



2025-2026
Annual Audit Plan
3rd Quarter Update

Issued by the
Internal Audit Department
As of May 31, 2026

INTRODUCTION

According to Domains 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 (“FOAC”) 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 (the “Department” or “Internal Audit”) 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 for communicating 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 these requirements, 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:

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 Chairperson of the Financial Oversight and Audit Committee and legislatively to the entire 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 include 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*.

PENDING AUDITS & PROJECTS

This section provides a brief status summary of audits and projects currently in progress as of the end of the 3rd Quarter. Each entry includes the audit's primary objective(s) and scope.

1. El Paso Police Department – Overtime Audit

The objectives of the El Paso Police Department (EPPD) – Overtime Audit are to:

- Determine if overtime is consistently managed, appropriately authorized, and supported by sufficient documentation.
- Determine if EPPD has established an effective monitoring program to ensure that overtime expenditures and overtime processes are in compliance with:
 - The Collective Bargaining Agreement between the City of El Paso and the El Paso Municipal Police Officer's Association.
 - City of El Paso and EPPD Policies and Procedures.
 - Applicable MOUs and/or grant agreements.

2. Single-Family Owner-Occupied Renovation Program Audit

The objective of the audit is to determine if the SFOO Renovation Program is being administered in compliance with applicable grant and program requirements. To achieve this, the audit will assess the following:

- Applicant intake and eligibility processing,
- Individual project execution,
- Project contracting and procurement,
- Financial management and closeout, and
- Administrative oversight and reporting.

3. Streets and Maintenance – Facility Maintenance Audit

The objectives of the Streets and Maintenance – Facility Maintenance Audit are to provide assurance that City facilities are being adequately maintained, efficiently managed to support operational needs, and preserved to extend asset life. To achieve the audit objectives, the Internal Audit Department will:

- Determine if the Facility and Fleet Maintenance Division maintains an accurate and complete inventory of all buildings, critical assets, and components under its responsibility.
- Determine if the City tracks and assesses the maintenance needs of City-owned facilities.
- Determine if the work order system is effectively and accurately managing maintenance requests.
- Evaluate whether Facility and Fleet Maintenance Division budget allocates sufficient funds for the needs of City-owned facilities.
- Determine if maintenance expenditures are processed in accordance with the *City of El Paso Accounts Payable Policy*, Texas Prompt Payment Act, and established contract(s)/agreement(s).

4. Health Department – Cybersecurity Assessment

The objective is to perform an assessment of the Information Technology controls at the Public Health Department to:

- Assess the adequacy and effectiveness of IT general controls over key patient information, financial information and operational systems.
- Verify compliance with applicable laws, regulations, and internal policies regarding information technology.
- Identify control weaknesses and recommend improvements to reduce risk to health data and IT operations.

5. La Nube Children’s Museum Contract Audit

The objectives for the La Nube Children’s Museum Contract Audit are to determine if:

- Accounts payable transactions are processed in a timely manner and in accordance with the:
 - Funding, Operating, and Lease Agreements between the City and The EPC Museum (EPC), a Texas nonprofit corporation
 - *City of El Paso Accounts Payable Policy*
- Appropriate documentation is in place to support Accounts Payable transactions.
- Accounts Payable transactions are properly reviewed and approved for payment by authorized personnel.
- The City has implemented adequate controls to limit exposure of unauthorized accounts payable transactions.
- EPC is operating within budgetary limits.
- EPC and the City are complying with the terms and conditions of the Funding, Operating, and Lease Agreements to include budget, reporting and oversight.
- EPC’s Donor pledge agreements, notes payable, and other key financial factors are supported by sufficient and appropriate evidence and are properly authorized in accordance with applicable contractual agreements.

6. Hotel Occupancy Tax Audits – Round 10 - Redeterminations

The objectives of this Audit are to determine whether 20 El Paso-area hotels are compliant in remitting Hotel Occupancy Taxes due to the City of El Paso. Several audited hotels have requested a redetermination of taxes due, and Internal Audit is currently evaluating each request to determine its validity.

