



External Quality Control Review

of the
City of El Paso, Texas
Internal Audit Office

Conducted in accordance with guidelines of the
**Association of Local Government
Auditors**
for the period September 1, 2013 to August 31,
2016



Association of Local Government Auditors

March 2, 2017

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

Dear Mr. Calderon,

We have completed a peer review of the City of El Paso, Internal Audit Office for the period September 1, 2013 to August 31, 2016. In conducting our review, we followed the standards and guidelines contained in the *Peer Review Guide* published by the Association of Local Government Auditors (ALGA).

We reviewed the internal quality control system of your audit organization and conducted tests in order to determine whether your internal quality control system operated to provide reasonable assurance of compliance with *Government Auditing Standards* issued by the Comptroller General of the United States. Our procedures included:

- Reviewing the audit organization's written policies and procedures.
- Reviewing internal monitoring procedures.
- Reviewing a sample of audit and attestation engagements and working papers.
- Reviewing documents related to independence, training, and development of auditing staff.
- Interviewing auditing staff, management, and members of the Audit Committee to assess their understanding of, and compliance with, relevant quality control policies and procedures.

Due to variances in individual performance and judgment, compliance 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 the City of El Paso, Internal Audit Office's internal quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards* for audits and attestation engagements during the September 1, 2013 to August 31, 2016.

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



Alan Gutowski
Senior IS Auditor
City of Albuquerque
Albuquerque, NM
Team Leader



Debbie Banks
City Auditor
City of Memphis
Memphis, TN
Team Member



Camille Jones
Assistant City Auditor IV
City of Houston-
Controller's Office
Houston, TX
Team Member



Association of Local Government Auditors

March 2, 2017

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

Dear Mr. Calderon,

We have completed a peer review of the City of El Paso Internal Audit Office for the period September 1, 2013 to August 31, 2016 and issued our report thereon dated March 2, 2017. 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:

- Hiring, developing, training, and maintaining a highly competent audit staff;
- Establishing and evolving an internal audit function that, according to management, is seen as a value added service;
- Creating and progressing an internal quality assurance and improvement program; and
- Overseeing working paper organization that enables the quality control review to be timely.

We offer the following observations and suggestions to enhance your organization's demonstrated adherence to *Government Auditing Standards*:

1. Standard 3.42 requires that an auditor who previously performed non-audit services for an entity that is a prospective subject of an audit should evaluate the impact on independence of any previously performed non-audit services before accepting the prospective audit.

Observation:

During the review of the performance audit engagements, we did not find adequate documentation indicating whether or not the auditor had previously performed non-audit services for the entities that were prospective subjects of an audit for four of four engagements.

We suggest that auditors document whether or not they previously performed non-audit services in the Planning Memo to comply with applicable standard 3.42.

2. Standard 6.35 requires that an auditor assess audit risk and significance within the context of the audit objectives by gaining an understanding of the impact on ongoing investigation and legal proceedings.

Observation:

During the review of the performance audit engagements, we did not find adequate documentation indicating whether or not the auditor had determined if there was an ongoing investigation and/or legal proceedings for four of four engagements.

We suggest that auditors document whether or not there are any ongoing investigations or legal proceedings to comply with applicable standard 6.35.

3. Standard 6.36 requires that an auditor assess audit risk and significance within the context of the audit objectives by gaining an understanding of the results of previous audits.

During the review of the performance audit engagements, we did not find adequate documentation indicating whether or not the auditor had determined if there were any previous audits for four of four engagements.

We suggest that auditors document whether or not there are any previous audits to comply with applicable standard 6.36.

4. Standard 6.66 requires that an auditor assess sufficiency and appropriateness of computer-processed information. The management letter from the 2013 peer review suggested that *auditors document their assessment and decisions regarding the appropriateness of computer generated information to comply with applicable standard (6.66)*. The Internal Audit Office did implement the suggestion.

Observation:

During the review of the performance audit engagements the working papers of four of four engagements included the Assessment of Computer-Processed Information form that documented whether or not the information was sufficient and appropriate. However the form did not reference the information in the working papers or discuss how the auditor made his/her determination.

We suggest that auditors cross reference the information in the field work section to the Assessment of Computer-Processed Information form. We also suggest that auditors document how they made the determination that the information was sufficient and appropriate.

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,



**Alan Gutowski
Senior IS Auditor
City of Albuquerque
Albuquerque, NM
Team Leader**



**Debbie Banks
City Auditor
City of Memphis
Memphis, TN
Team Member**



**Camille Jones
Assistant City Auditor IV
City of Houston-
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Houston, TX
Team Member**



Internal Audit Office

March 7, 2017

Alan Gutowski
ALGA Team Leader
Association of Local Government Auditors
449 Lewis Hargett Circle, Suite 290
Lexington, KY 40503

RE: Management Responses to Government Auditing Standards Peer Review

Dear Alan,

Thank you very much for leading the Peer Review Team for the City of El Paso's Internal Audit Office. I appreciate the professionalism displayed by the Peer Review Team while conducting the review. I expect that the observations and suggestions offered by the Peer Review Team will provide our office the tools to continue to improve.

As requested, we are providing the following responses to the observations and suggestions made in order to enhance our organization's adherence to the United States Government Accountability Office (GAO) *Generally Accepted Government Auditing Standards* (GAGAS):

Observation 1:

GAGAS 3.42 requires that an auditor who previously performed nonaudit services for an entity that is a prospective subject of an audit should evaluate the impact of those nonaudit services on independence before accepting an audit.

We will update our Planning Memo to document whether or not any assigned auditors previously performed any non-audit services of the area under review in order to comply with standard 3.42.

Observation 2:

GAGAS 6.35 requires that an auditor assess audit risk and significance within the context of the audit objectives by gaining an understanding of the impact on ongoing investigation and legal proceedings.

We will update our Policies and Procedures Manual to require that auditors document whether or not there are any ongoing investigations and/or legal proceedings prior to an engagement being performed. We will contact the City Attorney's Office and attempt to obtain written confirmation of any pending investigations and/or legal proceedings in order to satisfy standard 6.35.

Edmundo S. Calderón – Chief Internal Auditor
City 2 | P.O. Box 1890 | El Paso, Texas 79950 | (915) 212-0069

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Lily Limón

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Cortney C. Niland

City Manager
Tommy Gonzalez



Internal Audit Office

Observation 3:

GAGAS 6.36 requires auditors should evaluate whether the audited entity has taken appropriate corrective action to address findings and recommendations from previous engagements that are significant within the context of the audit objectives.

We will update our Planning Memo to document whether or not there were any previous audits performed of the area under review in order to comply with standard 6.36.

Observation 4:

GAGAS 6.66 requires that an auditor assess sufficiency and appropriateness of computer-processed information.

We will update the Assessment of Computer-Processed Information form in order to satisfy GAGAS 6.66. The Assessment of Computer-Processed Information form will be cross-referenced to each applicable work paper in the field work section. The Assessment of Computer-Processed Information form will be updated to reflect how the auditor made the determination that the information was sufficient and appropriate.

Our office strives to continue to improve our Policies and Procedures by participating in the ALGA Peer Review Program. I appreciate you and your team commitment to the ALGA Peer Review Program. I cannot express my gratitude for volunteering time out of your busy schedule to assist our office.

Very Truly Yours,

A handwritten signature in blue ink that reads "Edmundo Calderon".

Edmundo Calderon, CIA, CGAP, CRMA
Chief Internal Auditor
City of El Paso, TX