



AGENDA FOR THE FINANCIAL OVERSIGHT AND AUDIT COMMITTEE

October 09, 2025
COUNCIL CHAMBERS, CITY HALL, 300 N. CAMPBELL - FIRST FLOOR
2:00 PM

Notice is hereby given that a meeting of the Financial Oversight and Audit Committee (FOAC) will be conducted on the above date and time.

Members of the public may view the meeting via the following means:

Via the City's website. <http://www.elpasotexas.gov/videos>

Via television on City15,

YouTube: <https://www.youtube.com/user/cityofelpasotx/videos>

In compliance with the requirement that the City provide two-way communication for members of the public, members of the public may communicate with the Financial Oversight and Audit Committee during public comment, and regarding agenda items by calling the following number:

1-915-213-4096 or Toll Free Number: 1-833-664-9267

At the prompt please enter the corresponding Conference ID: 137-217-951#

If you wish to sign up to speak please contact Miguel Montiel at MontielMA@elpasotexas.gov no later than two (2) hours prior to the meeting date and time. Please provide your name, phone number, email address and the agenda item(s) you wish to speak on.

A quorum of the Financial Oversight and Audit Committee must be present and participate in the meeting.

ROLL CALL

PLEDGE OF ALLEGIANCE

AGENDA

1. Approval of Minutes for the Financial Oversight and Audit Committee meeting of September 11, 2025. [Internal Audit, Elizabeth De La O, (915) 212-1371] [BC-1218](#)
2. Discussion and Action to reschedule the November FOAC Meeting to Friday, November 14, 2025. [FOAC Chair, Dr. Josh Acevedo, (915) 212-0002] [BC-1273](#)
3. Discussion and Action on the Update to the City of El Paso Investment Policy. [Office of the Comptroller, Luis Mier, (915) 212-1173] [BC-1254](#)
4. Discussion on FY 2024-2025 Audit Plan 4th Quarter Updates. [Internal Audit, Miguel Montiel, (915) 212-1367] [BC-1214](#)
5. Discussion and Action on the results of the Economic Development - 380 Agreement Monitoring Audit Report A2023-07. [Internal Audit, Elizabeth De La O, (915) 212-1371] [BC-1217](#)
6. Discussion and Action on FY 2025-2026 Annual Internal Audit Plan. [Internal Audit, Miguel Montiel, (915) 212-1367] [BC-1099](#)

ADJOURN

NOTICE TO THE PUBLIC

This is a meeting of the Financial Oversight and Audit Committee of the El Paso City Council. The committee ordinarily consists of 4 Council members for purposes of establishing a quorum and the voting membership on the committee. However, any other member of the City Council may, on an ad hoc basis, join the meeting and participate in the discussions.

Sign language interpreters will be provided for this meeting upon request. Requests must be made to Miguel Montiel at MontielMA@elpasotexas.gov a minimum of 48 hours prior to the date and time of this hearing.

If you need Spanish Translation Services, please email MontielMA@elpasotexas.gov at least 48 hours in advance of the meeting.

Posted this 2nd day of October, 2025 at 3:24 p.m., at City Hall, 300 N. Campbell Street by Sergio Carrillo.



El Paso, TX

300 N. Campbell
El Paso, TX

Legislation Text

File #: BC-1218, **Version:** 1

CITY OF EL PASO, TEXAS
LEGISTAR AGENDA ITEM SUMMARY FORM

AGENDA LANGUAGE:

This is the language that will be posted to the agenda. Please use ARIAL 11 Font.

Approval of Minutes for the Financial Oversight and Audit Committee meeting of September 11, 2025. [Internal Audit, Elizabeth De La O, (915) 212-1371]



FINANCIAL OVERSIGHT AND AUDIT COMMITTEE MINUTES
September 11, 2025
COUNCIL CHAMBERS, CITY HALL
2:00 PM

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The Financial and Oversight and Audit Committee members of the City of El Paso met at the above place and date. Meeting was called to order at 2:01 p.m. Committee Chair Dr. Josh Acevedo was present and presiding and the following Committee Members answered roll call: Dr. Josh Acevedo, Alejandra Chávez, Deanna Maldonado-Rocha, Elizabeth De La O – Deputy Chief Internal Auditor, and Dionne Mack – City Manager. Committee Member Ivan Niño asked to be excused from the meeting.

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PLEDGE OF ALLEGIANCE

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AGENDA

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1. Motion made by Committee member Chávez, seconded by Committee member Maldonado-Rocha, and unanimously carried to **APPROVE** the Minutes for the Financial Oversight and Audit Committee meeting of August 28, 2025.

AYES: Committee Members Acevedo, Chávez, and Maldonado-Rocha

NAYS: None

ABSENT: Committee Member Ivan Niño

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2. **Presentation and Discussion on the City's unfunded pension liabilities for the City of El Paso Employees Retirement Trust and the El Paso Police and Fire Pension Funds.**

Mr. William Strange – Principal and Consulting Actuary, Millman, Inc. delivered a PowerPoint presentation.

The following members of the FOAC commented:

- Dr. Josh Acevedo, Committee Chair.
- Ms. Alejandra Chávez, Committee Member.
- Ms. Deanna Maldonado-Rocha, Committee Member.
- Ms. Dionne Mack, Committee Member.

The following City staff members commented:

- Mr. Robert Cortinas, Chief Financial Officer
- Ms. Margarita Marin, Deputy Chief Financial Officer/Comptroller

NO ACTION was taken on this item.

3. **Discussion and Action on the results of the Vehicle Allowance & Take-Home Cars Project P2025-02.**

Mr. Miguel Montiel – Audit Manager, delivered a PowerPoint presentation.

The following members of the FOAC commented:

- Dr. Josh Acevedo, Committee Chair.
- Ms. Alejandra Chávez, Committee Member.
- Ms. Maldonado-Rocha, Committee Member.

The following City staff member commented:

- Ms. Mary Wiggins – Chief Human Resources Officer.

The following revisions were requested:

- Dr. Josh Acevedo, Committee Chair requested adding additional detail regarding the Vehicle Allowance Analysis and adding an Implementation Date to Management's Response.

Motion made by Chair Acevedo, seconded by Committee Member Maldonado-Rocha, and unanimously carried to **ACCEPT** the results of the Vehicle Allowance Take-Home Cars Project P2025-02 with the requested revisions and send to City Council for action.

AYES: Committee Members Acevedo, Chávez, and Maldonado-Rocha

NAYS: None

ABSENT: Committee Member Ivan Niño

4. **Discussion and Action on the preparation of the results of the On-Call Services Agreement Audit A2024-08.**

Ms. Elizabeth De La O – Deputy Chief Internal Auditor, delivered a PowerPoint presentation.

The following members of the FOAC commented:

- Dr. Josh Acevedo, Committee Chair.
- Ms. Alejandra Chávez, Committee Member.
- Ms. Deanna Maldonado-Rocha, Committee Member.
- Ms. Dionne Mack, City Manager.

The following City staff member commented:

- Mr. Robert Cortinas, Chief Financial Officer
- Ms. Yvette Hernandez – Deputy City Manager/City Engineer.

The following revisions were requested:

- Ms. Alejandra Chávez, Committee Member requested dropping the word “Local” from “Texas Local Government Code” in the Background section of the Audit Report.

Motion made by Committee Member Maldonado-Rocha, seconded by Committee Member Chávez, and unanimously carried to **ACCEPT** the results of the On-Call Services Agreement Audit A2024-08 with the requested revisions and send to City Council for action.

AYES: Committee Members Acevedo, Chávez, and Maldonado-Rocha

NAYS: None

ABSENT: Committee Member Ivan Niño

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ADJOURN

Motion made by Committee Member Maldonado-Rocha seconded by Committee Member Chávez and unanimously carried to **ADJOURN** the meeting at 3:11 p.m.

AYES: Committee Members Acevedo, Chávez, and Maldonado-Rocha

NAYS: None

ABSENT: Committee Member Ivan Niño

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APPROVED AS TO CONTENT:

Dr. Josh Acevedo – Committee Chair,
Financial Oversight and Audit Committee

Elizabeth De La O – Deputy Chief Internal Auditor,
Internal Audit Department



El Paso, TX

300 N. Campbell
El Paso, TX

Legislation Text

File #: BC-1273, **Version:** 1

CITY OF EL PASO, TEXAS
LEGISTAR AGENDA ITEM SUMMARY FORM

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Discussion and Action to reschedule the November FOAC Meeting to Friday, November 14, 2025. [FOAC Chair, Dr. Josh Acevedo, (915) 212-0002]

There is no Backup for this Agenda Item



El Paso, TX

300 N. Campbell
El Paso, TX

Legislation Text

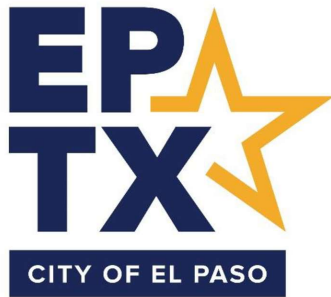
File #: BC-1254, **Version:** 1

CITY OF EL PASO, TEXAS
LEGISTAR AGENDA ITEM SUMMARY FORM

AGENDA LANGUAGE:

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Discussion and Action on the Update to the City of El Paso Investment Policy. [Office of the Comptroller, Luis Mier, (915) 212-1173]



City of El Paso

Investment Policy

October 2025

Deleted: September

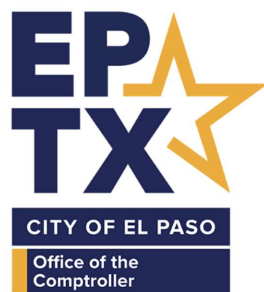
Deleted: 2024

Prepared by:
Office of the Comptroller
Treasury Division

Previous Revision October 2024

Deleted: August

Deleted: 2023



The mission of the Office of the Comptroller is to provide fiscal management and financial reporting, administer treasury services and provide grant accounting information to City Management and elected officials so that they can make informed decisions regarding the provisions of City services.

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The City of El Paso

Investment Policy

1 - POLICY

It is the policy of the City of El Paso, Texas (the "City") to: (i) invest public funds in a manner which will provide maximum safety of principal; (ii) meet the daily cash flow demands of the City (liquidity); and (iii) provide the highest possible investment return all while complying with the Texas Public Funds Investment Act of 1995, as may be amended ("TPFIA") and local ordinances and resolutions governing the investment of the City's public funds. Definitions and terms contained herein are defined in Section 2256.002 of TPFIA.

2 - SCOPE

The City of El Paso Investment Policy (this "Investment Policy") applies to all cash assets of the City as reported in the City's Annual Comprehensive Financial Report except for those funds of the Public Employees Retirement System (PERS) and component units which are governed by other laws, statutes, and ordinances. Except for cash in certain restricted and special funds, the City will consolidate cash and reserve balances from all funds to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping and administration. The City's Investment Strategy is attached as Exhibit "A" and is incorporated for all applicable purposes by reference herein. Investment income will be allocated in accordance with the City's strategy for allocating interest to participating funds as set forth in Appendix "1" to Exhibit "A."

The fund types covered by this Investment Policy are accounted for in the books and records of the City and are as follows:

- a. General Fund (which includes the Cash Reserve Fund);
- b. Special Revenue Funds;
- c. Capital Projects Funds;
- d. Debt Service Fund;
- e. Enterprise Funds;
- f. Internal Service Funds
- g. Fiduciary Funds

3 - GENERAL OBJECTIVES

The primary objectives of the City's investment activities, in order of priority, shall be as follows:

3.1 - Preservation and Safety of Principal

Preservation and safety of principal are the foremost objectives of the investment program. Investments of the City shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk.

a. Credit risk. The City will minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer, by:

- (i) limiting investments to the types of securities listed in Section 6.0 of this Investment Policy;
- (ii) pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the City will do business in accordance with Section 5.0; and
- (iii) diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.

b. Interest rate risk. The City will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to increases in market interest rates, by:

- (i) structuring the investment portfolio so that securities mature in a manner that cash requirements for ongoing operations will be met, thereby avoiding the need to sell securities on the open market prior to maturity; and
- (ii) investing operating funds primarily in short-term securities, money market mutual funds, or similar investment pools and limiting the average maturity of the portfolio in accordance with Section 9.2.

3.2 - Liquidity

The City's investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements that might be reasonably anticipated. To a large extent, liquidity shall be determined by the flow of revenues and expenditures predicted by the Office of the Comptroller using cash flow projections and historical data. These cash flow projections shall be at least one (1) year in length.

3.3 - Yield

The City's investment portfolio shall be designed with the objective of attaining a rate of return/yield throughout budgetary and economic cycles, commensurate with the City's investment risk constraints and the cash flow characteristics of the portfolio. Return on investment is of secondary importance compared to the preservation and safety of principal and liquidity objectives described above. The City's core investments are limited to low risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities shall generally be held until maturity unless otherwise deemed appropriate by the City Manager or his/her designee.

4 - STANDARDS OF CARE

4.1 - Delegation of Authority

The authority to manage the City's investment program is derived from the TPFIA, the El Paso City Charter, City Ordinances and Resolutions. The Chief Financial Officer, Comptroller, and Treasury Services Coordinator are designated as the Investment Officers who are responsible for investment transactions; provided, however, that in the event that any or all of the positions are or becomes vacant, the persons acting in such capacity shall be designated as an Investment Officer for the interim period. All investment procedures shall be in writing and approved by the Chief Financial Officer and the City Manager.

An Investment Committee shall be responsible for monitoring, reviewing, and making recommendations regarding the City's cash management and investment program. The Investment Committee will consist of the Chief Financial Officer, Comptroller, Treasury Services Coordinator, OMB Director, and the Chief Internal Auditor. The Investment Committee will report to the City Manager on at least a quarterly basis the activities of the City's investments.

The Comptroller will oversee the activities of the Treasury Division of the Office of the Comptroller Department, and if the Treasury Services Coordinator position is vacant, shall perform, or designate a person to perform, such duties on an interim basis. The Treasury Services Coordinator shall be responsible for the day-to-day financial transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials and staff. The Treasury Services Coordinator shall designate one or more staff as a pro tempore, acting in a limited capacity defined by the Treasury Services Coordinator, in the event circumstances require timely action and the Treasury Services Coordinator is not available.

No other officers or designees may engage in an investment or banking transaction except as provided under the terms of this Investment Policy and the procedures established.

4.2 - Prudence

The City's investments shall be made with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the safety of capital and the yield to be derived. The standard of care to be used by Investment Officers shall be said "prudent person" standard and shall be applied in the context of managing an overall portfolio and whether the investment decision was consistent with the written investment policy of the City.

4.3 - Training

The Investment Officer(s) shall attend at least one (1) training session from an independent source approved by City Council or a designated investment committee advising the Investment Officer(s) as provided for in this Investment Policy of the City and containing at least ten (10) hours of instruction relating to the officer's responsibilities under this Investment Policy and the TPFIA. Such training session shall be taken within twelve (12) months after the Investment Officer(s) takes office or assumes duties. The Investment Officer(s) shall attend an investment training session not less than once in each two-year period that begins on the first day of the City's fiscal year and consists of two consecutive fiscal years after that date and receive not less than ten (10) hours of instruction relating

to investment responsibilities under this Investment Policy and the TPFIA from an independent source approved by the City Council or a designated investment committee advising the Investment Officer as provided for in the investment policy of the City. This training must include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, and compliance with TPFIA.

4.4 - Ethics and Conflicts of Interest

Investment Officers involved in the investment process shall refrain from personal business activity that could conflict or be perceived to conflict with proper execution of the investment program, or that could impair their ability to make impartial investment decisions. An Investment Officer of the City who has a personal business relationship with a business organization offering to engage in an investment transaction with the City shall file a statement disclosing that personal business interest. An Investment Officer who is related within the second degree by affinity or consanguinity, as determined by Chapter 573 of the Texas Government Code, to an individual seeking to sell an investment to the City shall file a statement disclosing that relationship. A statement required under this Section 4.4 must be filed with the Texas Ethics Commission and the City Council. For purposes of this Section 4.4, an Investment Officer has a personal business relationship with a business if:

- a. the Investment Officer owns ten percent (10%) or more of the voting stock or shares of the business organization or owns five thousand dollars (\$5,000) or more of the fair market value of the business organization;
- b. funds received by the Investment Officer from the business organization exceeds ten percent (10%) of the Investment Officer's gross income from the previous year; or
- c. the Investment Officer has acquired from the business organization during the previous year investments with a book value of two thousand five hundred dollars (\$2,500) or more for the personal account of the Investment Officer.

Investment Officers, not required by this Section 4.4 to file a disclosure statement, will file a statement with the City Clerk's Office announcing no potential conflicts.

5 – AUTHORIZED FINANCIAL INSTITUTIONS, DEPOSITORIES, AND BROKER/DEALERS

5.1 - Authorized Institutions

Financial institutions (i.e., banks, savings & loans, credit unions) and securities dealers (i.e., brokers, "primary" and "secondary" dealers) with an office located in the state of Texas (preferably El Paso, Texas) may become authorized to sell/purchase negotiable securities to/from the City. Repurchase Agreements may be entered into with primary securities dealers or financial institutions with offices in Texas.

5.2 - Selection

The Investment Committee and the City Manager shall at least annually, review, revise, and adopt a list of qualified financial institutions and securities dealers that are authorized to engage in investment

transactions with the City. Additional financial institutions and securities dealers may be added on a quarterly basis after Investment Committee approval.

5.3 - List of Authorized Institutions

The Treasury Services Coordinator shall maintain an updated list of financial institutions authorized to provide investment services as well as a list of approved security broker/dealers selected by credit worthiness, who maintain an office in the State of Texas. These may include primary dealers, depository banks, or regional dealers that qualify under Securities and Exchange Commission Rule 15C3-1 (Uniform Net Capital Rule).

5.4 - Competition

Bids for investments will be solicited by the Treasury Services Coordinator, as deemed necessary and approved by the Investment Committee, from the approved list of authorized institutions using a competitive bid process in a format designed by the Investment Officer(s). The City's depository bank, once selected, may compete for City investments through the competitive bid process established. Bids for investments may be solicited orally, in writing, electronically, or a combination of these methods. Rate of return will be considered the primary factor when selecting a particular bid. The secondary factor will be location of office, preferably within El Paso, Texas.

5.5 - Requisite Information

All business organizations that desire to become qualified bidders for investment transactions must supply the Investment Officer(s) with the following:

- a. audited financial statements;
- b. proof of National Association of Securities Dealers certification;
- c. trading resolution; and
- d. proof of state registration

5.6 - Audited Financials

Current audited financial statements are required to be on file for each financial institution and broker/dealer with which the City invests.

5.7 - Receipt of Investment Policy

A written copy of this Investment Policy shall be presented to any business organization offering to engage in an investment transaction with the City. For purposes of this subsection, "business organization" means an investment pool or investment management firm under contract with the City to invest or manage the City's investment portfolio that has accepted authority granted by the City under the contract to exercise investment discretion in regards to investing the City's funds. The qualified representative of the business organization offering to engage in an investment transaction with the City shall execute a written instrument in a form acceptable to the City stating that the organization has received and reviewed the City's Investment Policy, acknowledges that the business organization has implemented reasonable procedures and controls to preclude investment

transactions that are not authorized by the City's Investment Policy, except to the extent that this authorization:

- a. is dependent on an analysis of the makeup of the entire portfolio;
- b. requires an interpretation of subjective investment standards; or
- c. relates to investment transactions of the City that are not made through accounts or contractual arrangements over which the business organization has accepted discretionary investment authority.

5.8 - Denial of Business

No investment business may be conducted with any business organization that has not complied with the certification identified in Section 5.7 above.

6 - AUTHORIZED INVESTMENTS

Except as otherwise provided hereinafter, the City may invest in the following types of securities:

6.1 - Obligations of, or Guaranteed by, Government Entities

- a. The following investments are authorized:
 - (i) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including Federal Home Loan Banks;
 - (ii) direct obligations of the State of Texas or its agencies and instrumentalities;
 - (iii) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by the agency or instrumentality of the United States;
 - (iv) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States;
 - (v) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; and
 - (vi) interest-bearing banking deposits that are guaranteed or insured by (a) the Federal Deposit Insurance Corporation or its successors or (b) the National Credit Union Share Insurance Funds or its successor.
- b. The following are NOT authorized investments under this Section 6.1:
 - (i) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal;

- (ii) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest;
- (iii) collateralized mortgage obligations which have a stated final maturity date of greater than ten (10) years; and
- (iv) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to changes in a market index.

6.2 - Certificates of Deposit and Share Certificates

a. A certificate of deposit or share certificate is an authorized investment under this Section 6.2 if the certificate is issued by a depository institution that has its main office or a branch office in the State of Texas and is:

- (i) guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor;
- (ii) secured by obligations that are described by Section 6.1(a) herein above, including mortgage backed securities directly issued by a federal agency or instrumentality that have a market value of not less than the principal amount of the certificates, but excluding those mortgage backed securities of the nature described in Section 6.1(b); or
- (iii) secured in any other manner and amount provided by law of deposits of the investing entity.

b. In addition to the authority to invest funds in certificates of deposit under Section 6.2(a), an investment in certificates of deposit made in accordance with the following conditions is an authorized investment:

- (i) the funds are invested by the City through:
 1. a broker that has its main office or a branch office in this state and is selected from a list adopted by the City in accordance with Section 5.2; or
 2. a depository institution that has its main office or a branch office in this state and that is selected by the City;
- (ii) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City;
- (iii) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and
- (iv) the City appoints the depository institution selected under Section 6.2(b)(i), a Custodian (as defined in Section 7.3) or a clearing broker/dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 as Custodian for the City with respect to the certificates of deposit issued for the account of the City.

6.3 - Repurchase Agreements

a. A fully collateralized repurchase agreement is an authorized investment if the repurchase agreement:

- (i) has a defined termination date;
- (ii) is secured by a combination of cash and obligations described in Section 6.1a(i) or 6.4;
- (iii) requires the securities being purchased by the City or the cash held by the City to be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City; and
- (iv) is placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in Texas.

b. In this Section 6.3, "repurchase agreement" means a simultaneous agreement to buy, hold for a specified time, and sell back at a future date obligations described by Section 6.1a(i), at a market value at the time the funds are disbursed of not less than the principal amount of the funds disbursed. The term includes a direct security repurchase agreement and a reverse security repurchase agreement.

c. Notwithstanding any other law, the term of any reverse security repurchase agreement may not exceed ninety (90) days after the date the reverse security repurchase agreement is delivered.

d. Money received by the City under the terms of a reverse security repurchase agreement shall be used to acquire additional authorized investments, but the term of the authorized investments acquired must mature not later than the expiration date stated in the reverse security repurchase agreement.

e. The City in the proceedings to authorize obligations or a credit agreement, or in a credit agreement, may agree to waive sovereign immunity from suit or liability for the purpose of adjudicating a claim to enforce the credit agreement or obligation or for damages for breach of the credit agreement or obligation.

6.4 - Commercial Paper

a. Commercial paper is an authorized investment under this Section 6.4 if the commercial paper:

- (i) has a stated maturity of 365 days or fewer from the date of its issuance; and
- (ii) is rated not less than A-1 or P-1 or an equivalent rating by at least:
 - 1. two nationally recognized credit rating agencies; or
 - 2. one nationally recognized credit rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state.

6.5 - Mutual Funds

a. A no-load money market mutual fund is an authorized investment under this Section 6.5 if the mutual fund:

- (i) is registered with and regulated by the Securities and Exchange Commission;
- (ii) provides the City with a prospectus and other information required by the Securities Exchange Act of 1934 (15 U.S.C. Section 78a et seq.) or the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.);
- (iii) complies with Securities Exchange Commission Rule 2a-7 (17 C.F.R. Section 270. 2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.)

b. In addition to a no-load money market mutual fund permitted as an authorized investment in Section 6.5a., a no-load mutual fund is an authorized investment under this Section 6.5, if the mutual fund:

- (i) is registered with the Securities and Exchange Commission;
- (ii) has an average weighted maturity of less than two (2) years; and
- (iii) either:
 - 1. has a duration of one year or more and is invested exclusively in obligations approved by this Section 6.5; or
 - 2. has a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities

c. The City is not authorized by this Section 6.5 to:

- (i) invest in the aggregate more than fifteen percent (15%) of its monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, in mutual funds described in Section 6.5b.;
- (ii) invest any portion of bond proceeds, reserves and funds held for debt service, in mutual funds described in Section 6.5b.; or
- (iii) invest its funds or funds under its control, including bond proceeds and reserves and other funds held for debt service, in any one mutual fund described in subsection a. or b. in an amount that exceeds ten percent (10%) of the total assets of the mutual fund.

