

**City of Albuquerque
Office of Internal Audit and Investigations**



**Fiscal Year 2010 Annual Report
July 1, 2009 - June 30, 2010**



Office of Internal Audit and Investigations
FY 2010 Annual Report
July 1, 2009 - June 30, 2010

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MISSION STATEMENT:
To provide independent audits and investigations to promote transparency, accountability, efficiency and effectiveness of City government for the citizens of Albuquerque.



City of Albuquerque
Office of Internal Audit and Investigations
P.O. Box 1293 Albuquerque, New Mexico 87103

September 30, 2010

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

The mission of the Office of Internal Audit and Investigations (OIAI) is to provide independent audits and investigations to promote transparency, accountability, efficiency and effectiveness of City government for the citizens of Albuquerque.

We operate under the authority of the Accountability in Government Ordinance (AGO). The AGO established OIAI as an independent organization to perform internal audits and investigate claims of waste, fraud and mismanagement. OIAI is not part of and does not report to the City's executive branch or the City Council.

The Director's goals are to:

- Conduct audits and investigations in an efficient, impartial, equitable and objective manner;
- Prevent and detect fraud, waste and abuse in City activities including all City contracts and partnerships;
- Propose ways to increase the City's legal, fiscal and ethical accountability through the use of audits to insure that tax payers' dollars are spent in a manner that improves the economy of operations; and
- Deter criminal activity through independence in fact and appearance.

The Internal Audit Division is responsible for conducting independent audits of City operations. The Internal Audit Division performs performance audits that adhere to generally accepted government auditing standards. These audits provide objective analysis so that management and those charged with governance and oversight 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, and contribute to public accountability.

The Inspector General Division investigates allegations of fraud, waste and abuse in order to prevent recurrence, assist the City in achieving better results from limited resources and promote public trust in City government. Investigations are a response to allegations of matters involving potential violation of law or our codes of ethics and conduct. The Inspector General conducts such investigations in accordance with generally accepted principles and quality standards, formally approved by the Association of Inspectors General.

The AGO requires the Director to report annually to the Council and the Mayor regarding the activities and investigations of the office. This annual report of OIAI is for the year ended June 30, 2010.

OIAI FY2010 Highlights

- ✓ The Internal Audit Division issued 13 audit reports and follow-ups. This is only two less than completed in FY09 despite having the staff reduced by three auditors
- ✓ The FY2009 initiative to integrate ACL into the audit process is still in progress. The Senior Information Technology Auditor has experience with this software and is assisting the staff to find appropriate areas to utilize ACL. A measure in staff employee work plans is to find appropriate uses for ACL when performing testwork.
- ✓ The Internal Auditor has completed the internal quality control monitoring required by generally accepted government auditing standards in preparation for the FY2010 peer review.
- ✓ The policy and procedures manual was revised to incorporate an investigations section.
- ✓ The Inspector General developed a case management tracking system which allows us to track and manage the reports of fraud, waste and abuse we receive through phone, fax, e-mail and/or office visit. We can record and store allegations uniformly, track progress of our investigations and report on the status of each of our investigations.
- ✓ OIAI currently has a website that communicates our role and responsibilities, how to contact our office and a process for reporting fraud, waste and abuse through our website.
- ✓ OIAI has conducted outreach activities throughout City government and will continue to extend that outreach to the general public.

OIAI FY 2011

The FY/11 approved budget for the Office of Internal Audit and Investigations is \$928 thousand, a reduction of \$343 thousand or 27% from the FY/10 original budget of \$1.3 million. As part of the city-wide savings plan, funding for four positions is reduced in the approved budget.

OIAI passed its second peer review in September 2010.

In December 2010, the City Council voted to remove the Inspector General from the Office of Internal Audit and Investigations. The new Office of the Inspector General will report directly to the Accountability in Government Oversight Committee.

The City Council as part of the performance plan in the Governmental Excellence and Effectiveness Goal established an objective for FY2011 that concerns OIAI. The objective states: "Utilizing existing staff and available resources, conduct a study to determine the advisability of contracting the internal audit function to an outside vendor. Calculate any cost savings, conduct a risk assessment, and examine Government Finance Officer Association (GFOA) best practices and other governmental best practices as appropriate, including relevant academic studies on this issue. Report the advantages and disadvantages of contracting the internal audit function to a private sector auditing and accounting firm. Report study results and recommendations to the Mayor and City Council by the end of second quarter, FY/11."

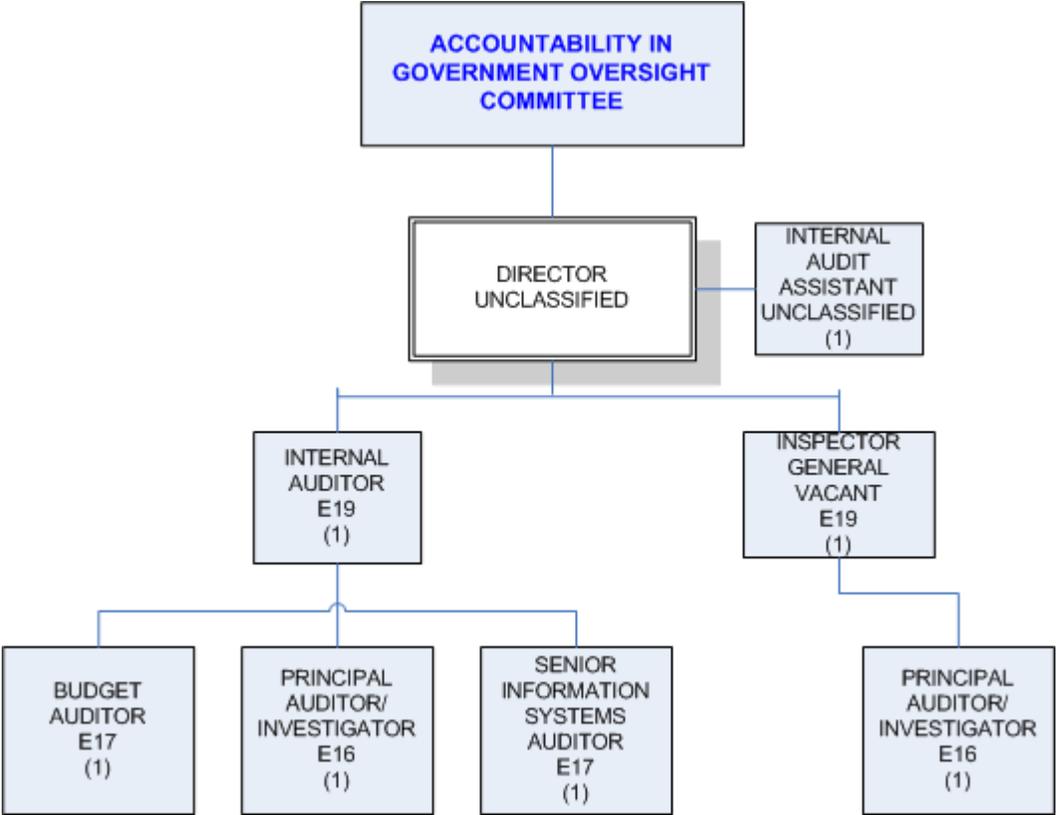
The Department of Finance and Administrative Services, Office of Management and Budget, will be performing the study.

OIAI will continue to work with the City Council and the Administration to find the proper balance between independently reporting the results of audits and investigations and maintaining the public's trust in the City and its employees.

Sincerely,

Carmen L. Kavelman, CPA CISA CGAP
Director

ORGANIZATIONAL CHART

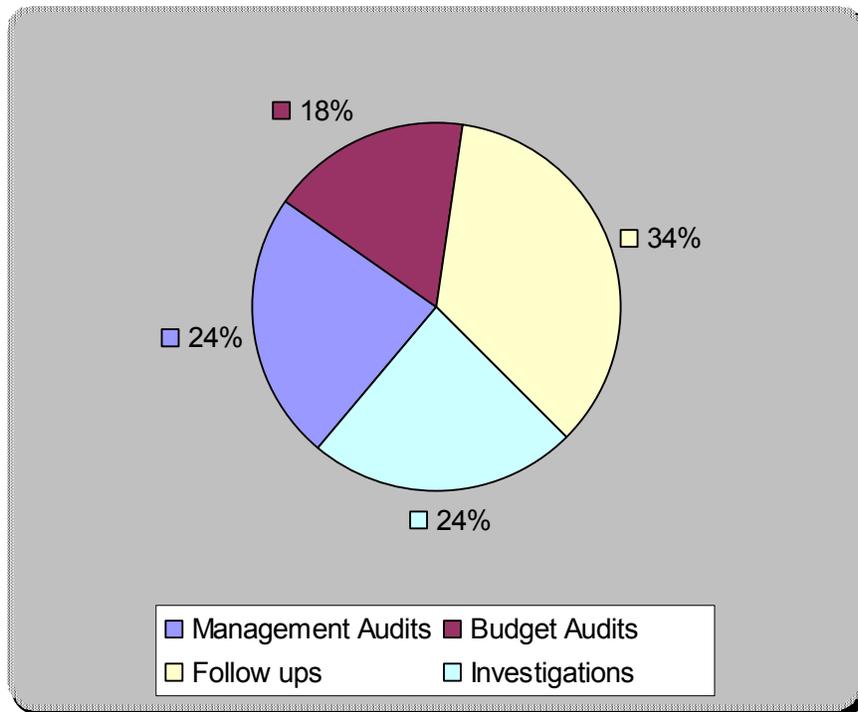


REPORTS

The Office of Internal Audit and Investigations (OIAI) had 17 reports approved by the Accountability in Government Oversight Committee in Fiscal Year (FY) 2010:

- 7 Audits
 - 4 Management Audits
 - 3 Budget Audits
- 6 Follow-ups
- 4 Investigations

FY10 REPORTS BY TYPE



Reports Approved in FY10

Date	Number	Name	Type
06-30-10	10-105	Citywide FY10 2nd Quarter Budget Projections	Audit
06-30-10	10-04-107F2	Personal Computer Licensing - Citywide	Follow-up
04-28-10	10-103	Quarter Cent Public Safety Tax - APD	Audit
02-26-10	09-105	Transportation Infrastructure Tax FY 06 & 07, Department of Municipal Development and Transit Department	Audit
02-26-10	10-05-105F	Permit and Inspection Processes, Planning Department	Follow-up
02-26-10	10-06-111F	City Operators Permit, Citywide	Follow-up
12-09-09	10-05-110F	Council Services Department	Follow-up
09-30-09	09-103B	Citywide FY09 3rd Quarter Budget Projections	Audit
09-30-09	09-05-107F	Computer User IDs	Follow-up
09-30-09	09-05-108F	Youth Services and Community Centers - DFCS	Follow-up
09-11-09	09-107	Evidence Unit - APD	Audit
07-29-09	09-103B	Citywide FY09 2nd Quarter Budget Projections	Audit
07-29-09	09-106	Securing Critical Data - Citywide	Audit
06-30-10	09-205	Sunport Santa Event - Aviation Department	Investigation
04-16-10	09-203	Salvage Property - Traffic Engineering Division - Department of Municipal Development	Investigation
10-05-09	09-204	Contribution Verification - Office of the City Clerk	Investigation
09-04-09	09-201	Possible Timecard Fraud - Aviation Department	Investigation

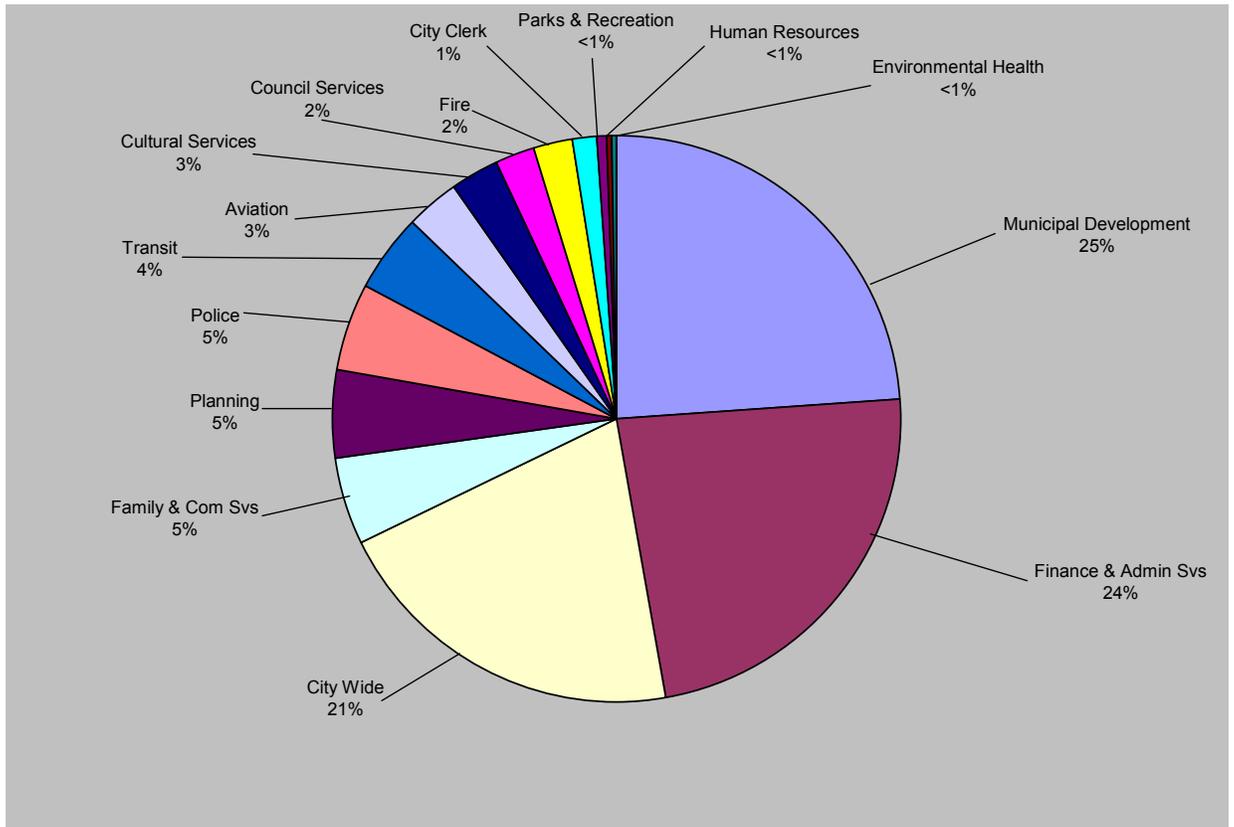
Non-Audit Services Conducted in FY10

Date	Number	Name
02/11/10	10-303	Department of Finance and Administrative Services - Treasury Division Cash Count

AUDIT/INVESTIGATION HOURS BY DEPARTMENT

Department of Municipal Development	1,845
Department of Finance & Administrative Services	1,804
Citywide	1,587
Family & Com Services	403
Planning Department	386
Police Department	374
Transit Department	342
Aviation Department	251
Cultural Services Department	201
Council Services Department	186
Fire Department	169
City Clerk	108
Parks & Recreation Department	38
Environmental Health Department	27
Human Resources Department	16

The above table doesn't include 1,254 hours of miscellaneous IT, audit and investigation hours.



SPECIAL PROJECTS

OIAI was involved in several projects at the request of the Council, Administration or both. Some of the more significant projects were as follows:

- ***Enterprise Resource Planning (ERP) System Implementation***

The Director served on the Steering Committee for the project as an advisory, non-voting member.

- ***Information Systems Meetings***

At the request of the Administration, the Audit Manager and/or IT Auditor attends the regularly scheduled Technical Review Committee meetings throughout the year.

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

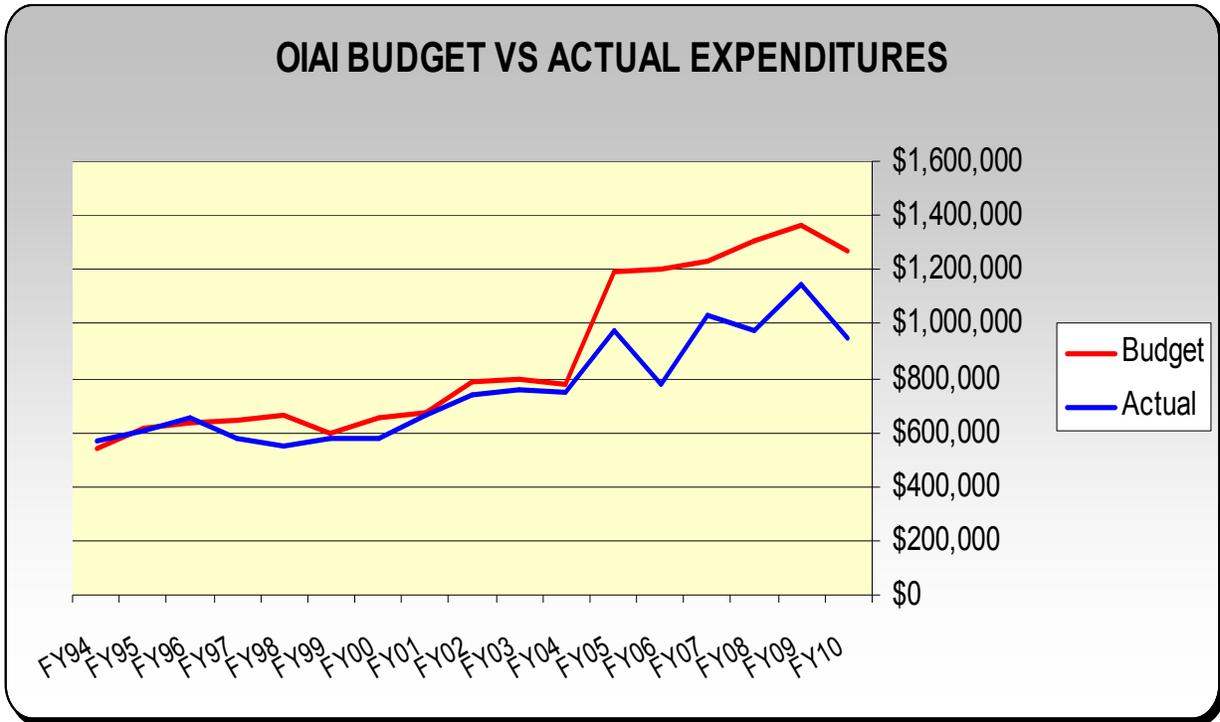
At the invitation of the Administration, the Budget Auditor and other OIAI staff members attended the FY11 department budget hearings held with the Office of Management and Budget.

