



2022-2023
Annual Audit Plan
1st Quarter Update

Issued by the
Internal Audit Office
As of November 30, 2022

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.

Accounts Receivable Program Audit Report (Report dated August 11, 2022)

The Internal Audit Office conducted an audit of the Accounts Receivable Program. The audit objectives for the Accounts Receivable Program Audit were to determine whether the City of El Paso has effective controls, systems, and personnel to ensure Accounts Receivable are properly:

- Accounted for – by determining if accounts receivable are accurately recorded and invoiced in a timely manner in accordance with the City of El Paso Accounts Receivable Policy dated September 2020,
- Collected – by determining if delinquent accounts are being collected in accordance with procedures and internal controls over billing and collection,
- Reported – by determining if the Accounts Receivable balances provided to and reported by the Office of the Comptroller are accurate.

Based on the results of the audit, (3) three Findings were identified. The Findings consisted of:

1. Seven (7) out of seven (7) departments (100%) are following their own interpretation of how to bill Accounts Receivable.
2. Seven (7) out of seven (7) departments (100%) follow their own procedures for the collection and account management of past-due Accounts Receivable.
3. Six (6) out of seven (7) departments (85.72%) are not following the *City of El Paso Accounts Receivable Policy* for recording, invoicing, posting, and reconciling billable activities.

The Findings and our Recommendations were communicated to the City Manager, Deputy City Manager/Chief Financial Officer, and the Comptroller. An electronic copy and a hardcopy of the Audit Report was distributed to the Mayor and City Representatives.

Parks Department - 2012 Capital Improvement Program Bond Follow-Up Audit Report (Report dated August 31, 2022)

The Internal Audit Office conducted a Follow-Up Audit of the original *Parks Department – 2012 Capital Improvement Program Bond Audit Report* dated January 15, 2021. The Audit Report contained (2) two Findings. The objectives of the Follow-Up Audit were to determine if the recommendations to the two Findings have been implemented.

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Based on the results of the Follow-Up Audit;

1. The status of Finding #1 is *Implemented*. Chapter 17 – *Inspection Procedures* of the *Capital Improvement Project Delivery Manual* (Revision Date of July 2022) was updated to address the original Finding. Updates were made to the Project Delivery Manual that addresses:
 - Responsibilities of the Project Manager/Construction Manager (PM/CM) and the Inspector when it comes to inspection reports.
 - Inspection reports are to be kept current within two working days of a jobsite visit.
 - Inspection Reports are to be kept for every calendar day of the contract through completion.

2. The status of Finding #2 is *Implemented*. Chapter 20 – *Construction Change Orders* of the *Capital Improvement Project Delivery Manual* (Revision Date of July 2022) was updated to address the original Finding. Updates were made to the Project Delivery Manual that addresses:
 - Change Orders over \$100,000.00 that require City Council approval.
 - Change Orders under \$100,000.00 that require City Engineer approval.
 - Change Orders that don't impact award amount and don't require further approval.

The results were communicated to the City Manager, Chief Operations Officer, and the City Engineer. An electronic copy and a hardcopy of the Audit Report was distributed to the Mayor and City Representatives.

Municipal Court - Internal Control Review (Memo dated September 20, 2022)

The Internal Audit Office conducted an Internal Control Review of the Municipal Court Department.

Based on the results of the review, two (2) Observations were identified. Our review identified:

1. The Municipal Court Management needs to address procedures to limit access to the safes to no more than three individuals with one being a supervisor as required by the *City of El Paso Cash Management Policy* Section 5.2 dated September 1, 2021.

In the Downtown and Northeast Municipal Courts, which operate extended hours, they should consult with the Office of the Comptroller to obtain a documented waiver allowing more than three individuals access to the safes.

2. The Municipal Court needs to ensure deposits are picked up by the Armored Car Service and deposited within the guidelines established by the *City of El Paso Cash Management Policy* Section 5.1 dated September 1, 2021.

The results were communicated to the City Manager, Deputy City Manager, and the Municipal Court Clerk. 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 November 30, 2022)

As of the 1st Quarter of the 2022-2023 Fiscal Year, the City of El Paso Employee Hotline received 3 calls and they were all closed by November 30, 2022. As of November 30, 2022, we had 2 calls 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 1st Quarter, the Internal Audit Office conducted 30 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.

Civil Service Appeals Review

At the request of the Deputy City Manager/Chief Financial Officer, a review is being conducted 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*.

Tax Office Money Room – Internal Controls Review

A review is being conducted of the Internal Controls within the Money Room at the Consolidated Tax Office. The objectives of the Tax Office Money Room – Internal Controls Review are to:

- Conduct audit work related to the internal controls over the Tax Office Money Room.
- Determine if cash handling procedures used in the Tax Office Money Room are consistent with Departmental Policies and Procedures and the City of El Paso Cash Management Policy,
- Determine if the Tax Office Money Room is operating in a control conscious environment as it relates to Cash Handling procedures.
- Document areas where inefficiencies may exist and where internal controls may be strengthened.

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.