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FINANCIAL OVERSIGHT AND AUDIT COMMITTEE

1. The FOAC met on March 12, 2026 to discuss the following:
 - Approval of Minutes for the Financial Oversight and Audit Committee meeting of February 12, 2026.
 - Discussion on FY 2025-2026 Audit Plan 2nd Quarter Updates.
 - Discussion and Action on the results of the On-Call Services Agreement Follow-Up Audit A2026-04.

2. The FOAC met on April 9, 2026 to discuss the following:
 - Approval of Minutes for the Financial Oversight and Audit Committee meeting of March 12, 2026.
 - Discussion and Action on the El Paso Police Department - Cybersecurity Assessment.

3. The FOAC met on May 21, 2026 to discuss the following:
 - Approval of Minutes for the Financial Oversight and Audit Committee meeting of April 9, 2026.
 - Introduction of new Chief Internal Auditor.
 - Discussion and Action on the results of the Code Enforcement Division Audit A2025-05.
 - Discussion and Action on the results of the Sun Metro - Accounts Payable Audit A2026-09.
 - Discussion and Action on the results of Round 10 of the Hotel Occupancy Tax Audit.

MISCELLANEOUS ITEMS

This section includes updates on departmental activities, training, professional service contributions, and other relevant developments affecting the Internal Audit Department.

TRAINING SESSIONS

The Internal Audit Department staff participates in Continuing Professional Education (CPE) trainings and webinars to maintain the competencies required by their respective professional certification and licenses. As of the 3rd Quarter, staff have earned the following number of CPE hours. Staff holding professional certifications or licenses are required to complete the number of CPE hours prescribed by each credentialing body to remain in good standing.

Name	Position	CPE Hours
Adrian Serrano	Chief Internal Auditor	4.0
Liz De La O	Deputy Chief Internal Auditor	9.0
Mike Montiel	Audit Manager	6.0
Martha Vargas	Auditor IV	32.0
Miguel Ortega	Auditor III	35.5
Sergio Carrillo	Auditor III	21.0
Christian Castro	Auditor II	16.0
Christopher Gallardo	Auditor II	15.0
Miguel Olivas	Auditor I	15.5

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 Board Member.

- III. Association of Certified Fraud Examiners – El Paso Chapter
 - Liz De La O and Miguel Montiel volunteered as Board Members.

OTHER MATTERS

1. Introduction of the New Chief Internal Auditor

The new Chief Internal Auditor, Adrian Serrano, began his tenure with the City of El Paso on April 20, 2026, and was formally introduced to the FOAC at its May 21, 2026 meeting. The Internal Audit Department looks forward to continued collaboration and strengthening of audit oversight under his leadership.

2. Internal Audit Technology Modernization Update

During the 3rd Quarter, the Internal Audit Department, together with Information Technology, commenced an evaluation of internal audit management solutions to modernize and enhance operational efficiency across the Department. These solutions offer significant benefits, including improved workflow management, centralized documentation, and enhanced reporting capabilities. In addition to streamlining the full audit lifecycle, such solutions also support key functions such as risk assessment, annual audit planning, resource budgeting and allocation, issue resolution tracking, and ongoing monitoring activities. The Department is aiming to implement a selected solution by the end of the 4th Quarter, contingent upon procurement protocols, and will update the FOAC accordingly.

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AUDIT PLAN UPDATE

This section provides the Financial Oversight and Audit Committee and the City Manager with an update on the progress of the 2025-2026 Annual Audit Plan. It includes an analysis of Audits and Projects scheduled by quarter, their associated budgeted hours, and the actual audit hours worked to date. This information serves as a key management tool for demonstrating how the Internal Audit Department's resources are being utilized throughout the fiscal year.

