



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

August 30, 2023

Honorable Mayor Tim Keller, Members of the City Council, and Citizens of Albuquerque:

The Accountable in Government Oversight (AGO) Committee would like to recognize the Office of Internal Audit's (OIA) Interim City Auditor and her staff for their continued service to the Administration, City Council, and the citizens of the City of Albuquerque (City).

As this annual report demonstrates, OIA produces audits that include recommendations intended to improve City processes, improved efficacies, and cost savings for the citizens of Albuquerque.

The AGO Committee has found the OIA staff to be a professional and well-respected resource for the citizens of Albuquerque and the City of Albuquerque Administrative government. OIA is an independent, objective set of eyes that provides the City with expertise in furtherance of its objectives. OIA is certainly an integral part of the City's government.

Sincerely,

Edmund E. Perea, Esq., Chairperson for
Accountability in Government Oversight Committee

Shawn Penman
Johnny I. Mangu
Victor Griego
Manilal Patel



OFFICE OF INTERNAL AUDIT
City of Albuquerque

Marisa C. Vargas
Interim City Auditor

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August 30, 2023

Honorable Mayor Tim Keller
Office of the Mayor
PO Box 1293
Albuquerque NM 87103

Councilor Isaac Benton, President
City Council
P.O. Box 1293
Albuquerque, NM 87103

Dear Mayor Keller and Councilor Benton:

The Office of Internal Audit's Annual Report for fiscal year 2023 has been completed. The Accountability in Government Oversight Committee approved the Annual Report on August 30, 2023 and I am pleased to transmit it to both the Mayor's Office and City Council for review.

Sincerely,

Marisa C. Vargas
Interim City Auditor



City of Albuquerque

Office of Internal Audit

Fiscal Year 2023 Annual Report



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



Office of Internal Audit

Fiscal Year 2023 Annual Report
July 1, 2022 - June 30, 2023

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Mission Statement

To provide objective and independent evaluations and effective solutions that promote transparency, accountability, efficiency and effectiveness of City government for the citizens of Albuquerque



City of Albuquerque

Office of Internal Audit

P.O. Box 1293 Albuquerque, New Mexico 87103

August 30, 2023

Honorable Mayor Keller, Members of the City Council, Members of the Accountability in Government Oversight (AGO) Committee, and Citizens of Albuquerque:

As required by Section 2-10-14 ROA 1994 of the Accountability in Government Ordinance I am pleased to present the Office of Internal Audit's (OIA) Annual Report for the fiscal year ending June 30, 2023. The Annual Report highlights the audit services provided by our office throughout the fiscal year.

As the independent auditor for the City of Albuquerque's (City) government, our goal is to actively provide the City and its citizens with useful information that improves accountability, transparency, and fosters continuous improvement. This annual report reflects the dedication, professionalism, flexibility, and high-quality work performed by the OIA staff. Additionally, it demonstrates OIA's achievement of fulfilling its statutory responsibilities and addressing risk across the City. Reports issued by OIA in FY2023 covered a wide range of risks, including cost savings and revenues, program performance, and internal controls. In FY2023, OIA issued three audit reports, seven strategic reviews, eleven follow-up audits, and responded to numerous requests for assistance from departments, including assisting the Civilian Independent Salary Commission (CISC) with its bi-annual evaluation of the salaries of the Mayor and Councilors. The projects completed by OIA provided assurance through audit and non-audit services totaling \$10.5 million. Additionally, OIA conducted continuous monitoring efforts, which included monitoring all 56 open recommendations made in the prior two fiscal years.

I am very appreciative of City Management's cooperation and assistance during this period. City Management continued to provide the information needed for our audit services and concurred with 93 percent of all recommendations made in 2023. I believe City Management and City staff should be commended for their continuous efforts to utilize the audit process to improve City operations.

I would also like to extend my gratitude to the AGO Committee for the unwavering support it continues to provide our office. The Committee's leadership, guidance, and advocacy is invaluable and has allowed us to be able to provide audit services that are conducted independently, objectively, unbiasedly, and with integrity.

