2013-2014
Annual Audit Plan
1st Quarter Update

Issued by the
Internal Audit Office
As of November 30, 2013

INTRODUCTION

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

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

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

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

As required by the International Standards for the Professional Practice of Internal Auditing 1110, the City of El Paso's Internal Audit Office continues to maintain its independence by reporting functionally to the Financial and Audit Oversight Committee (FAOC). The FAOC approves the Internal Audit Charter and annual risk-based Audit Plan. The FAOC also receives quarterly updates to the Annual Audit Plan from the Chief Internal Auditor.

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

COMPLETED AUDITS & PROJECTS

This section will provide the Financial and Audit Oversight Committee and Executive Management a short synopsis of every audit and project completed during the 1st Quarter of the 2013-2014 Annual Audit Plan.

Sun Metro Lift Operations Data Audit Report (Report dated September 05, 2013)

The Internal Audit Office conducted an audit of the Sun Metro's Paratransit Services Reports that are presented to the Mass Transit Department Board.

MV Transportation took over the management, operation and staffing of the LIFT Paratransit services on November 11, 2012. Soon after, concerns were raised regarding service delivery. On March 12, 2013 the Mass Transit Board requested MV Transportation to provide an update on service performance since commencement of service. On May 14, 2013 the Mass Transit Board was provided with a Paratransit Services Update that portrayed MV performance as being superior to that of Sun Metro's. Members of the public and the Mass Transit Board questioned the performance numbers being reported, resulting in a request for an internal audit by the City Manager.

Based on the results of the audit, three (3) findings were identified in the audit of the Paratransit Services Reports presented to the Mass Transit Board. One of the findings was considered significant in nature. These issues were communicated to City Management, MV Transportation's General Manager, and the Mass Transit Department Director for corrective action.

Kids Excel El Paso Contract Audit Report (October 14, 2013)

The Internal Audit Office conducted an audit of the Kids Excel El Paso Contract #135585.

The City of El Paso through the Museum and Cultural Affairs Department (MCAD) awarded an Operational Support Program Contract #135585 in the amount of $17,500.00 to Kids Excel El Paso on October 10, 2012. The Operational Support Program (OSP) Contract is to provide operating support to large, non-profit arts and cultural organizations that provide a season of activities open to the public, active community outreach, and activities that have a cultural tourism appeal.

Based on the results of the audit, two (2) findings were identified in the audit of the Kids Excel Contract #135585. These issues were communicated to City Management, Kids Excel Management, and the Interim MCAD Director for corrective action.

Environmental Services Department Purchasing Audit Report (October 31, 2013)

The Internal Audit Office conducted an audit of the purchasing functions at the Environmental Services Department. Based on the results of the audit, six (6) findings have been identified.

All six of these findings were considered significant in nature. These issues were communicated to City Management and the Environmental Services Director for corrective action.

Employee Hotline (As of August 31, 2013)

As of the 1st Quarter of the 2013-2014 Fiscal Year, the Ethicsline has received a total of 22 calls. As of November 30, 2013, 8 calls remain open and are pending investigation. The investigations are conducted either by the Internal Audit Office or the Human Resources Department.

The outreach campaign continues with the Internal Audit Office staff conducting presentations to selected City Departments regarding the Ethicsline. During the 1st Quarter, presentations were conducted twice a month at the New Employee Orientation Training provided by the Human Resources Department.

Tax Office Refund Review Project

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

PENDING AUDITS & PROJECTS

This section will provide the Financial and Audit Oversight Committee and Executive Management a short synopsis of the pending audits and projects currently being completed by the staff of the Internal Audit Office. A brief synopsis is provided on the scope and objective of the audit or project.

2013 Peer Review Preparation Project

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

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

Airport Revenue Audit – Paradies Shops

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

Information Technology – POD Purchase Contract Audit

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

Follow-Up Audit – Tax Office ACT System

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

Economic Development – Employee Travel Project

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

Fire Department Auto Parts Audit

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

El Paso Fire Department Ambulance Compliance Program

The Chief Internal Auditor was designated Compliance Officer for the Fire Department Medicare Billing Process. As part of the new Compliance Program, the Internal Audit Office has been tasked to establish a Medicare Billing Compliance Program. This will be a continuous project for the monitoring of Medicare billing by the El Paso Fire Department.

