



Budget Transfer Audit

No. A2025-04

Issued by the
Internal Audit Department
June 09, 2025

**City of El Paso
Internal Audit Department
Budget Transfer Audit A2024-08**

EXECUTIVE SUMMARY

The Internal Audit Department has concluded the Budget Transfer Audit. Based on the results of the audit, one finding was identified. The finding is considered a “Regular Finding”.

Listed below is a summary of the finding identified in this report:

1. The Office of Management and Budget (OMB) does not have documented internal Policies and Procedures for processing and approving Budget Transfers specific to City Departments requests. OMB has an established process that staff follows, but the process is not documented.

For a detailed explanation of the finding, please refer to the body of this Audit Report.

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BACKGROUND

The Office of Management and Budget (OMB) continually analyzes the revenues, appropriations, expenses, and encumbrances of all departments to develop clear financial reporting mechanisms for the status of resources. Resources 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.

OMB staff develops the City's annual operating, debt service, and capital acquisition budgets within legal and prudent fiscal management requirements. OMB monitors expenditures throughout the fiscal year to ensure that all City departments remain within budget allocations and prepare monthly financial reports of the City's comprehensive budgetary status.

OMB is responsible for processing Budget Transfers in accordance with each Fiscal Year's Budget Resolutions. The Budget Resolution for Fiscal Year 2025 included:

- Department Heads are authorized to make Budget Transfers not exceeding \$50,000.00.
- Budget Transfers that range from \$50,001.00 to \$100,000.00 require the City Manager approval.
- Budget Transfers between departments and/or non-enterprise department funds exceeding \$100,000.00 require City Council approval.

AUDIT OBJECTIVES

The objectives of the Budget Transfer Audit are to determine if the Office of Management and Budget:

- Has comprehensive written Policies and Procedures for Budget Transfers.
- Properly communicates and provides feedback to City departments.
- Is enforcing established Budget Transfer limits.
- Is ensuring City departments are providing proper documentation for Budget Transfers.
- Has processes in place to ensure the accuracy and completeness of Budget Transfers.

AUDIT SCOPE AND METHODOLOGY

Our audit scope for September 1, 2024 to April 9, 2025 will include:

- Obtain an understanding of OMB's internal Policies and Procedures.
- Review OMB's Budget Transfer process.
- Interview OMB personnel.
- Review a sample of Budget Transfers processed by OMB for the Fiscal Year 2025.
- The total population for the review period was 612 Budget Transfers, of which 362 were under \$50,000.00, 64 were between \$50,001.00 and \$100,000.00, and 186 were over \$100,000.00.
- A sample of 15 Budget Transfers under \$50,000.00, and 12 Budget Transfers between \$50,001.00 and \$100,000.00 were selected for review.

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We conducted this audit in accordance with Generally Accepted Government Auditing Standards and the Global Internal Audit Standards. 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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***REGULAR FINDINGS, RECOMMENDATIONS,
AND MANAGEMENT'S RESPONSES***

The definition of a “Significant Finding” is one that has a material effect on the City of El Paso’s financial statements, identifies an internal control breakdown, is a violation of a City procedure, or a violation of a law and/or regulation, which the City is required to follow. Any finding not meeting these criteria will be classified as a “Regular Finding”.

Finding 1

Policies and Procedures

City of El Paso Strategic Plan:

- *Goal 6.4 Implement leading-edge practices for achieving quality and performance excellence.*
- *Goal 6.12 Maintain systems integrity, compliance and business continuity.*

A strong system of internal controls requires that Policies and Procedures be developed that document routine or repetitive activity followed by an organization. The development and use of Policies and Procedures are an integral part of a successful quality system as it provides individuals with the information and guidance to perform a job properly.

The Office of Management and Budget (OMB) does not have documented internal Policies and Procedures for processing and approving Budget Transfers specific to City Departments' requests. OMB has an established process that staff follows, but the process is not documented.

Recommendation

The Office of Management and Budget should document internal Policies and Procedures specific to the Budget Transfer process.

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Management's Response

We would like to highlight that Budget Transfers are governed by the Budget Resolution adopted by the El Paso City Council during the Annual Budget approval process. In particular, these are paragraphs 6,7,10 and 11 from FY 2025 Budget Resolution. A separate Budget Resolution, specific to the Mass Transit Department, is approved by the Mass Transit Department Board on the same day. Additional guidance on Budget Transfers is outlined in the City's Budget Policies, which were last approved by City Council in May 2023. On October 16, 2023, the Office of Management and Budget presented the Capital Improvement Plan (CIP) Budget Transfers policy and procedure, which applies to project appropriations approved by City Council as part of the CIP, to the Financial Oversight and Advisory Committee. In addition, during the annual financial audit external auditors test budget transfers when they test general ledger. They have not raised any questions or concerns with regards to Budget Transfers.

While an established and consistent process is currently in place for processing and approving Budget Transfers requested by City of El Paso Departments (City), we recognize that the absence of formally documented procedures may limit consistency, transparency, and training effectiveness.

To address the finding, OMB prioritized the development of comprehensive written procedures that clearly define the steps, roles, and responsibilities involved in the Budget Transfer process. Additionally, our Budget Transfer process will maintain the regulations and adhere by Council Approved Budget Resolutions each fiscal year with the City's Budget Adoption.

Corrective Action Plan:

*Action: Develop and formalize written Policies and Procedures for processing and approving Budget Transfers (Complete)

- Upon receiving draft audit report Office of Management and Budget immediately developed comprehensive document that outlines Standard Operating Procedures for City of El Paso Budget Transfer Process.

*Target Completion Date: August 8th, 2025 (Complete)

*Follow-Up: Ensure dissemination to relevant staff and provide training to support implementation and compliance (Complete)

Management is committed to continuous improvement of systems integrity, compliance and enhancing transparency and accountability across all OMB processes.

Responsible Party

Sasho Andonoski, Director of Management and Budget – Office of Management and Budget

Implementation Date

September 1, 2025

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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 work on the objectives of the Budget Transfer Audit. The audit evidence used in the analysis is sufficient and appropriate for addressing the objectives and supporting the findings and conclusion. In accordance with Generally Accepted Government Auditing Standards, we are required to conclude whether the Office of Management and Budget (OMB) met the objectives of this audit. Based on our audit work, we have determined that:

1. OMB met the audit objectives in the following areas:
 - Is properly communicating and providing feedback to City departments.
 - Is enforcing the established Budget Transfer limits.
 - Is ensuring City Departments are providing proper documentation for Budget Transfers.
 - Has processes in place to ensure the accuracy and completeness of Budget Transfers.
 - Our review consisted of 15 Budget Transfers under \$50,000.00 and 12 Budget Transfers from \$50,001.00 to \$100,000.00. All of them were deemed appropriate.
2. OMB did not meet the audit objectives in the following areas:
 - Having comprehensive written Policies and Procedures for Budget Transfers.

OMB submitted Management Responses, which included a copy of documented Standard Operating Procedures (SOPs) for the Budget Transfer process. The Internal Audit Department reviewed these SOPs and confirmed that they meet the recommendation made in the audit report. No Follow-Up Audit will be conducted, as the corrective action has been implemented by OMB Management. We wish to thank OMB Management and staff for their assistance and courtesies extended during the completion of this audit.

Signature on File
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