

**City of Albuquerque  
Office of Internal Audit**



**Fiscal Year 2013 Annual Report**  
**July 1, 2012 - June 30, 2013**



**Office of Internal Audit  
FY2013 Annual Report  
July 1, 2012 - June 30, 2013**

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**MISSION  
STATEMENT:**  
To provide independent  
audits 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 28, 2013

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

The City of Albuquerque Office of Internal Audit (OIA) operates under the authority of the Accountability in Government Ordinance. The ordinance established OIA as an independent organization to perform internal audits. City ordinance requires the Director to report annually to the City Council and the Mayor regarding the activities of the office. This annual report covers the fiscal year ended June 30, 2013 (FY2013).

OIA is not part of and does not report directly to the City's Administrative branch or the City Council. OIA conducts audits in an impartial, equitable and objective manner and proposes ways to increase the City's legal, fiscal, and ethical accountability.

OIA operates in conformance with Government Auditing Standards. Our audits provide objective analysis so that the Administration and City Council can use the information to:

- Improve program performance and operations,
- Reduce costs,
- Facilitate decision making by parties with responsibility to oversee or initiate corrective action,
- Contribute to public transparency and accountability, and
- Ensure that taxpayer dollars are spent efficiently and effectively.

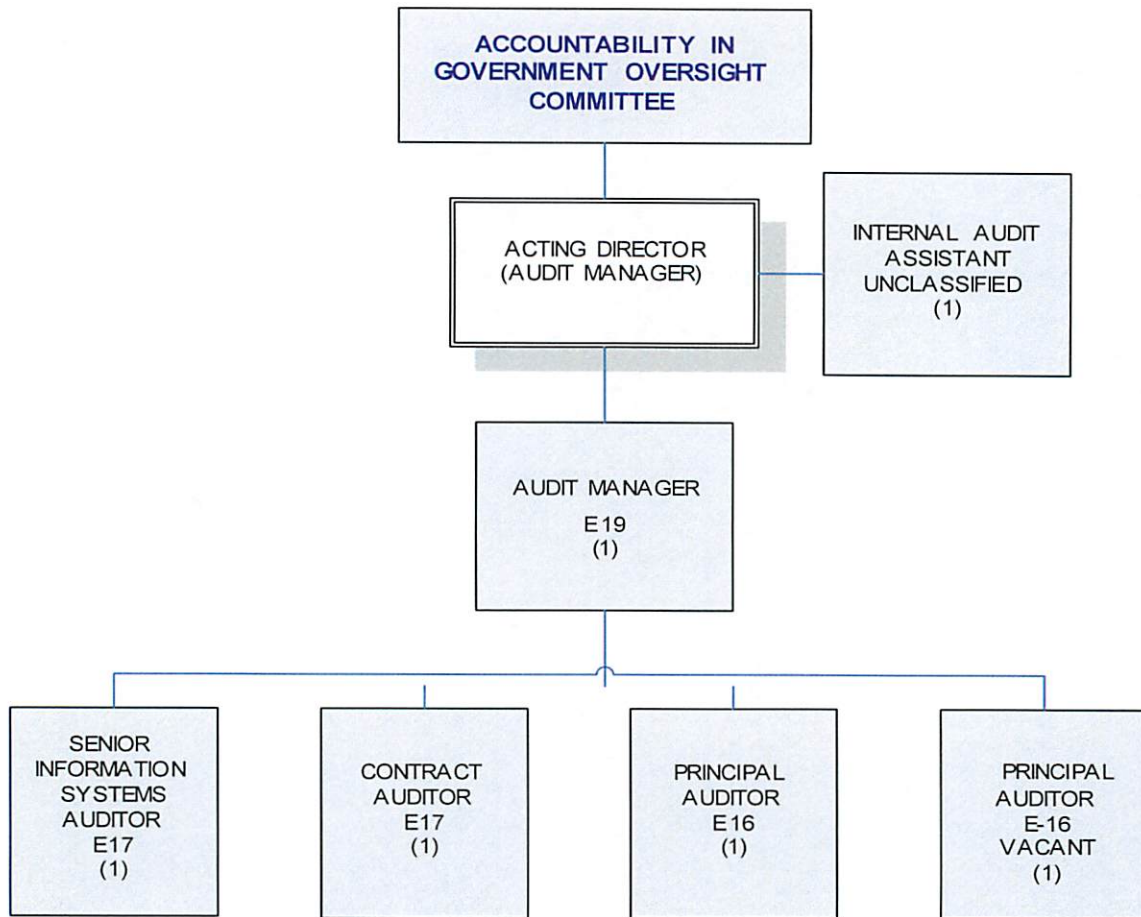
The annual report illustrates how OIA achieved its goals in FY2013 and added value to the City through audits and non-audit services. It also provides background on the talented staff and their qualifications to serve the City in this capacity.

OIA is starting FY2014 with some new faces but the same commitment to quality work it has maintained since the department's inception. We look forward to serving the Citizens of Albuquerque and supporting the City Council and Administration with value added services, including objective audits and reviews of City operations.

