2023-2024
Annual Audit Plan
2nd Quarter Update

Issued by the
Internal Audit Department
As of February 29, 2024

City of El Paso
Internal Audit Department
Financial Oversight and Audit Committee
2nd Quarter 2023-2024 Audit Plan Update
As of February 29, 2024

INTRODUCTION

According to Performance Standards 2020 & 2060 of the *International Standards for the Professional Practice of Internal Auditing* as issued by the Institute of Internal Auditors, the Chief Internal Auditor must report periodically to the Financial Oversight and Audit Committee and Senior Management on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan. The Chief Internal Auditor is also responsible for reporting significant risk exposures, control issues, fraud risks, governance issues, and other matters needed or requested by the Financial 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 four critical areas required in the management of an internal audit activity. The four critical areas are:

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

As required by the *International Standards for the Professional Practice of Internal Auditing*, Standard 1110, 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 2060 requires the Internal Audit Department ensure conformance with the Code of Ethics and the *Standards*. The Code of Ethics Principles includes Integrity, Objectivity, Confidentiality and Competency. Any non-conformance will be reported.

We conduct audits in accordance with both *Generally Accepted Government Auditing Standards* and the *International Standards for the Professional Practice of Internal Auditing*.

COMPLETED AUDITS & PROJECTS

This section will provide the Financial Oversight and Audit Committee and the City Manager a short synopsis of every audit and project completed during the 2nd Quarter of the 2023-2024 Annual Audit Plan. Please see the Internal Audit Department's webpage for a copy of the audit reports listed below.

City Council & City Manager's Office – P-Card & Travel Review (Memo dated December 8, 2023) Distribution Pending

The Internal Audit Department conducted a review of Procurement Card (P-Card) transactions, and Travel expenses incurred by the Mayor's Office, City Council, and the City Manager's Office. The objectives of this review were to determine if the P-Card Administrators responsible for the Mayor's Office, City Council and City Manager's Office are properly reviewing and monitoring expenditures. In addition, determine if proper purchasing and travel procedures have been followed. The review period included P-Card purchases from January 1, 2020 to April 30, 2023 and Travel Vouchers for the period of January 1, 2020 to May 31, 2023.

Based on the results of the review, five (5) Observations were identified regarding P-Card and Travel Policy compliance. The following is a brief description of the Observations:

1. P-Card Transaction Reports - There were instances of P-Card transactions where the corresponding Account Number, the Transaction Description or both were not entered in the Wells Fargo P-Card System.
2. Travel Policy – There were instances of Travel Request Forms not approved before/after travel, personal credit cards were used to charge travel expenses, and Travel Request Forms not reconciled after travel.
3. Early Bird Check-In – Instances of airline early bird fee incurred.
4. P-Card Support Documentation – Former District Rep #6 – No receipts could be located for 8 (eight) purchases totaling $7,556.48. Paid $75.96 in TX sales tax.
5. Travel Policy – City Manager Travel – Reconciliation of the former City Manager's travel identified an amount of $680.72 is due to the City.

Sun Metro - Parking Garage Contract Review Audit (Report dated December 12, 2023)

The Internal Audit Department conducted an audit of Solicitation No. 2017-1163R – *Property & Parking Garage Management Services* dated December 12, 2017. The contract between the City of El Paso and ASM Global (Contractor) was to manage 2 Parking Garages and 1 Surface Parking Lot. The objective of the audit was to perform a contract closeout assessment of Solicitation No. 2017-1163R to determine if terms and conditions between the City of El Paso and ASM Global were met.

Based on the results of the audit, two (2) findings were identified in the following areas:

1. The discovery of an alternate document used to revise the calculation of payments to the Contractor. A formal contract amendment was not executed to document City Council approval.
2. The recalculation of payments due using the original Solicitation Terms and Conditions identified Sun Metro owing $336,615.67 to ASM Global.

The results were communicated to the City Manager (Interim), City Attorney's Office, Chief Transit and Field Operations Officer, and Director of Mass Transit. An electronic copy and a hardcopy of the Final Report was distributed to the Mayor and City Representatives.

El Paso Zoological Society Agreement Audit (Report dated January 10, 2024)

The Internal Audit Department conducted an audit of the *License Agreement between the City of El Paso and El Paso Zoological Society #148046/12/1045/013* dated December 18, 2012. The objective of the audit was to perform an assessment to determine if the terms and conditions of the License Agreement were met.