- ***Grant Fund 265***

At the request of the Department of Finance and Administrative Services – Accounting Division, the Budget Auditor assisted in the clean-up of the Operating Grant Fund.

BUDGET

In FY10, OIAI was budgeted as one program strategy, with two separate activities (Internal Audit and Inspector General.) The FY10 budget for the program as a whole was \$1,273,000. Expenditures for the year were approximately \$947,000 *. The chart below contains budget and actual expenditure comparison for previous years.



Note: Beginning in FY05, the budget contains funding for the Inspector General activity.
 *Actual expenditures for FY10 are approximate, as they are unadjusted and unaudited.

In FY09, the Internal Audit program *under spent* its budget by \$324,000* or 25%. This was primarily due to salary savings as a result of vacant positions. See page 31 for additional information on staffing.

PERFORMANCE MEASURES - OIAI

The Program Strategy for OIAI 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
- ✍ Investigating complaints of fraud, waste, and abuse and
- ✍ Recommending programs/policies which educate and raise the awareness of all City officials and employees.

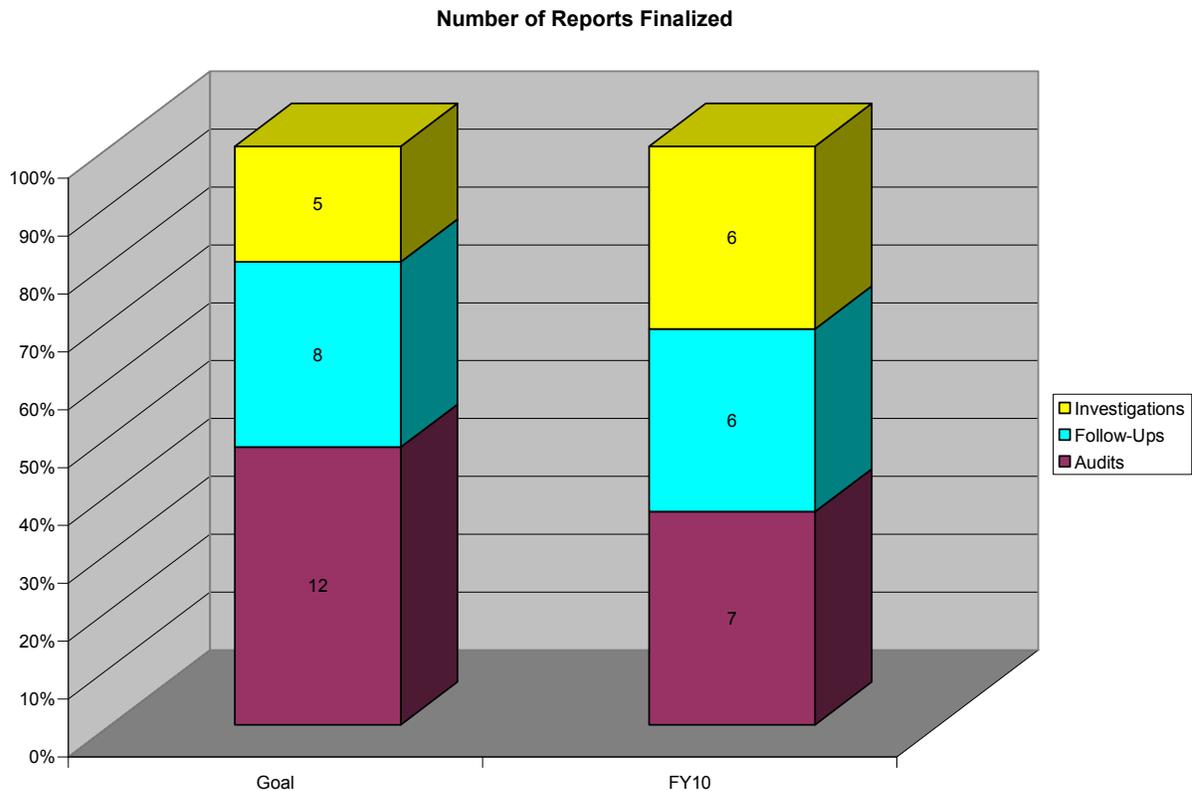
The OIAI Program Strategy is a part of the City's Goal 8, *Government Excellence and Effectiveness*.



PERFORMANCE MEASURES - OIAI - CONTINUED

The FY09 strategy outcome and performance measures are as follows:

Output Measure: Complete audits, follow-ups and investigations to improve City operations, programs and contract management.

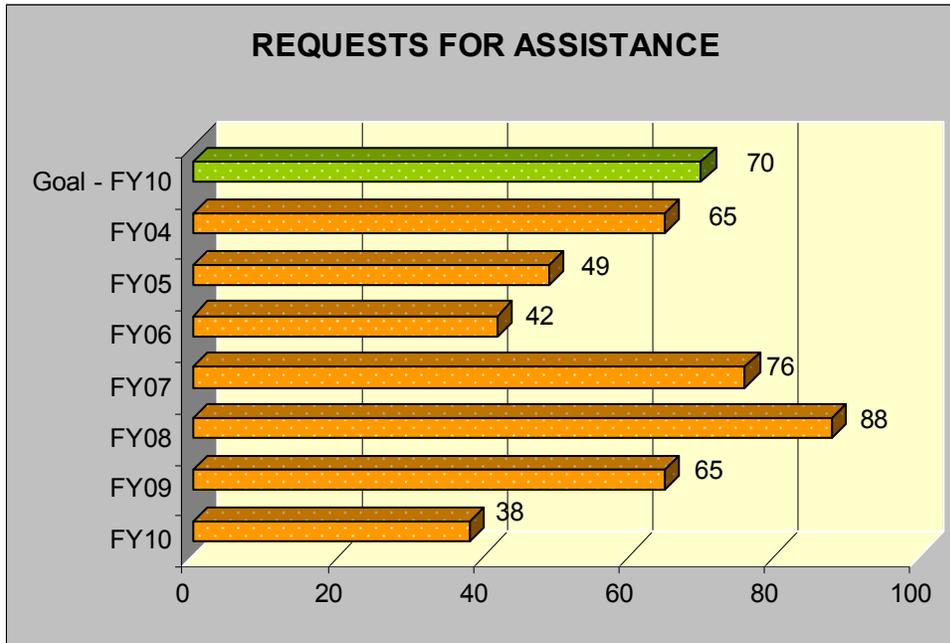


Eighteen reports were finalized in FY10: 7 audits, 6 follow-ups, and 6 investigations. Staffing levels and complexity of projects have a direct affect on achieving this measure.

**19 REPORTS
FINALIZED IN
FY10**

PERFORMANCE MEASURES - OIAI - CONTINUED

Output Measure: Work in partnership with departments by responding to requests for assistance related to compliance with City rules and regulations, process development, process improvement and re-engineering.



With 38 requests for assistance, OIAI did not reach its goal of 70 requests in FY10; however, the office had significantly less staff than in prior years and several staff members are new – it takes time to establish relationships with City staff to receive requests for assistance. OIAI has adjusted the FY11 performance measure to reflect the reduced number of staff. OIAI considers this goal to be one of our most important, as we encourage City departments to consider our office a resource for assistance and direction. This is a performance measure that is strongly emphasized in staff meetings throughout the year.

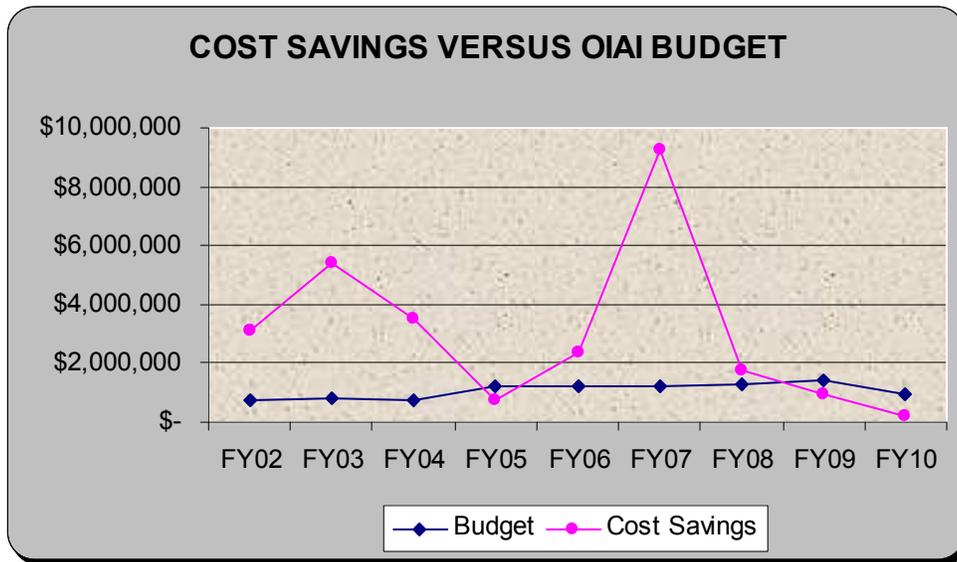


HELP!

