



Engineering Services Department Audit Report

Issued by the
Internal Audit Office
April 8, 2008

**City of El Paso
Internal Audit Office
Engineering Services Department Audit**

EXECUTIVE SUMMARY

The Internal Audit Office has concluded its audit of the Engineering Services Department. Based on the results of the audit, five findings were identified. Overall, the department is operating in a control conscious environment and the findings represent areas for improvement. One of these findings is considered significant in nature, while the remaining four findings are not significant.

Listed below is a summary of the one (1) significant finding identified in this report.

1. The City Engineer is the only department employee that is required to sign a conflict of interest statement.

Listed below are the four (4) findings listed as “Other Findings.”

2. The individual divisions within the Engineering Services Department either do not have a Policies and Procedures Manual or have an outdated manual.
3. The Engineering Services Department does not require staff members to attain a minimum number of training hours per year. In addition, the department does not actively maintain training records for any of its staff members.
4. The approver’s signature or initial was not noted on the *Request for Change Order* memo that is created by the Project Engineer to indicate their review and approval of the change order.
5. Contractor invoices are not always approved for payment via a signature on the *Approved* line of the voucher stamp. Four of nine invoices reviewed contained an approval in different areas of the invoice.

For a detailed explanation of each of the findings please refer to the appropriate finding contained in the body of this Audit Report.

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BACKGROUND

The Engineering Services Department is responsible for coordinating engineering projects from the creation of conceptual plans to the completion of a turn-key product. The department also operates and maintains the City of El Paso traffic system to ensure efficient vehicular flow. The 2007 Annual Audit Plan and Risk Assessment has identified the Engineering Services Department as requiring an audit. In addition, the Deputy City Manager for Development and Infrastructure Services has also requested an audit of this department.

A survey was conducted by the Office of Management and Budget regarding the engineering services fees charged by other cities located near the El Paso region. The survey included major regional cities within the states of Texas, New Mexico, and Arizona.

City	Engineering Rate Fee Charged
Austin	\$100-\$120/hour
El Paso	\$65.80/hour
Albuquerque	\$39/hour for inspection and \$45/hour for management
San Antonio	No Charge

City	Engineering Staff Salary Percentage Rate Charged
Fort Worth	2.2-2.4 times the Engineering staff salaries
Tucson	Marks Engineering staff salaries up by 51.47%
Dallas	Engineering salaries paid directly from capital improvement program funds
Phoenix	Full Recovery- employee wages and benefits recovered from requesting department
Houston	Recovery factor of 10%

SCOPE & METHODOLOGY

The objectives of this audit were to determine if procedures currently being utilized in the administration of implemented internal controls in the Engineering Services Department within the following categories (compliance, financial, operational, strategic, reporting) are adequate to assist management in meeting its goals and objectives.

We conducted audit steps to determine if the Engineering Services Department is operating in a control conscious environment. A control conscious environment is characterized by the activity's adequacy and effectiveness in improving risk management, controls and governance processes. This included evaluating the following:

- Adequate level of internal control awareness.
- Proper segregation of duties.
- Existence of a proper monitoring system.
- Appropriate authorization/approval of expenditures.
- Adequate safeguarding of financial, physical, and information assets.

The audit relied on inquiries, observations, and testing of controls, to obtain sufficient documentation to provide assurance on the audit objectives.

This was a limited scope audit and the time period covered was Fiscal Year 2007.

The audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors.

***SIGNIFICANT FINDINGS, RECOMMENDATIONS,
AND MANAGEMENT’S RESPONSES***

The definition of a significant finding is one that has a material effect on the City of El Paso’s financial statements, identifies an internal control breakdown, a violation of a City procedure, law and/or regulation, which the City is required to follow. Any finding not meeting these criteria will be classified as an “Other Finding”.

Finding 1

The City Engineer is the only department employee that is required to sign a Conflict of Interest statement.

Recommendation

We recommend the Engineering Services Department require all personnel to sign a conflict of interest statement.

