Association of Local Government Auditors

September 16, 2010

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

Dear Ms. Kavelman,

We have completed a peer review of the Office of Internal Audit and Investigations, City of Albuquerque for the period July 1, 2007 through June 30, 2010. In conducting our review, we followed the standards and guidelines contained in the *Peer Review Guide* published by the Association of Local Government Auditors (ALGA).

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 Office of Internal Audit and Investigations, City of Albuquerque 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 period of July 1, 2007 through June 30, 2010.

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

Wendy Simeon	Martin Petherbridge	Martha Prinz
City Auditor's Office	Internal Audit	Office of the City Auditor
Phoenix, AZ	Raleigh, NC	Portland, OR

ASSOCIATION OF LOCAL GOVERNMENT AUDITORS

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

Dear Ms. Kavelman,

We have completed a peer review of the Office of Internal Audit and Investigations (OIAI), City of Albuquerque for the period July 1, 2007 through June 30, 2010 and issued our report thereon dated September 16, 2010. 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:

- Management established a continuous and thorough evaluation of the possible effect of non-audit services could have on independence.

- Auditors demonstrate a thorough understanding of department policies and procedures.

- Audit report findings are properly supported in well-organized workpapers.

- Management and staff exhibit a high level of dedication and professionalism.

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

The Office has a procedure for retention of hard copy audit files. However, GAS 7.82 requires that audit organizations establish policies and procedures related to retention of electronic audit documentation. The standard also requires the organization to establish procedures for the safe custody of audit documentation, including personally identifiable information. We recommend that your policies and procedures be updated to address this requirement.

The Office requires completion of a planning memo to document objective, scope, methodology, prior audit consideration, and communication with management. Based on our review, a planning memo was not completed for follow-up audits. To ensure compliance with GAS 7.06, auditors must adequately plan and document the planning of the work necessary to address the audit objectives.

In addition, we noted that communication with management was not documented for follow-up audits, as required by GAS 7.46, which requires that auditors communicate an overview of

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the objectives, scope, and methodology, and timing of the performance audit and planned reporting to management.

The office maintains a CPE tracking schedule to monitor CPE hours for both full and partial year employees. However, we noted partial year employee hours were prorated on a monthly basis. GAO-05-568G #12 requires that CPE hours be prorated based on the number of full six-month intervals remaining in the CPE period.

Additionally, GAO-05-568G #18.a requires auditors to obtain 24 hours of CPE in subjects and topics directly related to the government environment. We noted courses classified as governmental did not include a course description documenting how the course was applicable to the government environment. We recommend that CPE monitoring procedures be updated to comply with GAO standards.

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

Sincerely,

Wendy Simeon City Auditor's Office Phoenix, AZ	Martin Petherbridge Internal Audit Raleigh, NC	Martha Prinz Office of City Auditor Portland, OR

City of Albuquerque

Office of Internal Audit and Investigations
P.O. BOX 1293, ALBUQUERQUE, NM 87103

September 16, 2010

Wendy Simeon
Peer Review Team Leader
City of Phoenix
City Auditor's Office

Dear Ms. Simeon:

Thank you for your external quality control review report dated September 16, 2010. We are pleased with your opinion that the Office of Internal Audit and Investigations is in full compliance with Government Auditing Standards during the period July 1, 2007 through June 30, 2010.

We appreciate the review team's efforts to recognize areas in which our office excels. We also appreciate the review team's suggestions to enhance our organization's demonstrated adherence to Government Auditing Standards. We concur with the suggestions offered and we will implement changes to improve our procedures.

We will update our process for the retention of audit files to address electronic audit documentation. We will review our follow-up process to ensure compliance with Government Auditing Standards. We will ensure CPE documentation complies with GAO standards.

Our office is committed to continuously improving our audit processes. We appreciate the professionalism and time and effort you devoted to help us become a top-quality audit organization.

Sincerely,

Carmen L. Kavelman, CPA, CISA, CGAP
Director