Ongoing Assistance – STEP Grant

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

FINANCIAL AND AUDIT OVERSIGHT COMMITTEE ("FAOC")

One FAOC meeting was conducted during the 1st Quarter of Fiscal Year 2013-2014. Below is a summary of the topics discussed by the Internal Audit Office during the meeting.

October 14, 2013

- Approval of Minutes for the Financial and Audit Oversight Committee meeting of May 23, 2013.
- Election of the FAOC Chairperson.
- Discussion and Action on the City of El Paso Internal Audit Charter.
- Discussion and Action on the FY 2014 Annual Internal Audit Plan.
- Audit Plan Update given by Edmundo Calderon, Chief Internal Auditor.
- Discussion and Action on the Sun Metro Lift Operations Data Audit.

MISCELLANEOUS ITEMS

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

Training Sessions

Association of Local Government Auditors – Webinar – "Lie to Me: Secrets of Linguistic Lie Detection" on September 10, 2013

Edmundo Calderon, Chief Internal Auditor; Miguel Montiel, Audit Supervisor; Liz De La O, Lead Auditor; Daryl Olson, Senior Auditor; Miguel Ortega, Auditor; Rebecca Garcia, Auditor; and Linda Roa, Research & Management Assistant, completed the Association of Local Government Auditors – Webinar – "Lie to Me: Secrets of Linguistic Lie Detection" on September 10, 2013. Each staff member earned one hour of Continuing Professional Education Credit.

Institute of Internal Auditors – Webinar – "PG Anti-Corruption - Bribery" on September 11, 2013

Edmundo Calderon, Chief Internal Auditor; Miguel Montiel, Audit Supervisor; Liz De La O, Lead Auditor; Miguel Ortega, Auditor; and Rebecca Garcia, Auditor completed the Institute of Internal Auditors – Webinar – "PG Anti-Corruption - Bribery" on September 11, 2013. Each staff member earned one hour of Continuing Professional Education Credit.

Institute of Internal Auditors – Webinar – "Cybersecurity: The Effectiveness of Your Controls" on September 17, 2013

Edmundo Calderon, Chief Internal Auditor; Miguel Montiel, Audit Supervisor; Liz De La O, Lead Auditor; and Rebecca Garcia, Auditor completed the Institute of Internal Auditors – Webinar – "Cybersecurity: The Effectiveness of Your Controls" on September 17, 2013. Each staff member earned one hour of Continuing Professional Education Credit.

Institute of Internal Auditors – Training – "Fraud Seminar" on October 1, 2013

Miguel Ortega, Auditor attended the Institute of Internal Auditors – Training – "Fraud Seminar" on October 1, 2013. Miguel earned four hours of Continuing Professional Education Credit.

Association of Local Government Auditors – Peer Review Leader – "Central New Mexico Community College" review issued on October 4, 2013

Edmundo Calderon, Chief Internal Auditor served as a Peer Review Leader for the Association of Local Government Auditors peer review of "Central New Mexico Community College" on October 4, 2013. Edmundo earned 20 hours of Continuing Professional Education Credit.

Institute of Internal Auditors – Webinar – "Future of Internal Audit" on October 8, 2013

Miguel Montiel, Audit Supervisor and Miguel Ortega, Auditor completed the Institute of Internal Auditors – Webinar – "Future of Internal Audit" on October 8, 2013. Each staff member earned one hour of Continuing Professional Education Credit.

Association of Government Accountants – Training – "The Role of the El Paso Small Business Administration" on October 24, 2013

Edmundo Calderon, Chief Internal Auditor; Miguel Montiel, Audit Supervisor; Daryl Olson, Senior Auditor; Miguel Ortega, Auditor; and Rebecca Garcia, Auditor completed the Association of Government Accountants – Training – "The Role of the El Paso Small Business Administration" on October 24, 2013. Each staff member earned one hour of Continuing Professional Education Credit.

