



# External Quality Control Review

of the  
City of Albuquerque, Office of  
Internal Audit

Conducted in accordance with guidelines of the  
**Association of Local Government  
Auditors**  
for the period July 1, 2013 through June 30, 2016



## Association of Local Government Auditors

October 20, 2016

Mr. Lawrence Davis, Audit Manager / Acting Director  
City of Albuquerque Office of Internal Audit  
P.O. Box 1293  
Albuquerque, NM 87103

Dear Mr. Davis,

We have completed a peer review of the City of Albuquerque Office of Internal Audit for the period July 1, 2013 through June 30, 2016. 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 whether 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. Our procedures included:

- Reviewing the audit organization's written policies and procedures.
- Reviewing internal monitoring procedures.
- Reviewing a sample of audit engagements and working papers.
- Reviewing documents related to independence, training, and development of auditing staff.
- Interviewing auditing staff, management, and members of the Audit Committee to assess their understanding of, and compliance with, relevant quality control policies and procedures.

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 City of Albuquerque Internal Audit Office's 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, 2013 through June 30, 2016.

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

Teresa Neumeier, CIA  
City of Fort Wayne, IN

Richard Siu, CIA  
City of Dallas, TX

Elizabeth De La O, CIA  
City of El Paso, TX



## Association of Local Government Auditors

October 20, 2016

Mr. Lawrence Davis, Audit Manager / Acting Director  
City of Albuquerque Office of Internal Audit  
P.O. Box 1293  
Albuquerque, NM 87103

Dear Mr. Davis,

We have completed a peer review of the City of Albuquerque Office of Internal Audit for the period July 1, 2013 through June 30, 2016 and issued our report thereon dated October 20, 2016. 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:

- The audit files are impeccably organized and consistent and contributed to efficiencies in the peer review process.
- This department has an impressive commitment to training and uses it to develop and maintain a highly competent audit staff.
- The work environment and participants are cohesive and are operating in the true spirit of team work.
- Department personnel have passion and pride for both their City and their profession, evident in their communication, information sharing and dedication.

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

- Standard 3.42 requires an auditor who previously performed nonaudit services for an entity that is a prospective subject of an audit should evaluate the impact of those nonaudit services on independence before accepting an audit. During our review of a sample of audits performed, we were unable to identify documentation that supported consideration of nonaudit services conducted in the assignment or acceptance of audit work.

We suggest the department consider incorporating an assessment of nonaudit services on their audit assignment and independence form and incorporating that with a review of a summary tracking sheet of nonaudit services performed by the department including the individuals who conducted the nonaudit service, a brief description of the service provided and the hours spent on each nonaudit service. We also suggest management update their departmental procedures to reflect the new process.

- Standard 6.83c requires supervisory review, before the audit report is issued, of the evidence that supports the findings, conclusions, and recommendations contained in the audit report. We identified two instances in which supervisory review was not conducted in accordance with the standard. In one case, two audit work papers that directly supported a reported item did not contain supervisory review. The missing review was not identified or addressed in the quality control process.

We recommend all workpapers be prepared and reviewed prior to final issuance of the audit report.

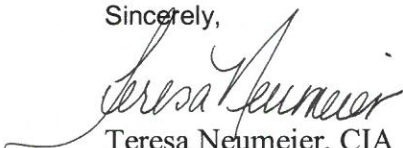



- Although the department has developed nonaudit service related independence forms and management agreements, they are inconsistent in their application and use. Based upon discussion with department personnel, we expected the forms to be completed for each nonaudit service requested by an outside party that would incur over 40 hours of audit time. Two files of four files reviewed did not include the forms. Additionally, the quality control checklist used for one of these indicated the forms were not applicable. Further, the independence forms established for nonaudit services do not contain a space to document threats in the event any are identified and does not reference each related GAS as it omits 3.46 and 3.59.


We recommend management fully and consistently implement and document a process that assesses threats to independence for performing nonaudit services alone or in aggregate and that the entity has designated an individual who possesses suitable skill, knowledge or experience and understands the services to be performed sufficiently to oversee them. We recommend management update their existing forms and checklists to ensure they are inclusive of all required GAS and are designed with an appropriate nonaudit service control structure. We also recommend the department provide refresher training regarding nonaudit services forms to department personnel.

We extend our thanks to you and your staff for the hospitality and cooperation you extended to us during our review. You have a beautiful City and we enjoyed the experience.

Sincerely,

  
Teresa Neumeier, CIA  
City of Fort Wayne, IN

  
Richard Siu, CIA  
City of Dallas, TX

  
Elizabeth De La O, CIA  
City of El Paso, TX



# City of Albuquerque

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

October 24, 2016

Teresa Neumeier  
Peer Review Team Leader  
City of Fort Wayne, Indiana  
Internal Audit Department

Dear Ms. Neumeier:

Thank you for your external quality control review report dated October 20, 2016. We are pleased with your opinion that the Office of Internal Audit (OIA) was in full compliance with *Government Auditing Standards* during the period July 1, 2013 through June 30, 2016.

We appreciate the review team's efforts to recognize areas in which our office excels. We also appreciate the review team's suggestions to strengthen our organization's internal quality control system. We concur with the review team's suggestions and will implement changes to enhance our demonstrated adherence with *Government Auditing Standards*.

We will implement the following changes to strengthen our internal quality control system.

- Create a non-audit service tracking sheet and update our Assignment and Independence Form to ensure we fully document compliance with non-audit service independence standards.
- Update our *Policies and Procedures Manual* to ensure a consistent non-audit service control structure is established and communicated to OIA staff.
- Ensure all workpapers are reviewed prior to the final issuance of audit reports.

Our office is committed to continuously improving our audit processes. We appreciate the professionalism, time, and effort you and your team devoted to help us become a premier audit organization.

Sincerely,

Lawrence L. Davis  
Acting Director