
2	Activity 2	HH	Risk	HH	Risk	HM	Risk	HM	Risk	HL	Risk	HL	Risk	MM
3	Activity 3	HM	Risk	MH	Risk	MM	Risk	ML	Risk	ML	Risk	ML	Risk	-
4	n/a	-	n/a	-	n/a	-	n/a	-	n/a	-	n/a	-	n/a	-
5	n/a	-	n/a	-	n/a	-	n/a	-	n/a	-	n/a	-	n/a	-
7	n/a	-	n/a	-	n/a	-	n/a	-	n/a	-	n/a	-	n/a	-
8	n/a	-	n/a	-	n/a	-	n/a	-	n/a	-	n/a	-	n/a	-
9	n/a	-	n/a	-	n/a	-	n/a	-	n/a	-	n/a	-	n/a	-
10	n/a	-	n/a	-	n/a	-	n/a	-	n/a	-	n/a	-	n/a	-

HH, HM		= Extensive Risk Management & Considerable Risk Management (all Levels of Control* plus a traditional audit)
HL, MH		= Manage and Monitor (all Levels of Control but no traditional audit)
MM, ML, LH		= Monitor (only Execution Controls & Supervisory Controls)
LM, LL		= Accept (accept the risk and have no controls)

<b>Use for Risk Management Plan:</b>		Audit work should be performed and the Division Director should perform the oversight controls to ensure that supervisory & execution controls are working.
		The Division Director (or a designee) should perform oversight controls to ensure that the supervisory and execution controls are working.
		Unit heads reporting to the Division Director should perform oversight function to see that supervisory and execution controls are working.
		Unit heads should ensure they are using supervisory controls to monitor the execution controls in their area.

**City of El Paso  
Internal Audit Department**

**Checklist for Understanding the Audit Assignment and Scope**

**Audit Name and Number:**

Activity	Yes	No	Initials/Date
Does the assignment sheet identify the area to be audited?			
Is it clear during what time period the audit will occur?			
Has a time budget been specified for the assignment?			
Have Team Members been identified?			
Does the assignment sheet identify the audit scope and objectives?			
Are extensive working papers required to support audit findings?			
Does the audit require an internal control assessment of computer systems?			
Is the audit purpose clearly documented in the assignment sheet?			
Should the auditor look for fraud, mismanagement and abuse?			
Should the audit include computer audit specialists?			
Is time an important constraint in this audit?			

**City of El Paso  
Internal Audit Department**

**Planning Memo**

**BACKGROUND INFORMATION**

Provide background on the area(s) to be audited.

Non-Audit Services Performed by Assigned Auditors of the Area Under Review (GAGAS 3.83)

- List non-audit services performed in the period to be covered by the audit or within the last year.

Previous Internal Audits Performed of the Area Under Review (GAGAS 8.30)

- List audits performed in the period to be covered by the audit or within the last year.

Ongoing Investigations and/or Legal Proceedings

In keeping with the Generally Accepted Government Audit Standard 8.27 that we follow, the Chief Internal Auditor notified the City Attorney's Office on (*Date*) that the Internal Audit Department had engaged the (*Department*) regarding an audit of the (*Area to be audited*). The audit will move forward unless notified by the City Attorney's Office of potential interference with pending legal proceedings.

**AUDIT OBJECTIVES**

The objective of this audit is {Enter the objective(s) of the audit this may be obtained from the assignment sheet}.

**SCOPE OF WORK**

{Enter the scope of the audit, for example time frame of audit, fiscal year etc. this may be obtained from the assignment sheet}.

**RESOURCES NECESSARY TO PERFORM THE AUDIT**

Auditors Assigned:

Reviewer:

*IIA's Global Internal Audit Standards*

*Generally Accepted Government Auditing Standards (GAGAS)*

City of El Paso Policies and Procedures

**AUDIT TIME TABLE**

Planning: Began

Fieldwork: Target Date is

Reporting: Target Date is

**Prepared by:** \_\_\_\_\_ **Date:** \_\_\_\_\_

**Approved by:** \_\_\_\_\_ **Date:** \_\_\_\_\_

**City of El Paso  
Internal Audit Department**

**CHIEF INTERNAL AUDITOR'S VERIFICATION OF AUDITOR ASSIGNMENTS**

**I have assigned the above staff to the stated engagement. I have determined that they collectively possess the competence, knowledge, and skills necessary to perform the assigned work, and individually have the skills necessary to perform their assigned roles in accordance with *Generally Accepted Government Auditing Standards* (Standards 4.02 & 4.03).**

Approved by:	Date:
--------------	-------

**City of El Paso  
Internal Audit Department**

**Planning Memo (Follow-up Audit)**

**BACKGROUND INFORMATION**

The *Generally Accepted Government Auditing Standards* (Standard 6.11) states that auditors should evaluate whether the audited entity has taken appropriate corrective action to address findings and recommendations from previous engagements. The *Global Internal Audit Standards* (Standard 15.2) require that the Chief Audit Executive establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.

**AUDIT OBJECTIVES**

The objective of the follow-up process is to determine whether the audit findings have been adequately addressed and to ascertain that actions taken on audit findings remedy the underlying conditions. When a follow-up audit is performed, the auditor will designate one of the following descriptions to each management response and update the database accordingly:

- *Implemented*  
The finding has been addressed by implementing the original corrective action or an alternative corrective action.
- *In Progress*  
The corrective action has been initiated but is not complete.
- *Not Applicable*  
The recommendation is no longer applicable due to changes in procedures or changes in technology.
- *Not implemented*  
The recommendation was ignored, there were changes in staffing levels, or management has decided to assume the risk.

We will conduct inquiries of management, observations and other tests as required.

**SCOPE OF WORK**

The Audit Follow-up will be limited to a review of findings in the Original Audit report titled "*Audit Title*" dated (report date).

**RESOURCES NECESSARY TO PERFORM THE AUDIT**

Auditors Assigned:  
Reviewer:  
*IIA's Global Internal Audit Standards*  
*Generally Accepted Government Auditing Standards (GAGAS)*

**AUDIT TIME TABLE**

Planning: Target Date is  
Fieldwork: Target Date is  
Reporting: Target Date is

**City of El Paso  
Internal Audit Department**

**Prepared by:** \_\_\_\_\_ **Date:** \_\_\_\_\_

**Approved by:** \_\_\_\_\_ **Date:** \_\_\_\_\_

**CHIEF INTERNAL AUDITOR’S VERIFICATION OF AUDITOR ASSIGNMENTS**

**I have assigned the above staff to the stated engagement. I have determined that they collectively possess the competence, knowledge, and skills necessary to perform the assigned work, and individually have the skills necessary to perform their assigned roles in accordance with *Generally Accepted Government Auditing Standards* (Standards 4.02 & 4.03).**

<b>Approved by:</b>	<b>Date:</b>
---------------------	--------------

**City of El Paso  
Internal Audit Department**

**Planning Memo (SRP)**

**BACKGROUND INFORMATION**

Provide some details as to the nature of the Special Request Project.

**AUDIT OBJECTIVES**

The objective is to document the goals and objectives of the Special Request Project. Some examples include

*Resolve an existing problem.*

*Review a process or procedure*

*Provide expertise in a particular area (financial, compliance, operational)*

**SCOPE OF WORK**

Describe the scope of the project such as duration of the project areas to be reviewed.

**RESOURCES NECESSARY TO PERFORM THE AUDIT**

Auditors Assigned:

Reviewer:

Include other sources pertinent to the project

**AUDIT TIME TABLE**

Planning:      Began

Fieldwork:    Target Date is

Reporting:    Target Date is

**Prepared by:** \_\_\_\_\_

**Date:** \_\_\_\_\_

**Approved by:** \_\_\_\_\_

**Date:** \_\_\_\_\_

**CHIEF INTERNAL AUDITOR'S VERIFICATION OF AUDITOR ASSIGNMENTS**

**I have assigned the above staff to the stated engagement. I have determined that they collectively possess the competence, knowledge, and skills necessary to perform the assigned work, and individually have the skills necessary to perform their assigned roles in accordance with *Generally Accepted Government Auditing Standards* (Standards 4.02 & 4.03).**

Approved by:

Date:



City of El Paso  
Internal Audit Department



# Internal Audit Department

**MAYOR**

Renard U. Johnson

Date

Karla Nieman, City Attorney  
City Attorney's Office  
300 N. Campbell, City 1  
El Paso, TX 79901

**CITY COUNCIL**

**District 1**

Alejandra Chávez

Dear Ms. Nieman:

**District 2**

Dr. Josh Acevedo

The Internal Audit Department has scheduled a limited scope audit of the \_\_\_\_\_ Department. The objective of this audit is to determine if the \_\_\_\_\_ Department is \_\_\_\_\_.

**District 3**

Deanna M. Rocha

In accordance with the Professional Standards we follow, the Internal Audit Department needs to make sure the work we are planning is not interfering with any Investigations or Legal Proceedings at the City Attorney's Office.

**District 4**

Cynthia Boyar Trejo

Government Auditing Standard 8.27 states that: "*Auditors should inquire of management of the audited entity whether any investigations or legal proceedings significant to the audit objectives have been initiated or are in process with respect to the period under audit, and should evaluate the effect of initiated or in-process investigations or legal proceedings on the current audit.*"

**District 5**

Ivan Niño

**District 6**

Art Fierro

Please let us know if there are any Investigations or Legal Proceedings at the \_\_\_\_\_ Department that our Audit would interfere with. Our Audit will proceed unless notified by the City Attorney's Office of potential conflicts with any pending legal proceedings.

**District 7**

Lily Limón

**District 8**

Chris Canales

If you have any questions or concerns, please feel free to contact me.

Sincerely,

**CITY MANAGER**

Dionne Mack

Edmundo S. Calderón, CIA, CGAP, CRMA, MBA  
Chief Internal Auditor

City of El Paso  
Internal Audit Department



# Internal Audit Department

**MAYOR**

Renard U. Johnson

**Engagement Letter**

\_\_\_\_\_ Date

**CITY COUNCIL**

Name  
Title

**District 1**

Alejandra Chávez

Address.

City, ST, Zip

**District 2**

Dr. Josh Acevedo

Dear Mr./s.:

The Internal Audit Department has scheduled a limited scope audit of the Department. This audit will tentatively begin on Date and will be conducted by \_\_\_\_\_. The audit process includes:

- Planning
- Entrance Meeting (to be scheduled at a later date)
- Fieldwork (detailed testing, interviews, etc.)
- Summation of fieldwork results
- Exit Meeting
- Report preparation

**District 3**

Deanna M. Rocha

**District 4**

Cynthia Boyar Trejo

**District 5**

Ivan Niño

**District 6**

Art Fierro

The objectives of this audit are to determine whether the \_\_\_\_\_ Department is operating in a control conscious environment. A control conscious environment is characterized by the activity's adequacy and effectiveness in improving risk management, controls and the governance processes. This will include evaluating the:

- Reliability and integrity of financial and operational information.
- Effectiveness and efficiency of operations.
- Safeguarding of assets.
- Compliance with laws, regulations, and contracts.

