

REPORT TO

CITY COUNCIL

ON THE

***CITYWIDE YEAR-END CLOSE
FISCAL YEAR 2006***

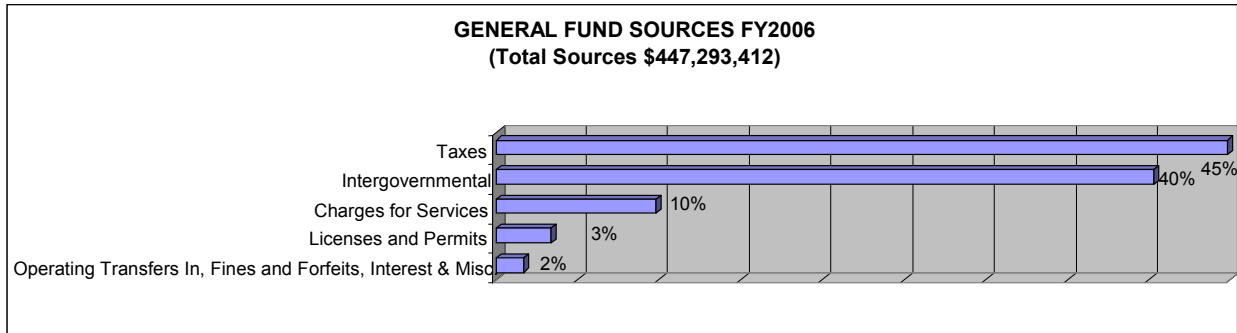
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**City of Albuquerque
Office of Internal Audit and Investigations**

INTRODUCTION

The City of Albuquerque (City) operating budget is prepared annually for the General, Enterprise, Special Revenue, Internal Service, Debt Service and Capital Project funds. Each year the City is required to have a balanced budget so that expenditures cannot exceed revenues and other sources. Sources of funding for the City's General Fund for fiscal year 2006 (FY06) were as follows:

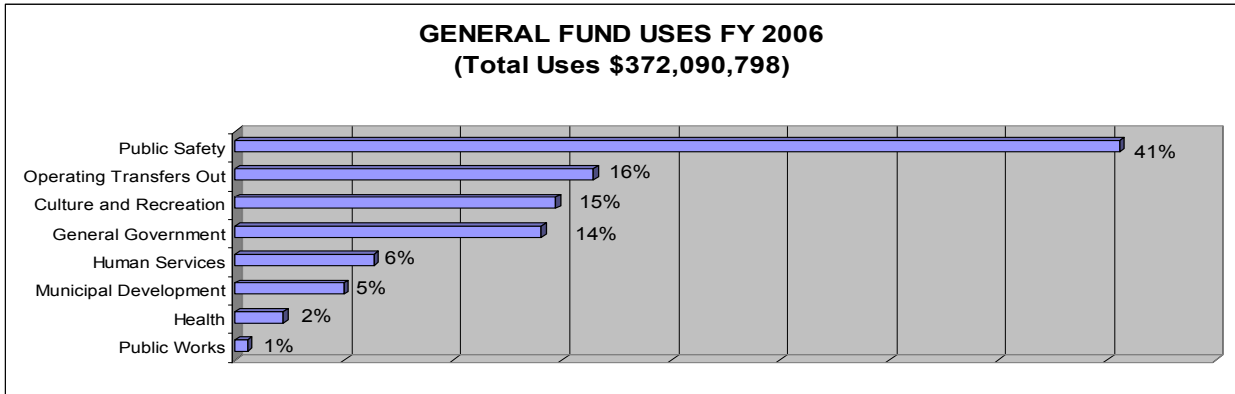


The City makes appropriations at the program level. A program is a group of activities directed to achieve specific purposes or objectives. A department can have several different programs. Expenditures may not exceed appropriations at the program level. Budgetary control is maintained by a formal appropriation and encumbrance system. The Mayor has authority to move program appropriations by the lesser of five percent or \$100,000 without City Council approval, provided the total fund appropriation does not change. With the exception of project funds, appropriations revert to fund balance to the extent they have not been expended or encumbered at fiscal year-end.

