



**2014-2015**  
**Annual Audit Plan**  
**1<sup>st</sup> Quarter Update**

Issued by the  
Internal Audit Office  
As of November 30, 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 this requirement, 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 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 1<sup>st</sup> Quarter of the 2014-2015 Annual Audit Plan.*

### **Capital Improvement Program – Budget Transfers Audit (Report dated September 23, 2014)**

The Internal Audit Office conducted an audit of the Engineering and Construction Management's Capital Improvement Program (CIP) – Budget Transfers. The objectives of the audit were 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.

Based on the results of the audit, (6) six findings have been identified. The (6) six findings were considered significant in nature. These issues were communicated to City Management and the Interim City Engineer for corrective action.

### **City Development Purchasing Review Project (Memo dated November 5, 2014)**

The Internal Audit Office conducted a review of furniture and equipment purchased by the City Development Department. The objective of this review was to determine if the purchases were proper per City Policies and Procedures. The results of the Project were communicated to City Manager and the Chairman of the Finance and Audit Oversight Committee.

### **Federal Janitorial Contract Follow-Up Audit (Report dated November 17, 2014)**

The Internal Audit Office conducted a Follow-Up Audit on the Federal Janitorial Contract Audit Report dated November 20, 2012. The original Audit Report contained (4) four findings.

Based on the results of this Follow-Up Audit, we have determined that the status of the (4) four original findings are *Not Applicable* since the contract #2010-204 between the City of El Paso and Federal Janitorial STG, LLC ended and was not renewed. The results of the Follow-Up Audit were communicated to City Management and the Parks and Recreation Director.

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**FY2013 – 2014 Fire Department Overtime Report Project (memo dated November 18, 2014)**

For Fiscal Year 2014-2015, the Internal Audit Office will be monitoring overtime expenditures for the Fire Department. The objective of this project is to identify the TOP 25 overtime earners for Fiscal Year 2013-2014. The Internal Audit Office will continue to run the report on a Quarterly basis. The results of the Project were communicated to City Management and the Fire Chief.

**FY2013 – 2014 Police Department Overtime Report Project (memo dated November 18, 2014)**

For Fiscal Year 2014-2015, the Internal Audit Office will be monitoring overtime expenditures for the Police Department. The objective of this project is to identify the TOP 25 overtime earners for Fiscal Year 2013-2014. The Internal Audit Office will continue to run the report on a Quarterly basis. The results of the Project were communicated to City Management and the Chief of Police.

**Employee Hotline (As of November 30, 2014)**

As of the 1<sup>st</sup> Quarter of the 2014-2015 Fiscal Year, the Ethicsline has received a total of 11 calls. As of November 30, 2014, 16 calls remain open and are pending investigation. The additional calls being a carryover from the previous fiscal year. 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 1<sup>st</sup> 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**

The City of El Paso received two restitution checks totaling \$3,500.00 during the 1<sup>st</sup> Quarter of Fiscal Year 2015.

**VillaFam Contracting Services**

The City received a \$500.00 restitution check during the 1<sup>st</sup> Quarter of Fiscal Year 2015 from VillaFam Contracting Services, LLC. 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.

**STEP Grant Restitution**

The City of El Paso received a \$3,000.00 restitution check on September 11, 2014 from a former Police Officer. The Internal Audit Office has been providing assistance to the El Paso County District Attorney's Office regarding cases against former El Paso Police Officers that have been indicted for alleged falsification of government records. The total amount of STEP Grant restitution payments collected is \$35,876.16 since June 2012.

## **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.*

### **Airport Accounts Payable Audit**

At the request of the Aviation Director, an audit is being conducted of the Airport's Accounts Payable on 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 City Comptroller's 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 City Comptroller's 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.

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**Information Technology Telecommunications Billing Audit**

An audit is being conducted of the telecommunications billing procedures of the Department of Information Technology (DoIT). The audit objective is to determine if DoIT has proper procedures in place to ensure telecommunication billing transactions are processed in a timely matter and in accordance with the City of El Paso's Policies and Procedures as well with the Texas Prompt Payment Act. The audit will focus on the ensuring proper documentation exists for payments processed, internal controls to limit exposure to unauthorized/inappropriate payment transactions, billings, timeliness of payments, and monitoring of budgetary limits.

**P-card Elected Officials and City Manager's Staff**

A review is being conducted of Procurement Card (P-Card) purchases performed by the Elected Officials and staff. Also purchases performed by the City Manager's Office are being reviewed. The current City of El Paso Procurement Card (P-Card) Program has issued 416 active P-Cards to City Employees as of October 20, 2014. The Elected Officials and staff have 21 and the City Manager's Staff have 13 active P-Cards issued. During the audit scope, the Elected Officials and City Manager's Staff conducted 1,214 P-Card purchases totaling \$122,515.22. The objectives of this review are to determine if the current Elected Officials and City Manager's Staff P-Card Program Administrator is properly reviewing and monitoring the expenditures. In addition, to ascertain if proper purchasing procedures have been followed and if P-Card expenditures are proper.