**District 7**

Lily Limón

**District 8**

Chris Canales

**CITY MANAGER**

Dionne Mack

The audit will rely on inquiries, observations, and testing of controls, to obtain sufficient documentation to provide assurance on the audit objectives. To assist in the evaluation of the above items we request that you complete the attached Internal Control Questionnaire (ICQ) and if possible complete the ICQ by the time of the Entrance Meeting. If you prefer the ICQ in electronic form, please email us at \_\_\_\_\_.

The scope of the audit is Fiscal year \_\_\_\_\_. In preparation for the start of the fieldwork phase, and with your approval, we will coordinate the audit with yourself or your appropriate designee. As part of the planning process we will schedule an Entrance Meeting to provide additional information regarding the audit.

If there are areas you believe require additional attention or would benefit from our audit, please let me know.

Sincerely,

Edmundo S. Calderón, CIA, CGAP, CRMA, MBA  
Chief Internal Auditor

cc: Dionne Mack, City Manager  
Appropriate Personnel, Deputy City Manager



City of El Paso  
Internal Audit Department



# Internal Audit Department

**MAYOR**

Renard U. Johnson

**Engagement Letter (Follow-up Audit)**

Date

**CITY COUNCIL**

Name

Title

Address.

City, ST, Zip

**District 1**

Alejandra Chávez

**District 2**

Dr. Josh Acevedo

Dear Mr./s.:

The Internal Audit Department has scheduled a Follow-Up Audit to the XYZ Audit Report dated Month XX, 202Y. This audit will tentatively begin on Month XX, 202Y and will be conducted by Auditor Name. The Follow-Up Audit process includes:

- Planning
- Entrance Meeting (to be scheduled at a later date)
- Fieldwork (detailed testing, interviews, etc.)
- Summation of fieldwork results
- Exit Meeting
- Report preparation

**District 3**

Deanna M. Rocha

**District 4**

Cynthia Boyar Trejo

**District 5**

Ivan Niño

**District 6**

Art Fierro

The objective of this Follow-Up Audit is to determine whether the finding and recommendations identified in the Audit Report have been adequately addressed. Specifically the following item:

- 

**District 7**

Lily Limón

The Follow-Up Audit will rely on inquiries, observations, and other testing, to obtain sufficient documentation to provide assurance on the Follow-Up Audit objective. To assist in the evaluation of the above items we request that you complete the attached Internal Control Questionnaire (ICQ) and if possible complete the ICQ by the time of the Entrance Meeting. If you prefer the ICQ in electronic form, please email us at \_\_\_\_\_.

**District 8**

Chris Canales

**CITY MANAGER**

Dionne Mack

The scope of the Follow-Up Audit will be based on actions accomplished by management and staff as of the implementation date stated in the Audit Report. In preparation for the start of the fieldwork phase, and with your approval, we will coordinate the Follow-Up Audit with yourself or your appropriate designee. As part of the planning process we will schedule an Entrance Meeting to provide additional information regarding the Follow-Up Audit.

If you have any questions or concerns, please let me know.

Sincerely,

Edmundo S. Calderón, CIA, CGAP, CRMA, MBA  
Chief Internal Auditor

cc: Dionne Mack, City Manager  
Appropriate Personnel, Deputy City Manager



City of El Paso  
Internal Audit Department



# Internal Audit Department

## Engagement Letter (Special Request Project)

**MAYOR**

Renard U. Johnson

Date

**CITY COUNCIL**

**District 1**

Alejandra Chávez

**District 2**

Dr. Josh Acevedo

**District 3**

Deanna M. Rocha

**District 4**

Cynthia Boyar Trejo

**District 5**

Ivan Niño

**District 6**

Art Fierro

**District 7**

Lily Limón

**District 8**

Chris Canales

**CITY MANAGER**

Dionne Mack

Name  
Title  
Address.  
City, ST, Zip

Dear Mr./s.:

The Internal Audit Department has scheduled a Special Project to provide assessment services to the City of El Paso \_\_\_\_\_ Department. This Special Project will tentatively begin on Date and will be conducted by \_\_\_\_\_.

- Planning
- Entrance Meeting (to be scheduled at a later date)
- Fieldwork (detailed testing, interviews, etc.)
- Summation of fieldwork results
- Exit Meeting
- Memorandum preparation

The objective of this engagement is to \_\_\_\_\_. This Special Project will rely on inquiries, observations, and other tests as needed to obtain sufficient documentation to complete the Special Project objectives. To assist in the evaluation of the above items we request that you complete the attached Internal Control Questionnaire (ICQ) and if possible complete the ICQ by the time of the Entrance Meeting.

The time period covered will be fiscal year 2024. In preparation for the start of the fieldwork phase, and with your approval, we will coordinate this Special Project with yourself or your appropriate designee. As part of the planning process we will schedule an Entrance Meeting to provide additional information regarding the Special Project.

*If no ICQ will be issued for the project, add the following paragraph:* The Internal Audit Department would like to inquire if you are aware of any issues or concerns that may be an indication of fraudulent activity. Also have there been any previous audits or reviews conducted of the Museum of Cultural Affairs Department in the last year. If so, please provide any information of the issue or concern and a copy of the audit or review to the Internal Audit Department.

If you have any questions or concerns, please let me know.

Sincerely,

Edmundo S. Calderón, CIA, CGAP, CRMA, MBA  
Chief Internal Auditor

cc: Dionne Mack, City Manager  
Appropriate Personnel, Deputy City Manager

**City of El Paso  
Internal Audit Department**

**AUDIT PROGRAM**

**AUDIT OBJECTIVES**

The audit objective is to determine if (Department) has a control conscious environment. We have characterized a control conscious environment as having the following:

1. An adequate level of internal control awareness.
2. Proper separation of duties and monitoring of vacation/sick leave and departmental accounts.
3. Appropriate authorization/approval of departmental expenditures.
4. Adequate safeguarding of financial, physical, and information assets.

**AUDIT REFERENCES**

1. Internal Audit Department Policies and Procedures Manual
2. The IIA Global Internal Audit Standards
3. Generally Accepted Governmental Auditing Standards Yellow Book

Audit Step	Done By	Date	W/P Ref
<b>I. Planning the Audit</b>			
<b>A. Assemble the audit file, including:</b>			
1. Quality Assurance Program (QAP) Worksheet			
2. Audit Control Sheet			
3. Checklist for Working Papers			
4. Assessment of Computer-Processed Information			
5. Audit Assignment Sheet			
6. Auditor's Objectivity Statement			
7. Checklist for Understanding the Audit Assignment and Scope			
8. Entrance Meeting Checklist			
9. Exit Meeting Checklist			
<b>B. Obtaining background information:</b>			
1. For the area under review, obtain the following:			
a) An organizational chart			
b) Goals and objectives			
c) Relevant policies, procedures, laws, etc.			
d) Budgetary information and applicable financial data.			
e) Brief history or background of (Department). Refer to the Department's web page.			
2. Review prior year audit working papers, reports, and notes to future auditors, if applicable.			
3. Determine if other agencies have conducted similar audits.			

**City of El Paso  
Internal Audit Department**

<b>Audit Step</b>	<b>Done By</b>	<b>Date</b>	<b>W/P Ref</b>
<b>C. Issue the audit engagement letter.</b> Must be reviewed and signed by the Chief Internal Auditor.			
<b>D. Issue the City Attorney Letter.</b> Must be reviewed and signed by the Chief Internal Auditor.			
<b>E. Complete the Entrance Meeting Checklist.</b>			
<b>E. Perform an Internal Control Risk Assessment</b>			
1. Identify the at-risk areas, given the scope and nature of the audit.			
2. Complete Components and Principles of Internal Control Statement.			
3. Administer an Internal Control Questionnaire (ICQ).			
4. Review the ICQ and conduct additional audit procedures (interviews, personal observations, etc.), if needed.			
5. Prepare a risk assessment of at-risk areas and on the controls to be relied upon.			
6. Ensure audit procedures are tailored to address associated risks.			
<b>F. Write the audit program.</b>			
<b>G. Prepare a Planning Memo.</b>			
<b>H. Complete the Checklist for Working Papers-Planning.</b>			
<b>I. Submit the Planning Memo and Audit Program to the Chief Internal Auditor for approval.</b>			
<b>II. Performing Audit Fieldwork</b>			
<b>A. Internal Control Awareness</b>			
1. Review the department's organizational chart for possible organizational weaknesses.			
2. Obtain a completed copy of the Department's Risk Assessment and Implementation Plan, if available.			
3. Obtain a copy of the Department's policy and procedure manual, if different from the Handbook of Operating Procedures, and review the manual to determine whether it provides adequate guidance for employees.			
4. Review the department's goals and objectives.			
5. Determine whether the department has a mechanism in place to monitor the accomplishment of its goals and objectives.			
6. Summarize the results of testing.			
<b>B. Separation of Duties and Monitoring</b>			
<b><u>Account Reconciliation</u></b>			
1. Identify employees assigned the responsibility of reconciling departmental accounts. The reconciliation should include personal usage			

**City of El Paso  
Internal Audit Department**

<b>Audit Step</b>	<b>Done By</b>	<b>Date</b>	<b>W/P Ref</b>
Expenditures such as, long distance, procurement card transactions, petty cash fund, leasing vehicles, cell phones.			
2. Document the account reconciliation preparer's procedure used to perform the reconciliation.			
3. Document the procedure used by the Department Head for verifying and reviewing the reconciliation.			
4. Select the most recent account reconciliations (covering at least 2 months activity) and verify that the Department Head reviewed and documented the review of the account reconciliation.			
5. Verify the account reconciliation for completeness.			
6. Verify that personal expenses for personal usage accounts (long distance, petty cash fund, leasing vehicles, cell phones, credit cards, etc.) were reimbursed to the City.			
<b><u>Vacation &amp; Sick Leave</u></b>			
1. Document the Department's procedure for reporting vacation and sick leave.			
2. Determine who is primarily responsible for updating vacation and sick leave and verify who updates that person's leave.			
3. Determine whether vacation and sick leave is properly reviewed and approved in a timely manner.			
4. Select a sample of vacation/sick leave forms and compare them to the <i>Monthly Report of Vacation and Sick Leave</i> for completeness and accuracy.			
5. Summarize the results of testing.			
<b>C. Safeguarding of Financial Assets (Authorization, Approval and Accuracy)</b>			
<b><u>Voucher Testing</u></b>			
1. Determine who has approval authority over departmental expenditures.			
2. Determine the appropriateness of the employees' manual approval.			
3. Determine the appropriateness of the employees' electronic approval of documents.			
4. Verify that supporting documentation for vouchers is appropriate for the department and appropriately approved.			

