2025-2026
Annual Audit Plan
4th Quarter Update

Issued by the
Internal Audit Department
As of August 31, 2026

City of El Paso
Internal Audit Department
Financial Oversight and Audit Committee
4th Quarter 2025-2026 Audit Plan Update
As of August 31, 2026

INTRODUCTION

According to Domain III & IV of the *Global Internal Audit Standards*, Principle 8 - Standard 8.1 and Principle 9 - Standard 9.4 as issued by the Institute of Internal Auditors, the Chief Internal Auditor must report periodically to the Financial Oversight and Audit Committee ("FOAC") and Senior Management on the internal audit activity's purpose, authority, responsibility, and performance relative to its Audit Plan. The Chief Internal Auditor is also responsible for reporting significant risk exposures, control issues, fraud risks, governance issues, and other matters needed or requested by the Financial Oversight and Audit Committee and Senior Management.

In addition, by periodically reporting to the Financial Oversight and Audit Committee and Senior Management, the Internal Audit Department (the "Department" or "Internal Audit") helps support the City of El Paso's *Strategic Plan* Goals 6.6 and 6.8:

- Goal 6.6: *Ensure continued financial stability and accountability through sound financial management, budgeting and reporting.*
- Goal 6.8: *Support transparent and inclusive government.*

The Chief Internal Auditor is also responsible to communicate the internal audit activity's plans and resource requirements, including significant interim changes, to the Financial Oversight and Audit Committee for review and approval. The Chief Internal Auditor must also communicate the impact of any resource limitations.

Based on this requirement, this Annual Audit Plan Update is being provided to the Financial Oversight and Audit Committee. The Chief Internal Auditor will provide an update on the following three critical areas required in the management of an internal audit activity:

1. Pending Audits and Projects
2. Miscellaneous Items affecting the Internal Audit Department's Activity
3. Annual Audit Plan Update

As required by the *Global Internal Audit Standards*, Standard 7.1, the City of El Paso's Internal Audit Department continues to maintain its independence. Per the City Charter amended June 18, 2026, the Chief Internal Auditor reports operationally to the Chairperson of the Financial Oversight and Audit Committee and legislatively to the entire FOAC. The FOAC reviews and recommends for approval by City Council the Internal Audit Charter and annual risk-based Audit Plan. The FOAC also receives quarterly updates to the Annual Audit Plan from the Chief Internal Auditor. The City Manager shall be responsible for the implementation of any audit recommendations for changes to City administrative procedures and operations as requested by City Council. Standard 8.3 requires the Internal Audit Department ensure conformance with the *Global Internal Audit Standards*, to include the Ethics and Professionalism Domain II. The Ethics and Professionalism Domain Principles include Integrity, Objectivity, Confidentiality, Competency, and Due Professional Care. Any non-conformance will be reported.

We conduct audits in accordance with both *Generally Accepted Government Auditing Standards* and the *Global Internal Audit Standards*.

PENDING AUDITS & PROJECTS

This section provides a brief status summary of audits and projects currently in progress as of the end of the 4th Quarter. Each entry includes the audit's primary objective(s) and scope.

1. Parks & Recreation Department – Park Usage Permit Follow-Up Audit

The Parks & Recreation Department Park Usage Permit Audit Report dated March 18, 2025 identified two (2) findings requiring implementation of recommendations.

This follow-up audit should allow the Internal Audit Department to ascertain if the recommendations have been:

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

2. El Paso Police Department – Overtime Audit

The objectives of the El Paso Police Department (EPPD) – Overtime Audit are to:

- Determine if overtime is consistently managed, appropriately authorized, and supported by sufficient documentation.
- Determine if EPPD has established an effective monitoring program to ensure that overtime expenditures and overtime processes are in compliance with:
    - The Collective Bargaining Agreement between the City of El Paso and the El Paso Municipal Police Officer's Association.
    - City of El Paso and EPPD Policies and Procedures.
    - Applicable MOUs and/or grant agreements.

