



2022-2023
Annual Audit Plan
2nd Quarter Update

Issued by the
Internal Audit Office
As of February 28, 2023

INTRODUCTION

According to Performance Standards 2020 & 2060 of the *International Standards for the Professional Practice of Internal Auditing* as issued by the Institute of Internal Auditors, the Chief Internal Auditor must report periodically to the Financial Oversight and Audit Committee and the City Manager on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan. The Chief Internal Auditor is also responsible for reporting significant risk exposures, control issues, fraud risks, governance issues, and other matters needed or requested by the Financial Oversight and Audit Committee and the City Manager.

In addition, by periodically reporting to the Financial Oversight and Audit Committee and the City Manager, the Internal Audit Office helps support the City of El Paso's *Strategic Plan* Goals 6.6 and 6.8;

- Goal 6.6: *Ensure continued financial stability and accountability through sound financial management, budgeting and reporting.*
- Goal 6.8: *Support transparent and inclusive government.*

The Chief Internal Auditor is also responsible to communicate the internal audit activity's plans and resource requirements, including significant interim changes, to the City Manager and the Financial Oversight and Audit Committee for review and approval. The Chief Internal Auditor must also communicate the impact of any resource limitations.

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

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

As required by the *International Standards for the Professional Practice of Internal Auditing*, Standard 1110, the City of El Paso's Internal Audit Office continues to maintain its independence by reporting functionally to the Financial Oversight and Audit Committee (FOAC). The Internal Audit Office also reports to the City Manager, administratively and operationally. The FOAC and City Manager approves the Internal Audit Charter and annual risk-based Audit Plan. The FOAC also receives quarterly updates to the Annual Audit Plan from the Chief Internal Auditor. Standard 2060 requires the Internal Audit Office ensure conformance with the Code of Ethics and the Standards. The Code of Ethics Principles includes Integrity, Objectivity, Confidentiality and Competency. Any non-conformance will be reported.

We conduct audits in accordance with both *Generally Accepted Government Auditing Standards* and the *International Standards for the Professional Practice of Internal Auditing*.

COMPLETED AUDITS & PROJECTS

This section will provide the Financial Oversight and Audit Committee and the City Manager a short synopsis of every audit and project completed during the 1st Quarter of the 2022-2023 Annual Audit Plan. Please see the Internal Audit Office's webpage for a copy of the audit reports listed below.

El Paso Children's Museum – Accounts Payable Follow-Up Audit (Report dated October 27, 2022)

The Internal Audit Office conducted a Follow-Up Audit of the original *El Paso Children's Museum – Accounts Payable Audit Report* dated November 20, 2020. The original Audit Report contained two (2) Findings. The objectives of the Follow-Up Audit were to determine if the Recommendations to the two Findings have been implemented.

Based on the results of the Follow-Up Audit;

1. The status of Finding #1 is *Implemented*. The El Paso Children's Museum (EPC) is providing the following reports to the Museum and Cultural Affairs Department (MCAD) per the requirements of the Children's Museum Agreements.
 - A five (5) year Museum Operating Budget – FY2022 through FY2026.
 - Quarterly Donor Contribution Reports.
 - An annual budget adopted by EPC January 1, 2022 to December 31, 2022.
 - Quarterly updates to City Council on the status of the design, development, budget, and construction
2. The status of Finding #2 is *Implemented*. MCAD is documenting evidence of review for mathematical accuracy of quantities and dollars spent on EPC invoices and is following the *City of El Paso's Accounts Payable Policy* dated September 2018.

The results were communicated to the City Manager, Deputy City Manager, and the Managing Director, Museum and Cultural Affairs Department. An electronic copy and a hardcopy of the Audit Report was distributed to the Mayor and City Representatives.

