

Nicole Kelley  
City Auditor

## OFFICE OF INTERNAL AUDIT CITY OF ALBUQUERQUE MEMORANDUM

**SUBJECT: Office of Internal Audit Monitoring and Follow-Up Status Report – Phase 2**  
**DATE: December 14, 2022**

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The United States Office of Management and Budget (OMB) Circular A-50, entitled “Audit Followup,” provides the requirements for establishing systems to assure prompt and proper resolution and implementation of audit recommendations. The Circular states:

Audit followup is an integral part of good management, and is a shared responsibility of agency management officials and auditors. Corrective action taken by management on resolved findings and recommendations is essential to improving the effectiveness and efficiency of Government operations. Each agency shall establish systems to assure the prompt and proper resolution and implementation of audit recommendations. These systems shall provide for a complete record of action taken on both monetary and non-monetary findings and recommendations.

The City of Albuquerque’s (City) Office of Internal Audit (OIA) conducts monitoring activities and follow-up procedures on all recommendations it issues to city departments. Monitoring activities involve obtaining the status of each recommendation from the applicable department. While follow-up procedures include periodically selecting reports for a more in-depth assessment, in which OIA tests to verify the implementation status of the recommendations. While the responsibility to resolve issues and manage agreed actions lies with management, the monitoring process helps to determine the effectiveness of management's response to risks identified.

In fiscal year 2021, OIA enhanced its monitoring efforts. The revised process will be implemented in three phases. The first phase was to monitor all recommendations issued during fiscal year 2021. The results from phase one were issued on February 24, 2022. The original purpose of the second phase was to perform monitoring procedures on all open recommendations included in reports issued within the previous five years (fiscal year 2016 to fiscal year 2021)<sup>1</sup>. However, due to the high-risk nature of many of those audits, OIA is performing follow-up procedures on all audits during that time period, with a completion goal of fiscal year-end. Concurrently, OIA conducted monitoring activities on all open recommendations on audits issued since fiscal year 2021. On a go-forward basis, OIA will monitor all recommendations it issues to departments of the City every six months after issuance and will report on the results of its monitoring activities on a bi-annual basis. Additionally, OIA will track and report on the length of time recommendations have been

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<sup>1</sup> A five-year period was determined, as the environment in which audits issued more than five years ago may have changed such that the issue identified no longer exists or the recommendation is no longer relevant or feasible.

## Summary of Monitoring Activities – Phase 2

open.

Phase three is currently in its roll-out stage and includes defining a risk-based approach to identify audits for more in-depth, follow-up procedures. This approach includes sampling and testwork to verify whether the recommendations implemented sufficiently mitigate the risks originally identified in the audit. There are currently three follow-up audits being conducted in this new fashion, one of which will be issued concurrently with this report.

## MID-YEAR MONITORING ACTIVITY – FISCAL YEAR 2023

The monitoring process begins when OIA requests a written status update from the responsible department (auditee), on the implementation status of each recommendation. OIA reviews the response and determines whether the recommendation is open, contested, or closed.

- **Ongoing (Open)** – the recommendation has not yet been fully implemented and/or the risk identified has not been mitigated. The auditee is working to implement the recommendation. OIA will follow up on all open recommendations as part of its ongoing monitoring efforts.
- **Contested (Management Accepts Risk) or Failed to Respond** – the department has chosen not to implement the recommendation or the auditee failed to respond to the monitoring request.
- **Completed (Closed)** – the response described sufficient action to fully implement the recommendation or an acceptable alternative to mitigate the risk identified or a change occurred making the recommendation no longer applicable or feasible. No further monitoring is required.

OIA followed up on 56 open recommendations from 10 reports or memorandums issued during fiscal years 2021 and 2022. Of the 56 open recommendations, departments reported implementing 35 (63 percent). Consequently, OIA closed three (3) of the 10 reports. Of the remaining 21 open recommendations, all were reported as in progress with completion dates expected to occur in fiscal year 2023. OIA will follow up on all open recommendations as part of its ongoing monitoring efforts.

Exhibit 1 shows the number of recommendations OIA followed up on and their resulting status, and summarizes the status of reports for each department at the end of the calendar year. Exhibit 2 shows the reports that OIA closed. Reports are closed when the status of all recommendations in the report are considered closed.

## Summary of Monitoring Activities – Phase 2

**Exhibit 1: Summary of Recommendations Monitored and Reports Open**

Department	Recommendations		Reports Open
	Monitored	Closed as of 12/2/2022	
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
<b>Total</b>	<b>56</b>	<b>35</b>	<b>7</b>

**Exhibit 2: Summary of Reports Closed as of December 2022**

Department	Issue Date	Report Title	Number of Recommendations*
Albuquerque Police Department	10/28/2020	Albuquerque Police Department Overtime Audit	7
Family and Community Services	4/28/2021	Heading Home Contract Audit	5
Transit	3/11/2021	Lamar Advertising Targeted Revenue Sources Audit	5
<b>Total</b>			<b>17</b>

**Open Recommendations**

In some cases, a department has implemented few or none of OIA's recommendations. This does not necessarily indicate that the department is not trying to resolve the underlying issues. In some instances, the department has not yet had the opportunity because the recommendations relate to events that happen only periodically, such as revising Standard Operating Procedures, or because the recommendations were issued too recently for the department to have achieved full implementation. Departments reported each of the remaining 21 open recommendations as in progress with expected implementation dates to occur in fiscal year 2023.

## Summary of Monitoring Activities – Phase 2

**Exhibit 3: Summary of Open Reports as of December 2022**

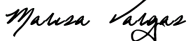
Department	Issue Date	Report Title	Recommendation Status			Days Open <sup>2</sup>
			Open	Closed	Contested	
Animal Welfare	3/11/2021	<a href="#">Street Cat Hub, Inc. City Vendor Audit</a>	1	6	0	643
Finance and Administrative Services	6/23/2021	<a href="#">Citywide Purchase and Travel Card Usage</a>	1	13	0	539
Human Resources	12/15/2021	<a href="#">Human Resources Department- Hiring Practices</a>	3	7	0	364
Environmental Health	2/24/2022	<a href="#">Environmental Health Inspections</a>	3	3	0	293
Aviation	4/27/2022	<a href="#">Construction Project Management and Change Orders</a>	5	5	0	231
Human Resources	4/27/2022	<a href="#">Citywide Veterans Hiring Initiative</a>	7	1	0	231
Municipal Development	4/27/2022	<a href="#">Department of Municipal Development, Capital Implementation Plan Labor Recovery</a>	1	3	1	231
<b>Total</b>			<b>21</b>	<b>38</b>	<b>1</b>	<b>n/a</b>

<sup>2</sup> The days a recommendation is considered open is the time since report issuance through December 14, 2022.

Summary of Monitoring Activities – Phase 2

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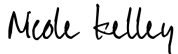


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