Sincerely,

Debra D. Yoshimura, CPA, CIA, CGAP  
Director

**OFFICE OF INTERNAL AUDIT  
ORGANIZATION CHART  
June 30, 2013**



In FY2013 the Administration approved the addition of a part-time temporary Internal Audit Student Assistant. The position was filled in FY2014 by a University of New Mexico student majoring in Accounting.



## AUDIT REPORTS APPROVED BY THE AGO IN FY2013

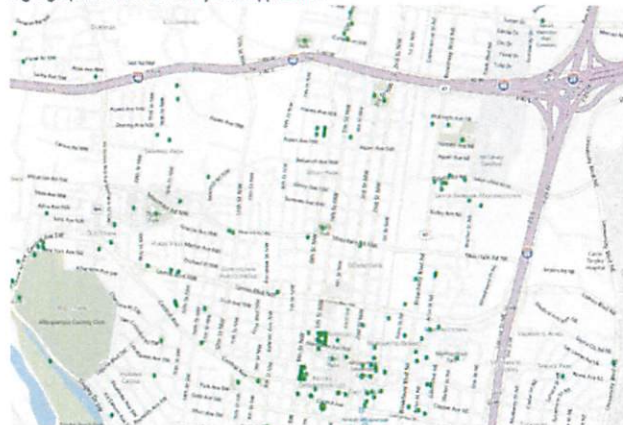
12-105

Real Property – Department of Finance & Admin. Services

Sept. 26, 2012

### Albuquerque City Owned Property

a geographical information system application



The City's Real Property Division was implementing a database of City-owned properties at the time of the audit. A formal quality control review had not been conducted and instances of incomplete and inaccurate data were noted. The division was also operating with an outdated surplus agent checklist and lacked written procedures for the following tasks:

- Database access requests
- Appraisal order and review
- Processing vacations of rights-of-way

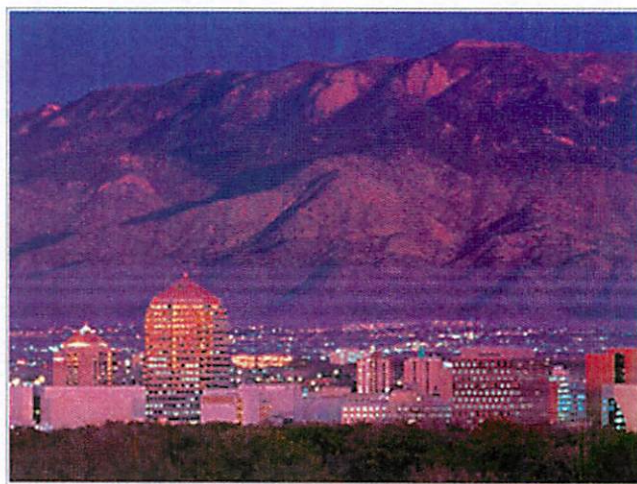
The Administration updated the Surplus Agent Checklist and indicated that they would conduct a final quality control review of the database and drafted written procedures for Database Access, Appraisal Order and Review, and Vacations of Right-of-Way.

12-106

Albuquerque Convention and Visitors Bureau (ACVB)

December 12, 2012

The contract between the City's Economic Development Department (EDD) and ACVB is funded by public funds (Lodger's Tax and Hospitality Fees). In FY2011 and FY2012, the City paid ACVB \$5,066,000 and \$5,418,000, respectively. The contract does not include specific performance measures to aid in the measurement of contract success. The contract contains elements that are not clear, attainable, or beneficial. Two of 24 transactions sampled were inappropriately charged to Lodger's Tax funds. ACVB did not consistently provide written notification to EDD of subcontractors being used. ACVB also did not timely renew its accreditation through the Destination Marketing Association International (DMAI).



ACVB and the City Administration responded that they are working to resolve the issues. ACVB stated that they are waiting for their DMAI renewal certificate, which they applied for prior to the expiration date.





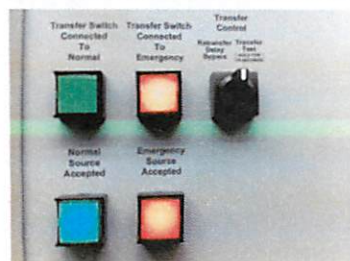
The Department of Family and Community Services (DFCS) requested the HSSC audit as a proactive approach to improve the division's operations. The audit identified a lack of operational oversight for property lease contracts, fiscal agent activity, and collection of property lease revenue. Ninety-five (95%) percent of property lease contracts with annual revenue of \$331 thousand were expired, fiscal agents spent \$7,804 in donation revenue that does not support the mission or purpose of the division, and DFCS had not collected delinquent property lease revenue of \$37,312. In addition, internal documents did not demonstrate that resource allocations were delivered to the intended recipients of HSSC services.

DFCS accepted the audit recommendations and has used the audit as the primary source for improving HSSC operations.