EPPD – Municipal Vehicle Storage Facility Follow-Up Audit (Report dated November 9, 2022)

The Internal Audit Office conducted a Follow-Up Audit of the *EPPD – Municipal Vehicle Storage Facility Audit Report* dated May 13, 2020. The Audit Report contained (4) four Findings. The objectives of the Follow-Up Audit were to determine if Recommendations to the four Findings have been implemented.

Based on the results of the Follow-Up Audit:

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1. The status of Finding #1 is *Implemented*. The El Paso Police Department's Abandoned Auto Unit Operations Manual has been updated to reflect that City Auctions are now conducted online and the bidding process is performed through an auction website.
2. The status of Finding #2 is *Implemented*. Ten (10) out of ten (10) vehicles reviewed (100%) were sold more than 51 days after the date of impoundment and were deemed abandoned as contractually required.
3. The status of Finding #3 is *Implemented*. Municipal Vehicle Storage Facility operations, United Road Towing and City of El Paso Auctions have a process in place to identify vehicles owned by U.S Active Duty Service Members so that they are not sold at auction. The verification process is identified in the Abandoned Auto Unit Operations Manual under Section 8.2.M.3e.
4. The status of Finding #4 is *In Progress*. El Paso Police Department Management will assume the risk of securing funding to reconfigure the fencing of the Municipal Vehicle Storage Facility (MVSF) to meet current needs. El Paso Police Department Management should work with City Management in order to expand the MVSF's capacity to meet future storage needs. No further Follow-Up will be necessary.

The results were communicated to the City Manager, Deputy City Manager, Police Chief and the EPPD Administrative Services Manager. An electronic copy and a hardcopy of the Audit Report was distributed to the Mayor and City Representatives.

Civil Service Appeals Review (Memo dated November 21, 2022)

At the request of the request of the Deputy City Manager of Support Services, the Internal Audit Office conducted a review of Civil Service Commission Appeal Cases. The Appeal Cases are brought before the Commission by employees requesting a reconsideration of, a *Disqualification from Examination* for an open position or a *Disciplinary Action*.

The results were communicated to the City Attorney, Deputy City Manager/CFO and Managing Director of Internal Services.

Tax Office Money Room - Internal Control Review (Memo dated December 15, 2022)

The Internal Audit Office conducted an Internal Control Review within the Money Room of the City's Consolidated Tax Office.

Based on our review of the Internal Controls at the City's Consolidated Tax Office, we were able to:

- Confirm that the Cash Handling Procedures at the Tax Office are consistent with the City of El Paso's Cash Handling Policies and Procedures.

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- Confirm that the Tax Office’s Cash Handling Procedures and Operations are properly and accurately being collected, reported, and deposited.
- Determine that the Tax Office is operating in a control conscious environment as it relates to the safeguarding and transfer of financial, information, and physical assets.

The results were communicated to the City Manager, Deputy City Manager/CFO, and the Tax Assessor Collector. An electronic copy and a hardcopy of the Memo was distributed to the Mayor and City Representatives.

Human Resources – Employee Insurance Benefit Review Audit (Report dated December 21, 2022)

The Internal Audit Office conducted an Audit of the Human Resources Department – Employee Insurance Benefit Program. The audit objectives were to determine if the Human Resources Department has processes in place to ensure that employees enrolled for City Health, Dental, and Vision benefits are eligible and accurately charged for elected coverage.

Based on the results of the Audit, (2) two Findings were identified. Finding #1 is a Positive Finding and Finding #2 is a Regular Finding. The Findings consisted of the following:

1. HR- Benefit Services:

- Has established procedures documenting the enrollment process and defining the documentation requirements for enrolling employees and dependents for benefits.
- Posts and distributes consistent communication to employees regarding benefits and documentation requirements for enrolling dependents.
- Implemented a process to notify third party administrators of terminated employees and their dependents.
- Implemented a process for approving and coding disabled dependents.
- Obtains required documentation for dependents enrolled for benefits.
- Updates Benefit Records stored in ApplicationXtender to reflect up-to-date benefit coverage information.