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**FINANCIAL AND AUDIT OVERSIGHT COMMITTEE (“FAOC”)**

Two FAOC meetings were conducted during the 1<sup>st</sup> Quarter of Fiscal Year 2014-2015. Below is a summary of the topics discussed by the Internal Audit Office during the two meetings.

**September 03, 2014**

- Approval of Minutes for the Financial and Audit Oversight Committee meeting of April 29, 2014.
- Discussion on Audit Plan Updates for the 3<sup>rd</sup> Quarter of FY 2013-2014.
- Discussion and action on Client Surveys.
- Discussion on the impact of the 2014-2015 Budget on the Internal Audit Office

**October 27, 2014**

- Approval of Minutes for the Financial and Audit Oversight Committee meeting of September 03, 2014.
- Discussion on Audit Plan Updates for the 4<sup>th</sup> Quarter of FY 2013-2014.
- Discussion and Action on the City of El Paso Internal Audit Charter.
- Discussion and Action on the FY2015 Annual Internal Audit Plan.
- Discussion and Action on HOT Audits Update.

## **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 Local Government Auditors – Webinar – “Statistical Sampling Methodology” on September 09, 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; Lyz Gonzalez, Auditor; and Linda Roa, Research & Management Assistant completed the Association of Local Government Auditors – Webinar – “Statistical Sampling Methodology” on September 09, 2014. Each staff member earned one hour of Continuing Professional Education Credit.

#### **Institute of Internal Auditors – Webinar – “Fraud and Embezzlement: Lessons from the Trenches” on September 16, 2014**

Edmundo Calderon, Chief Internal Auditor; Miguel Montiel, Audit Supervisor; Liz De La O, Lead Auditor; Daryl Olson, Senior Auditor; Rebecca Garcia, Auditor; and Lyz Gonzalez, Auditor completed the Institute of Internal Auditors – Webinar – “Fraud and Embezzlement: Lessons from the Trenches” on September 16, 2014. Each staff member earned one hour of Continuing Professional Education Credit.

#### **Institute of Internal Auditors – Training – “Audit Tools, Planning, and Communicating: Skills for New and Experienced Auditors” on September 18, 2014**

Edmundo Calderon, Chief Internal Auditor completed the Institute of Internal Auditors – Training – “Audit Tools, Planning, and Communicating: Skills for New and Experienced Auditors” on September 18, 2014. Edmundo earned two hours of Continuing Professional Education Credit.

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**Institute of Internal Auditors – Webinar – “The Value of Red and Yellow Book Standards” on September 18, 2014**

Edmundo Calderon, Chief Internal Auditor; Miguel Montiel, Audit Supervisor; Liz De La O, Lead Auditor; Daryl Olson, Senior Auditor; and Rebecca Garcia, Auditor completed the Institute of Internal Auditors – Webinar – “The Value of Red and Yellow Book Standards” on September 18, 2014. Each staff member earned one hour of Continuing Professional Education Credit.

**Institute of Internal Auditors – Training – “Audit Tools, Planning, and Communicating: Skills for New and Experienced Auditors” on September 18, 2014**

Lyz Gonzalez, Auditor completed the Institute of Internal Auditors – Training – “Audit Tools, Planning, and Communicating: Skills for New and Experienced Auditors” on September 18, 2014. Lyz earned two hours of Continuing Professional Education Credit.

**Institute of Internal Auditors – Webinar – “What’s on the Horizon with the IPPF and How it May Affect You” on September 24, 2014**

Edmundo Calderon, Chief Internal Auditor; Miguel Montiel, Audit Supervisor; Liz De La O, Lead Auditor; Rebecca Garcia, Auditor; and Lyz Gonzalez, Auditor completed the Institute of Internal Auditors – Webinar – “What’s on the Horizon with the IPPF and How it May Affect You” on September 24, 2014. Each staff member earned one hour of Continuing Professional Education Credit.

**Robert Half CPE – Webinar – “Show Them the Way: Using Employee Career Paths to Build, Improve and Retain Your Internal Audit Team” on September 25, 2014**

Edmundo Calderon, Chief Internal Auditor; Miguel Montiel, Audit Supervisor; Liz De La O, Lead Auditor; and Lyz Gonzalez, Auditor completed the Robert Half CPE – Webinar – “Show Them the Way: Using Employee Career Paths to Build, Improve and Retain Your Internal Audit Team” on September 25, 2014. Each staff member earned one hour of Continuing Professional Education Credit.

