2013-2014
Annual Audit Plan
4th Quarter Update

Issued by the
Internal Audit Office
As of August 31, 2014

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 these requirements, 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 Standard 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.

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 4th Quarter of the 2013-2014 Annual Audit Plan.

P-Card Elected Officials and City Manager's Staff (memo dated May 27, 2014)

The Internal Audit Office conducted a review of P-Card purchases performed by the Elected Officials and staff. In addition, purchased performed by the City Manager's Office were reviewed. The objectives of the review were to determine if the current Elected Officials and City Manager's Staff P-Card Program Administrator were properly reviewing and monitoring P-Card expenditures. In addition, to ascertain if proper purchasing procedures have been followed and if P-Card expenditures were proper.

Based on the results of this review, (5) five observations were identified. The five observations were regarding travel expenses complying with the City Travel Manual and the P-Card Manual. These issues were communicated to Interim City Manager (S. McGlynn), the City Manager's Office P-Card Program Administrator, and the Chief Financial Officer for corrective action.

Police Department Municipal Vehicle Storage Facility Contract Audit (Report dated May 30, 2014)

The Internal Audit Office conducted an audit of the contract between the City of El Paso and Rod Robertson Enterprises Inc. for the operation and maintenance of the El Paso Police Department Municipal Vehicle Storage Facility. The objective of this audit was to ascertain that the El Paso Police Department and contractor Rod Robertson Enterprises Inc. were adhering to the terms and condition of Solicitation No. 2011-310R.

Based on the results of the audit, (5) five findings have been identified. The (5) five findings were considered significant in nature. These issues were communicated to City Management, the Chief of Police, and the Vice President of Operations for Rod Robertson Enterprises for corrective action.

City Development Travel Review (Memo dated June 11, 2014)

At the request of the City Manager (Ms. Wilson), a review was conducted of travel completed by the staff at the City Development Department. The objectives of the review were to determine if travel expenses incurred were appropriate and in accordance with the City's Travel Manual and P-Card Manual.

Based on the results of this review, (2) two observations were identified. The two observations were regarding travel expenses complying with the City Travel Manual and the P-Card Manual. These issues were communicated to City Management and the City Development Director for corrective action.

P-Card Review – Museums and Cultural Affairs Department (memo dated June 24, 2014)

The Internal Audit Office conducted a review of P-Card purchases performed by the Museums and Cultural Affairs Department (MCAD) staff. The objectives of the review were to determine if the MCAD Program Administrator was properly reviewing and monitoring P-card expenditures. In addition, to ascertain if proper purchasing procedures have been followed and if P-Card expenditures were proper.

Based on the results of this review, (3) three observations were identified. The three observations were regarding travel expenses complying with the City Travel Manual and the P-Card Manual. These issues were communicated to City Management (current City Manager and the Interim City Manager) and the Interim MCAD Director for corrective action.

El Paso City Employees' Pension Fund – Accounts Payable Review (Memo dated June 30, 2014)

At the request of the Pension Administrator, a review was conducted of the El Paso City Employees' Pension Fund Policies and Procedures for Accounts Payable and Purchasing. The objectives of the review were to evaluate current policies and procedures, review a sample of expenditures for compliance and proper internal controls, and to provide input as to the appropriateness of the current procedures.

Based on the results of this review, (3) three observations were identified. The observations related to creating comprehensive Policies and Procedures for the Accounts Payable and Purchasing functions within the Pension Fund, to establish purchasing approval thresholds, and to establish purchasing thresholds. These issues were communicated to City Management, the Pension Administrator, the Pension Board Audit Committee, and the Pension Fund Board for corrective action.

International Bridges – Internal Controls Follow-Up Audit (Report dated July 17, 2014)

The Internal Audit Office conducted a Follow-Up Audit on the International Bridges – Internal Controls Audit Report dated August 23, 2012. The original Audit Report contained (6) six findings.

Based on the results of this Follow-Up Audit, we have determined that the (6) six original findings have been fully *implemented*. The results of the Follow-Up Audit were communicated to City Management and the International Bridges Department Director.

El Paso Fire Department – Ground Ambulance Claims Review – Consultant's Report (Report dated July 28, 2014)

The Internal Audit Office and the El Paso Fire Department contracted with Fitch & Associates to conduct an ambulance claims review for the El Paso Fire Department. The objectives of the claims review were to determine whether ground ambulance claims for reimbursement submitted to federal health programs were accurate and supported by proper documentation.

Based on the claims review, (3) three areas of concern have been identified. The (3) three areas of concern were considered significant in nature. These issues were communicated to City Management and the Fire Chief for corrective action.