As required by the City charter, the annual budget (the Proposed Budget) is formulated by the Mayor and the Office of Management and Budget (OMB) and submitted to the City Council by April 1 for the fiscal year commencing July 1. City Council can amend the budget and votes to approve the budget at a meeting in May. The budget, as amended by the City Council, is published as the Approved Budget.

A clean-up resolution may be performed in the middle of the fiscal year to make adjustments to anticipated revenues and expenditures. At the conclusion of each fiscal year the Mayor and City Council compare the budgeted versus actual revenues and expenditures. Any budget adjustments required are completed in a final clean-up resolution proposed by the Administration and amended and approved by City Council. OMB Management reports that cleanup bills will be proposed to City Council only when overexpenditures occur at the fund level.

General Fund uses for FY06 were as follows:



Each year the City publishes the result of its revenues and expenditures in its Comprehensive Annual Financial Report (CAFR). The CAFR is audited by the City’s external auditors and is required to be filed with the New Mexico State Auditor’s Office by December 1, 2006. The FY06 CAFR was not submitted timely. The Independent Auditor’s Report in the FY06 CAFR is dated July 2, 2007.

See Tables A & B for a detail of FY06 appropriations and actual expenditures for all operating funds. Tables A & B do not include any subsequent clean-up appropriations. There are 108 appropriated General Fund operating programs and 83 Non-General Fund operating programs.

OVEREXPENDITURES

The following programs had expenditures in excess of appropriations:

<u>Fund</u>	<u>Program</u>	<u>Appropriation</u>	<u>Expenditures</u>	<u>Variance</u>	<u>%</u>
110	Trfr to Operating Grant Fund ²	\$ 4,586,000	\$ 4,690,908	\$ (104,908)	(2%)
110	Joint Comm on Gov & Legal TV ²	224,000	245,500	(21,500)	(10%)
110	Katrina Relief ¹	0	843,309	(843,309)	(100%)
110	CIP Library ⁴	52,000	52,525	(525)	(1%)
110	Animal Services ⁵	6,577,000	6,737,650	(160,650)	(2%)
110	Strategic Support-PRD ⁴	916,000	923,531	(7,531)	(<1%)
210	State Fire Fund ⁴	1,100,000	1,140,236	(40,236)	(4%)
221	Lodger’s Promotion ⁴	856,000	858,847	(2,847)	(<1%)
611	Economic Development ²	30,000	31,931	(1,931)	(6%)
651	Collections ⁶	14,711,000	15,728,112	(1,017,112)	(7%)
651	Administrative Services ⁴	8,542,000	8,543,751	(1,751)	(<1%)
661	SunVan ⁷	4,656,000	5,034,418	(378,418)	(8%)
675	Apartment Operating DS ¹	869,000	1,046,208	(177,208)	(20%)
735	Insurance and Administration ¹	42,789,000	43,978,199	(1,189,199)	(3%)
851	Open Space Management ³	2,610,000	2,791,434	(181,434)	(7%)

- ¹ The program was overspent by greater than 5% or \$100,000. Final clean-up resolution approved by City Council and the Mayor increased appropriations in these programs subsequent to fiscal year-end. The appropriations listed do not reflect that clean-up resolution.
- ² The program was overspent by greater than 5% or \$100,000; however, the fund was not overspent and did not require an additional appropriation.
- ³ The program was overspent by greater than 5% or \$100,000; however, the fund had fund balance to cover the overexpenditure.
- ⁴ Program was overspent by less than 5% or \$100,000 and did not require an additional appropriation per City Ordinance.
- ⁵ The program was overspent by more than 5% or \$100,000; a portion of the overexpenditure was due to fuel and that portion (\$64,000) was included in the clean-up resolution. The appropriations listed do not reflect that clean-up resolution.
- ⁶ The program was overspent by more than 5% or \$100,000; a portion of the overexpenditure was due to fuel and that portion (\$835,000) was included in the clean-up resolution. The appropriations listed do not reflect that clean-up resolution.
- ⁷ The program was overspent by more than 5% or \$100,000; a portion of the overexpenditure was due to fuel and that portion (\$165,000) was included in the clean-up resolution. The appropriations listed do not reflect that clean-up resolution.