6.6 - Investment Pools

a. The City may invest its funds and funds under its control through an eligible investment pool if the City Council by rule, order, ordinance, or resolution, as appropriate, authorizes investment in the particular pool. An investment pool shall invest the funds it receives from the City in authorized investments permitted by Section 6.0. An investment pool may invest its funds in money market mutual funds to the extent permitted by and consistent with this Section 6.6 and the investment policies and objectives adopted by the investment pool.

b. To be eligible to receive funds from and invest funds on behalf of the City under this Section 6.6, an investment pool must furnish to the Investment Officer(s) or other authorized representative of the City, an offering circular or other similar disclosure instrument that contains, at a minimum, the following information:

- (i) the types of investments in which money is allowed to be invested;
- (ii) the maximum average dollar-weighted maturity allowed, based on the stated maturity date, of the pool;
- (iii) the maximum stated maturity date any investment security within the portfolio has;
- (iv) the objectives of the pool;
- (v) the size of the pool;
- (vi) the names of the members of the advisory board of the pool and the dates their terms expire;
- (vii) the custodian bank that will safe keep the pool's assets;
- (viii) whether the intent of the pool is to maintain a net asset value of one dollar and the risk of market price fluctuation;
- (ix) whether the only source of payment is the assets of the pool at market value or whether there is a secondary source of payment, such as insurance or guarantees, and a description of the secondary source of payment;
- (x) the name and address of the independent auditor of the pool;
- (xi) the requirements to be satisfied for an entity to deposit funds in and withdraw funds from the pool and any deadlines or other operating policies required for the entity to invest funds in and withdraw funds from the pool;
- (xii) the performance history of the pool, including yield, average dollar-weighted maturities, and expense ratios; and
- (xiii) the pool's policy regarding holding deposits in cash.

c. To maintain eligibility to receive funds from and invest funds on behalf of the City, an investment pool must furnish to the Investment Officer(s) or other authorized representative of the City:

- (i) investment transaction confirmations; and
- (ii) a monthly report that contains, at a minimum, the following information:
 - 1. the types and percentage breakdown of securities in which the pool is invested;
 - 2. the current average dollar-weighted maturity, based on the stated maturity date, of the pool;
 - 3. the current percentage of the pool's portfolio in investments that have stated maturities of more than one (1) year;

4. the book value versus the market value of the pool's portfolio, using amortized cost valuation;
 5. the size of the pool;
 6. the number of participants in the pool;
 7. the custodian bank that is safekeeping the assets of the pool;
 8. listing of daily transaction activity of the entity participating in the pool;
 9. the yield and expense ratio of the pool, including a statement regarding how yield is calculated;
 10. the portfolio managers of the pool; and
 11. any changes or addenda to the offering circular.
- d. The City by contract may delegate to an investment pool the authority to hold legal title as custodian of investments purchased with its local funds.
- e. In this Section 6.6, for purposes of an investment pool for which a \$1.00 net asset value is maintained, "yield" shall be calculated in accordance with regulations governing the registration of open-end management investment companies under the Investment Company Act of 1940, as promulgated from time to time by the federal Securities and Exchange Commission.
- f. To be eligible to receive funds from and invest funds on behalf of the City, a public funds investment pool that uses amortized cost or fair value accounting must mark its portfolio to market daily, and, to the extent reasonably possible, stabilize at a one dollar (\$1.00) net asset value, when rounded and expressed to two decimal places. If the ratio of the market value of the portfolio divided by the book value of the portfolio is less than 0.995 or greater than 1.005, the governing body of the public funds investment pool shall take action as the body determines necessary to eliminate or reduce to the extent reasonably practicable any dilution or unfair result to existing participants, including a sale of portfolio holdings to attempt to maintain the ratio between 0.995 and 1.005. In addition to the requirements of its investment policy and any other forms of reporting, a public funds investment pool that uses amortized cost shall report yield to its investors in accordance with regulations of the federal Securities and Exchange Commission applicable to reporting by money market funds.
- g. To be eligible to receive funds from and invest funds on behalf of the City, a public funds investment pool must have an advisory board composed:
- (i) equally of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool, for a public funds investment pool created under Chapter 791 of the Government Code and managed by a state agency; or
 - (ii) of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool, for other investment pools.
- h. To maintain eligibility to receive funds from and invest funds on behalf of the City, an investment pool must be continuously rated no lower than AAA or AAA-m or at an equivalent rating by at least one nationally recognized rating service.

- i. If the investment pool operates an Internet website, the information in a disclosure instrument or report described in Sections 6.6(b), (c)(ii), and (f) must be posted on the website.
- j. To maintain eligibility to receive funds from and invest funds on behalf of an entity under this Section 6.6, an investment pool must make available to the City an annual audited financial statement of the investment pool in which the City has funds invested.
- k. If an investment pool offers fee breakpoints based on fund balances invested, the investment pool in advertising investment rates must include either all levels of return based on the breakpoints provided or state the lowest possible level of return based on the smallest level of funds invested.

7 - COLLATERALIZATION/LIMITS/CUSTODY

7.1 - Collateralization

Collateralization will be required for deposits of public funds in demand deposit accounts, certificates of deposit, and repurchase agreements. In accordance with Texas Government Code Chapter 2257.022 "Amount of Collateral", the total value of eligible security to secure a deposit of public funds must be in an amount not less than the amount of the deposit of public funds:

- a. Increased by the amount of any accrued interest; and
- b. Reduced to the total extent that the United States or an instrumentality of the United States insures the deposit.

Collateralization percent coverage will be outlined in the Collateral Agreement as part of the City's Depository Agreement Contract with the awarded Banking Institution. All other on demand deposit accounts that are not included in the City's Depository Agreement Contract will be required to adhere to the collateralization percent coverage stated in the awarded depository contract.

7.2 - Limits

The City chooses to limit the type of collateral required to the eligible security instruments identified in Section 6.1 hereinabove.

7.3 - Custody

Collateral will always be held by an independent third party Custodian with whom the City has a current custodial agreement. A clearly marked evidence of ownership (e.g., safekeeping receipt) must be supplied to the City and retained. The right of collateral substitution may be granted to the Custodian with prior written approval of the Investment Officer(s).

The Custodian shall be approved by the City and be:

- a. a state or national bank that is designated by the State Comptroller as a State depository and has its main office or branch office in the State of Texas and has a capital stock and permanent surplus of \$5 million or more;
- b. the Texas Treasury Safekeeping Trust Company;
- c. a Federal Reserve Bank or a branch of the Federal Reserve Bank; or

- d. a federal home loan bank.
- e. a financial institution authorized to exercise fiduciary powers and that is designed by the State Comptroller as a custodian pursuant to Government Code 404.031(e)

8 - SAFEKEEPING AND CUSTODY

8.1 - Delivery vs. Payment

All security transactions, including collateral for repurchase agreements, entered into by the City shall be conducted on a delivery-versus-payment (DVP) basis to ensure that securities are deposited in an eligible financial institution prior to the release of funds.

8.2 - Safekeeping

Securities will be held by a third party custodian designated by the Treasury Services Coordinator as evidenced by safekeeping receipts in the City’s name. The safekeeping institution shall provide, annually, a copy of their most recent report on internal controls (Reporting on Controls at a Service Organization as per Statement on Standards for Attestation Engagements No. 16, or SSAE 16 issued by the American Institutes of Certified Public Accountants or AICPA).

8.3 - Electronic Funds Transfer

The City may use electronic means to transfer or invest all funds collected or controlled by the City.

9 - INVESTMENT PARAMETERS

9.1 - Portfolio Diversification

Risk of principal loss in the portfolio as a whole shall be minimized by diversifying investment types according to the following limitations:

<u>Investment Type</u>	<u>% of Portfolio</u>
U.S. Treasury Notes/Bonds/Bills	100%
Local Government Investment Pools	80%
U.S. Agencies	75%
Municipal Bonds	75%
Certificates of Deposit	50%
Repurchase Agreements	50%
Money Market Mutual Funds	15%
Commercial Paper	15%
Share Certificates	5%

This Investment Policy incorporates the City’s Investment Strategy and as such, will allow for diversification of investments to the extent practicable considering yield, collateralization, investment costs, and available bidders. Diversification by investment institutions shall be determined by an

analysis of yield, collateralization, investment costs, and available bidders. Diversification by types of securities and maturities may be as allowed by this Investment Policy and the TPFIA.

9.2 - Maximum Maturities

To the extent possible, the City will attempt to match its investments with anticipated cash flow requirements. However, the maximum maturities for any single investment shall not exceed three (3) years. The maximum dollar-weighted average maturity for the City's overall investment portfolio will not exceed two (2) years.

9.3 - Effect of Loss of Required Rating

This Investment Policy requires certain minimum ratings of certain investments. At least weekly, the Treasury Services Coordinator will review the ratings of each of the investments in the City's portfolio that require a minimum rating and will notify the Investment Committee of any negative changes. In the event an investment does not meet that minimum rating during the period that the investment is being held by the City, that investment does not qualify as an authorized investment. The City shall take all prudent measures that are consistent with this Investment Policy to liquidate an investment that does not have the minimum rating.

9.4 – Divestiture of Unauthorized Investments

In the event that the City assumes possession of investments not authorized by this Investment Policy, whether as the result of a donation, the settlement of an obligation to the City, or as a result of any other circumstance, transaction, or event, the City's Investment Officers shall proceed with the orderly liquidation of such investments. The proceeds from such liquidation will be recorded in the books and records of the City in accordance with the City's policy or policies corresponding to the original purpose related to the receipt of the unauthorized investment.

9.5 – Investment of Bond Proceeds and Pledged Revenue

- a. In this section, "pledged revenue" means money pledged to the payment of or as security for:
 - (i) Bonds or other indebtedness issued by the City
 - (ii) Obligations under a lease, installment sale, or other agreement of the City; or
 - (iii) Certificates of Participation in a debt or obligation described by subdivision (i) or (ii)
- b. The Investment Officer or Officers may invest bond proceeds or pledged revenue only to the extent permitted by Section 2256.0208 of the TPFIA in accordance with:
 - (i) Statutory provisions governing the debt issuance or the agreement, as applicable; and
 - (ii) The City's Debt Policy regarding the debt issuance or the agreement, as applicable

10 - MONITORING AND REPORTING

10.1 - Content of Report

The Investment Officer(s) shall submit, not less than quarterly, a report to the City Manager, Mayor and City Council, with a copy provided to the City Clerk. Said report shall:

- a. describe in detail the investment position of the City on the date of the report;
- b. be prepared jointly by all Investment Officers of the City;
- c. be signed by each Investment Officer of the City (signatures may be electronic if such method is deemed most prudent by the Investment Officers given then current circumstances and events);
- d. contain a summary statement of each pooled fund group that states the:
 - (i) beginning market value for the reporting period;
 - (ii) ending market value for the period; and
 - (iii) fully accrued interest for the reporting period;
- e. state the book value and market value of each separately invested asset at the end of the reporting period by the type of asset and fund type invested;
- f. state the maturity date of each separately invested asset that has a maturity date;
- g. state the account or fund or pooled group fund in the City for which each individual investment was acquired; and
- h. state the compliance of the investment portfolio of the City as it relates to:
 - (i) the Investment Strategy expressed in the City's investment policy; and
 - (ii) relevant provisions of Chapter 2256 of the Government Code.
- i. be submitted within forty-five (45) days after the end of the period.

10.2 - Annual Audit

If the City invests in other than money market mutual funds, investment pools or accounts offered by its depository bank in the form of certificates of deposit, or money market accounts or similar accounts, the reports prepared by the Investment Officer(s) under this Section 10.0 shall be formally reviewed at least annually by an independent external auditor, and the result of the review shall be reported to the City Council by that auditor.

10.3 - Compliance Audit

In conjunction with the City's annual financial audit, the external auditor shall perform a compliance audit of management controls on investments and adherence to the City's established investment policy. This audit shall provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition and that those transactions are executed in compliance with policies and procedures established by this Investment Policy.

10.4 – Market Price monitoring

Independent market pricing will be gathered at least monthly by the Treasury Services Coordinator. The market value and any unrealized gain or loss of the City's portfolio will be calculated on at least the same frequency.

11 - INVESTMENT POLICY ADOPTION

This Investment Policy is intended to amend and restate the existing City Investment Policy. The City's Investment Policy shall be reviewed and adopted annually by resolution of the City Council. Any modifications must first be approved by the Investment Committee and City Manager; secondly, be approved and recommended to City Council for approval by the City's Financial Oversight and Audit Committee that is assigned oversight of financial matters, and subsequently adopted by City Council.

EXHIBIT A - INVESTMENT STRATEGY

The City's investment strategy establishes the investment objectives of each of the fund types identified in the City's Investment Policy based on the needs and characteristics of each of the funds. These encompass the following criteria in order of importance:

- a. understanding of the suitability of the investment to the financial requirements of the entity;
- b. preservation and safety of principal;
- c. liquidity;
- d. marketability of the investment if the need arises to liquidate the investment before maturity;
- e. diversification of the investment portfolio; and
- f. yield.

The City is not in the investment business as a primary means of earning revenue. Therefore, the City will not participate in active buy/sell management of the portfolio. The Investment Officer(s) will invest for specific maturities to meet the cash needs of the City. The cash available and the cash requirements for the City will be determined on a day-to-day basis by the Office of the Comptroller Department and reported to the Investment Officer(s). Cash required within ten (10) days will be invested in overnight repurchase agreements, an approved mutual fund, or an approved investment pool in order to assure immediate liquidity. Interest earned on "overnight" investments listed above will be included in the total of interest revenue to be allocated to those primary funds having both an investable equity in pooled cash and a right to earn interest based on the City's Investment Policy. To enhance liquidity, investments will be purchased but not individually or formally associated with a specific primary fund's equity in pooled cash. Any cash in excess of immediate needs (more than 10 days) will be invested in longer term investments based on the needs and restrictions associated with specific fund's equity in pooled cash, and upon prudent consideration of current market yields and trends. Interest revenue will be allocated to those funds designated by this policy based on the allocation strategy at Appendix 1 to this Exhibit.

SPECIFIC CITY FUNDS

a. General Fund

The General Fund is the primary operating fund of the City in which most activity occurs. Cash requirements are large and immediate. Investments will be made with highly liquid instruments to mature on specific dates particularly to meet payroll requirements. These investments will most frequently be of durations of less than six (6) months. Specific investments identified as appropriate are, but not limited to, U.S Treasury bills, U.S. Treasury notes, repurchase agreements, certificates of deposit, and investments in mutual funds. Cash reserves in the General Fund are established by Section 7.4 of the City Charter and are to be maintained in an amount no less than five percent (5%) of the prior year's adopted general fund operating expenditure budget. The interest on this cash reserve shall be transferred to the City's Capital Acquisition Sub fund that is a definable component

of the Capital Project Fund. This cash reserve is also available for short-term lending to other funds of the City for periods not greater than one (1) year. For emergency liquidity purposes, up to twenty-five percent (25%) of the cash reserve shall be in investments with maturities no greater than one (1) year. Specific investments identified as appropriate for maturities no greater than one (1) year are, but not limited to, treasury bills, treasury notes, repurchase agreements, certificates of deposits, and mutual funds. The remaining seventy-five (75%) of the fund shall be in investments with maturities greater than one (1) year. In order to maximize yield, these investments may be in treasury bonds. If funds lent from this fund earn interest in another fund, the interest shall be transferred to the cash reserve balance, and then transferred to the City's Capital Acquisition Sub fund.

b. Special Revenue Funds

Special Revenue Funds are used to fund special operating accounts and finance capital projects and include but are not limited to, projects funded by Federal and State grants. There will rarely be an investable equity balance in these funds. However, should the nature of the grants provide for "up front" funding and require allocation of interest income to the cash balances in the grants, specific investments identified as appropriate are the same as those identified above for the General Fund.

c. Capital Projects Funds

Capital Projects Funds are generally funded by debt instruments and other revenue sources issued or obtained by the City. Investment activity for each debt instrument may be segregated if required by law to determine if any arbitrage rebate liability may exist. Investments will be based on cash flow estimates recommended by the City's Capital Improvement Plan Director, with the approval of the Chief Financial Officer. Based on these approved recommendations, the Chief Financial Officer will estimate cash requirements and maturities for each project. The Investment Officers will then make investments to meet the cash flow requirements for each project. Interest earnings first will be recorded in the Capital Projects Fund. If interest proceeds remain in the Capital Projects funds after the project(s) is completed, these proceeds may be transferred to the Debt Service Fund to extinguish the debt whose proceeds are being invested in accordance with bond covenants. Specific investments identified as appropriate are, but not limited to, treasury bills, treasury notes, repurchase agreements, certificates of deposit, mutual funds, investment pools, and treasury bonds.

d. Debt Service Fund

A Debt Service Fund is established by the City to record revenues and expenditures related to the extinguishment of the debt through timely payment of principal and interest. The primary source of money is from property taxes and specifically pledged revenues. Investments will have a maturity of no more than one (1) year in order to meet the periodic payments as required. Specific investments identified as appropriate are, but not limited to, investment pools, mutual funds, treasury bonds, treasury bills, and certificates of deposit.

e. Enterprise Funds

Enterprise Funds are for the operational and capital needs of the El Paso International Airport (except the Passenger Facility Charge), the Mass Transit Department (Sun Metro), the International Bridges, Tax Office and Environmental Services Department. Investments may be of longer maturities based on projected cash flow requirements. Specific investments identified as appropriate are, but not limited to, investment pools, mutual funds, treasury bonds, treasury bills, and certificates of deposit.

f. Internal Service Funds

Internal Service Funds are extensions of the General Fund which are to be operated with cash reserves for exigencies and, therefore, should have appropriate cash balances. An Internal Service Fund that accumulates and maintains a positive cash balance in excess of One Hundred Thousand Dollars (\$100,000) will be allocated investment earnings.

g. Fiduciary Funds

Investments related to Fiduciary Funds will be made by the City as specified in the Fiduciary Fund's agreement, if applicable. Daily earnings on Fiduciary Funds will be credited to the General Fund to offset the cost of maintaining these funds.

APPENDIX 1 TO EXHIBIT A - STRATEGY FOR ALLOCATING INTEREST TO PARTICIPATING FUNDS

ALLOCATION OVERVIEW

Allocable interest income is the interest received for the period adjusted for accretion/amortization of investments purchased at a discount/premium as well as any bank charges incurred while pursuing a strategy of maximizing the yield on available cash. Allocable interest will be distributed ratably to particular funds based on the ratio of a fund's net pooled cash to the total net pooled cash of all participating funds. A participating fund is one that is eligible to earn interest revenue as discussed below because the fund maintains an overall positive net cash position for the period. The interest allocation is credited to the funds by a journal entry to debit Pooled Cash and credit Investment Interest Revenue.

For Enterprise Funds, "net cash" in pooled cash is the average daily balance maintained for the period by the combined Enterprise Funds by type. A fund's deficit in cash will be offset with its related funds' surpluses in cash. To the extent that there is an overall deficit for the combined funds the Enterprise Fund will be excluded from the interest allocation for that period.

FISCAL PROJECTS – DISCUSSION OF ELIGIBILITY TO PARTICIPATE IN THE ALLOCATION OF INTEREST

FUND

General Fund

DISCUSSION

All components of the General Fund group earn interest. The Cash Reserve fund earnings are transferred to the Capital Acquisitions fund in the Capital Projects group.

Capital Projects

All components of the Capital Projects group earn interest if the Capital Projects have sufficient cash balances to warrant allocation. If capital projects are funded with bonded debt whose covenants require interest earnings to be transferred to the Debt Service fund, investment revenue is recorded in Capital Projects and then transferred to Debt Service.

Internal Service

Components earn interest if the fund maintains a positive cash balance in excess of One Hundred Thousand Dollars (\$100,000).

Special Revenue

Certain Special Revenue funds are eligible. Only those grants with covenants requiring allocation of interest earnings are eligible.

Agency Funds (unless specifically designated)

None are eligible to earn interest.

Debt Service

All are eligible to earn interest.

Enterprise Funds

All are eligible to earn interest except the Passenger Facility Charge monies in the Airport Enterprise fund which are kept separate in interest bearing accounts as mandated by Federal regulations.

Pension Funds

None are eligible to earn interest.

Discretely Presented Component Units

None are eligible to earn interest.

Private-Purpose Trusts

Certain donations and bequests are eligible to earn interest.



CITY OF EL PASO

Investment Policy

October 9, 2025

Strategic Plan Alignment

Goal 6. Set the Standard for Sound Governance and Fiscal Management

- *6.6 Ensure continued financial stability and accountability through sound financial management, budgeting and reporting*

Section 2256 Texas Government Code

- Texas Public Funds Investment Act (TPFIA)
- Written investment policy
- Resolution adopting policy

Proposed Changes

- No proposed changes

MISSION



Deliver exceptional services to support a high quality of life and place for our community.

VISION



Develop a vibrant regional economy, safe and beautiful neighborhoods and exceptional recreational, cultural and educational opportunities powered by a high performing government.



VALUES

Integrity, **R**espect, **E**xcellence,
Accountability, **P**eople

MISIÓN



Brindar servicios excepcionales
para respaldar una vida y un
lugar de alta calidad para
nuestra comunidad

VISIÓN



Desarrollar una economía regional
vibrante, vecindarios seguros y
hermosos y oportunidades
recreativas, culturales y educativas
excepcionales impulsadas por un
gobierno de alto desempeño



VALORES

Integridad, Respeto, Excelencia,
Responsabilidad, Personas



El Paso, TX

300 N. Campbell
El Paso, TX

Legislation Text

File #: BC-1214, **Version:** 1

CITY OF EL PASO, TEXAS LEGISTAR AGENDA ITEM SUMMARY FORM

AGENDA LANGUAGE:

This is the language that will be posted to the agenda. Please use ARIAL 11 Font.

Discussion on FY 2024-2025 Audit Plan 4th Quarter Updates. [Internal Audit, Miguel Montiel, (915) 212-1367]



**2024-2025
Annual Audit Plan
4th Quarter Update**

Issued by the
Internal Audit Department
As of August 31, 2025

City of El Paso
Internal Audit Department
Financial Oversight and Audit Committee
4th Quarter 2024-2025 Audit Plan Update
As of August 31, 2025

INTRODUCTION

According to Domain III & IV of the Global Internal Audit Standards, Principle 8 - Standard 8.1 and Principle 9 - Standard 9.4 as issued by the Institute of Internal Auditors, the Chief Internal Auditor must report periodically to the Financial Oversight and Audit Committee and Senior Management on the internal audit activity's purpose, authority, responsibility, and performance relative to its Audit 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 Oversight and Audit Committee and Senior Management.

In addition, by periodically reporting to the Financial Oversight and Audit Committee and Senior Management, the Internal Audit Department helps support the City of El Paso's *Strategic Plan* Goals 6.6 and 6.8;

- Goal 6.6: *Ensure continued financial stability and accountability through sound financial management, budgeting and reporting.*
- Goal 6.8: *Support transparent and inclusive government.*

The Chief Internal Auditor is also responsible to communicate the internal audit activity's plans and resource requirements, including significant interim changes, to the Financial Oversight and Audit 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 Oversight and Audit Committee. The Chief Internal Auditor will provide an update on the following three critical areas required in the management of an internal audit activity. The three critical areas are:

1. Pending Audits and Projects
2. Miscellaneous Items affecting the Internal Audit Department's Activity
3. Annual Audit Plan Update

As required by the Global Internal Audit Standards, Standard 7.1, the City of El Paso's Internal Audit Department continues to maintain its independence. Per the City Charter amended May 6, 2023, the Chief Internal Auditor reports operationally to the Chairman of the Financial Oversight and Audit Committee (FOAC) and legislatively to the FOAC. The FOAC reviews and recommends for approval by City Council the Internal Audit Charter and annual risk-based Audit Plan. The FOAC also receives quarterly updates to the Annual Audit Plan from the Chief Internal Auditor. The City Manager shall be responsible for the implementation of any audit recommendations for changes to City administrative procedures and operations as requested by City Council. Standard 8.3 requires the Internal Audit Department ensure conformance with the Global Internal Audit Standards, to include the Ethics and Professionalism Domain II. The Ethics and Professionalism Domain Principles includes Integrity, Objectivity, Confidentiality, Competency, and Due Professional Care. Any non-conformance will be reported.

We conduct audits in accordance with both Generally Accepted Government Auditing Standards and the Global Internal Audit Standards.

City of El Paso
Internal Audit Department
Financial Oversight and Audit Committee
4th Quarter 2024-2025 Audit Plan Update
As of August 31, 2025

PENDING AUDITS & PROJECTS

This section will provide the Financial Oversight and Audit Committee and the City Manager a short synopsis of the pending Audits and Projects currently being completed by the staff of the Internal Audit Department as of the end of the 4th Quarter. A brief synopsis is provided on the scope and objective of the Audit or Project.

1. Police Department – Cyber Security Audit

The objectives of the Audit are to determine if City-owned applications managed by the Police Department meet National Institute of Standards and Technology (NIST) cyber security standards. The NIST cyber security standards help organizations manage and reduce cyber security risks.

2. El Paso Zoo – Financial Activity Audit

The objectives of this Audit are to perform a review of the El Paso Zoo's financial activity to ensure proper accounting and reporting. The audit will concentrate on the following areas:

- Ticket Sales,
- Zoo Memberships,
- Zoo Sponsorships,
- Zoo Fundraising Events,
- Identify discrepancies and document any areas where inefficiencies can be strengthened.

