

FINAL



Internal Audit

City of Albuquerque

Interoffice Memorandum

June 23, 2004

Ref. No.: 04-103B 3rd Qtr.

To: Michael J. Cadigan, Council President

From: Debra Yoshimura, Internal Audit Officer, Office of Internal Audit

Subject: FINAL REPORT TO THE COUNCIL ON THE CITYWIDE FISCAL YEAR 2004 THIRD QUARTER BUDGET 04-103B

In accordance with City Ordinance 2-10-9 (B) ROA 1994, the following report is hereby submitted to the City Council. The Ordinance requires the Office of Internal Audit to complete a review of the FY 2004 third quarter budget.

The attached report summarizes appropriations and projected expenditures at the program level for all of the City's operating funds. The Chief Administrative Officer's response has been included for the programs that are projected to materially overspend.

Enclosures

DDY/njt

REPORT TO

CITY COUNCIL

ON THE

CITYWIDE FISCAL YEAR 2004 THIRD QUARTER BUDGET

04-103B



***City of Albuquerque
Office of Internal Audit***

INTRODUCTION

City Ordinance 2-10-9 (B) ROA 1994 requires the Office of Internal Audit to perform a quarterly review of City expenditures and encumbrances for each fiscal year. This report is presented to the City Council to satisfy the Third Quarter of Fiscal Year 2004 requirement.

The projections for the third quarter of fiscal year 2004 are attached as Tables A and B. These projections were compiled by the Office of Management and Budget (OMB). City Ordinance allows the Mayor to adjust the City's budget as necessary for no greater than \$100,000 or 5% of a program's appropriation, whichever is less. For each anticipated over-expenditure in excess of \$100,000 or 5% of appropriations, we requested an explanation as to what is generating the projected over-expenditures. We then assessed managements' plans, if any, to resolve the anticipated over-expenditures.

Where appropriate, the attached tables for the General Fund and Other Funds have been adjusted to reflect Council Bill R-04-63, which appropriated funds to operate the City of Albuquerque for FY05 and adjust certain operating program appropriations for FY04. R-04-63 was adopted by City Council on May 17, 2004. Our examination was based on third quarter projections compiled by the Office of Management and Budget and provided to the Office of Internal Audit on May 18, 2004.

RESOURCES AND FUND BALANCE

The following is an analysis of changes in General Fund revenues, appropriations and fund balance.

	FY04 APPROVED BUDGET 6/30/03 (000's)	FY04 REVISED BUDGET 05/17/04 (000's)	FY04 3rd QUARTER PROJECTIONS 03/31/04 (000's)
Resources:			
Revenue*	\$ 349,566	\$ 363,190	\$ 361,728
Beginning fund balance	<u>31,753</u>	<u>43,125</u>	<u>43,125</u>
Total resources	381,319	406,315	404,853
Appropriations/Expenditures:			
Operating expenditures	350,806	353,831	348,072
Employee bonus	<u>-</u>	<u>5,069</u>	<u>5,069</u>
Total expenditures/appropriations	350,806	358,900	353,141
Fund Balance	<u>\$ 30,513</u>	<u>\$ 47,415</u>	<u>\$ 51,712</u>
Fund balance adjustments	<u>(678)</u>	<u>(736)</u>	<u>(736)</u>
Fund balance reserves	<u>29,811</u>	<u>32,429</u>	<u>32,429</u>
Available fund balance	<u>\$ 24</u>	<u>\$ 14,250</u>	<u>\$ 18,547</u>

* Revenues are projected, actual revenues may vary

EXPENDITURES

The following are explanations provided by the responsible departments for programs anticipated to overspend \$100,000 or 5% of appropriations, whichever is lower.

GENERAL FUND PROGRAMS

There are 103 appropriated General Fund operating programs. The General Fund is used to account for resources and expenditures traditionally associated with government revenues and expenditures that are not required to be accounted for in another fund. Appropriations are at the program level, the level at which expenditures may not legally exceed appropriations.

Council Bill R-04-63 that was adopted by City Council on May 17, 2004 adjusted ten General Fund operating programs. The effect was a net General Fund appropriations increase of \$2,126,000. As a result of this bill, there are no General Fund programs projected to overspend five percent or \$100,000, whichever is lower.

NON-GENERAL FUND PROGRAMS

There are 23 Non-General operating funds with 117 appropriated programs. The Non-General Fund programs at risk of overspending are as follows:

Programs 59533, 59536, 59561 and 59562 - The Public Works Department (PWD) manages all programs for the Albuquerque/Bernalillo County Water Utility Authority (ABCWUA) Joint Water/Sewer Fund. ABCWUA is a separate entity from the City of Albuquerque. ABCWUA has adopted a budget that PWD management must adhere to. The following ABCWUA programs are projected to overspend:

<u>Program</u>	<u>Appropriation</u>	<u>Projected Expenditures</u>	<u>Variance</u>
Water Resources	\$ 3,231,000	\$ 3,627,000	\$ (396,000)
Low Income Utility Credit	250,000	270,000	(20,000)
Water Plant Fac. Ops.	8,338,000	8,774,000	(436,000)
Water Dist. Fac. Maint.	6,471,000	7,550,000	(1,079,000)

PWD management reports that some expenditures were recorded in incorrect programs. As a result, it is difficult to determine what the actual program expenditures should be. Although PWD manages these programs, ABCWUA is responsible. ABCWUA management reports that they have instructed PWD management to make all adjustments necessary to ensure that expenditures are recorded in the appropriate programs. After these adjustments are made, ABCWUA will make the necessary appropriation adjustments, if any, to ensure budget compliance.

