



2023-2024
Annual Audit Plan
3rd Quarter Update

Issued by the
Internal Audit Department
As of May 31, 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 3rd 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.

1. Human Resources – Employee Insurance Benefit Review Follow-Up Audit (Report dated March 19, 2024)

A Follow-Up Audit was conducted of the original Human Resources – Employee Insurance Benefit Review Audit Report dated December 21, 2022 which identified 2 Findings. Only Finding #2 required a Follow-Up Audit. The objective of this Follow-Up Audit was to determine if the recommendation to Finding #2 has been implemented.

Based on the results of the Follow-Up Audit, we determined the status of the recommendation for Finding #2 as “*In-Progress*”. The Human Resources Department (HR) is in the process of implementing a destruction process for digital Health Benefit Records of former employees as required by the Texas State Library and Archives Commission. The digital Health Benefits Records are stored in ApplicationXtender Document Manager.

HR has been working with the Department of Information Technology Services, the City Archives and Records Manager, and the ApplicationXtender vendor to establish a destruction process. The project was placed on hold due to an upgrade to the City's PeopleSoft software system

A 2nd Follow-Up Audit will not be necessary. We are confident that the Human Resources Department will complete the process to dispose of digital Health Benefit Records of former employees. The Human Resources Department will assume the risk associated with failing to complete the process.

2. Property Control IT Scope Review Audit (Report dated April 10, 2024)

The Internal Audit Department conducted an Audit of the Department of Information Technology Services (DoITS) processes for property control. The objective for the Property Control IT Scope Review Audit was to confirm the physical existence and proper disposition of IT assets purchased by and belonging to the City of El Paso.

Based on the results of the Audit, one (1) Positive Finding was identified. The Finding was not considered an internal control breakdown nor a violation of City Ordinances.

We can provide reasonable assurance that the Department of Information Technology Services has processes in place to ensure that IT assets are properly safeguarded when purchased and disposed of when they reach their end-of-life.

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3. Economic Development – 380 Agreement Monitoring Audit (report dated April 17, 2024)

An Audit was conducted of the Economic Development – 380 Agreement Monitoring Program. The Audit objectives 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 & 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.

Based on the results of the Audit, five (5) Findings were identified. Listed below is a brief 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 were paid by ED staff two to five months past the processing deadline specified in each 380 Agreement.

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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) Agreement was identified as having a “recapture clause” and received a total of \$1,426,018.00 in incentive payments from the City. The recipient withdrew from their Agreement and was only reimbursed for work “substantially 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.

4. City of El Paso Employee Hotline (As of May 31, 2024)

During the 3rd Quarter of the 2023-2024 Fiscal Year, the City of El Paso Employee Hotline received 7 calls and all calls were closed as of May 31, 2024. No calls are open from prior periods. The investigations were conducted either by the Internal Audit Department or by the Human Resources Department.

5. Tax Office Refund Review Project

During the 3rd Quarter, the Internal Audit Department conducted 34 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 3rd Quarter. A brief synopsis is provided on the scope and objective of the Audit or Project.

1. 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.

2. 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 Travel, Procurement Card and Accounts Payable transactions had a Municipal Purpose.

3. 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.

4. 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.

5. Water Parks Financial Review Follow-Up Audit

A Follow-Up Audit is being conducted of the *Water Parks Financial Review Audit Report* dated August 16, 2022. The Audit identified two (2) Findings requiring implementation of recommendations. The objective of the Follow-Up Audit is to determine whether the findings and recommendations have been adequately addressed.

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6. Sun Bowl Game Audit

At the request of the Mayor, the Internal Audit Department is conducting an Audit of the Agreement between the City of El Paso and the Sun Bowl Association. The objectives of the Sun Bowl Game Audit are to perform an assessment of the Agreement between the City of El Paso and the Sun Bowl Association to:

- Determine if the Sun Bowl Association is compliant with the following major requirements of the Agreement:
 - Using the Motor Vehicle Rental Tax only for Qualified Expenses,
 - Required quarterly and annual financial reports are provided to the City on a timely basis,
 - Securing personnel at its own expense,
 - Proper insurance coverage is maintained.
- Document any “considerations” made between the City and the Sun Bowl Association outside the Agreement.

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FINANCIAL OVERSIGHT AND AUDIT COMMITTEE (“FOAC”)

The FOAC met on May 1, 2024 to discuss the 2nd Quarter Audit Plan Update of the Fiscal Year 2023-2024 Annual Audit Plan.