The City had 62 take-home vehicles and 31 semi-take-home vehicles assigned to specific civilian employees at the time of the audit. The City's Administrative Instruction (AI 4-5) pertaining to take-home vehicles for civilian employees did not include application, renewal and submission dates; requirements for periodic reviews by department directors; documentation for meeting eligibility requirements; and Internal Revenue Service (IRS) reporting for taxable fringe benefits. Some employees who were assigned take-home vehicles could not document that they qualified for the vehicles. Forty-nine percent of the employees who were assigned take home vehicles were not taxed for their personal use of the vehicles. Some departments did not submit applications for take-home vehicles to the CAO for approval.



The Administration promptly revised AI 4-5 and required each department director to review every authorization for take-home vehicles and determine if they were appropriate.



The Information Technology Services Division (ITSD) completed a new Disaster Recovery (DR) Plan in February 2012. The DR Plan identified Tier 1 critical service functions of the City, but did not contain systematic recovery procedures for three City departments.



Two servers that support Tier 1 internal service priorities were located at the secondary hot site, which has limited backup electricity. The division had not defined an emergency purchasing procedure to expedite purchase of replacement equipment in a disaster situation. The DR Plan's emergency contact list included five terminated employees and did not define provisions for future updates of the plan to reflect changes in technology.

The Administration indicated that they would (1) Add additional recovery detail for selected critical applications, (2) Relocate two DR servers to the primary hot site, (3) Develop an emergency purchasing procedure, (4) Update recovery team contact information quarterly, and (5) Update DR plan documentation on an annual basis.

**13-102 Senior Home Services – Department of Senior Affairs**

**May 1, 2013**

The Department of Senior Affairs Home Services Division (HSD) provides minor home repair and chores at no cost for homeowners in Bernalillo County who are 60 years or older and occupy the property. The HSD retrofit



program provides safety equipment to residents of the City of Albuquerque/Bernalillo County. Review of a statistical sample of completed projects, indicated that all clients were eligible to receive the services rendered. However, HSD did not maintain an inventory listing of supplies used for home chores, home repair, or retrofit projects. The spreadsheet used by HSD to track expenses was not reconciled to the City's general ledger. In addition, donation letters were hand-delivered by the employees to clients, which could result in misappropriated donations. Based on the number of referrals and average donation received, the division had a donation potential of approximately \$325,000. Lastly, HSD did not provide satisfaction surveys to clients as specified in the Memorandum of Understanding for the Community Development Block Grant.

The Department and the Administration concurred with the findings and began to implement the recommendations immediately.

The audit also brought attention to an abandoned City building adjacent to the HSD office. The building's dilapidated condition may have violated City Ordinance and posed a safety or health risk to the Home Services employees. Following the audit, the Chief Operations Officer (COO) had a safety inspection completed on the building, which recommended the building for demolition.





The Employment and Classification and Compensation Divisions of the Human Resources Department (HRD) provide assistance to Citywide departments, including recruiting and hiring new employees, conducting new employee orientation, position management, performing job analysis, and approving employee personnel actions. HRD develops policies and procedures, which are followed by City departments and employees. More than half of a sample of 20 temporary upgrades did not comply with HRD policies and

procedures or union contracts. HRD did not track and monitor the length of time to fill vacant City positions and complete employee reclassifications. HRD did not consistently track other key data to measure the department's performance. Additionally, HRD had not taken the lead in enforcing the employee performance evaluation system.

The Administration responded positively to the recommendations and promptly began taking action. One major component of the changes is the implementation of NEOGOV, a new applicant tracking system.

### Special Project Reports Approved By the AGO in FY2013



The Office of Internal Audit and Office of Management and Budget performed an administrative performance review of the Planning Department's Code Enforcement Division. The review identified inadequate management of divisional resources. Weak internal control and lack of accountability were primary factors that contributed to the counterproductive culture of the division.

The Administration and Planning Department Management promptly used the results and recommendations of the review to address the issues within the Code Enforcement Division.



The primary objective of the petty cash count is to ensure entrusted custodian funds are accounted for and deposited in accordance with departmental procedures at fiscal year-end. In an effort to strengthen internal controls, OIA recommended management confirmation of petty cash transfers and fund reconciliations on a monthly basis.



APD promptly revised internal procedures to include management's review of petty cash transfers and fund reconciliations.



The Citizens' Independent Salary Commission (Commission) was created to evaluate and adjust the annual salaries of the Mayor and City Council. OIA supports the Commission by conducting research, analyses and surveys. In FY2013, OIA compiled a historical postscript of the Mayor's salary. The postscript provided salary details since the establishment of Albuquerque in 1706 and included proposition denials for salary increases, executed salary increases and regulation governing the Mayor's salary.

The Commission used the historical postscript as a primary evaluation tool in the determination for adjusting the Mayor's salary in 2013.

Commission Member	Term Expires
John A. Carey, Chair	2014
Joe Conte	2014
Randolph M. Sanchez	2014
Ellen Driber-Hassall	2016
Kenneth Petrulis	2016








## Follow Up Report Approved By the AGO in FY2013

**12-07-111F Follow-Up on Commercial Collections – SWMD**

**September 26, 2012**

The purpose of the follow-up was to report on the status of corrective action with regard to the findings and recommendations in Audit No. 07-111, Commercial Collections - Solid Waste Management Department (SWMD). SWMD reported that all of the recommendations were implemented at the time of the follow-up, as shown below.



