

City of Albuquerque
Office of Internal Audit and Investigations



Fiscal Year 2006 Annual Report
July 1, 2005 through June 30, 2006

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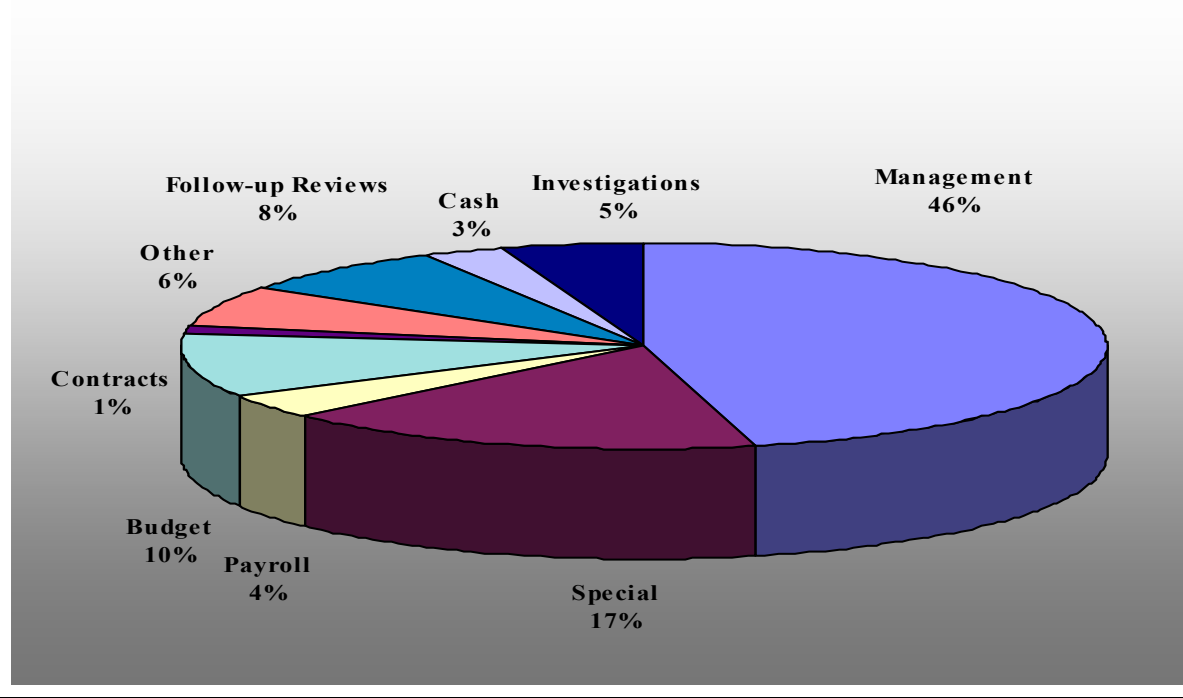
**Office of Internal Audit and Investigations
Fiscal Year 2006 Annual Report
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SUMMARY OF THE YEAR

Reports

The Office of Internal Audit and Investigations (OIAI) issued 19 final audit reports in Fiscal Year (FY) 2006. Seven reports dealt directly with City management of programs and were included in the annual audit plan. Two of the reports were the result of special requests for audits from the Administration and City Council. The department issued two quarterly budget reports and two audits of how the City closed its books at the end of FY04 and FY05. One cash-handling audit was performed during the year. Two payroll audits were completed. One vendor was audited for compliance with its City contract. Two investigations were conducted in FY06. In addition, there were numerous audits in process at year-end that will be issued in FY07.

OIAI completed five follow-up reports during FY06. Several follow-ups were also in process at year-end.



**Audit Hours by Type
Fiscal Year Ended June 30, 2006**

Type of Audit	Audit Hours	Prior Year Actual Audit Hours	% Variance From Prior Year
Management	4,329	4,051	7%
Special	1,604	839	91%
Payroll	361	1,170	-69%
Budget	936	1,087	-14%
Contracts	131	167	-21%
Other	573	573	0%
Follow-up Reviews	728	740	-2%
Cash	250	0	
Investigations	482	0	
Total	9,394	8,626	9%

**Department and Audit Detail
Fiscal Year Ended June 30, 2006**

Department / Audit	Audit Hours	Department Total
ABQ Ride		
Use of Transportation Tax Follow-up	40	
Westside Transit Facility	21	
Transit Revenue	28	89
Albuquerque Police Department		
System Procurement & Integration	59	59
Aviation Department		
Revenue & Revenue Contracts Follow-up	34	34
Council Services Department		
Payroll Audit	147	
Special Department Audit	580	727
City Wide		
Computer Equipment Tracking	287	
Year-End Close	383	
Quarterly Reports	553	1,222
Contract Audits		
Corporate Express	131	
Downtown Action Team - HDIC	133	264