OIA's mission remains the same and in fiscal year 2024 we will continue to be committed to providing objective and independent evaluations and effective solutions that promote transparency, accountability, efficiency and effectiveness for the citizens of Albuquerque. Our function as an independent agency serves as a tool for good government in the City. Your input matters to us. By continuing to support our work and elevate the issues we cover, you help ensure Albuquerque's leaders take meaningful action. We encourage you to sign up for our audit report distribution emails or reach out to us directly by emailing uia@cabq.gov to share your thoughts, concerns, or questions.

Respectfully,



Marisa C. Vargas
Interim City Auditor

Organizational Chart

June 30, 2023

Section 2-10-5 ROA 1994 of the Accountability in Government Ordinance creates the AGO Committee. The AGO Committee is a management committee and not a public board, commission or committee and does not have authority to formulate public policy. The primary function of the AGO Committee is to approve all OIA reports and to make a recommendation to the City Council on the selection of the City Auditor. The AGO Committee consists of five members from the community at large. The Mayor and one City Councilor, appointed annually by the City Council President, are nonvoting ex-officio members.

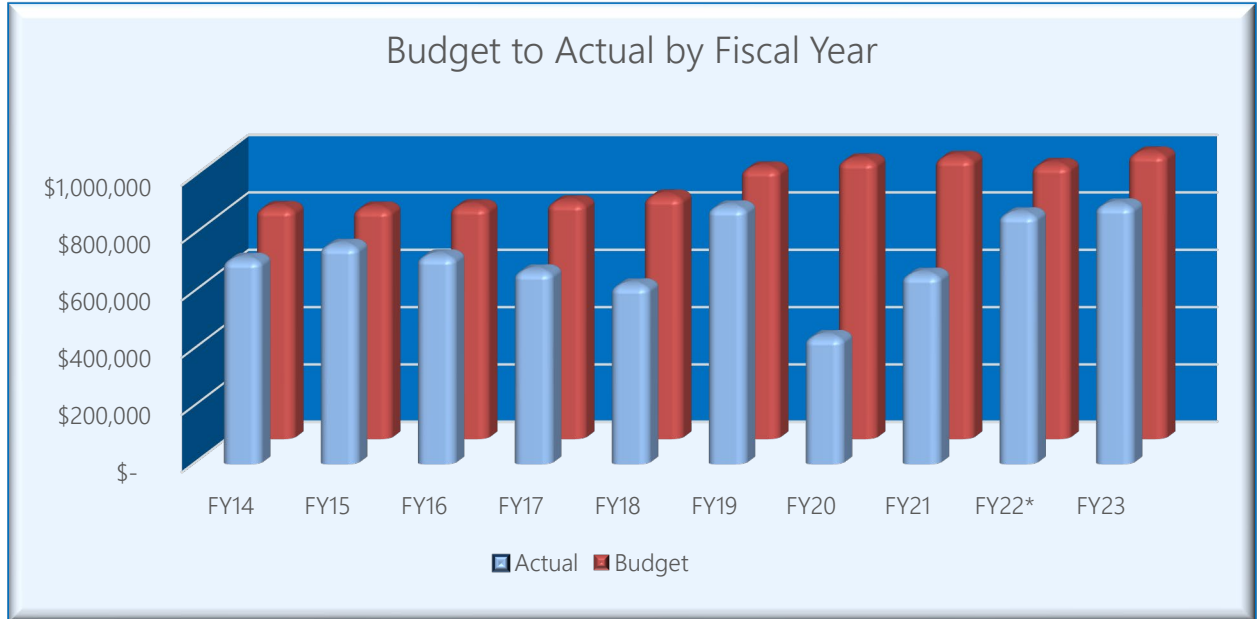
AGO Composition

Name	Representative
Edmund E. Perea Esq.,	Law
Manilal Patel	At Large
Victor Griego	CPA
Johnny Mangu	Management
Shawn Penman	At Large
Brook Bassan	Council Appointed Ex Officio Member
Sanjay Bhakta	Mayor Appointed Ex Officio Member



OIA Budget

Exhibit 1: 10-Year Budget to Actuals Chart



OIA has stable and predictable spending related to current staffing levels and related operating costs. The majority of OIA’s operating costs pay for our audit management system licenses and annual training required by *Government Auditing Standards*. Spending on consultants is funded with available vacancy savings and varies based on the Annual Audit Plan and requests received for audit and non-audit services.