3. Single-Family Owner-Occupied Renovation Program Audit

The objective of the audit is to determine if the SFOO Renovation Program is being administered in compliance with applicable grant and program requirements. To achieve this, the audit will assess the following:

- Applicant intake and eligibility processing,
- Individual project execution,
- Project contracting and procurement,
- Financial management and closeout, and
- Administrative oversight and reporting.

4. La Nube Children's Museum Contract Audit

The objectives of the La Nube Children's Museum Contract Audit are to determine if:

- Accounts payable transactions are processed in a timely manner and in accordance with:

    - Funding, Operating, and Lease Agreements between the City and The EPC Museum (EPC), a Texas nonprofit corporation
    - *City of El Paso Accounts Payable Policy*
- Appropriate documentation is in place to support accounts payable transactions.
- Accounts payable transactions are properly reviewed and approved for payment by authorized personnel.
- The City has implemented adequate controls to limit exposure of unauthorized accounts payable transactions.
- EPC is operating within budgetary limits.
- EPC and the City are complying with the terms and conditions of the Funding, Operating, and Lease Agreements to include budget, reporting and oversight.
- EPC's Donor pledge agreements, notes payable, and other key financial factors are supported by sufficient and appropriate evidence and are properly authorized in accordance with applicable contractual agreements.

5. Parks & Recreation Department – Sports Fields Audit

The objectives of the Parks and Recreation Department – Sports Field Audit are to:

- Conduct an analysis of parking capacity for sport league demand, as well as zoning and safety requirements.
- Conduct an analysis of field maintenance, including maintenance governed by Memorandum of Understanding (MOU) agreements.
- Determine whether rental fees charged are in accordance with City policies and compliant with the City of El Paso Schedule C Fee List.

6. City Wide P-Card and Travel Review

The objective of the P-Card and Travel Review is to perform a data analytics assessment to identify unusual or unexpected trends and patterns, allowing us to target higher-risk areas that may warrant substantive testing. This review, along with substantive testing performed, will help evaluate the adequacy and effectiveness of controls over P-Card operations and determine whether P-Card purchases comply with applicable City of El Paso policies and procedures.

FINANCIAL OVERSIGHT AND AUDIT COMMITTEE

1. The FOAC met on June 18, 2026 to discuss the following:

- Approval of Minutes for the Financial Oversight and Audit Committee meeting of May 21, 2026.
- Discussion and Action on the City of El Paso Internal Audit Charter.
- Discussion on FY2025-2026 Audit Plan 3rd Quarter Updates.
- Discussion and Action on the results of the El Paso International Airport – Accounts Payable Follow-Up Audit A2026-03

MISCELLANEOUS ITEMS

This section includes updates on departmental activities, training, professional service contributions, and other relevant developments affecting the Internal Audit Department

CERTIFICATIONS

Miguel Ortega successfully sat for and earned the *Certified Fraud Examiner* (CFE) designation. This is a significant professional achievement and a testament to his expertise and dedication to the field of internal auditing.

TRAINING SESSIONS

The Internal Audit Department staff participates in Continuing Professional Education (CPE) trainings and webinars to maintain the competencies required by their respective professional certification and licenses. As of the 4th Quarter, staff have earned the following number of CPE hours. Staff holding professional certifications or licenses are required to complete the number of CPE hours prescribed by each credentialing body to remain in good standing.

Name	Position	CPE Hours
Adrian Serrano	Chief Internal Auditor	33.6
Liz De La O	Deputy Chief Internal Auditor	31.6
Mike Montiel	Audit Manager	18.0
Martha Vargas	Auditor IV	35.0
Miguel Ortega	Auditor IV	49.3
Sergio Carrillo	Auditor III	38.2
Christian Castro	Auditor II	61.8
Christopher Gallardo	Auditor II	24.0
Miguel Olivas	Auditor I	43.0

SERVICE TO THE PROFESSION

I. Association of Government Accountants – El Paso Chapter
   - Martha Vargas volunteered as a Board Member.

II. Institute of Internal Auditors – El Paso Chapter
   - Martha Vargas volunteered as Treasurer

III. Association of Certified Fraud Examiners – El Paso Chapter
   - Liz De La O and Miguel Montiel volunteered as Board Members.

