



City of Albuquerque
Office of Internal Audit
 FOLLOW-UP OF THE CITYWIDE
 TRANSPORTATION INFRASTRUCTURE TAX AUDIT
 FOLLOW-UP #14-11-105F
 October 28, 2015

INTRODUCTION

The Office of Internal Audit (OIA) performed a follow-up of Audit No. 11-105, Transportation Infrastructure Tax for Fiscal Years 2008, 2009 and 2010 (Trans Tax) during fiscal year (FY) 2016. The purpose of the follow-up is to report on the progress made by the Department of Municipal Development (DMD), Transit Department (Transit), and the Department of Finance and Administrative Services (DFAS) in addressing the findings and recommendations. Follow-up procedures rely on the departments providing the status of the recommendations.

Follow-up procedures are substantially less in scope than an audit. The objective is to report on the status of corrective action in regard to the findings and recommendations.

The scope was limited to actions taken to address the audit recommendations from the final audit report dated February 29, 2012, through the submission of actions taken memos completed by DMD, Transit and DFAS as of October 15, 2015.

BACKGROUND INFORMATION

Voters approved the first Trans Tax, one-quarter (1/4) of one percent municipal gross receipts tax, during a special election on March 31, 1999; it was in place from January 1, 2000 through December 31, 2009. The Trans Tax Ordinance §4-3-7-5, at the time, stated that Trans Tax revenue was to be used to fund the improvement of transportation systems for the benefit of the City and was dedicated for the following purposes and corresponding percentages.

Trans Tax Dedications
 (January 1, 2000 – December 31, 2009)

Purpose	Percentage	Responsible Department
Road Rehabilitations	Not Less Than 32%	Department of Municipal Development (DMD)
Road Deficiencies	Not More Than 32%	
Road Maintenance	12%	
Trails and Bikeways	4%	
Transit	20%	Transit Department (Transit)

Source: Section 4-3-7-5 (City Ordinance)

An extension of the Trans Tax was approved by voters on October 6, 2009 and provides updated dedication percentages and reporting requirements. Trans Tax funds are allocated to and expended by DMD and Transit.

SUMMARY

All six recommendations in the Trans Tax Audit Report No. 11-105 have been resolved or fully implemented.

The status of the recommendations is identified by the symbols in the following legend:



Recommendation #1: DMD should:

- Create an adjusting entry to transfer \$54,812 back to the Trans Tax Fund (#340) to replace monies that were incorrectly used on AFD's pump station rehabilitation project.
- Ensure that Trans Tax expenditures are in accordance with the purpose and dedications outlined within Section 4-3-7-5(A).
- Ensure payment authorization is retained in accordance with retention and disposition schedules.
- Ensure that payments are processed in accordance with Administrative Instruction 3-7.

Response: *“DMD does not concur with a first finding. The invoice was for a project to upgrade pumps that service the Westside Street Maintenance Facility. This work allowed the Westside Street Maintenance Operation to continue at that location which saved costs relative to staging all Street Maintenance from Pino Yards and was therefore a correct transportation tax expenditure. The scope of the activity states “Design, right of way, construction, and other associated improvements necessary...”. This expenditure was considered a necessary associated improvement.*

“DMD retains documents per previous Trans Tax Audit Report (09-105), NMAC1, 19.8109.D(3) which requires this documentation to be retained for two years. The payment authorization documents are more than two years old.

“DMD works very closely with our Consultants and Contractors to ensure timely payments. Without a detailed history from OIA which includes which invoices are believe to be paid late. DMD cannot comment on specific instances. In some cases, invoices are not accurate when originally submitted and take time to be verified to ensure proper payments. DMD attempts to pay all accurate invoices within 30 days of receipt.”

Auditor's Comment: DMD's activity scope does not override the authority of City ordinance, which states “Revenue from the Transportation Infrastructure Tax will be used to fund the improvement of transportation systems for the benefit of the City.”

In previous Trans Tax audit #09-105, OIA cited NMAC 1.19.8.109 D(1) which relates to fiscal or contractual documents for capital projects and requires documentation be maintained for ten years. DMD in their response to that audit cited NMAC 19.8.109 D(3) which states all other documents for capital projects should be retained for two years. In this audit, OIA is citing NMAC 1.19.8.9(B), which states payment voucher files should be maintained for six years.