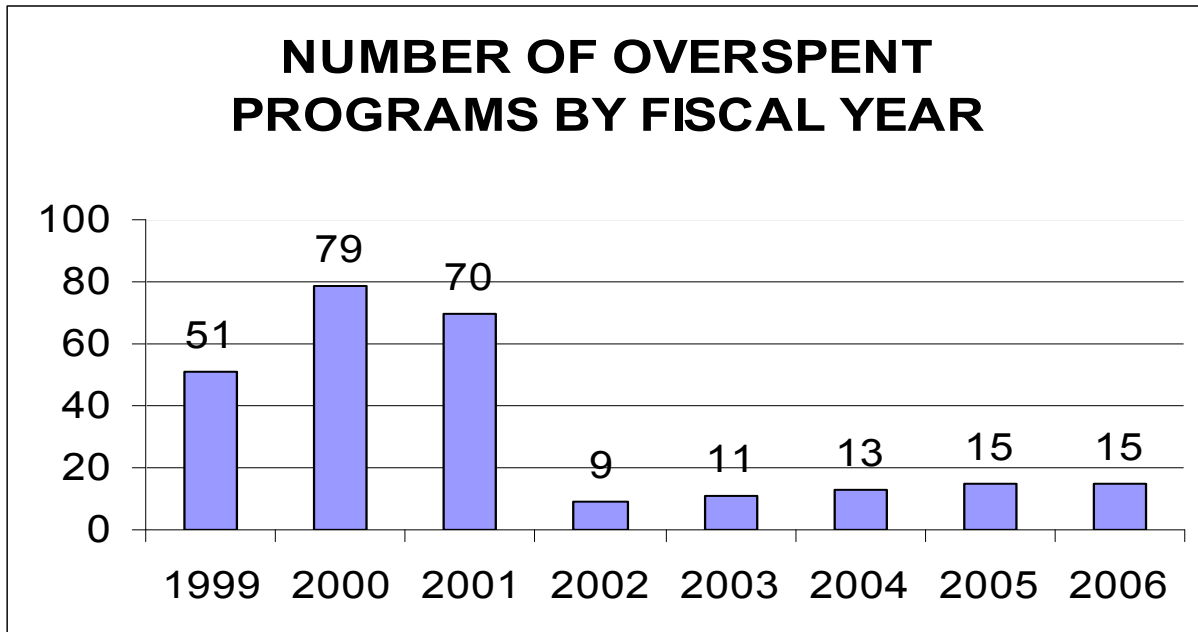
On February 22, 2006 City Council enacted R-2006-015 which established a General Fund reserve of \$4,075,000 to assure that funds would be available for those programs that were at risk of overspending their budgets due to increasing natural gas and fuels costs. This reserve was appropriated in the year-end clean-up (R-2007-020.)

The following programs had expenditures in excess of appropriations due to natural gas and fuel costs *only*:

<u>Fund</u>	<u>Program</u>	<u>Appropriation</u>	<u>Expenditures</u>	<u>Variance</u>	<u>%</u>
110	Museum ¹	\$ 5,472,000	\$ 5,513,710	\$ (41,710)	(<1%)
110	Public Library ¹	10,083,000	10,099,409	(16,409)	(<1%)
110	Biological Park ²	11,321,000	11,441,759	(120,759)	(1%)
110	Parks Management ¹	12,606,000	12,653,570	(47,570)	(<1%)
110	Provide Quality Recreation ¹	4,507,000	4,547,888	(40,888)	(<1%)
110	Emergency Response ¹	45,675,000	45,728,574	(53,574)	(<1%)
110	Logistics ²	5,488,000	5,628,610	(140,610)	(3%)
110	Tourism/Convention Center ¹	1,878,000	1,884,754	(6,754)	(<1%)
110	Transfer to Transit Operating Fund ²	22,237,000	23,437,000	(1,200,000)	(5%)
661	Operations ²	25,717,000	27,123,394	(1,406,394)	(5%)
725	Fleet Management ²	10,299,000	11,608,029	(1,309,029)	(13%)

- ¹ The program was overspent by less than 5% or \$100,000; overexpenditure was entirely due to fuel and was included in the clean-up resolution.
- ² The program was overspent by more than 5% or 100,000; overexpenditure was entirely due to fuel and was included in the clean-up resolution.