City of El Paso
Internal Audit Department
Financial Oversight and Audit Committee
4th Quarter 2025-2026 Audit Plan Update
As of August 31, 2026

AUDIT PLAN UPDATE

This section provides the Financial Oversight and Audit Committee and the City Manager with an update on the progress of the 2025-2026 Annual Audit Plan. It includes an analysis of Audits and Projects scheduled by quarter, their associated budgeted hours, and the actual audit hours worked to date. This information serves as a key management tool for demonstrating how the Internal Audit Department's resources are being utilized throughout the fiscal year.

	BUDGETED HOURS	**YTD as of 05/31/26**	**Engagement Status**
First Quarter	-	-	-
(CarryFwds) Vehicle Allowance & Take-Home Cars Project P2025-02	15.00	19.25	Completed
(CarryFwds) Cyber Audits: EPPD – Administration	50.00	133.00	Completed
(CarryFwds) El Paso Zoo – Financial Activity Audit A2025-09	100.00	93.75	Completed
(CarryFwds) Red Book Assessment	250.00	127.75	Completed
(CarryFwds) Animal Services – Construction Audit A2025-08	400.00	256.25	Completed
(CarryFwds) Code Enforcement Division Audit A2025-05	400.00	620.75	Completed
Follow-Up: Accounts Receivable Program – 2nd Follow-Up Audit A2025-10	150.00	191.00	Completed
Follow-Up: Planning & Inspections – Permit Review Audit A2026-01	100.00	122.50	Completed
Citywide Sales Tax Analysis - Clearview	40.00	26.75	Completed
Franchise Fee Audits (EPWU) – Administration	50.00	-	Reassessed*
TX Sales Tax Discovery - Administration	50.00	-	Completed
City Employee Hotline	75.00	54.25	Completed
Hotel Occupancy Tax Audits - Administration	100.00	38.50	Completed
Tax Office Refund Review Project	100.00	183.75	Completed
Cyber Audits: Health Department (Administration)	200.00	-	Completed
Financial Oversight and Audit Committee	500.00	431.50	Completed
Contingency Hours	359.00	453.00	Completed
Administrative Duties - Chief Internal Auditor	0.00	-	Not Applicable
Administrative Duties – Deputy Chief Internal Auditor	87.00	145.75	Not Applicable
Administrative Duties – Audit Manager	87.00	75.25	Not Applicable
Administrative Duties - Staff Auditors	375.00	423.25	Not Applicable
Auditor Training	100.00	332.50	Not Applicable
Vacation/Sick Leave/Holiday	572.00	804.00	Not Applicable
Total	**4,160.00**	**4,532.75**	-
Second Quarter	-	-	-
(CarryFwds) Single-Family Owner-Occupied Renovation Program Audit A2026-06	500.00	798.25	In Progress
El Paso Police Department – Overtime Audit A2026-05	500.00	792.25	In Progress
P-Card and Travel Review Audit – City Department (ESD) A2026-07	250.00	393.25	Completed
(CarryFwds) Follow-Up: 380 Agreement Monitoring Audit	250.00	4.00	Carry Forward
Follow-Up: On-Call Services Agreement Follow-Up Audit A2026-04	250.00	313.00	Completed
Citywide Sales Tax Analysis – Clearview	40.00	9.50	Completed

City of El Paso
Internal Audit Department
Financial Oversight and Audit Committee
4th Quarter 2025-2026 Audit Plan Update
As of August 31, 2026