Recommendation	Status of Finding
SWMD should develop a policy to ensure Commercial Collection Division's Service Agreements are reviewed for accuracy.	
SWMD should agree the information in the billing system to the number and type of bin at each commercial business location.	
SWMD should either begin billing the customer for the use of the bin or remove the bin.	
SWMD should correct and maintain the GPS system to ensure accurate and timely information is obtainable.	
SWMD should ensure that the current process for warming up trucks is enforced.	
SWMD should perform a complete fixed asset inventory annually. SWMD should develop, document, and communicate their annual inventory procedures to staff.	
SWMD should retain the supporting documentation for the performance measures reported in the annual performance plan.	

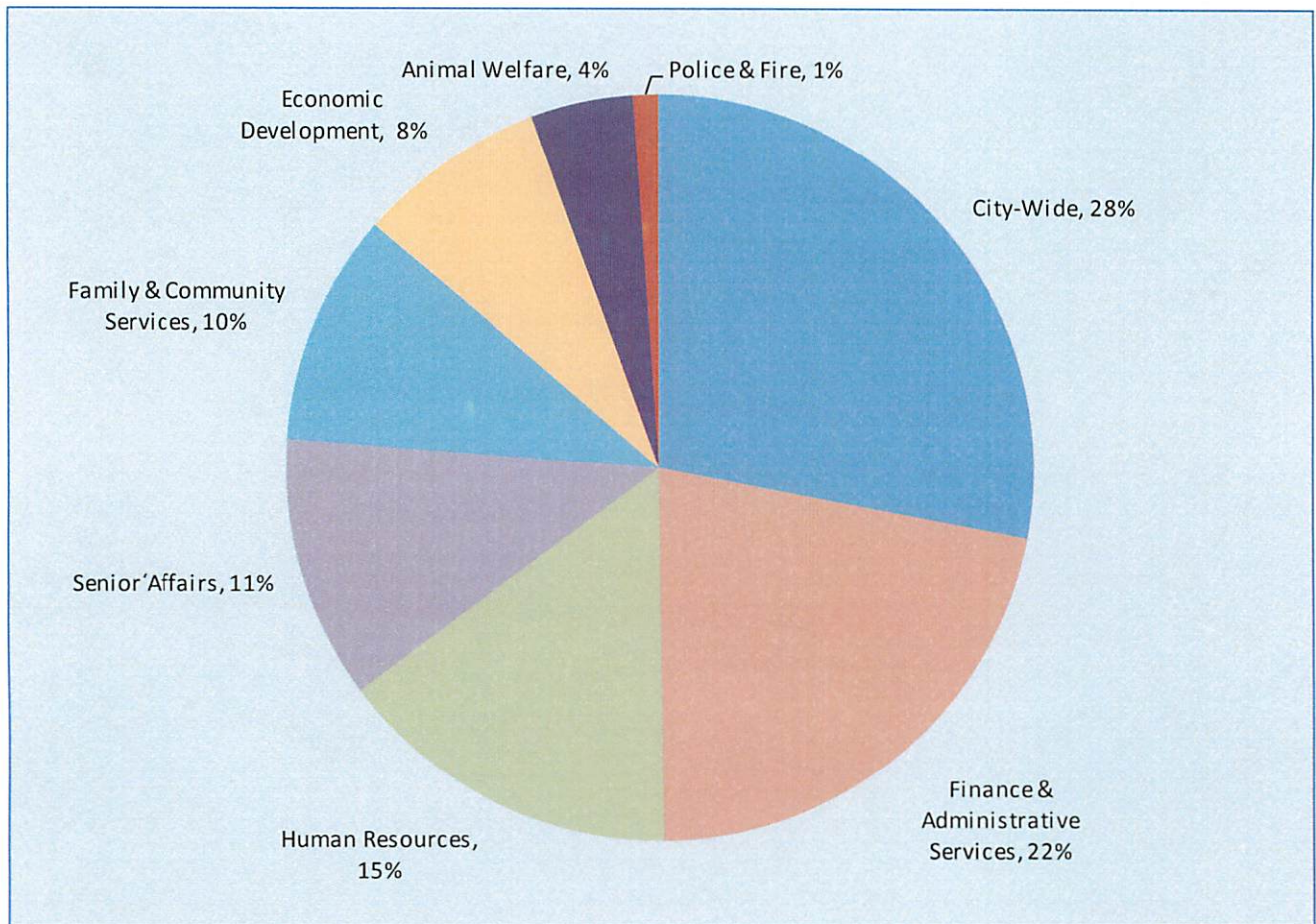
 Fully Implemented
  Resolved
  Partially Implemented
  Not Implemented



## AUDIT HOURS BY DEPARTMENT

Police & Fire	49
Animal Welfare	190
City-Wide	1,196
Finance & Administrative Services	929
Senior Affairs	485
Economic Development	349
Family & Community Services	429
Human Resources	643

*The table above does not include 1,617 hours of miscellaneous audit and IT hours.*



## Other Projects

OIA was involved in several projects during FY2013, which did not result in formal reports. Some of the more significant projects were as follows:

- ***Chief Administrative Officer Budget Hearings***

At the invitation of the Administration, OIA staff members attended the FY2013 department budget hearings held with the Office of Management and Budget.