**City of El Paso  
Internal Audit Department**

<b>Audit Step</b>	<b>Done By</b>	<b>Date</b>	<b>W/P Ref</b>
5. Foot the supporting documentation and verify its accuracy. Review the: <ul style="list-style-type: none"> <li>• Mathematical accuracy of the voucher.</li> <li>• Sales tax reimbursement(s).</li> </ul>			
6. From your sample, obtain copies of cancelled checks (from General Accounting) for vouchers where the payee is an individual. Inspect each cancelled check for recurring, secondary endorsements.			
7. If recurring, secondary endorsements are identified in audit Step #11 above, obtain copies of official signatures on file for those individuals and compare signatures.			
8. Summarize the results of testing.			
<b><i>P-Card Testing</i></b>			
1. Obtain a list of all employees who are assigned a P-Card and verify that the cardholder is still employed.			
2. Select a sample of P-Card transactions (VP7 documents) and verify that: <ul style="list-style-type: none"> <li>• sales tax was not paid on the purchase.</li> <li>• reimbursements are made to the City for personal use items and for inadvertent sales tax payments.</li> <li>• there are no split orders, i.e. purchases must not exceed \$1,000 (including handling charges, freight, and transportation).</li> <li>• unallowed purchases were not made.</li> <li>• supporting documentation is available, i.e. ensure that original receipts are provided.</li> <li>• Texas contract terms are being followed.</li> </ul>			
3. Verify that a Transaction Log is being maintained by the Department and reviewed by the Department Head.			
4. Summarize the results of testing.			



**City of El Paso  
Internal Audit Department**

<b>Audit Step</b>	<b>Done By</b>	<b>Date</b>	<b>W/P Ref</b>
<b>D. Payroll Audit Procedures</b>			
<i>Hourly Payroll</i>			
1. Obtain list of hourly employees working in the Department.			
2. Based on the population size, either select a sample of employees or use the entire population for testing.			
3. Prepare an <i>Hourly Payroll Sign-Off</i> sheet.			
4. Submit a request in writing (e-mail) to the Payroll Manager requesting the payroll checks for the upcoming pay period based on your selected sample of hourly employees. Also request the <i>Payroll Bank Account Check Register</i> for those employees.			
5. Briefly explain the hourly testing procedure to your Department contact person and ask that all hourly employees (your sample) be prepared to show proper identification in order to pick up their paychecks.			
6. On payday, the fifth working day of the month, pick up the payroll checks, in unsealed envelopes, from the Payroll Office and distribute c s to employees after obtaining heck proper identification and signature.			
7. Investigate any unclaimed checks.			
8. Request copies of detailed timesheets from the Department contact person.			
<i>Time Sheet Testing</i>			
1. Verify the following time sheet attributes: <ul style="list-style-type: none"> <li>• Employee signature</li> <li>• Supervisor signature</li> <li>• Department Head signature</li> <li>• The mathematical accuracy on the time sheet, i.e. number of hours worked.</li> <li>• The time sheet supports the number of hours the employees is being paid for.</li> </ul>			
2. Investigate emergency payroll checks, if any.			
3. Summarize the results of all payroll and time sheet testing.			
<b>E. Safeguarding of Physical Inventory Assets</b>			
1. Select a sample of high-risk and/or high-dollar assets for testing.			
2. Prepare a work paper listing the sample and criteria to be used for testing.			

**City of El Paso  
Internal Audit Department**

<b>Audit Step</b>	<b>Done By</b>	<b>Date</b>	<b>W/P Ref</b>
3. Verify the sample of items selected for existence and if properly safeguarded.			
4. Obtain documentation related to: <ul style="list-style-type: none"> <li>• Items removed from campus.</li> <li>• Missing items.</li> <li>• Stolen items (Police Reports).</li> </ul>			
5. Summarize the results of testing.			
<b>F. Safeguarding of Informational Assets</b>			
1. Briefly describe the systems operations layout, particularly, critical machines or applications.			
2. Determine appropriateness and adequacy of password procedures (e.g. passwords kept confidential and changed frequently).			
3. Evaluate the Department's policy pertaining to the safeguarding of personal student information, i.e. grades.			
4. Determine if software has proper licensing.			
5. Determine if there is an awareness in (Department) for physical and electronic computer security.			
6. Determine if timely back-ups are performed.			
7. Determine how sensitive and confidential computer output is discarded.			
8. Summarize the results of testing.			
<b>III. Reporting the Results</b>			
A. Prepare the Potential Report Findings Worksheets.			
B. Prepare a draft copy of the audit report and reference the report to the working papers.			
C. Complete the Checklist for Working Papers-Fieldwork.			
D. Submit audit file for peer review.			
E. Clear working paper review points.			

**City of El Paso  
Internal Audit Department**

Audit Step	Done By	Date	W/P Ref
<b>IV. Concluding the Audit</b>			
A. Issue draft copy of report to the Chief Internal Auditor for review.			
B. Modify report accordingly.			
C. Schedule an Exit Meeting and complete the Exit Meeting Checklist.			
D. Issue a draft copy of the audit report to management for their response.			
E. Incorporate management's response in the audit report.			
F. Complete Checklist for Working Papers-Reporting.			
G. Submit working papers to peer for final review.			
H. Clear working paper review points.			
I. Issue draft copy of audit report, with management's response.			
J. Modify report accordingly.			
K. Place the file in a red pressboard, label, and prepare for QAP review.			
L. Submit the audit file for QAP review.			
M. Issue the audit report. <ul style="list-style-type: none"> <li>• Print a color copy of the report for each person listed on the distribution list</li> <li>• Print two additional colored copies.</li> <li>• Post Report on Website</li> </ul>			
N. Distribute a hard copy of audit report and electronically to Mayor & Council.			
O. Distribute Audit Survey to Client.			
P. Conduct "End-of-Audit Evaluations" and Audit Debrief.			
Q. Update Permanent File and place in filing cabinet.			

\_\_\_\_\_  
Reviewer (reviewed for Content and not Completion)

\_\_\_\_\_  
Date

\_\_\_\_\_  
Auditor

\_\_\_\_\_  
Date

\_\_\_\_\_  
Chief Internal Auditor

\_\_\_\_\_  
Date

**City of El Paso  
Internal Audit Department**

**Follow-Up Audit Programs**

1<sup>st</sup> Follow-up Audit Program

Finding No.	Name of Audit Report (date of audit report) Findings	Name of Audit Report (date of audit report) Recommendations	Name of Audit Report (date of audit report) Management's Responses	Follow-Up Audit Steps				
					A	B	C	D
<b>1</b>	List each finding identified in the original audit report.	List recommendations to each finding identified in the original audit report.	List Management's Response to findings and recommendations. If applicable, list Chief Internal Auditor's Response to Management's response.	List follow-up audit steps that will be conducted during follow-up audit.				
<b>2</b>								

2<sup>nd</sup> Follow-up Audit Program

Finding No.	Name of Audit Report (date of audit report) Findings	Name of Audit Report (date of audit report) Recommendations	Name of Audit Report (date of audit report) Management's Responses	1 <sup>st</sup> Follow-Up Current Observation of Pending Items	2 <sup>nd</sup> Follow-Up Audit Steps				
						A	B	C	D
<b>1</b>	List each finding requiring follow-up. Do not list findings that cleared during the 1 <sup>st</sup> follow-up audit.	List recommendations to each finding identified in the original audit report.	List Management's Response to findings and recommendations . If applicable, list Chief Internal Auditor's Response to Management's response.	List observation during 1 <sup>st</sup> follow-up audit.	List second follow-up audit steps.				
<b>2</b>									

**Auditor:** \_\_\_\_\_ **Date:** \_\_\_\_\_

**Reviewer (reviewed for Content and not Completion):** \_\_\_\_\_ **Date:** \_\_\_\_\_

**Chief Internal Auditor:** \_\_\_\_\_ **Date:** \_\_\_\_\_

- A – Implemented
- B – In Progress
- C – Not Applicable
- D – Not Implemented

**City of El Paso  
Internal Audit Department**

**Exit Meeting Checklist**

**Audit/SRP Name and Number:**

<b>Procedure</b>	<b>Initials/Date</b>
Set the date, time, and location of the exit meeting.	
Prepare and distribute an agenda for the meeting. The agenda should include the following:	
<ul style="list-style-type: none"> <li>• Accomplishment of the audit/SRP objectives (theirs and ours).</li> </ul>	
<ul style="list-style-type: none"> <li>• Discussion of potential audit/SRP findings and recommendations (if applicable).</li> </ul>	
<ul style="list-style-type: none"> <li>• Discussion of when management’s response will be due.</li> </ul>	
<ul style="list-style-type: none"> <li>• Audit/SRP reporting process.</li> </ul>	
<ul style="list-style-type: none"> <li>• Follow up process.</li> </ul>	
Document results of the exit meeting.	

**City of El Paso  
Internal Audit Department**

**City of El Paso  
Internal Audit Department**

---

**EXIT MEETING AGENDA  
Department Name  
Date**

- I. Introductions**
- II. Overview**
- III. Audit/SRP Objectives Accomplished**
- IV. Discussion of Audit Report Draft or SRP Memorandum**
- V. Discussion of Management Responses (if applicable)**
- VI. Questions**

**City of El Paso  
Internal Audit Department**

**Name of Audit/SRP  
Summary Memo  
Date**

---

**Purpose:** This testing is designed to document the procedures performed during the fieldwork stage.

**Source:** Document the source of the data tested, inquiries, or copies of documents obtained.

**Procedures:** List in narrative form the procedures performed.

List in bullet format exceptions found in your tests, or items which need to be highlighted (See Examples below)

- ❑ Voucher J142424 was not in our scope as it was a journal voucher, this Journal Voucher was prepared by Accounts Payable as it was for payment of a State Warrant payment.
- ❑ Document ID M2VP2988168 dated 5/14/24 was originally approved for payment but was deleted from the voucher payment process as this transaction was for travel reimbursement. Thus to avoid being paid through the payable cycle the transaction was flagged for deletion.

**Conclusion:** Summarize the results of your tests, inquiries and observations.

**City of El Paso  
Internal Audit Department**

**Name of Audit/SRP  
Potential Report Findings Worksheet  
Date (Month, Date, Year)**

<b>Potential Report Findings Worksheet</b>	
<b>Area Under Review:</b>	<b>Finding Number: 1</b>
<b>Audit Report:</b>	<b>Management Letter:</b>
<b>Finding:</b>	
<b>Criteria:</b>	
<b>Cause:</b>	
<b>Significance:</b>	
<b>Recommendation:</b>	
<b>Reference:</b>	



**City of El Paso  
Internal Audit Department**

**ASSESSMENT OF COMPUTER-PROCESSED INFORMATION**

**Audit Name and Number:** \_\_\_\_\_

Source of Computer-Processed Information	Sufficient Yes, No,	Appropriate Yes, No	How determination was made that the information was sufficient and appropriate	W/P Reference
1.				
2.				
3.				
4.				
5.				
6.				
7.				
8.				