OIA provided DMD with a detailed listing of invoices on October 18, 2011 that were paid late.

Status Reported by DMD:

- “The scope was not DMD’s it was that approved by City Council. The improvement was a necessary associated expenditure.
- "At the time of the Audit and all material times since the Audit, DMD has had controls in place to ensure that Transportation Tax expenditures were and are in accordance with the purpose and dedication outlined in the authorizing legislation.
- “NMAC 1,19.8.9(B) is in the general instructions for the Local Government Record Retention and Disposition Schedule. NMAC 1.19.8.109 refers specifically to Capital Project Files. Subsection D(1) refers to fiscal or contractual documents and specifically lists bids, quotes, agreements, contracts etc. which should be retained for 10 years. It does not include payment vouchers which would be covered under subsection D(3) and are required to be retained for 2 years.
- “All of the invoices listed were paid. Again, DMD works very closely with our Consultants and Contractors to ensure timely payments. In some cases, invoices are not accurate when originally submitted and take time to be verified to ensure proper payments. DMD attempts to pay all invoices accurately within 30 days.”



Resolved – DMD strives to pay invoices timely, though DMD will not pay an invoice until the invoice information is accurate. The recommendation is resolved due to the expiration of the tax and associated expense activity.

Recommendation #2: DMD should:

- Create an adjusting entry to transfer \$495,000 back to the Trans Tax fund (#340) from a funding source that is dedicated for interstate aesthetic enhancements.
- Review Trans Tax expenditures to ensure that Trans Tax funding has not been expended on interstate aesthetic enhancements during FY09 and FY10.

Response: “DMD concurs that no Trans Tax funding should have been spent on interstate aesthetic enhancement projects during FY09 and FY10. The original Big I Segment A contract was initiated on 7/2/07. This contract was awarded in excess of \$3,000,000 and was funded entirely with G. O. bonds initially, but should have included this \$495K in Transportation Tax Funding, as this was part of the entire project funding in FY08. Overall, the Big I project was completed and no adjusting entry in the amount of \$495,000 will be required.”

Auditor’s Comment: DMD acknowledges in its response that funding should not have been spent on interstate aesthetic enhancements during FY09 and FY10. Regardless of the completion of the Big I Project, the \$495,000 should be transferred back to the TransTax fund, as it was an unallowable use of those monies.

Status Reported by DMD: “DMD stands by its original response concerning the requested adjusting entry of \$495k.”



Resolved – This recommendation is considered resolved as the current Trans Tax Ordinance states no funds shall be used for interstate aesthetic enhancements. Future expenses are expected to be within the requirements of the Ordinance and conflicting views regarding the timing and use of funds for interstate aesthetic enhancements should no longer be an issue.

Recommendation #3: DMD should:

- Prepare and submit expense activity reports to the Mayor in a timely manner to ensure that deadlines outlined within the Trans Tax Ordinance are met.
- Complete and submit the FY09 and FY10 Annual CIP Status Reports to the Mayor.

Response: “DMD concurs that the previous CIP official did not complete this required task timely. The new CIP official has made this a priority and it will be completed and submitted by January 31, 2012.”

Status Reported by DMD: “DMD provided the reports to Council through EC-12-40 on January 13, 2012.”



Fully Implemented – DMD has fully implemented this recommendation by completing and submitting FY09 and FY10 reporting requirements to the Mayor. DMD prepares and submits semiannual Capital Implementation Program amendments to the Mayor, in which new projects are proposed and the scope of existing projects may be updated.

Recommendation #4: Transit should:

- Create an adjusting entry to transfer \$111,642 back to the Trans Tax fund (#340).
- Reconcile Trans Tax revenue in order to validate the correct percentage of revenue is transferred to Transit.

Response: “Transit, on an annual basis, receives the Treasurers Reports of Deposits for the Tax payments received from the State of New Mexico and reconciles the reports to the entries posted to the General Ledger. The reports received by Transit and reconciled to the General Ledger, match the posted CAFR amount of \$7,800,807. Transit did not receive a copy of the NMTRD adjustment from July 2010, therefore the department was unaware and unable to identify the overpayment of \$111,642.

“Transit will work with Budget to identify the funds needed in order to make the correcting entry as part of the FY13 budget process. This may require an additional appropriation to be made.”