Cultural Services Department		
Zoo Train Follow-up	131	131
Department of Family and Community Services		
Housing	625	
Youth Services and Community Centers	620	1,246
Department of Finance and Administrative Services		
Personal Computer Licensing	263	
Use of Lodgers Tax / ACVB / AHCC	403	
Remote Access Follow-up	35	
User Ids	406	
Accounts Payable	249	
Treasury Division	137	
City Operators Permits	38	1,531
Department of Municipal Development		
Inventory Follow-up	95	
Bike and Trail Funding	713	
Transportation Infrastructure Tax	627	
Tri-Centennial Towers	289	1,724
Environmental Health Department		
Consumer Health Division	174	
Expenditure Follow-up	27	201
Human Resources Department		
Merit System Ordinance Follow-up	114	114
Mayor CAO Department		
Payroll Audit	219	
Council Bill Investigation	193	412
Parks and Recreation Department		
Personnel Practices	186	186
Planning Department		
Building Inspections and Permits	513	
Metropolitan Redevelopment Fund Follow-up	53	566
Solid Waste Management Department		
Drivers Incentive Follow-up	68	
Cash Handling	250	318
Other	573	573
	<hr/>	<hr/>
Total	9,394	9,394
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Special Projects

OIAI was involved in several projects at the request of the Council, Administration or both. Some of the more significant projects were as follows:

- **City of Albuquerque Learning Council**

At the request of the Administration, the Director participated on the Learning Council to plan and implement the 2005 Summer Conference. The Council is an advisory body, which meets quarterly to provide recommendations and guidance for long-range planning of overall City employee development, learning curriculum development and deployment and deployment of City Public Service University (a Corporate University).

- **Alvarado Transportation Task Force Meetings**

At the request of Council, the Director participates on a Committee that is charged with making recommendations to the City Council on Alvarado Transportation Center Projects.

- **Information Systems Meetings**

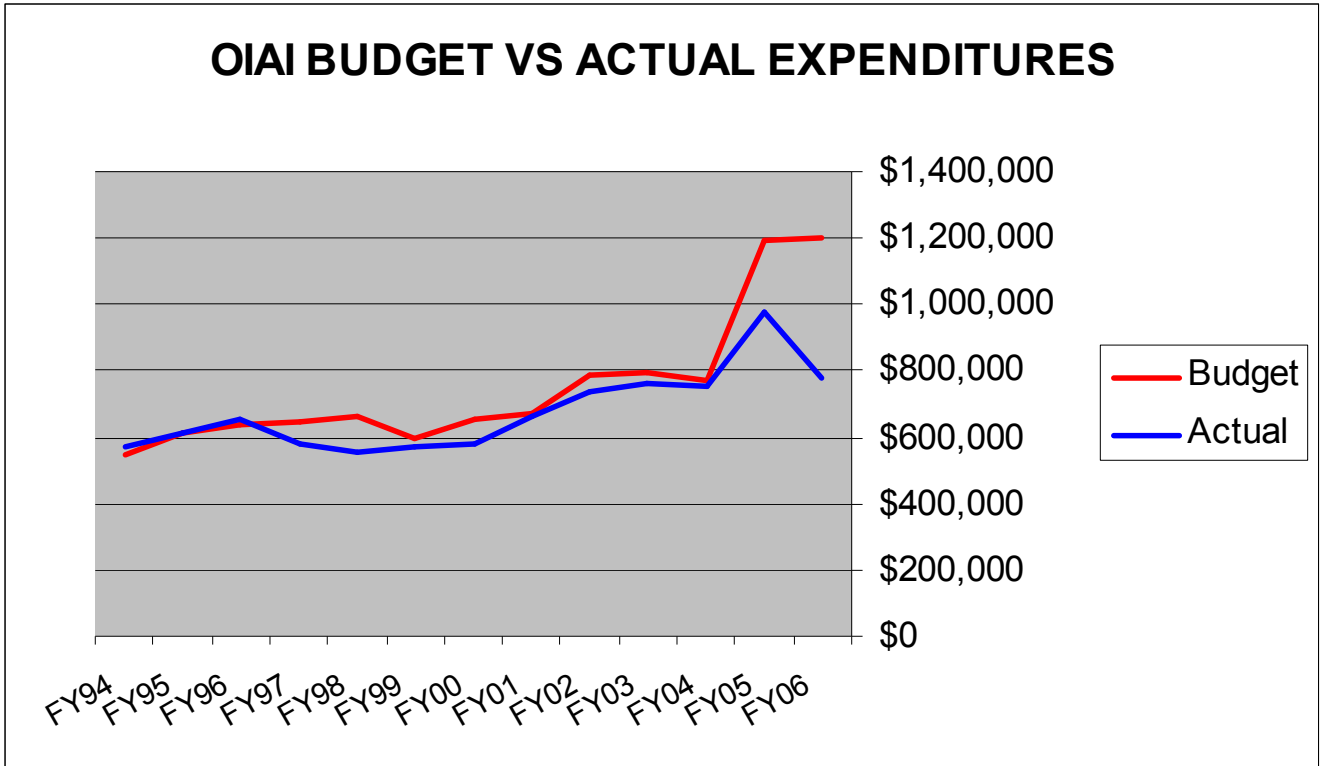
At the request of the Administration, the Information Technology auditor attended the following regularly scheduled meetings throughout the year: Policy Procedure and Standards Group (PPSG), Technical Review Committee (TRC) and Information Technology Users Group (ITUG).