Hotel Occupancy Tax – Hilton Garden Inn El Paso/University (Report dated August 12, 2014)

The Internal Audit Office conducted an audit of the Hotel Occupancy Taxes paid by the Hilton Garden Inn El Paso/University. The objectives of the audit were to determine if the Hilton Garden Inn El Paso/University Hotel has collected and remitted Municipal Hotel Occupancy Taxes to the City of El Paso in accordance with applicable State and City regulations.

Based on the results of the audit, (3) three findings have been identified. The (3) three findings were considered significant in nature. These issues were communicated to City Management, the Interim Chief Financial Officer, and the Hilton Garden Inn Management for corrective action.

Department of Transportation Travel Review (Memo dated August 19, 2014)

The Internal Audit Office conducted a review of travel completed by the staff at the Department of Transportation. The objectives of the review were to determine if travel expenses incurred were appropriate and in accordance with the City's Travel Manual and P-Card Manual.

Based on the results of this review, (1) one observation was identified. The observation was regarding Travel Request approval forms complying with the City Travel Manual and the P-Card Manual. These issues were communicated to City Management and the Department of Transportation Director for corrective action.

Human Resources Payroll 2nd Follow-Up Audit (Report dated August 28, 2014)

The Internal Audit Office conducted a 2nd Follow-Up Audit on the original Human Resources Payroll Audit Report dated February 23, 2011. The original Audit Report contained five (5) findings. The (5) five findings were considered significant in nature.

The results of the 1st Follow-Up Audit – Human Resources Payroll Audit Report dated April 8, 2013 determined that none of the 5 original findings had been fully implemented and were categorized as *In Progress*.

Based on the results of the 2nd Follow-Up Audit, we have determined that none of the (5) five findings have been fully implemented and continue to be categorized as *In Progress.* These issues were communicated to City Management and the Human Resources for corrective action.

The Internal Audit Office will not be conducting a 3rd Follow-Up Audit in this area. The Human Resources Department Management will assume the risk of implementing corrective actions to remedy the deficiencies identified in the Original Audit.

Economic Development - Revolving Loan Fund Follow-Up Audit (Report dated August 28, 2014)

The Internal Audit Office conducted a Follow-Up Audit of the Economic Development – Revolving Loan Fund Audit Report dated April 9, 2013. The original Audit Report contained six (6) findings.

Based on the results of the Follow-Up Audit, we have determined that 2 of 6 findings were fully *Implemented*, 2 of 6 findings were considered *Not Applicable,* and 2 of 6 findings were considered *In Progress.* The results were communicated to City Management and the Economic Development Director for corrective action.

Employee Hotline (As of August 30, 2014)

As of the 4th Quarter of the 2013-2014 Fiscal Year, the Ethicsline has received a total of 4 calls. As of August 30, 2014, 3 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 4th 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.

RESTITUTION PAYMENTS RECEIVED

VillaFam Contracting Services

The City of El Paso received three restitution checks totaling $1,650.00 during the 4th Quarter of FY2014. In March 2004, a federal grand jury indicted an environmental services company (VillaFam Contracting Services, LLC) and its managers for allegedly defrauding the City of El Paso in overbilling for the disposal of household hazardous waste.

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.

Capital Improvement Program – Budget Transfers Audit

An audit is being conducted of the Engineering and Construction Management's Capital Improvement Program (CIP) – Budget Transfers. The objectives of the audit are to:

1) Identify if CIP projects were completed under budget, at budget, or over budget.
2) For projects over budget, determine where the extra budget funds came from.
3) For projects under budget, determine where the excess budget funds were transferred to.
4) Determine if budget transfers were processed per proper protocols.
5) Determine the reason or cause for the budget transfers, change orders, etc.
6) Determine how bond sales affect the CIP.

Airport Accounts Payable Audit

At the request of the Aviation Director, an audit is being conducted of the Airport's Service Contracts. The objectives of the audit are to determine if the Airport is receiving the deliverables as described in the service contracts. The audit will focus on the contract deliverables, contract billings, payments and contract monitoring.

City Wide Cash Count Project

At the request of the Chief Financial Officer, a verification of selected City department's change fund/petty cash funds is being conducted. According to Financial Services records, as of April 30, 2014, there are 24 departments/programs that handle cash with a total of $106,182.27 in change fund/petty cash allocated. The objectives of the project are to conduct surprise cash counts to identify current cash handling practices at various City of El Paso departments and/or programs that handle cash. In addition to ensure that their change fund/petty cash fund amounts coincide with Financial Services records.

Community Development – Neighborhood Stabilization Program

An audit is being conducted of the Community Development – Neighborhood Stabilization Program (NSP). The objectives of the audit are to determine if the NSP is adhering to the terms and conditions of NSP Grant NO B-08MN-48-0003 from the Department of Housing and Urban Development (HUD) and Contract No. 77090000112 from the Texas Department of Housing and Community Affairs (TDHCA).