We can provide reasonable assurance that the Human Resources Department has processes in place to ensure that employees enrolled for City Health Benefits are eligible and accurately charged for their elected coverage.

2. HR-Benefit Services:

- Has not established a process to dispose of digital Health Benefit Records for former employees as required by the Texas State Library and Archives Commission.

The Findings and our Recommendations were communicated to the City Manager, Deputy City Manager/CFO and the Managing Director of Internal Services. An electronic copy and a hardcopy of the Audit Report was distributed to the Mayor and City Representatives.

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City of El Paso Employee Hotline (As of February 28, 2023)

As of the 2nd Quarter of the 2022-2023 Fiscal Year, the City of El Paso Employee Hotline received 9 calls and they were all closed by February 28, 2023. As of February 28, 2023, we had 1 call open from the 4th Quarter of FY2022. The investigations were conducted either by the Internal Audit Office or by the Human Resources Department.

The Human Resources Department provides City of El Paso Employee Hotline outreach materials to participants of New Employee Orientation Trainings.

Tax Office Refund Review Project

During the 2nd Quarter, the Internal Audit Office conducted 27 Tax Office Refund reviews. For each review, memos were issued to the City Manager, Deputy City Manager/Chief Financial Officer, and the Tax Assessor Collector documenting our review.

This project continues on a recurring basis of conducting reviews of Tax Office Refunds as required by State Statute. Procedures have been designed to properly review refunds for approvals and timely processing of refund checks issued to Taxpayers.

PENDING AUDITS & PROJECTS

This section will provide the Financial Oversight and Audit Committee and the City Manager a short synopsis of the pending audits and projects currently being completed by the staff of the Internal Audit Office as of the end of the 1st Quarter. A brief synopsis is provided on the scope and objective of the audit or project.

Sun Metro – Parking Garage Contract Review Audit

An audit is being conducted of Solicitation No. 2017-1163R – *Property & Parking Garage Management Services* dated December 12, 2017 between the City of El Paso and ASM to manage 2 Parking Garages and 1 Surface Parking Lot. The objective of the audit is to perform a contract closeout assessment of Solicitation No. 2017-1163R to determine if terms and conditions between the City of El Paso and SMG were met.

Streets and Maintenance (SAM) – Permits Review Audit

An audit is being conducted of the Permits Issuance Process within the Streets and Maintenance Department. The objectives of the Streets and Maintenance (SAM) – Permits Review Audit are to determine if Streets and Maintenance:

- Has documented Policies and Procedures for the issuance of Permits,
- Is issuing Permits in a timely manner as required by City Policy or Ordinance,
- Is charging the correct Permit Fees as determined by Schedule C,
- Is properly conducting inspections to close out Permits.

Office of Management and Budget (OMB) – Migrant Emergency Expenditures Review

A review of the expenditures made in connection with the Migrant Humanitarian Crisis is being conducted. The objectives of the Migrant Emergency Expenditure Review are to:

- To verify the costs incurred are properly recorded and in compliance with the Emergency Food and Shelter Program’s (EFSP) Humanitarian Relief Funding Guidance FY 2022.
- Determine if the City’s operations regarding the Migrant Humanitarian Crisis have proper supporting documentation to justify all expenditures incurred.
- Verify reimbursements received to date from FEMA are accounted for and recorded.

MV Transportation Follow-Up Audit

The Internal Audit Office is conducting a Follow-Up Audit of the *MV Transportation, Inc. Audit Report* dated April 18, 2022. The Audit Report contained (3) three Findings. The objectives of the Follow-Up Audit are to determine if Recommendations to the three Findings have been implemented.

The three original Findings identified:

1. The Quarterly Performance Averages reported to the Mass Transit Board for the 4th Quarter of FY 2021 and the 1st Quarter of FY 2022 were not reported accurately.

