



City of Albuquerque

Office of Internal Audit

P.O. BOX 1293, ALBUQUERQUE, NM 87103

April 29, 2015

Councilor Rey Garduño, President
City Council
P.O. Box 1293
Albuquerque, NM 87103

Dear Councilor Garduño:

We have completed our review of the Audit Plan for Fiscal Year (FY) 2016 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 5,800 audit hours available during FY2016.

Sincerely,

Gerald T. Kardas, Chairperson
Accountability in Government Oversight Committee

CITY of ALBUQUERQUE

TWENTY-FIRST COUNCIL

COUNCIL BILL NO. R-15-202 ENACTMENT NO. R-2015-057

SPONSORED BY: Diane G. Gibson

1 RESOLUTION
2 APPROVING THE FY2016 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 29, 2015; and

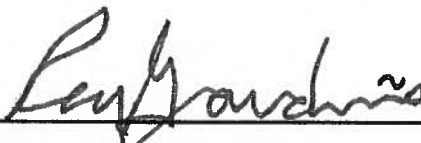
8 WHEREAS, Article 2-10-11 (B), the Accountability in Government
9 Ordinance, requires the Accountability in Government Oversight Committee to
10 transmit the audit plan to the Council for final approval as a resolution.

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 FY2016.
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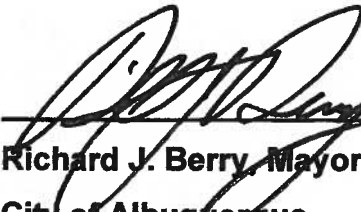
1 PASSED AND ADOPTED THIS 15th DAY OF June, 2015
2 BY A VOTE OF: 9 FOR 0 AGAINST.

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7 _____
8 Rey Garduno, President

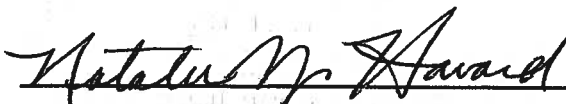
9 City Council

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12 APPROVED THIS 25th DAY OF June, 2015

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15 Bill No. R-15-202

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19 Richard J. Berry, Mayor
20 City of Albuquerque

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24 ATTEST:

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28 Natalie Y. Howard, City Clerk
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City of Albuquerque

Office of Internal Audit

Fiscal Year 2016 Audit Plan



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



FY2016 Audit Plan

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) 2016 Audit Plan. OIA uses a dynamic risk-based approach for selecting and prioritizing audits. The Audit Plan facilitates the efficient allocation of OIA's limited 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
Consuelo Baca	Internal Audit 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. The next GAGAS compliance quality control review will be conducted in FY2017 and will review the period of July 1, 2013 through June 30, 2016.



FY2016 Audit Plan

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 members obtain 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 FY2016 Audit Plan, OIA surveyed the Accountability in Oversight Committee, City Leaders, Department Directors, Senior Managers, and randomly selected Staff members. Survey participants were asked to identify City departments, divisions, and processes that would benefit from independent audit or review. Respondents also identified areas they believed could be subject to fraud, waste, or abuse.

Survey suggestions were then compiled, evaluated and rated using a risk assessment matrix.

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;



FY2016 Audit Plan

- 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.

The number of audits selected for the Audit Plan is based on the impact the audit may have (the problem or risks it addresses and the likely types of opportunities for improvement that may 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.

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 FY2016 Audit Plan, on pages 5 and 6, is presented along with the estimated time allocations for individual audits and projects.

Estimated Audit Hours

We estimate the total number of direct audit hours available for FY2016 to be approximately 5,800. We reduce the 2,088 annual full-time hours per auditor in FY2016 by holidays, vacation leave, sick leave, administrative time, staff meetings and the annual required training to maintain certifications and meet Government Auditing Standards. The available-hours calculation anticipates no staff turnover. OIA does not have a student intern in FY2016 due to a lack of funding for the position.

In addition to the 5,800 direct audit hours, OIA's management will dedicate an additional 1,000 hours to reviewing audit work papers and reports to ensure compliance with OIA's system of quality control, professional standards, and regulatory requirements. OIA management accepts responsibility for the system of quality control and continually strives to improve OIA's operations.



FY2016 Audit Plan

The FY2016 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, 2015. The majority of the Audit Plan is comprised of 14 audits with a resource demand of 3,900 hours. OIA will also dedicate 1,900 hours to other value added services and completing audits in process at July 1, 2015.

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 results. 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 value added services, which increase accountability, 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. These are frequently performed at the request of the City Council or City Administration.
- 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 a cash handling review.

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.

OFFICE OF INTERNAL AUDIT
Annual Audit Plan
For the Year Ending June 30, 2016

<u>DESCRIPTION</u>	<u>Estimated Audit Hours</u>
Albuquerque Police Department	
Special Investigations Division - Expenses	150
Goal Area: Public Safety	
Department of Municipal Development	
Parking Ticket Revenue	300
Goal Area: Government Excellence and Effectiveness	
Citywide	
Administrative Instructions	200
Goal Area: Government Excellence and Effectiveness	
Citywide	
CIP - Coming-On-Line	400
Goal Area: Public Infrastructure	
Department of Finance and Administrative Services	
Point of Sale System	400
Goal Area: Government Excellence and Effectiveness	
Department of Family & Community Services	
Office of Neighborhood Revitalization	300
Goal Area: Human and Family Development	
Citywide	
Separation of the Albuquerque Housing Authority	300
Goal Area: Government Excellence and Effectiveness	
Citywide	
Payroll Audit(s)	300
Goal Area: Government Excellence and Effectiveness	
Department of Finance and Administrative Services	
Indirect Overhead Rates	250
Goal Area: Government Excellence and Effectiveness	
Citywide	
Two City Vendor Audits - Compliance with Contract Terms	600
Goal Area: Government Excellence and Effectiveness	
Department of Finance and Administrative Services	
ACH and Wire Transfer Payments	400
Goal Area: Government Excellence and Effectiveness	

<u>DESCRIPTION</u>	<u>Estimated Audit Hours</u>
Citywide - Special Project	
Purchasing Card – Expenditure Review	100
Goal Area: Government Excellence and Effectiveness	
Department of Finance and Administrative Services – Special Project	
Lodgers Tax Audit – Joint with City Treasurer’s Office	200
Goal Area: Government Excellence and Effectiveness	
Unplanned Special Audits / Projects	700
Cash Handling Reviews	100
Follow-up Status Reports	200
Complete Work in Process at July 1, 2015	900
TOTAL HOURS INCLUDED IN FY2016 AUDIT PLAN	5800