



Marisa C. Vargas  
Interim City Auditor

## OFFICE OF INTERNAL AUDIT CITY OF ALBUQUERQUE MEMORANDUM

**SUBJECT: Office of Internal Audit Monitoring Status and Follow-Up Report**

**DATE: August 30, 2023**

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

Audit follow-up 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 ensure 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 performed follow-up procedures on all audits during that time period, which was completed in June 2023. See a summary of these audits in Exhibit 1 below. For a listing of follow-up audits that are still open, see Exhibit 2. Any open recommendations that remain will be included in ongoing monitoring activities until implemented. Additionally, vendor compliance audits with open recommendations will be evaluated in the fiscal year 2024 Citywide Contract Compliance Performance Audit.

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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.

**Exhibit 1: Summary of Follow-Up Audits Completed Fiscal Years 2021-2023**

Fiscal Year	Follow-Up Audits Completed	Recommendations			Reports Closed
		Evaluated	Closed	Open	
2021	9	17	16	1	7
2022	9	12	12	0	7
2023	11	34	17	17	4
<b>Total</b>	<b>29</b>	<b>63</b>	<b>45</b>	<b>18</b>	<b>18</b>

**Exhibit 2: Summary of Open Follow-Up Audits from Fiscal Years 2021-2023**

Department	Issue Date	Report Title	Number of Open Recommendations*
City Council / Mayor	06/27/2019	Allocation & Use of Quarter Cent Public Safety Tax	2
Finance and Administrative Services	02/27/2019	Parts Plus of New Mexico	6 <sup>2</sup>
Finance and Administrative Services	04/26/2017	Ahern Rentals Inc.	1 <sup>2</sup>
Finance and Administrative Services	04/25/2019	ABCWUA Franchise Fee	1
Human Resources	10/26/2016	Administrative Maintenance of Vacation and Sick Leave	3
Human Resources	05/01/2013	Personnel Services Performance Audit	2
Municipal Development	06/27/2019	MWI Inc.	2
<b>Total</b>			<b>17<sup>3</sup></b>

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. All audits that have been closed may be considered for the new follow-up process.

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 open. Please see the detailed information below.

<sup>2</sup> Vendor compliance audits with open recommendations will be evaluated in the fiscal year 2024 Citywide Contract Compliance Performance Audit.

<sup>3</sup> The one open recommendation from fiscal year 2021 was closed in a subsequent follow-up conducted in fiscal year 2023 thus, only 17 remain open. Additionally, some audits necessitated multiple follow-up audits over the years so the accurate number of audits open in is Exhibit 2.

## MONITORING ACTIVITY

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 38 open recommendations from 9 reports or memorandums issued during fiscal years 2021, 2022 and 2023. Of the 38 open recommendations, departments reported implementing 10 (26 percent). Consequently, OIA closed three (3) of the 9 reports. Of the remaining 28 open recommendations, all were reported as in progress with completion dates expected to occur in fiscal year 2024. OIA will follow up on all open recommendations as part of its ongoing monitoring efforts.

Exhibit 3 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 4 shows the reports that OIA closed. Reports are closed when the status of all recommendations in the report are considered closed.

**Exhibit 3: Summary of Recommendations Monitored and Reports Open**

Department	Recommendations <sup>4</sup>		Reports Open <sup>5</sup>
	Monitored	Closed as of August 2023	
Albuquerque Police Department	6	0	1
Animal Welfare	1	0	1
Aviation	5	5	0
Environmental Health	3	0	1
Finance and Administrative Services	1	1	0
Human Resources	21	4	2
Municipal Development	1	0	1
<b>Total</b>	<b>38</b>	<b>10</b>	<b>6</b>

**Exhibit 4: Summary of Reports Closed as of August 2023**

Department	Issue Date	Report Title	Number of Recommendations
Aviation	4/27/2022	Construction Project Management and Change Orders	10
Finance and Administrative Services	6/23/2021	Citywide Purchase and Travel Card Usage	14
Human Resources	12/15/2021	Citywide Hiring Practices	10
<b>Total</b>			<b>34</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 Ordinances, or because the recommendations were issued too recently for the department to have achieved full implementation. Departments reported each of the remaining 28 Office of Internal Audit Monitoring Status Report open recommendations as in progress with expected implementation dates to occur in fiscal year 2024. Exhibit 5 lists all open audit reports with an aging schedule for the open recommendations.

<sup>4</sup> Recommendations may have been closed in previous monitoring activities performed by OIA

<sup>5</sup> The length of time a recommendation is calculated as open is the time between the report’s issue date and August 30, 2023, the date this report is issued.

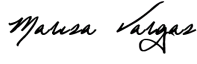
**Exhibit 5: Summary of Open Reports as of August 2023.**

Department	Issue Date	Report Title	Recommendation Status <sup>4</sup>			Days Open <sup>5</sup>
			Open	Closed	Contested	
Animal Welfare	3/11/2021	<a href="#">Street Cat Hub, Inc. City Vendor Audit</a>	1	6	0	902
Environmental Health	2/24/2022	<a href="#">Environmental Health Inspections</a>	3	3	0	552
Human Resources	4/27/2022	<a href="#">Citywide Veterans Hiring Initiative</a>	7	1	0	490
Municipal Development	4/27/2022	<a href="#">Department of Municipal Development, Capital Implementation Plan Labor Recovery</a>	1	3	1	490
Albuquerque Police Department	10/19/2022	<a href="#">Emergency Response Time Assessment</a>	6	0	0	315
Human Resources	10/19/2022	<a href="#">Citywide Hiring Practices Involving Unclassified Employees</a>	10	1	0	315
<b>Total</b>			<b>28</b>	<b>14</b>	<b>1</b>	<b>n/a</b>

<sup>4</sup> Recommendations may have been closed in previous monitoring activities performed by OIA.

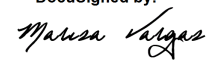
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