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2. Sun Metro has not replaced 64 LIFT vehicles as contractually required.
3. The City's LIFT Contract Manager is not making a random selection of 400 unique ADA-eligible passenger trips to survey each month as contractually required.

Fire Department – Billing Follow-Up Audit

The Internal Audit Office is conducting a Follow-Up Audit of the *Fire Department – Billing Audit Report* dated August 6, 2019. The Audit Report contained (3) three Findings. The objectives of the Follow-Up Audit are to determine if Recommendations to the three Findings have been implemented.

The three original Findings identified:

1. The El Paso Fire Department (EPFD) does not have a 3rd Party Collection Agency in place to collect accounts that are in default.
2. The EPFD is not annually verifying the exclusion status of all current EPFD employees and contracted vendors from the List of Excluded Individuals and Entities (LEIE) Database. The LEIE is maintained and updated by the U.S. Department of Health & Human Services Office of Inspector General (OIG).
3. The El Paso Fire Department is not reconciling Digitech's (formally R1) Patient Payment Deposit Reports to the City of El Paso's Wells Fargo account and to Digitech's monthly billing invoices to ensure the accuracy of the amounts reported by Digitech.

City Attorney – Servicemembers Civil Relief Act Project

At the request of the Office of the City Attorney a review is being conducted of Servicemember vehicles sold at auction by the El Paso Municipal Vehicle Storage Facility. The objectives of the Servicemember Civil Relief Act Project are to:

- Review impounded vehicle documentation provided by the El Paso Police Department to identify the condition of Servicemember vehicles before they were sold at auction.
- Determine if vehicle documentation is sufficient to determine conditions of vehicles before they were sold at auction.
- Organize and file vehicle documentation for Office of the City Attorney use and for future reference.
- Communicate detailed information to the Office of the City Attorney for their review.

City Council & City Manager's Office – P-Card, Travel & Fuel Card Review

The Internal Audit Office is conducting a review of Procurement Card (P-Card), Travel and Fuel Card transactions made by the Mayor's Office, City Council, and the City Manager's Office. The objectives of this review are to determine if the P-Card and Fuel Card Program Administrators responsible for the Mayor's Office, City Council and City Manager's Office are properly reviewing and monitoring expenditures. In addition, to ascertain if proper purchasing and travel procedures have been followed.

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FINANCIAL OVERSIGHT AND AUDIT COMMITTEE (“FOAC”)

The FOAC met on March 6, 2023 to discuss the 1st Quarter Audit Plan Update of Fiscal Year 2022-2023 Annual Audit Plan.

- Selection of the FOAC Chairperson.
- Discussion and Action on the City of El Paso Internal Audit Charter.
- Approval of Minutes for the Financial Oversight and Audit Committee meeting October 20, 2022.
- Discussion on External Quality Assurance Review (Peer Review).
- Discussion on results of the Franchise Fee Audits.
- Discussion and Action to include an audit or review in the FY 2022-2023 Audit Plan of Ford Contract Numbers:
 - 2023-0165 Police Motorcycle Part, Service and Maintenance.
 - 2023-0239 Ford Propriety Parts and Service.
- Discussion and Action on Fiscal Year 2022-2023 Audit Plan 1st Quarter Updates.
- Discussion on Client Surveys.

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MISCELLANEOUS ITEMS

This section provides the Financial Oversight and Audit Committee and the City Manager with miscellaneous information regarding the Internal Audit Office's activities. These activities can vary from community service activities, training sessions attended, Professional Certification Examinations attempted with result, and Internal Audit Profession news and updates.

Training Sessions

The Internal Audit Office staff participates in Continuing Professional Education (CPE) trainings and webinars to help maintain our competency and skill sets. As of the 2nd Quarter, staff have earned the following number of CPE hours. Staff with professional certifications are required to earn 40 CPE hours per calendar year.