- **Chief Administrative Officer Budget Hearings**

At the request of the Administration, the Budget Auditor attended the FY07 department budget hearings and the FY06 1st quarter budget reviews held with the Office of Management and Budget.

Budget

In FY06, the OIAI consisted of two program strategies, Internal Audit and Inspector General. The approved FY06 budgets for these programs were \$953,000 and \$250,000, respectively. Expenditures for the year were \$781,121 and \$638, respectively. The chart below contains budget and actual information for the two programs combined.



Note: The FY 05 and 06 budgets contained \$250,000 for the Inspector General Program.

The Internal Audit program underspent its budget by \$171,879 or 18%. This was due to salary savings as a result of vacant positions.

Staffing

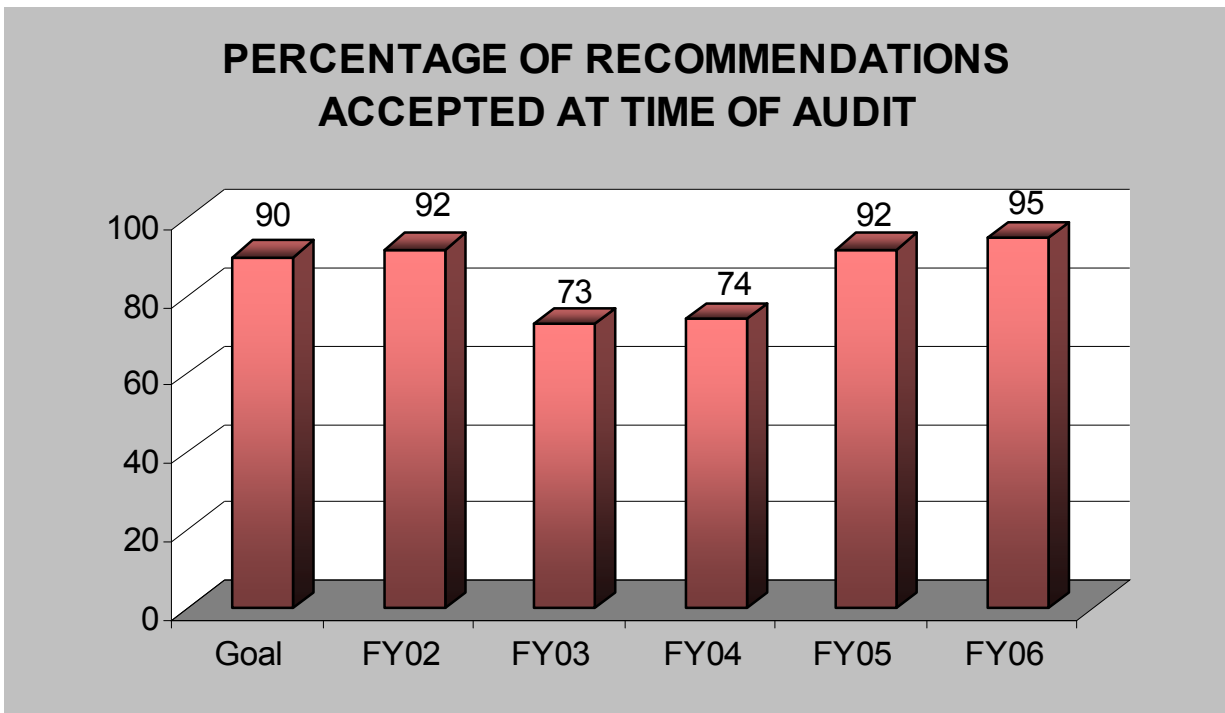
There were 12 full-time budgeted positions in the Internal Audit program strategy and 2 in the Inspector General. Several staffing changes occurred in FY06. The Acting Director was selected as Director for the OIAI in February 2006. The Audit Supervisor position was filled in July 2005. A Senior Auditor position in the Internal Audit Division was filled in October 2005. In June 2006 this individual was then promoted to a Principal Auditor in the Inspector General Division. The Budget Auditor was also promoted to the Internal Auditor in June 2006. The following vacancies existed at June 30, 2006:

- Internal Audit Division – Audit Manager (M-18), Budget Auditor (M-17) Principal Auditor (M-16) and Senior Auditor (M-15)
- Inspector General – Inspector General (M-19)

Performance Measures – Internal Audit Program Strategy

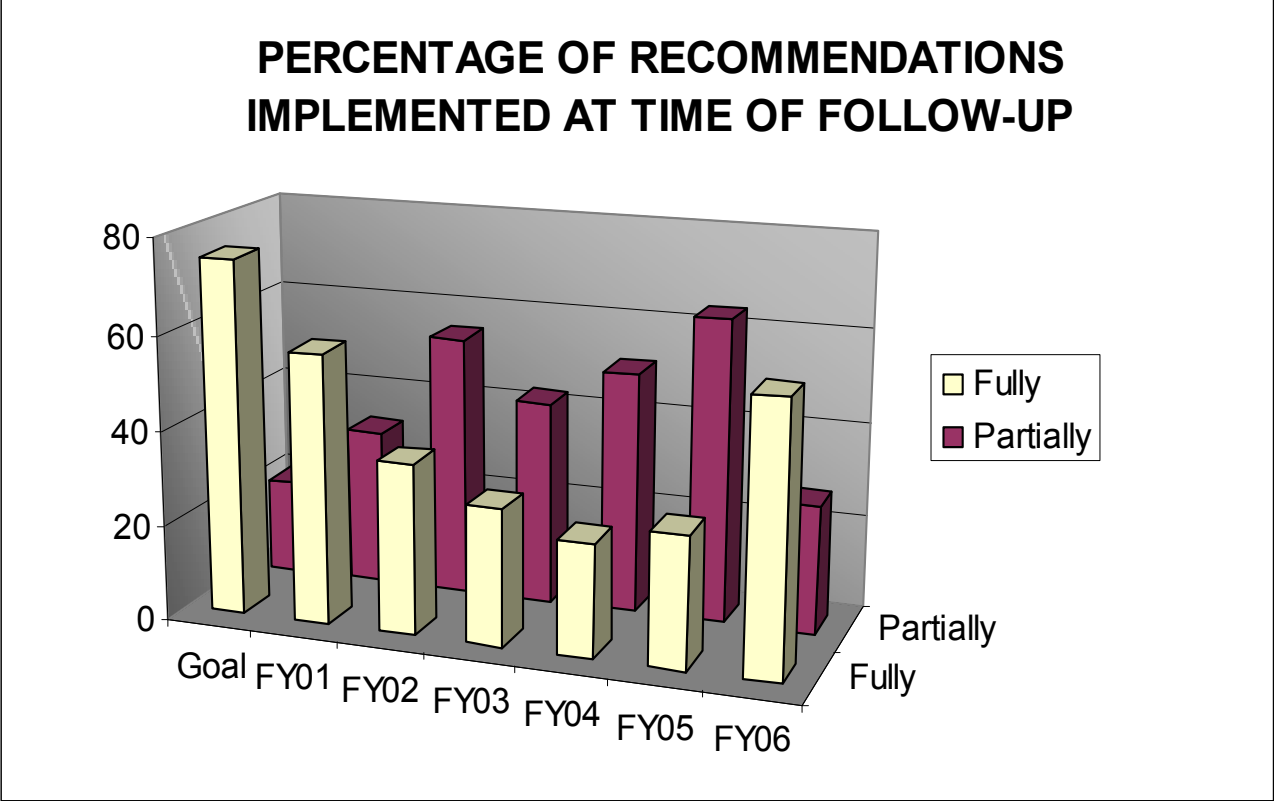
The Program Strategy for OIAI is to improve the efficiency and cost effectiveness of City services, through independent appraisal, review and measurement of City operations and program. The Internal Audit Program Strategy is a part of the City’s Goal 8, Government Excellence and Effectiveness. The FY06 strategy outcome and performance measures are as follows:

Strategy Outcome: Improve the operational efficiency of departments through acceptance of audit recommendations. Operations will be improved if the audited departments and programs accept the recommendations made as valid and useful during the audit process.