PERFORMANCE MEASURES - OIAI - CONTINUED

Quality Measure: Citywide saving, costs avoided, recoveries, and potential increases to revenues as a percentage of the OIAI’s approved final budget.

OIAI made a conservative estimate of \$210,711 of nonrecurring and \$688 of recurring annual reductions in expenditures, avoided costs, recoveries and potential increases in revenues which the City could realize with the implementation of FY10 recommendations. See page 15 for detail of the savings. In addition, there were numerous recommendations made that will result in longer-term intangible benefits to the City through improved administration, better accountability and reduced potential liabilities.



Note: The budget amounts used above are for the OIAI program, which includes both the Internal Audit and Inspector General activities.

Budget	Potential Cost Savings	
\$ 979,000	\$ 210,688	22%

The percentage of cost savings increases when compared to OIAI’s actual expenditures:

Actual Expenditures	Potential Cost Savings	
\$ 947,067*	\$ 210,688	22%

* Approximate (unaudited and unadjusted)

PERFORMANCE MEASURES – OIAI - CONTINUED

Following is a detail of the costs avoided or potential opportunities to recover City funds as a result of audits and investigations issued during FY10:

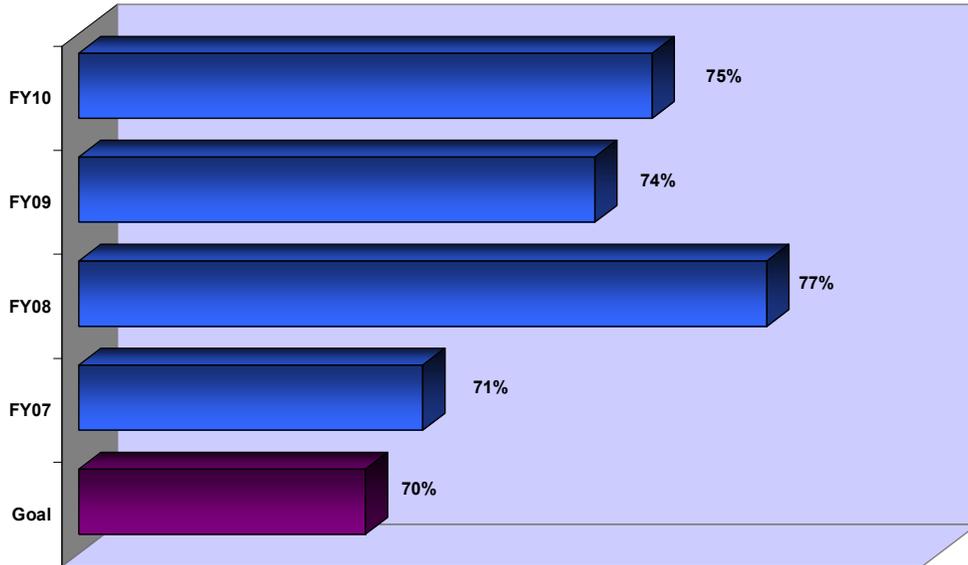
Audit #	Audit Name	One-Time	Recurring
10-05-110F	Council Services follow-up		688
09-105	Transportation Infrastructure Tax	127,534	
10-105	FY10 2 nd Quarter Budget	936	
10-04-107F2	Personal Computer Licensing 2 nd follow-up	15,002	
09-201	Possible Timecard Fraud - Aviation Department	28,636	
09-203	Salvage Property, Municipal Development Department	37,202	
09-205	Sunport Santa	1401	
TOTAL		\$210,711	688



PERFORMANCE MEASURES - OIAI - CONTINUED

Quality Measure: Chargeable time compared to total time.

CHARGEABLE TIME AS A % OF TOTAL HOURS



Chargeable audit time includes time coded to the following categories in the timekeeping system: Audit or Investigation Planning/Organizing, Audit or Investigation Fieldwork, Audit or Investigation Supervision/Review, Complete Audit or Investigation, Continuing Education, Training, Professional Development, Miscellaneous Audit or Investigation Tasks, and Management Advisory Services.



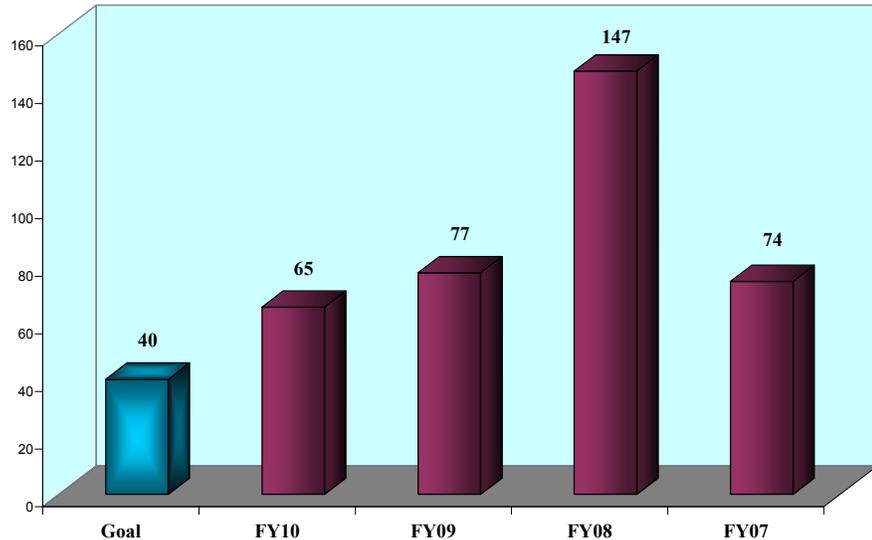
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PERFORMANCE MEASURES - OIAI - CONTINUED

Quality Measure: Average number of training hours, per staff member, to ensure technical proficiency.

AVERAGE NUMBER OF CPE HOURS

CPE
HOURS



All of the certifications held by staff require a minimum number of continuing professional education (CPE) hours.

Government Auditing Standards require 80 hours of CPE every two years. At least 24 of the 80 hours must be in subjects directly related to government auditing, the government environment, or the specific or unique environment in which the entity operates.

The Principles and Standards for Offices of Inspector Generals require 40 hours of CPE every two years. At least 12 of the 40 hours must be in subjects directly related to the employee's responsibilities, government environment, or the specific or unique environment in which the entity operates.

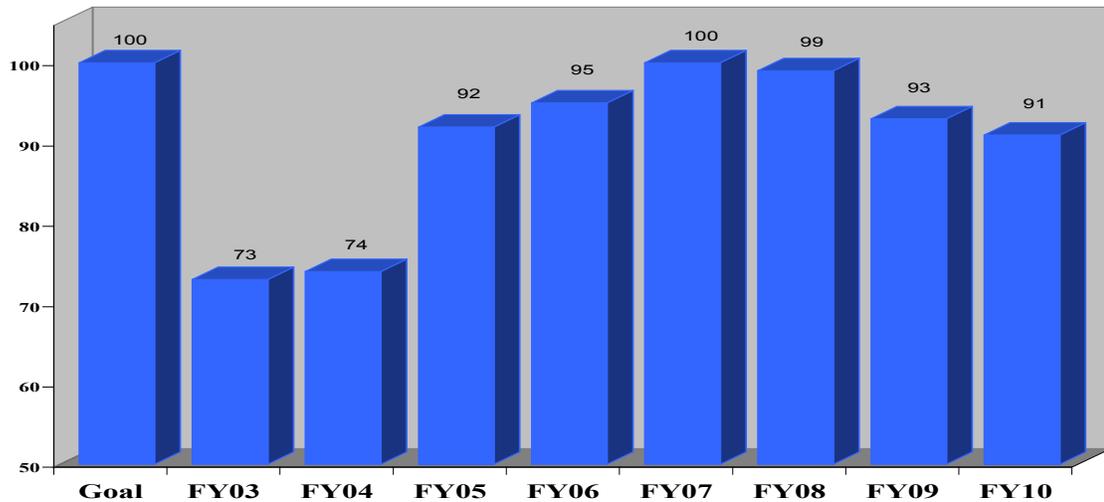
OIAI staff received an average of 65 hours of CPE during FY10, exceeding the goal of 40 hours.



PERFORMANCE MEASURES – INTERNAL AUDIT

Strategy Outcome: Improve the operational efficiency of departments through acceptance of audit recommendations. Operations will be improved if the audited departments and programs accept the recommendations made as valid and useful during the audit process.