The number of overspent programs over the past nine years is as follows:



Note: FY06 does not include programs that were overspent due to fuel only.

The purpose of public budgeting is to provide government with a mechanism to allocate resources for the pursuit of goals that are consistent with community preferences and needs. The City budgets at the program level. Programs are contained within the City's different funds and are managed by departments. The program level in the strategic management framework is the level to which resources are appropriated in the City's budget. Although the City is required by State statute to balance its budget at the fund level, the expenditures are appropriated at the program level. The City's Budget Ordinance, section 2-11-7 (B) ROA 1994 states,

A full-program budget will be prepared for all city departments each year. The program budget shall clearly identify each program that is proposed to be implemented or continued in the ensuing fiscal year and shall include the projected costs of each program.

Established City policy requires each department to adhere to the budget at the program level. The FY 2006 Approved Budget states, "Appropriations are at a program strategy level, the level at which expenditures may not legally exceed appropriations." In addition, Administrative Instruction 2-20 states:

Program Strategies are the level at which appropriations are made. It is at this level that managers must ultimately be responsible for controlling expenditures. All employees with budgetary control over a Program Strategy must accomplish their tasks within the approved budget. All personnel decisions and all expense decisions

must be made within that framework. It is unacceptable for an employee with budgetary control to spend in excess of the appropriated budget.

Employees such as fiscal managers and human resource coordinators who may lack direct control, but serve in a direct advisory capacity for expenditure decisions, shall provide the best information available. If the manager fails to act in a financially prudent manner upon receipt of the advice, the fiscal manager and/or human resource coordinator shall report to the manager's supervisor. This process will be repeated at ascending levels of management until the financial advice is heeded. If necessary, after following this procedure, if he/she still believes corrections have not been made in line with the advice, he/she should report directly to the Chief Financial Officer. Failure to follow this procedure will result in the same disciplinary procedure applicable to the Program Strategy Manager, described below.

Failure on the part of the Program Strategy Manager to monitor and control expenses within the appropriated budget will be subject to disciplinary action as defined in the Personnel Rules and Regulations. Disciplinary action may include written reprimand, suspension, demotion, or dismissal.

The following explanations are provided for programs whose overexpenditure exceeded the lesser of \$100,000 or 5% and were *not* due to fuel costs:

GENERAL FUND PROGRAMS

Program 77124 – City Support Functions Transfer to Operating Grants Fund program overspent its \$4,586,000 budget by \$104,908 (3%). The budget for this program is an estimate based on grants that departments believe they may be able to receive from funding sources. These grants may also require the City to match funding. Actual expenditures will vary based on each department's success in acquiring the grants and the City's actual grant funding match requirement. Actual grant revenues and expenditures were more than what was estimated in FY06.

Program 77270 – City Support Functions Joint Commission on Intergovernmental Relations program overspent its \$224,000 budget by \$21,500 (10%) because one of the contracts was renegotiated during the year to a higher amount accounting for approximately one-half of the overexpenditure. The remaining overexpenditure is from two invoices from FY05 that were paid in FY06, but were not accrued or encumbered in the prior fiscal year.

Program 77526 – City Support Functions Katrina Relief was an unbudgeted program that spent \$843,309 to provide relief services to evacuees from Hurricane Katrina. The City has received federal reimbursement for all funds spent assisting Katrina victims. This program received \$852,000 of additional appropriations in the year-end clean up.

Program 56504 – *Animal Services* overspent its \$6,577,000 budget by \$160,650 (2%). The year-end clean up included \$64,000 for this program for the portion of the overexpenditure that was due to fuel. The remaining portion of the overexpenditure is due to other operating expenditures.

NON-GENERAL FUND PROGRAMS

Program 11511 – *Economic Development* in the Aviation Operating Fund 611 overspent its \$30,000 budget by \$1,931 (6%). This overexpenditure is due to excess spending in the professional services and advertising line items.