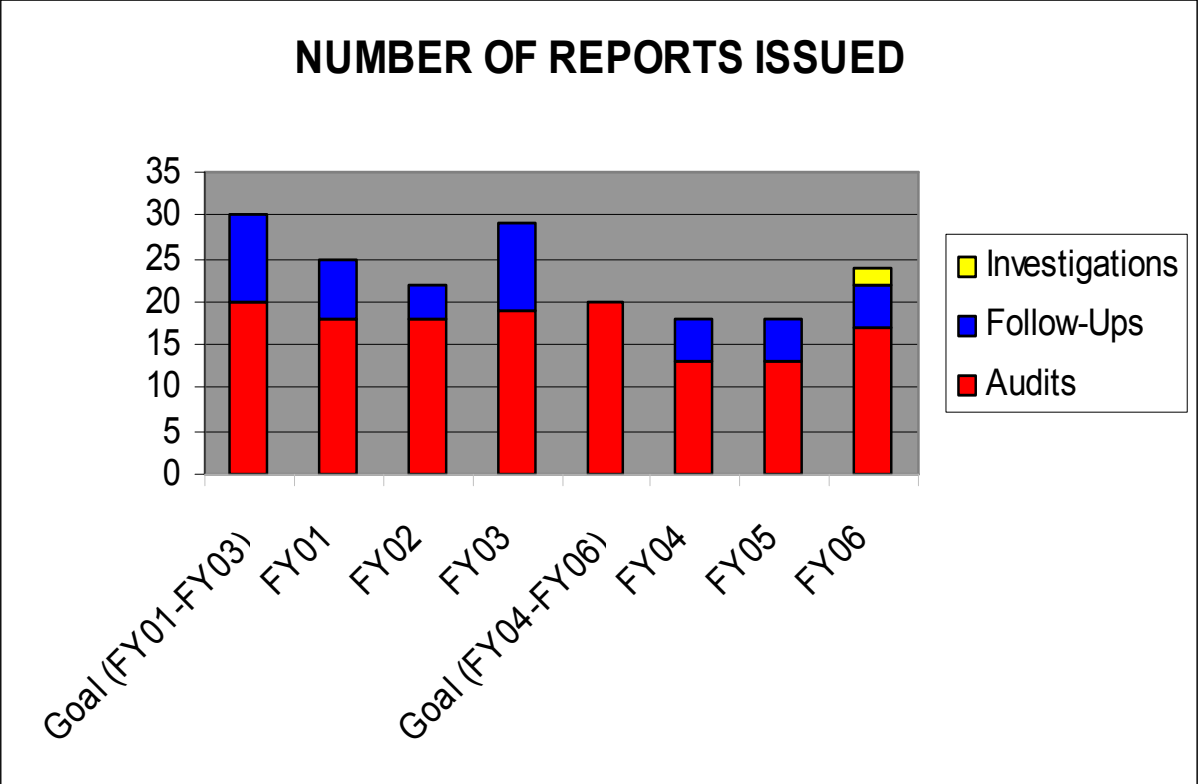
OIAI exceeded its goal of 90% of recommendations being accepted at the time of the audit. The 95% attained is the highest level achieved over the past five years. This performance measure is calculated by the concurrence of the auditee to the recommendations offered in our reports.

Strategy Outcome: Improve the operational efficiency of departments through their implementation of audit recommendations. Follow-up reviews are generally conducted a year after the audit is completed.



