



April 27, 2016

Management Audit

Maintenance of Administrative Instructions

City of Albuquerque

Report No. 16-101



**CITY OF ALBUQUERQUE
OFFICE OF INTERNAL AUDIT**



City of Albuquerque

Office of Internal Audit

April 27, 2016

Accountability in Government Oversight Committee
P.O. Box 1293
Albuquerque, New Mexico 87103

Audit: Maintenance of Administrative Instructions
City of Albuquerque (citywide)
Audit No. 16-101

FINAL

INTRODUCTION

The Office of Internal Audit (OIA) conducted a performance audit of the maintenance of the City of Albuquerque's Administrative Instructions. The audit was included in OIA's fiscal year (FY) 2016 audit plan. Information pertaining to the audit objectives, scope and methodology can be found in **Appendix A**.

Administrative Instructions are city-wide internal policies and operational procedures that have been written by various City departments and approved by the Chief Administrative Officer (CAO) in place at the time. All City employees and departments are required to comply with the provisions of all Administrative Instructions. According to the "Introduction" to the *Procedures for Approval, Issuance and Revision of Administrative Instructions*, "after an Administrative Instruction is approved, all departments and City employees shall comply with its provisions, unless a department has a written exemption signed by the CAO." City-wide compliance helps establish clear expectations and provides additional guidance for City departments and employees. Administrative Instructions are one component of the City's overall system of internal controls.

The first Administrative Instructions were created in 1992 for the purpose of:

Providing policies and procedures for activities which are not adequately controlled by other rules and regulations. The need for the policies and procedures may result from activities related to a process which has been implemented, or the need may result from a

change in external regulations or factors in the environment of the activity.

Administrative Instructions are divided into the following eight subject-matter categories:

1. Administrative
2. Financial
3. Purchases
4. Vehicles
5. City Real Estate
6. Other Property
7. Personnel
8. Miscellaneous

Creation & Approval

Any City department that determines an Administrative Instruction is needed may prepare and submit a proposed draft, signed by the submitting department's director, to the CAO for review and approval. If the proposed Administrative Instruction is approved, it is assigned a number and is distributed to all City departments.

FINDINGS

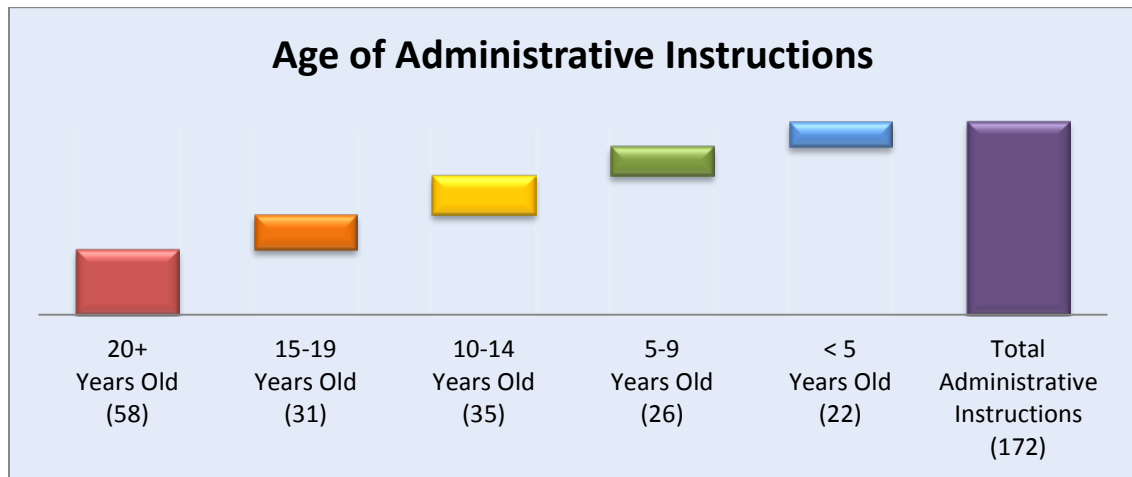
The following findings concern areas that OIA believes could be improved by the implementation of the related recommendations.