Program 54501 - *Collections* program in the Refuse Disposal Operating Fund 651 overspent its their budget by \$1,017,112 (7%) SWMD management reports that the increase in fuel costs is primarily responsible for the overexpenditure. Diesel was budgeted at an average cost of \$0.89 per gallon for FY06; however, actual costs during the previous twelve months were as follows:

<u>Month</u>	<u>Price per gallon</u>	<u>Month</u>	<u>Price per gallon</u>
July	\$ 1.66	January	\$ 2.17
August	1.72	February	1.92
September	1.80	March	1.74
October	1.95	April	1.93
November	2.30	May	2.24
December	2.66	June	2.42

SWMD has included a fuel surcharge on customer bills to recover some of the increase in fuel costs; however, the surcharge only applies to diesel and doesn't become effective until costs exceed \$1.11/gallon. The Collections program received \$835,000 in the year-end clean-up for the portion of the overexpenditure that was related to fuel.

The remaining overexpenditure is due to the contractual services and overtime line items. SWMD increased its green waste pick up service to four weeks. In prior years, the pick up was only offered for a two week period. This service is performed by contract laborers. In FY06 hiring for vacant positions requiring a Commercial Driver's License (CDL) was frozen in anticipation of layoffs related to the transition of the Metropolitan Detention Center (MDC) to Bernalillo County (County). A City driver laid off from the MDC would be offered a similar position with the SWMD. The hiring freeze and poor retention of drivers resulted in vacancies which caused additional use of overtime.

Program 57501– *SunVan* program in the Transit Operating Fund #661 overspent its budget of \$4,656,000 by \$378,418 (8%). The year-end clean-up appropriation included \$163,000 for the fuel portion of the overexpenditure. The remainder of the overexpenditure is due to repairs and maintenance costs as a result of an aging fleet.

Program 31516 – *Apartment Operating Debt Service* program in the Apartment Operating Debt Service Fund #675 overspent its \$869,000 budget by \$177,208 (20%) because an additional payment of \$200,000 was made on the bond principal in FY06. This program received \$139,000 in the year-end clean up appropriation.

Program 47550 – *Insurance and Administration* program in the Employee Insurance Fund #735 overspent its \$42,789,000 budget by \$1,189,199 or 3%. The Human Resources Department attributes the overexpenditure to the growth in membership. Numerous employees transferred from Lovelace to Presbyterian, a higher priced plan. This fund is an internal service fund that recovers its costs from other City departments. As the revenue from the employee and employer portions increase, an appropriation is necessary to recognize the additional revenue. An appropriation of \$1,404,000 was included in the year-end clean-up.

Program 84501 – *Open Space Management* program in the Open Space Expendable Trust Fund #851 overspent its \$2,610,000 budget by \$181,434 (7%). Approximately \$390,000 of year-end adjustments and invoices were posted to Fund #851 when they should have posted to Fund #305. Underexpenditures due to salary savings is offsetting the \$390,000, resulting in a program overexpenditure of \$181,434. The overexpenditure was charged to fund balance, since the Open Space Expendable Trust Fund had sufficient fund balance to cover the overexpenditure.

UNDEREXPENDITURES

There were 49 general fund and 31 other fund programs that were underspent by 100% or 5%, whichever is lower. Of these, programs whose underexpenditures exceeded \$100,000 and 5% of the approved budget were selected for review.

The following programs had underxpenditures due to salary savings from vacant positions *only*:

<u>Fund</u>	<u>Program</u>	<u>Appropriation</u>	<u>Expenditures</u>	<u>Variance</u>	<u>%</u>
110	39507 Office of City Clerk	\$ 1,949,000	\$ 1,834,776	\$ 114,224	6%
110	17501 Council Services	2,320,000	2,106,306	213,694	9%
110	23510 CIP BioPark	1,993,000	1,769,551	223,449	11%
110	25507 Information Services – CIP	334,000	168,346	165,654	50%
110	25550 Citizen Services	3,626,000	3,397,409	228,591	6%
110	47501 Personnel Services	2,312,000	2,195,699	116,301	5%
110	41501 Office of Internal Audit	953,000	781,124	171,876	18%
110	41502 Inspector General	250,000	638	249,362	99%
110	38501 Mayor’s Office	872,000	765,730	106,270	12%
110	24511 Design	611,000	464,106	146,894	24%
110	24512 Design Recovered-DMD	1,679,000	1,511,780	167,220	10%
110	24513 Design Recovered-Park CIP	3,306,000	2,905,399	400,601	12%
110	24522 Street CIP/Trans. Infra.	2,652,000	2,395,018	256,982	10%
110	49504 Code Enforcement	2,724,000	2,534,073	189,927	7%

