REPORT TO
CITY COUNCIL
ON THE
CITYWIDE YEAR-END CLOSE
FISCAL YEAR 2007
08 – 101B
Executive Summary

Background

City Ordinance 2-10-11 (B) ROA 1994 requires the Office of Internal Audit and Investigations (OIAI) to perform reviews of City expenditures at the end of the second through fourth quarters of each fiscal year (FY). This report is presented to the City Council to satisfy the FY07 Year-End Close requirement. The City makes appropriations at the program level and expenditures may not exceed appropriations at this level. Tables A & B provide detail of FY07 appropriations and actual expenditures for all operating funds. These tables do not include appropriations from the year-end clean up resolution.

Objective: Which programs were overspent by more than 5% or $100,000 and what are the causes of the overexpenditures?

Three general fund and 18 other operating programs were overspent by more than $100,000 or 5%.

Objective: Which programs were underspent by more than 5% or $100,000?

Fifty-one general fund and 24 other fund programs were underspent by more than $100,000 or 5%.

Objective: Which programs were underspent by more than $500,000 and 10% and what are the causes of the underexpenditures?

Six general fund and 2 other operating programs underexpenditures exceeded $500,000 and 10% of the approved budget.

Recommendation: The CAO should ensure all programs spend within their appropriation and should take appropriate action in accordance with Administrative Instruction No. 2-20, Budgetary Control Responsibilities.

Other Findings: The appropriation for Program 44503 – Transfer to Golf Debt Service in Fund 681 was overstated by $26,000 in the FY07 Comprehensive Annual Financial Report (CAFR).

Recommendation: DFAS should ensure that appropriations are accurately reported in the CAFR. Management responses are included in the audit report.
June 13, 2008

Accountability in Government Oversight Committee
City of Albuquerque
Albuquerque, New Mexico

Audit: FY07 Year-End Close Audit
Citywide
08-101B

FINAL

INTRODUCTION

City Ordinance 2-10-11 (B) ROA 1994 requires the Office of Internal Audit and Investigations (OIAI) to perform reviews of City expenditures at the end of the second through fourth quarters of each fiscal year (FY). This report is presented to the City Council to satisfy the FY07 Year-End Close requirement.

The purpose of public budgeting is to provide government with a mechanism to allocate resources for the pursuit of goals that are consistent with community preferences and needs. The City budgets at the program level. Programs are contained within the City’s different funds and are managed by departments. Although the City is required by State statute to balance its budget at the fund level, the expenditures are appropriated at the program level and may not exceed appropriations at this level. The City’s Budget Ordinance, section 2-11-7 (B) ROA 1994 states,

A full-program budget will be prepared for all city departments each year. The program budget shall clearly identify each program that is proposed to be implemented or continued in the ensuing fiscal year and shall include the projected costs of each program.

The City’s operating budget is prepared annually for the General, Enterprise, Special Revenue, Internal Service, Debt Service and Capital Project funds. Each year the City is required to have a balanced budget so that expenditures cannot exceed revenues and other sources.
Funding sources for the City’s General Fund for FY07 were as follows:

![General Fund Sources FY2007 Chart]

As required by the Budget Ordinance, the annual budget (the Proposed Budget) is formulated by the Mayor and the Office of Management and Budget (OMB) and submitted to the City Council by April 1 for the fiscal year commencing July 1. The budget, as amended by the City Council, is published as the Approved Budget. If City Council does not approve a budget within that time, the budget proposed by the Mayor is considered to be approved.

Budgetary control is maintained by an appropriation and encumbrance system. The Mayor has authority to move program appropriations by the lesser of five percent or $100,000 without City Council approval. City Council may amend the budget during the fiscal year; however, amendments cannot result in total expenditures that exceed revenues. With the exception of project funds, appropriations revert to fund balance to the extent they have not been expended or encumbered at fiscal year-end.

A clean up resolution may be performed in the middle of the fiscal year to adjust anticipated revenues and expenditures. At the conclusion of each fiscal year, OMB compares the budgeted versus actual revenues and expenditures. Any required budget adjustments are completed in a final clean up resolution proposed by the Administration, amended, and approved by City Council. OMB reports that clean up bills will be proposed to City Council only when overexpenditures occur at the fund level.
General Fund uses for FY07 were as follows:

Each year the City publishes the results of its revenues and expenditures in the Comprehensive Annual Financial Report (CAFR). The CAFR is audited by the City’s external auditors and is required to be filed with the New Mexico State Auditor’s Office (SAO) by December 1. The FY07 CAFR was not submitted to the SAO until March 18.