1. THE CAO SHOULD AMEND THE PROCEDURES FOR APPROVAL, ISSUANCE AND REVISION OF ADMINISTRATIVE INSTRUCTIONS.

The existing *Procedures for Approval, Issuance and Revision of Administrative Instructions* are vague and do not clearly specify the departments' responsibilities for maintaining Administrative Instructions. Without a clear process and defined expectations regarding the maintenance of Administrative Instructions, departments and employees cannot be held accountable for the outdated information or non-compliance with Administrative Instructions.

Outdated Information

Various City Administrative Instructions are outdated and contain information that is no longer relevant. Out of the 172 active Administrative Instructions, 150 (87%) are more than five years old and 124 (72%) are more than ten years old. To illustrate how long the various Administrative Instructions have been in place, they are categorized by approval date in the chart below.



Source: American Legal Publishing

The age of Administrative Instructions alone does not indicate whether the information is irrelevant or outdated; the content and context are also important factors. A judgmental sample of 21 Administrative Instructions was selected for review. Of the 21 Administrative Instructions selected, 18 (86%) contained outdated or irrelevant information including:

- References made to non-existent City departments
 - Example: Administrative Instruction 5-5 (Procedures for City Well-Permitting/Water Rights Administration) makes reference to the Public Works Department.
 - The Public Works Department was eliminated in 2006.
- Processes that are no longer in place or followed
 - Example: Administrative Instruction 3-3 (Small Purchase Orders)
 - Small Purchase Orders were replaced by the Purchase-Card (P-Card) program in 2000.
- Unnecessary Requirements
 - Example: Administrative Instruction 1-2-1 (Posting of Signs, Notices, and Flyers) states “Notices must be posted with an invisible scotch-type tape. Other items such as nails, staples, tacks, masking tape, glue, etc. may not be used for the posting.”
 - Staples, tacks, and push pins are used for official postings.
- Incorrect fees
 - Example: Administrative Instruction 2-11-1 (Flood Plain Ordinance Certification Fee) states that the fee for all Flood Hazard Ordinance certifications shall be \$15.
 - The current Flood Plain Ordinance Certification Fee is \$50.

- Incorrect amounts
 - Example: Administrative Instruction 1-1 (Signature Authority) makes reference to the public purchases ordinance and states that professional/technical service contracts under \$55,000 may be signed by the City Purchasing Officer.
 - The Public Purchases Ordinance was amended in 2011 to increase the authorized amount the City Purchasing Officer could approve for professional/technical service contracts to \$75,000.

According to the CAO, the active Administrative Instructions have not been reviewed as frequently as necessary to prevent information from becoming outdated or irrelevant. In 2011, a committee was established to review and update the Administrative Instructions; but did not complete the review, and updates were not issued.

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) developed the *Internal Control-Integrated Framework (COSO Framework)*, to assist organizations in “designing, implementing, and conducting internal control and assessing the effectiveness of internal control.” The *COSO Framework* has gained global acceptance and is considered best practices for internal controls. Principle 12 of the *COSO Framework*, states that management should periodically reassess policies and procedures and related control activities to determine their continued relevance and effectiveness, and should refresh them when necessary.

Departments’ Understanding

To gather information regarding City departments’ understanding of Administrative Instructions, a survey was sent to 40 City employees (Department Directors and Department employees from the CAO’s Administrative Instruction distribution list). Thirty responses were received and all City departments were represented.

Many departments provided suggestions and feedback regarding how to better maintain the Administrative Instructions. This information is included as **Appendix B**. The department responses identified various inconsistencies and uncertainties, including:

- Departments are unclear how frequently updates to Administrative Instructions are issued,
- Departments are unsure whether Administrative Instructions were created by their department,
- Departments are not fully aware of their responsibilities to update department-created Administrative Instructions, and
- Departments rely on employees’ awareness and self-monitoring for compliance with Administrative Instructions.

The CAO stated that, the City does not have the resources to establish a central office to track and ensure compliance with Administrative Instructions. Rather, reliance is placed on the departments and employees self-monitoring for compliance with Administrative Instructions. Compliance with the Administrative Instructions must be enforced for them to be effective.

