



**2011-2012
Annual Audit Plan
4th Quarter Update**

Issued by the
Internal Audit Office
As of August 31, 2012

INTRODUCTION

According to Performance Standards 200 & 260 of the International Standards for the Professional Practice of Internal Auditing as issued by the Institute of Internal Auditors, the Chief Internal Auditor should report periodically to the Internal 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 Internal Audit Committee and Senior Management.

The Chief Internal Auditor is also responsible to communicate the internal audit activity's plans and resource requirements, including significant interim changes, to Senior Management and the Internal Audit Committee for review and approval. The Chief Internal Auditor should also communicate the impact of any resource limitations.

Based on this requirement, this Annual Audit Plan update is being provided to the Audit Committee and Senior Management. The Chief Internal Auditor will provide an update on the following four critical areas required in the management of an internal audit activity. The four critical areas are:

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

COMPLETED AUDITS & PROJECTS

This section will provide the Audit Committee and Senior Management a short synopsis of every audit and project completed during the 4th Quarter of the 2011-2012 Annual Audit Plan.

Library Purchasing Follow-Up Audit (Report dated June 19, 2012)

The Internal Audit Office has concluded the Library Purchasing Follow-Up Audit. The original audit was completed September 29, 2010 and included three findings requiring corrective action. This Follow-Up Audit allowed the Internal Audit Office to ascertain if the recommendations of the original audit have been fully implemented.

Based on the results of the Follow-Up Audit, we determined that two of the three original findings have been implemented and one is still in progress of being fully implemented.

Consolidated Tax Office Property Tax Overpayment Account Review (Memo dated June 26, 2012)

At the request of the Deputy City Manager for Finance and Management Support Services, a detailed review has been conducted of the City of El Paso's Consolidated Tax Office's Property Tax Overpayment Account. The objectives were to perform an assessment of the Consolidated Tax Office. A report was prepared for the Deputy City Manager summarizing the results of our review and providing recommendations to help mitigate the findings identified.

Based on our analysis, we identified six instances of mismanagement of the money contained in the Property Tax Overpayment Account by the City Tax Assessor/Collector and the Deputy Tax Administrator.

Single Space Parking Meter (Memo dated August 13, 2012)

The Internal Audit Office completed its review of Solicitation No: 2012-193, Single Space Parking Meters – International Bridges Department Bid file. The objectives were to identify if the process used on this bid was appropriate and fair. Also, identify if protest/dispute procedures were adhere to. Based on the review, the Internal Audit Office confirmed that the bid process was consistent with established criteria.

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Information Technology – Purchasing Audit (Report dated August 16, 2012)

The Internal Audit Office has concluded its audit of the Information Technology Department – Purchasing. The objectives of this audit were to confirm that the procurement of various IT goods and services were in compliance with local, state, and federal law, determine if there are adequate controls and proper protocols for IT equipment purchases, and evaluate use of sub-contractors in the issuance of contracts.

Based on the results of the audit, seven findings were identified and considered significant in nature. By implementing the recommendations provided in the Audit Report will assist the Information Technology Department improve their purchasing function and help it run more efficiently.

International Bridges – Internal Controls Audit (Report dated August 23, 2012)

The Internal Audit Office has concluded its audit of the International Bridges – Internal Controls. The objectives of this audit were to conduct audit work related to the internal controls over the cash management at the three International Bridges to ascertain if their procedures are operating in an efficient manner. The audit also reviewed areas where inefficiencies could exist and where internal controls needed to be strengthened.

Based on the results of the audit, six findings were identified. The implementation of the recommendations provided in the Audit Report will assist the International Bridges Department improve their cashing operations and strengthen their internal controls.

Procurement Card (P-Card) Review Project – Elected Officials and City Manager's Staff P-Card Project (Memo dated August 30, 2012)

A review of the Elected Officials and City Manager's Staff P-Card purchases was completed. The purpose of this review was to determine if program administrators are properly reviewing and monitoring their P-Card expenditures. In addition, this review helped determine if management has instituted appropriate internal controls over its P-Card purchases.

The review of the Elected Officials and City Manager's Staff Procurement Card transactions identified seven issues regarding current transactions. These issues were communicated to the City Manager's Chief of Staff for corrective action.

