

**CITY of ALBUQUERQUE
TWENTIETH COUNCIL**

COUNCIL BILL NO. R-12-49

ENACTMENT NO. R. 2012. 061

SPONSORED BY: **Rey Garduño**

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RESOLUTION

APPROVING THE FY2013 AUDIT PLAN AS SUBMITTED BY THE ACCOUNTABILITY IN GOVERNMENT OVERSIGHT COMMITTEE.

WHEREAS, the Mayor and the City Councilors were invited to recommend audit areas to be included in the plan; and

WHEREAS, the Accountability in Government Oversight Committee has approved the audit plan of the Office of Internal Audit on April 25, 2012; and

WHEREAS, Article 2-10-11 (B), the Accountability in Government Ordinance, requires the Accountability in Government Oversight Committee to transmit the audit plan to the Council for final approval as a resolution.

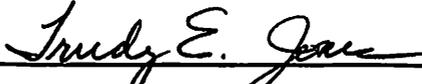
BE IT RESOLVED BY THE COUNCIL, THE GOVERNING BODY OF THE CITY OF ALBUQUERQUE:

That the Audit Plan attached hereto is hereby adopted for FY2013.

[+Bracketed/Underscored Material+] - New
[-Bracketed/Strikethrough Material-] - Deletion

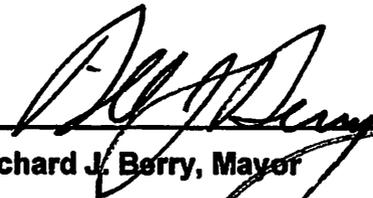
1 PASSED AND ADOPTED THIS 6th DAY OF August, 2012
2 BY A VOTE OF: 8 FOR 0 AGAINST.

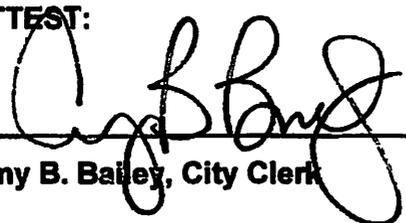
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4 **Excused: Harris**

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9 **Trudy E. Jones, President**
10 **City Council**

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12 APPROVED THIS 15th DAY OF August, 2012

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16 **Bill No. R-12-49**

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20 **Richard J. Berry, Mayor**
21 **City of Albuquerque**

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24 **ATTEST:**
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27 **Amy B. Bailey, City Clerk**

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City of Albuquerque

Office of Internal Audit

P.O. BOX 1293, ALBUQUERQUE, NM 87103

April 25, 2012

Councilor Trudy Jones, President
City Council
P.O. Box 1293
Albuquerque, NM 87103

Dear Councilor Jones:

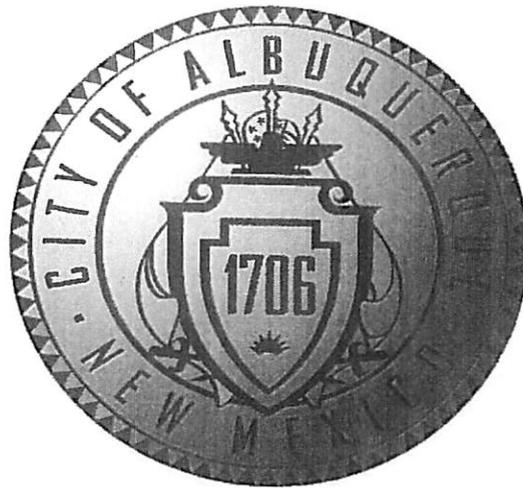
We have completed our review of the Audit Plan for Fiscal Year (FY) 2013 as submitted by the Office of Internal Audit. We have approved the Audit Plan and are pleased to transmit it to the City Council for final approval as a resolution.

The Audit Plan is based on a risk analysis of City departments and programs. There are approximately 6,240 audit hours available during FY2013.

Sincerely,

Harry L. Tipton, Chairperson
Accountability in Government Oversight Committee

City of Albuquerque
Office of Internal Audit



Fiscal Year 2013
Audit Plan

Introduction

The Office of Internal Audit (OIA) recognizes that an overall strategy and plan is important to meet the goals, objectives, and mission of our office. In compliance with the Accountability in Government Ordinance, § 2-10-11, Annual Audit Plan:

Prior to the beginning of each fiscal year, the Director shall submit an annual audit plan to the Committee for review and comment. As part of these deliberations, the officials shall be invited to recommend areas for inclusion in the plan. The plan shall include the auditees scheduled for audit during the year, a statement of the scope of the audit and the estimated time required to complete the audit. The annual audit plan shall be transmitted to the Council for final approval as a resolution.

An annual audit plan benefits the organization by:

- Establishing what departments, contracts, or other areas will be selected for audits on an annual basis.
- Permitting an efficient allocation of limited resources.
- Providing a flexible basis for managing audit personnel.