- ***Information Technology Infrastructure Library (ITIL)***

The Senior IS Auditor started participating in the ITIL certification process on January 17, 2013. He became ITIL certified on July 17, 2013. ITIL provides a practical, no-nonsense framework for identifying, planning, delivering and supporting IT services to the business. The policies, procedures, and processes developed by the City will be an excellent source of criteria for future IT audits.

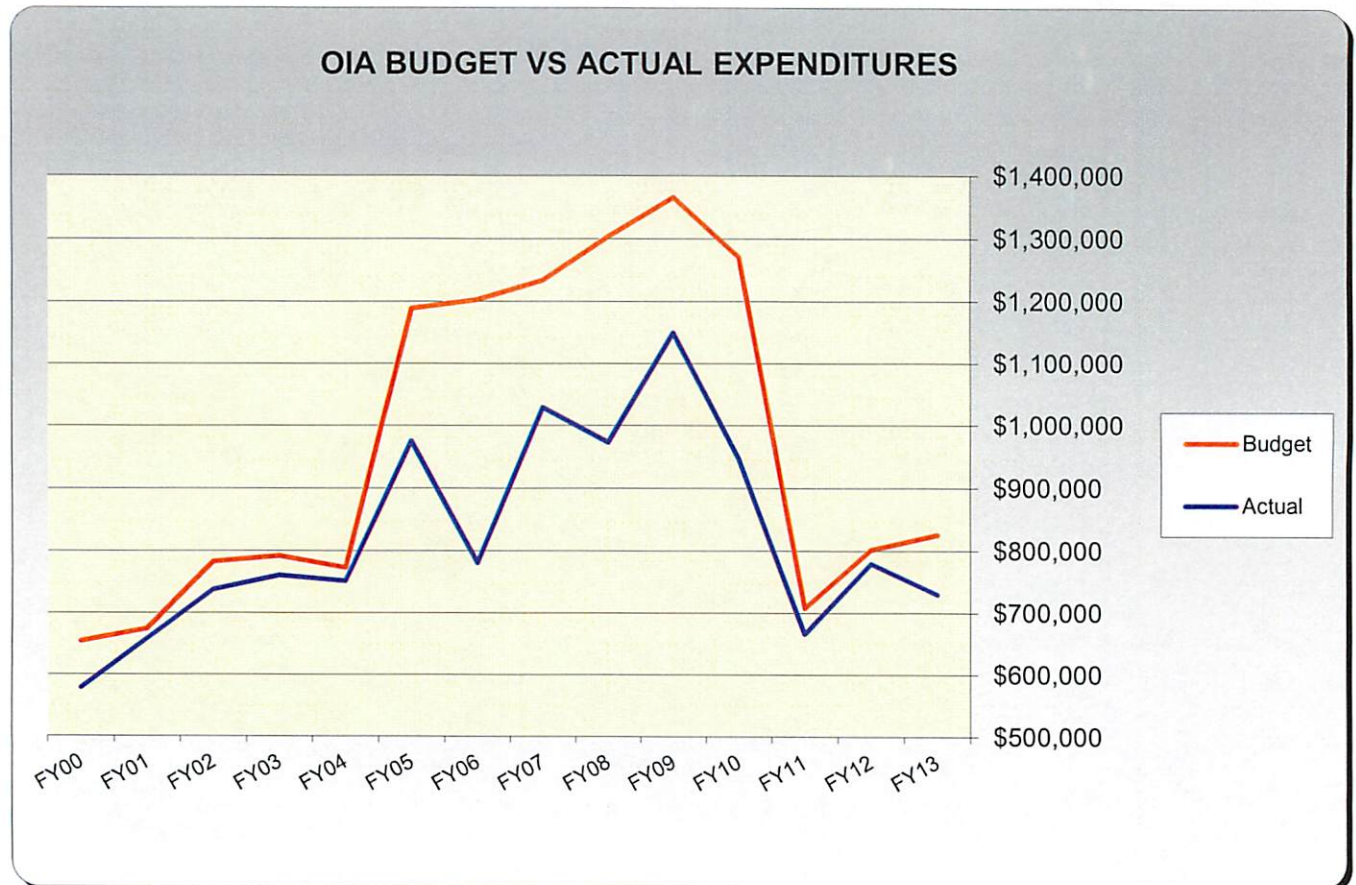
- ***Management Advisory Services***

OIA received 34 requests for management advice and assistance in FY2013. OIA can provide objective, independent review and analysis of departmental internal controls and business processes. We encourage City departments to consider our office a resource for assistance and direction.



## BUDGET

The FY2013 approved budget for the OIA was \$826 thousand. The FY2014 budget is \$810 thousand, a decrease of \$16 thousand, or two percent from the FY2013 budget. The decrease is due to technical adjustments for personnel costs.