**Association of Local Government Auditors – Webinar – “Inventory Management Auditing: Lessons from the City of Palo Alto” on October 14, 2014**

Miguel Montiel, Audit Supervisor; Liz De La O, Lead Auditor; Daryl Olson, Senior Auditor; Miguel Ortega, Auditor; Rebecca Garcia, Auditor; Lyz Gonzalez, Auditor; and Linda Roa, Research & Management Assistant completed the Association of Local Government Auditors – Webinar – “Inventory Management Auditing: Lessons from the City of Palo Alto” on October 14, 2014. Each staff member earned one hour of Continuing Professional Education Credit.

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***Institute of Internal Auditors – Webinar – “Integrated Reporting: Understanding Today’s Environment” on October 21, 2014***

Miguel Montiel, Audit Supervisor completed the Institute of Internal Auditors – Webinar – “Integrated Reporting: Understanding Today’s Environment” on October 21, 2014. Miguel earned one hour of Continuing Professional Education Credit.

***Institute of Internal Auditors – Webinar – “ACGA Virtual Symposium: Third-Party Risks in the Public Sector” on November 4, 2014***

Miguel Montiel, Audit Supervisor; Miguel Ortega, Auditor; Rebecca Garcia, Auditor; Lyz Gonzalez, Auditor; and Linda Roa, Research & Management Assistant completed the Institute of Internal Auditors – Webinar – “ACGA Virtual Symposium: Third-Party Risks in the Public Sector” on November 4, 2014. Each staff member earned four hours of Continuing Professional Education Credit.

***Association of Government Accountants – Training – “Regional Economic Outlook” on November 17, 2014***

Edmundo Calderon, Chief Internal Auditor; Miguel Montiel, Audit Supervisor; Daryl Olson, Senior Auditor; and Miguel Ortega, Auditor completed the Association of Government Accountants – Training – “Regional Economic Outlook” on November 17, 2014. Each staff member earned one hour of Continuing Professional Education Credit.

***Association of Certified Fraud Examiners – Webinar – “Finding Emerging Fraud Patterns Through High Performance Analytics and Visualization” on November 18, 2014***

Edmundo Calderon, Chief Internal Auditor completed the Robert Half CPE – Webinar – “Show Them the Way: Using Employee Career Paths to Build, Improve and Retain Your Internal Audit Team” on September 25, 2014. Each staff member earned one and a half hours of Continuing Professional Education Credit.

**Community Service**

**City of Sioux Falls Internal Audit Organization – Peer Review Program – Association of Local Government Auditors**

Edmundo Calderon, Chief Internal Auditor served as a Leader for the Peer Review Team conducting a review of City of Sioux Falls Internal Audit Office the week of October 6 – 10, 2014.

**LA County Metropolitan Transportation Authority – Peer Review Program – Association of Local Government Auditors**

Liz De La O, Lead Auditor served as a Member of a Peer Review Team conducting a review of the LA County Metropolitan Transportation Authority Internal Audit Office the week of November 3 – 7, 2014.

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**AUDIT PLAN UPDATE**

*This section will provide the Financial and Audit Oversight Committee and Executive Management with an update on the progress of the 2014-2015 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.*

	<b>BUDGETED HOURS</b>	<b>YTD as of 11/30/14</b>
<b>First Quarter</b>	-	-
Purchasing Department Audit	300.00	305.75
Community Development – Neighborhood Stabilization Program	300.00	311.75
Airport Revenue Audit – Accounts Payable Audit	300.00	328.75
Information Technology – Telecommunications Billing Audit	500.00	130.75
Follow-Up Audit – Federal Janitorial	250.00	154.00
Police and Fire Overtime Review	75.00	48.25
Fire Department Medicare Compliance Review	75.00	26.00
Tax Office Refund Review Project	75.00	112.00
P-Card Reviews	250.00	-
P-Card Elected Officials Project	-	138.75
Ethicsline	75.00	164.75
Contingency Hours	478.50	-
Audit Plan	-	275.50
CIP Audit	-	106.00
City Wide Cash Count Project	-	53.00
Consulting	-	194.25
EPDOT Travel Review Project	-	8.25
F/U Economic Development RLF	-	76.50
2 <sup>nd</sup> F/U HR Payroll Audit	-	39.25
HOT Admin Project	-	14.00
HOT Hilton Garden Inn Audit	-	0.75
Pension A/P Project	-	3.25
STEP Grant Project	-	1.00
Administrative Duties - Chief Internal Auditor	225.00	207.00
Administrative Duties – Audit Supervisor	90.00	177.25
Administrative Duties - Staff Auditor	475.00	639.25
Auditor Training	120.00	113.50
Vacation/Sick Leave/Holiday	571.50	563.00
<b>Total</b>	<b>4,160.00</b>	<b>4,192.50</b>
<b>Second Quarter</b>		
Economic Development – 380 Agreement Monitoring Audit	500.00	34.25
City Development – Subdivision Inspection Audit	500.00	-
Police Department – Property Room Audit	500.00	-
Follow-Up Audit – Garbage Truck Maintenance	250.00	-
Follow-Up Audit – Life Operations	250.00	-