3. Code Enforcement Division Audit

The objective of the Code Enforcement Division Audit is to perform an assessment of enforcement efforts for nuisance cases. To achieve the audit objectives, the Internal Audit Department will:

- Identify and review the top five (5) types of violations and associated data.
- Review and determine if established enforcement processes are in accordance with City Ordinances.
- Evaluate whether imposed penalties and costs are in accordance with established fees and/or fines.
- Identify and document education and outreach efforts.
- Evaluate budget for staffing levels of the Code Enforcement Division.

4. Animal Services – Westside Adoption Center Construction Audit

The objectives of the Audit are to review construction costs and processes used by the Capital Improvement Department to renovate Morehead Middle School to the new "Animal Services – Westside Adoption Center". The construction audit will focus on Phase I and include a review of the following areas:

- Compliance with Capital Improvement Department Policies and Procedures,
- Construction Expenditures, Change Orders, and Inspections,
- Proper approvals and supporting documentation.

City of El Paso
Internal Audit Department
Financial Oversight and Audit Committee
4th Quarter 2024-2025 Audit Plan Update
As of August 31, 2025

5. Accounts Receivable Program – 2nd Follow-Up Audit

The objectives of this Follow-Up Audit are to determine whether the findings and recommendations identified in the original Audit Report dated August 11, 2022 have been adequately addressed. Specifically, the following three items:

- Updating the Accounts Receivable Manual to address specific billing procedures for City Departments.
- Updating the Accounts Receivable Manual to address the collection and account management of past-due accounts.
- Ensuring that all City Departments are:
 - Recording and tracking all billable activities in the PeopleSoft Accounts Receivable Module.
 - Invoicing customers within 30 days of date of service or submit a request for the Office of the Comptroller (OTC) to invoice on behalf of the department within 30 days.
 - Informing OTC when a payment is posted to an incorrect account.
 - Conducting monthly Accounts Receivable reconciliations and submit them to OTC for review.

City of El Paso
Internal Audit Department
Financial Oversight and Audit Committee
4th Quarter 2024-2025 Audit Plan Update
As of August 31, 2025

FINANCIAL OVERSIGHT AND AUDIT COMMITTEE (“FOAC”)

1. The FOAC met on June 5, 2025 to discuss the following:
 - Approval of Minutes for the Financial Oversight and Audit Committee meeting of May 8, 2025.
 - Discussion and Action on the results of the El Paso International Airport - Accounts Payable Audit A2025-02.
 - Discussion and Action on the results of the Division of Veteran and Military Affairs - Travel and Accounts Payable Follow-Up Audit A2025-03.
 - Discussion and Action on the Audit Scope and Objectives for the approved Code Compliance Audit.
 - Discussion and Action on the Emergency Solutions Grant Audit Scope Change to Single-Family Owner-Occupied Renovation Program.

2. The FOAC met on June 17, 2025 to discuss the following:
 - Approval of Minutes for the Financial Oversight and Audit Committee meeting of June 5, 2025.
 - Presentation and discussion by Weaver and Tidwell, LLP on City of El Paso’s Internal Audit Current State, Maturity, and Needs Assessment.

3. The FOAC met on July 28, 2025 to discuss the following:
 - Approval of Minutes for the Financial Oversight and Audit Committee meeting of June 17, 2025.
 - Presentation and discussion by Weaver and Tidwell, LLP on City of El Paso’s Internal Audit Current State, Maturity, and Needs Assessment.
 - Discussion and Action on the results of Round 9 of the Hotel Occupancy Tax Audit.
 - Discussion and Action on the results of the Parks and Recreation Department - Park Usage Permit Audit A2025-01.

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Financial Oversight and Audit Committee
4th Quarter 2024-2025 Audit Plan Update
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- Discussion and Action to retain an external auditing firm to undertake audits, included and added to fiscal year Audit Plans, which cannot be conducted by the Internal Audit Department staff.
 - Discussion on FY 2024-2025 Audit Plan 3rd Quarter Updates.
4. The FOAC met on August 28, 2025 to discuss the following:
- Approval of Minutes for the Financial Oversight and Audit Committee meeting of July 28, 2025.
 - Presentation on the preparation of the 2025-2026 Annual Audit Plan.
 - Discussion and Action on the results of the Budget Transfer Audit A2025-04.
 - Discussion and Action on the results of the Streets and Maintenance (SAM) - Permits Review Follow-Up Audit A2025-06.

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MISCELLANEOUS ITEMS

This section provides the Financial Oversight and Audit Committee and the City Manager with miscellaneous information regarding the Internal Audit Department'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.

CERTIFICATIONS

Miguel Ortega successfully sat for and earned the *Certified Internal Auditor* (CIA) designation. This is a significant professional achievement and a testament to his expertise and dedication to the field of internal auditing.

TRAINING SESSIONS

The Internal Audit Department staff participates in Continuing Professional Education (CPE) trainings and webinars to help maintain our competency and skill sets. As of the 4th Quarter, staff have earned the following number of CPE hours. Staff with professional certifications are required to earn 40 CPE hours per calendar year.

Name	Position	CPE Hours
Liz De La O	Deputy Chief Internal Auditor	37.8
Mike Montiel	Audit Manager	44.5
Martha Vargas	Auditor IV	80.8
Miguel Ortega	Auditor III	38.8
Sergio Carrillo	Auditor III	44.8
Christian Castro	Auditor II	44.8
Miguel Olivas	Auditor I	38.8

SERVICE TO THE PROFESSION

- I. Association of Government Accountants – El Paso Chapter
Martha Vargas volunteered as a Board Member.
- II. Institute of Internal Auditors – El Paso Chapter
Martha Vargas volunteered as a Committee Member.
- III. Association of Certified Fraud Examiners – El Paso Chapter
Liz De La O and Miguel Montiel volunteered as Board Members.
Sergio Carrillo assisted the Chapter with a financial review.

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AUDIT PLAN UPDATE

This section will provide the Financial Oversight and Audit Committee and the City Manager with an update on the progress of the 2024-2025 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 Department's resources are being used.

	BUDGETED HOURS	YTD as of 08/31/2025
First Quarter	-	-
(CarryFwds) Pension Office Digitization and Cybersecurity Review (P2023-07)	50.00	220.00
(CarryFwds) Sun Metro Money Room Internal Control Review (P2024-01)	50.00	201.25
(CarryFwds) Water Parks Follow Up Audit (A2024-09)	50.00	43.50
(CarryFwds) U-Matter Card Program Review (P2024-02)	50.00	26.25
(CarryFwds) Sun Bowl Game Audit (A2024-04)	50.00	17.75
(CarryFwds) Accounts Receivable Program Follow Up Audit (A2024-07)	100.00	28.50
(CarryFwds) Planning and Inspections - Permit Review Audit (A2024-03)	100.00	101.75
(CarryFwds) SAM - Cyber Security Assessment Follow Up Audit (A2024-10)	100.00	35.75
(CarryFwds) Health Department - Internal Control Review (P2024-03)	250.00	323.50
(CarryFwds) Accounts Receivable - Hotel Occupancy Tax Audits	250.00	269.75
(CarryFwds) On-Call Services Agreement Audit (A2024-08)	300.00	341.00
(CarryFwds) El Paso International Airport- Accounts Payable Audit	500.00	488.00
Citywide Sales Tax Analysis - Clearview	40.00	1.50
Hotel Occupancy Tax Audits - Administration	50.00	172.50
Franchise Fee Audits (Spectrum) - Administration	50.00	13.25
TX Sales Tax Discovery - Administration	50.00	14.75
City Employee Hotline	75.00	73.75
Tax Office Refund Review Project	100.00	94.00
Longevity Project	100.00	8.00
Cyber Audits - Administration	300.00	60.75
Contingency Hours	404.00	-
Audit Plan	-	543.75
Consulting	-	20.00
Division of Veteran and Military Affairs – Travel and Accounts Payable Audit	-	23.25
Economic Development – 380 Agreement Monitoring Audit	-	3.50
P-Card Reviews: City Council & City Manager's Office – P-Card & Travel Review	-	19.00
Vehicle Allowance Analysis	-	3.00
Weaver	-	5.00

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First Quarter (Continued)	BUDGETED HOURS	YTD as of 08/31/25
Administrative Duties - Chief Internal Auditor	225.00	219.00
Administrative Duties - Audit Manager	90.00	120.25
Administrative Duties - Staff Auditors	560.00	612.50
Auditor Training	135.00	499.50
Vacation/Sick Leave/Holiday	651.00	875.50
Total	4,680.00	5,479.00
Second Quarter	-	-
Take Home Cars & Use of City Vehicles Project	250.00	264.00
Executive Vacation Requests & Sick Leave Project (Cancelled per FOAC Meeting of 03/13/2025)	250.00	288.00
Follow Up Audit: Streets & Maintenance - Permits Review Audit	250.00	185.50
Parks Department - Permit Audit	500.00	472.25
Budget Transfer Audit	500.00	536.00
Citywide Sales Tax Analysis - Clearview	40.00	4.50
Hotel Occupancy Tax Audits - Administration	50.00	143.50
Franchise Fee Audits (Spectrum) - Administration	50.00	9.00
TX Sales Tax Discovery - Administration	50.00	5.50
City Employee Hotline	75.00	45.25
Tax Office Refund Review Project	100.00	93.00
Longevity Project	100.00	-
Cyber Audits - Administration	300.00	74.50
Contingency Hours	504.00	-
Audit Plan	-	251.00
Consulting	-	82.00
FOAC Prep	-	225.00
Weaver	-	229.50
Administrative Duties - Chief Internal Auditor	225.00	191.50
Administrative Duties - Deputy Chief Internal Auditor & Audit Manager	170.00	173.50
Administrative Duties - Staff Auditors	480.00	329.75
Auditor Training	135.00	246.25
Vacation/Sick Leave/Holiday	651.00	812.25
Total	4,680.00	4,661.75

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	BUDGETED HOURS	YTD as of 08/31/2025
Third Quarter	-	-
Yellow Book Self-Assessment	250.00	75.00
Red Book Self-Assessment	250.00	205.00
El Paso Zoo - Memberships, Fund-Raising Activities, Attendance, & Ticket Sales Audit (Financial Activity Audit)	500.00	806.00
Animal Services Facilities Upgrade, Change Orders, & Construction Compliance Audit	500.00	269.50
P-Card Reviews: City Council & City Manager's Office - P-Card & Travel Review (Cancelled per FOAC Meeting of 03/13/2025)	250.00	146.00
Citywide Sales Tax Analysis - Clearview	40.00	6.50
Hotel Occupancy Tax Audits - Administration	50.00	239.25
Franchise Fee Audits (Spectrum) - Administration	500.00	-
TX Sales Tax Discovery - Administration	50.00	-
City Employee Hotline	75.00	51.50
Tax Office Refund Review Project	100.00	153.50
Longevity Project	100.00	-
Cyber Audits - Administration	300.00	247.75
Contingency Hours	504.00	-
Audit Plan	-	383.75
Consulting	-	0.50
Code Enforcement Audit	-	212.50
FOAC Prep	-	530.50
Weaver	-	42.25
Administrative Duties - Chief Internal Auditor	225.00	166.00
Administrative Duties -Deputy Chief Internal Auditor & Audit Manager	170.00	240.25
Administrative Duties - Staff Auditors	480.00	331.50
Auditor Training	135.00	371.75
Vacation/Sick Leave/Holiday	651.00	464.75
Total	4,680.00	4,943.75
Fourth Quarter	-	-
Follow Up Audit: Division of Military Affairs - Travel & Acc. Payable Audit	250.00	222.25
Follow Up Audit: Economic Development - 380 Agreement Monitoring Audit	250.00	111.25
Follow Up: Accounts Receivable Program- 2 nd Follow-Up Audit	250.00	70.75
CID - Davis-Bacon Act Compliance & Certified Payroll Audit	500.00	-
Emergency Solutions Grant (ESG) Program Audit	500.00	1.25
SAM - Facility Maintenance Audit	500.00	-
Citywide Sales Tax Analysis - Clearview	40.00	1.50
Hotel Occupancy Tax Audits - Administration	50.00	79.50
Franchise Fee Audits (Spectrum) - Administration	50.00	-
TX Sales Tax Discovery - Administration	50.00	-
City Employee Hotline	75.00	68.25
Tax Office Refund Review Project	100.00	127.50
Longevity Project	100.00	-
Cyber Audits - Administration	300.00	111.25
Contingency Hours	254.00	-

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	BUDGETED HOURS	YTD as of 08/31/2025
Fourth Quarter (Continued)	-	-
Audit Plan	-	416.00
Consulting	-	-
FOAC Prep	-	367.00
Weaver	-	50.75
Administrative Duties - Chief Internal Auditor	225.00	161.00
Administrative Duties -Deputy Chief Internal Auditor & Audit Manager	170.00	297.50
Administrative Duties - Staff Auditors	480.00	522.50
Auditor Training	135.00	209.50
Vacation/Sick Leave/Holiday	651.00	581.50
Total	4,680.00	3,399.25
Totals for 1st, 2nd, 3rd & 4th Quarters	18,720.00	18,483.75

City of El Paso
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FISCAL YEAR-END RECAP

As required by the *Global Internal Audit Standards*, Standard 9.3 & 12.1, the City of El Paso's Internal Audit Department performs ongoing internal assessments in order to monitor the performance of the internal audit activity. Standard 5.44 of the *Generally Accepted Government Auditing Standards* requires the Internal Audit Department to analyze and summarize the results of its monitoring process at least annually. Internal assessments include supervision, review and measurement of the internal audit activity. All engagements are properly supervised, files are peer reviewed by someone not involved in the engagement, time budgets are established, and customer surveys are sent out to gauge the performance of the Internal Audit Department. The Internal Audit Department monitors measurements of the internal audit activity. Any non-conformance will be identified and reported. The following section will provide the Financial Oversight and Audit Committee and the City Manager with a synopsis of various measurements taken of Audits, Follow-Ups, and Projects conducted by the Internal Audit Department during the Fiscal Year.

FY 2025 NOTEWORTHY AUDITS & PROJECTS

Accounts Receivable - Hotel Occupancy Tax Review Memo (March 6, 2025)

The Internal Audit Department conducted a review of the Office of the Comptroller's process for monitoring and collecting Hotel Occupancy Tax Revenues owed to the City.

Based on the review, we determined that the Office of the Comptroller is:

- Properly collecting and monitoring the additional HOT Revenues owed to the City that were identified by HOT Audits.
- Properly invoicing HOT Receivables in a timely manner.
- Collecting HOT delinquent accounts according to the *Office of the Comptroller – Hotel Occupancy Tax Collection Procedure Policy* and the *City of El Paso Accounts Receivable Policy*.
- Accurately reporting HOT Receivable Balances to management.
- We did not identify any internal control weaknesses.

Hotel Occupancy Tax (HOT) Audit – Round 9 (April 24, 2025)

The Internal Audit Department has a contract with Avenu Insights & Analytics to conduct Hotel Occupancy Tax Audits. Based on the results of the Round 9 Audit, additional Hotel Occupancy Taxes totaling \$855,919.13 were identified as being due to the City of El Paso from the 20 hotels audited.

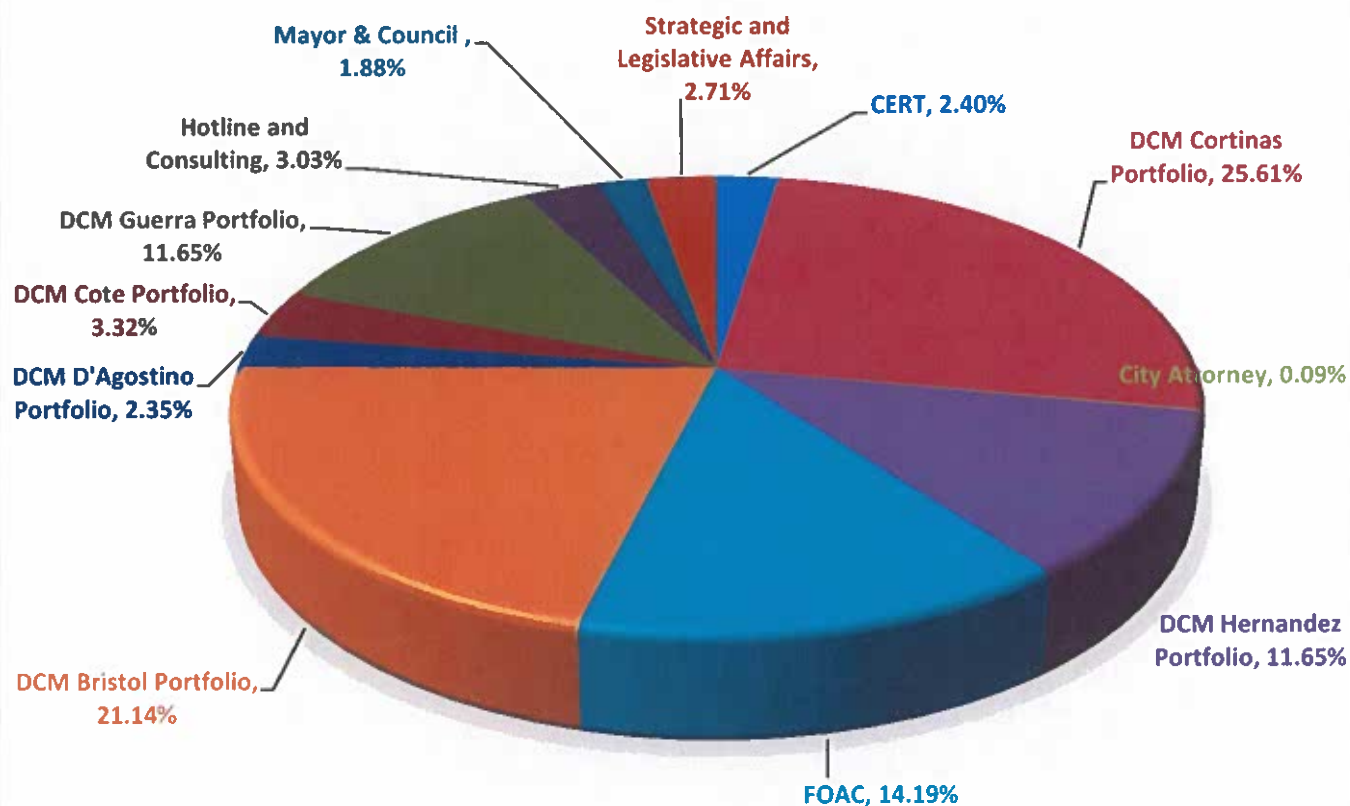
Initial HOT Audit Results (20 hotels):	\$1,417,289.09
Re-Audit Adjustments (4 hotels):	<u>(\$561,369.96)</u>
Revised HOT Audit Results:	\$855,919.13

City of El Paso
Internal Audit Department
Financial Oversight and Audit Committee
4th Quarter 2024-2025 Audit Plan Update
As of August 31, 2025

AUDIT TIME PER CITY PORTFOLIO

The chart below shows the percentage of audit-hours incurred in each City Portfolio during Fiscal Year 2024-2025.

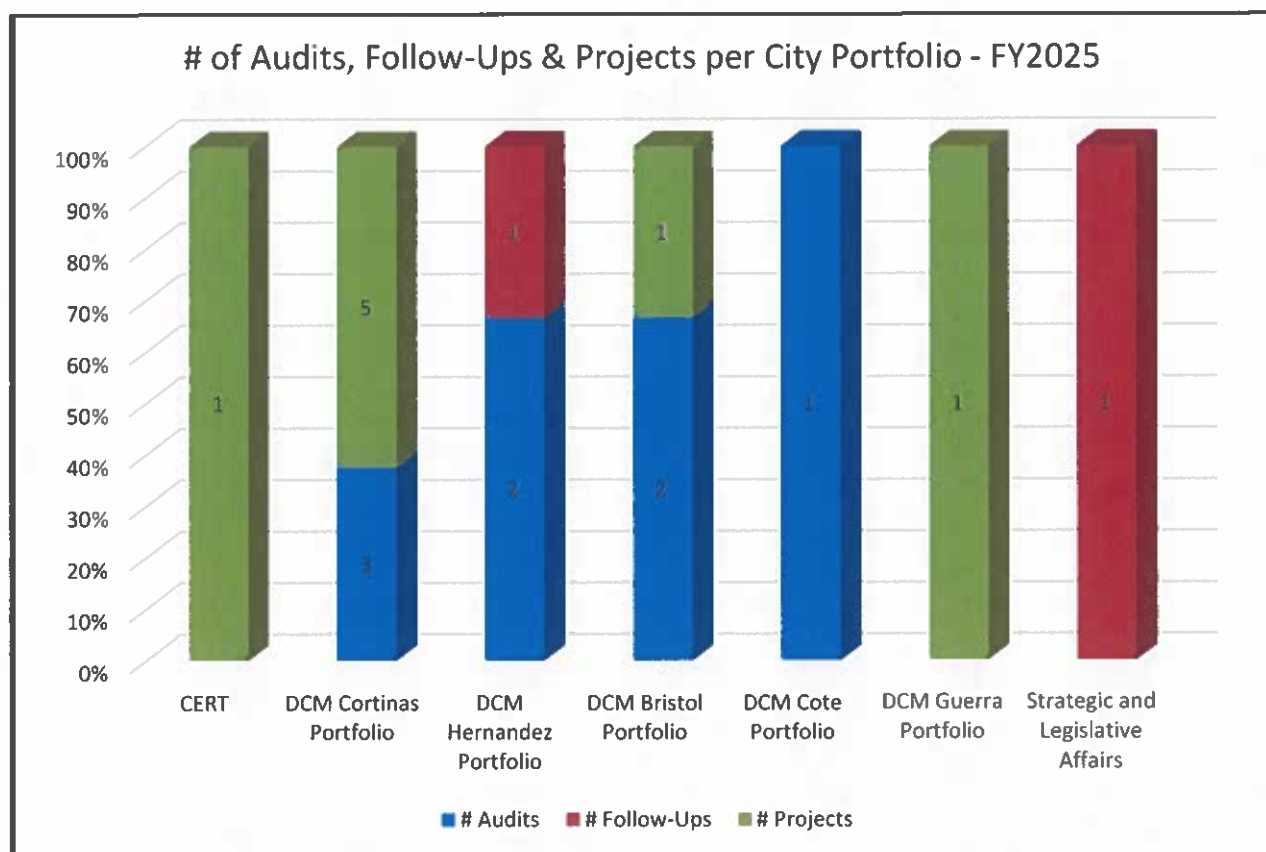
**PERCENTAGE OF TIME PER CITY PORTFOLIO - FISCAL YEAR
2025**



City of El Paso
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AUDITS, FOLLOW-UP'S & PROJECTS PER CITY PORTOLIO

This chart shows the number of audit assignments completed per City Portfolio during Fiscal Year 2024-2025.



City of El Paso
Internal Audit Department
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FOLLOW-UP RECOMMENDATION STATUS

The Internal Audit Department performs Follow-Up Audits on all Audit Reports that contain findings and recommendations. Our objective is to inform the Financial Oversight and Audit Committee and City Management that corrective action has been implemented. The table below lists the Follow-Up Audits conducted during Fiscal Year 2024-2025 and whether the recommendations have been:

- *Implemented,*
- *In-Progress,*
- *Not Applicable or,*
- *Not Implemented.*

Follow-Up Audit Status				Recommendations			
No	Follow-Up Audit Name	Follow-Up Report Date	Original Report Date	Implemented	In Progress	Not Applicable	Not Implemented
1	Division of Military Affairs – Travel and Accounts Payable Follow-Up Audit No. A2025-03	April 1, 2025	June 10, 2024	1	1	-	-
2	SAM – Permits Review Follow-Up Audit No. A2025-06	June 11, 2025	July 10, 2023	1	2	-	-
Recommendation Totals				2	3	-	-

City of El Paso
Internal Audit Department
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QUALITY SURVEY RESULTS

The Internal Audit Department performs a quality survey after the completion of each Audit or Follow-Up Audit in order to gauge the quality of service delivered. The table below lists the surveys administered during Fiscal Year 2024-2025. Our survey rating scale ranges from 1 (Poor) to 4 (Excellent).

No	Quality Surveys Audit Name	# of Surveys Sent	# of Responses Received	% Responses Received	* Average Score Received
1	SAM – Transportation Management Division – Cybersecurity Assessment Follow-Up Audit A2024-10	3	0	0%	N/A
2	Planning & Inspections – Permit Review Audit A2024-03	3	2	67%	4
3	Pension Office Digitization and Cyber Security Review Project P2023-07	4	3	75%	3.92
4	Department of Public Health – Internal Control Review P2024-03	3	2	67%	4
5	Sun Metro Money Room - Internal Controls Review P2024-01	5	5	100%	3.36
6	Accounts Receivable – Hotel Occupancy Tax Review P2025-01	3	2	67%	4
7	Division of Military Affairs - Travel and Accounts Payable Follow-Up Audit A2025-03	2	0	0%	N/A
8	Parks and Recreation Department – Park Usage Permit A2025-01	2	1	50%	4
9	El Paso International Airport - Accounts Payable Audit A2025-02	2	1	50%	3.92
10	On-Call Services Agreement Audit A2024-08	2	1	50%	3.75
11	Budget Transfer Audit A2025-04	2	2	100%	3.7
12	Streets and Maintenance (SAM) - Permits Review Follow-Up Audit A2025-06	2	1	50%	3.58
13	Vehicle Allowance & Take-Home Cars Project P2025-02	2	1	50%	4
	Totals	35	21	60%	3.84

* Rating	Score
Excellent	4
Good	3
Fair	2
Poor	1

City of El Paso
Internal Audit Department
Financial Oversight and Audit Committee
4th Quarter 2024-2025 Audit Plan Update
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CONCLUSION

The 4th Quarter of the 2024-2025 Audit Plan was another productive quarter for the Internal Audit Department. During the 4th Quarter, five (5) Audits/Projects are in various stages of planning or completion.