110	49507 Planning and Development	1,361,000	1,231,757	129,243	10%
110	51502 Investigative Services	23,155,000	21,923,116	1,231,884	5%
242	56507 Operating Permits	1,429,000	1,288,000	140,770	10%
651	54505 Clean City Section	4,150,000	3,667,257	482,743	12%

The following explanations are provided for programs whose underexpenditures exceeded \$100,000 and 5% and are *not* due to salary savings:

GENERAL FUND PROGRAMS

Program 39507 – *Office of Management and Budget* program underspent its budget of \$1,257,000 by \$102,165 (8%). Contractual services savings accounted for all of the underexpenditure in this program. Management reports that funding was provided in FY06 for research and polling services and efficiency process review. A citizen survey was performed and paid for at the end of FY05. Due to timing, the next citizen survey was not performed until FY07. In addition, all process review for FY06 was done with existing staff resulting in no contractual expenses.

Program 39510 – *Office of Economic Development* program underspent its budget of \$1,200,000 by \$103,485 (9%). Contractual services savings accounted for all of the underexpenditure in this program. Management reports that there were certain projects that had been anticipated in FY06, such as the Environmental/Sustainable Economic Development project and a planned conference, that didn't occur until FY07. The contractual services savings was off-set by salary overexpenditures due to the creation of an Assistant Film Liaison position, necessitated by the increase in servicing local film productions.

Program 77421 – *Early Retirement* program underspent its budget of \$7,000,000 by \$870,551 (12%). The appropriation for this program is based on estimates of how many employees will retire. Early retirements were less than estimated in FY06.

Program 56502 – *Environmental Services* program in the Environmental Health Department underspent its budget of \$1,402,000 by \$148,248 (11%). The underexpenditure for Environmental Services is a combination of salary savings and the contractual line item. Management reports that there were two higher level vacancies, a M16 Environmental Health Scientist and a M17 Senior Engineer. Because these positions were vacant, Environmental Services was unable to perform the usual level of lab services. Some of these lab services would have been contracted to an outside vendor resulting in an underexpenditure of the contractual services line item.

Program 31502 - *Offer Health and Social Services* program in the Department of Family and Community Services (DFCS) underspent its budget of \$3,640,000 by \$704,605 or 19%. A significant portion of the underexpenditure is due to the contractual services line item. The Quarter Cent Committee (Youth Summit) appropriated \$500,000 to DFCS for unspecified youth services. Only \$100,000 had been committed to hire a consultant to assist with

developing the youth program. Management reports an additional \$100,000 for a Batterer Treatment program was awarded to a contractor but never spent because the Metro court judges did not refer clients to the program.

Program 31504 - *Provide Early Childhood Education* program in DFCS underspent its \$5,018,000 budget by \$254,804 or 5%. Salary savings is the primary cause of the underexpenditure in this program, as personnel costs account for over 80% of the program's budget. There are 104 full-time positions budgeted in this program. Management reports that during FY06 there were between 8 and 10 vacant positions. These positions are traditionally difficult to fill and have high turnover. Approximately \$75,000 of this underexpenditure is in operating expenditures, specifically in utilities.

Program 31506 - *Provide Mental Health Services* program in DFCS underspent its budget of \$4,208,000 by \$2,101,454 or 50%. The contractual services line item comprises 96% of the total program budget. The Provide Mental Health Services program includes several contracts including Assertive Community Treatment (ACT), Crisis Outreach and Support Team (COAST) and the Mental Health Housing Coalition. Management reports several of the initiatives were new in FY06 and were slow in getting started, contributing to the underexpenditure in this program. This program received a re-appropriation of \$1,519,000 from FY05 reverted funds. A second ACT Team was planned, but later put on hold because of Medicaid billing issues from the University of New Mexico Hospital with the first team.