% of Recommendations Accepted at Time of Audit

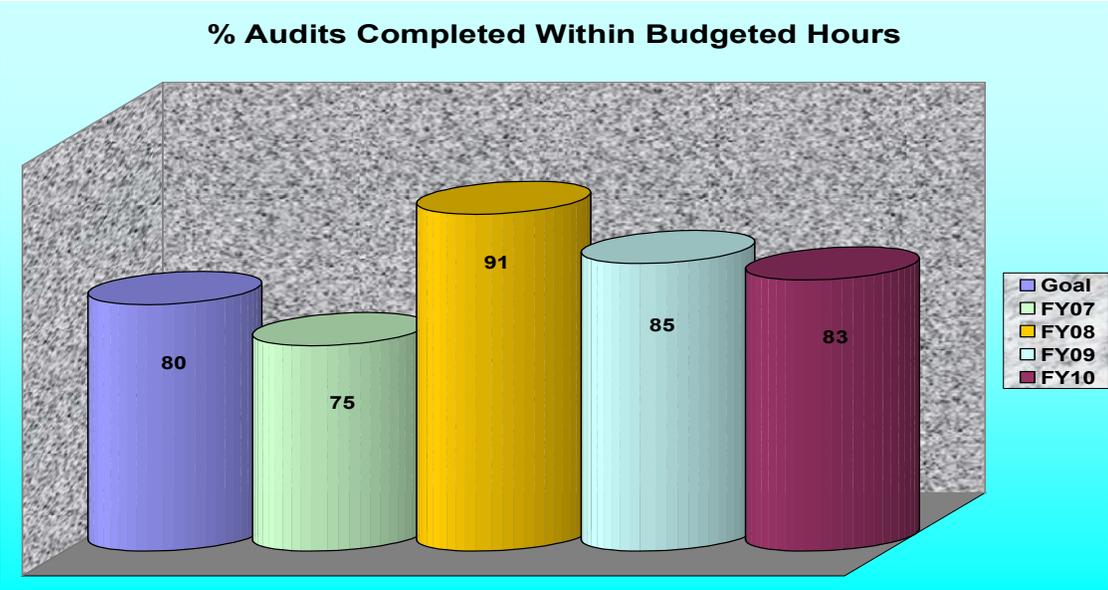


In FY10, 91% of recommendations were fully and partially accepted by the auditee. This performance measure is calculated by the concurrence of the auditee to the recommendations offered in our reports.

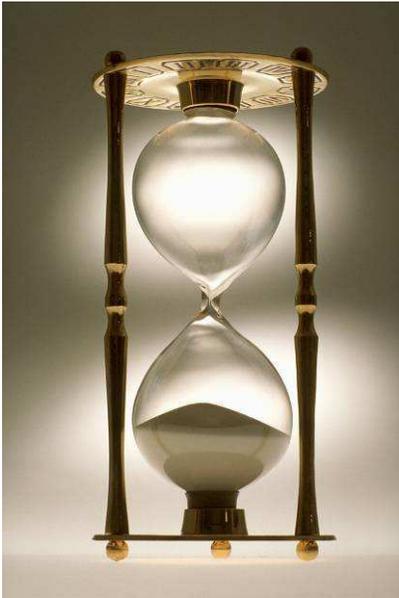


PERFORMANCE MEASURES - INTERNAL AUDIT - CONTINUED

Quality Measure: Percent of audits performed within the budgeted hours.



Time budgets are prepared for every audit assignment. Auditors are instructed to monitor their individual project budgets and request an increase, if necessary. In FY10, 83% of audits were completed within the budgeted hours.

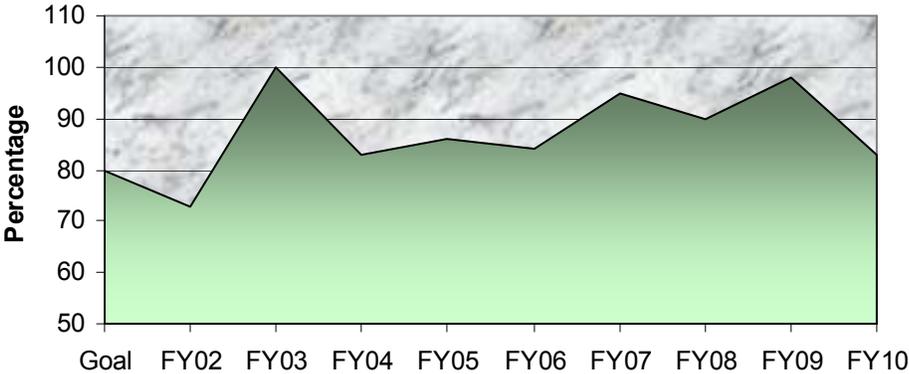


Project Budgets

PERFORMANCE MEASURES - INTERNAL AUDIT - CONTINUED

Quality Measure: Improve the efficiency and effectiveness of departments’ operations through value added audit reports and recommendations. End of audit surveys include a question regarding the value added by the audit.

AUDITEE RESPONDED THAT AUDIT ADDED VALUE



OIAI requests end of audit surveys be completed by the audited departments. Auditees are asked to rate the professional proficiency of the auditors, scope of work, performance of audit work, and the value of the audit reports. Ratings are on a one to five scale with five indicating “excellent.”

In FY10, 83% of respondents felt the audit added value to their respective activity, program or department.

+ VALUE ADDED AUDITS +
+ VALUE ADDED AUDITS +

PERFORMANCE MEASURES - INTERNAL AUDIT - CONTINUED

Quality Measure: Participate on an ALGA Peer Review Team.



Goal – FY10	Actual – FY10
1	1

One requirement of Government Auditing Standards is that audit organizations receive an external peer review at least once every three years. The objective of a peer review is to determine whether an audit organization’s internal quality control system is in place and operating effectively. Also a peer review provides assurance that established policies and procedures and applicable auditing standards are being followed. The Association of Local Government Auditors (ALGA) has developed a program to assist local government auditors in meeting this peer review requirement. ALGA’s peer review program was designed to keep costs at a minimum. The organization receiving the peer review pays for the travel, lodging, and out-of-pocket expenses incurred by review team members, but it does not pay for the time/salary of reviewers. Instead, the reviewed organization agrees to send its own staff to other jurisdictions to perform peer reviews.

OIAI received its peer review in September 2007. In return, OIAI’s Internal Auditor participated in a peer review of Kansas City, Missouri in March 2010.

Quality Measure: Submit project abstracts to the ALGA Quarterly.

Goal – FY10	Actual – FY10
4	3

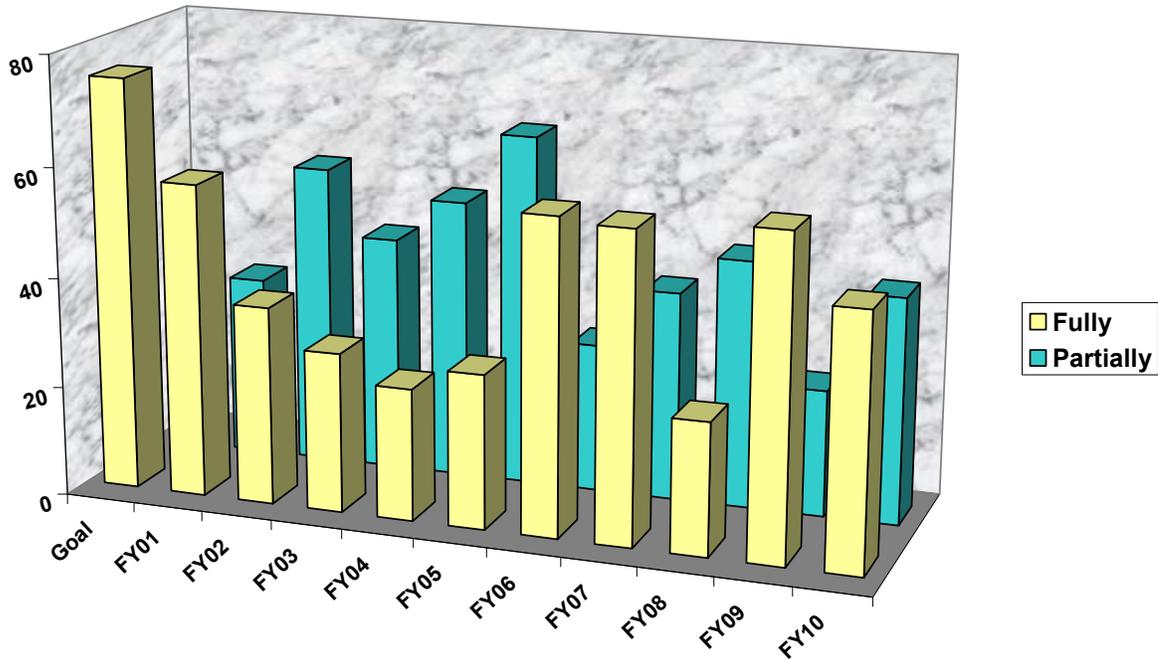
ALGA prepares a quarterly newsletter which includes organization news, events, articles, current audit topics and abstracts. Abstracts are summaries of audits conducted by member organizations and contain contact information for the individual who conducted the audit. OIAI uses the abstracts and contact information as a resource when conducting audits. In an effort to support the profession and give back to ALGA, OIAI has asked each auditor to submit a minimum of one abstract during the year.



IMPLEMENTATION OF RECOMMENDATIONS

OIAI strives to improve the operational efficiency of departments through their implementation of audit recommendations. Follow-ups are generally conducted within two years after an audit is completed.

% OF RECOMMENDATIONS IMPLEMENTED AT TIME OF FOLLOW-UP



OIAI conducted six Follow-ups in FY10. City departments had *fully* implemented or *resolved* 46% (goal is 75%) and *partially* implemented 44% (goal is 25%) of recommendations at the time of the follow-up. The number of recommendations *not* implemented at the time of the follow-up was 13%.