**City of El Paso  
Internal Audit Department**

**Standard Tick Mark Legend**

Tick mark	Description
	<b>Use these tick marks to document procedures performed during an engagement.</b>
CF	Cross Footed - Auditor verified totals across a row.
F	<b>Footed - Auditor verified totals down a column.</b>
N/A	Not applicable.
Pass	Amount is immaterial, no further audit work is deemed necessary (auditor should state a brief reason for the pass on additional work, and should initial and date note)
	Notes in <b>BLUE</b> are made by the Auditor.
	Notes in <b>RED</b> are made by the Reviewer.
	Red dots ● indicate the Reviewer verified the workpaper reference.
	Red checkmarks ✓ indicate the Reviewer verified the amount or statement.
	The following should be used when conducting attribute tests.
X	<b>Exception noted for attribute tested</b>
Yes	Agrees to criteria/attribute tested
No	Does not agree to criteria/attribute tested
N/A	Not applicable.

**City of El Paso  
Internal Audit Department**

**Quality Assurance Program Worksheet**

**Audit Name and Number:**

Each audit file should contain:

1. \_\_\_ Audit Control Sheet
2. \_\_\_ A copy of the report that is referenced to the working papers
3. \_\_\_ An Audit Assignment Sheet (referenced as "A")
4. \_\_\_ A completed audit program (referenced as "B")
5. \_\_\_ Planning documentation (background information, engagement letter, auditor's objectivity statement, planning memo, etc.)
6. \_\_\_ Entrance Meeting documentation
7. \_\_\_ Documentation of internal control risk assessment
8. \_\_\_ Evidence of audit work related to reliability and integrity of information
9. \_\_\_ Evidence of audit work related to compliance with policies, laws, etc.
10. \_\_\_ Evidence of audit work related to safeguarding of assets
11. \_\_\_ Evidence of audit work related to economical & efficient use of resources
12. \_\_\_ Evidence of audit work related to accomplishment of goals & objectives
13. \_\_\_ Evidence of audit work related to IS review
14. \_\_\_ Properly indexed, referenced & cross-referenced working papers
15. \_\_\_ Potential Report Findings Worksheet
16. \_\_\_ Exit Meeting documentation
17. \_\_\_ Management's responses to findings and recommendations
18. \_\_\_ All documents, forms, working papers, schedules, etc. should be:
  - properly titled
  - organized
  - initialed by the preparer and the reviewer
  - securely fastened in the file
19. \_\_\_ Schedule an audit debrief with the Chief Internal Auditor
20. \_\_\_ Prepare and send a standard Quality Service Survey to our audit client
21. \_\_\_ The file folder should have a label with the name & number of the audit

Auditor assigned \_\_\_\_\_

Peer reviewer \_\_\_\_\_

QAP reviewer \_\_\_\_\_

**City of El Paso  
Internal Audit Department**

**Quality Assurance Program Worksheet (Follow-up Audit)**

**Follow-up Audit Name and Number:**

Each audit file should contain:

1. \_\_\_ An Audit Assignment Sheet
2. \_\_\_ The Final Follow-Up Report must be referenced to the working papers
3. \_\_\_ Planning documentation (background information, engagement letter, planning memo, auditor's objectivity statement, etc.)
4. \_\_\_ Evidence of audit work related to the implementation of the original audit recommendation(s)
5. \_\_\_ Properly indexed, referenced & cross-referenced working papers
6. \_\_\_ Status of recommendations (Implemented or In Progress)
7. \_\_\_ Notes to future auditors
8. \_\_\_ All documents, forms, working papers, schedules, etc. should be:
  - Properly titled
  - Organized
  - Initialed by the preparer and the reviewer
  - Securely fastened in the file
9. \_\_\_ Schedule an audit debrief with the Chief Internal Auditor
10. \_\_\_ Prepare and send a standard Quality Service Survey to our audit client
11. \_\_\_ The file folder should have a label with the name & number of the audit

Auditor assigned \_\_\_\_\_

Peer reviewer \_\_\_\_\_

QAP reviewer \_\_\_\_\_

**City of El Paso  
Internal Audit Department**

**Quality Assurance Program Worksheet (Special Request Projects)**

**Project Name and Number:**

Each project file should contain:

1. \_\_\_ A copy of the project memoranda that is referenced to the working papers
2. \_\_\_ A Project Assignment Sheet
3. \_\_\_ Planning documentation (engagement letter, related checklists, auditor's objectivity statement, etc.)
4. \_\_\_ Entrance Meeting documentation, if applicable
5. \_\_\_ Evidence of test work performed
6. \_\_\_ Properly indexed, referenced & cross-referenced working papers
7. \_\_\_ Summary sheets documenting results of testing
8. \_\_\_ Documentation of all relevant correspondence (interviews, meetings, etc.)
9. \_\_\_ Management's responses to findings and recommendations, if applicable
10. \_\_\_ Exit Meeting documentation, if applicable
11. \_\_\_ Notes to future auditors, if applicable
12. \_\_\_ All documents, forms, working papers, schedules, etc. should be:
  - properly titled
  - organized
  - initialed by the preparer and the reviewer
  - securely fastened in the file
13. \_\_\_ Schedule an audit debrief with the Chief Internal Auditor
14. \_\_\_ Prepare and send a standard Quality Service Survey to our audit client
15. \_\_\_ The file folder should have a label with the name & number of the project

Auditor assigned \_\_\_\_\_

Peer reviewer \_\_\_\_\_

QAP reviewer \_\_\_\_\_

**City of El Paso  
Internal Audit Department**

<b>WORKING PAPER REVIEW POINTS</b>			
Assignment Name and Number:			
No.	W/P Ref.	Comments/Questions	Disposition
1			
2			
3			
4			
5			
6			
7			
8			
9			
10			
11			
12			
14			
15			
Reviewer:			Date:

**City of El Paso  
Internal Audit Department**

**Name of Audit  
Checklist For Working Papers  
Date**

	<b>Preparer</b>		<b>Reviewer</b>	
<b>Audit / Follow-up Audit Name &amp; No.:</b>	<u>Yes</u>	<u>N/A</u>	<u>Yes</u>	<u>N/A</u>

***PLANNING***

Audit program conforms to the standard format and includes the standard steps. See W/Ps _____	_____	_____	_____	_____
---	-------	-------	-------	-------

Audit program is approved.	_____	_____	_____	_____
----------------------------	-------	-------	-------	-------

A Planning Memorandum has been prepared.	_____	_____	_____	_____
--	-------	-------	-------	-------

A Detailed Time Budget has been prepared.	_____	_____	_____	_____
---	-------	-------	-------	-------

A time budget (i.e.: number of hours and estimated date of completion) has been agreed upon.	_____	_____	_____	_____
--	-------	-------	-------	-------

Working papers are neat, legible, and readily understandable.	_____	_____	_____	_____
---	-------	-------	-------	-------

Preparer: _____	Date: _____
-----------------	-------------

Reviewer: _____	Date: _____
-----------------	-------------

**City of El Paso  
Internal Audit Department**

**Name of SRP  
Checklist For Working Papers  
Date**

<b>SRP Name &amp; No.:</b>	<b>Preparer</b>		<b>Reviewer</b>	
	<u>Yes</u>	<u>N/A</u>	<u>Yes</u>	<u>N/A</u>

***PLANNING***

SRP format conforms to the standard format and includes the standard steps.	_____	_____	_____	_____
A Planning Memorandum has been prepared.	_____	_____	_____	_____
A Detailed Time Budget has been prepared.	_____	_____	_____	_____
A time budget (i.e.: number of hours and estimated date of completion) has been agreed upon.	_____	_____	_____	_____
Working papers are neat, legible, and readily understandable.	_____	_____	_____	_____
Auditor's Objectivity Statement has been completed.	_____	_____	_____	_____

Preparer: \_\_\_\_\_

Date: \_\_\_\_\_

Reviewer: \_\_\_\_\_

Date: \_\_\_\_\_



**City of El Paso  
Internal Audit Department**

**Name of Audit/SRP  
Checklist For Working Papers  
Date**

<b>Audit/SRP Name &amp; No.:</b>	<b>Preparer</b>		<b>Reviewer</b>	
	<u>Yes</u>	<u>N/A</u>	<u>Yes</u>	<u>N/A</u>
<b><i>FIELDWORK</i></b>				
Audit program steps/SRP procedures are cross-referenced to the working papers.	_____	_____	_____	_____
Audit program steps/SRP procedures are completed and initialed.	_____	_____	_____	_____
Sampling plans are documented.	_____	_____	_____	_____
Working papers contain appropriate headings so that they are readily identifiable.	_____	_____	_____	_____
Working papers are properly indexed.	_____	_____	_____	_____
Working papers are cross-referenced.	_____	_____	_____	_____
Working papers are initialed and dated by preparer and reviewer.	_____	_____	_____	_____
Working papers are prepared in accordance with the department's standards.	_____	_____	_____	_____
All working papers are necessary. Irrelevant audit material has been removed from the audit/project file.	_____	_____	_____	_____
Sources of information are identified.	_____	_____	_____	_____
Summary memos have been prepared, documenting the results of each area tested.	_____	_____	_____	_____
Numerical schedules/calculations are footed, cross-footed, or recalculated.	_____	_____	_____	_____
All explanations are complete and all tick marks are explained.	_____	_____	_____	_____

**City of El Paso  
Internal Audit Department**

Audit/SRP Name & No.:	<b>Preparer</b>		<b>Reviewer</b>	
	<u>Yes</u>	<u>N/A</u>	<u>Yes</u>	<u>N/A</u>

***FIELDWORK***

Findings/Observations are logical and are supported by adequate working paper evidence.	_____	_____	_____	_____
---	-------	-------	-------	-------

Findings/Observations are cross-referenced to working-papers.	_____	_____	_____	_____
---	-------	-------	-------	-------

Recommendations are logical, feasible, and are supported by adequate working paper evidence.	_____	_____	_____	_____
--	-------	-------	-------	-------

Working papers are neat, legible, and readily understandable.	_____	_____	_____	_____
---	-------	-------	-------	-------

Working papers support the conclusions and opinions stated in the Final Memo (SRP), Summary Memos and Potential Findings Worksheets (Audit).	_____	_____	_____	_____
--	-------	-------	-------	-------

A “Notes to Future Auditors” working paper, which includes suggestions for future audits/projects, has been prepared.	_____	_____	_____	_____
---	-------	-------	-------	-------

