



City of Albuquerque

Office of Internal Audit

P.O. BOX 1293, ALBUQUERQUE, NM 87103

April 30, 2014

Councilor Ken Sanchez, President
City Council
P.O. Box 1293
Albuquerque, NM 87103

Dear Councilor Sanchez:

We have completed our review of the Audit Plan for Fiscal Year (FY) 2015 submitted by the Office of Internal Audit. The Accountability in Government Oversight Committee has approved the Audit Plan and we are pleased to transmit it to the City Council for immediate action and final approval as a resolution.

The Audit Plan is based on a risk analysis of City departments and programs. There are approximately 6,600 audit hours available during FY2015.

Sincerely,

A handwritten signature in blue ink, which appears to read 'Gerald T. Kardas', is written over a horizontal line.

Gerald T. Kardas, Chairperson
Accountability in Government Oversight Committee

**CITY of ALBUQUERQUE
TWENTY-FIRST COUNCIL**

COUNCIL BILL NO. R-14-58 ENACTMENT NO. R-2014-038

SPONSORED BY: Rey Garduño, by request

1 RESOLUTION
2 APPROVING THE FY2015 AUDIT PLAN AS SUBMITTED BY THE
3 ACCOUNTABILITY IN GOVERNMENT OVERSIGHT COMMITTEE.

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

6 WHEREAS, The Accountability in Government Oversight Committee has
7 approved the audit plan of the Office of Internal Audit on April 30, 2014; and

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

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


13 That the Audit Plan attached hereto is hereby adopted for FY2015.
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1 PASSED AND ADOPTED THIS 19th DAY OF May, 2014
2 BY A VOTE OF: 9 FOR 0 AGAINST.

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Ken Sanchez, President
City Council

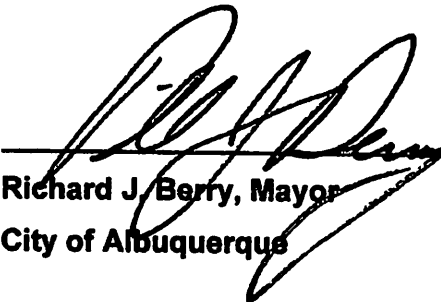
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APPROVED THIS 13th DAY OF June, 2014

17 Bill No. R-14-58

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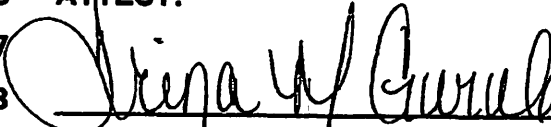
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Richard J. Berry, Mayor
City of Albuquerque

26 ATTEST:

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Trina M. Gurule, Acting City Clerk

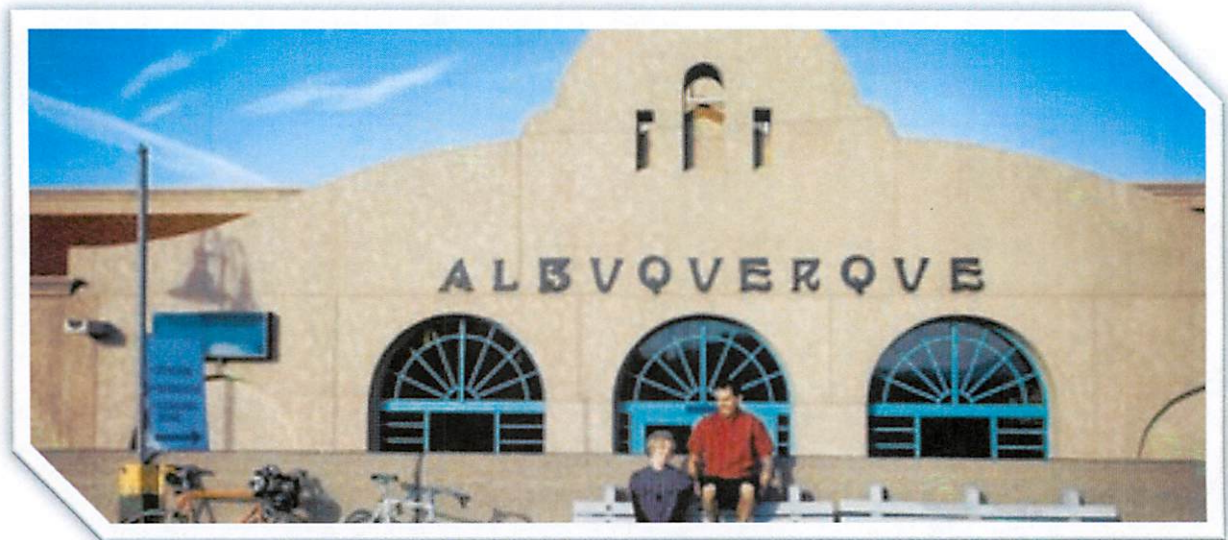
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City of Albuquerque

