



Engineering Services Department Follow – Up Audit Report

Issued by the
Internal Audit Office
May 26, 2009

City of El Paso
Internal Audit Office
Engineering Services Department Follow – Up Audit

EXECUTIVE SUMMARY

The Internal Audit Office conducted a follow-up audit on Engineering Services Department Audit Report dated April 8, 2008. Upon completion of the audit fieldwork, we have determined the status of the recommendation for each audit finding as outlined in the table below:

| Finding No. | Description of Findings | Status |
|-------------|---|------------------------|
| 1 | The City Engineer is the only department employee that is required to sign a Conflict of Interest statement. | Implemented |
| 2 | The individual divisions within the Engineering Services Department either do not have a policies and procedures manual or have an outdated manual. | Implemented |
| 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. | Implemented |
| 4 | Project Engineers create a <i>Request for Change Order</i> 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. | Implemented |
| 5 | We did not indentify 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 <i>Approved</i> section of the voucher stamp, but an approval indication or signature was visible on a different part of the invoice | No Follow-Up Necessary |

Based on the results of this follow-up audit, we have determined that all five (5) of the original findings have been implemented.

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

BACKGROUND

The Institute of Internal Auditor’s *International Standards for the Professional Practice of Internal Auditing, Standard 2500.A1*, requires a post audit follow-up on all audit recommendations made to ascertain that appropriate action is taken on reported audit findings. The Internal Audit Office has conducted a follow-up audit of the Engineering Services Department Audit Report dated April 8, 2008.

AUDIT OBJECTIVES

The audit objective was to determine the status of the recommendations detailed in the original audit report which contained five (5) findings requiring follow-up.

SCOPE & METHODOLOGY

The follow-up audit was limited to a review of the findings and recommendations detailed in the original audit report, dated April 8, 2008. The audit period covered the operations of the Engineering Services Department from September 1, 2008 to the present. Audit fieldwork included interviewing key personnel, reviewing documents, and testing management processes to determine the status of each recommendation.

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

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**ORIGINAL FINDINGS, ORIGINAL RECOMMENDATIONS, MANAGEMENT’S
RESPONSE TO ORIGINAL FINDINGS, CURRENT OBSERVATION, AND
STATUS**

Based on the results of follow-up test work, each original finding recommendation will be designated with one of the following four status categories:

| | |
|------------------------|--|
| <i>Implemented</i> | The finding has been addressed by implementing the original corrective action or an alternative corrective action. |
| <i>In Progress</i> | The corrective action has been initiated but is not complete. |
| <i>Not Applicable</i> | The recommendation is no longer applicable due to changes in procedures or changes in technology. |
| <i>Not Implemented</i> | The recommendation was ignored, there were changes in staffing levels, or management has decided to assume the risk. |

| |
|---|
| <p><u>Finding 1</u></p> <p>The City Engineer is the only department employee that is required to sign a Conflict of Interest statement.</p> |
| <p><u>Recommendation</u></p> <p>We recommend the Engineering Services Department require all personnel to sign a conflict of interest statement.</p> <p>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.</p> |
| <p><u>Management’s Response</u></p> <p>All personnel will sign conflict of interest statements.</p> <p><u>Responsible Party</u></p> <p>Rick Talamo</p> <p><u>Implementation Date</u></p> <p>August 30, 2008</p> |
| <p><u>Current Observation</u></p> <p>All Engineering Services Department personnel have signed a conflict of interest statement.</p> <p><u>Status</u></p> <p>Implemented</p> |

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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.

Current Observation

The individual divisions with in the Engineering Services Department have developed and are maintaining updated policies and procedures manuals. Two divisions, Traffic and Capital Improvements are in the process of updating/developing their policies and procedures manuals. Draft copies of each were reviewed.

Status

Implemented

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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

Current Observation

Based on our audit work we were able to determine that:

- A draft training policy has been developed where the Engineering Services Department recognizes the need for training to maintain departmental professionalism. The policy states each division/section shall establish specific training requirements. The division/section managers will ensure training opportunities are available and directly related to the individuals work or professional development. The division/section managers are also responsible for maintaining training records for the division/section personnel.
- As suggested by the City's Legal Department the training policy is being reviewed by the Human Resources Department.
- The policy is currently in draft form.
- Currently the only training records that are being maintained are those at the professional engineering level.

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The City Engineer has recently approved the draft training policy for implementation pending any changes as suggested by the Human Resources Department.

Status

Implemented

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

Current Observation

A revised *Request for Change Order* memo has been implemented. The revised *Request for Change Order* memo includes a signature line for the Project Engineer/Manager that when signed verifies approval. Three engineering projects were sampled. 100% of the *Request for Change Order* memos dated on or after 1/1/2009 were signed and dated by the Project Engineer/Manager.

Status

Implemented

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Finding 5

We did not indentify any major discrepancies in the approval process in the 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

Current Observation

No follow-up necessary.

Status

Not Applicable

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 follow-up audit, we have determined that all five (5) of the original findings have been implemented.

We wish to thank the management and staff of the Engineering Services Department for their assistance and numerous courtesies extended during the completion of this follow-up audit.

Signature on File

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Chief Internal Auditor

Signature on File

Daryl Olson
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