Audit/SRP evidence obtained is sufficient, appropriate for addressing the audit/SRP objectives, competent as to reliability, and relevant to the audit/SRP objectives.	_____	_____	_____	_____
--	-------	-------	-------	-------

Audit/SRP objectives and management’s expectations have been accomplished.	_____	_____	_____	_____
--	-------	-------	-------	-------

Preparer: \_\_\_\_\_ Date: \_\_\_\_\_

Chief Internal Auditor: \_\_\_\_\_ Date: \_\_\_\_\_

Issue Report as of: \_\_\_\_\_

Chief Internal Auditor Comments provided on following page:

**City of El Paso  
Internal Audit Department**

**Name of Audit  
Checklist For Follow-up Working Papers  
Date**

<b>Follow-up Audit Name &amp; No.:</b>	Preparer		Reviewer	
	<u>Yes</u>	<u>N/A</u>	<u>Yes</u>	<u>N/A</u>
<b><i>FIELDWORK</i></b>				
Sampling plans are documented.	_____	_____	_____	_____
Working papers contain appropriate headings so that they are readily identifiable.	_____	_____	_____	_____
Working papers are properly indexed.	_____	_____	_____	_____
Working papers are cross-referenced.	_____	_____	_____	_____
Working papers are initialed and dated by preparer and reviewer.	_____	_____	_____	_____
Working papers are prepared in accordance with the department's standards.	_____	_____	_____	_____
All working papers are necessary. Irrelevant audit material has been removed from the audit file.	_____	_____	_____	_____
Sources of information are identified.	_____	_____	_____	_____
Summary memos have been prepared, documenting the results of each area tested.	_____	_____	_____	_____
Numerical schedules/calculations are footed, cross-footed, or recalculated.	_____	_____	_____	_____
All explanations are complete and all tick marks are explained.	_____	_____	_____	_____
Recommendations are logical, feasible, and are supported by adequate working paper evidence.	_____	_____	_____	_____
Working papers are neat, legible, and readily understandable.	_____	_____	_____	_____

**City of El Paso  
Internal Audit Department**

<b>Follow-up Audit Name &amp; No.:</b>	Preparer		Reviewer	
	<u>Yes</u>	<u>N/A</u>	<u>Yes</u>	<u>N/A</u>

***FIELDWORK***

Working papers support the conclusions and opinions stated in the Summary Memos and Potential Findings Worksheets.

\_\_\_\_\_

A "Notes to Future Auditors" working paper, which includes suggestions for future audits, has been prepared.

\_\_\_\_\_

Audit evidence obtained is sufficient to meet the audit objectives, competent as to reliability, and relevant to the audit objectives.

\_\_\_\_\_

Recommendations from the original audit have been identified as implemented or in progress.

\_\_\_\_\_

For recommendations in progress a date of completion and a responsible party has been identified and documented.

\_\_\_\_\_

Audit objectives and management's expectations have been accomplished.

\_\_\_\_\_

Preparer: \_\_\_\_\_ Date: \_\_\_\_\_

Chief Internal Auditor: \_\_\_\_\_ Date: \_\_\_\_\_

Issue Report as of: \_\_\_\_\_

**City of El Paso  
Internal Audit Department**

**Name of Audit/SRP  
Checklist For Working Papers  
Date**

<b>Audit/SRP Name &amp; No.:</b>	Preparer		Reviewer	
	<u>Yes</u>	<u>N/A</u>	<u>Yes</u>	<u>N/A</u>

***REPORTING***

Working paper discrepancies noted by the reviewer have been addressed. \_\_\_\_\_

Audit program steps/SRP procedures are cross-referenced to the working papers. \_\_\_\_\_

Audit program steps/SRP procedures are completed and initialed. \_\_\_\_\_

Findings/Observations are logical. \_\_\_\_\_

Findings/Observations are cross-referenced to working papers. \_\_\_\_\_

Recommendations are logical and feasible. \_\_\_\_\_

Management's responses are included (if necessary). \_\_\_\_\_

A draft copy of the audit report/SRP memorandum is referenced to the working papers. \_\_\_\_\_

Audit/SRP evidence obtained is sufficient to meet the audit/SRP objectives, competent as to reliability, and relevant to the audit/SRP objectives. \_\_\_\_\_

Audit/SRP objectives have been accomplished. \_\_\_\_\_

Working papers are neat, legible, and readily understandable. \_\_\_\_\_

Preparer: \_\_\_\_\_

Date: \_\_\_\_\_

Reviewer: \_\_\_\_\_

Date: \_\_\_\_\_

**City of El Paso  
Internal Audit Department**

**Name of Audit  
Checklist For Follow-up Working Papers  
Date**

<b>Follow-Up Audit Name &amp; No.:</b>	<b>Preparer</b>		<b>Reviewer</b>	
	<u>Yes</u>	<u>N/A</u>	<u>Yes</u>	<u>N/A</u>
<i><b>REPORTING</b></i>				
All working paper discrepancies noted by the reviewers (during planning and fieldwork) have been addressed by the auditor.	_____	_____	_____	_____
Current Observations are logical.	_____	_____	_____	_____
A draft copy of the audit report is referenced to the working papers.	_____	_____	_____	_____
Audit evidence obtained is sufficient to meet the audit objectives, competent as to reliability, and relevant to the audit objectives.	_____	_____	_____	_____
Audit objectives have been accomplished.	_____	_____	_____	_____
Working papers are neat, legible, and readily understandable.	_____	_____	_____	_____

Preparer: \_\_\_\_\_

Date: \_\_\_\_\_

Reviewer: \_\_\_\_\_

Date: \_\_\_\_\_

**City of El Paso  
Internal Audit Department**



# **REPORT TITLE**

***DRAFT***

**Issued by the  
Internal Audit Department  
Date**

**City of El Paso  
Internal Audit Department**

**[Department Audited]  
[Audit Assignment Number if Applicable]**

***EXECUTIVE SUMMARY***

Restate conclusion(s) for each audit objective and summarize significant findings and recommendations (Typically not more than one page in length).

***BACKGROUND***

Provide background information about the purpose/mission of the area audited. Indicate whether or not this is a follow-up on a previous audit.

***AUDIT OBJECTIVES***

List Audit Objectives

***AUDIT SCOPE***

Describe scope of work performed and any limitations, including issues that would be relevant to likely users, so that they could reasonably interpret the findings, conclusions, and recommendations in the report without being misled. Report any significant constraints imposed on the audit approach by information limitations or scope impairments, including denials of access to certain records or individuals.

GAS standard 8.10 – Narrow down scope stated in the audit report to specific timeframes or locations.  
GAS standard 9.30 – Identify the scope of internal control assessed.

***AUDIT METHODOLOGY***

Explain how the completed audit work supports the audit objectives, including the evidence gathering and analysis techniques, in sufficient detail to allow knowledgeable users of their report to understand how the auditors addressed the audit objectives. Describe comparative techniques applied; describe the criteria used; and, when sampling significantly supports the auditor's findings, conclusions, recommendations, describe the sample design and state why the design was chosen, including whether the results can be projected to the intended population.

We conducted this audit in accordance with Generally Accepted Government Auditing Standards and the Global Internal Audit Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.



**City of El Paso  
Internal Audit Department**

***SIGNIFICANT FINDINGS, RECOMMENDATIONS,  
AND MANAGEMENT’S RESPONSES***

The definition of a “Significant Finding” is one that has a material effect on the City of El Paso’s financial statements, identifies an internal control breakdown, is a violation of a City procedure, or a violation of a law and/or regulation, which the City is required to follow. Any finding not meeting these criteria will be classified as a “Regular Finding”.

<b><u>Finding 1</u></b>	<b>Title</b>
<p>State Criteria first. Criteria represent the laws, regulations, contracts, grant agreements, standards, measures, expected performance, defined business practices, and benchmarks against which performance was compared or evaluated.</p> <p>State finding. This section should be restricted to documented factual statements, which can be substantiated. Statements of opinion, assumption and conclusion, such as” “violation of <u>Rules and Regulations</u>,” “management is ineffective,” and “internal control is poor,” should be avoided.</p>	
<b><u>Recommendation</u></b>	
<b><u>Management’s Response</u></b>	
<b><u>Responsible Party</u></b>	
<b><u>Implementation Date</u></b>	

***REGULAR FINDINGS, RECOMMENDATIONS,  
AND MANAGEMENT’S RESPONSES***

<b><u>Finding 2</u></b>	<b>Title</b>
<b><u>Recommendation</u></b>	

**City of El Paso  
Internal Audit Department**

Management's Response

Responsible Party

Implementation Date

***INHERENT LIMITATIONS***

Because of the inherent limitations of internal controls, errors or irregularities may occur and not be detected. Also, projections of any evaluation of the internal control structure to future periods beyond the Audit Report date are subject to the risk that procedures may become inadequate due to changes in conditions, management override of internal controls, or that the degree of compliance with the procedures may deteriorate. This was a limited scope audit which only reviewed the areas stated in the Audit Objectives during the Audit Scope period. No representations of assurance are made to other areas or periods not covered by this audit.

***CONCLUSION***

The auditor's opinion or conclusion based on the objectives of the audit should be stated.

- State that the audit evidence used in the analysis is sufficient and appropriate for addressing the objectives and supporting the findings and conclusion.
- Identify if audit objectives were met. List the objectives met first, then the objectives not met.

\_\_\_\_\_  
Chief Internal Auditor

\_\_\_\_\_  
Manager/Supervisor/Auditor

\_\_\_\_\_  
Audit Reviewer

Distribution List

***APPENDICES*** (If required)

**City of El Paso  
Internal Audit Department**

**[Department Audited]  
[Audit Assignment Number if Applicable]**

***EXECUTIVE SUMMARY***

Summarize each original finding using the following table format and include the status of each audit finding:

Finding No.	Description of Findings	Status
1	Summary of original audit report finding.	
2		

***BACKGROUND***

The *Generally Accepted Government Auditing Standards* (Standard 8.30) states that auditors should evaluate whether the audited entity has taken appropriate corrective action to address findings and recommendations from previous engagements. The *Global Internal Audit Standards* (Standard 15.2) require that the Chief Audit Executive establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.

***AUDIT OBJECTIVES***

List Audit Objectives

***AUDIT SCOPE***

Describe scope of work performed and any limitations, including issues that would be relevant to likely users, so that they could reasonably interpret the findings, conclusions, and recommendations in the report without being misled. Report any significant constraints imposed on the audit approach by information limitations or scope impairments, including denials of access to certain records or individuals.

***AUDIT METHODOLOGY***

Explain how the completed audit work supports the audit objectives, including the evidence gathering and analysis techniques, in sufficient detail to allow knowledgeable users of their report to understand how the auditors addressed the audit objectives. Describe comparative techniques applied; describe the criteria used; and, when sampling significantly supports the auditor's findings, conclusions, recommendations, describe the sample design and state why the design was chosen, including whether the results can be projected to the intended population.