Audits are selected and prioritized using a risk-based approach. OIA utilizes several techniques to identify and prioritize audits in the annual plan. These techniques include:

- Input from City department personnel;
- Knowledge of operations and internal controls derived from previous audits;
- Utilization of risk assessment criteria

Audits considered for the audit plan are compiled from suggestions by OIA staff, Administration staff, complaints and other sources of information. The suggestions are evaluated and rated using a risk assessment matrix. The number of audits selected for the plan is based on the impact the audit would have (the problem or risks it would address and the likely types of findings and recommendations to result); the sensitivity, complexity, and difficulty of the project compared to its likely impact; staff qualifications and other resources available; and the breadth and depth of audit coverage across City government.

Staff is assigned based on combinations of experience, qualifications, interests, and availability. During this process, we may identify projects that require additional expertise from consultants.

Principles for Audit Plan Development

In order to provide practical guidance and an authoritative framework for the development of the annual audit plan, the following basic principles are recognized and observed:

- Audit resources are limited, thus prohibiting one hundred percent audit coverage each year. This limiting factor is inherent in the concept of utilizing risk assessment to help prioritize audits.
- The plan is viewed as a flexible and dynamic tool that can be amended throughout the year to reflect changing City risks and priorities.
- The audit plan gives consideration of those audits that may be mandated by ordinance.
- The risk assessment criteria used in the ranking of the audit suggestions places an emphasis on perceived or actual knowledge of systems of internal control.

The audit plan is developed with the understanding that there are inherent risks and limitations associated with any method or system of prioritizing audits. As a result, the risk factors and scoring process are periodically evaluated and modified, if necessary, in order to improve the audit plan.

Audit Prioritization and Selection

The objective of utilizing a risk-based audit plan is to identify and prioritize various operational and other issues posing the greatest potential risk and liability to the City. The risk assessment process provides a tool for assigning available audit personnel to perform audits for the purpose of reducing risk and liability exposure to the City.

Risk assessment is a process used to score potential audits based upon specific risk factors related to an entity's operations, internal controls, and estimated liability to the City. The development of an annual risk-based audit plan is a dynamic process. Throughout the year, the audit staff obtains current information about departments and contractors for use in the risk assessment process. The following risk factors are used to determine the audits included in the audit plan:

- Perception of risk from the department personnel;
- Economic factors such as financial impact, volume of transactions, number of personnel, revenue generated, the alignment of responsibility with authority and trends;
- Changes in organization, management, key personnel and information systems;
- Time since last audit;
- Environmental factors such as control, regulatory, fraud potential and public perception.

Preparing the Annual Audit Plan

The objective of the annual planning process is to establish and schedule audit activities for the next fiscal year. A critical component of the annual audit planning process is to ensure that qualified audit personnel are assigned to the highest priority assignments. The principles and procedures discussed in this document have been developed to provide a process for fulfilling these objectives.

The final step to complete the annual audit plan is to estimate the number of available staff hours in the year and apply these to the estimated hours needed to complete selected audits and projects. The fiscal year (FY) 2013 Audit Plan is presented along with the estimated time allocation for audits and projects. Actual scheduling of selected projects may be affected by personnel turnover, special audits, and unforeseen circumstances in a scheduled audit.

The FY2012 Budget removed three positions from the department to form the new Office of the Inspector General. The FY2012 Budget deleted a Principal Auditor and the Audit Manager positions and restored the Staff Auditor position.

The estimated total hours of 6,240 for the FY2013 audit plan is approximately the equivalent of four audit FTEs, assuming 1,560 hours per FTE. We estimate the number of audit hours available to be 1,560 per FTE, 75% of 2080. We reduce the full-time hours by vacation leave, sick leave, administrative time, and the annual required training to maintain certifications and meet Government Auditing Standards.

Estimated Audit Hours

We review the hours spent on previous audits and estimate 500 hours per audit for the audit plan. The estimate is just a starting point for planning an audit. After the auditor receives responses to the preliminary survey for each audit, the auditor, in partnership with the audit management staff, performs a risk assessment on the processes and auditable areas for an assignment. The final budget to perform the testwork and other necessary steps to complete the audit is reevaluated and frequently adjusted.

**OFFICE OF INTERNAL AUDIT
Annual Audit Plan
For the Year Ending June 30, 2013**

<u>DESCRIPTION</u>	<u>Estimated Audit Hours</u>
Animal Welfare Department Contract Audit: Pet Data, Inc. Goal: Public Safety	500
Department of Finance and Administrative Services Information Technology Services Division – Disaster Recovery Plan Goal: Government Excellence and Effectiveness	500
Department of Finance and Administrative Services Purchasing Division – Procurement Process Goal: Governmental Excellence and Effectiveness	500
Citywide Operating Grant Management Goal: Government Excellence and Effectiveness	500
Citywide Telephone Use and Expense Goal: Government Excellence and Effectiveness	500
Citywide Take-Home Vehicles Goal: Government Excellence and Effectiveness	500
Human Resource Department Personnel Services Division Goal: Government Excellence and Effectiveness	500
Parks and Recreation Department Park Management Department Goal: Sustainable Community Development	500
Senior Affairs Department In-Home Services Goal: Human and Family Development	500
Solid Waste Management Department Residential Collections Goal: Environmental Protection Enhancement	500
Special Audits / Projects	400
Follow-up Status Reports	140
Complete Work in Process	700
TOTAL HOURS INCLUDED IN AUDIT PLAN	<hr/> 6,240 <hr/>