Institute of Internal Auditors – Webinar – "Internal Audit in a Virtual World" on November 12, 2013

Miguel Montiel, Audit Supervisor and Rebecca Garcia, Auditor completed the Institute of Internal Auditors – Webinar – "Internal Audit in a Virtual World" on November 12, 2013. Each staff member earned one hour of Continuing Professional Education Credit.

Yellow Book CPE – Training – "Yellow Book Standards" on November 22, 2013

Miguel Montiel, Audit Supervisor and Liz De La O, Lead Auditor attended the Yellow Book CPE – Training – "Yellow Book Standards" on November 22, 2013 in Austin, TX. Each staff member earned four hours of Continuing Professional Education Credit.

Institute of Internal Auditors – Webinar – "The Affordable Healthcare Act: What Every Internal Auditor Needs to Know" on December 3, 2013

Edmundo Calderon, Chief Internal Auditor; Miguel Montiel, Audit Supervisor; and Liz De La O, Lead Auditor completed the Institute of Internal Auditors – Webinar – "The Affordable Healthcare Act: What Every Internal Auditor Needs to Know" on December 3, 2013. Each staff member earned one hour of Continuing Professional Education Credit.

Institute of Internal Auditors – Webinar – "Guidance Webinar: GTAG 4: Management of IT Auditing, 2nd Edition" on December 4, 2013

Edmundo Calderon, Chief Internal Auditor completed the Institute of Internal Auditors – Webinar – "Guidance Webinar: GTAG 4: Management of IT Auditing, 2nd Edition" on December 4, 2013. Edmundo earned one hour of Continuing Professional Education Credit.

Institute of Internal Auditors – Webinar – "Ethics and The Internal Auditor" on December 17, 2013

Miguel Ortega, Auditor completed the Institute of Internal Auditors – Webinar – "Ethics and The Internal Auditor" on December 17, 2013. Miguel earned one hour of Continuing Professional Education Credit.

Professional Certifications

Two Auditors within the Internal Audit Office achieved their Certified Government Auditing Professional (CGAP) certifications. Miguel Ortega and Rebecca Garcia successfully passed the CGAP examination in November 2013.

- Miguel Ortega passed the CGAP certification on November 20, 2013
- Rebecca Garcia passed the CGAP certification on November 25, 2013

The Certified Government Auditing Professional (CGAP) is a specialty certification designed for and by public-sector internal auditing practitioners. The exam tests a candidate's knowledge of the unique features of public-sector internal auditing - fund accounting, grants, legislative oversight, confidentiality rights, and more. The program's broad scope emphasizes the internal auditor's role in strengthening accountability to the public and improving government services.

Community Service

City of El Paso, MCAD – Presentation – Good Business Practices for Handling Revenue

Edmundo Calderon, Chief Internal Auditor and Rebecca Garcia, Auditor made a presentation to MCAD management and staff regarding cash handling procedures and other business practices on November 11, 2013.

University of El Paso – Presentation – Ethics Class

Edmundo Calderon, Chief Internal Auditor and Elizabeth De La O, Lead made a presentation the College of Business – Ethics Class at the University of Texas at El Paso on November 18, 2013.

