Internal Audit Charter

Effective as of
June 18, 2026

City of El Paso
Internal Audit Charter

PURPOSE, MISSION AND SCOPE OF WORK

The purpose and mission of the Internal Audit Department is to provide independent, objective assurance and advisory services[1] designed to add value and improve the City of El Paso's operations. The Internal Audit Department helps the management team of the City of El Paso accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

In the discharge of its duties, the Internal Audit Department shall incorporate structured risk assessment methodologies, including an External Risk Framework evaluating political, economic, social, technological, legal, and environmental factors, and an Internal Control Framework assessing people, processes, technology, and organizational culture. The results of these frameworks shall be used to inform engagement planning, scoping, and prioritization to ensure that Internal Audit's work remains properly aligned with the City's strategic objectives, risk exposures, and governance responsibilities.

The scope of work of the Internal Audit Department is to determine whether the organization's network of risk management, control, and governance processes, as designed and represented by management, is adequate and functioning in a manner to ensure:

- Risks are appropriately identified and managed.
- Interaction with the various governance groups occurs as needed.
- Significant financial, managerial, and operating information is accurate, reliable, and timely.
- Employee's actions are in compliance with policies, standards, procedures, and applicable laws and regulations.
- Resources are acquired economically, used efficiently, and adequately protected.
- Programs, plans, and objectives are achieved.
- Quality and continuous improvement are fostered in the organization's control process.
- Significant legislative or regulatory issues impacting the organization are recognized and addressed properly.
- Opportunities for improving management control, accountability, and the organization's image may be identified during audits. These opportunities will be communicated to the appropriate level of management.

[1] For the purposes of this Charter, the terms 'assurance services,' 'advisory services,' 'independence,' and 'objectivity' shall have the meanings assigned to them by the Global Internal Audit Standards.

INTERNAL AUDIT FUNCTION'S MANDATE

The City of El Paso's internal audit function mandate is found in the City of El Paso Municipal Code & City Charter Article III:

- Section 3.6 – Legislative Committees
  B. The Council shall establish a Financial Oversight and Audit Committee "FOAC" for the purpose of providing legislative oversight of the function of the Internal Auditor, to review the financial policies of the City, and to formulate recommendations for the City Council regarding City finances and other matters referred by the City Council or City Manager. The FOAC shall be comprised of four members of the City Council, the Chief Internal Auditor, and the City Manager or designee and shall meet when needed, at least quarterly.
- Section 3.20 – Ethics and Accountability
  B. Internal Audit Function
    1. The Council shall establish and create an internal audit function to ensure that appropriate internal audits will be performed in accordance with professionally recognized auditing standards of the operations of all City departments, offices, agencies and programs.
    2. The function shall be staffed by a Chief Internal Auditor and such other appropriate positions as are authorized by the Council who shall report to the Chief Internal Auditor.
    3. Consistent with the provisions of this Charter, the Council shall by ordinance or resolution provide for the powers and duties of the Chief Internal Auditor as needed for the performance of the function.
    4. The Financial Oversight and Audit Committee shall maintain legislative oversight over the internal audit function as provided in Section 3.6 B.
    5. On and after the effective date of this amendment, the Chief Internal Auditor shall be appointed and removed by, and report to the Council. The Chairman of the Financial Oversight and Audit Committee shall maintain operational oversight over the internal audit function. The City Manager shall be responsible for the implementation of any audit recommendations for changes to City administrative procedures and operations as requested by the Council.

Management shall provide full cooperation, timely responses, access to information, and adequate resources necessary for Internal Audit to fulfill its mandate.

ACCOUNTABILITY

The Chief Internal Auditor (CIA), in the discharge of his/her duties, shall be accountable to the Financial Oversight and Audit Committee ("FOAC") to:

- Provide annually an assessment on the adequacy and effectiveness of the City of El Paso's processes for controlling its activities and managing its risks in the areas set forth under the mission and scope of work.

- Report significant issues related to the processes for controlling the activities of the City of El Paso, including potential improvements to those processes, and provide information concerning such issues through resolution.

- Maintain a schedule of FOAC Meeting Dates established at the beginning of each calendar year. These meeting dates should be identified in coordination with the Chairperson of the FOAC. Every effort should be made to honor the meeting dates in order to avoid any delays. Additional meeting dates can be created as needed.

- Provide quarterly updates on the status and results of the Annual Audit Plan and the sufficiency of department resources to the Financial Oversight and Audit Committee.

- Coordinate with and provide oversight if requested of other control and monitoring functions (risk management, compliance, security, legal, ethics, environmental, external audit).