Status Reported by Transit:

- Transit coordinated with Budget and a journal entry was processed on April 23, 2014 to transfer the \$111,642 back to the Trans Tax fund.
- “Transit will continue to review reports provided by Treasury and the City Economist to ensure the proper percentage of revenue is transferred to Transit.”



Fully Implemented – Transit has fully implemented the recommendations and completed the transfer of \$111,642 back to the Trans Tax Fund. The department will continue to ensure the proper percentage of revenue is transferred to Transit.

Recommendation #5:

- Transit and DMD should ensure performance measures reflect actual activity that can be verified by supporting documentation.
- Transit should ensure priority objectives are submitted by the due dates outlined within the City’s Approved Budget Document.

Response from DMD: *“DMD agrees that accurate reporting of achievements is needed. DMD is attaching a chart illustrating additional supporting documentation that was not previously provided. These documents show closer relationship between actual and reported values. Some reporting is based, at least in part, on estimates and cannot be completely predicted because we build projects that overlap fiscal years. DMD will keep a file of actual supported data for each performance measure reported by fiscal year in our records per NMAC1, 19.8109/D(3) to assist in determining what projections were used.”*

Auditor’s Comment: The additional information was not audited as it was provided by DMD with its responses, after the conclusion of the audit.

Response from Transit: *“Transit agrees that the Performance measures should reflect actual activity that can be verified. Of the five Priority Objectives listed above, four are Grant related Objectives, which are not related to the Transportation Infrastructure Tax. The remaining Objective is operational in nature, but again, not funded by or related to the Transportation Infrastructure Tax.”*

“Transit agrees that the objectives should be submitted by the due dates outlined within the City’s Approved Budget Document.”

Status Reported by DMD: “DMD now requires its Division Managers to document these measures both for projections and final reporting.”

Status Reported by Transit:

- “Transit agrees that the objectives should be submitted by the due dates and Transit has worked to ensure this has taken place. Status updates to the objectives are recorded on OMB’s SharePoint site to provide information regarding the submission of reports. This

information is included in the year-end status report prepared annually by OMB. In the event situations arise which prevent Transit from submitting objectives on the due date, there is communication to OMB and then to the Mayor and City Council via SharePoint and Executive Communications in order to keep all parties up to date on objective status.

- “Transit Performance Measures are compiled by a Management Analyst within Transit and reflect actual activity that can be verified by supporting documentation. The information is verified by the Principal Planner to ensure information can be duplicated.”



Fully Implemented – Transit and DMD have fully implemented this recommendation. Both departments require documentation of performance measures and Transit additionally requires status updates for priority objectives to be submitted timely.

Recommendation #6: DFAS - Accounting should:

- Review required supplemental schedules to ensure they accurately reflect the financial activity of the Trans Tax fund.
- Ensure the FY11 CAFR accurately reflects the financial activity captured within the *Schedule of Expenditures Compared to Appropriations by Purpose* for the Trans Tax Fund (#340).

Response: *“DFAS Accounting concurs with this finding. The Life-to-date final budget balances were not accurate in the schedule of expenditures. FY08 showed accurate project budget information but was missing the transfers out in the Schedule of Expenditures. FY09 and FY10 Schedule of Expenditures had inaccurate budget information. The inaccurate appropriation amounts were caused by a formula error in the prior years’ schedule of expenditures. The supplemental schedules did have accurate actual expenditure information for FY09 and FY10. The FY10 schedule of expenditures has been fixed and accurate figures have been brought forward to the FY11 schedule.”*

Status Reported by DFAS: “Accounting Division staff corrected the inaccurate schedule prior to the release of the FY11 CAFR and the final issuance of report 11-105. Accounting Division staff continues to monitor the reports for the Infrastructure Tax Fund to ensure their accuracy. Reports were accurately issued for FY11 forward.”



Fully Implemented – DFAS – Accounting has fully implemented the recommendations by correcting the schedules for FY11 and ensuring the information is displayed correctly in future CAFRs.

SUBMITTED:

Principal Auditor

REVIEWED:

Internal Audit Manager

APPROVED:

Debra Yoshimura, CPA, CIA, CGAP, CICA
Director, Office of Internal Audit

APPROVED FOR PUBLICATION:

Chairperson, Accountability in
Government Oversight Committee