Tables A & B contain the detail of FY07 appropriations and actual expenditures for all operating funds. The appropriations do not include any subsequent clean up appropriations. There are 110 appropriated general fund operating programs and 85 other operating programs.

**AUDIT OBJECTIVES**

The objectives of the audit were to determine:

- Which programs were overspent by more than 5% or $100,000 and what are the causes of the overexpenditures?
- Which programs were underspent by more than 5% or $100,000?
- Which programs were underspent by more than $500,000 and 10% and what are the causes of the underexpenditures?

**SCOPE**

Our audit did not include an examination of all functions and activities related to the FY07 year-end close. Our scope included appropriations and year-end expenditure balances at the program level in the General Fund and Other Operating Funds.
This report and its conclusions are based on information taken from a sample of transactions and do not intend to represent an examination of all related transactions and activities. The audit report is based on our examination of activities through the completion of fieldwork, May 1, 2008, and does not reflect events or accounting entries after that date.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

**METHODOLOGY**

OIAI determined which programs over or underspent by comparing the year-end close expenditures reported in the CAFR Budget to Actual Statements to the approved budget. For programs that were overspent by more than 5% or $100,000 or underspent by more than 10% and $500,000, OIAI:

- Contacted fiscal management to determine the cause of the over or underexpenditure.
- Verified the response by reviewing financial information in ReportNet, the City’s reporting software.

**FINDINGS**

The following findings concern areas that we believe could be improved by the implementation of the related recommendations.

1. **THE CAO SHOULD ENSURE ALL PROGRAMS SPEND WITHIN THEIR APPROPRIATION.**

There were three general fund and 18 other operating programs that were overspent by more than $100,000 or 5%. These programs are highlighted in yellow in the attached Tables A & B.