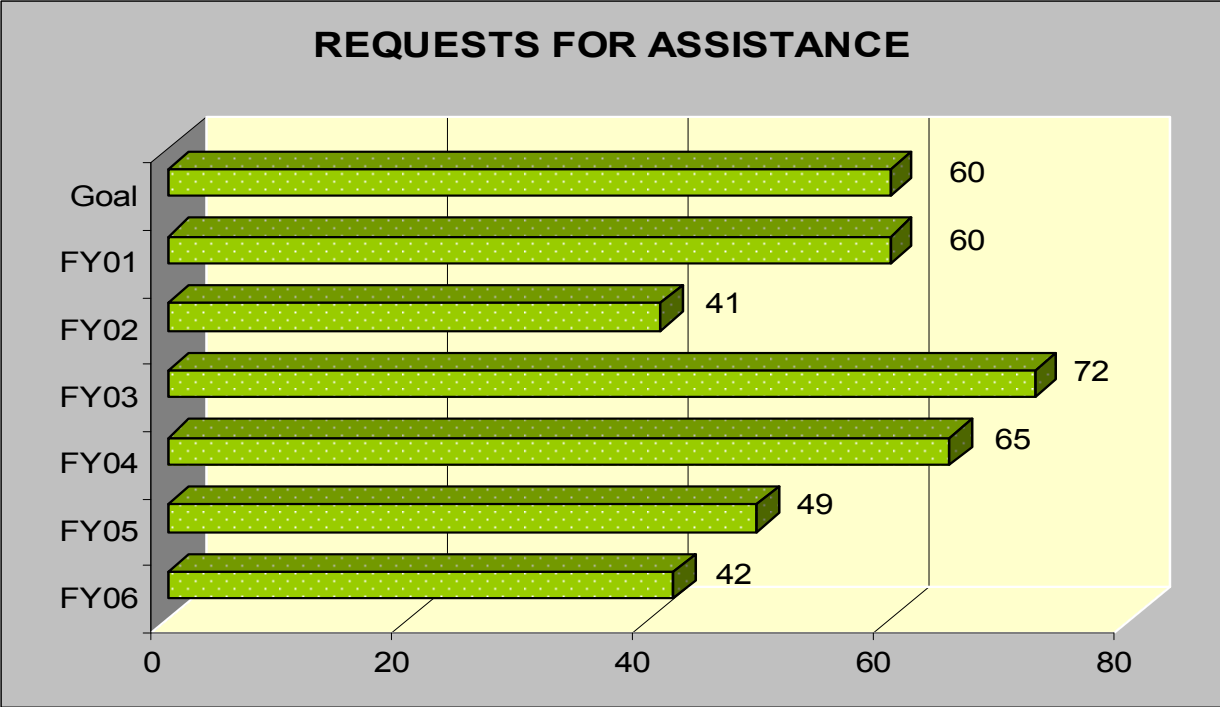
In FY06, City departments had fully implemented 57% of recommendations, and partially implemented 27% of the recommendations at the time of the follow-ups. This was below the OIAI goals of 75% fully implemented and 20% partially implemented recommendations at the time of follow-up; however, FY06 showed a significant improvement over prior years.

Output Measure: Complete Management, Vendor/Contract, Payroll and Cash Handling audits with recommendations for improving City operations, programs and contract management.



The goal for the number of audits to be completed each year was decreased in FY03 from 25 to 20, to reflect the increased complexity of the audits being conducted. Twenty-four reports were finalized in FY06, exceeding the FY06 goal. The 24 reports consisted of seventeen audits, five follow-ups and 2 investigations. In FY07, the number of investigations conducted will be reflected in the Investigations Division’s performance measures.

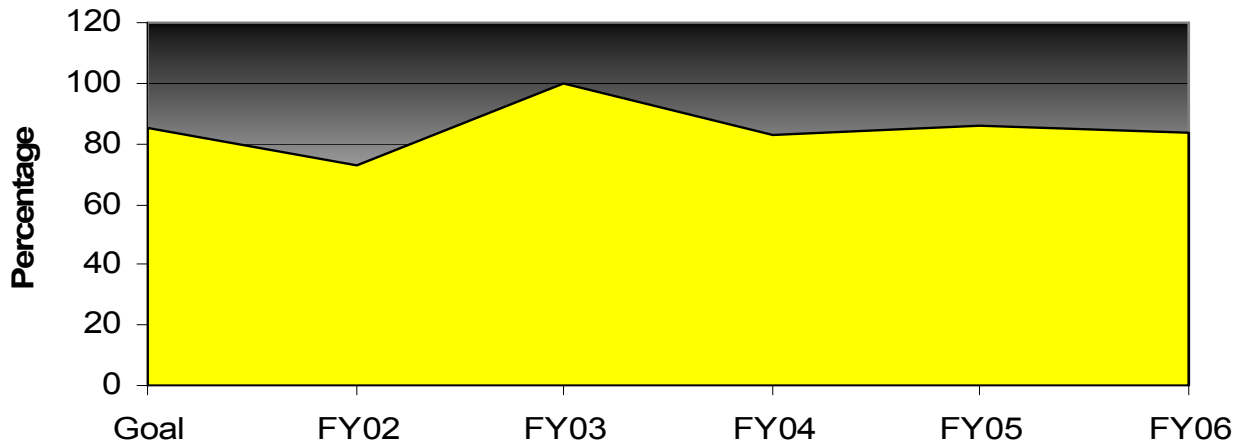
Output Measure: Work in partnership with departments by responding to requests for assistance related to compliance with City rules and regulations, process development, process improvement and re-engineering.



OIAI did not meet the goal of 60 requests for assistance in FY06; however, several of the requests received were more extensive and time consuming. For example, the Information Technology (IT) Auditor attends the regularly scheduled meetings throughout the year for three different IT-related committees. Also, several long-term employees left the OIAI since FY03. It takes time for new employees to become familiar with City policies and systems and develop relationships with other City personnel. This is a performance measure that is strongly emphasized in staff meetings throughout the year.