By relying on departments and employees to self-monitor, the level of compliance and resultant consequences for non-compliance may vary between departments. Additionally, with so many Administrative Instructions containing outdated or irrelevant information, enforcement is currently difficult.

According to the *COSO Framework*, Principles 12 and 14, management should establish responsibility and accountability for executing policies and procedures and should communicate the information, including objectives and responsibilities for internal control, internally. To be effective, policies should “be deployed thoughtfully and conscientiously” and procedures should be performed “diligently and consistently.”

RECOMMENDATIONS

The CAO should:

- Review and update the current *Procedures for Approval, Issuance and Revision of Administrative Instructions* to address:
 - How frequently Administrative Instructions are to be reviewed, revised and updated;
 - Who is responsible for reviewing, revising and updating Administrative Instructions;
 - What is each department’s role with regard to maintaining Administrative Instructions; and
 - What are the consequences for non-compliance with Administrative Instructions.
- Review, or establish a committee to review, all active Administrative Instructions to determine which are applicable and relevant to the current operations of the City of Albuquerque, and which should be revised or rescinded.
- Communicate and distribute the revised information to all City departments.

RESPONSE FROM THE CAO

“The CAO agrees with this recommendation. The CAO’s Office has recently formed a small committee and is working with the

departments on a timeline of updating, confirming, and or rescinding Administrative Instructions, as appropriate. This project will include the updating of the Procedures for Approval, Issuance and Revision of Administrative Instructions to address the items above.”

ESTIMATED COMPLETION DATE

“This will be completed by July 29, 2016.”

2. THE CAO SHOULD AMEND ADMINISTRATIVE INSTRUCTIONS WHEN EXEMPTIONS ARE GRANTED.

Some exemptions to the Administrative Instructions have been granted. The “Introduction” to the *Procedures for Approval, Issuance and Revision of Administrative Instructions* states that “after an Administrative Instruction is approved, all departments and City employees shall comply with its provisions, unless a department has a written exemption signed by the CAO.” By granting an exemption outside the body of the corresponding Administrative Instruction, the information may be lost if not properly communicated, or maintained by the City’s Administration.

The CAO was unaware that while his authority was delegated to another City employee, a City department was granted an exemption to Administrative Instruction 4-5, City Vehicle Usage Policy. The exemption allows the Director of the exempted department to authorize temporary take home vehicles without obtaining the CAO’s approval. The exemption was requested because “throughout the year ...staff will need to utilize their City vehicles to respond, assist and attend to special projects outside of normal working hours.” The exemption request and approval did not include an expiration date for the exemption.

When the need for an exemption or revised process for recurring issues is identified, the City could amend the Administrative Instruction to include the exemption or appropriate process. According to the *COSO Framework* granting an exemption to a policy or procedure is considered management intervention and “is necessary to deal with non-recurring and non-standard transactions or events that otherwise might be handled inappropriately. Provision for management intervention is necessary because no process can be designed to anticipate every risk and every condition.”

In the case of the exemption from Administrative Instruction 4-5, the issue was recurring. Additionally, other departments may have a need for temporary take home vehicles and would benefit from allowing the department director to authorize the

requests without the requirement of CAO approval. Amending the Administrative Instruction to include the exemption would formalize the process and ensure that future City Administrations would be aware of the exemption.

RECOMMENDATIONS

The CAO should:

- Issue a notice to all City departments that any previously granted exemptions not included in the body of the Administrative Instruction will be rescinded as of a predetermined date.
- Amend Administrative Instructions when appropriate exemptions are requested for recurring issues, so that the exemptions are formalized.
- Include expiration dates on approvals for non-recurring exemptions to Administrative Instructions and require periodic review and re-approval.

RESPONSE FROM THE CAO

“The CAO agrees with this recommendation and will rescind any previously issued exemptions. As part of the regular biennial Administrative Instruction review, the Department will need to recertify their need for an exemption and the signed, written request and approval will be kept with the Administrative Instructions.”

ESTIMATED COMPLETION DATE

“This will be completed by July 29, 2016.”

