External Quality Control Review

of the

City of El Paso, Texas
Internal Audit Office

Conducted in accordance with guidelines of the

Association of Local Government Auditors

for the period September 1, 2010 to August 31, 2013

Association of Local Government Auditors

December 5, 2013

Mr. Edmundo Calderon
Chief Internal Auditor
City of El Paso
300 N. Campbell
El Paso, Texas 79901

Dear Mr. Calderon,

We have completed a peer review of the Internal Audit Office for the City of El Paso for the period September 1, 2010 to August 31, 2013. In conducting our review, we followed the standards and guidelines contained in the *Peer Review Guide for Assessing Conformance with International Standards for the Professional Practice of Internal Auditing* 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 conformance with *the International Standards for the Professional Practice of Internal Auditing (the Standards)* issued by the Institute of Internal Auditors as part of their *Professional Practices Framework*. Due to variances in individual performance and judgment, conformance 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 the City of El Paso Internal Audit Office's internal quality control system was suitably designed and operating effectively to provide reasonable assurance of conformance with *the Standards* for assurance and consulting engagements during the September 1, 2010 to August 31, 2013.

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We have prepared a separate letter offering suggestions to further strengthen your internal quality control system.

Leon Pattman, CIA, CISA
City Auditor
City of Memphis
Memphis, TN
Team Leader

Larry G. Wallis, CPA, CIA
Director of Audit
VIA Metropolitan Transit
San Antonio, TX
Team Member

Lynn Stokes, CPA
Director of Internal Audit
City of Clarksville
Clarksville, TN
Team Memberr

Lizzette Espinoza
Principal Auditor
Los Angeles County
Metropolitan Transportation
Authority
Los Angeles, CA
Team Member

Association of Local Government Auditors

December 5, 2013

Mr. Edmundo Calderon
Chief Internal Auditor
City of El Paso
300 N. Campbell
El Paso, Texas 79901

Dear Mr. Calderon,

We have completed a peer review of the City of El Paso for the period September 1, 2010 to August 31, 2013 and issued our report thereon dated December 5, 2013. 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:

- work paper organization and consistency contributed significantly to the efficiency of the quality control review,
- establishment of an internal quality assurance improvement program that better assures high quality and conformance with auditing standards,
- establishment of the internal audit function value-add service according to the views of management and governance officials, and
- commitment to training, developing and maintaining a highly competent audit staff.

We offer the following observations and suggestions to enhance your organization's demonstrated adherence to *International Standards for the Professional Practice of Internal Auditing*:

Performance Standard 2040 provides that the Chief Audit Executive must establish policies and procedures to guide the internal audit activity.

Observation

1) The policies and procedures do not adequately cover standards related to consulting engagements. The policies and procedures can be enhanced by including guidance for standards related to consulting engagements.

2) Performance Standard 2010.A2 "Planning" requires when establishing a risk-based audit, the chief audit executive must identify and consider the expectations of senior management and the board and other stakeholders for internal audit opinions and other conclusion. The policies and procedures could be enhanced by documenting consideration of expectations of senior management and other stakeholders related to developing a risk-based plan.

We suggest the policies and procedures be updated to provide more explicit guidance for planning and performing consulting engagements and documenting consideration of stakeholder expectations.

We extend our thanks to you, your staff and the other city officials we met for the hospitality and cooperation extended to us during our review.

Sincerely,

Leon Pattman, CIA, CISA
City Auditor
City of Memphis
Memphis, TN
Team Leader

Larry G. Wallis, CPA, CIA
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VIA Metropolitan Transit
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January 16, 2013

Leon Pattman
ALGA Team Leader
Association of Local Government Auditors
449 Lewis Hargett Circle, Suite 290
Lexington, KY 40503

RE: Management Responses to International Standards for the Professional Practice of Internal Auditing Peer Review

Dear Leon,

Thank you very much for leading the Peer Review Team for the City of El Paso's Internal Audit Office. I appreciate the professionalism displayed by the Peer Review Team while conducting the review. I expect that the observations and suggestions offered by the Peer Review Team will provide our office the tools to continue to improve.

As requested, we are providing the following responses to the observations provided in the Management Letter.

Observation 1:

We will update our Policies and Procedures Manual to document the standards regarding consulting engagements. We will provide guidance to the Internal Audit Office's staff regarding the International Standards for the Professional Practice of Internal Auditing. These revisions will improve our procedures in conducting consulting engagements.

Observation 2:

We will update our Policies and Procedures Manual to require the Internal Audit Office's staff to document that we identified and considered the expectations of senior management, the City Council, and other stakeholders in our opinions and conclusion. This will include updating our planning process, fieldwork phase, and reporting portion of consulting engagements. These new procedures will be document in our work papers.

Mayor
Oscar Leeser

City Council

District 1
Ann Morgan Lilly

District 2
Larry Romero

District 3
Emma Acosta

District 4
Carl L. Robinson

District 5
Dr. Michiel R. Noe

District 6
Eddie Holguin Jr.

District 7
Lily Limón

District 8
Cortney C. Niland

City Manager
Joyce A. Wilson

Internal Audit Office
City Hall | 300 N. Campbell | El Paso, Texas 79901| (915) 212-1365

Our office strives to continue to improve our Policies and Procedures by participating in the ALGA Peer Review Program. I appreciate you and your team commitment to the ALGA Peer Review Program. I cannot express my gratitude for volunteering time out of your busy schedule to assist our office.

Very Truly Yours

Edmundo S. Calderon

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

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Oscar Leeser

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