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El Paso Children’s Museum – Accounts Payable Follow-Up Audit

A Follow-Up Audit is being conducted on the El Paso Children’s Museum – Accounts Payable Audit Report dated November 20, 2020. The Audit Report contained (2) two Findings. The objectives of the Follow-Up Audit are to determine if Recommendations to the two Findings have been implemented.

The two original Findings identified:

1. The El Paso Children’s Museum Budget and Donor Contribution Reports are not being provided to the Museum and Cultural Affairs Department (MCAD) per the requirements of the Children’s Museum Agreements.
2. Four (4) out of 10 (40%) invoices processed by MCAD had no evidence that mathematical accuracy of quantities and dollars spent was confirmed.

EPPD – Municipal Vehicle Storage Facility Follow-Up Audit

The Internal Audit Office is conducting 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 are to determine if Recommendations to the four Findings have been implemented.

The four original Findings identified:

1. The El Paso Police Department’s Abandoned Auto Unit Operations Manual required an update to reflect current practices in place.
2. Vehicles were sold at auction before the vehicles were deemed abandoned after 51 days from the date of impoundment.
3. There is no verification process in place to ensure owners of vehicles up for auction are not U.S. Active Duty Service Members as required in Solicitation No. 2019-287R and the Servicemembers Civil Relief Act.
4. The Hold and View Lots at the EPPD – Municipal Vehicle Storage Facility are in need of a capacity increase.

Human Resources – Employee Insurance Benefit Review Audit

The Internal Audit Office is conducting an audit of the Human Resources Department – Employee Insurance Benefit Program. The objectives of this audit will be 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.

Office of Management and Budget – 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:

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- 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.

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FINANCIAL OVERSIGHT AND AUDIT COMMITTEE (“FOAC”)

The FOAC met on October 20, 2022 to discuss the 4th Quarter Audit Plan Update of Fiscal Year 2021-2022 and the Fiscal Year 2022-2023 Annual Audit Plan.

- Approval of Minutes for the Financial Oversight and Audit Committee meeting of August 8, 2022.
- Discussion and Action on Fiscal Year 2021-2022 Audit Plan 4th Quarter Updates.
- Discussion and Action on the City of El Paso Internal Audit Charter.
- Discussion and Action to include an audit or review in the Fiscal Year 2022-2023 Audit Plan of the expenditures related to the Migrant Humanitarian Crisis Response.
- Discussion and Action on the Fiscal Year 2022-2023 Annual Internal Audit Plan.
- Discussion on Client Surveys.

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 1st 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	68.5
Mike Montiel	Audit Manager	55.1
Liz De La O	Auditor IV	66.6
Daryl Olson	Auditor IV	50.7
Miguel Ortega	Auditor III	42.0
Sergio Carrillo	Auditor II	46.5
John Monzon	Auditor I	50.2
Kay Gamboa	Auditor I	54.2

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.

Thanksgiving Luncheon – Ramona Elementary School

Ramona Elementary School hosted a Thanksgiving Luncheon for its students on November 16, 2022. Kay Gamboa volunteered to assist Ramona Elementary School staff in providing lunch to the elementary school students and their family 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 11/30/22
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	41.75
(CarryFwds) Follow-Up Audit: El Paso Children's Museum - Accounts Payable Audit (A2022-11)	250.00	131.50
(CarryFwds) Municipal Court - Internal Control Review (P2022-06)	300.00	125.25
(CarryFwds) Human Resources – Employee Insurance Benefit Review Audit (A2022-09)	250.00	47.50
Civil Service Appeals Review	500.00	302.25
Peer Review Program - Red Book Standards Self-Assessment	250.00	156.00
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	3,547.75

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	BUDGETED HOURS	YTD as of 11/30/22
Second Quarter	-	-
Migrant Emergency Expenditures Review	500.00	51.25
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	155.50
Peer Review of the Internal Audit Office	500.00	63.25
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	384.00	-
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	4,096.00	288.25
Third Quarter	-	-
(CarryFwds) Follow-Up Audit: Fire Department Billing Audit	250.00	-
Tax Office - Internal Control Review	400.00	170.00
Sun Metro Money Room - Internal Control Review	400.00	-
Follow-Up Audit: MV Transportation, Inc Audit (A2022-02)	250.00	13.00
Street and Maintenance - Permit Review Audit	500.00	155.25
P-Card Reviews: City Council & City Manager's Office - P-Card & Travel Review	250.00	-
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	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	338.25

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	BUDGETED HOURS	YTD as of 11/30/22
Fourth Quarter	-	-
Pension Office Disaster Recovery Plan Review Audit (NIST Framework)	500.00	-
Planning & Inspections - Permit Review Audit	500.00	-
Employee Vehicle Allowance Review	400.00	-
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	56.00
Totals for 1st, 2nd, 3rd & 4th Quarters	16,704.00	4,230.25

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CONCLUSION

The 1st Quarter of the 2022-2023 Audit Plan was another productive quarter for the Internal Audit Office. During the 1st Quarter a total of 5 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 1st 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



Edmundo S. Calderon, CIA, CGAP, CRMA, MBA
Chief Internal Auditor
City of El Paso

Distribution:

Financial Oversight and Audit Committee
Tommy Gonzalez, City Manager