	BUDGETED HOURS	YTD as of 05/31/26	Engagement Status
Second Quarter (Cont.)	-	-	-
Franchise Fee Audits (EPWU) – Administration	50.00	-	Reassessed*
TX Sales Tax Discovery – Administration	50.00	1.00	Completed
City Employee Hotline	75.00	62.00	Completed
Hotel Occupancy Tax Audits – Administration	100.00	134.50	Completed
Tax Office Refund Review Project	100.00	100.00	Completed
Cyber Audits: Health Department (Administration)	100.00	24.50	Completed
Financial Oversight and Audit Committee	500.00	262.75	Completed
Contingency Hours	494.00	257.25	Completed
Administrative Duties - Chief Internal Auditor	125.00	-	Not Applicable
Administrative Duties – Deputy Chief Internal Auditor	87.00	118.50	Not Applicable
Administrative Duties – Audit Manager	87.00	69.00	Not Applicable
Administrative Duties - Staff Auditors	375.00	241.75	Not Applicable
Auditor Training	112.00	188.00	Not Applicable
Vacation/Sick Leave/Holiday	635.00	737.75	Not Applicable
Total	**4,680.00**	**4,507.25**	-
Third Quarter	-	-	-
Accounts Payable Audit – Sun Metro A2026-09	500.00	522.50	Completed
Streets and Maintenance – Facility Maintenance Audit A2026-08	500.00	813.00	Completed
Peer Review of the Internal Audit Department	500.00	6.25	Completed
Follow-Up: Parks & Recreations – Park Usage Permit Audit A2026-02	150.00	147.75	In Progress
Follow-Up: EPIA Accounts Payable Audit A2026-03	200.00	220.65	Completed
City Council & City Manager's Office P-Card and Travel Review (Administration: Co-Sourcing)	45.00	-	Not Started
Citywide Sales Tax Analysis - Clearview	40.00	3.50	Completed
Franchise Fee Audits (EPWU) – Administration	50.00	-	Reassessed*
TX Sales Tax Discovery - Administration	50.00	5.50	Completed
City Employee Hotline	75.00	62.75	Completed
Hotel Occupancy Tax Audits - Administration	100.00	219.50	Completed
Tax Office Refund Review Project	100.00	199.00	Completed
Cyber Audits: Health Department (Administration)	100.00	78.75	Completed
Financial Oversight and Audit Committee	500.00	309.75	Completed
Contingency Hours	346.00	327.75	Completed
Administrative Duties - Chief Internal Auditor	125.00	151.50	Not Applicable
Administrative Duties – Deputy Chief Internal Auditor	88.00	104.75	Not Applicable
Administrative Duties – Audit Manager	88.00	81.75	Not Applicable
Administrative Duties - Staff Auditors	375.00	286.25	Not Applicable
Auditor Training	113.00	142.50	Not Applicable
Vacation/Sick Leave/Holiday	635.00	485.50	Not Applicable
Total	**4,680.00**	**4,168.90**	-
Fourth Quarter	-	-	-
El Paso International Airport – Construction Audit A2026-12	500.00	3.25	Reassessed*
Parks Department – Sports Fields Audit A2026-11	500.00	380.00	In Progress
La Nube Children's Museum Contract Audit A2026-10	500.00	660.50	In Progress
P-Card and Travel Review – City Department	250.00	101.25	In Progress

City of El Paso
Internal Audit Department
Financial Oversight and Audit Committee
4th Quarter 2025-2026 Audit Plan Update
As of August 31, 2026

	BUDGETED HOURS	**YTD as of 05/31/26**	**Engagement Status**
Fourth Quarter (Cont.)	-	-	-
Citywide Sales Tax Analysis - Clearview	40.00	10.50	Completed
Franchise Fee Audits (EPWU) – Administration	50.00	3.75	Reassessed*
TX Sales Tax Discovery - Administration	50.00	0.25	Completed
City Employee Hotline	75.00	53.50	Completed
Hotel Occupancy Tax Audits - Administration	100.00	254.25	Completed
Tax Office Refund Review Project	100.00	267.25	Completed
Cyber Audits: Health Department (Administration)	100.00	162.75	Completed
Financial Oversight and Audit Committee	500.00	239.50	Completed
Contingency Hours	563.00	853.75	Completed
Administrative Duties - Chief Internal Auditor	125.00	135.50	Not Applicable
Administrative Duties – Deputy Chief Internal Auditor	88.00	64.00	Not Applicable
Administrative Duties – Audit Manager	88.00	33.00	Not Applicable
Administrative Duties - Staff Auditors	375.00	385.50	Not Applicable
Auditor Training	113.00	139.00	Not Applicable
Vacation/Sick Leave/Holiday	635.00	425.50	Not Applicable
Total	**4,752.00**	**4,173.00**	-
Totals for 1st, 2nd, 3rd & 4th Quarters	**18,720.00**	**17,381.90**	