Office of Internal Audit

Fiscal Year 2015 Audit Plan



Increasing the City's efficiency, effectiveness and accountability to the
Citizens of Albuquerque



Introduction

In accordance with Section 2-10-11 of the Accountability in Government Ordinance, the Office of Internal Audit (OIA) is pleased to submit the Fiscal Year (FY) 2015 Audit Plan. OIA uses a dynamic risk-based approach for selecting and prioritizing audits. The Audit Plan also facilitates the efficient allocation of OIA's resources.

Mission Statement

To provide independent, objective and value added audits to promote transparency, accountability, efficiency and effectiveness of City government for the citizens of Albuquerque.

Staff

Debra Yoshimura	Director
Lawrence Davis	Internal Audit Manager
Lew Witz	Senior Information Systems Auditor
Christina Owens	Contract Auditor
Kate Bach	Principal Auditor
Leann Bell	Principal Auditor
Vicky DeHerrera	Internal Audit Assistant
Laura Maestas	Internal Audit Student Assistant

Compliance

OIA performs audits in accordance with Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States. OIA is committed to improving the audit process, and undergoes an independent external quality control review triennially. In October 2013, OIA passed its third GAGAS compliance quality control review for the period of July 1, 2010 through June 30, 2013.



Principles for Audit Plan Development

In order to provide practical guidance and a framework for the development of the annual Audit Plan, the following principles are recognized and observed:

- Audit resources are limited, resulting in significantly less than one hundred percent audit coverage each year. This inherent limitation is mitigated by using a dynamic risk assessment to select and prioritize audits.
- The risk assessment criteria used in the ranking of the audit suggestions places an emphasis on perceived and actual knowledge of systems of internal control.
- The Audit Plan is viewed as a flexible and active tool that can be amended throughout the year to reflect changing City risks and priorities.
- The Audit Plan gives consideration to those audits that may be mandated by ordinance.

The Audit Plan is developed with the understanding that there are 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 in an effort to continuously refine the Audit Plan.

Audit Selection and Prioritization

The development of an annual risk-based audit plan is a dynamic process. Throughout the year, audit staff obtains information from a variety of sources for inclusion in the risk assessment process. Audits considered for the Audit Plan are compiled from suggestions by OIA staff, City management surveys, complaints, known areas of risk, the Comprehensive Annual Financial Report, and other sources of information.

To develop the FY2015 Audit Plan, OIA surveyed tiered levels of City management in order to incorporate their concerns and operational knowledge into the Audit Plan. In March 2014, OIA sent a total of 143 surveys to the City Council, Administrative Leadership, Department Directors, Senior-level Managers, and the Accountability in Government Oversight Committee. Overall, OIA received a 29 percent response rate.

Audit suggestions were then compiled, evaluated and rated using a risk assessment matrix. The number of audits selected for the Audit Plan was based on the impact the audit would have (the problem or risks it would address and the likely types of opportunities for improvement that result); the sensitivity, complexity, and difficulty of the project compared to its likely impact; the breadth and depth of audit coverage across City government; staff qualifications; and available resources.



OIA then used a weighted average to prioritize audits. The following risk factors were used:

- Potential impact factors such as financial impact, volume of transactions, number of personnel, revenue generated, alignment of responsibility with authority, and trends;
- Perception of risk from the Administration, Council, and department personnel;
- Changes in the organization's management, key personnel and information systems;
- Time since the last internal/external audit; and
- Control factors such as regulatory environment, 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. The principles and procedures discussed in this document have been developed to provide a process for fulfilling this objective. A critical component of the annual audit planning process is to ensure qualified audit personnel are assigned to the highest priority assignments.

Staff assignments are based on experience, qualifications, interests, and availability. During the Audit Plan development process, we may identify projects that may also require additional expertise from consultants.

The final step in completing 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 FY2015 Audit Plan, on page 5, is presented along with the estimated time allocation for audits and projects.

We estimate the number of audit hours available for FY2015 to be 1,560 or greater per auditor (75% x 2,080 the standard annual available work hours). We reduce the full-time hours by holidays, vacation leave, sick leave, administrative time, and the annual required training to maintain certifications and meet Government Auditing Standards.