Program 31509 - *Substance Abuse Treatment* program in DFCS underspent its budget of \$6,057,000 by \$497,482 or 8%. The contractual services line item accounts for over 90% of the budgeted expenditures in this program. Management reports the program got a late start in getting their 30-day substance abuse treatment program up and running at the Bernalillo County Metropolitan Assessment and Treatment Services (MATS) facility. In addition, the Albuquerque Metropolitan Central Intake (AMCI), which is a central intake assessment contract with UNMH, underspent its contract by nearly \$100 thousand.

Program 27501 - *AFD Headquarters* program in the Albuquerque Fire Department underspent its budget of \$2,721,000 by \$189,757 or 7%. Management reports that the underexpenditure is primarily due to \$162,000 in purchases that were not completed in FY06. This \$162,000 was encumbered and reappropriated in FY07.

Program 24521 - *Construction Management* program in the Municipal Development Department underspent its budget of \$2,622,000 by \$391,935 or 15%. Management reports that the underexpenditure is due to salary savings and \$93,000 for software and computers that was encumbered and reappropriated in FY07.

Program 49506 - *Community Revitalization* program in the Planning Department underspent its budget of \$2,468,000 by \$784,477 or 32%. Management reports that the underexpenditure is due to \$ 782,000 for sector plans that was encumbered and reappropriated in FY07.

Program 51508 – *Prisoner Transport* program in the Police Department underspent its budget of \$220,000 by \$220,000 or 100%. The appropriation enactment date for these funds was June 5, 2006, leaving 25 days in the FY for the funds to be spent. Management reports that the facility remodeling was not completed in time for the \$220,000 in operating funds to be used in FY06.

NON-GENERAL FUND PROGRAMS

Program 56509 – *Vehicle Inspection* program in the Air Quality Fund 242 underspent its budget of \$1,423,000 by \$246,785 (17%). The underexpenditure in this program is due to salary savings and the professional services line item. The Vehicle Inspection program was appropriated \$39,000 for a vehicle information database. This contract was not awarded and the funds were not spent during FY06.

Program 21502 and 21508 – Metropolitan Detention Center (MDC) *Administrative Support* and *Community Custody* programs in the Corrections/Detention Fund #260 underspent by \$512,856 (13%) and \$284,813 (16%), respectively. Both programs underspent due to the transition of the MDC to the County which began in January 2006. Management reports the County began paying operating costs for MDC in April 2006. The underexpenditure in Administrative Support is due to salary savings and support services being taken over by the County. MDC also minimized expenditures not related to inmate care (travel, supplies, etc.)

The Community Custody program is responsible for monitoring those inmates on electronic ankle bracelets and for administering daily drug tests. In FY06 MDC renegotiated their contract for drug testing supplies and equipment, resulting in savings of approximately \$125,000. The lease for the Community Custody building expired in March 2006 and the County paid for the lease for the remaining 3 months of FY06. Community Custody also had salary savings as a result of the transition of MDC moving from City to County management.

Program 51535 – *False Alarm Enforcement* in the False Alarm Enforcement and Education Fund #287 underspent its \$507,000 budget by \$161,186 or 32%. OMB reports that since the inception of this fund in FY04, professional services has been budgeted at \$100,000 and contractual services has been budgeted at \$91,000. Historically, they have not spent at this level. As this was a new fund in FY04, the budget has not been adjusted since there was no expenditure history. Fund balance in excess of \$100,000 at year-end is transferred to Fund 305 for police equipment, per the False Alarm Ordinance.

Programs 78004 – *Debt Service* program in the Sales Tax Refunding Debt Service Fund #405 underspent its \$10,955,000 budget by \$597,356 or 5%. Management reports that the underexpenditures were in the interest and fiscal agent fee line items. Some of the bonds have a variable interest rate and actual interest costs were less than budgeted. The fiscal agent fees were also less than budgeted.

Program 57504 – *Special Events* program in Transit Fund 661 underspent its \$292,000 budget by \$154,813 or 53%. The underexpenditure is due to salary savings and contractual services. Management reports that fuel expenses are charged to the Operations program when vehicles are fueled. Charges are then transferred by journal entry to the Special Events program contractual services line item when a vehicle is used for a special event. Journal entries to transfer fuel expenses into the Special Event program were not made in FY06, resulting in the underexpenditure.