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Police and Fire Department Overtime Monitoring Project (Memo dated August 31, 2012)

The process continues of monitoring Police and Fire Department Overtime on a quarterly basis. The accumulated overtime for the 4th Quarter of the 2011-2012 Fiscal Year was reviewed and evaluated. An analysis was completed identifying the Top 25 Overtime Earners for each department by quarter. A comprehensive report was presented to the Deputy City Manager for Health and Safety, the Fire Chief, and the Police Chief.

Employee Hotline (As of August 31, 2012)

During the 4th Quarter of the 2011-2012 Fiscal Year, the Ethicsline received a total of 11 calls. As of August 31, 2012, 4 calls remain open and are pending investigation. The investigations are done either by the Internal Audit Office or the Human Resources Department.

The outreach campaign continues with the Internal Audit Office staff conducting Ethicsline presentations twice a month at the New Employee Orientation Training provided by the Human Resources Department for months June, July, and August 2012.

Tax Office Refund Review Project

This project continues on a recurring basis to conduct reviews of Tax Office Refunds as required by State Statute. Procedures have been designed to properly review refunds for approvals, documentation, and adequate processing. Reviews were conducted on a weekly basis during the months of June, July, and August 2012.

PENDING AUDITS & PROJECTS

This section will provide the Audit Committee and Senior Management a short synopsis of the pending audits and projects currently being worked on by the staff of the Internal Audit Office. A brief synopsis is provided on the scope and objective of the audit or project.

Budget Rent A Car of El Paso, Inc. Audit

The City of El Paso's International Airport has an existing Concession Agreement with Budget Rent A Car of El Paso, Inc. The Agreement has an effective date of December 1, 2011. The term of the agreement is for two years continuing until the last day of November, 2013. The Agreement grants the Concessionaire non-exclusive privileges, uses, and rights to operate a vehicle rental service at the Airport. The objective of this audit is to conduct audit work to ascertain if Budget Rent A Car of El Paso Inc. is adhering to the terms and conditions of the Concession Agreement.

Weatherization Assistance Program Audit Follow-Up

A Follow-Up Audit is being conducted on the Weatherization Assistance Program Audit. The original audit was completed January 25, 2011 and included six findings requiring corrective action. The Follow-Up Audit should allow the Internal Audit Office to ascertain if the recommendations of the original audit have been fully implemented.

Federal Janitorial Contract Audit

The City of El Paso awarded Contract No. 2010-204 to Federal Janitorial STG, LLC on October 18, 2010 for janitorial service for three Recreation Centers. The initial period of performance is from October 18, 2010 through September 3, 2013 (three years). The estimate value of the award is \$74,140.98. The objective of this audit is to determine if Federal Janitorial STG, LLC is adhering to the terms and conditions of the Janitorial Agreement Contract No. 2010-204 for the time period of September 1, 2011 to August 31, 2012.

Police and Fire Department Overtime Monitoring Project

This is a continuous project of monitoring overtime at the Police and Fire Departments for the Deputy City Manager for Health and Safety. Quarterly data for the 2011-2012 Fiscal Years will be analyzed once the final payroll period is processed for the specific quarters. A comprehensive report will also be provided with year-to-date data.

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TXDOT STEP Grant Project

At the request of the Deputy City Manager for Health and Safety, a review is being conducted of the police officers that received STEP (Selective Traffic Enforcement Program) Grant funded overtime during calendar years 2009 and 2010. An investigation was conducted by the El Paso Police Department's Internal Affairs Division of Police Officers that received STEP Grant overtime during calendar years 2009 and 2010. The Internal Audit Office is providing assistance and data to the El Paso Police Department's Internal Affairs Division, Special Investigations Group, District Attorney's Office, and Texas Department of Transportation (TXDOT).

MISCELLANEOUS ITEMS

This section provides the Audit Committee and Senior Management with miscellaneous information regarding the Internal Audit Office's activities. These activities can vary from community service activities, training sessions attended, Professional Certification Examinations attempted with results and/or Internal Audit Profession news and updates.

Training Sessions

Association of Airport Internal Auditors – Conference – “AAIA 23rd Annual Conference” June 10, 2012 to June 13, 2012.

Miguel Montiel, Lead Auditor and Daryl Olson, Senior Auditor attended the “AAIA 23rd Annual Conference” in Mobile, Alabama sponsored by the Association of Airport Internal Auditors, Inc. on June 10, 2012 to June 13, 2012. Each staff member earned 18 hours of Continuing Professional Education Credit for attending this conference.