We conducted this audit in accordance with *Generally Accepted Government Auditing Standards* and the *Global Internal Audit Standards*. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

**City of El Paso  
Internal Audit Department**

***CURRENT OBSERVATION AND STATUS***

Based on the follow-up audit results, each original finding recommendation will be designated with one of the following four status categories:

<i>Implemented</i>	The finding has been addressed by implementing the original corrective action or an alternative corrective action.
<i>In Progress</i>	The corrective action has been initiated but is not complete.
<i>Not Applicable</i>	The recommendation is no longer applicable due to changes in procedures or changes in technology.
<i>Not Implemented</i>	The recommendation was ignored, there were changes in staffing levels, or management has decided to assume the risk.

<b><u>Finding 1</u></b>	<b><u>Current Observation</u></b>
<p>Include a summary of the current observation on corrective actions taken. This section should be restricted to documented factual statements, which can be substantiated. Statements of opinion, assumption and conclusion, such as” “violation of <u>Rules and Regulations,</u>” “management is ineffective,” and “internal control is poor,” should be avoided.</p>	
<b><u>Status</u></b>	
Implemented	

<b><u>Finding 2</u></b>	<b><u>Current Observation</u></b>
<p>Include a summary of corrective actions not taken.</p>	
<b><u>Status</u></b>	
In Progress	

**City of El Paso  
Internal Audit Department**

***INHERENT LIMITATIONS***

Because of the inherent limitations of internal controls, errors or irregularities may occur and not be detected. Also, projections of any evaluation of the internal control structure to future periods beyond the Audit Report date are subject to the risk that procedures may become inadequate due to changes in conditions, management override of internal controls, or that the degree of compliance with the procedures may deteriorate. This was a limited scope audit which only reviewed the areas stated in the Audit Objectives during the Audit Scope period. No representations of assurance are made to other areas or periods not covered by this audit.

***CONCLUSION***

The auditor's opinion or conclusion based on the objectives of the audit should be stated.

- State that the audit evidence used in the analysis is sufficient and appropriate for addressing the objectives and supporting the findings and conclusion.
- Identify if audit objectives were met. List the objectives met first, then the objectives not met.

\_\_\_\_\_  
Chief Internal Auditor

\_\_\_\_\_  
Manager/Supervisor/Auditor

\_\_\_\_\_  
Audit Reviewer

Distribution List

***APPENDICES*** (If required)

City of El Paso  
Internal Audit Department



# Internal Audit Department

## Management Letter

**MAYOR**

Renard U. Johnson

Date

Name

Title

Address.

City, ST, Zip

**CITY COUNCIL**

**District 1**

Alejandra Chávez

Dear Mr./Ms.:

**District 2**

Dr. Josh Acevedo

During the course of the audit, the following issues came to our attention. Even though the issues are not significant enough to be included in the Audit Report, the Internal Audit Department felt they needed to be shared with Management. A Management Response is not required. The issues are outlined below:

**District 3**

Deanna M. Rocha

1.

Recommendation

**District 4**

Cynthia Boyar Trejo

2.

Recommendation

**District 5**

Ivan Niño

3.

Recommendation

**District 6**

Art Fierro

**District 7**

Lily Limón

I would like to thank your department for all the courtesies and assistance during our audit. If you require any additional assistance or information please feel free to contact me.

**District 8**

Chris Canales

Sincerely,

**CITY MANAGER**

Dionne Mack

Edmundo S. Calderón, CIA, CGAP, CRMA, MBA  
Chief Internal Auditor

cc: Dionne Mack, City Manager  
Appropriate Personnel, Deputy City Manager

City of El Paso  
Internal Audit Department



# Internal Audit Department

**MAYOR**

Renard U. Johnson

**DATE:**

**TO:** Name of Person Requesting SRP

**CITY COUNCIL**

**FROM:** Chief Internal Auditor

**District 1**

Alejandra Chávez

**SUBJECT:** Name of SRP

**District 2**

Dr. Josh Acevedo

At your request, the Internal Audit Department conducted a review of [Describe the nature of the SRP]. This engagement was accepted based on the engagement’s potential to support the evaluation and improvement of the organization’s governance, risk management, and control processes (IIA 9.4). The work performed does not constitute an engagement conducted in accordance with Generally Accepted Government Auditing Standards (GAS 1.16). The observations and conclusions that are reported in this memorandum do not require Management responses.

**District 3**

Deanna M. Rocha

**District 4**

Cynthia Boyar Trejo

[Include context in the methodology for the selection of projects]:

### Results and Conclusion

Describe and list your observations and conclusions based on the work performed during the fieldwork.

**District 5**

Ivan Niño

**District 6**

Art Fierro

**District 7**

Lily Limón

**District 8**

Chris Canales

<b>OBSERVATION 1</b>	<b>Title</b>
<b>RECOMMENDATION</b>	

**CITY MANAGER**

Dionne Mack

<b>OBSERVATION 2</b>	<b>Title</b>
<b>RECOMMENDATION</b>	

If you have any questions please feel free to contact me at extension 21365.

cc: Dionne Mack, City Manager  
Appropriate Personnel



**City of El Paso  
Internal Audit Department**

End-of-Audit Evaluation – Auditor City of El Paso Internal Audit Department	
<b>Auditor Name</b>	
<b>Title</b>	
<b>Period of Review</b>	
<b>Name/Type of Audit</b>	
<b>Evaluator/Position</b>	
<b>Date Prepared</b>	

**SECTION 1: TO BE COMPLETED BY EVALUATOR**

To assess the success of auditors, evaluator will consider the following elements. Please check the appropriate box.

3	2	1	NA
---	---	---	----

**KILL**

**1. PLANNING**

- a) Demonstrates ability to effectively plan resulting in audit programs that identify potential audit areas, criteria, and objectives.
- b) Prepares detailed audit guidelines including audit objectives, scope, specific steps, and staffing requirements (as applicable).
- c) Estimates time and resources necessary for an audit objective or an entire audit program, as assigned.
- d) Identifies audit conditions that require changes in approach; recommends changes, and understands the appropriate time to finish assignments and tasks.


Please cite any examples that support your rating:

**Performance Ratings:**

3	2	1	NA
Exceeds Standards	Competent/Effective	Development Needed	Not Applicable



**City of El Paso  
Internal Audit Department**

<b>End-of-Audit Evaluation – Auditor City of El Paso Internal Audit Department</b>
--

<b>3</b>	<b>2</b>	<b>1</b>	<b>NA</b>
----------	----------	----------	-----------

**2. DATA GATHERING and ANALYSIS**

- a) Prepares workpapers that are accurate, logically developed, complete, legible, organized, and well supported.
- b) Obtains and logically analyzes a variety of data, including systems and controls, to accomplish audit objectives and support audit findings.
- c) Completes audit tasks in a timely manner.
- d) Applies (or supervises the application of) auditing and research techniques appropriate to the assignment, such as statistical sampling, spread sheets, quantitative techniques, and library/legislative research.


Please cite any examples that support your rating:

**3. COMMUNICATION**

- a) Demonstrates ability to plan and conduct effective interviews (refer to audit program for direction on interview topics).
- b) Keeps audit Reviewer and Chief Internal Auditor informed of progress and problems.
- c) Prepares communications that are well written, and require minimal rewrite.
- d) Prepares audit reports or management letters that are logically written, internally supported, and complete.


Please cite any examples that support your rating:

**4. KNOWLEDGE**

- a) Appropriately applies auditing standards.
- b) Applies knowledge and skills obtained on previous tasks to similar subsequent tasks.
- c) Identifies and obtains the highest and best sources of evidence. (Refer to Audit Manual, "Performing the Audit: Detailed Guidelines," for discussion of sources of evidence)
- d) Demonstrates computer skills for efficient and effective audit applications.


Please cite any examples that support your rating:

**Performance Ratings:**

<b>3</b>	<b>2</b>	<b>1</b>	<b>NA</b>
<b>Exceeds Standards</b>	<b>Competent/Effective</b>	<b>Development Needed</b>	<b>Not Applicable</b>

**City of El Paso  
Internal Audit Department**

<b>End-of-Audit Evaluation – Auditor City of El Paso Internal Audit Department</b>
--

<b>3</b>	<b>2</b>	<b>1</b>	<b>NA</b>
----------	----------	----------	-----------

**5. WORKING RELATIONSHIPS and WORK HABITS**

- a) Interacts appropriately with auditee personnel, peers and other department staff. Is assertive and tactful with ideas and makes contributions to the team.
- b) Communicates with tact, reflective listening, non-adversarial tone, assertiveness, and verbal clarity, which foster meaningful and productive communication.
- c) Communicates well with Reviewer. This includes but is not limited to communicating progress and concerns in a timely manner.
- d) Follows direction of Reviewer. Understands when ideas and opinions have been considered, yet accepts a decision by the Reviewer not to take his/her recommendations.
- e) Willingly undertakes all assignments. Accepts appropriate levels of responsibility; shows interest; takes appropriate initiative; and shows support for the team and other staff.
- f) Works efficiently and effectively with minimal supervision.
- g) Attempts to find solutions to problems or questions before asking for help.
- h) Understands the appropriate time to bring assignments and tasks to closure.
- i) Efficiently manages time and resources.
- j) Is punctual and dependable.
- k) Follows department policies, procedures, and job requirements.
- l) Understands and learns from constructive criticism.


Please cite any examples that support your rating:

**Performance Ratings:**

<b>3</b>	<b>2</b>	<b>1</b>	<b>NA</b>
<b>Exceeds Standards</b>	<b>Competent/Effective</b>	<b>Development Needed</b>	<b>Not Applicable</b>

**City of El Paso  
Internal Audit Department**

**RECOMMENDATIONS**

---

---

***This assessment was discussed with the employee.***

\_\_\_\_\_  
Signature of Employee Receiving Assessment  
(In signing the report, I do not necessarily agree with the conclusions of the evaluator.)

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature of Reviewer

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature of Chief Internal Auditor

\_\_\_\_\_  
Date

Distribution:

Chief Internal Auditor  
Audit Manager  
QA File

**City of El Paso  
Internal Audit Department**

<b>End-of-Audit Evaluation – Reviewer City of El Paso Internal Audit Department</b>	
<b>Audit Reviewer Name</b>	
<b>Title</b>	
<b>Period of Review</b>	
<b>Name/Type of Audit</b>	
<b>Evaluator/Position</b>	
<b>Date Prepared</b>	

**SECTION 1: TO BE COMPLETED BY AUDITOR IN CHARGE OF AUDIT AT THE SAME TIME REVIEWER IS COMPLETING AUDITOR'S EVALUATION. (SECTION 1)**  
**To assess the success of reviewers, evaluator will consider the following elements. Please check the appropriate box.**

3	2	1	NA
---	---	---	----

**SKILL**

**1. COMMUNICATION**

- a) Welcomes and provides feedback in a timely manner.
- b) Gives feedback that is directed at work product and is not personal in nature.
- c) Offers appropriate encouragement and recognition.
- d) Encourages open two-way communication and is a good listener.