OIAI, as an independent entity, has no control over the implementation of recommendations. This measure is reported for informational purposes only.

Following is a detail of the status of recommendations from the Follow-ups conducted in FY09.

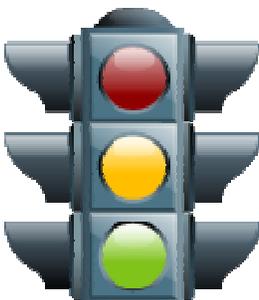
Recommendations Implemented

IMPLEMENTATION OF RECOMMENDATIONS – CONTINUED

STATUS OF RECOMMENDATIONS

DFCS - YOUTH SERVICES AND COMMUNITY CENTERS
FOLLOW-UP NO. 09-05-108F
ORIGINAL AUDIT DATE: 10/25/06
FOLLOW-UP DATE: 09/30/09

Recommendation	Status of Finding
DFCS should require schools which participate in the EMSI program submit evaluation plans.	Fully implemented
DFCS should require service providers to report on the accomplishment of measurable objectives, as required by the contracts.	Fully implemented
DFCS should review the effectiveness of the Gang Prevention, EMSI, Dropout Prevention and Job Mentor Programs to determine if the objectives of the contracts were achieved as part of its monitoring process.	Fully implemented
DFCS should develop a staffing plan that maintains appropriate Playground Program child/staff ratios.	Fully implemented
DFCS should strengthen its internal controls over participant registration, fee collection and revenue recording processes for the playground latchkey program.	Partially implemented
DFCS should take prompt action regarding the implementation of corrective action, when safety/security issues are identified at community centers.	Fully implemented
DFCS should strengthen its controls over the payment of Service Provider billings.	Fully implemented or Resolved



RESOLVED

NOT IMPLEMENTED

PARTIALLY IMPLEMENTED

FULLY IMPLEMENTED

IMPLEMENTATION OF RECOMMENDATIONS - CONTINUED

**COUNCIL SERVICES DEPARTMENT
FOLLOW-UP NO. 10-05-110F
ORIGINAL AUDIT DATE: 7/26/06
FOLLOW-UP DATE: 12/9/09**

Recommendation	Status of Finding
Council Services develop formal written departmental policies and procedures to guide staff. The policies should be consistent with the City’s policies and procedures as well as any other applicable laws, rules, or regulations.	Fully implemented
Council Services should ensure that all transactions are in accordance with the Public Purchases Ordinance and other relevant rules and regulations.	Partially implemented
Council Services should develop job descriptions for its unclassified positions and copies be forwarded to Human Resources.	Partially implemented
Council Services should communicate with the City Council to determine if anyone from the Council would like to participate in the interview process in accordance with the City Council Rules of Procedures.	Fully implemented
Council Services should develop performance measures that adequately measure the performance of its three units and maintain documentation to support the accomplishment of those measures.	Not implemented

**CITY OPERATORS PERMIT
FOLLOW-UP NO. 10-06-111F
ORIGINAL AUDIT DATE: 5/30/07
FOLLOW-UP DATE: 2/26/10**

Recommendation	Status of Finding
DFAS should maintain documentation to substantiate that employees who have been issued COPs meet all of the applicable requirements.	Partially implemented
DFAS should ensure that the Fleet Safety Officer reviews vehicle accidents for the assessment of points as required by the COP policy.	Partially implemented
DFAS should ensure the Risk Manager review STOP citations as potential driver misconduct under the COP Program and assess points.	Partially implemented
The CAO should require departments to ensure that employees provide the required proof of insurance for personal vehicle usage on city business when receiving mileage reimbursement.	Not implemented
The CAO should ensure that departments require employees who have been assigned vehicles have COPs.	Partially implemented
DFAS should provide training to COP liaisons in the departments on how to correctly run the COP reporting application.	Fully implemented

IMPLEMENTATION OF RECOMMENDATIONS - CONTINUED

**PERMIT AND INSPECTION PROCESS
FOLLOW-UP NO. 10-05-105F
ORIGINAL AUDIT DATE: 2/28/07
FOLLOW-UP DATE: 2/26/10**

Recommendation	Status of Finding
Planning ensure fees collected cover 100% of the cost of Building & Safety activities, including indirect charges.	Not implemented
Planning comply with the requirements of AI No. 2-2.	Partially implemented
Planning should develop a process to ensure that actual revenue billed to customers is reconciled regularly to payments recorded in the City's general ledger system.	Not implemented
Planning should ensure that impact fees for construction projects are charged correctly.	Partially implemented
Planning should develop guidelines to ensure that inspectors are consistent when charging for re-inspection fees.	Partially implemented
Planning develop Measures of Merit for its FY08 goals which presented information regarding the timeliness of service provided to its customers.	Fully implemented

**PERSONAL COMPUTER LICENSING
FOLLOW-UP NO. 10-04-107F2
ORIGINAL AUDIT DATE: 3/29/06
FIRST FOLLOW-UP REPORT DATE: SEPTEMBER 24, 2008
SECOND FOLLOW-UP DATE: 2/26/10**

Recommendation	Status of Finding
The CAO should ensure that all employees are aware of the City's Software Licensing Policies and ensure that disciplinary consequences for employees who violate licensing policies are a part of the Software Code of Ethics.	Partially implemented
The CAO should include representation from ISD as part of the new employee orientation process and develop a new Software Code of Ethics.	Partially implemented
DFAS/ISD should reinstate the Software Licensing Coordinator position.	Partially implemented
Transit should ensure that personal software is removed from City computers.	Fully implemented
The CAO should ensure that department management implement performance measures for monitoring software licensing.	Resolved
Transit should comply with the IT Network Access/Connectivity policy, and consider using a Virtual Private Network (VPN) connection as an alternative for remote access connectivity.	Partially implemented

IMPLEMENTATION OF RECOMMENDATIONS - CONTINUED

**COMPUTER USER IDS
FOLLOW-UP NO. 08-04-110F
ORIGINAL AUDIT DATE: 6/28/06
FOLLOW-UP DATE: 9/30/09**

Recommendation	Status of Finding
City departments should promptly notify ISD in writing when a departing employee's computer access is terminated.	Not implemented
The CAO should ensure that information technology policies and standards are periodically communicated to city employees.	Fully implemented
CAO ensure that City employees were periodically informed about safeguarding of computer system passwords.	Fully implemented
ISD should always monitor and investigate unsuccessful logins.	Resolved
The CAO should require that all departments needing to establish shared/generic user Ids to follow the City User Id Security Policy Exceptions Procedure.	Partially implemented
DFAS/ISD should enforce the password standard for the Novell network.	Fully implemented
DFAS/ISD management should ensure that user Id and password controls are in place for accessing City systems.	Fully implemented
DFAS/ISD management should ensure that there is separation of duties between system administration and security functions for all City computer systems.	Resolved
DFAS/ISD management should ensure that all Help Desk representatives positively identify everyone who requests their password to be reset and to formalize the positive identification requirement as part of the IT Policies and Standards.	Partially implemented

PERFORMANCE MEASURES – INSPECTOR GENERAL

Inspector General

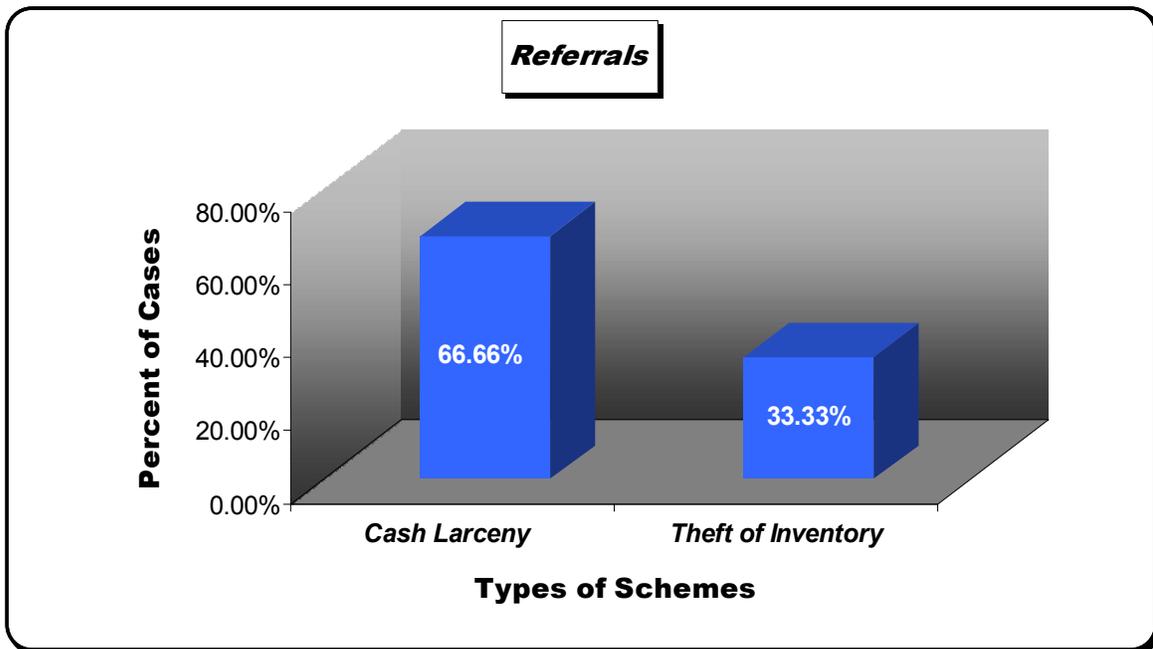
Performance Measure	Goal FY10	Actual FY10
Number of allegations (Tips) received	30	34
Number of allegations requiring investigation	6	10
Number of referrals for administrative actions, convictions or pleas obtained for employee/contractor wrongdoing	5	5



PERFORMANCE MEASURES – INSPECTOR GENERAL

REFERRALS FOR ADMINISTRATIVE ACTIONS, CONVICTIONS OR PLEAS

The Inspector General referred three cases to the proper prosecutorial authority and the same for administrative actions.