Institute of Internal Auditors – Webinar – “Coordinating Risk Management and Assurance” June 13, 2012.

Rebecca Garcia, Auditor completed the Institute of Internal Auditors webinar training on “Coordinating Risk Management and Assurance” on June 13, 2012. Ms. Garcia earned one hour of Continuing Professional Education Credit.

Institute of Internal Auditors – Webinar – “What to do When it All Goes Wrong: Crisis Management and Business Continuity” June 19, 2012.

Edmundo Calderon, Chief Internal Auditor; Miguel Montiel, Lead Auditor; Liz De La O, Lead Auditor; Laura Prine, Auditor; and Rebecca Garcia, Auditor; completed the Institute of Internal Auditors webinar training titled “What to do When it All Goes Wrong: Crisis Management and Business Continuity” on June 19, 2012. Each staff member earned one hour of Continuing Professional Education Credit.

AuditNet – Webinar – “Data Analytics Software – The Latest Tools and Technology for Auditors!” June 27, 2012.

Miguel Montiel, Lead Auditor; Liz De La O, Lead Auditor; Daryl Olson, Senior Auditor; Miguel Ortega, Auditor; Laura Prine, Auditor; and Rebecca Garcia, Auditor; completed the AuditNet webinar training on “Data Analytics Software – The Latest Tools and Technology for Auditors!” on June 27, 2012. Each staff member earned two hours of Continuing Professional Education Credit.

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Association of Local Government Accountants – “Tools You Can Use From Ethics Audits and Fraud Hotlines” July 11, 2012.

Edmundo Calderon, Chief Internal Auditor; Miguel Montiel, Lead Auditor; Liz De La O, Lead Auditor; Daryl Olson, Senior Auditor; Miguel Ortega, Auditor; Laura Prine, Auditor; and Rebecca Garcia, Auditor; attended the Association of Local Government Accountants training on “Tools You Can Use From Ethics Audits and Fraud Hotlines” on July 11, 2012. Each staff member earned one hour of Continuing Professional Education Credit for attending the training.

Institute of Internal Auditors – Webinar – “Pulse of the Profession: How Resources, Priorities, Opportunities, and Challenges are Aligning Audit” July 17, 2012.

Liz De La O, Lead Auditor; Miguel Ortega, Auditor; and Rebecca Garcia, Auditor; completed the Institute of Internal Auditors webinar training on “Pulse of the Profession: How Resources, Priorities, Opportunities, and Challenges are Aligning Audit” on July 17, 2012. Each staff member earned one hour of Continuing Professional Education Credit for attending the training.

Institute of Internal Auditors – Webinar – “IIA Practice Advisory: Root Cause Analysis” July 19, 2012.

Edmundo Calderon, Chief Internal Auditor; Liz De La O, Lead Auditor; and Rebecca Garcia, Auditor; completed the Institute of Internal Auditors webinar training on “IIA Practice Advisory: Root Cause Analysis” on July 19, 2012. Each staff member earned one hour of Continuing Professional Education Credit for attending the training.

Institute of Internal Auditors – Webinar – “The Role of Auditing in the Public Sector” August 8, 2012.

Miguel Montiel, Lead Auditor and Liz De La O, Lead Auditor completed the Institute of Internal Auditors webinar training on “The Role of Auditing in the Public Sector” on August 8, 2012. Each staff member earned one hour of Continuing Professional Education Credit for attending the training.

Institute of Internal Auditors – Webinar – “Internal Auditor Technology Panel” August 21, 2012.

Miguel Montiel, Lead Auditor and Rebecca Garcia, Auditor completed the Institute of Internal Auditors webinar training on “Internal Auditor Technology Panel” on August 21, 2012. Each staff member earned one hour of Continuing Professional Education Credit for attending the training.

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AUDIT PLAN UPDATE

This section will provide the Audit Committee and Senior Management with an update on the progress of the 2011-2012 Annual Audit Plan. An analysis is provided listing the Audits/Projects scheduled by quarter with their associated budgeted hours. The actual audit hours worked per Audit/Project is provided. This analysis is a great management tool to demonstrate how the Internal Audit Office resources are being used.