Purchasing & Strategic Sourcing Department Audit

An audit is being conducted of the Purchasing & Strategic Sourcing Department. The audit objective is to determine if the Purchasing & Strategic Sourcing Department's operations are complying with City guidelines and consistent with "best practices" for procurement functions. The audit will also document areas where inefficiencies exist and where internal controls may be strengthened or improved.

FINANCIAL AND AUDIT OVERSIGHT COMMITTEE ("FAOC")

No FAOC meetings were conducted during the 4th Quarter of Fiscal Year 2013-2014.

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 Airport Internal Auditors – Training – "25th Annual Conference" on June 8-11, 2014

Daryl Olson, Senior Auditor attended the Association of Airport Internal Auditors – Training – "25th Annual Conference" on June 8-11, 2014. Daryl earned eighteen hours of Continuing Professional Education Credit.

Fraud Aware – Webinar – "Essentials of an Effective Fraud Response Plan" on June 11, 2014

Liz De La O, Lead Auditor, completed the Fraud Aware – Webinar – "Essentials of an Effective Fraud Response Plan" on June 11, 2014. Liz earned two hours of Continuing Professional Education Credit.

Association of Certified Fraud Examiners – Webinar – "Detecting and Preventing Procurement Fraud" on June 14, 2014

Edmundo Calderon, Chief Internal Auditor and Liz De La O, Lead Auditor, completed the Association of Certified Fraud Examiners – Training – "Detecting and Preventing Procurement Fraud" on June 14, 2014. Each staff member earned one hour of Continuing Professional Education Credit.

Association of Certified Fraud Examiners – Webinar – "Maximizing Investigative ROI" on June 17, 2014

Liz De La O, Lead Auditor, completed the Association of Certified Fraud Examiners – Webinar – "Maximizing Investigative ROI" on June 17, 2014. Liz earned one hour of Continuing Professional Education Credit.

Institute of Internal Auditors – Webinar – "Becoming a More Strategic Internal Auditor" on June 17, 2014

Liz De La O, Lead Auditor and Rebecca Garcia, Auditor, completed the Institute of Internal Auditors – Webinar – "Becoming a More Strategic Internal Auditor" on June 17, 2014. Each staff member earned one hour of Continuing Professional Education Credit.

Association of Certified Fraud Examiners – Self-Study – "Ethical Issues for Fraud Examiners" on June 19, 2014

Liz De La O, Lead Auditor, completed the Association of Certified Fraud Examiners – Self-Study – "Ethical Issues for Fraud Examiners" on June 19, 2014. Liz earned two hours of Continuing Professional Education Credit.

American Institute of Certified Public Accountants – Webinar – "How to Improve Your Whistleblower Program and Address Impediments to Reporting" on July 1, 2014

Liz De La O, Lead Auditor; Rebecca Garcia, Auditor; and Lyz Gonzalez, Auditor, completed the American Institute of Certified Public Accountants – Webinar – "How to Improve Your Whistleblower Program and Address Impediments to Reporting" on July 1, 2014. Each staff member earned one and a half hours of Continuing Professional Education Credit.

Institute of Internal Auditors – Webinar – "Pulse of the Profession" on July 15, 2014

Miguel Montiel, Audit Supervisor, completed the Institute of Internal Auditors – Webinar – "Pulse of the Profession" on July 15, 2014. Miguel earned one hour of Continuing Professional Education Credit.

Institute of Internal Auditors – Webinar – "Independent Audit Committees in Public Sector Organizations" on July 23, 2014

Edmundo Calderon, Chief Internal Auditor; Liz De La O, Lead Auditor; Rebecca Garcia, Auditor; and Lyz Gonzalez, Auditor, completed the Institute of Internal Auditors – Webinar – "Independent Audit Committees in Public Sector Organizations" on July 23, 2014. Each staff member earned one hour of Continuing Professional Education Credit.

AuditNet – Webinar – "Using Benford's Law for Fraud Detection & Auditing" on July 29, 2014

Liz De La O, Lead Auditor and Rebecca Garcia, Auditor, completed the AuditNet – Webinar – "Using Benford's Law for Fraud Detection & Auditing" on July 29, 2014. Each staff member earned one hour of Continuing Professional Education Credit.

Institute of Internal Auditors El Paso Chapter – Training – "Whistleblowing" on August 20, 2014

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 Lyz Gonzalez, Auditor, completed the Institute of Internal Auditors El Paso Chapter – Training – "Whistleblowing" on August 20, 2014. Each staff member earned two hours of Continuing Professional Education Credit.