3. THE CITY CLERK SHOULD ENSURE THAT THE ON-LINE PUBLISHING COMPANY’S WEBSITE IS PROPERLY UPDATED.

The City is contracted with an on-line publishing company to maintain various publications, including Administrative Instructions, and place the publications on the internet and the City’s website. The publishing company’s website is not up-to-date with current information. As of January 21, 2016, the publishing company’s website contained Administrative Instructions approved through November 2014.

Updates to Administrative Instructions are distributed to City departments in January and July, as needed. The July 13, 2015 update issued by the CAO’s office includes six Administrative Instructions that were added or amended after November 2014 including:

- Acceptance of Lawsuits and Subpoenas,

- Real Estate Records, Amendment No. 1,
- Disposition of Bicycles Abandoned on City Property,
- Retirement Process, Amendment No. 1,
- Incentive Program for Positions Which are Difficult to Recruit, Amendment No. 1, and
- City Telecommunications Services Usage Policy, Amendment No. 1.

City employees cannot be held accountable for complying with Administrative Instructions without access to up-to-date information.

According to the City Clerk and the City's Legal Department Fiscal Manager, the responsibility for notifying the on-line publishing company of updates was transferred to the City Clerk's Office, but the responsibility for negotiating the contract remained with the Legal Department. Staffing changes at the City Clerk's office, and the split responsibilities for the contract have contributed to the delay in sending updates to the on-line publishing company.

The current contract between the City and the on-line publishing company, states "The City shall be responsible for [providing] quarterly, recently enacted ordinances and Resolutions and updates to the City's Administrative Instruction to the Contractor." By assigning all responsibilities related to the on-line publishing contract to the City Clerk's office, the possibility of missing updates is decreased.

RECOMMENDATIONS

The City Clerk should:

- Request that the responsibility to negotiate, sign, and manage the contract with the on-line publishing company be transferred from the Legal Department to the City Clerk's Office.
- Establish and implement written policies and procedures for updating the on-line publishing company, in January and July, when Administrative Instruction updates are distributed to City departments.

RESPONSE FROM THE CITY CLERK

"The Office of the City Clerk agrees that written policies and procedures for updating Administrative Instructions on the on-line publishing system need to be established. The Clerk's Office will create and implement new procedures in coordination with the Mayor's Office. The City Clerk will work with the CAO and the Legal Department to transfer the contract responsibilities and

budget to the Office of the City Clerk to ensure timely updates of the Administrative Instructions.”

ESTIMATED COMPLETION DATE

“The new policies and procedures for updating the Administrative Instructions on the on-line publishing system will be completed by June 30, 2016. The Administrative Instructions listed above have been sent to the publishing company and are set to be posted no later than April, 2016.

“The transfer of the contract responsibilities and associated funding, if approved by all parties, can be accomplished as soon as FY/17.”

CONCLUSION

Various City Administrative Instructions are outdated, need to be reviewed, and should be revised. Of 172 active Administrative Instructions, 124 (72%) are more than 10 years old. From a judgmental sample of 21 Administrative Instructions selected for review, 18 (86%) contained outdated or irrelevant information. The current *Procedures for Approval, Issuance and Revision of Administrative Instructions* does not clearly address:

- How frequently Administrative Instructions should be reviewed, revised and updated,
- Who is responsible for reviewing, revising and updating Administrative Instructions,
- What the departments roles and responsibilities are for maintaining Administrative Instructions, and
- What the consequences are for non-compliance with Administrative Instructions.

By reviewing, updating, and revising the Administrative Instructions, the CAO will help ensure that all active Administrative Instructions are applicable and relevant to the current operations of the City. Limited exemptions, along with city-wide enforcement of Administrative Instructions, will help ensure that expectations for City operations are clearly communicated, and consistently applied and followed.

We greatly appreciate the assistance, involvement and cooperation of the CAO, the City Clerk, and all City departments during the audit.

Contract Auditor

REVIEWED:

Internal Audit Manager

APPROVED:

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

APPROVED FOR PUBLICATION:

Chairperson, Accountability in
Government Oversight Committee

APPENDIX A

OBJECTIVE

The audit objective was to determine if the City of Albuquerque's Administrative Instructions are maintained to ensure they are relevant and up-to-date.