Based on the results of the audit, six (6) findings were identified in the following areas:

1. Invoicing of events held at the Zoo were not prepared by the Zoo within 30 days of the event as required by the City's Accounts Payable Policy. Payments of Zoo invoices by the Society were not made within 30 days as required by the License Agreement.
2. The Society did not present changes to the Society membership categories and members' admission price increases to the Zoo Director for approval as required by the License Agreement.
3. Required Financial Reports were not consistently provided to the Zoo by the Society in accordance with the License Agreement. The Society owes the Zoo an additional $1,282.15 to the Zoo's Support Account.
4. The Society is not providing proof of annual liability insurance coverage to the Zoo Director. Also, the Zoo Director is not requesting the proof of annual coverage. The Society carried the required liability insurance coverages for its employees and volunteers, except the coverage to guard against "Employee Dishonesty".
5. The Society has not created a Fundraising Plan to document the goals, events, deadlines, and financial budgets.

6. There are currently two Volunteer Programs being administered at the El Paso Zoo; one sponsored and managed by the El Paso Zoological Society and the other by El Paso Zoo staff. The License Agreement required the Society to manage the Volunteer Program.

The results were communicated to the City Manager (Interim), Deputy City Manager, El Paso Zoo Director and the El Paso Zoological Society Executive Director. An electronic copy and a hardcopy of the Final Report was distributed to the Mayor and City Representatives.

Fire Department Billing - 2nd Follow- Up Audit (Report dated February 21, 2024)

A 2nd Follow-Up Audit was conducted of the original Fire Department – Billing Audit Report dated August 6, 2019 which identified 3 Findings. The 1st Follow-Up Audit Report dated March 22, 2023 identified Finding #2 and #3 had been "*Implemented*". The objective of the 2nd Follow-Up Audit is to determine if Finding #1 recommendation has been implemented.

Based on the results of the 2nd Follow-Up Audit, we determined the status of the recommendation for Finding #1 as "*In-Progress*". The Fire Department is in the process of contracting a 3rd Party Collection Agency to collect accounts that are in default and expect to have a contract awarded by May 2024. A 3rd Follow-Up Audit will not be conducted as the Fire Department will assume the risk of awarding a contract to a 3rd Party Collection Agency.

The results were communicated to the City Manager (Interim), Deputy City Manager of Public Safety and Support Services, and the Fire Chief. An electronic copy and a hardcopy of the Final Report was distributed to the Mayor and City Representatives.

City Council Special Audit Request – Solicitation #2024-0245R

The Internal Audit Department completed the review of proposals submitted by vendors responding to the Request for Qualifications (RFQ) regarding the City Council Special Audit Request. The Purchasing & Strategic Sourcing Department will finalize the remaining phases of the vendor selection process. The RFQ was advertised on December 19, 2023. The contract is expected to be awarded by approximately April 2024.

IT/Cybersecurity Audits – Solicitation # 2024-0244R

The Internal Audit Department completed the review of proposals submitted by vendors responding to the Request for Qualifications (RFQ) regarding the IT/Cybersecurity Audits. The Purchasing & Strategic Sourcing Department will finalize the remaining phases of the vendor selection process. The RFQ was advertised on December 19, 2023. The contract is expected to be awarded by approximately April 2024.

City of El Paso Employee Hotline (As of February 29, 2024)

During the 2nd Quarter of the 2023-2024 Fiscal Year, the City of El Paso Employee Hotline received 14 calls and all calls were closed as of February 29, 2024. No calls are open from prior periods. The investigations were conducted either by the Internal Audit Department or by the Human Resources Department.

Tax Office Refund Review Project

During the 2nd Quarter, the Internal Audit Department conducted 35 Tax Office Refund reviews. For each review, memos were issued to the City Manager (Interim), Deputy City Manager/Chief Financial Officer, and the Tax Assessor Collector documenting our review.

This project continues on a recurring basis of conducting reviews of Tax Office Refunds as required by State Statute. Procedures have been designed to properly review refunds for approvals and timely processing of refund checks issued to Taxpayers.

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 2nd Quarter. A brief synopsis is provided on the scope and objective of the audit or project.

City Attorney – Servicemembers Civil Relief Act Project

At the request of the Office of the City Attorney, a review is being conducted of Servicemember vehicles sold at auction by the El Paso Municipal Vehicle Storage Facility.

Pension Office – Digitization and Cybersecurity Review

At the request of the Executive Director of City of El Paso Retirement Trust (CERT), the Internal Audit Department is conducting a review of their process to digitize retiree records and evaluate cybersecurity controls regarding changes to retiree records.

Economic Development – 380 Agreement Monitoring Audit

An audit is being conducted of the Economic Development – 380 Agreement Monitoring Program. The objective of the audit is 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
- The City of El Paso Chapter 380 Economic Development Program guidelines
- 380 Agreement payout terms and deliverables

Also, evaluate the reporting mechanism used by 380 Agreement/Incentive recipients to report their deliverables or activities for each year.

