



# **OMB Budget Process Follow-Up Audit Report A2019-14**

Issued by the  
Internal Audit Office  
August 13, 2019

**City of El Paso  
Internal Audit Office  
OMB Budget Process  
Follow-Up Audit No. A2019-14**

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***EXECUTIVE SUMMARY***

The Internal Audit Office conducted a Follow-Up Audit of the Office of Management and Budget (OMB) Budget Process Audit Report dated November 6, 2018. The original Audit Report contained one finding. Upon completion of the review, we determined that the Finding was implemented. OMB updated their Budget Policies Manual in May 2019 in conformity with the Budget Resolution and City of El Paso Charter.

<b>Finding No.</b>	<b>Description of Original Finding</b>	<b>Status</b>
1	<p>In reviewing the April 2006 Budget Policies Manual, the Internal Audit Office Identified the following:</p> <ol style="list-style-type: none"> <li>1. OMB’s Budget Policies Manual was last updated in April 2006.</li> <li>2. Section IX of OMB’s Budget Policies Manual states that the City appropriates a minimum of \$1.5 million in an Operating Contingency Account. The appropriated amount, as of November 6, 2018, was \$1 million per the Chief Financial Officer.</li> <li>3. Section X of OMB’s Budget Policies Manual states that the City maintains a cash Reserve Fund of \$16 million. The current City of El Paso Charter, Section 7.4, states that a Cash Reserve Fund in the General Operating Fund of the City shall be maintained in an amount no less than five percent (5%) of the prior years adopted general fund operating expenditure budget. For Fiscal Year 2018 the required amount would be \$19.1 million.</li> </ol>	Implemented

For a detailed explanation of the current observation please refer to the appropriate finding contained in the body of this Audit Report.

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***BACKGROUND***

The Office of Management and Budget (OMB) develops and administers the budget process as a sound basis for planning, decision-making, and managing control of City resources for the Mayor, City Council, Department Heads, and the public. The staff continually analyzes the revenues, appropriations, expenses, and encumbrances of all departments to develop clear financial reporting mechanisms of the status of resources, which are used as management tools for city officials in the City's ongoing effort to provide the public with effective, efficient, and responsive municipal services.

The *Generally Accepted Government Auditing Standards* (Standard 8.30) states that auditors should evaluate whether the audited entity has taken appropriate corrective action to address findings and recommendations from previous engagements. The *International Standards for the Professional Practice of Internal Auditing* (Performance Standard 2500.A1) require that the chief audit executive establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.

***AUDIT OBJECTIVE***

The audit objective was to review the updated OMB Budget Policies Manual related to the finding and recommendation identified in the original Audit Report dated November 6, 2018.

***AUDIT SCOPE***

The scope of the audit covered OMB's Budget Policies Manual effective May 2019.

***AUDIT METHODOLOGY***

To achieve our audit objectives, we:

- Conducted a review of OMB's Budget Policies Manual effective May 2019 to verify that the update:
  - Reflects the department's current operations,
  - Accurately states the amount appropriated for the Operating Contingency Account,
  - Accurately states the amount maintained in the Cash Reserve Fund.
- Conducted a review of the approval process for OMB's Budget Policies Manual.

We conducted this audit in accordance with *Generally Accepted Government Auditing Standards* and the *International Standards for the Professional Practice of Internal Auditing*. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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***CURRENT OBSERVATION AND STATUS***

Based on the follow-up audit results, the original finding recommendation will be designated with one of the following four status categories:

<i>Implemented</i>	The finding has been addressed by implementing the original corrective action or an alternative corrective action.
<i>In Progress</i>	The corrective action has been initiated but is not complete.
<i>Not Applicable</i>	The recommendation is no longer applicable due to changes in procedures or changes in technology.
<i>Not Implemented</i>	The recommendation was ignored, there were changes in staffing levels, or management has decided to assume the risk.

**Finding 1**

**Current Observation**

- The Office of Management and Budget (OMB) updated their Budget Policies Manual to reflect the department's current operations. The Financial Oversight and Audit Committee approved the updated Budget Policies Manual on April 8, 2019 and City Council approved it on May 14, 2019. OMB implemented the updated Budget Policies Manual in May 2019.
- Section IX of the Budget Policies Manual no longer specifies an amount appropriated for the Operating Contingency Account. The annual Budget Resolution establishes the amount appropriated for the Operating Contingency Account. The Fiscal Year 2019 Budget Book states that the City appropriates a minimum of \$1 million in an Operating Contingency Account.
- In accordance with the current City of El Paso Charter, Section X of the Budget Policies Manual states that the Cash Reserve Fund will equal five percent (5%) of the prior year's adopted General Fund Operating expenditure budget.

**Status**

Implemented

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***INHERENT LIMITATIONS***

Because of the inherent limitations of internal controls, errors or irregularities may occur and not be detected. Also, projections of any evaluation of the internal control structure to future periods beyond the Audit Report date are subject to the risk that procedures may become inadequate due to changes in conditions, management override of internal controls, or that the degree of compliance with the procedures may deteriorate. This was a limited scope audit which only reviewed the areas stated in the Audit Objectives during the Audit Scope period. No representations of assurance are made to other areas or periods not covered by this audit.

***CONCLUSION***

We have concluded our audit work on the objective of the Office of Management and Budget (OMB) Budget Process Follow-Up Audit. The audit evidence used in the analysis is sufficient and appropriate for addressing the objective and supporting the observation and conclusion. In accordance with *Generally Accepted Government Auditing Standards*, we are required to conclude on whether OMB met the objective of this Follow-Up Audit. Based on our audit work, we have determined that OMB met the audit objective in the following areas:

- Updating the Budget Policies Manual in May 2019 to reflect the department's current operations,
- Updating the Budget Policies Manual to state that the annual Budget Resolution establishes the amount appropriated for the Operating Contingency Account. The Fiscal Year 2019 Budget Book states that the City appropriates a minimum of \$1 million in an Operating Contingency Account.
- Updating the Budget Policies Manual to state that in accordance with the current City of El Paso Charter, the Cash Reserve Fund will equal five percent (5%) of the prior year's adopted General Fund Operating expenditure budget.

We wish to thank OMB management for their assistance and courtesies extended during the completion of this Follow-Up Audit.

*Signature on File*

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Edmundo S. Calderón, CIA, CGAP, CRMA, MBA  
Chief Internal Auditor

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Auditor III

**Distribution:**

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