**Note:** For the years FY2005 through FY2010, the budget contained funding for the Inspector General activity.

\*Actual expenditures for FY2013 are approximate, as they are unadjusted and unaudited.

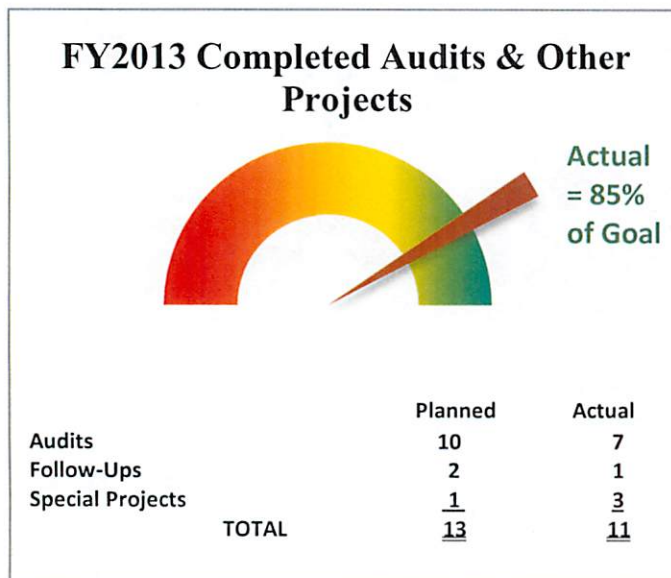
## PERFORMANCE

The Program Strategy for OIA is to enhance public confidence and promote efficiency, effectiveness, accountability and integrity in City government by:

- ✍ Ensuring compliance with City ordinances, resolutions, rules, regulations and policies,
- ✍ Recommending operational improvements and service measurement integrity, and
- ✍ Recommending programs/policies which educate and raise the awareness of all City officials and employees.

The OIA Program Strategy is a part of the City's Goal 8, *Government Excellence and Effectiveness*.

### OIA's Performance Measures for FY2013

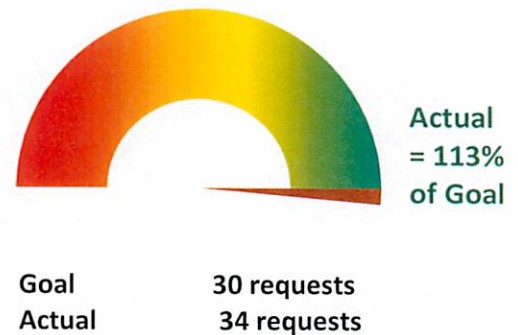


OIA's output is measured by the number of reports completed during the year. In addition to completed reports, there were several projects in process at fiscal year-end which will be completed in FY2014.

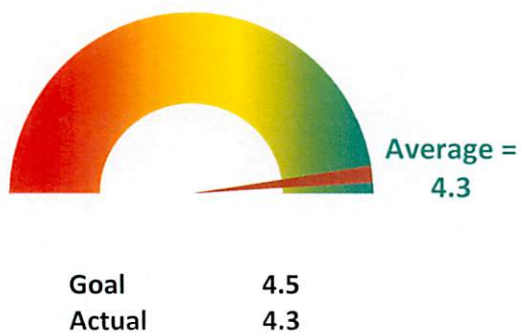


OIA measures service quality by the number of requests for assistance received from other City departments and organizations. Requested assistance ranges from explanations for technical terms to advice on implementing internal controls.

### FY2013 Requests for Assistance



### FY2013 Average Auditee Rating for Value Added



A second quality measure is the rating provided by auditees after audits are completed. Each department audited is asked to complete an after-audit survey. The survey requests the auditee to provide a rating of the value of the audit on a one to five scale, with five indicating the audit was very valuable. OIA's goal is an average rating of 4.5 or higher on this measure.

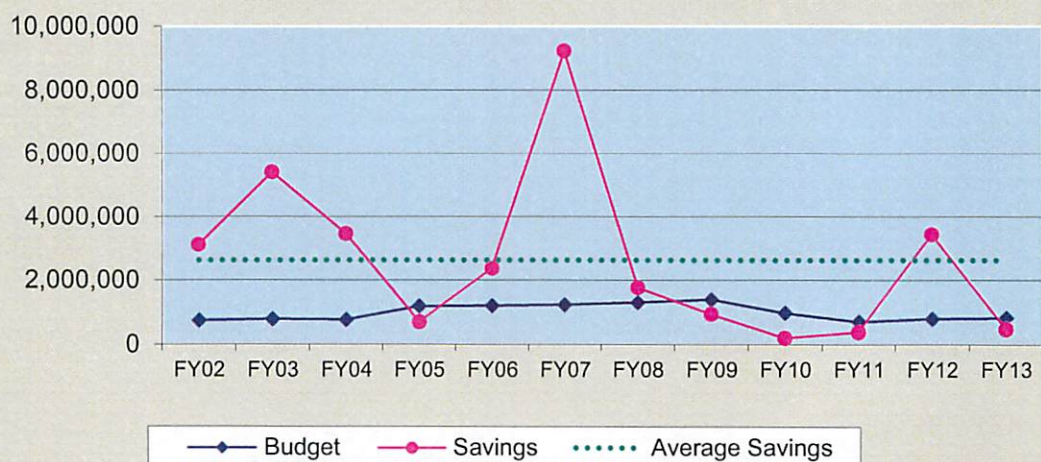
Each year OIA identifies costs savings; either one-time or ongoing. OIA's goal is to fully recover the costs of OIA's operations.

