



**El Paso Children’s Museum – Accounts
Payable Follow-Up Audit
No. A2022-11**

Issued by the
Internal Audit Office
October 27, 2022

**City of El Paso
Internal Audit Office
El Paso Children’s Museum – Accounts Payable Follow-Up Audit A2022-11**

EXECUTIVE SUMMARY

The Internal Audit Office conducted a Follow-Up Audit of the El Paso Children’s Museum – Accounts Payable Audit Report dated November 20, 2020. The original Audit Report contained two (2) findings. Upon completion of the audit fieldwork, we have determined the status of the recommendation for each audit finding as outlined in the table below:

Finding No.	Description of Original Findings	Status
1	<p>During the course of the audit, we determined that the El Paso Children’s Museum (EPC) Budget and Donor Contribution Reports are not being provided to the Museum and Cultural Affairs Department (MCAD). These reports are required to be submitted periodically to MCAD per the requirements of the Children’s Museum Funding Agreement and the Children’s Museum Management & Operating Agreement. The required reports are as follows:</p> <ul style="list-style-type: none"> • A five (5) year Museum Operating Budget prior to the commencement of construction. • An annual budget adopted by EPC prior to the beginning of each fiscal year. • Quarterly Donor Contribution Reports. • Quarterly updates to City Council on the status of the design, development, budget, and construction until the Museum is open to the public. <p>In addition, we also identified the following requirements specific to EPC’s Operating Stipend. MCAD should:</p> <ul style="list-style-type: none"> • Document how the Operating Stipend is calculated and used for. • Establish a list of operating expenses paid from the Operating Stipend. • Document how often EPC is required to submit invoices for payment. 	Implemented
2	<p>During the period of September 1, 2018 to August 31, 2020, a sample of 10 invoices processed by the Museum and Cultural Affairs Department (MCAD) and the Capital Improvement Department (CID) were selected for review. The objective of our review was to ensure compliance with the Children’s Museum Agreements and with the applicable <i>City of El Paso’s Accounts Payable Policy</i> dated September 2018 and September 2019.</p> <ul style="list-style-type: none"> • Four (4) out of 10 (40%) invoices processed by MCAD had no evidence that mathematical accuracy of quantities and dollars spent was confirmed. Evidence of mathematical accuracy can entail any form of check mark, symbol, initial or note. The following are the four (4) voucher numbers we reviewed: 19054734, 20000804, 20031041 and 20073253. 	Implemented

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

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BACKGROUND

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 OBJECTIVES

The audit objective was to ensure that corrective action was taken by management to address the recommendations identified in the original Audit Report dated November 20, 2020.

AUDIT SCOPE

The audit period covered the Museum and Cultural Arts Department’s (MCAD) operations for Fiscal Year 2022.

AUDIT METHODOLOGY

To achieve our audit objectives, we:

- Reviewed reports that the El Paso Children’s Museum (EPC) provided to MCAD.
- Reviewed City Council Meeting Agendas and Presentations to verify that Quarterly Updates on EPC Construction were provided.
- Reviewed the Operating Stipend memo from the MCAD Administrative Services Manager to the EPC Director of Operations.
- Reviewed the list of invoices processed by MCAD for FY2022 for the El Paso Children’s Museum.
- Selected a sample to test if invoices equal 33% of EPC Operating Expenses.
- Tested for evidence of mathematical accuracy of quantities and dollars spent on the invoices reviewed.

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, each 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 Internal Audit Office reviewed documents provided by the El Paso Children’s Museum (EPC) to the Museum and Cultural Affairs Department (MCAD). EPC is providing the following reports to MCAD:

- A five (5) year Museum Operating Budget – FY2022 through FY2026.
- An annual budget adopted by EPC January 1, 2022 to December 31, 2022.
- Quarterly Donor Contribution Reports.
- Quarterly updates to City Council on the status of the design, development, budget, and construction.

MCAD has documented the requirements specific to EPC’s Operating Stipend. The Operating Stipend requirements are as follows:

- The Operating Stipend equals 33% of Operating Expenses.
- Operational expenses include salaries and benefits, exhibits/programs, repairs, marketing/outreach, insurance, professional fees, network utilities, physical plant operations, and other miscellaneous operational expenses such as office supplies, training, and office expenses.
- EPC submits quarterly invoices for payment as follows:
 - Quarter 1 – January-March
 - Quarter 2 – April-June
 - Quarter 3 – July, August, September
 - To comply with the City of El Paso’s Fiscal Year End policy, an additional invoice is used to split the July and August expenses from September.
 - Quarter 4 – October- December

Status

Implemented

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Finding 2

Current Observation

The Internal Audit Office reviewed invoices processed by the Museum and Cultural Affairs Department for payments to the El Paso Children’s Museum for FY2022. As of September 28, 2022, the Museum and Cultural Affairs Department processed three invoices.

- The following are the three (3) voucher numbers we reviewed: 22022781, 22039443 and 22068245.
- Three (3) out of three (100%) invoices processed by MCAD staff had evidence of review for mathematical accuracy of quantities and dollars spent.
- Three out of three (100%) payments processed were equal to 33% of the Operating Expenses submitted by EPC.

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 objectives of the El Paso Children’s Museum – Accounts Payable Follow-Up Audit. The audit evidence used in the analysis is sufficient and appropriate for addressing the objectives and supporting the observations and conclusion. In accordance with *Generally Accepted Government Auditing Standards*, we are required to conclude on whether MCAD met the objectives of this Follow-Up Audit. Based on our audit work, we have determined that:

1. MCAD met the audit objectives in the following areas:
 - MCAD is ensuring EPC is providing the required Budget and Donor Contribution Reports.
 - MCAD has documented the requirements specific to EPC’s Operating Stipend.
 - MCAD is documenting evidence of review for mathematical accuracy of quantities and dollars spent on EPC invoices.

We wish to thank the Museum and Cultural Affairs Department management and staff for their assistance and courtesies extended during the completion of this Follow-Up Audit.

Signature on File

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

Signature on File

John P. Monzon, MAcc
Auditor I

Signature on File

Miguel Montiel, CIA, CGAP
Audit Manager

Distribution:
Financial Oversight and Audit Committee
Tomas Gonzalez, City Manager
Dionne Mack, Deputy City Manager
Ben Fyffe, Managing Director, Museum and Cultural Affairs Department