Quality Measure: Improve the efficiency and effectiveness of departments' operations through value added audit reports and recommendations. End of audit surveys include a question regarding the value added by the audit.

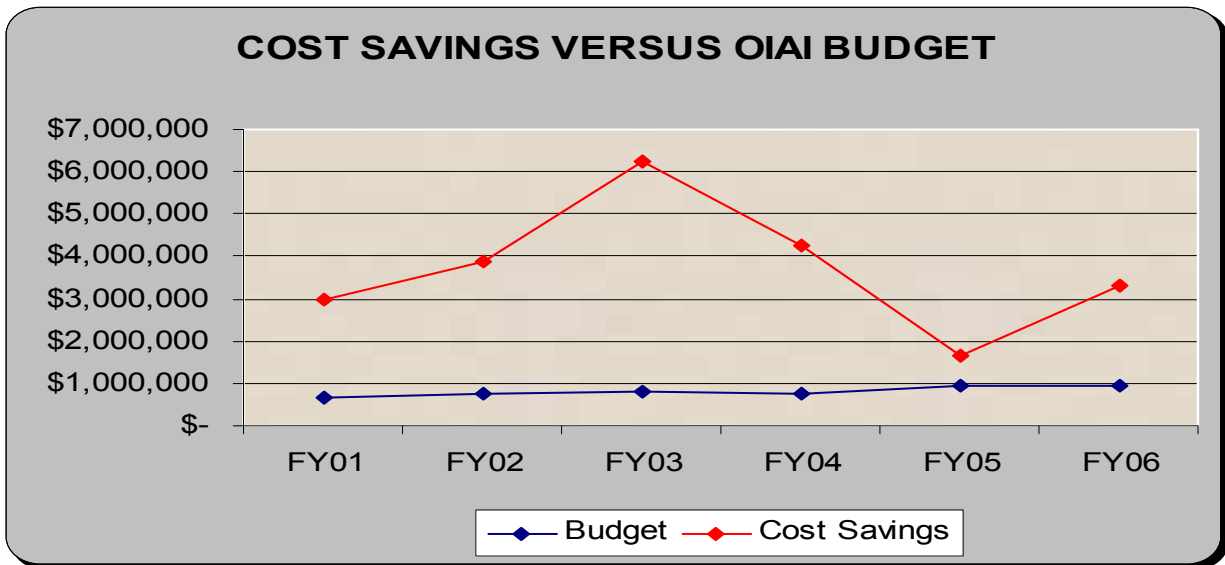
AUDITEE RESPONDED THAT AUDIT ADDED VALUE



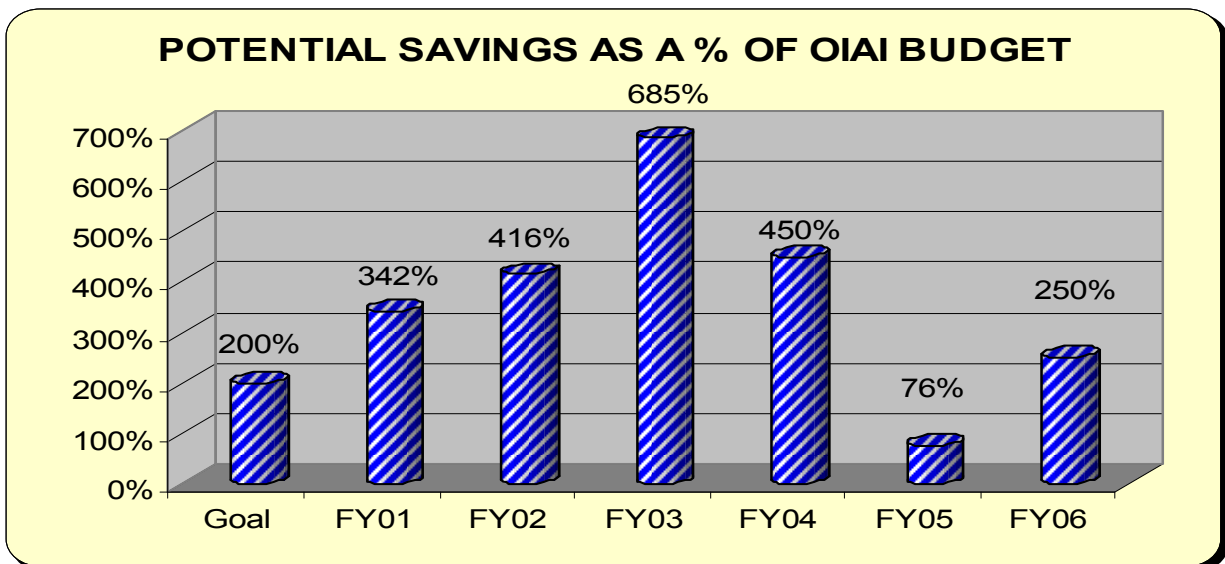
OIAI requests audited departments to complete end-of-audit surveys. The audited departments are asked to rate the professional proficiency of the auditors, scope of work, performance of audit work, and the value of the audit reports. Ratings are on a one to five scale with five indicating “excellent.”