### FY2013 Savings Identified By Audits



Many audits result in increased efficiencies and compliance, which are not easily quantified. As a result, this measure is not met every year. However, the potential annual savings identified by OIA over the past twelve years averages \$2,635,960 as shown below:

### COST SAVINGS VERSUS OIA BUDGET

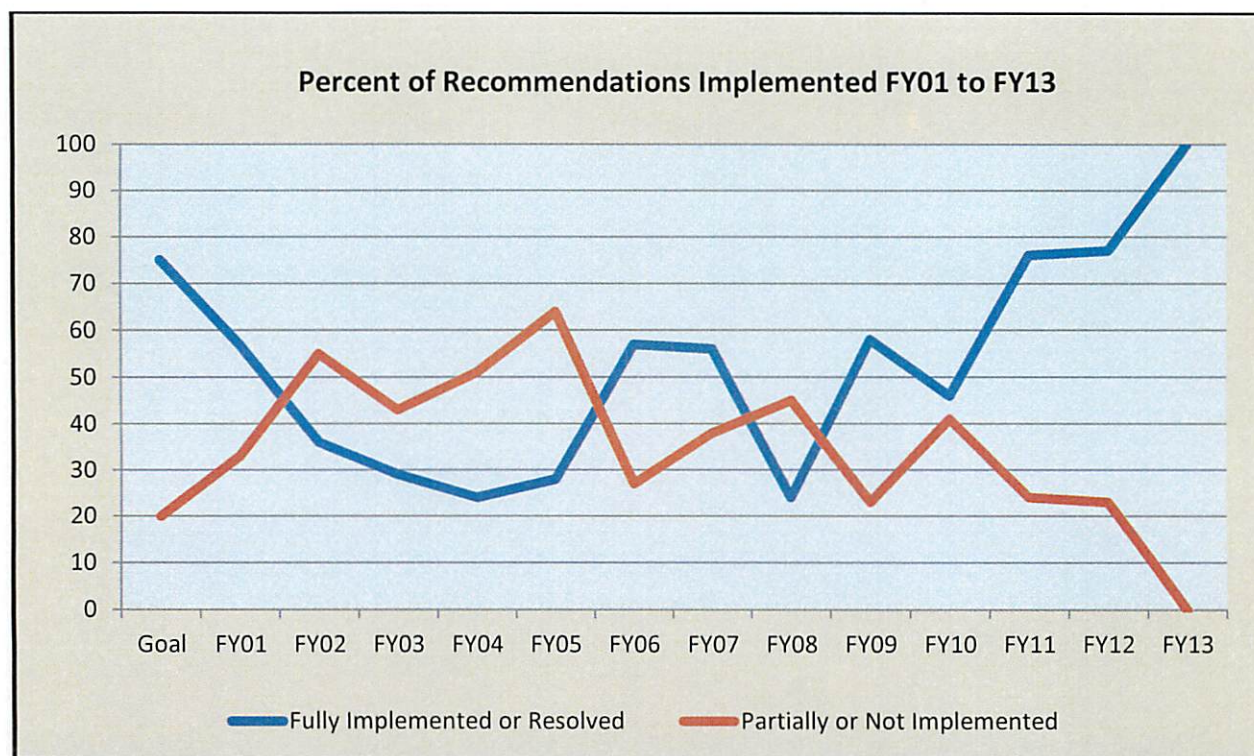




## IMPLEMENTATION OF RECOMMENDATIONS

OIA strives to improve the operational efficiency of departments through their implementation of audit recommendations.

OIA conducted one Follow-up in FY2013. The City department reported that it had *fully* implemented 100 percent (goal is 75 percent) of recommendations at the time of the follow-up. As can be seen in the chart below, the level of implementation has increased in recent years. OIA believes this reflects our efforts to partner with departments to find workable solutions for improving processes.



When performing a follow up, OIA sends a memo to the department requesting the status of corrective action in regard to our findings and recommendations. The follow-up procedures rely on the information provided by the department.

## STAFF

**FY2013 Approved Staff Level = 7**

Department Director, Audit Manager, Contract Auditor, Information Technology Auditor, Principal Auditor, Staff Auditor, and Internal Audit Assistant

**July 1, 2012**

- Audit Manager position vacant
- **Total Staff = 6**

**January 26, 2013**

- Audit Manager hired
- **Total Staff = 7**

**April 19, 2013**

- Staff Auditor transfers to Accounting
- **Total Staff = 6**

**June 28, 2013**

- Director retires
- **Total Staff = 5**

Staff turnover in FY2013 was a significant challenge and affected the completion of assigned audits. The previous Audit Manager left City employment in FY2012, and the position remained vacant for the first seven months of FY2013. A new Audit Manager was hired in late January 2013. Three months later, in April 2013, the Staff Auditor transferred to another City department. The long-time Department Director retired at the end of June, leaving the OIA with a staff of five at year-end. The Audit Manager was appointed Acting Director until the Department Director position is filled in early FY2014.