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 09/30/14**
First Quarter	-	-
MCAD – Kids Excel Contract	200.00	160.25
Airport Revenue Audit – Paradise Shops	200.00	455.50
Information Technology – POD Purchase	200.00	337.25
Fire Department – Automotive Parts Purchase Audit	400.00	373.25
Engineering & Construction Management – CIP Budget Transfers	400.00	842.25
Follow-Up Audit – Tax Office ACT System	200.00	188.50
Tax Office Refund Review Project	75.00	49.75
P-Card Reviews	250.00	-
Elected Officials and City Manager's Office	-	434.25
Ethicsline	75.00	71.50
Contingency Hours	429.00	-
Airport General	-	1.50
Audit Plan	-	106.75
Consulting	-	59.25
Economic Development – Employee Travel	-	335.00
Environmental Services Purchasing Audit	-	127.25
Fire/Ambulance Compliance Project	-	16.00
General Services – Truck Maintenance Audit	-	16.75
Sun Metro Lift Audit	-	105.00
STEP Grant	-	6.00
Tuition Assistance Program Audit	-	19.75
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**	**4,945.75**
Second Quarter		
2013 External Quality Assessment	500.00	195.50
City Development – Subdivision Inspection Audit	500.00	-
Police Department – Storage Facility Contract Audit	450.00	820.75
Follow-Up Audit – Friedman Recycling	250.00	224.50
2nd Follow-Up Audit – Human Resources Payroll	250.00	215.75
Tax Office Refund Review Project	75.00	58.75

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	BUDGETED HOURS	YTD as of 09/30/14
Second Quarter (continued)	-	-
Ethicsline	75.00	32.50
Contingency Hours	273.00	-
Airport General	-	2.50
Airport Warehouse Review	-	166.50
Audit Plan	-	65.75
Consulting	-	43.00
Fire/Ambulance Compliance Project	-	13.50
STEP Grant	-	1.25
Administrative Duties - Chief Internal Auditor	225.00	258.50
Administrative Duties – Audit Supervisor	90.00	201.25
Administrative Duties - Staff Auditor	300.00	552.75
Auditor Training	105.00	196.75
Vacation/Sick Leave/Holiday	491.00	582.00
Total	**3,584.00**	**3,631.50**
Third Quarter		
Airport Audit – Accounts Payable	500.00	242.00
Community Development – Neighborhood Stabilization Program	500.00	86.50
Travel Reviews – Randomly Selected Departments	200.00	-
-City Development Department	-	312.75
Follow-Up Audit – International Bridges Internal Controls	250.00	261.75
Follow-Up Audit – Engineering & Construction Management Fees	250.00	127.00
Tax Office Refund Review Project	75.00	120.50
El Paso City Employee's Pension Fund A/P Project	200.00	233.00
P-Card Reviews	250.00	-
Museum and Cultural Affairs Department	-	319.00
Ethicsline	75.00	14.00
Contingency Hours	241.00	-
Audit Plan	-	65.00
City Wide Cash Count Project	-	133.00
Consulting	-	81.50
Fire/Ambulance Compliance Project	-	13.50
STEP Grant	-	5.25
Administrative Duties - Chief Internal Auditor	225.00	293.00
Administrative Duties – Audit Supervisor	90.00	217.50
Administrative Duties - Staff Auditor	300.00	634.00
Auditor Training	105.00	367.75
Vacation/Sick Leave/Holiday	379.00	411.75
Total	**3,640.00**	**3,938.75**

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	BUDGETED HOURS	YTD as of 09/30/14
Fourth Quarter		
Hotel Occupancy Tax Audit	500.00	217.25
Purchasing Department Audit	400.00	94.25
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	82.25
Follow-up Audit – IT POD Purchase	250.00	-
Tax Office Refund Review Project	75.00	81.75
Ethicsline	75.00	58.50
Contingency Hours	191.00	-
Audit Plan	-	104.50
Consulting	-	136.00
EPDOT Travel Review	-	189.25
Fire/Ambulance Compliance Project	-	6.25
Administrative Duties - Chief Internal Auditor	225.00	244.00
Administrative Duties – Audit Supervisor	90.00	177.50
Administrative Duties - Staff Auditor	300.00	811.50
Auditor Training	105.00	84.00
Vacation/Sick Leave/Holiday	435.00	483.00
Total	**3,696.00**	**2,770.00**
Totals for 1st, 2nd, 3rd & 4th Quarters	**14,560.00**	**15,286.00**

CONCLUSION

The 4th Quarter of the 2013-2014 Audit Plan was another productive quarter for the Internal Audit Office. During the 4th Quarter a total of 13 audits/projects were completed by the staff and 5 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 4th 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.

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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