AUDIT PLAN UPDATE

This section will provide the Financial and Audit Oversight Committee and Executive Management with an update on the progress of the 2013-2014 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 11/30/13
First Quarter	-	-
MCAD – Kids Excel Contract	200.00	148.50
Airport Revenue Audit – Paradise Shops	200.00	381.25
Information Technology – POD Purchase	200.00	216.75
Fire Department – Automotive Parts Purchase Audit	400.00	304.50
Engineering & Construction Management – CIP Budget Transfers	400.00	16.00
Follow-Up Audit – Tax Office ACT System	200.00	38.75
Tax Office Refund Review Project	75.00	49.75
P-Card Reviews	250.00	24.50
Ethicsline	75.00	71.50
Contingency Hours	429.00	-
Airport General	-	1.50
Audit Plan	-	106.75
Consulting	-	59.25
Economic Development – Employee Travel	-	255.25
Environmental Services Purchasing Audit	-	59.00
Fire/Ambulance Compliance Project	-	16.00
General Services – Truck Maintenance Audit	-	16.75
Peer Review 2013	-	143.00
Sun Metro Lift Audit	-	98.75
STEP Grant	-	6.00
Tuition Assistance Program Audit	-	18.75
Administrative Duties - Chief Internal Auditor	225.00	300.00
Administrative Duties – Audit Supervisor	90.00	99.00
Administrative Duties - Staff Auditor	300.00	395.00
Auditor Training	105.00	74.75
Vacation/Sick Leave/Holiday	491.00	371.25
Total	**3,640.00**	**3,129.50**
Second Quarter		
2013 External Quality Assessment	500.00	143.00
City Development – Subdivision Inspection Audit	500.00	-
Police Department – Storage Facility Contract Audit	450.00	-
Follow-Up Audit – Friedman Recycling	250.00	-
2nd Follow-Up Audit – Human Resources Payroll	250.00	-
Tax Office Refund Review Project	75.00	-
Ethicsline	75.00	-

City of El Paso
Internal Audit Office
Financial and Audit Oversight Committee
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	BUDGETED HOURS	YTD as of 11/30/13
Second Quarter (continued)	-	-
Contingency Hours	273.00	-
Administrative Duties - Chief Internal Auditor	225.00	-
Administrative Duties – Audit Supervisor	90.00	-
Administrative Duties - Staff Auditor	300.00	-
Auditor Training	105.00	-
Vacation/Sick Leave/Holiday	491.00	-
Total	**3,584.00**	**143.00**
Third Quarter		
Airport Revenue Audit – Lone Star Golf Course	500.00	-
Community Development – Neighborhood Stabilization Program	500.00	
Travel Reviews – Randomly Selected Departments	200.00	
Follow-Up Audit – International Bridges Internal Controls	250.00	
Follow-Up Audit – Engineering & Construction Management Fees	250.00	
Tax Office Refund Review Project	75.00	
El Paso City Employee's Pension Fund Confirmation Project	200.00	
P-Card Reviews	250.00	-
Ethicsline	75.00	-
Contingency Hours	241.00	-
Administrative Duties - Chief Internal Auditor	225.00	-
Administrative Duties – Audit Supervisor	90.00	-
Administrative Duties - Staff Auditor	300.00	-
Auditor Training	105.00	-
Vacation/Sick Leave/Holiday	379.00	-
Total	**3,640.00**	-
Fourth Quarter		
Hotel Occupancy Tax Audit	500.00	-
Purchasing Department Audit	400.00	-
City Development – One Stop Shop Audit	400.00	-
IT Department – Cellular Phone Contract Audit	400.00	-
Follow-up Audit – Economic Development Audit RLF	250.00	-
Follow-up Audit – IT POD Purchase	250.00	-
Tax Office Refund Review Project	75.00	-
Ethicsline	75.00	-
Contingency Hours	191.00	-
Administrative Duties - Chief Internal Auditor	225.00	-
Administrative Duties – Audit Supervisor	90.00	-
Administrative Duties - Staff Auditor	300.00	-
Auditor Training	105.00	-
Vacation/Sick Leave/Holiday	435.00	-
Total	**3,696.00**	-
Totals for 1st, 2nd, 3rd & 4th Quarters	**14,560.00**	**3,272.50**

CONCLUSION

The 1st Quarter of the 2013-2014 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 8 audits/projects are in various stages of completion.

The Internal Audit Office staff made a strong effort to complete as many audits and projects as possible during the 1st Quarter. Extra effort was displayed by the staff during this quarter. Continuous monitoring of the Audit Plan will continue until the end of the year.

During the 1st Quarter, a staff Auditor resigned her position. In September 2013, we began the recruitment process to hire a replacement. We expect to have a new Auditor in place by December 2013. This loss will have an overall impact on the completion of this Fiscal Year's Audit Plan.

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

Respectfully Submitted

Edmundo S. Calderon

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

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