It continues to be a pleasure serving the Mayor and City Council, the Financial Oversight and Audit Committee, the City Manager, the Deputy City Managers, and the Managing Directors. The Internal Audit Department staff continues to strive for excellence in meeting our departmental motto, "Exceeding our Client's Expectations."

Respectfully Submitted



Liz De La O, CFE, CIA, CGAP, MPA
Deputy Chief Internal Auditor
City of El Paso

Distribution:

Financial Oversight and Audit Committee

Dionne Mack, City Manager

Robert Cortinas, Deputy City Manager/Chief Financial Officer



CITY OF EL PASO

Internal Audit Department 4th Quarter Update

June 1, 2025 to August 31, 2025

Reporting Statement

According to Domain III & IV of the Global Internal Audit Standards, Principle 8 - Standard 8.1 and Principle 9 - Standard 9.4 as issued by the Institute of Internal Auditors, the Chief Internal Auditor must report periodically to the Financial Oversight and Audit Committee and Senior Management on the internal audit activity's purpose, authority, responsibility, and performance relative to its Audit Plan.

We conduct audits in accordance with both Generally Accepted Government Auditing Standards and the Global Internal Audit Standards.

Independence Statement

As required by the Global Internal Audit Standards, Standard 7.1, the City of El Paso's Internal Audit Department continues to maintain its independence. Per the City Charter amended May 6, 2023, the Chief Internal Auditor reports operationally to the Chairman of the Financial Oversight and Audit Committee (FOAC) and legislatively to the FOAC. The FOAC reviews and recommends for approval by City Council the Internal Audit Charter and annual risk-based Audit Plan. The FOAC also receives quarterly updates to the Annual Audit Plan from the Chief Internal Auditor. The City Manager shall be responsible for the implementation of any audit recommendations for changes to City administrative procedures and operations as requested by City Council.

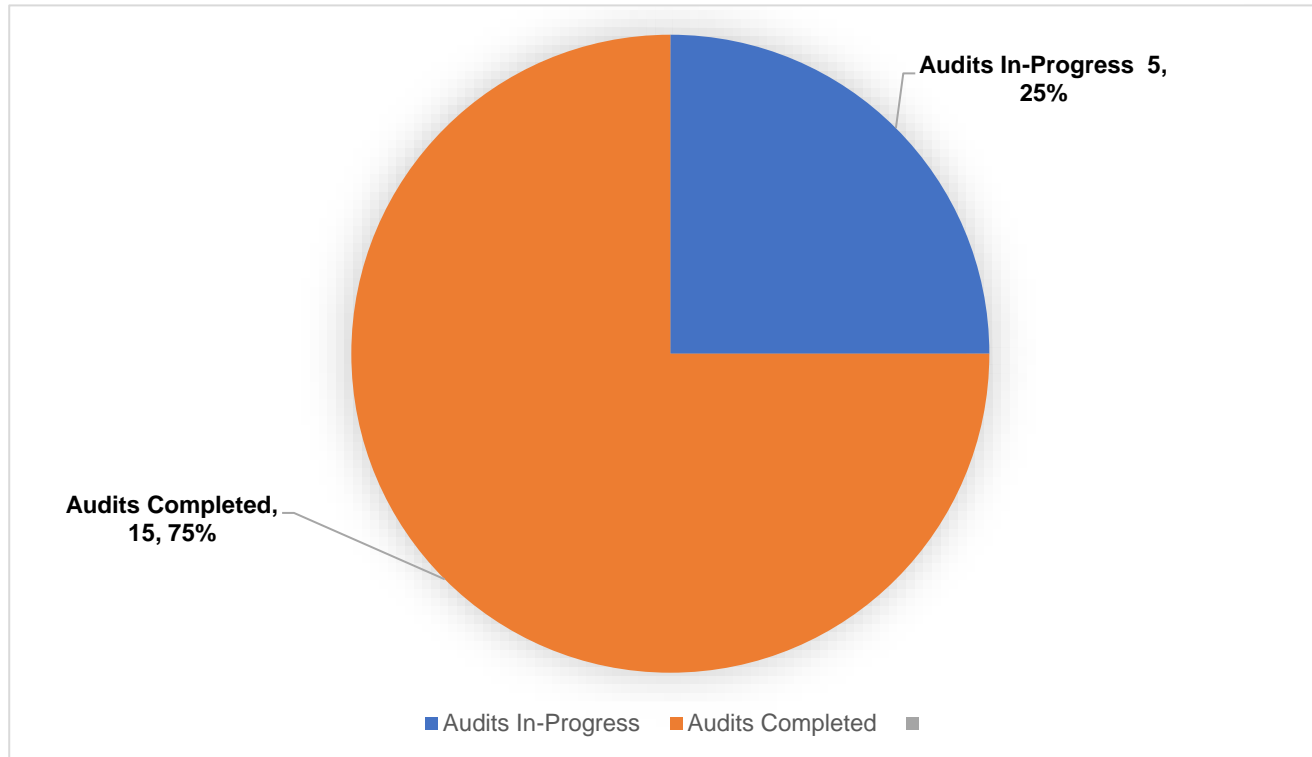
Overview of FY 2024-2025 Audit Plan

September 1, 2024 to August 31, 2025

Audit Status	Audits
a. Number of Audits Completed	15
b. Number of Audits Planned & In-Progress	7
c. Total Number of Audits	22

FY 2024-2025 Audit Plan Completion

September 1, 2024 to August 31, 2025



Audit Code	Audit Name	Status
P2023-07	Pension Office Digitization and Cybersecurity Review	Complete
P2024-01	Sun Metro Money Room – Internal Control Review	Complete
P2024-03	Dept. of Public Health – Internal Control Review	Complete
A2024-03	Planning and Inspections – Permit Review Audit	Complete
A2024-08	On-Call Services Agreement Audit	Complete
A2025-01	Parks and Recreation Dept. – Park Usage Permit Audit	Complete
A2025-02	El Paso International Airport – Accts. Payable Audit	Complete
A2025-03	Follow-Up Audit Division of Military Affairs – Travel & Accounts Payable Audit	Complete
A2025-04	Budget Transfer Audit	Complete
A2025-05	Code Enforcement Division Audit	In-Progress
A2025-06	Streets and Maintenance (SAM) - Permits Review Follow-Up Audit	Complete

2024-2025 Audits

**December 1, 2024 to
August 31, 2025**

Audit Code	Audit Name	Status
A2025-07	Economic Development - 380 Agreement Monitoring Follow-Up Audit	Not Started
A2025-08	Animal Services - Westside Adoption Center Construction Audit	In-Progress
A2025-09	El Paso Zoo - Financial Activity Audit	In-Progress
P2025-01	Accounts Receivable – Hotel Occupancy Tax Review	Complete
P2025-02	Vehicle Allowance & Take-Home Cars	Complete
P2025-03	Executive Vacation Request & Sick Leave Project (Cancelled on FOAC Mtg of 03/13/2025)	Cancelled
P2025-04	City Council & City Manager's Office - P-Card and Travel Review (Cancelled on FOAC Mtg of 03/13/2025)	Cancelled
CoSourced	Police Department – Cyber Security Audit	In-Progress
CoSourced	Hotel Occupancy Tax Audits – Round 9	Complete
CoSourced	Franchise Fee Audit – El Paso Water Utility	Not Started

2024-2025 Audits

December 1, 2024 to August 31, 2025

Audit Code	Audit Name	Status
N/A	Red Book – Internal Self Assessment	In-Progress
N/A	Tax Office Refund Reviews	Complete
N/A	Charter Communications – Franchise Fee Compliance Audit	Complete
N/A	Single Family Owner Occupied Renovation Program Audit	Not Started

2024-2025 Audits

December 1, 2024 to
August 31, 2025

City of El Paso – Employee Hotline

June 1, 2025 to August 31, 2025

Received 10 calls and 2 call remained open as of August 31, 2025.

Tax Office Refund Review Project

June 1, 2025 to August 31, 2025

**Conducted 29 Tax Office Refund Reviews
during the 4th Quarter.**

Client Surveys

June 1, 2025 to August 31, 2025

Audit Name	Survey Opened	Survey Closed	# Surveys Sent Out	# Surveys Completed	% Surveys Completed
Budget Transfer Audit A2025-04	07/10/2025	07/28/2025	2	2	100%
Streets and Maintenance (SAM) – Permits Review Follow-Up Audit A2025-06	07/29/2025	08/12/2025	2	1	50%
Vehicle Allowance & Take-Home Cars Project P2025-02	08/25/2025	09/10/2025	2	1	50%

Q & A



El Paso, TX

300 N. Campbell
El Paso, TX

Legislation Text

File #: BC-1217, **Version:** 1

CITY OF EL PASO, TEXAS
LEGISTAR AGENDA ITEM SUMMARY FORM

AGENDA LANGUAGE:

This is the language that will be posted to the agenda. Please use ARIAL 11 Font.

Discussion and Action on the results of the Economic Development - 380 Agreement Monitoring Audit Report A2023-07. [Internal Audit, Elizabeth De La O, (915) 212-1371]



**Economic Development – 380 Agreement
Monitoring Audit
No. A2023-07**

Issued by the
Internal Audit Department
April 17, 2024

City of El Paso
Internal Audit Department
Economic Development – 380 Agreement Monitoring Audit A2023-07

EXECUTIVE SUMMARY

The Internal Audit Department has concluded the Economic Development – 380 Agreement Monitoring Audit. Based on the results of the audit, five findings were identified. The findings are considered significant in nature due to internal control breakdowns and violations of City Policy.

Listed below is a summary of the findings identified in this report:

1. Revisions have been made to the 2021 *City of El Paso Economic Incentives Policy* that have a significant effect on the evaluation of Incentive Agreement applicants and the reporting of incentives to City Council. Revisions were made to the current 2021 *Incentives Policy* to remove requirements included on the previous 2015 *Incentives Policy*.
2. Economic & International Development is not performing a financial analysis of all 380 Agreement Incentive applicants. Six (6) out of seven (7) 380 Agreement files reviewed (85.72%) did not contain documentation providing evidence of financial stability of the business to complete the project as required by the *Economic Incentives Policy*.
3. Economic & International Development (ED) is not providing City Council with a true representation of the dollar amount of all incentives provided to 380 Agreement Recipients and not reporting on actual job counts for each project. ED reported to City Council a total of \$5,344,991.00 in “Incentives Paid to Date (PDT)” for five (5) agreements reviewed. The PDT amount did not include waivers and reimbursements totaling \$1,221,967.29. The total amount of incentives for the five (5) Agreements should have been reported as \$6,566,958.29.
4. Economic & International Development is not adhering to the *Economic & International Development Department Incentive Agreement Contract Compliance Policies and Procedures* in the following areas:
 - Tracking and updating “key dates” for 380 Agreements on ED’s monitoring Excel spreadsheet.
 - Documenting deadline extensions for incentive reimbursement requests to recipients.
 - Processing incentive payments per the deadlines specified in each 380 Agreement. Three (3) out of five (5) reimbursement requests (60%) were paid by ED staff two (2) to five (5) months past the processing deadline specified in each 380 Agreement.
5. An analysis of 115 Incentive Agreements closed as of January 24, 2024, identified four (4) 380 Agreements that received incentive payments without completing the terms of their Agreement.
 - Two (2) Agreements were identified as not having a “recapture clause” and received a total of \$1,346,322.00 in incentive payments from the City of El Paso. The City was unable to seek reimbursement of incentive payments made to the two (2) recipients. One (1) recipient withdrew from the Agreement and one (1) recipient defaulted on the Agreement.
 - One (1) Agreement was identified as having a “recapture clause” and received a total of \$1,426,018.00 in incentive payments from the City. The Agreement’s “recapture clause” only applied if the recipient did not “substantially complete the work on any component in accordance with the timeline outlined in the Development Agreement.” The recipient withdrew from their Agreement and was only reimbursed for the components completed.
 - One (1) Agreement was identified as having a “recapture clause” and recourse was taken by the City to collect the incentive payment of \$1,043.33 from the recipient.

For a detailed explanation of the findings, please refer to the body of this Audit Report.

City of El Paso
Internal Audit Department
Economic Development – 380 Agreement Monitoring Audit A2023-07

BACKGROUND

At the request of the Financial Oversight and Audit Committee, the Internal Audit Department conducted an Audit of the City of El Paso Chapter 380 Economic Development Program.

Chapter 380 of the Texas Local Government Code authorizes municipalities to offer incentives designed to promote economic development such as commercial and retail projects. It authorizes offering loans, grants of City funds, services at little or no cost in order to promote state and local economic development, and to stimulate business and commercial activity. The City of El Paso (“The City”) provides Incentive Agreements for projects that will result in a net increase or retention of jobs, will add to the tax base, or will improve the economic welfare of the residents and businesses of the City of El Paso.

The City’s Incentive Agreements include Chapter 380 Economic Development Agreements, Chapter 312 Tax Abatement Agreements, State-funded Programs, and Federally-funded Grant programs. The City of El Paso began executing Incentive Agreements in 2006, when the City approved the first Chapter 312 and Chapter 380 Agreements. The Economic & International Development Department (“ED”) established a Compliance Division in 2012, which tracks and monitors ED agreements. Since the first agreements executed in 2006, ED has executed approximately 250 Incentive Agreements. Chapter 380 Agreements are the most utilized Incentive Agreements by the City of El Paso. Incentives provided to 380 Agreement Recipients include:

- Fee Waivers (planning and inspection fees, ect.),
- Rebates (Texas sales tax, Hotel Occupancy Tax reimbursements, etc.),
- Tax Increment Reimbursement Zone (TIRZ) payments (reimbursement of property taxes).

Depending on each agreement, the City awards applicants with rebates based on the projects’ adherence to metrics as identified in the contract. Applicants must submit a rebate reimbursement request to the Economic & International Development Department in order to receive the granted rebates. Rebates can include, but are not limited to:

- | | |
|---------------------------------|--|
| • Personal Property Tax Rebate, | • Event Room Block Rebate, |
| • Real Property Tax Rebate, | • Parking Rebate, |
| • Mixed Beverage Tax Rebate, | • Building Permit Fee Rebate, |
| • Hotel Occupancy Tax, | • Sales and Use Tax Rebate |
| • Tax Abatement, | (for construction Materials & Ground Floor), |
| • City Master Rebate, | • Milestone Payment. |
| • Hotel Occupancy Tax Rebate, | |

As of August 23, 2023, the Economic & International Development’s *City of El Paso Incentive Agreement Portfolio 2023-Q3* reported a total of 65 active 380 Incentive Agreements and 111 closed 380 Agreements. Twenty-one (21) of the 65 Incentive Agreements have a job component which requires that a certain number of jobs be created and/or retained as part of the terms of the agreement.

All Chapter 380 Agreements include a set of established metrics that the applicant must accomplish in order to receive their incentives. The Economic & International Development Department’s

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Compliance Division is tasked with the enforcement of key metrics to ensure capital investment and quality job commitments are being fulfilled. The *City of El Paso Economic Incentives Policy – Guidelines & Criteria – 2021* defines the financial incentives and establishes standards and processes for implementation of the plan.

AUDIT OBJECTIVES

The objectives of the Economic Development – 380 Agreement Monitoring Audit were to:

- Determine if the Economic & International Development Department has established an effective monitoring program to ensure that businesses and the City of El Paso comply with:
 - Chapter 380 of the Texas Local Government Code and the Texas Constitution Article III Section 52-a.,
 - The City of El Paso Chapter 380 Economic Development Program guidelines,
 - 380 Agreement payout terms and deliverables.
- Review and evaluate the reporting mechanism used by 380 Agreement/Incentive recipients to report to Economic Development their deliverables or activities for each year.

AUDIT SCOPE

The scope of this audit included reviewing active 380 Agreements as of Fiscal Year 2023 and Agreements that were closed as of Fiscal Year 2024. The following samples were selected for review:

- Seven (7) 380 Agreements were reviewed for compliance with applicable 380 Incentive Program Policies and Procedures:
 1. Texas Tower LLC & Hotel Dulcinea LLC,
 2. Marmaxx Operating Corp. – TJ Max,
 3. Mills Plaza Properties II, LP – Plaza Hotel,
 4. Mills Plaza Properties V, LP & Kress Tunnel, LLC,
 5. Schneider Electric USA, Inc.,
 6. United Parcel Service Inc.,
 7. West Star Tower LLC.
- Five (5) rebates paid to incentive recipients whose 380 Agreement included a job component were reviewed for compliance with the terms of their respective Agreement:
 1. South Shore USA,
 2. Hotel Sancho Panza LLC (Courtyard by Marriott Hotel),
 3. Technimark LLC,
 4. United Parcel Service Inc.,
 5. Charter Communications, Inc.
- Four (4) 380 Agreements that received rebate payments from the City without completing the terms of their Agreement and later closed, were reviewed for proper closure:
 1. University of Texas at El Paso – Regional Cyber and Energy Security Center (RCES),
 2. Erives Enterprises. Inc.,
 3. Hunt Metro 31, LLC,
 4. Bemity Global, LLC.

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AUDIT METHODOLOGY

To achieve our audit objectives, we:

- Conducted interviews with Economic & International Development management and staff,
- Conducted a review of Economic & International Development Department's applicable Policies and Procedures,
- Conducted a review of Economic & International Development Department's 380 Agreement Active Agreement Portfolio Booklet titled "*City of El Paso Incentive Agreement Portfolio 2023-Q3*,"
- Conducted a review of Economic & International Development's 380 Agreement monitoring processes,
- Conducted a review of Economic & International Development's reporting mechanisms,
- Analyzed a sample of active 380 Agreement Incentive files monitored by Economic & International Development staff,
- Analyzed a sample of 380 Agreement Incentive rebates issued by Economic & International Development staff,
- Conducted an analysis of 380 Agreements in default, withdrawn, and completed.

We conducted this audit in accordance with *Generally Accepted Government Auditing Standards* and the *International Standards for the Professional Practice of Internal Auditing*. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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***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, is a violation of a City procedure, or a violation of a law and/or regulation, which the City is required to follow. Any finding not meeting these criteria will be classified as a “Regular Finding”.

Finding 1

Economic Incentives Policy Revisions

City of El Paso Strategic Plan:

- Goal 6.12 *Maintain systems integrity, compliance and business continuity.*

City of El Paso Incentives Policy – Guidelines & Criteria 2015, Sections I & IV.

City of El Paso Economic Incentives Policy – Guidelines & Criteria – 2021, Sections I, IV, & IX.

The following revisions have been made to the 2021 *City of El Paso Economic Incentives Policy*. The revisions have a significant effect on the evaluation of Incentive Agreement applicants and the reporting of incentives to City Council. Revisions were made to remove requirements included on the previous 2015 *Incentives Policy*. The changes from the 2015 *Incentives Policy* to the current 2021 *Incentives Policy* are shown below:

<i>Economic Incentives Policy Revisions</i>		
Policy Requirement for:	<i>City of El Paso Incentives Policy – Guidelines & Criteria 2015</i>	<i>City of El Paso Economic Incentives Policy – Guidelines & Criteria 2021</i>
Business’ financial stability and capacity to complete the project	<ul style="list-style-type: none"> • Section IV. General Criteria: <i>...The project MUST: #2. <u>Include</u> solid evidence provided by the business that demonstrates the business’s financial stability and capacity to complete the project.</i> 	Section IV. General Criteria, Policy & Procedures: <i>...The project MUST: #2. <u>Upon request</u>, provide credible documentation that demonstrates the business’s financial stability and capacity to complete the project...</i>
Council review of Policy	Section I. Purpose: <i>Council has directed that this policy be reviewed on a <u>biennial</u> basis. This policy will remain in effect until it is expressly revised by Council.</i>	Revised in: Section IX. Term of Incentives <i>These policy guidelines and criteria shall apply upon adoption by the El Paso City Council and may be reviewed and revised <u>periodically</u> to assure impact and effective performance and/or adapt to adjusting market conditions.</i>
Reporting to City Council	Section I. Purpose: <i>Economic Development <u>will provide</u> Council with an <u>annual report</u> reviewing the implementation of this policy and the resulting effects of Council’s approved incentives under this policy.</i>	Section I. Purpose: <i>Removed: <u>Policy no longer requires an annual report to Council on the approved incentives and resulting effects.</u></i> The current process of <u>periodically</u> providing City Council with a high-level presentation on Transformation and Key Performance Indicators (KPIs) is not documented in the Policy. The KPI presentation does not provide detailed status reports on the awarded Incentive Agreements and payments made.

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Recommendation

Economic & International Development should require revisions to the *City of El Paso Economic Incentives* Policy are communicated to and approved by City Council.

Management's Response

Economic & International Development is in the process of updating the Chapter 380 Program Policies. Finding will be incorporated into proposed revisions for final approval by City Council.

Responsible Party

Karina Brascalla, Interim Director

Implementation Date

6 months, (January 1, 2025); Ongoing in accordance with applicable regulations

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Finding 2

Financial Analysis

City of El Paso Strategic Plan:

- Goal 6.12 *Maintain systems integrity, compliance and business continuity.*

City of El Paso Economic Incentives Policy – Guidelines & Criteria 2021, Section IV. General Criteria, Policy & Procedures:

...The Project MUST: 2. Upon request, provide credible documentation that demonstrates the business's financial stability and capacity to complete the project...

A Financial Analysis is not being performed of all 380 Agreement Incentive applicants. Six (6) out of seven (7) 380 Agreement files reviewed (85.72%) did not contain documentation providing evidence of financial stability of the business to complete the project as required by the *Economic Incentives Policy*.

- One (1) applicant did not provide financial documentation. The Agreement file did not contain evidence of a financial analysis performed of the business's financial stability and capacity:
 - TJ Max – Marmaxx Operating Corp.
- Two (2) applicants provided a financial statement that demonstrated that both projects would not have enough income to cover expenses if incentives were not provided. The Agreement files did not contain evidence of financial stability of the businesses to complete the project:
 - Texas Tower – 1 Texas Tower, LLC and Hotel Dulcinea, LLC
 - Kress Building – Mills Plaza Properties V, LP and Kress Tunnel, LLC
- Three (3) applications did not contain evidence of providing documentation of the business's financial stability and capacity. Per Economic Development staff, a search for financial documentation was performed online to obtain the data. The Agreement files did not document the search methodology or the results of the analysis:
 - Plaza Hotel – Mills Plaza Properties II, LP
 - Schneider Electric USA, Inc.
 - West Star Tower, LLC

Recommendation

Economic & International Development should require that a Financial Analysis is conducted and documented of all 380 Agreement applicants to determine the financial stability and capacity of the business to complete the project.

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Management's Response

Economic & International Development will establish a process for requesting, collecting, and assessing information required to determine the financial stability and capacity of 380 applicants. Financial Analyses will be documented and included in status reports, unless protected by law or separate agreement. When a Financial Analysis is conducted by a third-party, that will also be documented.

Responsible Party

Karina Bragalla, Interim Director

Implementation Date

6 months, (January 1, 2025); Ongoing

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Finding 3

Tracking and Reporting of Incentive Agreements

City of El Paso Strategic Plan:

- Goal 6.6 *Ensure continued financial stability and accountability through sound financial management, budgeting and reporting.*
- Goal 6.8 *Support transparent and inclusive government.*
- Goal 6.12 *Maintain systems integrity, compliance and business continuity.*

Economic & International Development (ED) prepares a booklet titled *City of El Paso Incentive Agreement Portfolio* which contains information on Incentive Agreements. The Incentive data reported does not capture the amount of all incentives provided. The booklet is provided to City Council members upon request.

Economic & International Development is not providing City Council with a true representation of the dollar amount of all incentives provided to 380 Agreement Recipients and not reporting on actual job counts for each project. Incentives provided to 380 Agreement Recipients include:

- Fee Waivers (planning and inspection fees, etc.),
- Rebates (Texas sales tax, Hotel Occupancy Tax reimbursements, etc.),
- Tax Increment Reimbursement Zone (TIRZ) payments (reimbursement of property taxes).