An engagement status of "Reassessed**" indicates that, upon further evaluation, the audit's risk profile was determined to be lower than initially assessed. As a result, the engagement has been removed from the audit plan to ensure departmental resources remain focused on areas of higher risk and greater organizational impact. This reassessment process supports effective risk-based planning, aligns with professional auditing standards, and allows the Internal Audit Department to prioritize work that delivers the most value to the City and its stakeholders.*

FISCAL YEAR-END RECAP

As required by the Global Internal Audit Standards, Standard 9.3 & 12.1, the City of El Paso's Internal Audit Department performs ongoing internal assessments in order to monitor the performance of the internal audit activity. Standard 5.44 of the *Generally Accepted Government Auditing Standards* requires the Internal Audit Department to analyze and summarize the results of its monitoring process at least annually. Internal assessments include supervision, review and measurement of the internal audit activity. All engagements are properly supervised, files are peer reviewed by someone not involved in the engagement, time budgets are established, and customer surveys are sent out to gauge the performance of the Internal Audit Department. The Internal Audit Department monitors measurements of the internal audit activity. Any non-conformance will be identified and reported. The following section will provide the Financial Oversight and Audit Committee and the City Manager with a synopsis of various measurements taken of Audits, Follow-Ups, and Projects conducted by the Internal Audit Department during the Fiscal Year.

FY 2026 NOTEWORTHY AUDITS & PROJECTS

Hotel Occupancy Tax (HOT) Audit – Round 10 (April 21, 2026)

Under the oversight of the Internal Audit Department, Neumo (formerly Avenu Insights & Analytics) completed its annual hotel occupancy tax audit. The scope included 20 hotels across the City, with initial assessments totaling $1,131,941.83. Following the completion of redeterminations and the review of additional supporting documentation, the total assessment amount was adjusted to $600,348.82, not including any applicable penalties and interest.

This audit supports improved compliance, strengthens transparency in tax reporting, and reinforces the City's ongoing efforts to ensure the accuracy and reliability of occupancy tax collections.

ALGA Peer Review

The Internal Audit Department successfully underwent an external quality control review conducted by the Association of Local Government Auditors (ALGA) for the period July 1, 2023 through June 30, 2026. The review concluded that the Department's internal quality control system is adequately designed and operating effectively, resulting in an overall rating of "*generally conforms*" with the *Global Internal Audit Standards* and a "*pass*" rating for compliance with *Generally Accepted Government Auditing Standards*.

In addition to affirming conformance, the peer review team issued a companion management letter with one minor observation related to more consistent disclosure of sampling methodology in audit reports. The Department has already committed to incorporating the recommended enhancements moving forward.

Overall, the results reflect a strong control environment and reinforce the Department's commitment to professional standards and continuous improvement.

TeamMate+ Implementation

During the quarter, the Internal Audit Department achieved a significant modernization milestone with the implementation of Wolters Kluwer TeamMate+, the Department's new cloud-based audit management solution. This transition moves the Department away from manual, paper-intensive processes and into a more efficient, collaborative, and transparent digital environment.

TeamMate+ provides several key benefits, including real-time collaboration across audit engagements, standardized documentation and review workflows, enhanced visibility into audit progress, and streamlined management of workpapers and findings. These capabilities strengthen the Department's overall audit execution, improve consistency, and support long-term scalability.

TeamMate+ went live for Internal Audit on September 1, 2026. Over the coming weeks, Internal Audit will begin granting access to select internal stakeholders to support coordinated reporting, improve communication, and ensure continued alignment across the organization.

FOLLOW-UP RECOMMENDATION STATUS & ISSUE TRACKING TRANSITION

The Internal Audit Department previously conducted formal Follow-Up Audits on all audit reports containing findings and recommendations, with the objective of informing the Financial Oversight and Audit Committee and City Management when corrective actions had been fully implemented. Recommendations were traditionally categorized as *Implemented*, *In-Progress*, *Not Applicable*, or *Not Implemented*.

