



External Quality Control Review

of the
City of El Paso Internal Audit Office

Conducted in accordance with guidelines of the
Association of Local Government Auditors
for the period September 1, 2019 – August 31, 2022



Association of Local Government Auditors

March 16, 2023

Edmundo Calderon
Chief Internal Auditor
City of El Paso Internal Audit Office
218 N. Campbell Street
El Paso, TX 79901

Dear Mr. Calderon:

We have completed a peer review of the City of El Paso for the period September 1, 2019 – August 31, 2022. In conducting our review, we followed the standards and guidelines contained in the *Peer Review Guides* published by the Association of Local Government Auditors.

We reviewed the internal quality control system of your audit organization and conducted tests in order to determine if your internal quality control system operated to provide reasonable assurance of conformance with the *International Standards for the Professional Practice of Internal Auditing (the Standards)* issued by the Institute of Internal Auditors as part of their *Professional Practices Framework* and reasonable assurance of compliance with *Government Auditing Standards* issued by the Comptroller General of the United States, as well as applicable legal and regulatory requirements. Due to variances in individual performance and judgment, conformance does not imply adherence to standards in every case but does imply adherence in most situations.

Based on the results of our review, it is our opinion that during the period September 1, 2019 – August 31, 2022, the City of El Paso's internal quality control system was suitably designed and operating effectively to provide reasonable assurance of conformance with *the Standards* for assurance engagements and compliance with *Government Auditing Standards*, resulting in a rating of pass.

We have prepared a separate letter offering suggestions to further strengthen your internal quality control system.

Brenda Cachuela
CPA, CIA, CRMA, CFE
Deputy County Auditor
Howard County

Randy Ditty
CISA, CICA, CPM
Senior IT Auditor
City of Tallahassee

Michael Martin
CPA
Legislative Auditor
Howard County



Association of Local Government Auditors

March 16, 2023

Edmundo Calderon
Chief Internal Auditor
City of El Paso Internal Audit Office
218 N. Campbell Street
El Paso, TX 79901

Dear Mr. Calderon:

We have completed a peer review of the City of El Paso (City) Internal Audit Office (Office) for the period September 1, 2019 through August 31, 2022, and issued our report dated March 16, 2023. We are issuing this companion letter to offer certain observations and suggestions stemming from our peer review.

We would like to mention some of the areas in which we believe your office excels:

- Work papers are well documented, understandable, and consistent across all engagements reviewed.
- The Office has established a culture and expectation of independence and objectivity within the organization.
- The Office is highly regarded and considered a valuable resource by the organization.
- The Office staff contain highly qualified professionals holding a variety of certificates and licenses which increase the value of their work product.

We offer the following observations and suggestions to enhance your organization's demonstrated conformance to *International Standards for the Professional Practice of Internal Auditing* and *Government Auditing Standards*:

- Observation 1: Standard 2120 – Risk Management states, “The internal audit activity must evaluate the effectiveness and contribute to the improvement of risk management processes.”

Standard 2120.1 further states, “The internal audit activity must evaluate risk exposures relating to the organization's governance, operations, and information systems regarding the:

- Achievement of the organization's strategic objectives.
- Reliability and integrity of financial and operational information.
- Effectiveness and efficiency of operations and programs.

- Safeguarding of assets.
- Compliance with laws, regulations, policies, procedures, and contracts.”

Our review disclosed that for each year in the peer review period, the Office’s Annual Risk Assessment did not include an evaluation of the City’s information systems. Specifically, the Annual Risk Assessment did not include information technology risk as a specific risk factor being measured to ensure the City met its Mission, Strategic Plan, Goals and Objectives.

Our review further disclosed that for each year in the peer review period, IT Cybersecurity consistently received one of the highest overall risk scores. However, IT Cybersecurity was not included in the respective Annual Audit Plan.

- Suggestion 1: We suggest the Office include information technology as a specific risk factor in its Annual Risk Assessment. We further suggest the Office include information technology audits in future Annual Audit Plans. Examples of information technology audits may include cybersecurity, systems and applications, systems development, information technology management and enterprise architecture, cloud vendor, and client server and telecommunications.
- Observation 2: Standard 8.59 – Information Systems Controls Considerations states, “The effectiveness of significant internal controls frequently depends on the effectiveness of information systems controls. Thus, when obtaining an understanding of internal control significant to the audit objectives, auditors should also determine whether it is necessary to evaluate information systems controls.”

Standard 8.63 further states, “Understanding information systems controls is important when information systems are used extensively throughout the program under audit and the fundamental business processes related to the audit objectives rely on information systems. Information systems controls consist of those internal controls that depend on information systems processing and include general controls, application controls, and user controls.”

The audit objectives of the Accounts Receivable Audit that was conducted during the peer review period were, “To determine whether the City of El Paso has effective controls, systems, and personnel to ensure that accounts receivable were properly accounted for, collected, and reported.” However, our review of the related Components and Principles of Internal Control Statement disclosed the internal control component stating, “Management should design the entity’s information system and related control activities to achieve objectives and respond to risks” was deemed “Not Applicable.”

Our review further disclosed that City departments used different information systems such as PeopleSoft and PerfectMind Recreation Management Software to process and/or record accounts receivable.

- Suggestion 2: We suggest the Office evaluate information systems controls when they are specifically included in the audit’s objectives and when information systems are used throughout the program under audit.



Association of Local Government Auditors

We extend our thanks to you, your staff, and the other city officials we met for the hospitality and cooperation extended to us during our review.

Sincerely,

Brenda Cachuela
CPA, CIA, CRMA, CFE
Deputy County Auditor
Howard County

Randy Ditty
CISA, CICA, CPM
Senior IT Auditor
City of Tallahassee

Michael Martin
CPA
Legislative Auditor
Howard County



Internal Audit Office

MAYOR

Oscar Leeser

March 20, 2023

Brenda Cachuela
Association of Local Government Auditors
449 Lewis Hargett Circle, Suite 290
Lexington, KY 40503

CITY COUNCIL

District 1

Brian Kennedy

Dear Brenda,

District 2

Alexsandra Anello

I have reviewed the Companion Letter dated March 16, 2023 for the Peer Review completed on the City of El Paso, Internal Audit Office for a period of September 1, 2019 through August 31, 2022. I offer the following Responses to Observations 1 & 2, identified in the Companion Letter.

District 3

Cassandra Hernandez

District 4

Joe Molinar

Observation 1: Effective with the 2023-2024 Annual Audit Plan, the Annual Risk Assessment will be expanded to include details on specific Information Technology Risk Factors meeting the Mission, Strategic Plan, Goals and Objectives for the City of El Paso. Also included will be risks factors associated with Cybersecurity. In speaking to the Chairman of the Financial Oversight & Audit Committee, funding will be provided to co-source Cybersecurity audit work going forward.

District 5

Isabel Salcido

District 6

Art Fierro

Observation 2: Effective immediately, I have instructed the Audit Manager to design steps to be included in our Audit Programs that address GAGAS 8.59 and 8.63. We will research both the International Standards for the Professional Practice of Internal Auditing and the Government Audit Standards for specific components to include in our Audit Programs.

District 7

Henry Rivera

District 8

Chris Canales

I wish to thank you and the entire Peer Review Team for an outstanding engagement. The results of the Peer Review will benefit the City of El Paso's Internal Audit Office for years to come. It was truly a professional experience. The Elected Officials you interviewed found your visit very rewarding. They were surprised on how well organized the Peer Review Process worked.

CITY MANAGER

Tommy Gonzalez

Respectfully Yours,

Edmundo S. Calderon
Chief Internal Auditor
City of El Paso, Texas

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