A review of the *City of El Paso Incentive Agreement Portfolio* as of August 23, 2023 identified the following deficiencies:

- Economic & International Development does not report to City Council the actual number of jobs created and/or retained by 380 Agreement Incentive Agreements with a job component. Only the number of jobs to be created and/or retained per each Agreement is reported.
- Economic & International Development reported to City Council a total of \$5,344,991.00 in “Incentives Paid to Date (PDT)” for the five (5) agreements reviewed. The PDT amount excluded Fee Waivers and a TIRZ reimbursement totaling \$1,221,967.29. The total amount of incentives for the five (5) Agreements should be \$6,566,958.29.

No.	Incentives Reported on <i>Incentive Agreement Portfolio</i> Booklet as of August 23, 2023			Incentive Amounts not Reported to Council		
	Recipient	Total Incentive Package	ED Incentives Paid to Date	TIRZ Paid Reimbursement	Permit Fees Waived	Total Incentives not Reported
1	Texas Tower	\$2,185,796.00	0.00	0.00	\$297.50	\$297.50
2	TJ Max	\$8,970,660.00	0.00	0.00	\$412,188.40	\$412,188.40
3	Plaza Hotel – Mills Plaza Properties II LP	\$21,969,914.71	\$2,926,593.00	\$575,686.88	\$48,295.85	\$623,982.73
4	Kress Building – Mills Plaza Properties V LP	\$2,049,000.00	0.00	0.00	\$7,936.34	\$7,936.34
5	West Star Tower	\$14,034,055.00	\$2,418,398.00	0.00	\$177,562.32	\$177,562.32
		Total Reported:	\$5,344,991.00			Not Reported:
						Total of all Incentives:
						\$6,566,958.29

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Recommendation

Economic & International Development should:

- Track and report actual jobs created and/or retained by 380 Agreement Recipients.
- Track and report to City Council the actual dollar amount of all incentives paid out to each 380 Agreement Recipient, both in monetary form and in waived fees.
- Provide City Council with a status report of awarded Incentive Agreements.

Management's Response

Economic & International Development will provide status reports of awarded Incentive Agreements on a regular basis, but not less than once a year. Status reports will include tracking of both contractual and total reported job metrics. Fee waivers are currently tracked in Accela and will be included in status reports.

Responsible Party

Karina Brasgalla, Interim Director

Implementation Date

Provide next Status Report by January 2025; Ongoing

Finding 4

Monitoring Key Dates

City of El Paso Strategic Plan:

- Goal 6.12 *Maintain systems integrity, compliance and business continuity.*

Each 380 Agreement is unique with different terms and criteria for the reimbursement of agreed incentives. Each 380 Agreement outlines the following:

- *“Key Dates” that require documentation to be submitted to Economic & Internal Development (ED) for review.*
- *Timing frequency for incentive payment requests,*
- *Allotted times for ED to process incentive payment requests.*

Economic & International Development Department Incentive Agreement Contract Compliance Policies and Procedures Updated 7.20.2023,

- Section 1. Compliance Division Employee Policies and Procedures:
Purpose: This document established policy and presents the procedures to ensure that the Department of Economic Development, through its Chapter 380 incentives agreement process, keeps accurate records of the incentives it awards, monitors agreements to ensure they are in compliance with all metrics, and any applicable state and federal laws, rules, and regulations governing.

Economic & International Development (ED) is not adhering to the *Economic & International Development Department Incentive Agreement Contract Compliance Policies and Procedures* in the following areas:

- Tracking and updating “key dates” for 380 Agreements.
- Documenting deadline extensions for incentive reimbursement requests to recipients.
- Processing incentive payments per the deadlines specified in each 380 Agreement.

A review of seven (7) 380 Agreement files identified that “key dates” were not updated in ED’s 380 Agreement Spreadsheet. The following four (4) exceptions were noted:

- One (1) out of seven (7) Agreements (14.29%) had its contract terms amended. The amended due dates were not updated in the 380 Agreement Spreadsheet for the following Agreement:
 - Texas Tower – The “Certificate of Occupancy” due date was not updated from 5/24/2026 to 12/31/2026 and the “Minimum Expenditures” due date was not updated from 12/31/2025 to 12/31/2026.
- Three (3) out of seven (7) agreements (42.86%) ED did not document when the first incentive reimbursement request was received and the due dates for annual reimbursement submittals for the following recipients:
 - Plaza Hotel – Reimbursement requests are due “within ninety business days after June 1 of each year.”
 - United Parcel Service – Reimbursement requests are due “within thirty business days after July 31 of each year.”
 - West Star Tower – Reimbursement requests are due by May 15th of each year.

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A review of incentive payments issued on five (5) 380 Agreement Incentive Agreements with a job component identified the following deficiencies:

- Two (2) out of five (5) incentive payment requests (40%) were not submitted by the respective due dates listed in each 380 Agreement. The Agreement files did not document a deadline extension.
 - Payment request from Technimark was dated 3/20/2023, 2 years past the due date of 2/26/2021.
 - Payment request from UPS was dated 12/17/2021, 17 months past the due date of 7/31/2020.
- Three (3) out of five (5) reimbursement requests (60%) were not processed for payment by ED staff within the timeframe specified in each 380 Agreement. The Agreement files did not document the cause of delay.
 - Payment to Charter Communications was overdue by two (2) months from the processing deadline of 3/19/2023. Payment was made to the recipient on 5/19/2023.
 - Payment to Hotel Sancho Panza was overdue by three (3) months from the processing deadline of 4/25/2023. Payment was made to the recipient on 8/1/2023.
 - Payment to UPS was overdue by five (5) months from the processing deadline of 9/23/2022. Payment was made to the recipient on 3/1/2023.

Recommendation

Economic & International Development staff should:

- Ensure that a monitoring system is utilized to track “key dates” for 380 Agreements and is updated as required.
- Enforce deadlines specified in 380 Agreements for the submission of incentive payment requests and document any authorized deadline extensions.
- Process incentive payments in accordance with the deadline specified in 380 Agreements, typically 90 to 180 days.

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Management's Response

- Economic & International Development has implemented Monday.com, a project management software. Monday.com has been configured to set up automated reminders of key Agreement dates to both staff and 380 recipients.
- Economic & International Development will update standard operating procedures to ensure all Agreement notices and extensions are documented.
- The City will process payments in accordance with the timelines stated in the relevant 380 Agreement. Economic & International Development will update standard operating procedures to ensure documentation of notices of incompleteness, deadline to cure/respond, and extensions.

Responsible Party

Karina Bragalla, Interim Director

Implementation Date

Immediate; Ongoing

Finding 5

Recapture Clause

City of El Paso Strategic Plan:

- Goal 6.6 *Ensure continued financial stability and accountability through sound financial management, budgeting and reporting.*
- Goal 6.8 *Support transparent and inclusive government.*
- Goal 6.12 *Maintain systems integrity, compliance and business continuity.*

City of El Paso Incentives Policy – Guidelines & Criteria February 2010, Section V.,

City of El Paso Incentives Policy – Guidelines & Criteria 2015, Section VII.,

City of El Paso Economic Incentives Policy – Guidelines & Criteria – 2021, Section VII.:

Agreements may be conditioned on the completion of specific improvements to real property and/or job numbers and salary levels being met. The Agreements shall contain recapture clauses in the event that such conditions are not met.

An analysis of 115 Incentive Agreements closed as of January 24, 2024, identified four (4) 380 Agreements that received incentive payments without completing the terms of their Agreement.

- Two (2) Agreements were identified as not having a “recapture clause” and received a total of \$1,346,322.00 in incentive payments from the City of El Paso. The City was unable to seek reimbursement of incentive payments made to the following recipients:
 - University of Texas at El Paso received \$1,343,690.00 for the development of a technology innovation center called Regional Cyber and Energy Security Center (RCES). University of Texas at El Paso submitted a withdrawal letter dated February 6, 2015. No reason was given for the withdrawal.
 - Erives Enterprises, Inc. received \$2,632.00 for the expansion and new construction of a freight and logistics facility. Erives Enterprises, Inc. filed a Property Owner’s Notice to Protest with the Central Appraisal District to lower the appraised value of the property being developed. The appraised value of the property was lowered to \$1,782,704.00. Erives defaulted on the Agreement due to the property’s value falling below the minimum value amount of \$1,900,000.00 as established in the 380 Agreement.
- One (1) Agreement was identified as having a “recapture clause” and received a total of \$1,426,018.00 in incentive payments from the City. The Agreement’s “recapture clause” only applied if the recipient did not “substantially complete the work on any component in accordance with the timeline outlined in the Development Agreement.”
 - Hunt Metro 31, LLC substantially completed the following components per the agreement: the construction of roadways, land grading, associated infrastructure and utilities at the Northgate Transfer Center. The incentive payments paid to the recipient were for the substantial completion of the components listed.
 - *“Substantially Complete” means the later of (i) the Architect’s issuance of a Certificate of Substantial Completion for the applicable improvement or (ii) the City’s issuance of a Certificate of Occupancy for such improvement.*
 - Hunt Metro 31, LLC did not complete the following components per the agreement: building retail spaces, civic use facilities, and residential complexes. Incentive payments were not paid for components not completed.

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- Hunt Metro 31, LLC provided a Notice of Termination to withdraw from the Agreement. The reason to withdraw was due to COVID-19 pandemic's impact on the retail real estate market and the Project Site being located within a federally designated flood plain.
- One (1) Agreement was identified as having a "recapture clause" and recourse was taken to collect the incentive payment from the recipient.
 - Bemity Global LLC defaulted on the Agreement and repaid the City \$1,043.33 for a Construction Materials Sales Tax Incentive.

Recommendation

The Economic & International Development Department should require that all 380 Agreements contain a recapture clause in the event of an Agreement defaulting the City of El Paso can recover the amount of incentives granted.

Management's Response

Unlike Abatement Agreements executed under Chapter 312 of the Texas Tax Code, Chapter 380 Agreements do not require a recapture clause.

Economic & International Development will update standard operating procedures to ensure that consideration is given to a recapture clause in the negotiation of all 380 Agreements.

Responsible Party

Karina Brascalla, Interim Director

Implementation Date

Immediate; Ongoing

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Internal Audit Department
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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 beyond the Audit Report date are subject to the risk that procedures may become inadequate due to changes in conditions, management override of internal controls, or that the degree of compliance with the procedures may deteriorate. This was a limited scope audit which only reviewed the areas stated in the Audit Objectives during the Audit Scope period. No representations of assurance are made to other areas or periods not covered by this audit.

CONCLUSION

We have concluded our work on the objectives of the Economic Development – 380 Agreement Monitoring Audit. The audit evidence used in the analysis is sufficient and appropriate for addressing the objectives and supporting the findings and conclusion. In accordance with *Generally Accepted Government Auditing Standards*, we are required to conclude whether Economic & International Development met the objectives of this audit. Based on our audit work, we have determined that:

1. Economic & International Development met the audit objectives in the following areas:
 - Documenting and receiving approval for the *City of El Paso Incentives Policy*.
 - Establishing and documenting the Incentive Agreements Contract Compliance Policies and Procedures.
 - Establishing new businesses in the City of El Paso.
2. Economic & International Development did not meet the audit objectives in the following areas:
 - Making revisions to the *City of El Paso Economic Incentives Policy* that have a significant effect on the evaluation of Incentive Agreement applicants and the reporting of incentives to City Council.
 - Conducting a financial analysis of an applicant's business finances.
 - Reporting the actual dollar amount of incentives paid out to each recipient, both in monetary form and in waived fees.
 - Reporting to City Council on actual job counts for each project.
 - Tracking and updating "key dates" for 380 Agreements on ED's 380 Agreement Spreadsheet.
 - Documenting deadline extensions for incentive reimbursement requests to recipients.
 - Processing incentive payments per the deadlines specified in each 380 Agreement.
 - Requiring that all 380 Agreements contain a recapture clause in the event of an Agreement defaulting allowing the City of El Paso to seek reimbursement of the amount of incentives granted.

We wish to thank Economic & International Development management and staff for their assistance and courtesies extended during the completion of this audit.

Signature on File

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

Signature on File

Liz De La O, CFE, CIA, CGAP, MPA
Auditor IV

Signature on File

Miguel Montiel, CIA, CGAP
Audit Manager

City of El Paso
Internal Audit Department
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Distribution:

Financial Oversight and Audit Committee

Cary Westin, Interim City Manager

Robert Cortinas, Deputy City Manager & Chief Financial Officer

Karina Brascgalla, Interim Director of Economic & International Development



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Timeline

Timeline of Audit Report Issuance:

- Economic Development – 380 Agreement Monitoring Audit Report dated April 17, 2024.
 - Exit Meeting held June 12, 2024 & Management Responses received June 24, 2024.
 - Final report distributed to City Council and City Management on June 27, 2024.
 - At this time, approval from FOAC or City Council was not required to finalize audit reports.
 - Audit Report placed on September 17, 2024 FOAC quarterly agenda for further discussion.
 - Report deleted from agenda.
 - A Follow-Up Audit of the 380 Agreement Audit was scheduled in the FY25 Annual Audit Plan.
 - Follow-Up Audit initiated in May 2025, but not executed due to Executive Management's concern regarding the deletion of Audit Report from September 17, 2024, FOAC agenda.
- Audit Report being referred back to FOAC for action on October 9, 2025.

Objectives

The Objectives of the Economic Development – 380 Agreement Monitoring Audit were to:

- Determine if the Economic & International Development Department has established an effective monitoring program to ensure that businesses and the City of El Paso comply with:
 - Chapter 380 of the Texas Local Government Code and Article III, section. 52(a) of the Texas Constitution,
 - The City of El Paso Chapter 380 Economic Development Program guidelines,
 - 380 Agreement payout terms and deliverables.
- Review and evaluate the reporting mechanism used by 380 Agreement/Incentive recipients to report to Economic Development their deliverables or activities for each year.

Scope

The scope of this audit included reviewing active 380 Agreements as of Fiscal Year 2023 and Agreements that were closed as of Fiscal Year 2024. The following samples were selected for review:

- Seven (7) 380 Agreements were reviewed for compliance with applicable 380 Incentive Program Policies and Procedures.
- Five (5) rebates paid to incentive recipients whose 380 Agreement included a job component were reviewed for compliance with the terms of their respective Agreement.
- Four (4) 380 Agreements that received rebate payments from the City without completing the terms of their Agreement and later closed, were reviewed for proper closure.

Methodology

To achieve our audit objectives, we:

- Interviewed Economic & International Development's (ED) management & staff.
- Reviewed ED's applicable Policies and Procedures.
- Reviewed ED's "City of El Paso Incentive Agreement Portfolio 2023-Q3" booklet.
- Reviewed ED's Agreement monitoring processes and reporting mechanisms.

Methodology (Cont.)

- Analyzed a sample of seven (7) active 380 Agreement Incentive files:

Active Chapter 380 Agreements as of May 31, 2023 (FY2023 - 3rd Quarter)					
Type of Agreement	#	\$ Range of Incentive Packages	Excluded: Agreements in Default	Excluded: Agreements Previously Audited	Total # of Agreements less Exclusions
TOD	3	\$32,944.00 - \$78,393.00	-	-	3
DSCCI/SCCI*	16	\$13,468.00 - \$3,059,279.00	-	-2	14
Infill	12	\$18,187.61 - \$416,110.00	-1	-1	10
Strategic/ Master	34	\$12,000.00 - \$150,000,000.00	-3	-8	23
	65		-4	-11	50

* DSCCI/SCCI Agreements discontinued.

Sample of seven (7) out of 23 (30.44%) "Strategic/Master" 380 Agreements selected for review.

Methodology (Cont.)

- Analyzed a sample of five (5) 380 Agreement Incentive rebates issued by ED in FY2023:
 - Five (5) companies had a job requirement and received rebates in FY2023.
 - All five rebates were selected for review.
- Conducted an analysis of 380 Agreements in default, withdrawn, and completed.
 - Total of 115 Incentive Agreements were listed as closed by ED.
 - Total of four (4) 380 Agreements that received payments without completing the full terms of their Agreement were selected for review.

Note: Populations/samples were based on the audit step being performed. It is common practice and often necessary for auditors to select different samples for different audit steps.

Finding 1

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The following revisions were made to the 2021 *City of El Paso Economic Incentives Policy*. The revisions have a significant effect on the evaluation of Incentive Agreement applicants and the reporting of incentives to City Council. Revisions were made to remove requirements included on the previous 2015 *Incentive Policy*.

Requirement for:	<i>Incentives Policy – Guidelines & Criteria 2015</i>	<i>Incentives Policy – Guidelines & Criteria 2021</i>
Business' financial stability and capacity to complete the project	Section IV. General Criteria: ... <i>The project MUST: #2 <u>Include</u> solid evidence provided by the business that demonstrates the business's financial stability and capacity to complete the project.</i>	Section IV. General Criteria, Policy & Procedures: ... <i>The project Must: #2 <u>Upon request</u>, provide credible documentation that demonstrates the business's financial stability and capacity to complete the project...</i>
Council review of Policy	Section I. Purpose: <i>Council has directed that this policy be reviewed on a <u>biennial</u> basis. This policy will remain in effect until it is expressly revised by Council.</i>	Revised in: Section IX. Term of Incentives <i>These policy guidelines and criteria shall apply upon adoption by the El Paso City Council and may be reviewed and revised <u>periodically</u> to assure impact and effective performance and/or adapt to adjusting market conditions.</i>

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Finding 1 (Cont.)

Finding 1

(Cont.)

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REMOVE THIS BOX ONCE THE PRESENTATION IS FINALIZED.

Requirement for:	<i>Incentives Policy – Guidelines & Criteria 2015</i>	<i>Incentives Policy – Guidelines & Criteria 2021</i>
Reporting to City Council	Section I Purpose: <i>Economic Development <u>will provide</u> Council with an <u>annual report</u> reviewing the implementation of this policy and the resulting effects of Council’s approved incentives under this policy.</i>	Section I. Purpose: <i>Removed: <u>Policy no longer requires an annual report to Council on the approved incentives and resulting effects.</u></i> The current process of <u>periodically</u> providing City Council with a high-level presentation on Transformation and Key Performance Indicators (KPIs) is not documented in the Policy.

Recommendation

Economic & International Development should require revisions to the *City of El Paso Economic Incentives Policy* are communicated to, and approved by City Council.

Management Response

Finding 1

“Economic & International Development is in the process of updating the Chapter 380 Program Policies. Finding will be incorporated into proposed revisions for final approval by City Council.”

Finding 2

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A Financial Analysis is not being performed of all 380 Agreement Incentive applicants. Six (6) out of seven (7) 380 Agreement files reviewed (85.72%) did not contain documentation providing evidence of financial stability of the business to complete the project.

- One (1) applicant did not provide financial information. The Agreement file did not contain evidence of a financial analysis performed.
- Two (2) applicants provided a financial statement that demonstrated that both projects would not have enough income to cover expenses if incentives were not provided. The Agreement files did not contain evidence of financial stability of the business to complete the project.
- Three (3) applications did not contain evidence of providing documentation of the business's financial stability and capacity.

Recommendation

Economic & International Development should require that a Financial Analysis is conducted and documented of all 380 Agreement applicants to determine the financial stability and capacity of the business to complete the project.

Management Response

Finding 2

“Economic & International Development will establish a process for requesting, collecting, and assessing information required to determine the financial stability and capacity of 380 applicants. Financial Analyses will be documented and included in status reports, unless protected by law or separate agreement. When a Financial Analysis is conducted by a third-party, that will also be documented.”

Finding 3

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Economic & International Development is not providing City Council with a true representation of the dollar amount of all incentives provided to 380 Agreement Recipients and not reporting on actual job counts for each project. A review of the *City of El Paso Incentive Agreement Portfolio* as of August 23, 2023 identified the following deficiencies:

- The actual number of jobs created and/or retained are not being reported to City Council for Agreements with a job component. Only the number of jobs to be created and/or retained per each Agreement is reported.
- The Department reported to City Council a total of \$5,344,991.00 in “Incentives Paid to Date (PDT)” for the five (5) agreements reviewed. The PDT amount excluded Fee Waivers and a Tax Increment Reimbursement Zone, totaling \$1,221,967.29. The total amount of incentives for the five (5) Agreements should be \$6,566,958.29.

Recommendation

Economic & International Development should:

- Track and report actual jobs created and/or retained by 380 Agreement Recipients.
- Track and report to City Council the actual dollar amount of all incentives paid out to each 380 Agreement Recipient, both in monetary form and in waived fees.
- Provide City Council with a status report of awarded Incentive Agreements.

Management Response

Finding 3

“Economic & International Development will provide status reports of awarded Incentive Agreements on a regular basis, but not less than once a year. Status reports will include tracking of both contractual and total reported job metrics. Fee waivers are currently tracked in Accela and will be included in status reports.”

Finding 4

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REMOVE THIS BOX ONCE THE PRESENTATION IS FINALIZED.

Economic & International Development is not adhering to the *Economic & International Development Department Incentive Agreement Contract Compliance Policies and Procedures* in the following areas:

- Tracking and updating “key dates” for 380 Agreements.
- Documenting deadline extensions for incentive reimbursement requests to recipients.
- Processing incentive payments per the deadlines specified in each 380 Agreement.

Recommendation

Economic & International Development staff should:

- Ensure that a monitoring system is utilized to track “key dates” for 380 Agreements and is updated as required.
- Enforce deadlines specified in 380 Agreements for the submission of incentive payment requests and document any authorized deadline extensions.
- Process incentive payments in accordance with the deadline specified in 380 Agreements, typically 90 to 180 days.

Management Response

Finding 4

- “Economic & International Development has implemented Monday.com, a project management software. Monday.com has been configured to set up automated reminders of key Agreement dates to both staff and 380 recipients.
- “Economic & International Development will update standard operating procedures to ensure all Agreement notices and extensions are documented.
- The City will process payments in accordance with the timelines stated in the relevant 380 Agreement. Economic & International Development will update standard operating procedures to ensure documentation of notices of incompleteness, deadline to cure/respond, and extensions.

Finding 5

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An analysis of 115 Incentive Agreements closed as of January 24, 2024, identified four (4) 380 Agreements that received incentive payments without completing the terms of their Agreement.

- Two (2) Agreements were identified as not having a “recapture clause” and received a total of \$1,346,322.00 in incentive payments from the City. The City was unable to seek reimbursement of incentive payments made.
- One (1) Agreement was identified as having a “recapture clause” and received a total of \$1,426,018.00 in incentive payments from the City. The Agreement’s “recapture clause” only applied if the recipient did not “substantially complete the work on any component.”
- One (1) Agreement was identified as having a “recapture clause” and recourse was taken to collect the incentive payment from the recipient.

Recommendation

Economic & International Development Department should require that all 380 Agreements contain a recapture clause in the event of an Agreement defaulting the City can recover the amount of incentives granted.

Management Response

Finding 5

“Unlike Abatement Agreements executed under Chapter 312 of the Texas Tax Code, Chapter 380 Agreements do not require a recapture clause.

Economic & International Development will update standard operating procedures to ensure that consideration is given to a recapture clause in the negotiation of all 380 Agreements.”

Conclusion

Economic & International Development met the audit objectives in the following areas:

- Documenting and receiving approval for the *City of El Paso Incentives Policy*.
- Establishing and documenting the Incentive Agreement Contract Compliance Policies and Procedures.
- Establishing new businesses in the City of El Paso.

Conclusion (Cont.)

Economic & International Development did not meet the audit objectives in the following areas:

- Making revisions to the *City of El Paso Economic Incentives Policy* that have a significant effect on the evaluation of Incentive Agreement applicants and the reporting of incentives to City Council.
- Conducting a financial analysis of an applicant's business finances.
- Reporting the actual dollar amount of incentives paid out to each recipient, both in monetary form and in waived fees.
- Reporting to City Council on actual job counts for each project.

Conclusion (Cont.)

Economic & International Development **did not meet** the audit objectives in the following areas:

- Tracking and updating “key dates” for 380 Agreements on ED’s 380 Agreements Spreadsheet.
- Documenting deadline extensions for incentive reimbursement request to recipients.
- Processing incentive payments per the deadlines specified in each 380 Agreement.
- Requiring that all 380 Agreements contain a recapture clause in the event of an Agreement defaulting, allowing the City to seek reimbursement of the amount of incentives granted.

Requested Action

To accept the results of the Economic Development – 380 Agreement Monitoring Audit and schedule a Follow-Up Audit as part of the FY2026 Annual Audit Plan.



CITY OF EL PASO

380 Agreement Monitoring Audit

Economic & International Development
Department Responses and Updates

Overview

- 380 Program Framework
- 380 Program Process
- Audit Findings
 - Process Improvements

Chapter 380 TLGC

Sec. 380.001. ECONOMIC DEVELOPMENT PROGRAMS.

- a) The governing body of a municipality may establish and provide for the administration of one or more programs, including **programs for making loans and grants of public money** and providing personnel and services of the municipality, to promote state or local economic development and to **stimulate business and commercial activity in the municipality...**
- b) The governing body may:
 - 1. administer a program by the use of municipal personnel;
 - 2. contract with the federal government, the state, a political subdivision of the state, a nonprofit organization, or any other entity for the administration of a program; and
 - 3. accept contributions, gifts, or other resources to develop and administer a program.