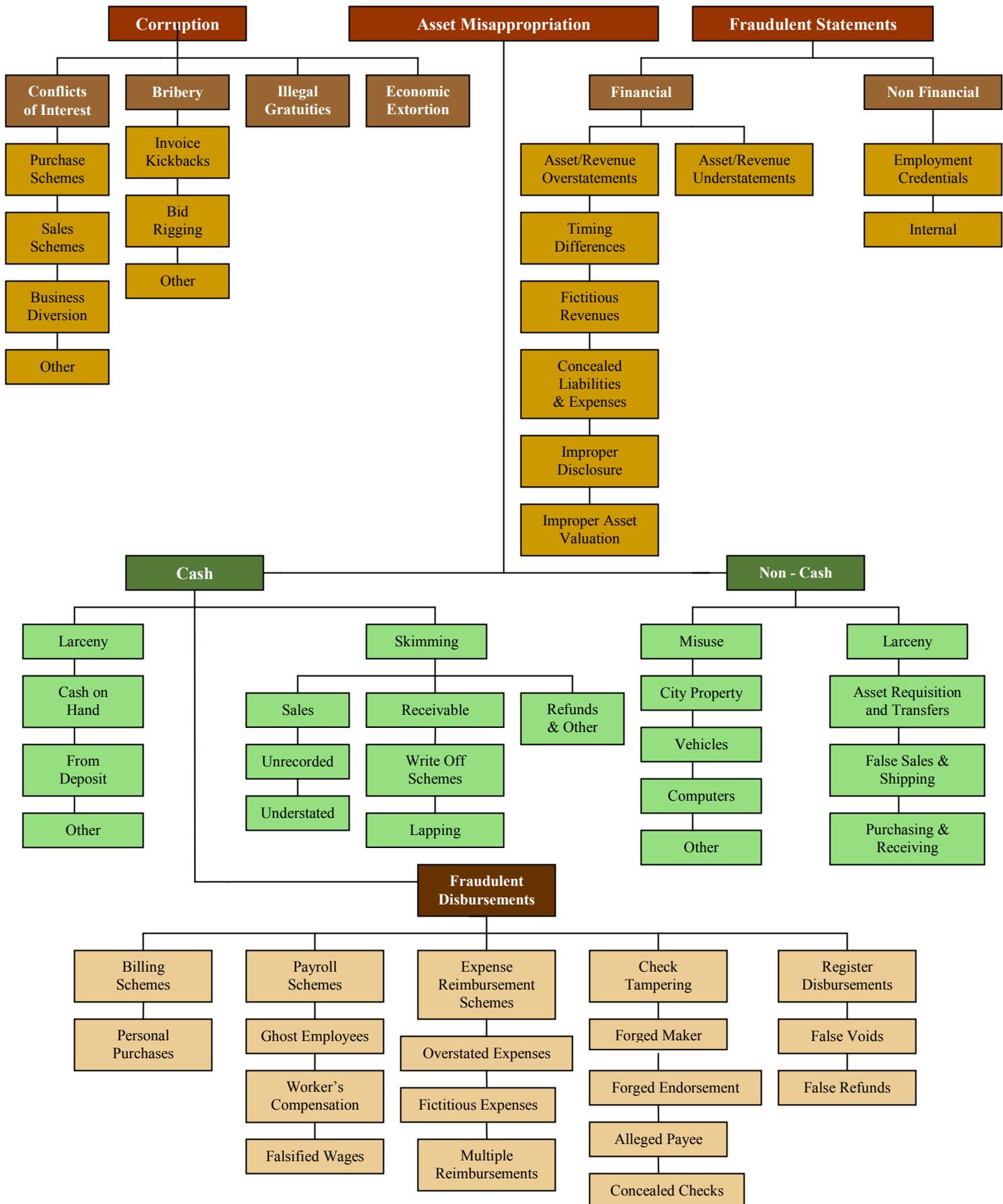


Asset misappropriation occurs when a person steals or misuses the City’s resources. In the context of occupational fraud, *Corruption* occurs when a person uses their influence in business transactions in a way that violates their duty to the City in order to obtain a benefit for themselves or someone else. *Financial statement* fraud is the intentional misstatement or omission of material information from the City’s financial reports. We did not receive any allegations of financial statement fraud during FY10.

Occupational Fraud may be defined as: “The use of one’s occupation for personal enrichment through the deliberate misuse or misapplication of the employing organizations resources.”

Fraud can be categorized into three general categories: fraudulent financial reporting, misappropriation of assets and corruption. A more detailed breakout is provided below:

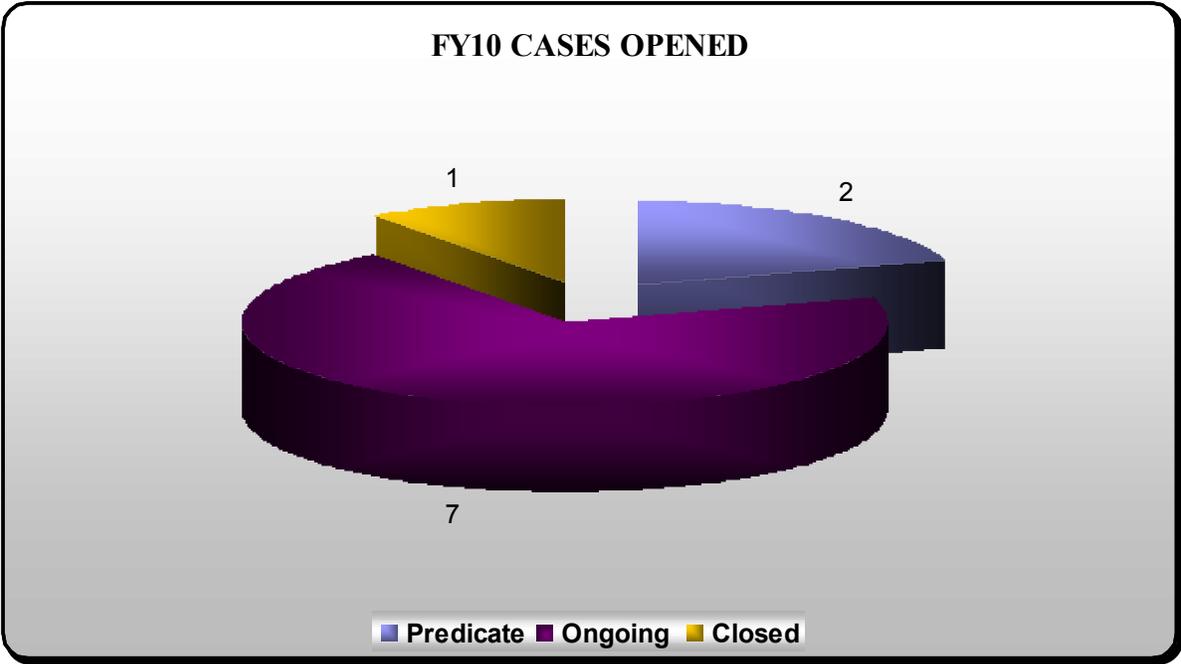
OCCUPATIONAL FRAUD AND ABUSE CLASSIFICATION SYSTEM