Please cite any examples that support your rating:

**2. PROMOTES EXCELLENCE**

- a) Strives for excellence and integrity in work product and services provided.
- b) Sets clear performance standards.
- c) Provides needed assistance for the project.


Please cite any examples that support your rating:

**Performance Ratings:**

3	2	1	NA
Exceeds Standards	Competent/Effective	Development Needed	Not Applicable

**City of El Paso  
Internal Audit Department**

<b>End-of-Audit Evaluation – Reviewer</b>			
<b>City of El Paso</b>			
<b>Internal Audit Department</b>			

<b>3</b>	<b>2</b>	<b>1</b>	<b>NA</b>
----------	----------	----------	-----------

**3. LEADERSHIP AND MANAGEMENT**

- a) Promotes leadership and management skills by delegating responsibility.
- b) Promotes leadership and management skills by delegating authority.
- c) **Provides guidance and direction throughout all phases of the audit.**


Please cite any examples that support your rating:

**4. DISPOSITION**

- a) Exhibits an encouraging and positive attitude about the project and its goals and objectives.
- b) Is open to new ideas and suggestions that there might be a better or different way to perform audit tasks.


Please cite any examples that support your rating:

**5. DECISION MAKING**

- a) Is a fair and consistent decision maker.
- b) Makes decisions in the best interest of the project.
- c) Makes decisions in the best interest of team members.
- d) Clearly articulates what is most important to the project.


Please cite any examples that support your rating:

**6. CONFLICT AND DISPUTE RESOLUTION:**

- a) Exercises appropriate leadership in resolving conflicts and settling disputes.

--	--	--	--

Please cite any examples that support your rating:

**Performance Ratings:**

<b>3</b>	<b>2</b>	<b>1</b>	<b>NA</b>
Exceeds Standards	Competent/Effective	Development Needed	Not Applicable

**City of El Paso  
Internal Audit Department**

<b>End-of-Audit Evaluation – Reviewer City of El Paso Internal Audit Department</b>			
---	--	--	--

<b>3</b>	<b>2</b>	<b>1</b>	<b>NA</b>
----------	----------	----------	-----------

**7. PROFICIENCY AND JOB KNOWLEDGE:**

- a) Demonstrates excellent working knowledge of tasks under his or her management.
- b) Has a working knowledge of professional and departmental standards and practices.
- c) Is willing and motivated to learn about new areas, practices, standards.
- d) Understands the City's structures and political context.


Please cite any examples that support your rating:

**Please provide comments on this reviewer's leadership and management (use the back of this page if more space is needed):**

1. Major strengths of this reviewer:
  
  
  
2. Areas where this manager could improve:

Overall evaluation of manager: (circle one)

Effective		Ineffective
3	2	1

**Performance Ratings:**

<b>3</b>	<b>2</b>	<b>1</b>	<b>NA</b>
Exceeds Standards	Competent/Effective	Development Needed	Not Applicable

**City of El Paso  
Internal Audit Department**

---

---

***This assessment was discussed with the reviewer.***

\_\_\_\_\_  
Signature of Reviewer Receiving Assessment  
(In signing the report, I do not necessarily agree with the conclusions of the evaluator.)

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature of Evaluator

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature of Chief Internal Auditor

\_\_\_\_\_  
Date

Distribution:

Chief Internal Auditor  
Audit Manager  
QA File

**City of El Paso  
Internal Audit Department**

**Name of Audit/SRP  
Debrief Form  
Date**

**Auditors involved in the audit/SRP:** \_\_\_\_\_

**Reviewer:** \_\_\_\_\_

**QAP Reviewer:** \_\_\_\_\_

**Client Survey:** \_\_\_\_\_

1. Describe the most efficient and effective aspect of the audit/SRP.
2. Describe the least efficient and effective aspect of the audit/SRP.
3. During the audit/SRP were there changes requiring adjustment to the objectives or scope?
4. Client Relations – Describe the interaction between the applicable clients.
 

<input type="checkbox"/> Senior (V.P., Directors, Etc.)	<input type="checkbox"/> Poor	<input type="checkbox"/> Good	<input type="checkbox"/> Excellent
<input type="checkbox"/> Mid-Management	<input type="checkbox"/> Poor	<input type="checkbox"/> Good	<input type="checkbox"/> Excellent
<input type="checkbox"/> Staff	<input type="checkbox"/> Poor	<input type="checkbox"/> Good	<input type="checkbox"/> Excellent
5. Were there instances or issues requiring interdepartmental communications to resolve these issues?

**Audit/SRP Performance Measures**

**Key Objective**

**Audit/*Project Completion – Budgeted vs. Actual Hours:***

	Budget	Actual	Variance
Planning			
Fieldwork			
Review			
Report			
Other (meetings)			
Total			

Auditor Total Actual Hours (list individually if more than one Auditor):

Project Reviewer Total Actual Hours:



**City of El Paso  
Internal Audit Department**

---

**Key Objective**

Audit/*Project Completion*:

Audit/Project Assignment Sheet Approval Date:

Audit Report/Project Memo Issuance Date Milestone:

Actual Audit Report/Project Memo Issuance Date:

---

**Key Objective**

***Auditee Survey Results:***

Double click on table to enter "Total # of Ratings" in yellow.

Rating	Total # of Ratings	Value Each Rating	Total Value of Ratings
Excellent	0	4	0
Good	0	3	0
Fair	0	2	0
Poor	0	1	0
Totals	0		0
<b>Average Rating</b>	<b>#DIV/0!</b>		

**Note:** Each survey has up to 12 possible ratings. So 3 surveys could have a "Total # of Ratings" of 33

Average Rating = "Total Value of Ratings" divided by "Total # of Ratings".

Signature below indicates agreement with actual measures noted above:

Auditor in Charge \_\_\_\_\_

Project Reviewer \_\_\_\_\_

**City of El Paso  
Internal Audit Department**

**Quality Assurance Program Worksheet (Investigations)**

**Investigation Name and Number (if applicable):**

Each file should contain:

1. \_\_\_ A copy of the investigation memoranda that is referenced to the working papers
2. \_\_\_ Planning documentation (Investigative Plan, related checklists, auditor's objectivity statement, etc.)
3. \_\_\_ Evidence of test work performed
4. \_\_\_ Properly indexed, referenced & cross-referenced working papers
5. \_\_\_ Summary sheets documenting results of testing
6. \_\_\_ Documentation of all relevant correspondence (interviews, meetings, release of information, etc.)
7. \_\_\_ All documents, forms, working papers, schedules, etc. should be:
  - properly titled
  - organized
  - initialed by the preparer and the reviewer
  - securely fastened in the file
8. \_\_\_ The file folder should have a label with the name & number (if applicable) of the investigation

Auditor assigned \_\_\_\_\_

Peer reviewer \_\_\_\_\_

**City of El Paso  
Internal Audit Department**

**INVESTIGATION CONTROL SHEET**

Investigation Name and Number (if applicable): \_\_\_\_\_

ACTIVITY	DATE	INITIALS
<i>Planning</i>		
Scheduled date of completion (per Investigative Plan)		
Planning completed and submitted to Chief Internal Auditor or Audit Manager for review		
Planning notes cleared; return for approval		
Planning review completed		
<i>Peer Review</i>		
Fieldwork completed and working papers submitted to peer for review		
Working paper review completed; return to auditor to clear notes		
Working paper notes cleared; return to peer reviewer		
Working paper review completed		
<i>Reporting</i>		
Initial draft memorandum submitted to Chief Internal Auditor for review		
Final memorandum and file submitted to peer for final review		
Memorandum notes completed; return to auditor to clear notes		
Memorandum notes cleared; return to peer reviewer		
Reporting review completed		
Final memorandum and file submitted for QAP review		
Memorandum issued		

**City of El Paso  
Internal Audit Department**

**Auditor's Objectivity Statement (Investigations)**

We expect our auditors to maintain objectivity of mental attitude in the conduct of all assigned assurance work, to be fair and impartial, and to conduct themselves so that clients and third parties will see the Department in this way (IIA 2.1). Each staff member must promptly notify the Chief Internal Auditor, in writing, concerning any situation that would impair the staff member's or the Department's objectivity on an engagement, or that might lead others to question the objectivity. If a staff member has any doubt about whether a situation may be an impairment to objectivity, he or she should consult with the Chief Internal Auditor (IIA 2.3).

**Employee:** \_\_\_\_\_ **Position:** \_\_\_\_\_

**Client Name:** \_\_\_\_\_ **Scope:** \_\_\_\_\_

**Possible Personal Impairments to My Objectivity on this Engagement.** I have reviewed my personal situation with respect to this engagement. I am not aware of any circumstances that might impair my ability to be objective on the engagement or that might lead others to question it, except as indicated below or on attached pages.

<u><b>Type of Personal Impairment</b></u>	<u><b>Not Applicable</b></u>	<u><b>Possibly Applicable</b></u>
Official, professional, personal, or financial relationships that might cause the auditor to limit the extent of the inquiry, to limit disclosure, or to weaken or slant observations in any way (includes relatives employed by the client).	_____	_____
Preconceived ideas toward individuals, groups, organizations, or objectives of a particular program that could bias the engagement.	_____	_____
Previous responsibility for decision-making or managing an entity that would affect current operations of the entity or program being reviewed.	_____	_____
Biases, including those induced by political or social convictions, that result from employment in or loyalty to, a particular group, organization, or level of government.	_____	_____
Subsequent performance of an audit by the same individual who, for example, had previously approved invoices, payrolls, claims, and other proposed payments of the entity or program being audited.	_____	_____
Concurrent or subsequent performance of an audit by the same individual who maintained the official accounting records.	_____	_____
Financial interest, direct or substantially indirect, in the reviewed entity or program.	_____	_____
Offer of or application for a position with the client during the preceding year (Note: an offer of or intention to apply for a position with the client once the engagement is in progress must also be reported).	_____	_____

**DETAILS MUST BE COMMUNICATED TO THE CHIEF INTERNAL AUDITOR BY CONFIDENTIAL MEMORANDUM.**

**Responsibility to Update this Disclosure.** I understand that I am responsible for making a timely written notification to the Chief Internal Auditor in the event that any circumstance may arise during the course of this engagement that might impair or appear to impair my objectivity with respect to the engagement.