The total number of estimated direct audit hours for FY2015 is 6,600. FY2015 will be the first year OIA has been at full staff for the past four years. The available hours anticipates no staff turnover and the retention of the Internal Audit Student Assistant who works on a half-time time basis (20 hours per week). OIA's management dedicates an additional 1,100 hours to reviewing audit work papers and reports to ensure compliance with OIA's system of quality control, professional standards and regulatory requirements. Management accepts responsibility for the system of quality control and continually strives to improve OIA's operations.



Estimated Audit Hours

The FY2015 Audit Plan dedicates resources to audits, special audits/projects, audit follow-ups, cash handling reviews, and the completion of work in process at July 1, 2014. The majority of the Audit Plan is comprised of 15 audits with a resource demand of 5,000 hours. OIA will also dedicate 1,600 hours to other value added services.

In an effort to increase the response time of OIA's audits and maximize the value of our services, we have targeted high-risk areas that allow for narrow scopes. This effort will allow quicker turnaround times and enable the City to address identified issues in a timely manner. However, some audits are inherently complex and demand additional time for OIA to provide quality audits. OIA will not sacrifice quality for timeliness and will adhere to the internal quality standards that have consistently enabled us to comply with GAGAS.

Other resources dedicated to ensure accountability and provide value added services include special audits/projects, audit follow-ups and cash handling reviews. Below are brief explanations for each service.

- Special Audit/Projects – Defined and targeted services that provide rapid responses to ad hoc issues.
- Audit Follow-Ups – Our objective is to report on the status of corrective action in regard to our findings and recommendations. We limit our scope to action taken to address the audit findings and recommendations.
- Cash Handling Reviews – Surprise cash counts are randomly conducted to ensure the accuracy and accountability of City funds. Any City department or function may be selected for cash handling reviews.

High Risk Areas Not Addressed

OIA's available resources limit the number of audits that can be completed each year. As a result, there are a number of high-risk areas that are not addressed by the annual Audit Plan. Some of the risk areas, which rated high through the risk assessment process, but are not included on the FY2015 Audit Plan, are identified after the Audit Plan on page 7. If additional resources become available, these audits may be added to the FY2015 Audit Plan.

**OFFICE OF INTERNAL AUDIT
Annual Audit Plan
For the Year Ending June 30, 2015**

<u>DESCRIPTION</u>	<u>Estimated Audit Hours</u>
Citywide Use and Management of Contracted Temporary Employees	400
Department of Finance and Administrative Services Enterprise Resource Planning Goals and Return on Investment	500
Citywide Gross Receipts Tax Revenue	400
Department of Municipal Development Traffic Engineering Payroll and Staffing	200
Citywide Closure of 311 Cases	300
Department of Finance and Administrative Services Monthly Budget to Actual Reporting	300
Citywide Separation of the Albuquerque Housing Authority	400
Department of Finance and Administrative Services Use and Tracking of Paid Leave	400
Solid Waste Management Department Contract with Friedman Recycling	200
Department of Family and Community Services Workforce Housing Trust Fund	500
Citywide City Vendor(s) Compliance with Contract Terms	400
Citywide City Website Accuracy and Completeness	100
Department of Finance and Administrative Services Information Technology Services Division - Printer Security	200

**OFFICE OF INTERNAL AUDIT
Annual Audit Plan
For the Year Ending June 30, 2015**

<u>DESCRIPTION</u>	<u>Estimated Audit Hours</u>
Department of Finance and Administrative Services Information Technology Services Division – Network Asset Tracking	250
Department of Municipal Development Convention Center Construction Compliance	450
Special Audits / Projects	400
Cash Handling Reviews	600
Follow-up Status Reports	200
Completion of Work in Process at July 1, 2014	400
TOTAL HOURS INCLUDED IN AUDIT PLAN	<hr/> 6,600 <hr/>

OFFICE OF INTERNAL AUDIT
High Risk Areas Not Included on the Annual Audit Plan
For the Year Ending June 30, 2015

HIGH RISK AREA DESCRIPTION

Department of Finance and Administrative Services
Accounts Receivable

Citywide
Employee Travel Reimbursements

Transit
Bus Pass Sales and Accounting

Department of Finance and Administrative Services
Accounts Payable

Department of Finance and Administrative Services
Disposal of Fixed Assets

Department of Finance and Administrative Services
Business Permits

CAO Department
Administrative Instructions Process

Legal Department
Outside Legal Counsel

Citywide
Accuracy of PERA Contributions

Aviation
Double Eagle Airport Operation

Department of Senior Affairs
Nutrition Program

Citywide
Franchise Taxes

Citywide
Software Licenses