	BUDGETED HOURS	YTD as of 05/31/26	Engagement Status
First Quarter	-	-	-
(CarryFwds) Vehicle Allowance & Take-Home Cars Project P2025-02	15.00	17.75	Completed
(CarryFwds) Cyber Audits: EPPD – Administration	50.00	133.00	Completed
(CarryFwds) El Paso Zoo – Financial Activity Audit A2025-09	100.00	93.75	Completed
(CarryFwds) Red Book Assessment	250.00	38.50	In Progress
(CarryFwds) Animal Services – Construction Audit A2025-08	400.00	256.25	Completed
(CarryFwds) Code Enforcement Division Audit A2025-05	400.00	618.50	Completed
Follow-Up: Accounts Receivable Program – 2 nd Follow-Up Audit A2025-10	150.00	191.00	Completed
Follow-Up: Planning & Inspections – Permit Review Audit A2026-01	100.00	117.25	Completed
Citywide Sales Tax Analysis - Clearview	40.00	26.75	Completed
Franchise Fee Audits (EPWU) – Administration	50.00	-	Postponed
TX Sales Tax Discovery - Administration	50.00	-	Completed
City Employee Hotline	75.00	54.25	Completed
Hotel Occupancy Tax Audits - Administration	100.00	38.50	Completed
Tax Office Refund Review Project	100.00	183.75	Completed
Cyber Audits: Health Department (Administration)	200.00	-	Completed
Financial Oversight and Audit Committee	500.00	431.50	Completed
Contingency Hours	359.00	453.00	Completed
Administrative Duties - Chief Internal Auditor	0.00	-	Not Applicable
Administrative Duties – Deputy Chief Internal Auditor	87.00	145.75	Not Applicable
Administrative Duties – Audit Manager	87.00	75.25	Not Applicable
Administrative Duties - Staff Auditors	375.00	423.25	Not Applicable
Auditor Training	100.00	332.50	Not Applicable
Vacation/Sick Leave/Holiday	572.00	804.00	Not Applicable
Total	4,160.00	4,434.50	-
Second Quarter	-	-	-
(CarryFwds) Single-Family Owner-Occupied Renovation Program Audit A2026-06	500.00	523.25	In Progress
El Paso Police Department – Overtime Audit A2026-05	500.00	545.00	In Progress
P-Card and Travel Review Audit – City Department (ESD) A2026-07	250.00	393.25	Completed
Follow-Up: 380 Agreement Monitoring Audit	250.00	-	Postponed
Follow-Up: On-Call Services Agreement Audit	250.00	313.00	Completed
Citywide Sales Tax Analysis – Clearview	40.00	9.50	Completed
Franchise Fee Audits (EPWU) – Administration	50.00	-	Postponed