380 Program Framework

- 380 Agreements are structured to incentivize or induce behavior
- Based upon a “**but for**” construct
 - But for the incentives being offered, applicant would NOT undertake the project/enterprise
- Overly rigid policies would be incongruous with pace and rate of economic and business developments
- Chapter 380 meant to be **permissive** in interpreting provisions, similar to other development codes
 - Goal is to support successful completion of project

380 Agreement Process

SOP's Mapping Incentive Agreement

PROJECT
IDENTIFICATION

RESEARCH
PROCESS

PROJECT
REVIEW

LEADERSHIP

FINAL
APPROVAL



FACT SHEET
JAGUAR TEXAS

RECRUITMENT
Project Type

ADVANCED MANUFACTURING
Industry

PROJECT INFO

NAICS 335912 Primary Battery Manufacturing
SPACE 500,000 SF Manufacturing
FACILITY Purchase of existing building(s) with renovations and Addition to existing building(s) already owned
BEGIN RENOVATIONS
BEGIN OPERATIONS

EMPLOYMENT

 **68**
New Jobs

CAPITAL INVESTMENT

 **\$562.9M**
\$129.3M Buildings & Improvements
\$433.6M Furniture, Fixtures, & Equipment

PAYROLL

 **\$78,500**
Avg Annual Salary

\$5.3M
Annual Payroll

DESCRIPTION

A US company seeking an existing building with a fast path to infrastructure upgrades to support the needs identified in the RFI. The company is in the lithium-ion battery manufacturing and raw materials mining space.

RECOMMENDATIONS

The investment amount and industry type qualify this project for a property tax rebate of 70% per year for 10 years. Because of the investment amount, they will also receive up to a \$100,000 rebate on permit fees.

It is estimated that a company in this industry with the initial job creation projected, will generate an additional 71 jobs in our area.

An ROI of 4.0% is estimated for this investment.



ADDRESS
El Paso, Texas, 79901

COMPANY INFO Company

Name Confidential
Year Established
State of Formation Business
Structure Ownership

Comparison Data

Project Name	Industry	Capex	Jobs	Incentives Offered
Project Jaguar	lithium ion battery manufacturer	\$562,900,000	68	10 years at 70%
E-Boost	lithium ion battery manufacturer	\$400,000,000	305	10 years at 70%
Grip	tire manufacturer	\$500,000,000	500	6 years at 70%
Life Crown	proprietary vaccine manufacturing and cryogenic storage	\$400,000,000	550	years 1-10 at 100% 11-15 at 90%

Comparison Data

Project Name	Industry	Capex	Jobs	Incentives Offered
Project Jaguar	lithium ion battery manufacturer	\$562,900,000	68	10 years at 70%
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Grip	tire manufacturer	\$500,000,000	500	6 years at 70%
Life Crown	proprietary vaccine manufacturing and cryogenic storage	\$400,000,000	550	years 1-10 at 100% 11-15 at 90%

Agreement Checklists

ECONOMIC DEVELOPMENT BR&E Industry Development Checklist: Ch.380 Economic Development Program Agreements

Agreement Name:

[BRE/Industry Development Staff](#)

Please add your initials to confirm terms are included in the agreement. Write N/A if document is not applicable.

[COMPLIANCE Staff](#)

Please add your initials to confirm terms are included in the agreement. Write N/A if document is not applicable.

Section 1. Definitions

1. Base Year Value – Specify the dollar amount of the Base Year Value
a. Specify whether it is Real and/or Personal property
b. Personal Property Base Year Value – (if applicable) include full definition
2. Include the capped incentive dollar amounts for each rebate definition
3. Grant – List all individual rebates awarded in the agreement and specify total aggregate rebate dollar amount
4. Full-Time Employment Definition (if applicable) – Please use new language with pro-rated hours
5. Minimum Appraisal Value – Specify the dollar amount of the Minimum Appraisal Value
a. Specify whether it is Real and/or Personal property
6. Minimum Investment – Specify dollar amount and ensure expenses listed matches qualified expenditures definition
7. Property – Include full property address(es)
8. Property Tax Rebate – Define if Personal and Real property will be rebated or only Real property

Section 1 NOTES:

Section 2. Term and Grant Period

1. Total term years of the agreement
2. Grant Term, or the consecutive payment term

Section 2 NOTES:

Section 3. Obligations of Applicant *add administrative power (Unless otherwise agreed...)

* 1. First building permit (commencement of construction) – include how many months until they're due

* 2. Certificate of Occupancy – include how many months until they're due - define that temporary certificates do not qualify
* 3. Grant Submittal Date – Include a due date (please add one year after COO due date)
* 4. Grant Submittal Package – Include waiver clause

Section 3 NOTES:

Section 4. Obligations of the City

1. Timeline to process payment – Ensure language specifies the city has 90 days to process payment
2. Re-state all incentives and dollar amounts proposed in the agreement (ensure it matches definitions)

Section 4 NOTES:

Section 6. Recapture * clause may be removed during the negotiation process

1. Recapture – Include a recapture clause

Section 8. Miscellaneous Provisions

1. Notices – Include the ED compliance email as the address for Grant Submittal Packages
2. Applicant's sale of transfer of the development- include sale or transfer clause.

Section 6 and 8 NOTES:

Final run-through

1. Double check that all dollar amounts add up to total contractual incentive amount
2. Double check the correct and corresponding exhibits are attached

FINAL NOTES:

Signature BRE/Attraction POC for agreement:

Signature Compliance Staff:

Date:

Date:

ECONOMIC DEVELOPMENT Chapter 380 Economic Development Program Agreements BR&E Industry Development Checklist Example Language:

Section 1. Definitions

1. and 1.a. "Base Year Value. The words 'Base Year Value' mean the value of the real and personal property on the rolls as of January 1st of the year in which this Agreement is executed. For the purposes of this Agreement the Base Year Value is \$XXX,XXX.XX." (note: this will be the cumulative amount of Personal and Real property.)

1. b.

Personal Property Base Year Value.* "The words 'Personal Property Base Year Value' mean the value of the non-inventory, personal property on the El Paso Central Appraisal District rolls as of [Month Day] of the year in which this Agreement is executed with respect to the Development. However, under no circumstances shall the Personal Property Base Year Value be interpreted to be equivalent or determinative for appraisal purposes or to be utilized in any way to determine market value. For the purposes of this Agreement, this amount _____."

Real Property Base Year Value.* The words "Real Property Base Year Value" mean the value of the real property on the El Paso Central Appraisal District rolls as of January 1st of the year in which this Agreement is executed with respect to the Development. However, under no circumstances shall the Real Property Base Year Value be interpreted to be equivalent or determinative for appraisal purposes or to be utilized in any way to determine market value. For the purpose of this Agreement this amount is Two Million Two Hundred Forty Nine Thousand Four Hundred Fifty Five Dollars (\$2,249,455.00).

2. For instance:

"Construction Materials Sales Tax Rebate" means a one-time 100% rebate of the City's 1% Sales and Use Tax from receipts for materials and labor of taxable items used in the construction of the Development. The Construction Materials Sales Rebate shall not exceed \$XX,XXX.XX, Forty thousand dollars.

"Property Tax Rebate" means a rebate, according to the Incremental Property Tax Rebate Table found in Exhibit D of this Agreement, of the City's portion of the incremental ad valorem property tax revenue generated by the subject property above the Base Year Value for the Grant Period (as defined herein). For the purposes of this Agreement, the total Property Tax Rebate amount shall not exceed \$X,XXX,XXX.XX, Two million fifty-one hundred thousand dollars.

Retail Sales and Use Tax Rebate. The words "Retail Sales and Use Tax Rebate" means a rebate, according to the Sales Rebate Table found in Exhibit D of this Agreement, of the CITY'S [NUMBER] percent (XX %) Sales and Use Tax Receipts generated by and attributable solely to Retailer sales of Taxable Items consummated at the Property located in the Project in the immediately prior calendar year and remitted from the State Comptroller to the City and payable from the CITY's general revenue fund. For the Purposes of this Agreement, the maximum value of this rebate is \$X,XXX.XX.

3. Grant. "The word 'Grant' means each annual payment to APPLICANT under the terms of this Agreement computed as the sum of the applicable rebates: (i) Construction Materials Sales Tax Rebate; (ii) Retail Sales and Use Tax Rebate; and (iii) Property Tax Rebate. For the purposes of this Agreement, the aggregate Grant payments will not exceed \$X,XXX.XX."

4. Full-Time Employment.*

** Exact language in red is strongly recommended, all other language is an example ONLY, please follow legal approved templates.*

Compliance Process



Compliance Orientation

To kick things off, Compliance will reach out to schedule an orientation with you. We will revisit terms and requirements in your Incentive Agreement that will inform your grant submittal package, and answer FAQs:

- When and where can I submit my first package?
- What should I include in the package?
- How does this differ each year?
- How often will I need to submit a package?
- When can I expect my first payment?
- What activities should I pursue/avoid to remain in Compliance?



Construction Period (380 Agreements)

You will start construction and obtain a Certificate of Occupancy, based on the terms in your incentive agreement.



Submittal Period

You will deliver submittal package(s) to us until your agreement term is complete, your incentive agreement expires, or you reach the financial limit of your incentive package.

First Submittal (380 Agreements)

You will provide the most documentation in this phase, as we need to verify that you started development. This includes proof of investments, fees, permits, and general set up forms.

Ongoing Submittal

Your submittal will remain the same each year. We will verify your incentive agreement metrics using information such as tax payments, assessed property value, and jobs created and/or retained.



Immediately

One year or more

Agreement Term

Keep in mind: required steps and documents vary based on terms in your Incentive Agreement!

Finding 1: Policy Update

- Policy changes were communicated and approved by council
 - Item 37 at the January 19, 2021 meeting
 - Items 3 & 4 at the May 11, 2021 meeting
- **ALL agreements approved by council and met adopted policy**
 - This includes any recapture modifications or removals

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Finding 2: Financial Analysis

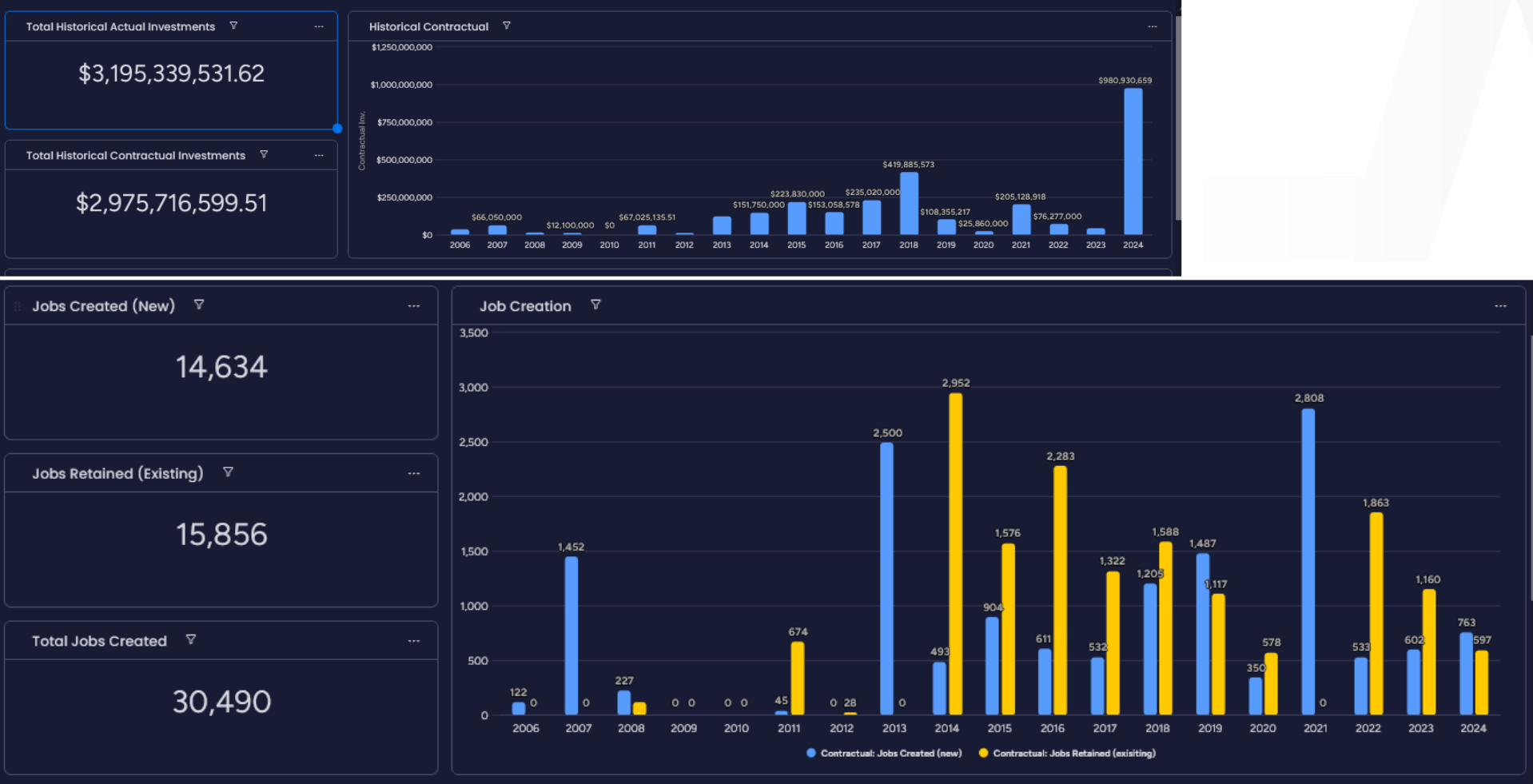
- Department does request and review financial capacity information from existing, tested sources
 - i.e. SEC, IRS, BLS, TX Comptroller and Secretary of State
- Gap in the documentation and retention of this information
- We are in coordination with Office of the Comptroller and City Attorney's Office to develop fully transparent procedures around:
 - When in the negotiation process we request documentation
 - What documentation is necessary
 - When to escalate for additional review (OTC, Professional Services)
- Balance “but for” clause, relative risk, and our recovery ability

Finding 3:

Incentives Reporting

- Incentives Booklet originally meant to capture payments from General Fund
 - Waiver information already tracked and confirmed via Accela
 - Incentive Agreements across all program types are subject to multiple reporting requirements (i.e. TX Comptroller, grant agencies, EPE)
- Note on jobs reporting:
 - **ONLY** a reflection of contractual obligations
 - Does not reflect full employment of a company
- Can easily incorporate additional information to reflect full value of City's participation in projects

Monday.com Dashboard



Finding 4: Agreement Monitoring

- **“Performance-based”** Agreements
 - We cannot make applicant perform; we can only compensate them for their performance within parameters of 380 agreement
 - Close or withdrawals of Agreements \neq failure of project
- Have automated much of this process to minimize missed submittals and notices
- Working with CAO to update templates for reminders and notices to ensure City’s interests are protected

Monday.com Automation

Active Agreements

	Project		Building Permit...	COO Due Date	Investment Du...	Original- Grant Submitt...	*Next- Grant Submi...	Notify Email- Ext...	Received	Submittal Remin...
	> MCA Medical Center of th...	49								n/a
	McCombs Village		! Sep 2, 2021	! Mar 2, 2023	! Mar 2, 2023	Feb 16	○ Feb 16, 2025	sajir@mndtx.com		n/a
	> MedCare Plus Insurance Off...	3				Jul 31, 2014	○ Jul 31, 2025	ana.lcasillas@hotmail...		n/a
	Miguel Villanueva & Julio Villan...			○ Feb 13, 2025		Oct 11, 2025	○ Oct 11, 2025	admin@villanuevas...		n/a
	> Montecillo	5				Jul 1, 2020	○ Jul 1, 2025	dparra@eptcommu...		n/a
	> Park Tavern / Pallets	4				Jul 31, 2015	○ Jul 31, 2025	lgaddy@wsilverrec...		n/a
	> Parkhill Smith & Cooper Arc...	9				Jul 31, 2018	○ Jul 31, 2025	team-psc.comblrb...		n/a
	> Parradame Family Partnershi...	1				May 24	! May 24	michael@parraservi...		n/a
	Pedro Morales & Francisca Mor...		! Jul 3	○ Jan 3, 2026	○ Jan 3, 2026	Jan 3, 2026	○ Jan 3, 2026			
	Prod Design & Analysis, Inc		! Mar 25	○ Sep 25, 2025	○ Sep 25, 2025	Sep 1, 2026	○ Sep 1, 2026			
	> Project Arriba (2023)	10								
	ROCCO Developers		! Aug 31	○ Sep 30	○ Sep 30	Aug 3	○ Aug 3, 2025			
	Scenic View Townhomes, LLC		! Sep 29, 2022	! Mar 29	! Mar 29	Mar 29, 2025	○ Mar 29, 2025			
	> Schneider Electric USA (20...	6				Jul 15, 2018	○ Jul 15, 2025			
	Schneider Electric USA (2022)					Mar 1	○ Mar 1, 2025			
	> South Shore USA	5				Nov 14, 2018	○ Nov 14			
	> Stanton Street Boutique Ho...	5				May 31, 2019	○ May 31, 2025	martin.morgades@...		n/a

mondaywork management

New notification on The Toro Company


Master Sheet > Active Agreements

Grant Submittal yearly package is due for:
Incentive: The Toro Company
Agreement Type: State Grant (TEZ)
Due Date: October 16th 2024

Open Project

Help

14


monday work management

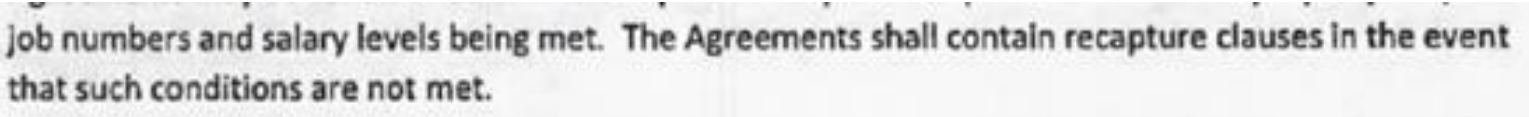

New notification on The Toro Company

[Master Sheet](#) > Active Agreements

Grant Submittal yearly package is due for:
 Incentive: The Toro Company
 Agreement Type: State Grant (TEZ)
 Due Date: October 16th 2024

[Open Project](#)

Finding 5: Recapture

- **ALL** modified recapture clauses were communicated to and approved by City Council
- Recapture **already included in policy**
 - subject to negotiation and final approval by CC
 - 
- TLGC Chapter 380 does **NOT** require recapture
 - Often confused with Chapter 312.205.(a)(4) – separate program and agreement language

MISSION



Deliver exceptional services to support a high quality of life and place for our community.

VISION



Develop a vibrant regional economy, safe and beautiful neighborhoods and exceptional recreational, cultural and educational opportunities powered by a high performing government.



VALUES

Integrity, **R**espect, **E**xcellence,
Accountability, **P**eople

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El Paso, TX

300 N. Campbell
El Paso, TX

Legislation Text

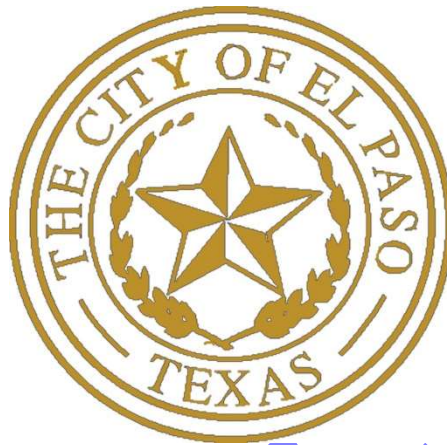
File #: BC-1099, **Version:** 1

CITY OF EL PASO, TEXAS
LEGISTAR AGENDA ITEM SUMMARY FORM

AGENDA LANGUAGE:

This is the language that will be posted to the agenda. Please use ARIAL 11 Font.

Discussion and Action on FY 2025-2026 Annual Internal Audit Plan. [Internal Audit, Miguel Montiel, (915) 212-1367]



FY2025-2026 Audit Plan

Prepared by the
Internal Audit Department
September 1, 2025

OVERVIEW

In accordance with *The Institute of Internal Auditors' Global Internal Audit Standards*, Standard 9.4 – Internal Audit Plan, the Internal Audit Department has prepared a risk-based Internal Audit Plan for Fiscal Year 2025-2026. The Fiscal Year 2025-2026 Audit Plan is a description of the internal audit activities that will be performed by the Internal Audit Department during the Fiscal Year. Per Standard 9.2, the Audit Plan serves as a strategy to help guide the internal audit function toward the fulfillment of the long-term objectives and success of the organization. The Audit Plan aligns with the expectations of the Financial Oversight and Audit Committee and Senior Management.

By periodically reporting the Internal Audit Department's actions to the Financial Oversight and Audit Committee (FOAC) and City Manager's Office, the Internal Audit Department helps support the City of El Paso's Strategic Plan Goals 6.6 and 6.8;

- Goal 6.6: Ensure continued financial stability and accountability through sound financial management, budgeting and reporting.
- Goal 6.8: Support transparent and inclusive government.

The process of preparing the Audit Plan included identifying those areas that are considered the most important and ensuring that activities with the greatest risk are audited. The Financial Oversight and Audit Committee will review and approve the Fiscal Year 2025-2026 Audit Plan subject to final approval by City Council. Members of the Financial Oversight and Audit Committee provided input, as did the City Manager, Deputy City Managers, City Attorney, and Department Directors, where appropriate. The Financial Oversight and Audit Committee (FOAC) is comprised of the following members:

- Dr. Josh Acevedo – Representative District 2 – FOAC Chair
- Alejandra Chavez, Representative District 1
- Deanna Maldonado-Rocha, Representative District 3
- Ivan Niño, Representative District 5
- Dionne Mack, City Manager (non-voting member)
- Vacant, Chief Internal Auditor (non-voting member)

IDENTIFICATION OF THE AUDIT UNIVERSE AND RISK ASSESSMENT

The Institute of Internal Auditors' Global Internal Audit Standards, Standard 9.4 requires that Internal Auditors develop an Audit Plan based on the assignment of risk. The Audit Universe is a subjective assessment of auditable areas within the City of El Paso. To identify the Audit Universe, we reviewed the City's Organizational Chart (as of 8/31/25), prior Audit Plans, the Annual Comprehensive Financial Report, and prior Risk Assessments. The auditable areas were broken down into ten distinct areas:

- | | |
|-------------------------------------|--------------------------------|
| 1. Mayor & City Council | 6. DCM & CFO – Robert Cortinas |
| 2. City Manager | 7. DCM – Nicole Cote |
| 3. City Attorney's Office | 8. DCM – Mario D'Agostino |
| 4. CoEP Employee's Retirement Trust | 9. DCM – Araceli Guerra |
| 5. DCM – Richard Bristol | 10. DCM – Yvette Hernandez |

The following describes our planning process used to prepare the Fiscal Year 2025-2026 Audit Plan. The Audit Plan can be found as **Attachment 1**.

The Audit Universe for the City of El Paso was identified by separating the Operational, Administrative, and Executive Management functions within the City of El Paso. The Risk Assessment was designed to measure certain risk factors necessary for the City of El Paso to meet its Mission, Strategic Plan, and its Goals and Objectives. Our goal is to provide reasonable assurance that the concept of risk-based auditing was practiced. The risk factors used were:

- **Management Interest** – Interest by management to have an area audited due to operational or internal control concerns.
- **Budget Risk** – The risk that the City of El Paso’s annual budget will be severely affected by factors that are not planned for or anticipated.
- **Strategic Risk** – The risk that poor business decisions or improper implementation of strategic goals will reduce the City of El Paso’s ability to meet those goals.
- **Reputation Risk** – The risk that the City of El Paso’s public image will be tarnished due to improper actions on the part of officials, management, or staff.
- **Compliance Risk** – The risk that failure to comply with laws and regulations, prudent ethical standards, and contractual obligations will harm the City of El Paso.
- **High Level of Decentralization** – The risk of internal control breakdowns due to the size of large-scale departments or operations.
- **Legal Claims** – The risk of the legal claims being filed against City departments while conducting their core operations.
- **Time Last Audited** – The risk that certain high risks areas within the City of El Paso are not audited on a periodic basis.
- **Change in Management** – The risk of new management being assigned to an area identified in the Audit Universe.

The Annual Risk Assessment can be found as **Attachment 2**.

SCOPE OF AUDITS

The Institute of Internal Auditor’s Global Internal Audit Standards, Standard 9.1 addresses the scope of work as follows:

- Review the **reliability and integrity of financial and operational information** and the means used to identify, measure, classify, and report such information.
- Review the systems established to ensure **compliance** with those policies, plans, procedures, laws, and regulations that could have a significant impact on operations and reports.
- Review the means of **safeguarding assets** and as appropriate verify the existence of such assets.
- Appraise the **effectiveness and efficiency** of operations within the organization.
- Review **operations or programs** to ascertain whether results are consistent with established goals and objectives, and whether the operations or programs are being implemented or performed as intended.