**Signature:** \_\_\_\_\_ **Date:** \_\_\_\_\_

**City of El Paso  
Internal Audit Department**

**FRAUD EXAMINATION CHECKLIST**

Investigation Name: \_\_\_\_\_ Investigation No. (if applicable): \_\_\_\_\_

***PLANNING***

	<b>Preparer</b>		<b>Reviewer</b>	
	<b><u>Yes</u></b>	<b><u>N/A</u></b>	<b><u>Yes</u></b>	<b><u>N/A</u></b>
An Investigative Plan has been prepared.	_____	_____	_____	_____
Allegation is documented in writing.	_____	_____	_____	_____
Notified legal counsel and discussed whether to proceed.	_____	_____	_____	_____
A timeframe has been prepared with the estimated date of completion.	_____	_____	_____	_____
Auditor's Objectivity Statement has been completed.	_____	_____	_____	_____

Preparer: \_\_\_\_\_

Date: \_\_\_\_\_

Reviewer: \_\_\_\_\_

Date: \_\_\_\_\_

**City of El Paso  
Internal Audit Department**

**FRAUD EXAMINATION CHECKLIST**

Investigation Name: \_\_\_\_\_ Investigation No. (if applicable): \_\_\_\_\_

***FIELDWORK***

	<b>Preparer</b>		<b>Reviewer</b>	
	<u>Yes</u>	<u>N/A</u>	<u>Yes</u>	<u>N/A</u>
Identified possible schemes or indicators of fraud.	_____	_____	_____	_____
Developed fraud theory.	_____	_____	_____	_____
Identified potential witnesses.	_____	_____	_____	_____
Identified suspects or co-conspirators.	_____	_____	_____	_____
Interviews documented.	_____	_____	_____	_____
Determined if an error or mistake was made.	_____	_____	_____	_____
Reviewed internal controls.	_____	_____	_____	_____
Identified indicators showing intent.	_____	_____	_____	_____
Identified computers that might be linked to fraud.				
<ul style="list-style-type: none"> <li>• Identify if expertise needed?</li> <li>• Data downloaded?</li> <li>• Data printed?</li> </ul>	_____	_____	_____	_____
Performed forensic analysis?				
<ul style="list-style-type: none"> <li>• Handwriting,</li> <li>• Reviewed altered documents,</li> <li>• Ink analysis.</li> </ul>	_____	_____	_____	_____
Investigation procedures are cross-referenced to the working papers.	_____	_____	_____	_____
Sampling plans are documented.	_____	_____	_____	_____
Working papers contain appropriate headings so that they are readily identifiable.	_____	_____	_____	_____
Working papers are initialed and dated by preparer and reviewer.	_____	_____	_____	_____

**City of El Paso  
Internal Audit Department**

***FIELDWORK***

	<b>Preparer</b>		<b>Reviewer</b>	
	<b><u>Yes</u></b>	<b><u>N/A</u></b>	<b><u>Yes</u></b>	<b><u>N/A</u></b>
Sources of information are documented in sufficient detail.	_____	_____	_____	_____
Numerical schedules/calculations are footed, cross-footed, or recalculated.	_____	_____	_____	_____
Determined the potential loss.	_____	_____	_____	_____
Summary memos have been prepared, documenting the results of each area tested.	_____	_____	_____	_____
Working papers support the conclusions and opinions stated in the Summary Memos.	_____	_____	_____	_____
Information and data gathered was carefully documented and organized relative to the case objectives.	_____	_____	_____	_____
Evidence obtained is sufficient, appropriate for addressing the engagement objectives, competent as to reliability, and relevant to the engagement objectives.	_____	_____	_____	_____

Preparer: \_\_\_\_\_

Date: \_\_\_\_\_

Reviewer: \_\_\_\_\_

Date: \_\_\_\_\_

**City of El Paso  
Internal Audit Department**

**FRAUD EXAMINATION CHECKLIST**

Investigation Name: \_\_\_\_\_ Investigation No. (if applicable): \_\_\_\_\_

***REPORTING***

	<b>Preparer</b>		<b>Reviewer</b>	
	<u>Yes</u>	<u>N/A</u>	<u>Yes</u>	<u>N/A</u>
Evidence adequately supports any referrals for possible criminal, civil, or administrative action; findings; conclusions; and recommendations.	_____	_____	_____	_____
Memorandum written.	_____	_____	_____	_____
Pertinent evidence included with memorandum.	_____	_____	_____	_____
Observations are logical and are adequately supported by objective evidence.	_____	_____	_____	_____
Observations are cross-referenced to working papers.	_____	_____	_____	_____
Recommendations are logical, feasible, and are supported by adequate working paper evidence.	_____	_____	_____	_____
Memorandum issued to appropriate officials for corrective action.	_____	_____	_____	_____
Management's responses are included (if necessary).	_____	_____	_____	_____
Investigation objectives have been met.	_____	_____	_____	_____
Matter referred for further civil, criminal, and administrative action to appropriate administrative and prosecutorial agencies.	_____	_____	_____	_____

Preparer: \_\_\_\_\_

Date: \_\_\_\_\_

Reviewer: \_\_\_\_\_

Date: \_\_\_\_\_





**City of El Paso  
Internal Audit Department**

**FRAUD EXAMINATION CHECKLIST – List of Witnesses**

Investigation Name: \_\_\_\_\_ Investigation No. (if applicable): \_\_\_\_\_

<b>Name of Witnesses:</b>	<b>Phone</b>	<b>Date Contacted</b>	<b>Interview Completed</b>	<b>Interview Date</b>

**City of El Paso  
Internal Audit Department**

**RELEASE OF INFORMATION**

Investigation Name and Number (if applicable): \_\_\_\_\_

<b>DATE</b>	<b>INDIVIDUAL/OFFICER NAME</b>	<b>BADGE/ID #</b>	<b>FORMAT (PAPER/ELECTRONIC)</b>	<b>INITIALS</b>

**City of El Paso  
Internal Audit Department**

**Investigative Plan**

**ALLEGATION**

Provide some details as to the allegations being made. Ex: “*Cashiers at the Environmental Services Department are allegedly using duplicate receipts to keep cash payments made by landfill users, and/or letting non-residents have access to the landfill by selling them free resident receipts for a price lower than they otherwise would have paid*”

**POTENTIAL VIOLATIONS**

City of El Paso Discipline Policy and Matrix:

II. Procedures, A. Basis for Discipline, 1. *Employees are subject to discipline for violations of the law, City Charter provisions that constitute cause for discipline, Civil Service Commission Rules and Regulations, City policies, Departmental policies and procedures and verbal or written directives from supervisory personnel.*

IV. *Disciplinary Matrix provides supervisory personnel and Department Heads with the parameters of discipline that shall be imposed on an employee when an infraction occurs that violates the law, a Civil Service rule, policy, or regulation of the department.*

The allegations are not limited to the following offenses listed in the matrix:

- *Violation of a departmental policy that mandates termination,*
- *Inducing or assisting another to commit an unlawful act or to act in violation of any lawful departmental or official regulation or order,*
- *Misappropriation,*
- *Dishonesty,*
- *Inefficient performance,*
- *Failure to follow City/Department Rules or policies,*
- *Misuse of City resources,*
- *Poor Customer Service/Unprofessional Conduct.*

Federal/State Criminal Laws: Misdemeanor/Felony Theft charges based on amount stolen.

**SUMMARY OF INVESTIGATIVE STRATEGY**

**Issues/Concerns**

- Ex: Age – complainant states this as witnessed “about a year ago or so.”

**Work to be performed**

- Check with SIG regarding possible criminal theft case against cashiers,
- Observe cashiers in action,
- Obtain documentation regarding landfill cashier’s transactions.

**City of El Paso  
Internal Audit Department**

**RESOURCES NECESSARY TO PERFORM THE INVESTIGATION**

Auditors Assigned: Name  
Reviewer: Name  
Include other sources pertinent to the investigation

**TIME TABLE**

Planning: Target Date is  
Fieldwork: Target Date is  
Reporting: Target Date is

**Prepared by:** \_\_\_\_\_

**Approved by:** \_\_\_\_\_

**City of El Paso  
Internal Audit Department**

**Entrance Meeting Checklist (If required)**

**Investigation Name and Number (if applicable):**

Procedure	Initials/Date
Set the date, time, and location of the entrance meeting.	
Prepare and distribute an agenda for the meeting. The agenda should include the following:	
<ul style="list-style-type: none"> <li>• Discussion of the investigation scope and objectives (theirs and ours).</li> </ul>	
<ul style="list-style-type: none"> <li>• Identification of auditors assigned to the investigation.</li> </ul>	
<ul style="list-style-type: none"> <li>• Estimated completion date.</li> </ul>	
<ul style="list-style-type: none"> <li>• Process of communication.</li> </ul>	
<ul style="list-style-type: none"> <li>• Conditions and operations of the area under review (management changes, changes to systems, etc.).</li> </ul>	
<ul style="list-style-type: none"> <li>• Investigation reporting process.</li> </ul>	
<ul style="list-style-type: none"> <li>• Client concerns.</li> </ul>	
<ul style="list-style-type: none"> <li>• Follow up process.</li> </ul>	
Distribute <i>Request for Information</i> memo to management requesting documentation needed for the investigation.	
Document the results of the entrance meeting.	
If applicable, arrange a tour of the area under review and meet personnel you will be working with during the investigation.	

**City of El Paso  
Internal Audit Department**

**INVESTIGATION ENTRANCE PROJECT MEETING AGENDA**

**Date  
(If required)**

**I. Introductions**

**II. Overview**

Describe Purpose of Meeting.

**III. Investigation Objectives**

Describe the objectives of the Investigation.

**IV. Duration and Scope of Work**

- A. Discuss project completion target date
- B. Describe who will be interviewed
- C. Document other items relevant to the project

**V. Points of Contact**

**VI. Questions**

Allow time for questions

**City of El Paso  
Internal Audit Department**

**Exit Meeting Checklist (If required)**

**Investigation Name and Number (if applicable):**

<b>Procedure</b>	<b>Initials/Date</b>
Set the date, time, and location of the exit meeting.	
Prepare and distribute an agenda for the meeting. The agenda should include the following:	
<ul style="list-style-type: none"><li>• Accomplishment of the objectives (theirs and ours).</li></ul>	
<ul style="list-style-type: none"><li>• Discussion of observations and recommendations (if applicable).</li></ul>	
<ul style="list-style-type: none"><li>• Discussion if management’s response are required and when they will be due.</li></ul>	
<ul style="list-style-type: none"><li>• Investigation reporting process.</li></ul>	
<ul style="list-style-type: none"><li>• Follow up process (if applicable).</li></ul>	
Document results of the exit meeting.	



**City of El Paso  
Internal Audit Department**

**INVESTIGATION EXIT MEETING AGENDA**

**Date**  
**(If required)**

- I. Introductions**
- II. Overview**
- III. Investigation Objectives**
- IV. Discussion of Memorandum**
- V. Questions**