- Minutes for the Financial Oversight and Audit Committee meeting on January 22, 2024 were approved.
- Discussion and Action to include an audit in the FY 2023-2024 Audit Plan of the Sun Bowl Game Agreement.
- Discussion and Action on the results of the City Council & City Manager’s Office P-Card and Travel Review – Years 2020, 2021, 2022 and 2023.
- Discussion and Action on the results of the City Council & City Manager’s Commercial Fuel Card Review – Years 2020, 2021 and Years 2020 to 2023 Recap.
- Discussion and Action on directing staff to review the Internal Audit Charter for any proposed revisions.
- Discussion and Action on FY 2023-2024 Audit Plan 2nd 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 3rd 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	46.5
Mike Montiel	Audit Manager	41.5
Liz De La O	Auditor IV	51.5
Martha Vargas	Auditor IV	30.5
Miguel Ortega	Auditor III	34.9
Sergio Carrillo	Auditor II	31.0
Esmeralda Herrera	Auditor II	45.5
Christian Castro	Auditor I	15.5
Miguel Olivas	Auditor I	70.6

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
 - Edmundo Calderon participated as a panelist during the Chapter's General Membership meeting on April 18, 2024.
 - Sergio Carrillo and Esmeralda Herrera volunteered as Board Members.

- 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 05/31/2024
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	230.50
(Carry Fwds) Sun Metro - Parking Garage Contract Review Audit (A2023-03)	100.00	445.00
(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	222.50
(Carry Fwds) Sun Metro Money Room - Internal Control Review	400.00	287.25
City Council Special Audit Request - Scope & Objectives	200.00	99.25
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	-	29.75
Migrant Crisis	-	32.50
P-Card Council	-	611.25
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	4,581.00

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	BUDGETED HOURS	YTD as of 05/31/2024
Second Quarter	-	-
(Carry Fwds) Pension Office Digitization and Cybersecurity Review Project (P2023-07)	200.00	75.75
2 nd Follow-Up Audit: Fire Department - Billing Audit	250.00	62.25
Follow-Up Audit: Water Parks Financial Review Audit	250.00	33.25
El Paso Zoological Society Agreement Audit	500.00	633.50
Economic Development - 380 Agreement Monitoring Audit	500.00	474.50
Follow-Up Audit: Accounts Receivable Program Audit	250.00	29.50
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	-	327.50
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	4,143.50
Third Quarter	-	-
Follow-Up Audit: Human Resources - Employee Insurance Benefit Review Audit	250.00	89.25
Division of Veteran & Military Affairs - Travel and Accounts Payable Audit	500.00	429.75
El Paso International Airport - Accounts Payable Audit	500.00	-
Cyber Security - Administration	250.00	67.25
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	44.25
Servicemembers Civil Relief Act Project	50.00	14.75
Franchise Fee Audits (Spectrum) - Administration	50.00	0.50
TX Sales Tax Discovery - Administration	50.00	-
Citywide Sales Tax Analysis - Clearview	40.00	2.00
Tax Office Refund Review Project	100.00	108.50
City Employee Hotline	75.00	41.25
Contingency Hours	506.00	-
Audit Plan	-	253.75
Consulting	-	39.25

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Third Quarter (continued)	BUDGETED HOURS	YTD as of 05/31/2024
Vehicle Allowance Analysis	-	5.00
Administrative Duties - Chief Internal Auditor	225.00	285.00
Administrative Duties - Auditor IV	90.00	191.25
Administrative Duties - Staff Auditors	480.00	595.50
Auditor Training	120.00	601.50
Vacation/Sick Leave/Holiday	390.00	471.25
Total	4,176.00	3,241.25
Fourth Quarter	-	-
Department of Public Health- Internal Control Review	250.00	-
Parkland Dedication Fees Audit	500.00	-
U-Matter Card Program Review	250.00	15.00
Accounts Receivable - Hotel Occupancy Tax Audits	250.00	-
Grants Administration Division - Sub-Recipient Monitoring Project	250.00	-
On Call Services Agreement Audit	500.00	33.75
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	48.75
Totals for 1st, 2nd, 3rd & 4th Quarters	16,704.00	12,014.50

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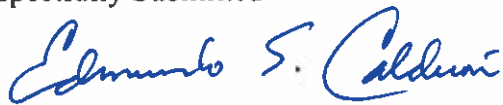
CONCLUSION

The 3rd Quarter of the 2023-2024 Audit Plan was another productive quarter for the Internal Audit Department. During the 3rd Quarter a total of 5 Audits/Projects were completed by the staff and 6 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 3rd 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, CIA, CGAP, CRMA, MBA
Chief Internal Auditor
City of El Paso

Distribution:
Financial Oversight and Audit Committee
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