- Notify the appropriate regulatory, law enforcement, and legal authorities of any potential criminal audit findings after the City Manager, the Financial Oversight and Audit Committee, and the City Attorney have been notified about such pending action.

- Provide to the Financial Oversight and Audit Committee an annual written assessment of the sufficiency of Internal Audit resources, including staffing, training, technological tools, and specialized skills, as required by Generally Accepted Government Auditing Standards and industry best practices, to ensure that Internal Audit may discharge its responsibilities under this Charter without impairment.

- Provide an annual written confirmation of organizational independence to the Financial Oversight and Audit Committee.

INDEPENDENCE

The Internal Audit Department shall remain free of influence by any element in the organization, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of an independent and objective mental attitude necessary in rendering reports.

To provide for the independence of the internal audit activity, its personnel report to the CIA who reports operationally to the Chairman of the Financial Oversight and Audit Committee and legislatively to the Financial Oversight and Audit Committee in a manner outlined in the above section on Accountability. The City Manager shall be responsible for the implementation of any audit recommendations for changes to City administrative procedures and operations as recommended by the Financial Oversight and Audit Committee and approved by Council via Resolution.

The Chief Internal Auditor shall disclose to the Financial Oversight and Audit Committee any actual, potential, or perceived impairments to independence or objectivity, with regards to his or herself and all Internal Audit staff, identified in the discharge of his or her duties, in accordance with the Global Internal Audit Standards and Generally Accepted Government Auditing Standards.

RESPONSIBILITY

The CIA and staff of the internal audit activity have responsibility to:

- Develop and maintain an Internal Audit Strategy that defines mission-aligned objectives, value-added priorities, capability development needs, and performance indicators. The Internal Audit Strategy shall be reviewed periodically with the Financial Oversight and Audit Committee and senior leadership to ensure alignment with the City's strategic direction.

- Develop a flexible Annual Audit Plan using appropriate risk-based methodology, including any risks or control concerns identified by management, and submit that plan to the Financial Oversight and Audit Committee for review and recommendation, subject to final approval by Council.

- In developing the Annual Audit Plan, the Chief Internal Auditor shall utilize structured risk assessment methodologies that incorporate both the External Risk Framework and the Internal Control Framework. These tools shall be used to assess emerging risks, strategic risks, and changes in the internal control environment, thereby ensuring that the Annual Audit Plan remains appropriately risk-based, current, and aligned with the City's priorities.

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- Implement the Annual Audit Plan, as approved, including, as appropriate, any special tasks or projects requested by management and the Financial Oversight and Audit Committee, and subject to final approval by Council.

- Issue quarterly reports to the Financial Oversight and Audit Committee, and City Council summarizing the results of audit findings and special projects.

- Establish a system to follow-up on reported audit findings. The intent of this responsibility is to ensure that past audit findings are satisfactorily resolved.

- Maintain a professional audit staff with sufficient knowledge, skills, experience, and professional certifications required to perform work in accordance with applicable standards and to meet the requirements of this charter as authorized by City Council.

- Report to the Financial Oversight and Audit Committee a regular annual report on Internal Audit Department's staffing level and subject to final approval by Council.

- Develop, implement, and maintain a Quality Assurance and Improvement Program by which the CIA assures the quality of operations of the Internal Audit Department activities.

- As part of the Quality Assurance and Improvement Program, incorporate outcome-based and qualitative performance metrics to assess Internal Audit's contribution to organizational improvement, including stakeholder satisfaction trends, audit cycle time, risk-coverage effectiveness, and rates of implementation of audit recommendations.

- Report to the Financial Oversight and Audit Committee the results of internal quality assessments annually and external quality assessments "Peer Reviews" conducted at least every three (3) years.

- Perform advisory services, beyond internal auditing's assurance services, to assist management in meeting its objectives. Examples may include facilitation, reviewing process design, training, and consulting services.

- Evaluate and assess significant merging/consolidating functions and new or changing services, processes, operations, and control processes coincident with the development, implementation, and/or expansion of City operations.

- Keep the Financial Oversight and Audit Committee informed of emerging trends and successful practices in internal auditing.

- Present all Audit Reports to the FOAC and City Council:
  - Schedule the draft of Audit Reports to be presented to FOAC for "discussion and action."
  - Upon FOAC acceptance, place the approved draft on the next City Council agenda for "discussion and action."
  - Audit reports shall disclose any significant limitations in scope or access encountered during the engagement, as required under Generally Accepted Government Auditing Standards.