In addition, audits are completed under the guidance of the U.S. Government Accountability Office's Generally Accepted Government Auditing Standards (GAGAS). GAGAS provides a framework for conducting high quality government audits with Competence, Integrity, Objectivity, and Independence. These standards are for use by Auditors of government entities and entities that receive government awards. GAGAS contain requirements and guidance dealing with Ethics, Independence, Auditors' Professional Competence and Judgment, Quality Control, the Performance of Fieldwork, and Reporting. Audits performed under GAGAS provide information used for oversight, accountability, and improvements of government programs and operations. GAGAS contains requirements and guidance to assist Auditors in objectively acquiring and evaluating sufficient, appropriate evidence and reporting the results. When Auditors perform their work in this manner and comply with GAGAS in reporting the results, their work can lead to improved government management, better decision making and oversight, effective and efficient operations, and accountability for resources and results.

BUDGET AND STAFFING

The Available Audit Hours Budget for the Internal Audit Department was prepared in accordance with the City of El Paso's wage and hour guidelines and approved by the City Council.

For Fiscal Year 2025-2026, the Internal Audit Department (IAD) has 10 Auditor Positions approved per the Staffing Table approved by the City Council. IAD will begin the Fiscal Year staffed with 8 full-time Auditors. The Department currently has 2 vacant positions. The IAD staff currently consists of the:

- Chief Internal Auditor (vacant),
- Deputy Chief Internal Auditor,
- One Audit Manager,
- One Auditor IV,
- Two Auditor III,
- Two Auditor II, and
- Two Auditor I (one position vacant).

Staff development continues to be a strategic goal of the Internal Audit Department. Staff members have been encouraged to attend professional training opportunities offered by the:

- Institute of Internal Auditors (IIA),
- Association of Local Government Auditors (ALGA),
- Association of Government Accountants (AGA),
- Association of Certified Fraud Examiners (ACFE) and the,
- Association of Airport Internal Auditors (AAIA).

Because of the philosophy of encouraging professional development, staff members have attained professional designations and/or Master Level Degrees:

- Certified Internal Auditor (CIA) – five staff members
- Certified Government Auditing Professionals (CGAP) – four staff members
- Certified Fraud Examiners (CFE) – two staff members
- Certified Public Accountant (CPA) – one staff member
- Certified Government Financial Manager (CGFM) – one staff member
- Master Level Degrees – four staff members

City of El Paso
Internal Audit Department
FY2025-2026 Annual Audit Plan

CALCULATION OF FY 2025-2026 AUDIT HOURS

The calculation of Available Audit Hours is included as **Attachments 3 & 4**. A total of 18,270 hours will be available for the Audit Year. The calculation of Available Audit Hours was divided into five categories. The five categories are:

1. Audits and Projects	12,780 Hours
2. General Administration	2,575 Hours
3. Training and CPE Hours	438 Hours
4. Holidays	840 Hours
5. Vacation and Sick Leave	1,637 Hours
Total	18,270 Hours

5 YEAR AUDIT PLAN

A schedule has been prepared to document a 5 Year Audit Plan (**Refer to Attachment 5**). This schedule will list Audits, Follow-up Audits, and Projects completed in the previous 5 Fiscal Years. The 5 Year Audit Plan will assist in future planning and scheduling of Audits, Follow-up Audits and Projects.

LIST OF SCHEDULED NEW AUDITS

A list of scheduled new Audits for Fiscal Year 2025-2026 has been prepared (**Refer to Attachment 6**). The list includes; a brief description of the area being reviewed and the risk impact/likelihood ranked by the Internal Audit Department.

Respectfully submitted:

Liz De La O, CFE, CIA, CGAP, MPA
Deputy Chief Internal Auditor
City of El Paso

Submittal Date

Approved as submitted:

Dr. Josh Acevedo
City Representative District 2
Committee Chairperson – Financial Oversight and Audit Committee
City of El Paso

Approval Date

City of El Paso
Internal Audit Department
FY2025-2026 Annual Audit Plan

Alejandra Chavez
City Representative District 1
Committee Chairperson – Financial Oversight and Audit Committee
City of El Paso

Approval Date

Deanna Maldonado-Rocha
City Representative District 3
Committee Member – Financial Oversight and Audit Committee
City of El Paso

Approval Date

Ivan Niño
City Representative District 5
Committee Member – Financial Oversight and Audit Committee
City of El Paso

Approval Date

**City of El Paso
Internal Audit Department
FY2025-2026 Audit Plan
-Attachment 1-**

		Audit Hours	Admin Hours	Training Hours	Holiday/Leave Hours
First Quarter (September 1, 2025 to November 30, 2026)					
(CarryFwd) Vehicle Allowance & Take-Home Cars Project (Start Date: 12/4/24; Report Date: 4/9/25)		15			
(CarryFwd) Cyber Audits: EPPD - Administration (Start Date: 9/24/24; Report Date: TBD)		50			
(CarryFwd) El Paso Zoo - Financial Activity Audit (Start Date: 4/29/25; Report Date: 8/28/25)		100			
(CarryFwd) Red Book Assessment (Start Date: 9/19/24; Report Date: TBD)		250			
(CarryFwd) Animal Services - Construction Audit (Start Date: 4/7/25; Report Date: TBD)		400			
(CarryFwd) Code Enforcement Division Audit (Start Date: 7/29/25; Report Date: TBD)		400			
Follow-Up: Accts Receivable Program - 2nd Follow-Up Audit		150			
Follow-Up: Planning & Inspections - Permit Review Audit		100			
Citywide Sales Tax Analysis - Clearview		40			
Franchise Fee Audits - EPWU (Administration)		50			
TX Sales Tax Discovery (Administration)		50			
City Employee Hotline		75			
Hotel Occupancy Tax Audits (Administration)		100			
Tax Office Refund Review Project		100			
Cyber Audits: Health Department (Administration)		200			
Financial Oversight and Audit Committee		500			
Contingency Hours		359			
Administrative Duties - Chief Internal Auditor			0		
Administrative Duties - Deputy Chief Internal Auditor			87		
Administrative Duties - Audit Manager			87		
Administrative Duties - Staff Auditors			375		
Auditor Training				100	
Vacation/Sick Leave/Holiday					572
Total for Quarter		2,939	549	100	572
		0	Audit Hrs Available for Qtr		
Second Quarter (December 1, 2025 to February 28, 2026)					
(CarryFwd) Single-Family Owner-Occupied Renovation Program Audit (Start Date: TBD; Report Date: TBD)		500			
El Paso Police Department - Overtime Audit		500			
P-Card and Travel Review Audit - City Department		250			
Follow-Up: 380 Agreement Monitoring Audit (Pending FOAC Approval)		250			
Follow-Up: On-Call Service Agreement Audit		250			
Citywide Sales Tax Analysis - Clearview		40			
Franchise Fee Audits - EPWU (Administration)		50			
TX Sales Tax Discovery (Administration)		50			
City Employee Hotline		75			
Hotel Occupancy Tax Audits (Administration)		100			
Tax Office Refund Review Project		100			
Cyber Audits: Health Department (Administration)		100			
Financial Oversight and Audit Committee		500			
Contingency Hours		494			
Administrative Duties - Chief Internal Auditor			125		
Administrative Duties - Deputy Chief Internal Auditor			87		
Administrative Duties - Audit Manager			87		
Administrative Duties - Staff Auditors			375		
Auditor Training				112	
Vacation/Sick Leave/Holiday					635
Total for Quarter		3,259	674	112	635
		0	Audit Hrs Available for Qtr		

**City of El Paso
Internal Audit Department
FY2025-2026 Audit Plan
-Attachment 1-**

		Audit Hours	Admin Hours	Training Hours	Holiday/Leave Hours
Third Quarter (March 1, 2026 to May 31, 2026)					
Accounts Payable Audit - City Department		500			
Streets and Maintenance - Facility Maintenance Audit		500			
Peer Review of the Internal Audit Department		500			
Follow-Up: Parks & Recreation - Park Usage Permit Audit		150			
Follow-Up: EPIA Accts Payable Audit		200			
City Council & City Manager's Office P-Card and Travel Review (Administration: Co-Sourcing)		45			
Citywide Sales Tax Analysis - Clearview		40			
Franchise Fee Audits - EPWU (Administration)		50			
TX Sales Tax Discovery (Administration)		50			
City Employee Hotline		75			
Hotel Occupancy Tax Audits (Administration)		100			
Tax Office Refund Review Project		100			
Cyber Audits: Health Department (Administration)		100			
Financial Oversight and Audit Committee		500			
Contingency Hours		346			
Administrative Duties - Chief Internal Auditor			125		
Administrative Duties - Deputy Chief Internal Auditor			88		
Administrative Duties - Audit Manager			88		
Administrative Duties - Staff Auditors			375		
Auditor Training				113	
Vacation/Sick Leave/Holiday					635
Total for Quarter		3,256	676	113	635
		0	Audit Hrs Available for Qtr		
Fourth Quarter (June 1, 2026 to August 31, 2026)					
El Paso International Airport - Construction Audit		500			
Parks Department - Sports Fields Audit		500			
La Nube Children's Museum Contract Audit		500			
P-Card and Travel Review Audit - City Department		250			
Citywide Sales Tax Analysis - Clearview		40			
Franchise Fee Audits EPWU (Administration)		50			
TX Sales Tax Discovery (Administration)		50			
City Employee Hotline		75			
Hotel Occupancy Tax Audits (Administration)		100			
Tax Office Refund Review Project		100			
Cyber Audits: SAM (Administration)		100			
Financial Oversight and Audit Committee		500			
Contingency Hours		563			
Administrative Duties - Chief Internal Auditor			125		
Administrative Duties - Deputy Chief Internal Auditor			88		
Administrative Duties - Audit Manager			88		
Administrative Duties - Staff Auditors			375		
Auditor Training				113	
Vacation/Sick Leave/Holiday					635
Total for Quarter		3,328	676	113	635
		0	Audit Hrs Available for Qtr		
		12,782	2,575	438	2,477

Note: Budgeted hours estimate based on 8.75 fulltime staff members.

18,272 hrs Grand Total

**City of El Paso
Internal Audit Department
FY2025-2026 Audit Plan
Risk Assessment
-Attachment 2-**

	Weighting	15% 5-High to 1-Low	15% 5-High to 1-Low	15% 5-High to 1-Low	15% 5-High to 1-Low	10% 5-High to 1-Low	10% 5-High to 1-Low	10% 5-High to 1-Low	5% 5 for 2021 to 1 for 2025	5% 1 for 2021 to 5 for 2025		100%
	1	2	3	4	5	6	7	8	9			
Description	Management Interest	Budget Risk	Strategic Risk	Reputation Risk	Compliance Risk	High Level Decentralization	Legal Claims	Time last Audited	Change in Mgt	Raw Total	Weighted Total	
Mayor & City Council												
Mayor's Office	5	2	4	5	5	3	1	3	5	33	37	
Council District #1 Office	5	2	4	5	5	3	1	3	5	33	37	
Council District #2 Office	5	2	4	5	5	3	1	3	5	33	37	
Council District #3 Office	5	2	4	5	5	3	1	3	5	33	37	
Council District #4 Office	5	2	4	5	5	3	1	3	5	33	37	
Council District #5 Office	5	2	4	5	5	3	1	3	5	33	37	
Council District #7 Office	5	2	4	5	5	3	1	3	5	33	37	
Council District #6 Office	5	2	4	5	5	3	1	3	2	30	34	
Council District #8 Office	5	2	4	5	5	3	1	3	2	30	34	
City Manager												
City Manager's Office	5	4	4	5	5	3	1	5	4	36	36	
Chief Strategy Officer	1	1	3	1	2	3	1	5	5	22	22	
Strategic Communications Director	1	3	2	5	3	3	1	5	1	24	24	
City Clerk Office:	2	3	3	3	5	3	3	5	1	28	28	
Elections	3	3	3	4	5	3	1	5	1	28	28	
Strategic & Legislative Affairs	3	2	2	2	1	3	1	5	4	23	24	
Military and Veteran Affairs	5	2	5	5	5	3	1	1	1	28	28	
Climate and Sustainability Office	1	1	3	2	1	3	1	5	4	21	23	
Community Driven Innovation	3	3	5	5	1	3	1	5	1	27	27	
City Attorney's Office												
Trial	3	5	4	5	3	3	5	2	1	31	31	
Transactional	3	5	4	5	3	3	5	2	1	31	31	
Administration	3	5	4	5	3	3	5	2	1	31	31	
Ethics Commission	3	5	4	5	3	3	5	2	1	31	31	
Internal Audit Department												
Internal Audit Department	5	3	5	5	5	3	1	1	5	33	33	
CoEP Employee's Retirement Trust												
Pension Fund	5	5	5	5	5	5	2	1	1	34	34	

**City of El Paso
Internal Audit Department
FY2025-2026 Audit Plan
Risk Assessment
-Attachment 2-**

	Weighting	15% 5-High to 1-Low	15% 5-High to 1-Low	15% 5-High to 1-Low	15% 5-High to 1-Low	10% 5-High to 1-Low	10% 5-High to 1-Low	10% 5-High to 1-Low	5% 5 for 2021 to 1 for 2025	5% 1 for 2021 to 5 for 2025		100%
	1	2	3	4	5	6	7	8	9			
Description	Management Interest	Budget Risk	Strategic Risk	Reputation Risk	Compliance Risk	High Level Decentralization	Legal Claims	Time last Audited	Change in Mgt	Raw Total	Weighted Total	
Deputy City Manager - Richard Bristol												
Animal Services	5	5	5	5	5	3	3	5	5	41	41	
Libraries:	-	-	-	-	-	-	-	-	-	-	-	
Branches	4	3	3	3	2	1	1	5	1	23	24	
Main	4	3	3	3	2	1	1	5	1	23	24	
Administration - Purchasing	4	3	3	3	2	1	1	5	1	23	24	
Trans Pecos System	2	3	3	2	2	1	1	5	1	20	21	
Technical Services	2	3	2	2	2	1	1	5	1	19	20	
Museums & Cultural Affairs:	-	-	-	-	-	-	-	-	-	-	-	
El Paso Children's Museum	5	5	5	5	4	3	1	5	1	34	39	
Mexican American Cultural Center	3	4	5	5	3	3	1	5	5	34	34	
Cultural Affairs - Administration	3	4	3	4	3	2	1	5	1	26	28	
Museum of History	3	4	3	4	3	3	1	4	1	26	26	
Museum of Art	3	4	3	4	3	3	1	4	1	26	26	
Museum of Archaeology	2	3	3	3	3	2	1	5	1	23	25	
Oversight - Destination El Paso:	-	-	-	-	-	-	-	-	-	-	-	
Convention Center	5	5	5	4	4	3	1	5	1	33	38	
Plaza Theater	5	5	5	4	4	3	1	5	1	33	38	
Abraham Chavez Theatre	5	5	5	4	4	3	1	5	1	33	38	
McKelligon Canyon Theatre	5	5	5	4	4	3	1	5	1	33	38	
Water Parks	4	5	5	5	4	3	3	2	1	32	32	
Ballpark	5	5	5	4	4	2	1	5	1	32	32	
Parks and Recreation Department:	-	-	-	-	-	-	-	-	-	-	-	
Sports	5	5	5	5	5	2	1	5	4	37	39	
Land Management	5	4	5	4	2	2	1	5	4	32	32	
Administration	5	3	3	3	3	2	1	5	4	29	29	
Facilities Maintenance	4	3	4	4	2	2	1	5	4	29	29	
Recreation Centers	4	3	4	4	2	2	1	1	4	25	25	
Public Health Department:	-	-	-	-	-	-	-	-	-	-	-	
Administrative Division	5	4	4	5	5	2	3	1	4	33	37	
Immunization Clinics	5	4	3	4	4	2	3	5	4	34	34	
STD Clinic	3	4	3	4	4	2	3	5	4	32	32	
Dental Clinic	3	4	3	4	4	2	3	5	4	32	32	
TB Clinic	3	4	3	4	4	2	3	5	4	32	32	
Food Program	3	4	3	4	4	2	1	5	4	30	30	
211 Call Center	3	2	2	2	3	2	1	5	4	24	24	
Zoo:	-	-	-	-	-	-	-	-	-	-	-	
Administration	5	4	4	5	5	3	5	1	1	33	35	
Facilities Maintenance	5	5	5	5	5	3	1	5	1	35	35	
Animal Health	5	4	5	5	4	3	1	5	1	33	33	
Animal Collections	5	4	4	5	5	3	1	5	1	33	33	

**City of El Paso
Internal Audit Department
FY2025-2026 Audit Plan
Risk Assessment
-Attachment 2-**

	Weighting	15% 5-High to 1-Low	15% 5-High to 1-Low	15% 5-High to 1-Low	15% 5-High to 1-Low	10% 5-High to 1-Low	10% 5-High to 1-Low	10% 5-High to 1-Low	5% 5 for 2021 to 1 for 2025	5% 1 for 2021 to 5 for 2025		100%
	1	2	3	4	5	6	7	8	9			
	Management Interest	Budget Risk	Strategic Risk	Reputation Risk	Compliance Risk	High Level Decentralization	Legal Claims	Time last Audited	Change in Mgt	Raw Total	Weighted Total	
Deputy City Manager/Chief Financial Officer - Robert Cortinas												
Comptroller's Office:	-	-	-	-	-	-	-	-	-	-	-	-
Financial Reporting	5	5	5	5	5	4	1	5	1	36	40	
Financial/Fiscal Operations	5	5	5	5	5	4	2	2	1	34	38	
Procurement Card	5	5	4	5	4	5	1	3	1	33	38	
Hotel Occupancy Tax	5	5	5	5	5	5	3	1	1	35	38	
Franchise Fees	5	5	5	5	5	5	1	5	1	37	38	
Sales Tax	5	5	5	5	5	5	1	5	1	37	38	
Grant Accounting	4	4	4	5	5	5	2	5	1	35	36	
Systems Accounting Mgt	3	5	4	4	4	3	1	5	1	30	31	
Payroll	3	4	4	4	3	2	2	5	1	28	29	
Treasury Management	4	5	5	4	1	3	1	2	1	26	27	
Capital Asset Management	2	4	2	2	1	3	1	5	1	21	22	
City Cashiers	2	1	2	3	1	3	1	5	1	19	20	
City Auctions	2	1	2	2	1	3	1	5	1	18	19	
U-Matter Employee Recognition	2	1	1	1	2	1	1	2	1	12	13	
Economic & International Development:	-	-	-	-	-	-	-	-	-	-	-	-
380 Agreements	4	5	5	5	5	2	2	2	5	35	38	
Economic Development Activities	4	5	5	4	4	1	1	5	5	34	34	
Economic Development Admin	3	3	3	2	2	1	1	5	5	25	25	
International Bridges	-	-	-	-	-	-	-	-	-	-	-	-
Parking Meters	4	4	4	3	3	3	1	5	3	30	30	
Bridge Toll Collections	4	4	3	3	3	3	1	4	3	28	28	
Office of Management & Budget:	-	-	-	-	-	-	-	-	-	-	-	-
Annual Budget Management	3	5	5	5	3	3	1	5	5	35	35	
Non-Departmental	3	3	3	3	3	1	1	1	5	23	23	
Tax Office:	-	-	-	-	-	-	-	-	-	-	-	-
Collections + Refunds + Disbursements	4	5	5	5	4	3	3	1	1	31	35	
Administration	3	3	3	3	3	3	1	5	1	25	25	

**City of El Paso
Internal Audit Department
FY2025-2026 Audit Plan
Risk Assessment
-Attachment 2-**

	Weighting	15% 5-High to 1-Low	15% 5-High to 1-Low	15% 5-High to 1-Low	15% 5-High to 1-Low	10% 5-High to 1-Low	10% 5-High to 1-Low	10% 5-High to 1-Low	5% 5 for 2021 to 1 for 2025	5% 1 for 2021 to 5 for 2025		100%
	1	2	3	4	5	6	7	8	9			
Description	Management Interest	Budget Risk	Strategic Risk	Reputation Risk	Compliance Risk	High Level Decentralization	Legal Claims	Time last Audited	Change in Mgt	Raw Total	Weighted Total	
Deputy City Manager - Nicole Cote												
Planning & Inspections:	-	-	-	-	-	-	-	-	-	-	-	-
Building Permits & Inspections	5	4	4	5	5	4	1	1	1	30	34	
Outside Contracts	4	4	3	3	4	2	1	5	1	27	27	
Planning	4	4	3	3	4	2	1	5	1	27	27	
One Stop Shop	3	4	4	3	4	2	1	4	1	26	26	
Public Transportation - Sun Metro:	-	-	-	-	-	-	-	-	-	-	-	-
Administration & Development:	-	-	-	-	-	-	-	-	-	-	-	-
Accounting & Admin	3	4	4	3	5	3	1	1	3	27	27	
Planning/Program Mgt	3	4	4	4	3	2	1	1	3	25	25	
Community Relations	3	4	4	3	3	2	1	1	3	24	24	
Operations & Maintenance:	-	-	-	-	-	-	-	-	-	-	-	-
Maintenance	5	4	5	5	5	2	5	1	3	35	35	
Lift (Paratransit) Services	3	4	4	5	5	3	2	1	3	30	30	
Transit Operations	3	4	4	4	4	3	1	1	3	27	27	
Street Car Operations	3	4	4	4	4	1	1	1	3	25	25	
Purchasing & Strategic Sourcing Dept.:	-	-	-	-	-	-	-	-	-	-	-	-
Administration & Purchasing	5	5	5	5	5	5	1	4	5	40	40	
Software Systems	4	4	3	4	4	3	1	5	5	33	33	
Information Services	3	2	3	3	4	3	1	5	5	29	29	
Records Management	3	2	2	3	3	2	1	5	5	26	26	
E-Commerce	4	1	1	3	2	2	1	5	5	24	24	
Real Estate Division	3	5	5	5	5	2	3	4	2	34	38	
Urban Planning & Design Division	1	1	5	5	5	2	1	5	1	26	26	

**City of El Paso
Internal Audit Department
FY2025-2026 Audit Plan
Risk Assessment
-Attachment 2-**

	Weighting	15% 5-High to 1-Low	15% 5-High to 1-Low	15% 5-High to 1-Low	15% 5-High to 1-Low	10% 5-High to 1-Low	10% 5-High to 1-Low	10% 5-High to 1-Low	5% 5 for 2021 to 1 for 2025	5% 1 for 2021 to 5 for 2025		100%
	1	2	3	4	5	6	7	8	9			
Description	Management Interest	Budget Risk	Strategic Risk	Reputation Risk	Compliance Risk	High Level Decentralization	Legal Claims	Time last Audited	Change in Mgt	Raw Total	Weighted Total	
Deputy City Manager - Mario D'Agostino												
Code Enforcement Department	5	3	5	5	5	4	1	1	5	34	39	
Fire Department:	-	-	-	-	-	-	-	-	-	-	-	
Payroll & Overtime	4	4	4	3	5	4	1	5	2	32	34	
Emergency Operations Response	3	5	4	5	4	4	1	4	2	32	32	
Administrative Division	3	3	4	4	4	1	1	2	2	24	27	
Communication Division	3	3	4	4	4	1	1	5	2	27	27	
Fire Medical Research Division	3	3	4	4	4	1	1	5	2	27	27	
Aircraft Rescue Division	3	3	4	4	4	1	1	5	2	27	27	
Health & Safety Division	3	3	3	4	4	1	1	4	2	25	25	
Logistics Division	3	3	3	3	4	1	1	5	2	25	25	
Fire Prevention Division	3	3	3	3	4	1	1	5	2	25	25	
Professional Development Training	3	3	3	3	4	1	1	5	2	25	25	
Operations Research Program	3	3	2	3	4	1	1	5	2	24	24	
Planning & Development Division	2	3	3	3	4	1	1	5	2	24	24	
Special Operations Division	3	3	2	3	4	1	1	5	2	24	24	
Fire Chief Office	2	3	2	2	1	1	1	1	2	15	15	
Office of Emergency Management	2	3	3	4	4	2	1	5	2	26	28	
911/311 Communications	2	3	4	4	4	1	1	5	2	26	28	
Municipal Court:	5	3	3	3	3	3	2	3	5	30	30	
Police Department:	-	-	-	-	-	-	-	-	-	-	-	
Chief of Police Office:	2	2	2	3	3	1	1	5	4	23	23	
Police HR	2	2	2	2	2	1	1	5	4	21	21	
Internal Affairs Division	2	2	2	2	2	1	1	5	4	21	21	
Director of Public Affairs	2	2	1	1	1	1	1	5	4	18	18	
Administrative Services Bureau:	-	-	-	-	-	-	-	-	-	-	-	
Property & Evidence Program	2	3	4	3	3	2	1	5	4	27	30	
Vehicle Storage Facility	2	2	4	3	3	2	3	3	4	26	28	
Finance Program:	-	-	-	-	-	-	-	-	-	-	-	
Payroll & Overtime	4	4	4	5	5	4	1	5	4	36	38	
Grants	3	4	4	5	5	4	1	5	4	35	37	
Fleet Management	2	3	3	3	2	2	1	5	4	25	25	
Facility Mgmt	2	3	3	3	2	2	1	5	4	25	25	
Records	1	2	3	3	4	1	1	5	4	24	24	
Uniform Police Services Bureau 1:	-	-	-	-	-	-	-	-	-	-	-	
Patrol Program 1	3	3	3	3	3	2	3	5	4	29	31	
Community Services Program	3	3	3	3	3	2	1	5	4	27	27	
Traffic/DWI Program	3	3	3	3	3	2	1	5	4	27	27	
Downtown Police Services	3	3	3	3	3	2	1	5	4	27	27	
Uniform Police Services Bureau 2:	-	-	-	-	-	-	-	-	-	-	-	
Patrol Program 2	3	3	3	3	3	2	3	5	4	29	31	
Training Program	3	3	3	3	3	2	1	5	4	27	27	
Specialized Incident Teams	3	3	3	3	3	2	1	5	4	27	27	
Investigations Bureau:	-	-	-	-	-	-	-	-	-	-	-	
El Paso Fusion Center	3	5	5	5	5	2	1	5	4	35	38	
Investigation Services Program	3	3	3	3	3	2	1	5	4	27	27	