OIA is currently funded for eight budgeted positions. All auditors meet continuing professional education requirements, and many have professional certifications. All auditors are members of the Association of Local Government Auditors (ALGA), the Institute of Internal Auditors (IIA), the Association of Certified Fraud Examiners (ACFE), and the Information Systems Audit and Control Association (ISACA).

OIA's FY2023 Performance Measures

REPORTS ISSUED

The following is a list of outputs designed to measure the overall performance of the Internal Audit function in achieving our mission and to highlight the value and return on investment provided by our services.

One of OIA's FY2023 performance goals was to complete 80 percent of the number of projects identified in the Annual Audit Plan. 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 Audit Plan is periodically re-evaluated to reassess available resources and audits/projects while incorporating special requests and/or strategic reviews to ensure OIA is capturing immediate coverage of high-risk areas.

Further, an audit's duration depends on many factors. For example, during an audit OIA may identify and thus devote further attention to areas of concern. Meaning, we do not limit our audit procedures simply to ensure that we meet an internal performance metric. Rather, we audit based on the assessed risk and exposure to the City. This is why OIA has made a concerted effort to expand its testing and often tests all City departments in just one audit.

In FY2023, OIA issued three audit reports, completed seven strategic reviews, conducted eleven follow-up audits, and responded to numerous requests for assistance from various departments, including assisting the Civilian Independent Salary Commission (CISC) with its bi-annual evaluation of the salaries of the Mayor and Councilors. In FY2023, OIA issued a total of 32 recommendations and city departments concurred or partially concurred with 93 percent of the recommendations made. Additionally, OIA conducted continuous monitoring efforts, which included monitoring all 56 open recommendations made in the prior two fiscal years. As a result of these efforts, OIA was able to complete 83 percent of the revised Annual Audit Plan.

Audit Reports

Audits require a significant amount of planning and documentation in order to comply with *Government Auditing Standards*. In addition, the audited entity and/or the Administration prepare formal responses to the audit recommendations, which are included in the final report. Three audits were completed in FY2023

Strategic Reviews

Strategic reviews are performed at the request of the Administration and/or City Council, or in response to emerging issues. Generally, they do not require as much planning or documentation as audits and typically can be completed in less time than an audit. Seven strategic reviews were completed during the fiscal year.

Exhibit 2: Listing of audits and strategic reviews issued in FY2023¹

No.	Report Title	Original Report Date	Recommendations	
			Open	Closed
22-116	Citywide Hiring Practices Involving Unclassified Employees	10/19/2023	11	1
22-118	Emergency Response Time Assessment	10/19/2023	6	0
23-102	Business Registration Audit	06/28/2023	9	0
23-302	Citizens Independent Salary Commission	03/29/2023	n/a	n/a
23-401	Law Enforcement Retention Fund	02/23/2023	0	0
22-402	Call-to-Service Overtime	10/19/2022	4	
23-403	Planning Department Cash Count	02/23/2023	0	0
23-404	Arts & Culture Cash Count	04/26/2023	2	2
23-405	BioPark Botanic Garden Cash Count	06/28/2023	0	0
Recommendations Totals			32	3

Continuous Monitoring and Follow-Up Audits

In FY2022, OIA enhanced its continuous monitoring efforts. OIA now monitors all open recommendations until they are implemented on a six-month interval from the date a report is issued. During FY2023, OIA monitored all 56 open recommendations made in the prior two fiscal years. Details can be seen in Exhibit 3.

Additionally, OIA completed a 1.5-year effort to perform follow-up audits issued within the previous five years (fiscal years 2016 through 2021). This resulted in a total of 29 follow-up audits completed which evaluated the status of 63 open recommendations, 45 (71%) of which are now implemented and considered closed. OIA completed eleven follow-up reviews in FY2023² to closeout this endeavor.

¹ This listing includes all audit and strategic reviews issues in FY2023 with the exception of Office of Internal Audit Monitoring and Follow-Up Status Report – Phase 2, which is detailed in the subsequent chart.