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	<b>BUDGETED HOURS</b>	<b>YTD as of 11/30/14</b>
<b>Second Quarter (continued)</b>	-	-
Police and Fire Overtime Review	75.00	-
Tax Office Refund Review Project	75.00	-
Ethicsline	75.00	-
Contingency Hours	453.50	-
Administrative Duties - Chief Internal Auditor	225.00	-
Administrative Duties – Audit Supervisor	90.00	-
Administrative Duties - Staff Auditor	475.00	-
Auditor Training	120.00	-
Vacation/Sick Leave/Holiday	571.50	-
<b>Total</b>	<b>4,160.00</b>	<b>34.25</b>
<b>Third Quarter</b>		
Street Light Maintenance Audit	500.00	-
Airport Revenue Audit	500.00	-
Information Technology – Cyber Security Assessment Review	300.00	-
Follow-Up Audit – Environmental Services Purchasing Audit	250.00	-
Follow-Up Audit – IT Purchasing	250.00	-
Police and Fire Overtime Review	75.00	-
Fire Department Medicate Compliance Review	75.00	-
Tax Office Refund Review Project	75.00	-
El Paso City Employees’ Pension Fund Confirmation Project	200.00	-
P-Card Reviews	250.00	-
Ethicsline	75.00	-
Contingency Hours	256.5	-
Administrative Duties - Chief Internal Auditor	225.00	-
Administrative Duties – Audit Supervisor	90.00	-
Administrative Duties - Staff Auditor	475.00	-
Auditor Training	120.00	-
Vacation/Sick Leave/Holiday	443.50	-
<b>Total</b>	<b>4,160.00</b>	-
<b>Fourth Quarter</b>		
Community Development – CDBG Account Balances	500.00	-
Hotel Occupancy Audit	500.00	-
Sun Metro Operations Audit	500.00	-
Parking Meter Collections internal Control Review	300.00	-
Follow-up Audit – Fire Department Auto Parts Purchases	250.00	-
Follow-up Audit – Kids Excel El Paso Contract	250.00	-
Police and Fire Overtime Review	75.00	-
Tax Office Refund Review Project	75.00	-
Ethicsline	75.00	-
Contingency Hours	281.50	-
Administrative Duties - Chief Internal Auditor	225.00	-
Administrative Duties – Audit Supervisor	90.00	-
Administrative Duties - Staff Auditor	475.00	-

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	<b>BUDGETED HOURS</b>	<b>YTD as of 11/30/14</b>
<b>Fourth Quarter (continued)</b>	-	-
Auditor Training	120.00	-
Vacation/Sick Leave/Holiday	507.50	-
<b>Total</b>	<b>4,224.00</b>	-
<b>Totals for 1<sup>st</sup>, 2<sup>nd</sup>, 3<sup>rd</sup> &amp; 4<sup>th</sup> Quarters</b>	<b>16,704.00</b>	<b>4,226.75</b>

## CONCLUSION

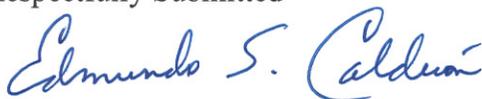
The 1<sup>st</sup> Quarter of the 2014-2015 Audit Plan was another productive quarter for the Internal Audit Office. During the 1<sup>st</sup> Quarter a total of 7 audits/projects were completed by the staff and 6 audits/projects are in various stages of completion.

The Internal Audit Office staff participated in 2 External Quality Assurance Reviews in the 1<sup>st</sup> Quarter of FY 2014-2015. These reviews were completed under the guidance of the Association of Local Government Auditors. The External Quality Assurance Reviews were completed of the internal audit functions for the City of Sioux Falls, SD and the Los Angeles Metropolitan Transportation Authority. These reviews are a tremendous help to the Internal Audit Office in learning best practices from other internal audit functions. The Internal Audit Office plans to continue to participate in these "Peer Reviews" of other local governments.

The Internal Audit Office staff made a strong effort to complete as many audits and projects as possible during the 1<sup>st</sup> 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



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

Distribution:

Financial and Audit Oversight Committee  
Tommy Gonzalez, City Manager