**City of El Paso
Internal Audit Department
FY2025-2026 Audit Plan
Risk Assessment
-Attachment 2-**

Weighting	15% 5-High to 1-Low	15% 5-High to 1-Low	15% 5-High to 1-Low	15% 5-High to 1-Low	10% 5-High to 1-Low	10% 5-High to 1-Low	10% 5-High to 1-Low	10% 5-High to 1-Low	5% 5 for 2021 to 1 for 2025	5% 1 for 2021 to 5 for 2025	100%
	1	2	3	4	5	6	7	8	9	Raw Total	Weighted Total
Description	Management Interest	Budget Risk	Strategic Risk	Reputation Risk	Compliance Risk	High Level Decentralization	Legal Claims	Time last Audited	Change in Mgt		
Deputy City Manager - Araceli Guerra											
Community & Human Development:	-	-	-	-	-	-	-	-	-	-	-
Housing	5	4	4	5	5	4	1	5	5	38	41
Grant Administration	5	4	4	5	5	4	3	5	5	40	40
Neighborhood Redevelopment	4	3	4	4	5	3	1	5	5	34	34
Public Services	2	3	3	3	3	2	1	5	5	27	27
Environmental Services:	-	-	-	-	-	-	-	-	-	-	-
Administration - Purchasing	2	3	3	2	3	2	1	5	3	24	27
Recycling Program	2	3	3	2	3	3	1	5	3	25	25
Landfill Division	2	3	3	2	4	2	1	5	3	25	25
Collections Division	2	3	3	2	3	2	1	5	3	24	24
Training & Public Programs Division	2	3	2	2	3	2	1	5	3	23	23
Human Resources	-	-	-	-	-	-	-	-	-	-	-
Recruitment/Hiring/Termination	4	4	5	4	5	1	2	4	1	30	33
EEOC & FMLA Compliance	2	3	4	3	5	3	3	5	1	29	29
Payroll Process	2	3	4	3	5	1	1	5	1	27	27
Insurance & Benefits	3	3	3	4	4	3	3	1	5	27	27
HR Information System	3	3	4	3	5	1	1	5	1	26	26
Tuition Assistance Pay	3	3	4	3	3	3	1	5	1	26	26
Employee Records	2	3	3	3	5	1	2	5	1	25	25
Wellness Programs	2	2	3	3	2	1	1	5	5	24	24
Civil Service Commission	2	3	3	3	4	1	2	3	1	22	22
Training	2	3	3	3	3	1	1	5	1	22	22
Administration	2	3	3	3	4	1	1	1	1	19	19
Risk Management:	-	-	-	-	-	-	-	-	-	-	-
Insurance - City Assets	3	4	4	3	3	3	3	5	5	33	33
Safety Inspectors	3	3	2	2	4	1	1	5	5	26	26
Information Technology:	-	-	-	-	-	-	-	-	-	-	-
Public Safety Technology	4	4	4	5	5	4	1	5	5	37	37
Wireless Telecom Contract	4	4	4	4	4	5	1	5	5	36	36
Licensing	4	4	4	4	5	2	1	5	5	34	35
Cloud Vendors	4	4	4	4	3	5	1	5	5	35	35
Systems and Applications	4	4	4	4	3	3	1	5	5	33	33
IT Management & Enterprise Architecture	4	4	4	4	3	3	1	5	5	33	33
Client Server & Telecommunications	4	4	4	4	3	3	1	5	5	33	33
Systems Development	1	1	3	3	1	1	1	5	5	21	21
Geographic Information Systems	1	1	1	2	2	2	1	5	5	20	20
Mailroom	1	1	1	1	1	1	1	5	5	17	17
Information Security Assurance:	-	-	-	-	-	-	-	-	-	-	-
Cybersecurity	-	-	-	-	-	-	-	-	-	-	-
Governance	4	5	5	5	5	5	1	1	5	36	38
Risk Management	4	5	5	5	5	5	1	1	5	36	38
Controls	4	5	5	5	5	5	1	1	5	36	38

**City of El Paso
Internal Audit Department
FY2025-2026 Audit Plan
Risk Assessment
-Attachment 2-**

	Weighting	15% 5-High to 1-Low	15% 5-High to 1-Low	15% 5-High to 1-Low	15% 5-High to 1-Low	10% 5-High to 1-Low	10% 5-High to 1-Low	10% 5-High to 1-Low	5% 5 for 2021 to 1 for 2025	5% 1 for 2021 to 5 for 2025		100%
	1	2	3	4	5	6	7	8	9			
	Management Interest	Budget Risk	Strategic Risk	Reputation Risk	Compliance Risk	High Level Decentralization	Legal Claims	Time last Audited	Change in Mgt	Raw Total	Weighted Total	
Deputy City Manager/City Engineer - Yvette Hernandez												
Aviation:	-	-	-	-	-	-	-	-	-	-	-	-
Capital Projects	5	4	4	4	5	3	1	5	5	36	39	
Revenue Income Streams	5	5	4	4	5	3	1	5	5	37	37	
Operations & Security	3	4	4	4	5	3	1	5	5	34	34	
Administration	3	3	3	3	5	3	1	1	5	27	29	
Foreign Trade Zone No. 68	1	2	3	2	5	2	1	5	5	26	28	
Development	1	2	2	2	4	2	1	5	5	24	24	
Capital Improvement Department:	-	-	-	-	-	-	-	-	-	-	-	-
Capital Projects	5	5	5	5	5	3	1	1	5	35	38	
CID Grant Funded Programs	3	4	4	5	5	3	1	5	3	33	33	
Streets and Maintenance:	-	-	-	-	-	-	-	-	-	-	-	-
Streets:	-	-	-	-	-	-	-	-	-	-	-	-
Traffic Engineering	5	5	5	5	5	4	1	5	5	40	40	
Street Construction	2	4	4	4	5	3	1	5	5	33	33	
Administration	3	4	4	4	3	4	1	3	5	31	31	
Pavement Maintenance System	2	4	4	4	4	2	1	1	5	27	27	
Anti Graffiti Program	2	2	1	1	2	2	1	5	5	21	21	
Maintenance (Facilities & Fleet):	-	-	-	-	-	-	-	-	-	-	-	-
Building Maintenance	5	5	5	5	4	3	1	5	5	38	38	
Fleet Service	2	4	4	3	4	4	1	5	5	32	34	
Street Light Maintenance	4	4	4	4	4	2	1	5	5	33	33	

City of El Paso
Internal Audit Department
FY2025-2026 Audit Plan
Available Audit Hours
-Attachment 3-

	Chief Internal Auditor ¹		Deputy CIA ¹		Audit Manager ¹		6 Staff Members ²		Total	
	Hours	Percent	Hours	Percent	Hours	Percent	Hours	Percent	Hours	Percent
Audit and Project Work	964	61.6%	1,372	65.7%	1,372	65.7%	9,072	72.4%	12,780	70.0%
General Administration ³	375	23.9%	350	16.8%	350	16.8%	1,500	12.0%	2,575	14.1%
Training & CPE ⁴	38	2.4%	50	2.4%	50	2.4%	300	2.4%	438	2.4%
Holidays ⁵	72	4.6%	96	4.6%	96	4.6%	576	4.6%	840	4.6%
Vacation & Sick Leave ⁶	117	7.5%	220	10.5%	220	10.5%	1,080	8.6%	1,637	9.0%
	<u>1,566</u>	100.0%	<u>2,088</u>	100.0%	<u>2,088</u>	100.0%	<u>12,528</u>	100.0%	<u>18,270</u>	100.0%

1-CIA, Deputy CIA, & A/M are each budgeted at 2,088 hours x 2.75 positions =

5,742

2-Staff Members are each budgeted at 2,088 hours x 6 positions =

12,528

TOTAL HOURS 18,270 for 8.75 fulltime staff members *

* - As of 08/31/2025, the Internal Audit Department has 2 vacancies - a CIA position & an Auditor I position.

- The hours for the vacant CIA position have been accounted for as 0.75 in the above calculations. The position is not planned to be filled during the 1st Qtr of the Fiscal Year (0.25). The position should be filled for the remaining 3/4s of the Fiscal Year (0.75).

- The hours for the vacant Auditor I position have not been accounted for in the above calculations.

3-Admin Hours are allocated at: (500hrs - CIA), (350hrs - Deputy CIA and A/M), (250hrs - Auditors) per Fiscal Year.

4-Training is allocated at 50 hours for Certified Staff & Non-Certified Staff Members.

5-Holidays include 96hrs of Observed Holidays including the Birthday Holiday.

6-Vacation is allocated at max. hours earned per FY. Sick Leave is allocated at 50% hours earned per FY.

Leave Entitlement per Staff Member w/less than 5 years (3.75 staff)		
	Days	Hours
Vacation	12	96
Sick leave	15	120
Holidays	12	96
Totals	<u>39</u>	<u>312</u>

Leave Entitlement per Staff Member w/5 to 14 years (2 staff)		
	Days	Hours
Vacation	17	136
Sick leave	15	120
Holidays	12	96
Totals	<u>44</u>	<u>352</u>

Leave Entitlement per Staff Member w/15+ years (3 staff)		
	Days	Hours
Vacation	20	160
Sick leave	15	120
Holidays	12	96
Totals	<u>47</u>	<u>376</u>

Calculations based on 8-hour days. As of 08/31/2025.

City of El Paso
Internal Audit Department
FY2025-2026 Audit Plan
Calculation of Available Audit Hours
-Attachment 4-

Workdays									
1st Quarter		2nd Quarter		3rd Quarter		4th Quarter		Total Hrs/ Employee	
September	21 Days	December	22 Days	March	21 Days	June	21 Days		
October	23 Days	January	20 Days	April	22 Days	July	22 Days		
November	17 Days	February	20 Days	May	20 Days	August	20 Days		
Total Qtr. 61 Days		Total Qtr. 62 Days		Total Qtr. 63 Days		Total Qtr. 63 Days		1,992 Hrs.	
61 Workdays x 8 Hrs.= 488 Hrs.		62 Workdays x 8 Hrs.= 496 Hrs.		63 Workdays x 8 Hrs.= 504 Hrs.		62 Workdays x 8 Hrs.= 504 Hrs.			

Holidays									
1st Quarter		2nd Quarter		3rd Quarter		4th Quarter		Holiday Hrs/ Emp	
September	1 Day	December	1 Day	March	1 Days	June	1 Days	12 Days	
October	0 Days	January	2 Days	April	0 Days	July	1 Day		
November	3 Days	February	0 Days	May	1 Day	August	1 Days		
Total Qtr. 4 Days		Total Qtr. 3 Days		Total Qtr. 2 Day		Total Qtr. 3 Day			
4 Holidays x 8Hrs = 32 Hrs		3 Holidays x 8Hrs = 24 Hrs		2 Holidays x 8Hrs = 16 Hrs		2 Holidays x 8Hrs = 16 Hrs			
						*Birthday Holiday = 8 Hrs			
								96 Hrs	
Work + Holiday Hrs 520 Hrs		Work + Holiday Hrs 520 Hrs		Work + Holiday Hrs 520 Hrs		Work + Holiday Hrs 528 Hrs		TOTAL 2,088 Hrs	

261 Days available per Fiscal Year.
2,088 Hours available per staff member.

* Calculations based on 8-hour workdays.

Observed Holidays:

- | | |
|--------------------------------|---|
| 1 - New Year's Day | 7 - Labor Day |
| 2 - Martin Luther King Holiday | 8 - Veteran's Day |
| 3 - Cesar Chavez Day | 9 - Thanksgiving Day |
| 4 - Memorial Day | 10 - Day After Thanksgiving |
| 5 - Juneteenth | 11 - Christmas Day |
| 6 - Independence Day | 12 - Employee's Birthday (reflected in the month of August) |

Source: Observed Holidays list obtained from CoEP Employee Handbook dated March 2025.

**City of El Paso
Internal Audit Department
FY2025-2026 Audit Plan
5 Year Audit Plan**

Auditable Areas	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	#
Mayor & City Council	P	P	P	-	-	3
City Manager	-	-	-	-	-	-
City Attorney Office	A+F+P+P	P	P+P	P+P	-	9
Internal Audit Department	-	-	A+P+P	-	-	3
CoEP Employees Retirement Trust	-	P	-	-	P	2
Chief Strategy Officer	-	-	-	-	-	-
Strategic Communications	-	-	-	-	-	-
Communications Office	-	-	-	-	-	-
City Clerk Office	-	-	-	-	-	-
Strategic & Legislative Affairs	-	-	-	-	-	-
Climate and Sustainability Office	-	-	-	-	-	-
Military and Veteran Affairs	-	-	-	A	F	2
Metropolitan Planning Org	-	-	-	-	-	-
PSB Coordination	-	-	-	-	-	-
Regional Mobility Authority	-	-	-	-	-	-
Oversight: Utility Franchise	-	A	-	-	A	2
Community Driven Innovation	-	-	-	-	-	-
DCM - Richard Bristol	-	-	-	-	-	-
Animal Services	-	-	-	-	-	-
Libraries	-	-	-	-	-	-
Museums & Cultural Affairs	A	A+A+P	F	-	-	5
Destination El Paso	-	A	-	F	-	2
Parks & Recreation	A	F	-	-	A	3
Public Health	-	-	-	-	P	1
Zoo & Botanical Gardens	P	-	-	A	A	3
DCM/Chief Financial Officer - Robert Cortinas	-	-	-	-	-	-
Comptroller's Office	A+P+P	A+P	A+A	F+A+P+A	A+P	13
Economic & International Development	F	-	-	A	-	2
International Bridges	-	P	-	-	-	1
Office of Management & Budget	-	-	P	-	A	2
Tax Office	P+P+P+P	P+P+P+P	P+P+P+P+P	P+P+P+P	P+P+P+P	21
DCM - Nicole Cote	-	-	-	-	-	-
Planning and Inspections	-	P	-	-	A	2
Public Transportation (Mass Transit)	P	F+A	F	A+P	-	6
Purchasing and Strategic Sourcing	-	-	P	-	-	1
Real Estate Division	-	-	-	-	-	-
Urban Planning & Design Division	-	-	-	-	-	-
DCM - Mario D'Agostino	-	-	-	-	-	-
Code Enforcement	-	-	-	-	-	-
Fire Department	P	P	F	F	-	4
Office of Emergency Management	-	-	-	-	-	-
911/311 Communications	-	-	-	-	-	-
Municipal Court	-	-	P	-	-	1
Police Department	-	-	F	-	-	1
DCM - Araceli Guerra	-	-	-	-	-	-
Community & Human Development	P	-	-	-	-	1
Environmental Services	-	-	-	-	-	-
Human Resources	P	A	A+P	F+P	P	7
Information Technology	P	-	-	A	-	2
Information Security Assurance	-	-	-	-	-	-
Risk Management	-	-	-	-	-	-
DCM/City Engineer - Yvette Hernandez	-	-	-	-	-	-
Aviation	-	-	-	-	A	1
Capital Improvement	-	P	F	-	A	3
CID Grant Funded Programs	-	-	-	-	-	-
Streets & Maintenance	A+A	F+F	A+P	F+P+P+P	F	11

Note: Reflects Organizational Chart structure as of 08/31/2025

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Legend:

A = Audit completed during Fiscal Year
F = Follow-Up Audit completed during Fiscal Year
P = Project completed during Fiscal Year

Number of Audits/Projects Completed by Fiscal Year				
2020-2021	2021-2022	2022-2023	2023-2024	2024-2025
Audits - 6	Audits - 7	Audits - 5	Audits - 7	Audits - 8
Follow-Up- 2	Follow-Up- 4	Follow-Up- 5	Follow-Up- 5	Follow-Up- 2
Projects- 15	Projects- 13	Projects- 15	Projects- 12	Projects- 8
23	24	25	24	18

**City of El Paso
Internal Audit Department
FY2025-2026 Audit Plan
Listing of Possible Audit Areas (Short Risk List) for FY 2025-2026
- Attachment 6 -**

No	Department/Risk Areas	Strategic Plan Reference **	Ranking: Impact & Likelihood (H/M/L)
1	Accounts Payable Audit – City Department Determine if Accounts Payable transactions are processed in accordance with City Policies and applicable agreements.	Goal 1-8	H/H
2	El Paso Police Department - Overtime Determine if Police Department Overtime is managed appropriately, accurately recorded, and authorized.	Goal 2	H/H
3	Streets and Maintenance – Facility Maintenance Audit Determine if facilities maintenance is operating effectively and managed efficiently including budget, work orders, inventory, and purchases. To include a review of: <ul style="list-style-type: none"> • How department handles budget for deferred maintenance. • Plan(s) to maintain City Buildings on a regular basis. 	Goal 7	H/H
4	P-Card & Travel Reviews – Various Departments Determine if P-Card Purchases are in compliance with City Policies for P-Cards, Food & Beverage and Travel.	Goal 1-8	H/H
5	La Nube Children's Museum Contract Review if museum is meeting its performance and contractual obligations.	Goal 4	H/H
6	Sports Fields Audit <ul style="list-style-type: none"> • Conduct an analysis of parking capacity for sport league demand. • Conduct an analysis of field maintenance to include maintenance governed by Memorandum of Understanding Agreements. • Determine if rental fees charged are in accordance with City Policies and in compliance with Schedule C. 	Goal 4	H/M
7	380 Agreement Monitoring Audit <ul style="list-style-type: none"> • Follow up on the finding recommendations contained in the Economic Development – 380 Agreement Monitoring Audit Report dated April 17, 2024? • Conduct a new audit of the program? • Dependent on FOAC decision. 	Goal 1	H/M
8	El Paso International Airport – Construction Projects <ul style="list-style-type: none"> • Determine if Airport Construction Projects are properly executed in accordance with City Policies. • Specific construction project(s) to be determined. 	Goal 1	H/M
	*As of August 31, 2025		

**City of El Paso
Internal Audit Department
FY2025-2026 Audit Plan
Listing of Possible Audit Areas (Short Risk List) for FY 2025-2026
- Attachment 6 -**

****Notes:**

El Paso 2024 Strategic Plan:

Goal 1: Stabilize and expand El Paso's tax base

Goal 2: Set the standard for a safe and secure City

Goal 3: Promote the visual image of El Paso

Goal 4: Enhance El Paso's quality of life through recreational, cultural and educational environments

Goal 5: Promote transparent and consistent communication amongst all members of the community

Goal 6: Set the standard for sound governance and fiscal management

Goal 7: Enhance and sustain El Paso's infrastructure network

Goal 8: Nurture and promote a healthy, sustainable community

The Fiscal Year 2025-2026 Annual Audit Plan had the capacity for eight (8) engagements.



Presentation on the FY 2025-2026 Annual Audit Plan

What is an Audit Plan?

An Audit Plan* is a risk-based, strategic document developed by the Chief Internal Auditor (CIA) to determine the priorities of the internal audit function, ensuring alignment with the organization's objectives and risk profile. It is a dynamic, forward-looking plan that guides the internal audit activity in delivering assurance and advisory services that are most relevant to the organization's needs.

The Audit Plan is a *living-document* that is flexible and can be updated as needed throughout the Fiscal Year with the approval of the FOAC to remain aligned with the City's most critical and current risks.

Risk Assessment Process

The Audits included in the Fiscal Year 2026 Annual Audit Plan were primarily identified through our *Risk-Assessment* process. The process included interviews with key City Stakeholders to include FOAC members, the City Manager, City Attorney, DCM's, Deputy CFO and a sample of Department Heads and Internal Audit Department staff's knowledge of City operations.

The Audit Plan includes audits related to the evaluation of internal controls, assessment of compliance with City policies, contracts, regulations, review of economic and efficient use of City resources, and follow-up of prior Audit recommendations.

Risk Assessment Process

General audit objectives are included in the Audit Plan, specific audit objectives are determined at the beginning of each engagement.

Each Auditor performs an engagement level risk-assessment to identify specific audit objectives taking into account potentially significant risks to the objectives of the area under review. The Auditor performs research, interviews, and/or issues a questionnaire to become familiar with the area under review.

Breakdown of Staff Hours

1. Audits and Projects	12,780 Hours
2. General Administration	2,575 Hours
3. Vacation and Sick Leave	1,637 Hours
4. Holidays	840 Hours
5. Training and CPE Hours	438 Hours
*Total:	18,270 Hours

*Total hours based on 8.75 full time staff members



Approximate Hours per type of Engagement

- Full Audits = 500 hours*
- Follow-Up Audits = 100 – 250 hours
- Recurring Audits/Projects = Hours vary by engagement
- Carry Forwards = Hours vary by engagement

*City of San Antonio – *Approved Annual Audit Plan FY2025* (90hrs – 1,200hrs per audit)

*City of Houston – *FY2025 Annual Audit Plan* (1,000hrs/audit avg.)

*City of Dallas – *FY2025 Approved Audit Work Plan* (200hrs – 1,000hrs/audit)

Audit Resource Allocation

The Audit Plan prioritizes the Internal Audit Department's (IAD) limited resources and emphasizes audits with a high or moderate risk profile rating.

Specific risk factors related to internal controls, estimated liability and levels of exposure are used to identify and prioritize risks. As such, the City's audit function serves as a risk evaluation resource.

The number of audits or projects included in the Annual Audit Plan are based in consideration on the number of IAD staff, staff experience, average hours estimated per engagement, use of external consultants/experts and unplanned requests from the FOAC members and/or City Management throughout the Fiscal Year.

1st Quarter

(September 1, 2025 to November 30, 2025)

Type	Audit Name	Hours
Carry Fwd	Vehicle Allowance & Take-Home Cars Project	15
Carry Fwd	Cyber Audits: EPPD – Admin.	50
Carry Fwd	El Paso Zoo – Financial Activity Audit	100
Carry Fwd	Red Book Assessment	250
Carry Fwd	Animal Services – Construction Audit	400
Carry Fwd	Code Enforcement Division Audit	400
Follow-Up	Accounts Receivable Program – 2 nd Follow-Up Audit	150
Follow-Up	Planning & Inspections – Permit Review Audit	100



2nd Quarter

(December 1, 2025 to February 28, 2026)

Type	Audit Name	Hours
Carry Fwd	Single-Family Owner-Occupied Renovation Program Audit	500
Audit	El Paso Police Department – Overtime Audit	500
Audit	P-Card and Travel Review Audit – City Dept.	250
Follow-Up	380 Agreement Monitoring Audit (Pending FOAC Decision)	250
Follow-Up	On-Call Services Agreement Audit	250

3rd Quarter

(March 1, 2026 to May 31, 2026)

Type	Audit Name	Hours
Audit	Accounts Payable Audit – City Department	500
Audit	Streets and Maintenance – Facility Maintenance Audit	500
Audit	City Council & City Manager’s Office P-Card and Travel Review – Admin. (Co-Sourcing)	45
Peer Review	Peer Review of the Internal Audit Department	500
Follow-Up	Parks & Recreation – Park Usage Permit Audit	150
Follow-Up	EPIA Accounts Payable Audit	200



4th Quarter

(June 1, 2026 to August 31, 2026)

Type	Audit Name	Hours
Audit	El Paso International Airport – Construction Audit	500
Audit	Parks & Recreation – Sports Fields Audit	500
Audit	La Nube Children’s Museum Contract Audit	500
Audit	P-Card and Travel Review Audit – City Dept.	250

Continuous Quarterly Engagements

Type	Audit Name	Hours
Continuous	Citywide Sales Tax Analysis – Clearview	40
Continuous	Franchise Fee Audits (EPWU) – Admin.	50
Continuous	TX Sales Tax Discovery – Admin.	50
Continuous	City Employee Hotline	75
Continuous	Hotel Occupancy Tax Audits – Admin.	100
Continuous	Tax Office Refund Review Project	100
Continuous	Cyber Audits: Health Department – Admin.	100 - 200
Continuous	Financial Oversight and Audit Committee	500



Q & A

Requested Action

This text box is to remind you about the ASL translator service. Do NOT add any info in this space.

REMOVE THIS BOX ONCE THE PRESENTATION IS FINALIZED.

To accept the Fiscal Year 2025 – 2026 Audit Plan and forward it to City Council for action.