² A listing of follow-up audits conducted in FY2023 can be seen on Exhibit 4.

Exhibit 3: Office of Internal Audit Monitoring and Follow-Up Status Report – Phase 2 Summary

Department	Recommendations		Reports Open
	Monitored	Closed	
Albuquerque Police Department	1	1	0
Animal Welfare	3	2	1
Aviation	8	3	1
Environmental Health	6	3	1
Family and Community Services	2	2	0
Finance and Administrative Services	12	11	1
Human Resources	18	8	2
Municipal Development	3	2	1
Transit	3	3	0
Total	56	35	7

Requests for Assistance

The internal audit function is not limited to assurance services. OIA provides non-audit activities designed to add value and improve an organization's operations. These consulting-like services reach beyond the traditional ways that internal audit can help the organization, such as enterprise risk management evaluations and advanced analytics.

AFTER AUDIT SURVEY RATINGS

Another quality measure of OIA services is the average ratings provided by auditees after audits are completed. Each audited department or vendor is asked to complete an after-audit survey which asks for a rating of the auditor, the audit process, and the audit report on a one to five scale, with five being the highest rating. The after-audit survey goal is 4.5. For FY2023, OIA collected responses to the surveys with an average rating of 4.8.

ASSURANCE PROVIDED

Audits and non-audit services involve verification and testing of transactions to evaluate information in the City's accounting records for accuracy and compliance with significant policies, laws, regulations, contracts, etc. Audit and non-audit services are often applied on a sample basis to a population, like payroll for a department. OIA's services provide an assurance value relative to the populations that were subject to the audit and non-audit procedures. In FY2023, OIA estimated a combined assurance value of \$10.5 million for the audit and non-audit services provided.

PEER REVIEW

As OIA conducts engagements in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States, OIA must establish and maintain a system of quality control that is designed to provide the audit organization with reasonable assurance that the organization and its personnel comply with professional standards and applicable legal and regulatory requirements. This internal quality control system is evaluated every three years in what is called a "Peer Review" by a group of independent auditors facilitated by ALGA. Organizations can receive a rating of pass, pass with deficiencies, or fail. In April 2023, a Peer Review was conducted for the period July 1, 2019 through June 30, 2022 and OIA received a pass rating.

OTHER NOTEWORTHY ACTIVITIES

- Provided training during the ACFE's International Fraud Audit Awareness Week to City Employees
- Obtained a proclamation from the New Mexico State Auditor in celebration of International Internal Audit Awareness for the month of May
- Obtained IT General Controls certifications for all OIA staff and management
- Participated in the ALGA, IIA, ISACA, and ACFE organizations
- Served on the IIA's Albuquerque Chapter by which the OIA Manager is the current Past President and the Lead Auditor is the Vice-President of Programs

Implementation of Recommendations

OIA strives to improve the operational efficiency of departments by identifying the root causes of audit findings and proposing value-added recommendations to address the findings. Follow-up audits rely on the department(s) providing the status of the recommendations. Follow-up audits are substantially less in scope than an audit. The objective is to report on the status of corrective action regarding the findings and recommendations.

OIA conducted 11 follow-up audits in FY2023. City departments *closed* 50 percent (17) of audit report recommendations and 28 percent (17) were *open* at the time the follow-ups were performed. The table below illustrates each follow-up and the status of associated recommendations.

Exhibit 4: Listing of Follow-Up Audits Completed in 2023

No.	Report Title	Original Report Date	Recommendations		
			Evaluated	Open	Closed
18-105	Parts Plus of New Mexico	02/27/2019	6	6	0
16-107	Officer Overtime	03/17/2017	1	0	1
16-103	Special Investigations Division Expense Review	03/17/2017	1	0	1
16-101	Maintenance of Administrative Instruction	04/27/2016	3		3
15-109	Administrative Maintenance of Vacation and Sick Leave	10/26/2016	5	3	2
13-103	Personnel Services Performance Audit	05/01/2013	6	2	4
19-106	MWI Inc.	06/27/2019	2	2	0
18-101	Management of Off-Site Parking Revenue	09/13/2018	1	0	1
16-106	Ahern Rentals Inc.	04/26/2017	3	1	2
19-103	ABCWUA Franchise Fee	04/25/2019	2	1	1
19-104	Allocation & Use of Quarter Cent Public Safety Tax	06/27/2019	4	2	2
Recommendations Totals			34	17	17