Name	Position	CPE Hours
Edmundo Calderon	Chief Internal Auditor	6.5
Daryl Olson	Audit Manager	0
Mike Montiel	Auditor IV	15.6
Liz De La O	Auditor IV	43.8
Miguel Ortega	Auditor III	3
Sergio Carrillo	Auditor II	22
John Monzon	Auditor I	15.6
Kay Gamboa	Auditor I	15.6
Esmeralda Herrera	Auditor I	14.9

Community Service

Association of Government Accountants – El Paso Chapter

Edmundo Calderon volunteered as a Board Member.

Institute of Internal Auditors – El Paso Chapter

Sergio Carrillo volunteered as a Board Member.

Association of Certified Fraud Examiners – El Paso Chapter

Miguel Montiel and Liz De La O volunteered as Board Members.

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AUDIT PLAN UPDATE

This section will provide the Financial Oversight and Audit Committee and the City Manager with an update on the progress of the 2022-2023 Annual Audit Plan. An analysis is provided listing the Audits/Projects scheduled by quarter with their associated budgeted hours. The actual audit hours worked per Audit/Project is provided. This analysis is a great management tool to demonstrate how the Internal Audit Office's resources are being used.

	BUDGETED HOURS	YTD as of 02/28/23
First Quarter	-	-
(Carry Fwds) Follow-Up Audit: Parks Department - 2012 CIP Bond Audit (A2022-08)	50.00	33.50
(CarryFwds) Follow-Up Audit: SAM Fuel Card Audit (A2022-07)	50.00	16.50
(CarryFwds) Accounts Receivable Program Audit (A2022-04)	50.00	99.00
(CarryFwds) Water Parks Financial Review Audit (A2022-05)	50.00	54.25
(CarryFwds) Follow-Up Audit: EPPD - Municipal Vehicle Storage Facility Audit (A2022-10)	100.00	56.25
(CarryFwds) Follow-Up Audit: El Paso Children's Museum - Accounts Payable Audit (A2022-11)	250.00	160.25
(CarryFwds) Municipal Court - Internal Control Review (P2022-06)	300.00	125.25
(CarryFwds) Human Resources – Employee Insurance Benefit Review Audit (A2022-09)	250.00	126.00
Civil Service Appeals Review	500.00	340.75
Peer Review Program - Red Book Standards Self-Assessment	250.00	167.25
Peer Review Program - Yellow Book Standards Self-Assessment	100.00	43.00
Longevity Project	100.00	-
Hotel Occupancy Tax Audits - Administration	50.00	47.50
Franchise Fee Audits (Spectrum) - Administration	50.00	15.50
TX Sales Tax Discovery - Administration	50.00	-
Citywide Sales Tax Analysis - Clearview	40.00	7.00
Tax Office Refund Review Project	100.00	71.00
City Employee Hotline	75.00	21.75
Contingency Hours	248.00	-
Audit Plan	-	344.00
Consulting	-	152.50
Fire Department Medicare Compliance Review	-	4.75
Administrative Duties - Chief Internal Auditor	225.00	218.50
Administrative Duties – Audit Supervisor	90.00	133.75
Administrative Duties - Staff Auditor	480.00	558.25
Auditor Training	120.00	315.75
Vacation/Sick Leave/Holiday	582.00	607.00
Total	4,160.00	3,719.25