Property Control IT Scope Review Audit

An audit is being conducted of the Department of Information Technology Services (DoITS) property control. The objective of the audit is to confirm the physical existence and proper disposition of IT assets purchased by and belonging to the City of El Paso. To achieve the objectives, we will determine if:

- DoITS has Asset Management Policies that are National Institute of Standards are Technology (NIST) compliant.
- Proper inventory records are maintained.
- Internal controls exist to ensure assets are properly safeguarded.
- Proper procedures exist for equipment end-of-life disposal.

Veteran & Military Affairs – Travel and Accounts Payable Audit

An audit is being conducted at the Division of Military Affairs to review both Travel and Accounts Payable transactions. The objective of the audit is to determine if:

- Veteran & Military Affairs is adhering to the *City of El Paso Travel Policy* and *Procurement Card Policy.*
- Veteran & Military Affairs is adhering to the *City of El Paso Accounts Payable Policy.*
- The transactions had a Municipal Purpose.

Planning and Inspections – Permit Review Audit

An audit is being conducted at the Planning and Inspections Department to review the Permit Issuance Process. The objective of the audit is to determine if the department:

- Has comprehensive written Policies and Procedures for the issuance of Permits.
- Is properly issuing Permits as required by City Policy or Ordinance.
- Is charging the correct Permit Fees as determined by Schedule C.
- Is properly conducting inspections to close out Permits.

Human Resources – Employee Insurance Benefit Review Follow-Up Audit

A Follow-Up Audit is being conducted of the Human Resources – Employee Insurance Benefits Review Audit Report dated December 21, 2022. The audit identified one (1) Finding requiring implementation of recommendations. The objective of the Follow-Up Audit is to determine whether the finding and recommendation has been adequately addressed, specifically the Destruction of Digital Employee Health Benefit Records.

Sun Metro Money Room – Internal Control Review Project

A review is being conducted of the internal controls within the Sun Metro Money Room. The objective of this review is to determine if cash handling procedures at the Sun Metro Money Room are consistent with the City of El Paso Cash Handling Policies and Procedures.

FINANCIAL OVERSIGHT AND AUDIT COMMITTEE ("FOAC")

The FOAC met on January 22, 2024 to discuss the Special Audit Request and the 1st Quarter Audit Plan Update of the Fiscal Year 2023-2024 Annual Audit Plan.

- Minutes for the Financial Oversight and Audit Committee meeting on October 16, 2023 were approved.
- Status Update on the Special Audit requested by City Council.
- Discussion and Action was taken on the Fiscal Year 2023-2024 Audit Plan 1st Quarter Updates.
- Discussion on Client Surveys was conducted.

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.

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 2nd 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
Edmundo Calderon	Chief Internal Auditor	11.00
Mike Montiel	Auditor IV	13.50
Liz De La O	Auditor IV	8.00
Miguel Ortega	Auditor III	6.90
Sergio Carrillo	Auditor II	8.00
Esmeralda Herrera	Auditor II	7.50
Christian Castro	Auditor I	6.50

SERVICE TO THE PROFESSION

I. Association of Government Accountants – El Paso Chapter
Edmundo Calderon volunteered as a Board Member.

II. Institute of Internal Auditors – El Paso Chapter
Sergio Carrillo volunteered as a Board Member.

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

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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 2023-2024 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 02/29/2024**
First Quarter	-	-
(Carry Fwds) Streets and Maintenance - Permits Review Audit (A2023-02)	50.00	22.00
(Carry Fwds) Property Control IT Scope Review Audit (A2023-06)	300.00	156.00
(Carry Fwds) Sun Metro - Parking Garage Contract Review Audit (A2023-03)	100.00	444.75
(Carry Fwds) Ford Parts & Service Solicitation Process Review (P2023-08)	50.00	31.75
(Carry Fwds) Follow-Up Audit: SAM - Transportation Management Division - Cyber Security Assessment	250.00	-
(Carry Fwds) Planning and Inspections - Permit Review Audit	500.00	155.75
(Carry Fwds) Sun Metro Money Room - Internal Control Review	400.00	110.00
City Council Special Audit Request - Scope & Objectives	200.00	97.75
Longevity Project	50.00	32.50
Hotel Occupancy Tax Audits - Administration	50.00	35.00
Servicemembers Civil Relief Act Project	50.00	-
Franchise Fee Audits (Spectrum) - Administration	50.00	1.50
TX Sales Tax Discovery - Administration	50.00	-
Citywide Sales Tax Analysis - Clearview	40.00	4.50
Tax Office Refund Review Project	100.00	63.50
City Employee Hotline	75.00	80.00
Contingency Hours	556.00	-
Audit Plan	-	385.75
Consulting	-	9.00
P-Card Council	-	609.75
Migrant Crisis	-	31.25
Administrative Duties - Chief Internal Auditor	225.00	304.00
Administrative Duties – Audit Manager	90.00	133.50
Administrative Duties - Staff Auditors	480.00	587.25
Auditor Training	120.00	340.75
Vacation/Sick Leave/Holiday	390.00	601.00
Total	**4,176.00**	**4,237.75**