Program 30510 – *Apartment Operations* program in the Apartment Operating Fund #671 underspent its \$2,494,000 budget by \$350,648 (14%). Management reports that \$350,000 was budgeted to replace roofs at the Manzano apartment complex, but these repairs were not completed in FY06.

Program 33541 – *Workers' Compensation* program in the Risk Management Fund #705 underspent its \$9,492,000 budget by \$1,091,000 (11%). The claims payment line item is the reason for the underexpenditure in this program. Workers' compensation claims expenses are difficult to predict given the uncertainty in the number and value of the claims that are filed. Management reports that the program is actually overspent by approximately \$150,000. The discrepancy arises from how this program's expenses are reported in the CAFR. Approximately \$1,250,000 of worker's compensation claims expenses pertaining to the claims reserve adjustment are presented in the CAFR as 'Expenses not budgeted' separate from the other expenses in this program. Accounting management reports that the claims reserve adjustment will be appropriately grouped with the workers' compensation claims expense category in the FY07 CAFR.

Program 47504 – *Unemployment Compensation* program in the Risk Management Fund #705 underspent its \$558,000 budget by \$102,164 or 18%. Management reports that the expenditures for claims and judgments were less than the amount budgeted.

Program 28505 – *Transfer to General Fund* program in the Fleet Management Fund #725 underspent its \$666,000 budget by \$193,369 or 29%. Management reports that this transfer is an indirect overhead transfer based on salary expenditures in Program 28503 Fleet Management. Because the salaries were underspent in Program 28503 Fleet Management, the amount transferred was only \$472,631, resulting in the underexpenditure.

OTHER

The following programs were not included in the General Fund – Budget to Actual statement in the CAFR:

Fund	Program	Appropriation	Expenditures	Variance	%
110	27521 Fire Technical Services	\$ 398,000	\$ 384,989	\$ 13,011	3%
110	24510 Strategic Support-DMD	1,561,000	1,478,069	82,931	5%
110	56501 Consumer Health	1,079,000	1,071,070	7,391	<1%

The Department of Finance and Administrative Services (DFAS) - Accounting Division (Accounting) informed us the programs were erroneously omitted from the final copy of the CAFR.

The New Mexico State Audit Rule (2.2.2.10 P (3)) requires budget comparison statements include the original and final appropriation, the actual expenditures and the variance between the final appropriation and actual expenditures. The City makes appropriations at the program level. As a result of the omission:

- The appropriation and expenditure for the above programs have not been reported in the CAFR.
- The amounts in the columns of the Budget and Actual – General Fund Statement do not agree with the totals.

RECOMMENDATIONS

The CAO should ensure that all programs spend within the appropriated budget amounts. For those programs that overspent, the Administration should take appropriate action in accordance with Administrative Instruction No. 2-20, Budgetary Control Responsibilities. The CAO should determine the reasons for programs being significantly underspent and monitor them throughout the year. DFAS – Accounting should have controls in place to ensure all programs are included in the General Fund – Budget to Actual statement in the CAFR.

RESPONSE FROM THE CAO

“The CAO agrees that active monitoring of both expenditures and revenues are required to mitigate both over- and under- spending. The Office of Management and Budget continues to produce quarterly both expenditure and revenue reports and CAO financial review meetings are scheduled with departments on an as needed basis. It should be noted that while there were program over expenditures, all departments managed to remain within budget once the appropriation of the fuel reserve and other necessary adjustments were made and for other funds there was sufficient fund balance or revenues to cover the over expenditures. The CAO continues to remind department directors of their responsibilities under AI 2-20 and will initiate disciplinary action as appropriate.”

RESPONSE FROM DFAS

“DFAS concurs with the recommendation. Accordingly, the three programs 27521 Fire Technical Services, 24510 Strategic Support, and 56501 Consumer Health were included on the General Fund Budget compare excel worksheet. However there was a formatting error in the report that inadvertently hid the

three program lines with activity on the excel worksheet. Thus, the General Fund Budget compare report that was printed for the CAFR had the three program lines hidden. The totals on the CAFR are the correct totals. After the final print we will total the worksheet to ensure all changes were made properly.”