Program 57502 – The Transit Department Operations program is projected to overspend its appropriated budget of \$18,348,000 by \$268,000. Transit Department management reports that this over-expenditure is due to an increase in fuel expenditures. It does not appear that there is an adequate plan in place to bring this program within its appropriations.

CONCLUSION

An analysis of the effects of the FY04 operating budget by Council Bill R-04-63 are as follows:

Fund	Program	Department/ Program Strategy	Original Budget	Adjusted Budget	Projected Expenditures	(Over)/ Under
CHIEF ADMINISTRATIVE OFFICER						
110	39507	Office of City Clerk	1,493	1,583	1,541	42
CITY SUPPORT FUNCTIONS						
110	77421	Early Retirement	4,935	6,641	6,641	0
PARKS AND RECREATION DEPARTMENT						
110	45503	Provide Quality Recreation	3,542	3,773	3,773	0
	45502	Parks Management	11,222	10,991	10,990	1
	45513	Transfer to Open Space Expendable Trust Fund-851	1,399	1,499	1,399	100
ENVIRONMENTAL HEALTH DEPARTMENT						
110	56503	BioDisease Management	350	370	368	2
	56502	Environmental Services	1,150	1,202	1,195	7
FIRE DEPARTMENT						
110	27504	Fire Suppression	29,368	29,526	29,509	17
POLICE DEPARTMENT						
110	51503	Central Support Services	21,590	21,990	21,985	5
	51501	Neighborhood Policing	51,960	51,560	50,655	905
STATE FIRE FUND						
210	27508	State Fire Fund	855	1,087	1,083	4
CORRECTIONS AND DETENTION FUND						
260	21508	Community Custody	946	1,146	1,149	(3)
	21503	Corrections/Detention	34,244	34,278	34,186	92
APARTMENTS OPERATING FUND						
671	30510	Housing Operations	0	2,178 A		2,178
	30512	Transfer to Housing Bond-240	0	150 A		150
	30511	Transfer to Apartments Debt Service-675	0	875 A		875
BASEBALL STADIUM OPERATING FUND						
691	24501	Stadium Operations	302	543	537	6

RISK MANAGEMENT FUND						
705	47504	Unemployment Compensation	413	423	422	1
OPEN SPACE EXPENDABLE TRUST FUND						
851	84501	Open Space Management	3,075	3,175	3,115	60

A - This is a new fund and actual and projected expenditures have not been determined.

Although a few programs are in jeopardy of exceeding appropriations, most projected over-expenditures appear to be manageable and will not have a significant negative impact on the City's funds. Based on the information provided by the departments **it appears that only the Transit Department Operations Program will overspend.**

EXECUTIVE RESPONSE FROM THE CAO

“PUBLIC WORKS DEPARTMENT

“As stated by Internal Audit, ABCWUA has oversight of the water and wastewater utility. ABCWUA is a separate entity from the City of Albuquerque. OMB works with water and wastewater utility to monitor and forecast program expenditures. In addition to expenditures posting to wrong programs, the following are other explanations for overspending, as reported by water utility management:

“The Joint Water & Sewer Fund 621 has four Water division programs projected to overspend in FY/04.

- 1. Water Resources - overspending is the result of new conservation rebates that took effect in FY/04.***
- 2. Low Income Utility Credit – this is a difficult program to budget. Low-income utility credits are estimated to be near the \$250K appropriation.***
- 3. Water Plant Facility Operations – there is overspending for electricity and gas energy. Twenty of ninety-two water wells are down causing pumping to occur on peak hours. Gas prices are up from the previous year.***
- 4. Water Distribution Facility Maintenance – overspending is occurring from water line repairs. When repairs are completed, the cut in the street must be re-paved. The repaving used to be done by Public Works (GF Streets). A private contractor is now used for repaving. The appropriation for this service is \$649K. \$1,491K has been spent for repaving through March.***

“The utility will prepare journal vouchers to correct miscodes to various programs. Approximately \$490K appropriated for capital items will not be

purchased to offset overspending. The water and wastewater utility (all programs) is projected to revert \$1.68 million at the end of FY/04. ABCWUA's plan is to submit a resolution to clean up overspent programs by deappropriating those programs with reversions.

"TRANSIT DEPARTMENT

The Transit Operating Fund at the end of FY/04 is expected to be at a positive fund balance level. The plan is to bring all the programs of the fund within appropriations at that fund level. Although an additional appropriation to cover the increased cost of fuels would bring the operating program within its appropriation, two of the fund's programs are expected to be under-spent at the end of FY/04. As a result, an additional appropriation at the fund level is not necessary."

xc: Internal Audit Committee
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City Councilors
James Lewis, Chief Administrative Office
Nick Bakas, Chief Public Safety Officer
Gail Reese, Chief Financial Officer
Diana Dorn-Jones, Chief Operations Officer
Sandy Doyle, Director, Department of Finance and Administrative Services
Anna Lamberson, Budget Officer
Mark Sanchez, Executive Director, Albuquerque/Bernalillo County Water Utility Authority