- Provide a report of significant measurement goals and results to the Financial Oversight and Audit Committee.

- Assist in the investigation of significant issues, including suspected fraudulent activities, within the City of El Paso and notify the City Manager, the Financial Oversight and Audit Committee, and the City Attorney of the results before reporting to the whole of Council, including recommended action(s); subject to Council approval.

  - In performing such activities, the Internal Audit Department shall maintain appropriate documentation and safeguard evidence in accordance with professional standards and applicable law.

- Consider the scope of work of the external auditors and regulators, as appropriate, for the purpose of providing optimal audit coverage to the City of El Paso at a reasonable overall cost.

NON-AUDIT SERVICES

In addition to the responsibilities outlined above, the CIA and Internal Audit staff may provide non-audit services, including, but not limited to the following:

- Administer the City of El Paso Anonymous Employee Hotline,
- Coordinate Hotel Occupancy Tax Audits,
- Conduct Cybersecurity Audits,
- Conduct Sales Tax Discovery Audits,
- Conduct Franchise Fee Audits, in coordination with the Chief Financial Officer,
- Serve as the Contract Administrator for Avenu Insights & Analytics – Clearview Sales Tax System.
- Provide advisory support in the development of the City of El Paso's Enterprise Risk Management Framework.

Prior to performing non-audit services, Internal Audit shall:

- Evaluate and document potential impacts on independence and apply any safeguards, as necessary;
- Ensure non-audit work does not include operational decision-making; and,
- Clearly define the scope and objectives of each non-audit service.

AUTHORITY

The CIA and staff of the Internal Audit Department are authorized to:

- Have unrestricted access to all functions, records, property, and personnel of the City of El Paso.
- Have full and unrestricted access to the Financial Oversight and Audit Committee.
- Allocate resources, set frequencies, select subjects, determine scopes of work, and apply audit techniques required to accomplish audit objectives.
- Obtain the necessary assistance of personnel within city departments of the City of El Paso where they perform audits, as well as other specialized services from within or outside the City of El Paso.

The CIA and staff of the Internal Audit Department are not authorized to:

- Perform any operational duties for the City of El Paso or its affiliates.
- Initiate or approve accounting transactions external to the Internal Audit Department.
- Direct the activities of any City of El Paso employee not employed by the Internal Audit Department, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditors.

PROFESSIONAL STANDARDS

The Internal Audit Department shall meet or exceed the mandatory requirements of the *Global Internal Audit Standards issued by* the Institute of Internal Auditors and shall conduct audits or other engagements requiring such compliance in accordance with *Generally Accepted Government Auditing Standards* (GAGAS), issued by the United States Government Accountability Office.

The Internal Auditing Staff shall govern themselves by adherence to The Institute of Internal Auditors' principles and standards in the Ethics and Professionalism domain of the *Global Internal Audit Standards* and the United States Government Accountability Office's "Ethical Principles."

AMENDMENT OF THE CHARTER

The Chief Internal Auditor is responsible for the maintenance of this Internal Audit Charter to ensure that it is reviewed annually and is revised as necessary. This Charter shall be revised as necessary to reflect updates to the Global Internal Audit Standards, Generally Accepted Government Auditing Standards, and other applicable professional guidance. Any amendment is subject to review and recommendation by the City Attorney before consideration and approval by the Financial Oversight and Audit Committee.

EXECUTIVE ENDORSEMENT OF THE INTERNAL AUDIT CHARTER

The Internal Audit Charter is the formal document that specifies the Internal Audit Department's authority and responsibilities. The charter is important to management, the activity being audited, and audit staff. Our endorsement of the Internal Audit Charter underscores the importance of the Internal Audit Department's mission. We ask for your continued cooperation as our internal auditors fulfill their important responsibility to the City of El Paso.

(Signatures on following page.)

City of El Paso
Internal Audit Charter

Approval Date 7/22/26

Representative Alejandra Chavez
Chairperson
Financial Oversight and Audit Committee
City of El Paso

Approval Date 07/22/2026

Representative Chris Canales
Committee Member
Financial Oversight and Audit Committee
City of El Paso

Approval Date 7/23/26

Representative Deanna Maldonado-Rocha
Committee Member
Financial Oversight and Audit Committee
City of El Paso

Approval Date 7/22/2026

Representative Ivan Niño
Committee Member
Financial Oversight and Audit Committee
City of El Paso

Acknowledged Date 7/23/26

Adrian Serrano
Chief ~~Internal~~ Auditor
City of El Paso