	BUDGETED HOURS	YTD as of 8/31/12
First Quarter		
Police Department – TXDOT STEP Grant	500.00	384.50
Tax Office – ACT System Audit	300.00	333.00
Airport Revenue Audit – Radisson Hotel	300.00	513.25
Follow-Up Audit – Insurance and Benefits Audit	200.00	193.50
Tax Office Refund Review Project	75.00	87.75
P-Card Reviews	250.00	644.75
Ethicsline	75.00	61.75
Police & Fire Overtime Monitoring Project	50.00	25.50
Contingency Hours	405.00	-
Audit Plan		30.00
Consulting		25.75
Follow-Up Audit – Police Overtime #2		6.25
Fire Department Travel Project		427.00
Friedman Recycling Contract Audit		45.00
Gang Grant Project		247.75
Health Department Cash Count Project		175.25
Memorial Park Senior Center Project		149.25
Police Department Grant Process Review		409.75
Administrative Duties – Chief Internal Auditor	250.00	232.00
Administrative Duties – Staff Auditors	325.00	389.50
Auditor Training	90.00	97.00
Vacation/Sick Leave/Holiday	300.00	266.25
Total	3,120.00	4,744.75
Second Quarter		
Information Technology – Purchasing Audit	500.00	794.75
Sun Metro – ARRA Audit – Transit Terminal Construction	400.00	-
Follow-Up Audit – Library Purchasing	350.00	389.00
Follow-Up Audit – Environmental Services Account Payable	400.00	241.00
Tax Office Refund Review Project	75.00	120.25
Ethicsline	75.00	40.00
Police & Fire Overtime Monitoring Project	50.00	17.25
Contingency Hours	257.00	-
Audit Plan		61.75
Consulting		279.25
Airport General		9.75
Administrative Duties – Chief Internal Auditor	250.00	229.25

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	BUDGETED HOURS	YTD as of 8/31/12
Second Quarter Cont.		
Administrative Duties – Staff Auditors	325.00	477.75
Auditor Training	90.00	124.00
Vacation/Sick Leave/Holiday	348.00	428.50
Total	3,120.00	3,212.50
Third Quarter		
Airport Revenue Audit – Interspace Contract	500.00	456.50
Hotel Occupancy Tax Audit	400.00	-
Engineering & Construction Management Fees Audit	400.00	323.00
Follow-Up Audit – Sun Metro Drug & Alcohol Testing	300.00	170.25
Tax Office Refund Review Project	50.00	138.00
El Paso City Employees Pension Fund Confirmation Project	150.00	180.75
P-Card Reviews	200.00	337.25
Ethicsline	50.00	56.75
Police & Fire Overtime Monitoring Project	50.00	34.00
Contingency Hours	7.00	-
Audit Plan		39.50
Consulting		216.00
Tax Office – Property Tax Overpayment Account Review		940.00
Hotel Revenue		1.50
Administrative Duties – Chief Internal Auditor	250.00	189.00
Administrative Duties – Staff Auditors	325.00	474.00
Auditor Training	90.00	323.25
Vacation/Sick Leave/Holiday	396.00	242.00
Total	3,168.00	4,121.75
Fourth Quarter		
Airport Revenue Audit – Budget RAC	500.00	156.75
International Bridges – Internal Controls Audit	400.00	512.45
Police Dept – Vacation/Overtime Audit	400.00	182.00
Follow-Up Audit – Weatherization Grant	400.00	98.50
Tax Office Refund Review Project	75.00	72.50
Ethicsline	75.00	48.25
Police & Fire Overtime Monitoring Project	50.00	31.50
Contingency Hours	255.00	-
Audit Plan		139.25
Consulting		48.50
Federal Janitorial Contract		133.75
Administrative Duties – Chief Internal Auditor	250.00	198.50
Administrative Duties – Staff Auditors	325.00	417.25
Auditor Training	90.00	126.75
Vacation/Sick Leave/Holidays	396.00	406.00
Total	3,216.00	2,571.95
Totals for 1st, 2nd, 3rd & 4th Quarters	12,624.00	14,650.95

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CONCLUSION

The 4th Quarter of the 2011-2012 Audit Plan was another productive quarter for the Internal Audit Office. During the 4th Quarter a total of two Audits, one Follow-Up Audit, and six Projects were completed by the staff.

For Fiscal Year 2011-2012, the Internal Audit Office provided 14,651 hours of effort toward completing the Annual Audit Plan. We began the year by budgeting 12,624. The Internal Audit Office exceeded the budgeted hours by 2,027 hours. This was accomplished by provided extra effort in the form of extended hours and the use of a part-time student intern.

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

Respectfully Submitted



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

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