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	BUDGETED HOURS	YTD as of 05/31/26	Engagement Status
Second Quarter (Cont.)	-	-	-
TX Sales Tax Discovery – Administration	50.00	1.00	Completed
City Employee Hotline	75.00	62.00	Completed
Hotel Occupancy Tax Audits – Administration	100.00	134.50	Completed
Tax Office Refund Review Project	100.00	100.00	Completed
Cyber Audits: Health Department (Administration)	100.00	24.50	Completed
Financial Oversight and Audit Committee	500.00	262.75	Completed
Contingency Hours	494.00	257.25	Completed
Administrative Duties - Chief Internal Auditor	125.00	-	Not Applicable
Administrative Duties – Deputy Chief Internal Auditor	87.00	118.50	Not Applicable
Administrative Duties – Audit Manager	87.00	69.00	Not Applicable
Administrative Duties - Staff Auditors	375.00	241.75	Not Applicable
Auditor Training	112.00	188.00	Not Applicable
Vacation/Sick Leave/Holiday	635.00	737.75	Not Applicable
Total	4,680.00	3,981.00	-
Third Quarter	-	-	-
Accounts Payable Audit – Sun Metro	500.00	512.00	Completed
Streets and Maintenance – Facility Maintenance Audit	500.00	685.75	In Progress
Peer Review of the Internal Audit Department	500.00	-	In Progress
Follow-Up: Parks & Recreations – Park Usage Permit Audit	150.00	8.75	Not Started
Follow-Up: EPIA Accounts Payable Audit	200.00	188.00	Completed
City Council & City Manager’s Office P-Card and Travel Review (Administration: Co-Sourcing)	45.00	-	Not Started
Citywide Sales Tax Analysis - Clearview	40.00	3.50	Completed
Franchise Fee Audits (EPWU) – Administration	50.00	-	Postponed
TX Sales Tax Discovery - Administration	50.00	5.50	Completed
City Employee Hotline	75.00	62.75	Completed
Hotel Occupancy Tax Audits - Administration	100.00	219.50	In Progress
Tax Office Refund Review Project	100.00	199.00	Completed
Cyber Audits: Health Department (Administration)	100.00	78.75	In Progress
Financial Oversight and Audit Committee	500.00	309.75	Completed
Contingency Hours	346.00	327.75	Completed
Administrative Duties - Chief Internal Auditor	125.00	151.50	Not Applicable
Administrative Duties – Deputy Chief Internal Auditor	88.00	104.75	Not Applicable
Administrative Duties – Audit Manager	88.00	81.75	Not Applicable
Administrative Duties - Staff Auditors	375.00	286.25	Not Applicable
Auditor Training	113.00	142.50	Not Applicable
Vacation/Sick Leave/Holiday	635.00	485.50	Not Applicable
Total	4,680.00	3,853.25	-
Fourth Quarter	-	-	-
El Paso International Airport – Construction Audit	500.00	1.00	Not Started
Parks Department – Sports Fields Audit	500.00	119.25	Not Started
La Nube Children’s Museum Contract Audit	500.00	322.50	In Progress
P-Card and Travel Review – City Department	250.00	-	Not Started
Citywide Sales Tax Analysis - Clearview	40.00	-	Not Started
Franchise Fee Audits (EPWU) – Administration	50.00	-	Postponed

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	BUDGETED HOURS	YTD as of 05/31/26	Engagement Status
Fourth Quarter (Cont.)	-	-	-
TX Sales Tax Discovery - Administration	50.00	-	Not Started
City Employee Hotline	75.00	-	Not Started
Hotel Occupancy Tax Audits - Administration	100.00	-	Not Started
Tax Office Refund Review Project	100.00	-	Not Started
Cyber Audits: Health Department (Administration)	100.00	-	Not Started
Financial Oversight and Audit Committee	500.00	-	Not Started
Contingency Hours	563.00	-	Not Started
Administrative Duties - Chief Internal Auditor	125.00	-	Not Applicable
Administrative Duties – Deputy Chief Internal Auditor	88.00	-	Not Applicable
Administrative Duties – Audit Manager	88.00	-	Not Applicable
Administrative Duties - Staff Auditors	375.00	-	Not Applicable
Auditor Training	113.00	-	Not Applicable
Vacation/Sick Leave/Holiday	635.00	-	Not Applicable
Total	4,752.00	442.75	-
Totals for 1st, 2nd, 3rd & 4th Quarters	18,720.00	12,711.50	

CONCLUSION

The 3rd Quarter reflected continued progress toward the objectives of the 2025-2026 Audit Plan, with 6 Audits advancing through planning or completion. The Internal Audit Department remains focused on delivering timely, high-quality audit work that strengthens governance, accountability, and operational effectiveness across the City.

The Department remains committed to serving the Mayor and City Council, the Financial Oversight and Audit Committee, City Leadership, and, most importantly, the citizens of El Paso, as we continue this work into the final quarter of the fiscal year. The Internal Audit Department staff continues to strive for excellence in meeting our departmental motto, “Exceeding our Client’s Expectations.”

Respectfully Submitted

Adrian Serrano, CPA
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City of El Paso

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