



External Quality Control Review

City of Albuquerque

Office of Internal Audit and
Investigations

Conducted in accordance with guidelines of the
**Association of Local Government
Auditors**

for the period July 1, 2006 through June 30, 2007



Association of Local Government Auditors

OFFICERS

September 21, 2007

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George McGowan
Manager, Audit Services
and Management Support
Orlando, FL

Ms. Carmen Kavelman
Director
City of Albuquerque
Office of Internal Audit and Investigations
P.O. Box 1293
Albuquerque, NM 87103

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Dear Ms. Kavelman:

We have completed a peer review of the Office of Internal Audit and Investigations for the period of July 1, 2006 through June 30, 2007. In conducting our review, we followed the standards and guidelines contained in the *Peer Review Guide* published in May, 2004, by the Association of Local Government Auditors (A.L.G.A.).

We reviewed the internal quality control system of your audit organization and conducted tests in order to determine if your internal quality control system operated to provide reasonable assurance of compliance with *Government Auditing Standards* issued by the Comptroller General of the United States. Due to variances in individual performance and judgment, compliance does not imply adherence to standards in every case, but does imply adherence in most situations.

Based on the results of our review, it is our opinion that the City of Albuquerque, Office of Internal Audit and Investigations internal quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards* for audits and attestation engagements during the July 1, 2006 through June 30, 2007.

We have prepared a separate letter offering suggestions to further strengthen your internal quality control system.

Matt Weller
City of Oklahoma City, OK

Barbara Coppage
City of Phoenix, AZ

Sonia Montano
City & County of Denver, CO



Association of Local Government Auditors

September 21, 2007

Ms. Carmen Kavelman
Director
City of Albuquerque
Office of Internal Audit and Investigations
P.O. Box 1293
Albuquerque, NM 87103

Dear Ms. Kavelman:

We have completed a peer review of the Office of Internal Audit and Investigations (Office) for the period July 1, 2006 through June 30, 2007 and issued our report thereon dated September 21, 2007. We are issuing this companion letter to offer certain observations and suggestions stemming from our peer review.

We would like to mention some of the areas in which we believe your office excels:

- Employment of experienced, competent and qualified staff.
- Development of thorough policies and procedures to assure compliance with *Government Auditing Standards*.
- Consideration of possible fraud, illegal acts, violations or abuse during the planning phase of audits.

We offer the following observations and suggestions to enhance your organization's demonstrated adherence to *Government Auditing Standards*:

- The Office has a procedure for documenting auditor independence (GAS 3.07) with respect to each audit by requiring all assigned staff to sign an independence form. However, we noted instances where not all staff assigned to audits signed the independence statements. We recommend that all staff assigned to an audit sign the independence statement.
- The Office has procedures for documenting the consideration of whether providing non-audit services creates a personal impairment either in fact or appearance that would adversely affect their independence for conducting audits (GAS 3.10). Based on our review, documentation of the consideration of independence implications of non-audit services occurred subsequent to the performance of the work. We recommend that the consideration of the independence implications of non-audit services be documented prior to initiating the work.

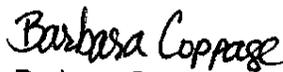
- The Office requires completion of the Association of Local Government Auditors (ALGA) audit documentation review checklist to demonstrate compliance with its policies and procedures (GAS 3.51) for each audit. Based on our review, the ALGA review checklists were not completed prior to report issuance. We recommend ALGA review checklists be completed prior to issuance of audit reports to ensure compliance with all policies and procedures.
- GAS 6.01 incorporates American Institute of Certified Public Accountants (AICPA) standards for attestation engagements. Different AICPA standards for attestation engagements should be applied depending on the nature of the work. The appropriate AICPA standards for attestation engagements were not selected and applied to the attestation work performed. Additionally, planned testing related to the attestation engagement was not communicated as required (GAS 6.06) and *Government Auditing Standards* and AICPA standards for attestation engagements were not cited in the report as required (GAS 6.30). We recommend that appropriate AICPA standards be applied to attestation engagement including communication of planned testing and that *Government Auditing Standards* and AICPA attestation standards be referenced in the report.
- According to GAS 7.29, auditors should consider the results of previous audits and follow up on known significant findings and recommendations. We noted instances where consideration of significant previous audit findings was not documented, although previous audit findings did not exist in those instances. We recommend documenting the consideration of significant previous audit findings even when no previous audit findings exist.
- According to GAS 8.39, to be of maximum use, audit reports need to provide relevant and current information to users. The timeliness of a few audits was of concern during our review, although other uncontrollable factors may have contributed to the duration of the audits. GAS 8.48 also notes that reports should recognize the positive aspects of the program reviewed if applicable to the audit objectives. Such information allows for a fairer presentation by providing appropriate balance to the report. During our review, we noted that audit reports specifically state that activities appearing to be functioning well are not usually commented on. To ensure compliance with GAS 8.39, factors that significantly impact the timeliness of reports should be considered and addressed. Additionally, consideration should also be given to recognizing the positive aspects of the program under review if applicable to the audit objectives.

We would like to extend our thanks to you, your staff and the other city officials we met during our review for the hospitality and cooperation extended to us.

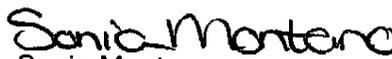
Sincerely,



Matt Weller
City of Oklahoma City, OK



Barbara Coppage
City of Phoenix, AZ



Sonia Montano
City & County of Denver, CO