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	BUDGETED HOURS	YTD as of 02/29/2024
Second Quarter	-	-
(Carry Fwds) Pension Office Digitization and Cybersecurity Review Project (P2023-07)	200.00	71.25
2nd Follow-Up Audit: Fire Department - Billing Audit	250.00	38.50
Follow-Up Audit: Water Parks Financial Review Audit	250.00	-
El Paso Zoological Society Agreement Audit	500.00	624.00
Economic Development - 380 Agreement Monitoring Audit	500.00	322.25
Follow-Up Audit: Accounts Receivable Program Audit	250.00	-
Longevity Project	50.00	-
Hotel Occupancy Tax Audits - Administration	50.00	82.25
Servicemembers Civil Relief Act Project	50.00	-
Franchise Fee Audits (Spectrum) - Administration	50.00	6.75
TX Sales Tax Discovery - Administration	50.00	-
Citywide Sales Tax Analysis - Clearview	40.00	1.50
Tax Office Refund Review Project	100.00	117.75
City Employee Hotline	75.00	22.50
Contingency Hours	456.00	-
Audit Plan	-	253.75
Consulting	-	11.75
Sun Bowl Game Audit	-	96.25
Administrative Duties - Chief Internal Auditor	225.00	281.50
Administrative Duties - Auditor IV	90.00	162.50
Administrative Duties - Staff Auditors	480.00	599.25
Auditor Training	120.00	310.75
Vacation/Sick Leave/Holiday	390.00	657.00
Total	**4,176.00**	**3,659.50**
Third Quarter	-	-
Follow-Up Audit: Human Resources - Employee Insurance Benefit Review Audit	250.00	36.75
Division of Veteran & Military Affairs - Travel and Accounts Payable Audit	500.00	219.25
El Paso International Airport - Accounts Payable Audit	500.00	-
Cyber Security - Administration	250.00	64.75
P-Card Reviews: City Council & City Manager's Office - P-Card & Travel Review	400.00	-
Longevity Project	50.00	1.25
Hotel Occupancy Tax Audits - Administration	50.00	-
Servicemembers Civil Relief Act Project	50.00	-
Franchise Fee Audits (Spectrum) - Administration	50.00	-
TX Sales Tax Discovery – Administration	50.00	-
Citywide Sales Tax Analysis - Clearview	40.00	-
Tax Office Refund Review Project	100.00	-
City Employee Hotline	75.00	-
Contingency Hours	506.00	-
Audit Plan	-	-
Consulting	-	-
Administrative Duties - Chief Internal Auditor	225.00	-

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Third Quarter (continued)	BUDGETED HOURS	YTD as of 02/29/2024
Administrative Duties - Auditor IV	90.00	-
Administrative Duties - Staff Auditors	480.00	-
Auditor Training	120.00	-
Vacation/Sick Leave/Holiday	390.00	-
Total	**4,176.00**	**322.00**
Fourth Quarter	-	-
Department of Public Health- Internal Control Review	250.00	-
Parkland Dedication Fees Audit	500.00	-
U-Matter Card Program Review	250.00	-
Accounts Receivable - Hotel Occupancy Tax Audits	250.00	-
Grants Administration Division - Sub-Recipient Monitoring Project	250.00	-
On Call Services Agreement Audit	500.00	-
Longevity Project	50.00	-
Hotel Occupancy Tax Audits - Administration	50.00	-
Servicemembers Civil Relief Act Project	50.00	-
Franchise Fee Audits (Spectrum) - Administration	50.00	-
TX Sales Tax Discovery - Administration	50.00	-
Citywide Sales Tax Analysis - Clearview	40.00	-
Tax Office Refund Review Project	100.00	-
City Employee Hotline	75.00	-
Contingency Hours	406.00	-
Audit Plan	-	-
Consulting	-	-
Administrative Duties - Chief Internal Auditor	225.00	-
Administrative Duties - Auditor IV	90.00	-
Administrative Duties - Staff Auditors	480.00	-
Auditor Training	120.00	-
Vacation/Sick Leave/Holiday	390.00	-
Total	**4,176.00**	-
Totals for 1st, 2nd, 3rd & 4th Quarters	**16,704.00**	**8,240.00**

CONCLUSION

The 2nd Quarter of the 2023-2024 Audit Plan was another productive quarter for the Internal Audit Department. During the 2nd Quarter a total of 8 Audits/Projects were completed by the staff and 8 Audits/Projects are in various stages of planning or completion.

The Internal Audit Department staff made a strong effort to complete as many Audits and Projects as possible during the 2nd Quarter.

It continues to be a pleasure serving the Mayor and City Council, the Financial Oversight and Audit Committee, the City Manager (Interim), 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

Edmundo S. Calderon

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

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