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* published 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 whether 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. Our procedures included:

- Reviewing the audit organization's written policies and procedures.
- Reviewing internal monitoring procedures.
- Reviewing a sample of audit and nonaudit services projects and working papers.
- Reviewing documents related to independence, training, and development of auditing staff.
- Interviewing auditing staff, management, and member of the Audit Committee to assess their understanding of, and compliance with, relevant quality control policies and procedures.

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 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 during the September 1, 2010 to August 31, 2013.

449 Lewis Hargett Circle, Suite 290, Lexington, KY 40503, Phone: (859) 276-0686, Fax: (859) 278-0507
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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
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Lynn Stokes, CPA
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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 Internal Audit Office 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 the internal quality assurance and improvement program,
- establishment of the internal audit function as a value-add service according to the views of management and governance officials, and
- your 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 *Government Auditing Standards*:

1) Under GAGAS 2.13, audit organization that provide nonaudit services "should assess the impact that providing nonaudit services may have on auditor and audit organization independence and respond to any identified threats to independence in accordance with the GAGAS independent standards."

   Observation:

   The policies and procedures did not specifically address all the standards (3.34, 3.37, 3.42, 3.44, and 3.59) relevant to independence.

   We suggest that you revised your policy to specifically provide directions regarding standards (3.34, 3.37, 3.42, 3.44, and 3.59) which should require auditors to document compliance with the standards.

2) Performance standard (6.66) states that: "Auditors should access the efficiency and appropriateness of computer-processed information regardless of whether this information is provided to auditors or auditors independently extracted it."

   Observation:

   During our review of the performance audit engagements, we did not find adequate documentation assessing the appropriateness of computer-generated information in six out of eight engagements.

   We suggest that auditors document their assessment and decisions regarding the appropriateness and reliance upon computer generated information to comply with applicable standard (6.66).

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
Director of Audit
VIA Metropolitan Transit
San Antonio, TX
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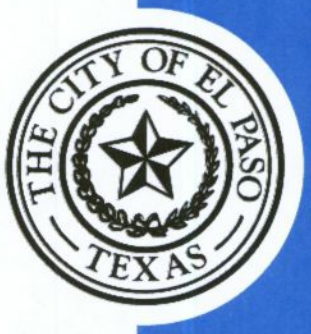

January 16, 2013

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

RE: Management Responses to Government Auditing Standards 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 Internal Audit Office staff independence while preforming nonaudit services. This will include documenting in our work papers the independence evaluation that will be conducted on each nonaudit service. We will attempt to satisfy GAS 2.13, 3.34, 3.37, 3.42, 3.44, and 3.59.

Observation 2:

We will update or Policies and Procedures Manual to require the Internal Audit Office staff to complete an evaluation on their assessment and appropriateness of computer-generated information as required by GAS 6.66. This will include documenting in our work papers the assessment and appropriateness of computer-generated information.

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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