SCOPE

Our audit did not include an examination of all functions and activities related to Administrative Instructions. Our scope was limited to the objective above.

This report and its conclusions are based on information taken from a sample of transactions and do not represent an examination of all related transactions and activities. The audit report is based on our examination of activities through the completion of fieldwork on February 11, 2016 and does not reflect events or accounting entries after that date.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

METHODOLOGY

Methodologies used to accomplish the audit objective include but are not limited to the following.

- Obtain a list of the most recent Administrative Instructions,
- Interview the City's Chief Administrative Officer,
- Review the American Legal Publishing website,
- Interview the Albuquerque City Clerk,
- Interview key employees from the City's Legal Department,
- Conduct a survey of City departments regarding the maintenance of Administrative Instructions;
- Select a sample of Administrative Instructions and review for outdated or irrelevant information, and
- Other methodologies as needed.

APPENDIX B

DEPARTMENT RESPONSES TO SURVEY QUESTION

Please provide any ideas or suggestions regarding how the City can keep Administrative Instructions relevant and up-to-date.
Have one person assigned to update the Administrative Instructions, have that person inform staff when an Administrative Instruction has been updated. List all Administrative Instructions that pertain to each particular department/division.
Annual review and updates with reminders sent to Directors
Having a more subject table of contents for the Administrative Instructions and specifying a responsible department for each Administrative Instruction would be a good start. This way, the departments can easily run a query to determine which Administrative Instructions are theirs and then establish a process for regular review/training, etc.
Place all Administrative Instructions on the city e-web page, in a format that prints a readable document, and include an index of the Administrative Instructions.
Include the subject of each Administrative Instruction along with the number on American Legal. E-mail new Administrative Instructions to all employees when they are issued, rather than just to Directors at the weekly Directors meetings and to the "distribution."
Provide a better safekeeping on the City's e-web that is easy to find and understand the contents.
Relevant and up-to-date Administrative Instruction binders should be provided to each department Director. A committee should be formed to ensure that each department has the relevant and up-to-date Administrative Instructions. These instructions should be offered on-line if they are not already so that departments can run an up-to-date copy if needed.
A Department representative should be assigned to review Administrative Instructions annually or more frequently, if necessary. In the past, I have been told updates must come from the Mayor's office. This should be the responsibility of the Departments that issue the Administrative Instructions, not the Mayor's office.
Administrative Instructions should be looked at by administration frequently to ensure that the instructions are still relevant.
Annual review by a committee comprised of bargaining & non-bargaining entities (clerical, blue collar, J series, M series, E series, I series).
Ensure that American Legal is provided with all updates in a timely manner so that the web version is up to date and can be relied upon.

Please provide any ideas or suggestions regarding how the City can keep Administrative Instructions relevant and up-to-date.

1) Get rid of hard copy Administrative Instruction binders, as maintenance is dependent on the diligence of the "Updater" and is often inconsistent. 2) Remove obsolete and cumbersome Administrative Instructions. 3) Create a better codification system so that Administrative Instructions are more easily searchable and useful. 4) Ensure Administrative Instruction updates are made to the American Legal Publishing site in a timely manner. 5) Develop a system for monitoring dept. compliance of Administrative Instructions & establish and communicate standard "consequences" for non-compliance

Distribute and acknowledge receipt using a document management system similar to APD.

First, it may be appropriate for each department to perform a thorough review of its Administrative Instructions, with an eye towards working with the CAO to eliminate outdated or irrelevant instructions. This might be followed by an annual review by a citywide committee with representatives from each department.

Streamline the process for updating the Administrative Instructions among all departments, provide regular updates to all departments, annual requirement to update Administrative Instructions, implement a committee to be responsible for updates

It would be potentially helpful to provide more accessibility to the Administrative Instructions on the City of Albuquerque's SharePoint Site.

Email to all Executive Assistants, create an online version, and have one point of contact responsible for updating.

At the department, we have admin instructions on file since 1992. It would be beneficial to have all current admin instructions stored in one place (online) for the entire city to use as a reference. I know American Legal stores these online. I often use American Legal as a resource. Having a better subject/keyword search of the admin instructions stored here would be very beneficial.

E-mails in addition to hard copies