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	BUDGETED HOURS	YTD as of 02/28/23
Second Quarter	-	-
Migrant Emergency Expenditures Review	500.00	281.25
Follow-Up Audit: SAM - Transportation Management Division - Cyber Security Assessment (A2019-06)	250.00	18.25
Sun Metro - Parking Garages Contract Review Audit	500.00	263.50
Peer Review of the Internal Audit Office	500.00	133.00
Longevity Project	100.00	13.50
Hotel Occupancy Tax Audits - Administration	50.00	125.50
Franchise Fee Audits (Spectrum) - Administration	50.00	21.75
TX Sales Tax Discovery - Administration	50.00	2.50
Citywide Sales Tax Analysis - Clearview	40.00	1.00
Tax Office Refund Review Project	100.00	89.25
City Employee Hotline	75.00	17.25
Contingency Hours	384.00	-
Audit Plan	-	257.50
Consulting	-	35.75
Ford Parts and Service Contract	-	24.50
Service Member Civil Relief Act	-	66.00
Administrative Duties - Chief Internal Auditor	225.00	298.50
Administrative Duties - Auditor IV	90.00	119.50
Administrative Duties - Staff Auditors	480.00	789.75
Auditor Training	120.00	612.25
Vacation/Sick Leave/Holiday	582.00	590.50
Total	4,096.00	3,761.00
Third Quarter	-	-
(CarryFwds) Follow-Up Audit: Fire Department Billing Audit	250.00	56.25
Tax Office - Internal Control Review	400.00	220.75
Sun Metro Money Room - Internal Control Review	400.00	-
Follow-Up Audit: MV Transportation, Inc Audit (A2022-02)	250.00	173.25
Street and Maintenance - Permit Review Audit	500.00	292.75
P-Card Reviews: City Council & City Manager's Office - P-Card & Travel Review	250.00	50.75
Longevity Project	100.00	-
Hotel Occupancy Tax Audits - Administration	50.00	-
Franchise Fee Audits (Spectrum) - Administration	50.00	-
TX Sales Tax Discovery - Administration	50.00	-
Citywide Sales Tax Analysis - Clearview	40.00	-
Tax Office Refund Review Project	100.00	-
City Employee Hotline	75.00	-
Contingency Hours	212.00	-
Administrative Duties - Chief Internal Auditor	225.00	-
Administrative Duties - Auditor IV	90.00	-
Administrative Duties - Staff Auditors	480.00	-
Auditor Training	120.00	-
Vacation/Sick Leave/Holiday	582.00	-
Total	4,224.00	793.75

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	BUDGETED HOURS	YTD as of 02/28/23
Fourth Quarter	-	-
Pension Office Disaster Recovery Plan Review Audit (NIST Framework)	500.00	100.25
Planning & Inspections - Permit Review Audit	500.00	-
Employee Vehicle Allowance Review	400.00	58.50
Property Control IT Scope Review	400.00	-
Longevity Project	100.00	-
Hotel Occupancy Tax Audits - Administration	50.00	-
Franchise Fee Audits (Spectrum) - Administration	50.00	-
TX Sales Tax Discovery - Administration	50.00	-
Citywide Sales Tax Analysis - Clearview	40.00	-
Tax Office Refund Review Project	100.00	-
City Employee Hotline	75.00	-
Contingency Hours	462.00	-
Administrative Duties - Chief Internal Auditor	225.00	-
Administrative Duties - Auditor IV	90.00	-
Administrative Duties - Staff Auditors	480.00	-
Auditor Training	120.00	-
Vacation/Sick Leave/Holiday	582.00	-
Total	4,224.00	158.75
Totals for 1st, 2nd, 3rd & 4th Quarters	16,704.00	8,432.75

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CONCLUSION

The 2nd Quarter of the 2022-2023 Audit Plan was another productive quarter for the Internal Audit Office. During the 2nd Quarter a total of 7 audits/projects were completed by the staff and 7 audits/projects are in various stages of planning or completion.

The Internal Audit Office staff made a strong effort to complete as many audits and projects as possible during the 2nd Quarter.

It continues to be a pleasure serving the Mayor and City Council, the Financial Oversight and Audit Committee, the City Manager, the Deputy City Managers, and the Managing Directors. The Internal Audit Office staff continues to strive for excellence in meeting our departmental motto, "Exceeding our Client's Expectations."

Respectfully Submitted



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Chief Internal Auditor
City of El Paso

Distribution:

Financial Oversight and Audit Committee
Tommy Gonzalez, City Manager