## STAFF – CONTINUED

OIA staff members are well educated and hold numerous professional certifications:

- 4 Masters in Business Administration (MBA)
- 3 Certified Public Accountants (CPA)
- 2 Certified Internal Auditors (CIA)
- 1 Certified Information Systems Auditors (CISA)
- 2 Certified Government Auditing Professional (CGAP)
- 2 Certified Fraud Examiner (CFE)
- 1 Certified Management Accountant (CMA)
- 1 Certified in Financial Forensics (CFF)
- 1 Certified in Risk and Information Systems Control (CRISC)
- 1 Certified Internal Controls Auditor (CICA)



The staff is active in numerous professional organizations including:

- The Institute of Internal Auditors (IIA)
- The Association of Local Government Auditors (ALGA)
- The Association of Certified Fraud Examiners (ACFE)
- The Information Systems Audit and Control Association (ISACA)
- The American Institute of Certified Public Accountants (AICPA)
- The New Mexico Society of Certified Public Accountants (NMSCPA)



## **STAFF – CONTINUED**

### **Debra D. Yoshimura – Director**

Debra has worked for OIA three times; most recently returning to OIA as the Audit Manager in January 2013. Immediately prior to her return to the City, she spent six and one-half years as the Managing Director of Audit for the United States Olympic Committee in Colorado Springs, CO. She was the Director of Internal Audit for the University of New Mexico for two years. Debra worked in several positions in the OIA for twelve years, serving as the Director from 1996 through 2004. She also spent several years in public accounting. Debra graduated from New Mexico Tech with a BS in Environmental Psychology, and from Texas A&M-Corpus Christi with an MBA with concentration in Accounting. Debra is a CPA licensed in Colorado and New Mexico, CIA, CGAP, and CICA.

### **Lew Witz, Senior Information Systems Auditor**

Lew joined OIA in 2012. Lew's professional experience includes over 12 years in information technology, as a programmer/analyst, systems administrator and IT manager. Lew also has experience in audit and assurance, including seven years internal audit experience in the financial services industry and three years public accounting experience. He holds a Bachelor of Science in Computer Science from the College of Santa Fe and a Masters of Business Administration from the University of New Mexico, Anderson School of Management. Lew is a CPA, CISA, CIA, CMA, CFE and CRISC, and is currently serving as President of New Mexico ISACA.

### **Christina M. Owens, Contract Auditor**

Christina has more than 15 years of audit and investigative experience in the private and governmental sectors. She is a graduate of the University of New Mexico – Robert O. Anderson School of Management and holds a Bachelor of Business Administration degree with an accounting concentration as well as a Master of Business Administration degree. Christina is a CPA licensed in the state of New Mexico and is also a CFE, CGAP, and CFF.



## **STAFF – CONTINUED**

### **Lawrence L. Davis – Principal Auditor**

Lawrence has over nine years of audit and accounting experience. He has a diverse background from both private and public sectors. He received his BBA and MBA from the University of New Mexico – Robert O. Anderson School of Management with concentrations in accounting and finance respectively. Lawrence previously worked for the performance evaluation unit of the New Mexico Legislative Finance Committee.

### **Vicky M. DeHerrera – Internal Audit Assistant**

Vicky has worked for the City of Albuquerque for over 30 years. Vicky began her City career with the Public Works Department - Traffic Engineering and then worked for the Fire Marshal's Office in the Albuquerque Fire Department. From 1987 to 1995, Vicky was the Administrative Assistant for OIA. She then worked in the Fiscal Section of the Family and Community Services Department for nine years. Vicky returned to the OIA in 2004 as the Internal Audit Assistant.

## ACCOUNTABILITY IN GOVERNMENT OVERSIGHT (AGO) COMMITTEE

Section 2-10-5 of the Accountability in Government Ordinance creates the Accountability in Government Oversight (AGO) Committee. The AGO Committee is a management committee, not a public board or commission, and is not subject to the Open Meetings Act. The committee does not formulate public policy. The Committee's primary function is to approve audit and investigation reports.

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. The Mayor and the appointed City Councilor can send designees to the Committee meetings. The Accountability in Government Ordinance requires at least one member of the Committee be a Certified Public Accountant (CPA), one have a law enforcement or law background, and one Committee member be a professional management consultant.

As vacancies on the AGO Committee occur, the City Council and Mayor will alternately appoint new members. All appointments are subject to City Council approval. The AGO Committee members are appointed for staggered terms of three years unless an appointment is to fill a vacancy.

As of June 30, 2013, the AGO Committee was comprised of the following members:

Name	Term Expires	Representative
Gerald T. Kardas, CPA (Chair)	9/1/2013	CPA
Patricia Caristo, NMLPI	9/1/2013	Law
Jean Strosinski	9/1/2014	Management
Mark D. Jarmie	9/1/2015	At-large
Douglas W. Turner	9/1/2015	At-large