PERFORMANCE MEASURES – INSPECTOR GENERAL

FY10 CASES

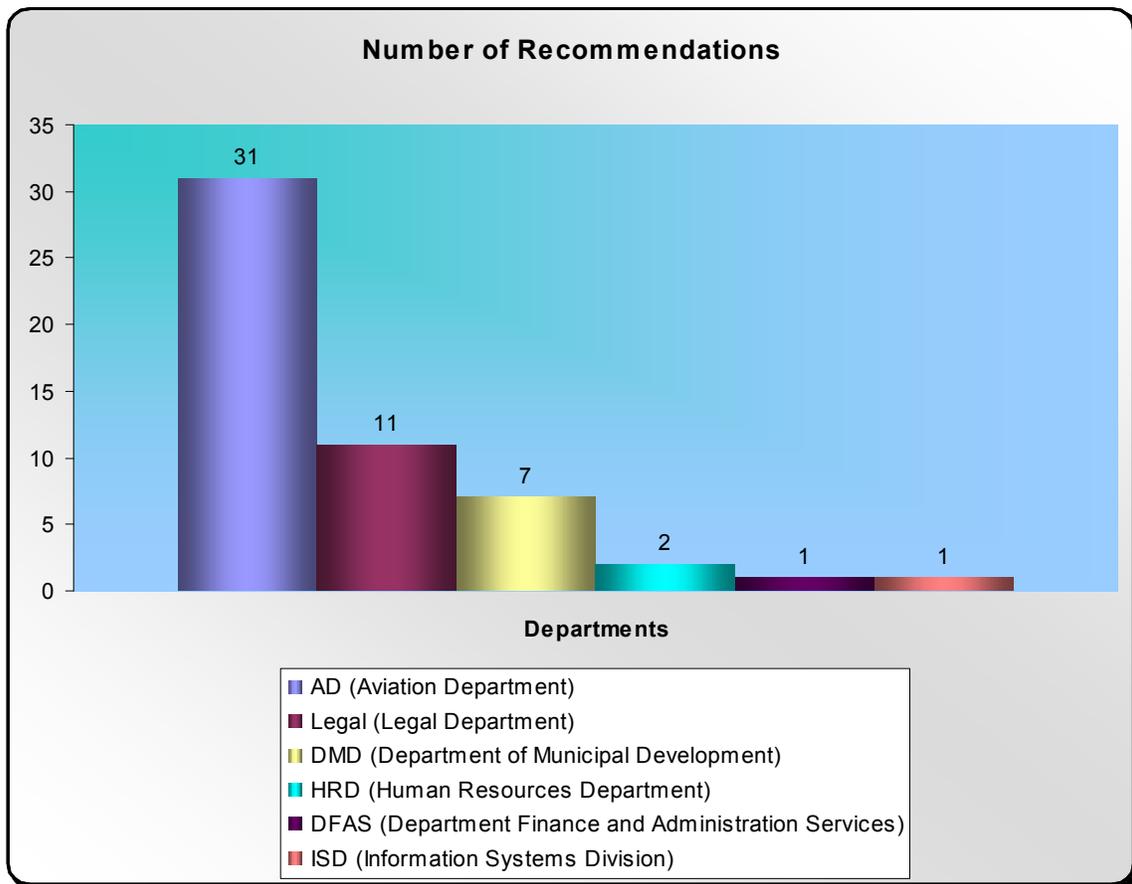
The Inspector General opened ten cases in FY10. One case was referred for criminal prosecution where arrests were made.



PERFORMANCE MEASURES – INSPECTOR GENERAL

WRITTEN REPORTS

The Inspector General completed four written reports in FY10. The reports included recommendations to the affected departments that will strengthen internal controls and provide for more efficient and effective government.



Some recommendation affected more than one department

UPCOMING IN FY11

In August 2010, Mayor Richard Berry along with The Office of Internal Audit and Investigations launched a new program called ESA.

ESA stands for Efficiency, Stewardship and Accountability.

ESA is a program that makes it easy for employees, vendors, contractors and taxpayers to voice their ideas and concerns. Investigators need your tips to help stop fraud, waste and misuse of City resources. Efficiency tips can help to improve processes and make City programs more efficient and cost effective, while improving service to residents and visitors.

OIAI STAFFING

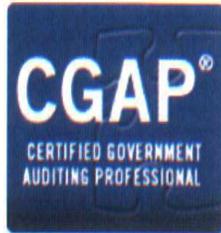
There were 12 full-time budgeted positions in the OIAI program strategy for FY10. Several staffing changes occurred during the year. During the FY11 budget process, two additional positions were deleted from the Administration's proposed budget.



OIAI STAFF

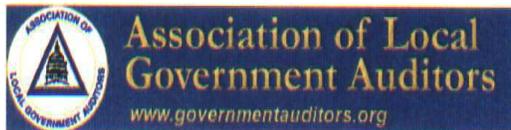
A number of professional certifications are held by OIAI staff members including:

- (7) Certified Public Accountants (CPA)
- (3) Certified Fraud Examiners (CFE)
- (3) Computer Information Systems Auditors (CISA)
- (1) Certified Government Auditing Professional (CGAP)
- (1) Certified Information Technology Professional (CITP)
- (3) Certified Internal Auditor (CIA)



The Staff is active in numerous professional organizations including:

- The Institute of Internal Auditors (IIA)
- The Association of Local Government Auditors (ALGA)
- Association Inspectors General (AIG)
- The Association of Government Accountants (AGA)
- 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)
- New Mexico Ethics Alliance



OIAI STAFF – CONTINUED

Carmen L. Kavelman – Director

Carmen has worked for OIAI since 1993. In 17 years she filled five different positions in the office, including Director. Prior to her tenure with the City, she worked for the New Mexico State Auditor's Office as a Staff Auditor and the University of New Mexico Bookstore as the Accounting Manager. She also spent four years in public accounting. Carmen graduated from the University of New Mexico, Anderson School of Management with a Bachelors of Business Administration. Carmen is a CPA, CISA and CGAP. Carmen serves on the FY10/11 IIA – Albuquerque Chapter Board of Governors, as Treasurer.

Lynette L. Fridley – Internal Auditor

Lynette graduated in 1997 with a Bachelors of Business Administration degree from Tiffin University in Tiffin, Ohio. Lynette has over 13 years of auditing experience, including six years in public accounting, where she primarily audited governmental entities. She became a CPA in 2001 and a CIA in 2010. Lynette has been with the OIAI since 2004. She was a Principal Auditor and Budget Auditor prior to becoming the Internal Auditor in 2006. Lynette serves on the FY10/11 Albuquerque Chapter Board of the New Mexico Society of CPAs.

Alan R. Gutowski – Audit Manager

Alan is the Audit Manager for the OIAI. Alan has over 13 years of audit experience working both in the government and private sectors. He has also worked in the public accounting profession. Alan also has over 6 years of financial accounting experience in both the banking and healthcare industries. He received his bachelor of business administration with a concentration in accounting from the University of New Mexico – Robert O. Anderson School of Business. Alan is a CPA licensed in the State of New Mexico. He is also a CISA, CITP, CFE and CIA. Alan was the FY07/08 and FY08/09 President of ISACA – Albuquerque Chapter. Alan serves on the FY10/11 IIA – Albuquerque Chapter Board of Governors. He serves on the Albuquerque Public Schools Audit Committee.

Cindy J. Frost, Budget Auditor

Cindy is a Budget Auditor for the OIAI. She is a graduate of the University of New Mexico – Robert O. Anderson School of Business with a Bachelors of Business Administration with a concentration in accounting. Cindy is a CPA licensed in the state of New Mexico and is also a CIA. She has over 25 years of experience in accounting and audit. She most recently worked as a Senior Internal Auditor in the private sector before joining the City. Cindy is a member of the IIA.

OIAI STAFF – CONTINUED

Peter J. Pacheco – Principal Auditor/Investigator

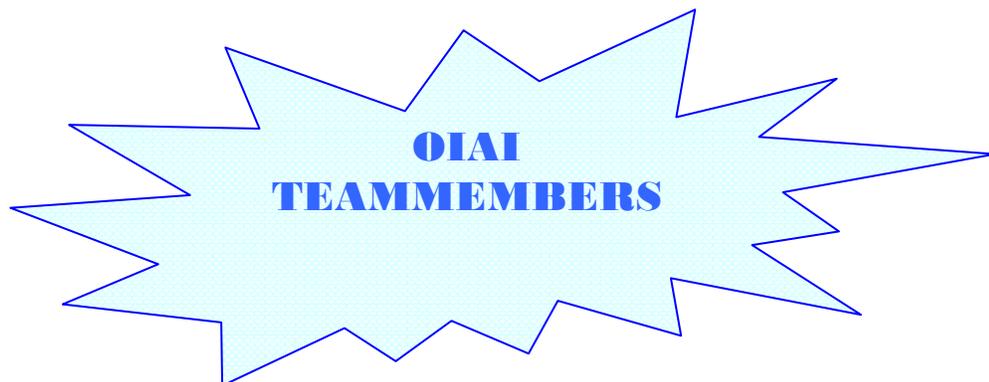
Peter is a Staff Auditor/Investigator. He is a Graduate of the University of New Mexico – Robert O. Anderson School of Business with a Bachelors of Business Administration with a concentration in Finance. He previously worked for the Office of the State Auditor as a Senior Auditor. Peter serves on the Executive Committee for the New Mexico AGA chapter as the web master and newsletter editor.

Lawrence Davis – Principal Auditor/Investigator

Lawrence has over six years of audit and accounting experience. He has a diverse background from both private and public sectors. He received his undergraduate degree from the University of New Mexico – Robert O. Anderson School of Management with a concentration in accounting and is currently pursuing his Masters of Business Administration. 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 29 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 OIAI. She then worked in the Fiscal Section of the Family and Community Services Department for nine years. Vicky returned to the OIAI in 2004 as the Internal Audit Assistant.



ACCOUNTABILITY IN GOVERNMENT OVERSIGHT (AGO) COMMITTEE

§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, shall be nonvoting ex-officio members. The Mayor and the appointed City Councilor may send designees to the Committee meetings. The Accountability in Government Ordinance requires at least one member be a 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 alternatively 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, 2010, the AGO Committee was comprised of the following members:

Name	Term Expires	Representative
Roger Nagel, CPA CMA (Chair)	9/1/2010	CPA
Patricia Caristo, NMLPI	9/1/2013	Law
Jean Strosinski	9/1/2011	Management
Harry L. Tipton	9/1/2012	At-large
Craig G. Colter	9/1/2012	At-large