STAFF – BIOS

Marisa Vargas – Internal Audit Manager/Interim City Auditor

Marisa has over 18 years of assurance and consulting experience in the non-profit and government sectors. Marisa first worked at New Mexico Student Loans as an Internal Auditor performing compliance and performance audits. She then worked for the Internal Audit department at Sandia National Laboratories from 2010 to 2020 as a Contract Auditor, Internal Auditor, and finally as an Audit Supervisor for her final six years. Marisa serves as the Past President on the IIA Albuquerque Chapter Board, recently completing six years as the Chapter President. A native of Albuquerque, Marisa obtained both her Bachelor's degree in Finance and Economics and a Master's in Accounting from the University of New Mexico. Marisa was hired as a Contract Auditor with the City of Albuquerque before becoming the Internal Audit Manager. She is a Certified Fraud Examiner and obtained a certificate in the IIA's IT General Controls Program in May 2023.

Vanessa Meske – Lead Auditor

Vanessa has over seven years of auditing and investigating experience. While earning both her Bachelor's degree in Criminal Justice and Master's in Business Administration, she spent four years at a Tribal casino where she worked in Surveillance, Risk Management, and Auditing. She then went on to work as an Internal Auditor at MGM Resorts International performing Title 31 compliance audits for 15 MGM properties. Vanessa serves as the VP of Programs on the IIA Albuquerque Chapter Board and also holds the Certified Fraud Examiner (CFE) Credential. Vanessa was first hired as a Principal Auditor with the Office of Internal Audit before becoming the Lead Auditor.

Connie Barros-Montoya – Principal Auditor

Connie has 24 years of financial, lending, customer service, and collection experience in the private sector. She also has 6 years of experience with the State of New Mexico in their Taxation Revenue Department and as an auditor for the Fuel Tax Association (IFTA), International Registration Program (IRP), and Weight Distance Tax (WDT) programs. Connie was hired by the City of Albuquerque as a Staff Auditor in 2019 and was promoted to Principal Auditor. She holds a Bachelor of Science in Business and a minor in Accounting from the University of Phoenix. She obtained an IT General Controls Certificate in May 2023.

Stacy Martin – Staff Auditor

Stacy has over 25 years of financial, lending, servicing, fraud, collection, mortgage, and customer service experience in the private sector. She holds a Bachelor's degree in Financial Management, an MBA in Accounting, and a dual Master's Degree in Management from National American University. Stacy began her career with the City as a Staff Auditor in October 2021. She recently obtained an IT General Controls Certificate in May 2023.

Leslie Rendon – Staff Auditor

Leslie has served the City of Albuquerque in various capacities for over 10 years. Her career with the City began at the Cultural Services Department's Albuquerque Museum of Art and History, she then spent time at the Albuquerque Police Department, Planning Department, and the Department of Municipal Development. Leslie was hired as Staff Auditor in June of 2022 for the OIA. Previously, she served as the Administrative Coordinator for both the OIA and OIG for over two years. Leslie obtained her Associate's degree in Integrated Studies from Central New Mexico Community College. In May 2023 she has obtained an IT General Controls Certificate.

The Year Ahead

OIA is striving to make 2024 yet another successful year for OIA. As always, our top priority is to provide audit and non-audit services that identify opportunities to improve the efficiency, effectiveness, and transparency of critical City programs and functions. We will also continue our monitoring activities for recommendations that are awaiting management implementation.

OIA will also pursue continuous improvement in our own operations, to gain efficiencies and enhance effectiveness of our operations and communications with our many stakeholders. Major initiatives for the year are anticipated to include the use of data analytics on two upcoming citywide audits that will assist us in identifying anomalous activity and indicators of fraud (if any), updating and modernizing our website to make it easier for stakeholders to access our reports and other key information, incorporating the use of plain language into our audit reports to ensure the information is accessible to all, and updating the follow-up audit process by adding more rigor to determine if recommendations implemented are actually mitigating.