External Quality Control Review

of the

City of El Paso
Internal Audit Office

Conducted in accordance with guidelines of the

Association of Local Government Auditors

for the period September 1, 2009, through August 31, 2010.

Association of Local Government Auditors

September 22, 2010

Mr. Edmundo Calderon
Chief Internal Auditor
City of El Paso
2 Civic Center Plaza
El Paso, TX 79901

Dear Mr. Calderon

We have completed a peer review of the City of El Paso Internal Audit Office for the period September 1, 2009 through August 31, 2010. In conducting our review, we followed the standards and guidelines contained in the *Peer Review Guide* by the Association of Local Government Auditors (ALGA).

We reviewed the internal quality control system of your audit organization and conducted tests in order to determine if your internal quality control system operated to provide reasonable assurance of compliance with *Government Auditing Standards* issued by the Comptroller General of the United States. Due to variances in individual performance and judgment, compliance does not imply adherence to standards in every case, but does imply adherence in most situations.

Based on the results of our review, it is our opinion that, except for the deficiencies noted below, the City of El Paso Internal Audit Office's internal quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards* for audits and attestation engagements during the period September 1, 2009 through August 31, 2010.

Deficiencies found in your internal quality control system included:

- Stating Compliance with GAGAS in Auditors' Report
- Planning
- Audit Documentation
- Report Contents

These control deficiencies resulted in recurring nonconformance with Standards 1.12, 7.11 (b. and c.), 7.12 (a-c), 7.32, 7.77, 7.80, 8.13 and 8.27. We have prepared a separate letter providing details of our findings and recommendations for strengthening your internal quality control system.

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Dear Mr. Calderon

We have completed a peer review of the City of El Paso Internal Audit Office for the period September 1, 2009 through August 31, 2010, and issued our report thereon dated September 22, 2010. We are issuing this companion letter to offer certain observations and suggestions stemming from our peer review.

We would like to mention some of the areas in which we believe your office excels:

- Timely completion and issuance of audit and consulting engagement reports.
- City Management highly respects the work of the Internal Audit Office.
- Audit staff significantly contributes their personal time to support professional audit organizations by serving in leadership roles.
- The work environment is cohesive and is operating in the spirit of team work.

We offer the following observations and suggestions to help your organization achieve full compliance with *Government Auditing Standards*:

Stating Compliance with GAGAS in Audit Reports

1. Of the three projects reviewed, none included the GAGAS compliance statement, in accordance with Standard 1.12

Recommendation

We recommend that the internal audit office adhere to Government Auditing Standards, by including the GAGAS statement in all audit reports that were conducted in accordance with GAGAS.

Planning

2. Of the three projects reviewed, one did not contain documentation evidencing that assessments of internal controls, information system controls, and fraud risks were performed when planning the audit, in accordance with Standards 7.11 b. & c., and 7.32.

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Recommendation

We recommend that during audit planning the internal audit office should assess risks as it relates to internal controls, information systems controls and fraud.

3. Of the three projects reviewed, there was no evidence that outside agencies/entities had been contacted to determine if any current or past reviews had been performed, in accordance with Standard 7.12 a-c.

Recommendation

We recommend that during audit planning the internal audit office contact outside agencies/entities to determine if any reviews had been performed on the agency currently being audited.

Audit Documentation

4. Of the three projects reviewed, one had work papers which were prepared and reviewed after the report issuance date, in accordance with Standards 7.77 and 7.80.

Recommendation

We recommend that all work papers are prepared and reviewed prior to issuance of the final audit report.

Reporting

5. Of the three projects reviewed, two did not cite methodology used to conduct the audit in the report, in accordance with Standard 8.13.

Recommendation

We recommend that clear and concise methodology is included in audit reports explaining how the completed audit work supports the audit objectives and audit findings.

6. Of the three projects reviewed, one did not have an audit conclusion for each audit objective included in the audit report, in accordance with Standard 8.27.

Recommendation

We recommend that audit reports contain conclusions to support the audit objectives and audit findings.

We extend our thanks to you, your staff and City of El Paso officials we met for the hospitality and cooperation extended to us during our review.

Sincerely,

LaDonia Wilkins, CPM, CIGA
Deputy Assist Inspector
General for Audits
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