A signed conflict of interest statement will help ensure that Engineering Services Department personnel are aware of ethical conduct to ensure an impartial and objective process when dealing with clients and other external third parties. The conflict of interest statement will also help document any pre-existing conflicts of interest between staff and contractors and assist department management in planning staff member assignments appropriately.

Management’s Response

All personnel will sign conflict of interest statements.

Responsible Party

Rick Talamo

Implementation Date

August 30, 2008

***OTHER FINDINGS, RECOMMENDATIONS,
AND MANAGEMENT'S RESPONSES***

Finding 2

The individual divisions within the Engineering Services Department either do not have a Policies and Procedures Manual or have an outdated manual.

Recommendation

We recommend the individual divisions within the Engineering Services Department develop and maintain an updated Policies and Procedures Manual.

A Policies and Procedures Manual serves to document consistent internal procedures, help reduce process ambiguity, and promotes business continuity if an integral staff member is no longer able to perform their job duties.

Management's Response

Policies and Procedures manual completed in October 2007 and distributed to all employees in January, 2008

Responsible Party

Rick Talamo

Implementation Date

Complete

Chief Internal Auditor's Response

We will confirm during the Follow-Up Audit whether the individual divisions have documented policies and procedures specific to their areas in the department's manual or if specific procedures manuals have been created for each division.

Finding 3

The Engineering Services Department does not require staff members to attain a minimum number of training hours per year. As such, the department does not actively maintain training records for any of its staff members.

Recommendation

We recommend the City Engineer consider requiring all staff members within the department to attain a minimum number of continuing education hours per year relevant to their area of responsibility. This requirement should be documented in the department's Policies and Procedures Manual.

Attaining a minimum number of training hours each year will help staff members remain competent and current in their respective areas of responsibility. To complement the minimum training requirements, the department should also consider actively maintaining a record of the training(s) attended by its staff during the calendar year in their respective personnel files. This will ensure all staff members have attained a minimum of required training hours, but also to document that staff members have been given the opportunity to expand their skills and education.

Management's Response

A department wide CEU policy will be developed, to address licensed personnel as well as non-licensed personnel.

Responsible Party

Irene Ramirez

Implementation Date

October 31, 2008

Finding 4

Project Engineers create a *Request for Change Order* memo to include in the file which the City Engineer uses to base his approval of the change order. We noted that while the Project Engineer creates the memo, no signature or initial was observed on the memo to document the Project Engineer's review and approval of the change order.

Recommendation

We recommend that the City Engineer require Project Engineers/Managers to sign the *Request for Change Order* memo.

A Project Engineer's or Project Manager's signature on the change order memo will formalize the approval process by documenting approval.

Management's Response

Request for Change Order Form will be altered to include all appropriate signatures.

Responsible Party

Sam Rodriguez

Implementation Date

July 31, 2008

Finding 5

We did not identify any major discrepancies in the approval process in sample of nine invoices reviewed. We identified four instances where invoices reviewed were not signed on the *Approved* section of the voucher stamp, but an approval indication or signature was visible on a different part of the invoice.

Recommendation

Although invoices appear to be properly approved, we recommend all invoice approvals should be documented on the voucher stamp *Approved* section via a signature. Another option is to utilize a separate "Approved for Payment by:" stamp and signature to document payment approval.

Management's Response

None required. No follow-up necessary.

Responsible Party

Not Applicable

Implementation Date

Not Applicable

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INHERENT LIMITATIONS

Because of the inherent limitations of internal controls, errors or irregularities may occur and not be detected. Also, projections of any evaluation of the internal control structure to future periods are subject to the risk that procedures may become inadequate due to changes in conditions, or that the degree of compliance with the procedures may deteriorate.

CONCLUSION

Based on the results of this audit, we would like to commend the Engineering Services Department management for operating in a control conscious environment. This is a result of the proactive management style displayed by the City Engineer. We wish to thank the Engineering Services Department management and staff for their assistance and numerous courtesies extended during the completion of this audit.

Signature on file

Edmundo S. Calderón, CIA, CGAP, MBA
Chief Internal Auditor

Signature on file

Miguel Montiel, CIA, CGAP
Lead Auditor

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