With the Department's transition to TeamMate+, Internal Audit will now utilize the platform's *Issue Tracking* functionality to manage audit findings and monitor the implementation of corrective actions. This modernized approach enhances efficiency, transparency, and collaboration by allowing real-time updates, standardized tracking, and clearer visibility into resolution efforts.

Although the Department will no longer perform standalone Follow-Up Audits, Internal Audit will continue to actively monitor all open findings and report status updates to the Financial Oversight and Audit Committee and City Management through TeamMate+, ensuring continued accountability and progress toward timely resolution.

The table below lists the Follow-Up Audits conducted during Fiscal Year 2025-2026 (prior to transitioning to TeamMate+) along with the current status of corresponding recommendations.

				Recommendation Status			
No.	Follow-Up Audit Name	Follow-Up Report Date	Original Report Date	Implemented	In Progress	Not Applicable	Not Implemented
1	Accounts Receivable Program – 2nd Follow-Up Audit A2025-03	10/30/25	08/11/22	3	-	-	-
2	Planning & Inspections – Permit Review Follow-Up Audit A2026-01	11/19/25	10/22/24	1	-	-	-
3	El Paso International Airport – Accounts Payable Follow-Up Audit A2026-03	05/18/26	03/18/25	3	-	-	-
4	On-Call Services Agreement Follow-Up Audit A2026-04	03/02/26	02/27/25	1	3	-	-
5	Parks and Recreation Department – Park Usage Permit Follow-Up A2026-02	In Progress	03/18/25	2	-	-	-
	Recommendation Totals:			**10**	**3**	**-**	**-**

QUALITY SURVEY RESULTS

The Internal Audit Department performs a quality survey after the completion of each Audit in order to gauge the quality of service delivered. The table below lists the surveys administered during Fiscal Year 2025-2026. Our survey rating scale ranges from 1 (Poor) to 4 (Excellent).

No	Quality Surveys Audit Name	# of Surveys Sent	# of Responses Received	% Responses Received	* Average Score Received
1	El Paso Zoo - Financial Activity Audit A2025-09	3	2	67%	3.50
2	Planning & Inspections – Permit Review Follow-Up Audit A2026-01	3	1	33%	4.00
3	Animal Services - Westside Adoption Center Construction Audit A2025-08	3	2	67%	3.77
4	Accounts Receivable Program - 2nd Follow-Up Audit A2025-10	3	1	33%	3.87
5	Environmental Services - P-Card and Travel Audit A2026-07	4	3	75%	3.67
6	On-Call Services Agreement Follow-Up Audit A2026-04	3	2	67%	3.77
7	Sun Metro - Accounts Payable Audit A2026-09	4	2	50%	3.47
8	Code Enforcement Division Audit A2025-05	3	2	67%	3.87
9	El Paso International Airport – Accounts Payable Follow-Up Audit A2026-03	3	2	67%	3.70
10	Streets and Maintenance - Facility Maintenance Audit A2026-08	4	3	75%	3.44
	Totals	**33**	**20**	**61%**	**3.71**

* Rating	Score
Excellent	4
Good	3
Fair	2
Poor	1

CONCLUSION

The 4th Quarter reflected continued progress toward the objectives of the 2025-2026 Audit Plan, and the Department is on track to complete the remaining audit work by the end of the first quarter of Fiscal Year 2026-2027. The Internal Audit Department remains focused on delivering timely, high-quality audit work that strengthens governance, accountability, and operational effectiveness across the City.

As we move into Fiscal Year 2026-2027, the Department remains committed to serving the Mayor and City Council, the Financial Oversight and Audit Committee, City Leadership, and, most importantly, the citizens of El Paso. The Internal Audit Department staff continues to strive for excellence in meeting our departmental motto, "*Exceeding our Client's Expectations*."

Respectfully Submitted

Adrian Serrano, CPA
Chief Internal Auditor
City of El Paso

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