The responses from auditees after-audit surveys have remained relatively consistent in recent years. In FY06, 84% of respondents felt the audit added value to their respective activity, program or department.

Quality Measure: Citywide savings and increases to revenues as a percentage of the OIAI's approved final budget.



A conservative estimate of \$2,119,167 of nonrecurring and \$260,735 of recurring annual reductions in expenditures, avoided costs and increases in revenues which the City could realize with the implementation of FY06 audit recommendations. In addition, there were numerous recommendations made that will result in longer-term intangible benefits to the City through improved administration, better accountability and reduced potential liabilities.



In FY06, the projected savings from audit recommendations in relation to the Department's total expenditures was 250% which exceeded the goal of 200%.

Performance Measures – Inspector General Program Strategy

Output and Quality Measures were not established for the Inspector General Program Strategy in FY06. The following measures have been established for FY07:

- Number of investigations
- Number of administrative actions, convictions or pleas obtained for employee/contractor wrongdoing
- Number of Administrative Instructions to deter future wrongdoing
- Timeliness of allegations of wrongdoing
- Percent of investigations resulting from employee reports

Audit Staff

The audit staff attended training throughout the year to enhance and expand their skills. The training included courses in government accounting, ethics, performance budgeting and auditing, internal control framework, fraud and assorted audit related luncheon topics. The audit staff members each met the continuing educational requirements to maintain their professional certifications and the training requirements of Government Auditing Standards.

All of the audit staff members are CPAs. In addition, a number of other certifications are held by various staff members including:

- (3) Certified Information Systems Auditor (CISA)
- (1) Certified Internal Auditor (CIA)
- (1) Certified Government Auditing Professional (CGAP)
- (1) Certified Fraud Examiner (CFE)
- (1) Certified Management Accountant (CMA)
- (1) Certified Information Systems Professional (CISP)

The Staff is active in professional organizations including:

- The Institute of Internal Auditors (IIA)
- The Association of Local Government Auditors (ALGA)
- The Association of Government Accountants (AGA)
- The Information Systems Audit and Control Association (ISACA)
- The American Institute of Certified Public Accountants (AICPA)
- The New Mexico Society of Certified Public Accountants (NMSCPA)
- The Association of Latino Professionals in Finance and Accounting (ALPFA)

One staff member was the Past President and Vice-President of Programs for the Albuquerque Chapter of the IIA during FY06. Two auditors served on the IIA Board of Governors.

The OIAI staff is dedicated to improving the City and the community. Department employees actively participate in both City and community service activities. OIAI had 100% participation in the 2006 United Way campaign. Two employees regularly participate in City blood drives. The staff members actively support the Boy Scouts of America. OIAI staff members serve on the boards of local non-profit organizations including: A Child's Garden Preschool, La Cueva Football Boosters, Bernalillo County Sheriff's Department Mounted Search & Rescue and Back Country Horseman. Another staff member is a member of the Finance Committee for their church.

OUTLOOK FOR FISCAL YEAR 2007

One of the goals of the OIAI is to have a peer review at the end of FY07. To prepare for the peer review, a policy and procedures manual is being written. We have also designated a staff member to serve as our internal Quality Control Reviewer. This process includes a post-issue review of each report and workpaper file for compliance with Government Auditing Standards and OIAI standards.

The City has implemented an individual performance evaluation plan using employee work plans. The work plans tie employee performance to achievement of the department's performance measures. The work plans developed for FY07 will be used to evaluate individual employee performance.

Several of the personnel vacancies at the end of FY06 have been filled. The Information Systems Auditor has been promoted to the Audit Manager, creating a vacancy in that position. The Budget Auditor and a Principal Auditor have been selected and are in the hiring process.

In FY07, the Internal Audit and Inspector General programs will be consolidated into one program for budgetary purposes. The one program will contain two activities: Internal Audit and Inspector General.

	Amount	Percentage
Salaries	\$ 1,161,660	94%
Operating	\$ 68,764	5%
Transfers	\$ 3,576	1%
TOTAL	\$ 1,234,000	100%

The Department will continue to work with the City Council and Administration to find the proper balance between independently reporting the results of audits and maintaining the public's trust in the City and its employees.