<table>
<thead>
<tr>
<th>Fund</th>
<th>Program</th>
<th>Program Name</th>
<th>Appropriations</th>
<th>Expenditures</th>
<th>Variance</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>110</td>
<td>45504</td>
<td>Promote Safe Use of Firearms$^2$</td>
<td>$298,000</td>
<td>$317,269</td>
<td>$(19,269)</td>
<td>6%</td>
</tr>
<tr>
<td>110</td>
<td>51509</td>
<td>Transfer to Law Enforce. Fund$^2$</td>
<td>431,000</td>
<td>569,508</td>
<td>(138,508)</td>
<td>32%</td>
</tr>
<tr>
<td>110</td>
<td>77526</td>
<td>Katrina Relief$^1$</td>
<td>8,000</td>
<td>35,678</td>
<td>(27,678)</td>
<td>&gt;100%</td>
</tr>
<tr>
<td>260</td>
<td>21502</td>
<td>Administrative Support – MDC$^1$</td>
<td>0</td>
<td>2,303</td>
<td>(2,303)</td>
<td>&gt;100%</td>
</tr>
<tr>
<td>260</td>
<td>21503</td>
<td>Corrections/Detention$^1$</td>
<td>0</td>
<td>205,389</td>
<td>(205,389)</td>
<td>&gt;100%</td>
</tr>
<tr>
<td>260</td>
<td>21504</td>
<td>Transfer to General Fund$^1$</td>
<td>$0</td>
<td>$259,771</td>
<td>$(259,771)</td>
<td>&gt;100%</td>
</tr>
<tr>
<td>Fund</td>
<td>Program</td>
<td>Program Name</td>
<td>Appropriations</td>
<td>Expenditures</td>
<td>Variance</td>
<td>%</td>
</tr>
<tr>
<td>------</td>
<td>---------</td>
<td>-------------------------------------</td>
<td>----------------</td>
<td>--------------</td>
<td>--------------</td>
<td>----</td>
</tr>
<tr>
<td>260</td>
<td>21507</td>
<td>Bernalillo County Balance Due¹</td>
<td>$</td>
<td>0</td>
<td>$ 259,771</td>
<td>(259,771)</td>
</tr>
<tr>
<td>260</td>
<td>21508</td>
<td>Community Custody¹</td>
<td>0</td>
<td>5,744</td>
<td>(5,744)</td>
<td>&gt;100 %</td>
</tr>
<tr>
<td>282</td>
<td>62514</td>
<td>Transfer to General Fund²</td>
<td>215,000</td>
<td>232,080</td>
<td>(17,080)</td>
<td>8  %</td>
</tr>
<tr>
<td>292</td>
<td>26590</td>
<td>Plaza Del Sol Building¹</td>
<td>748,000</td>
<td>793,293</td>
<td>(45,293)</td>
<td>6  %</td>
</tr>
<tr>
<td>651</td>
<td>54501</td>
<td>Collections-SWMD¹</td>
<td>15,157,000</td>
<td>17,066,245</td>
<td>(1,909,245)</td>
<td>13 %</td>
</tr>
<tr>
<td>651</td>
<td>54505</td>
<td>Clean City Section¹</td>
<td>4,817,000</td>
<td>4,992,087</td>
<td>(175,087)</td>
<td>4  %</td>
</tr>
<tr>
<td>661</td>
<td>54508</td>
<td>Strategic Support-ABQ Ride¹</td>
<td>3,360,000</td>
<td>3,582,420</td>
<td>(222,420)</td>
<td>7  %</td>
</tr>
<tr>
<td>661</td>
<td>51514</td>
<td>ABQ Ride¹</td>
<td>24,177,000</td>
<td>25,989,499</td>
<td>(1,812,499)</td>
<td>8  %</td>
</tr>
<tr>
<td>661</td>
<td>57550</td>
<td>Paratransit Services¹</td>
<td>4,669,000</td>
<td>4,864,523</td>
<td>(195,523)</td>
<td>4  %</td>
</tr>
<tr>
<td>661</td>
<td>57565</td>
<td>Facility Maintenance¹</td>
<td>1,215,000</td>
<td>1,497,197</td>
<td>(282,197)</td>
<td>23 %</td>
</tr>
<tr>
<td>675</td>
<td>31516</td>
<td>Apartment Debt Service¹</td>
<td>989,000</td>
<td>1,039,030</td>
<td>(50,030)</td>
<td>5  %</td>
</tr>
<tr>
<td>691</td>
<td>24502</td>
<td>Transfer to General Fund²</td>
<td>6,000</td>
<td>6,447</td>
<td>(447)</td>
<td>7  %</td>
</tr>
<tr>
<td>705</td>
<td>33542</td>
<td>Tort and Other Claims¹</td>
<td>17,747,000</td>
<td>18,759,028</td>
<td>(1,012,028)</td>
<td>6  %</td>
</tr>
<tr>
<td>705</td>
<td>47504</td>
<td>Unemployment Comp¹</td>
<td>605,000</td>
<td>653,526</td>
<td>(48,526)</td>
<td>8  %</td>
</tr>
<tr>
<td>725</td>
<td>28503</td>
<td>Fleet Management¹</td>
<td>$ 11,962,000</td>
<td>$ 12,197,169</td>
<td>$ (235,169)</td>
<td>2  %</td>
</tr>
</tbody>
</table>

Footnotes:

1. The program was overspent by greater than 5% or $100,000. Final clean up resolution approved by City Council and the Mayor increased appropriations in these programs subsequent to fiscal year-end. The appropriations listed do not reflect that clean up resolution.

2. The program was overspent by greater than 5% or $100,000; however, the fund was not overspent and did not require an additional appropriation.
The number of overspent programs over the past nine years is as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>51</td>
</tr>
<tr>
<td>2000</td>
<td>79</td>
</tr>
<tr>
<td>2001</td>
<td>70</td>
</tr>
<tr>
<td>2002</td>
<td>9</td>
</tr>
<tr>
<td>2003</td>
<td>11</td>
</tr>
<tr>
<td>2004</td>
<td>13</td>
</tr>
<tr>
<td>2005</td>
<td>15</td>
</tr>
<tr>
<td>2006</td>
<td>15</td>
</tr>
<tr>
<td>2007</td>
<td>33</td>
</tr>
</tbody>
</table>

City policy requires each department to adhere to the budget at the program level. The FY07 Approved Budget states appropriations are at a program strategy level, the level at which expenditures may not legally exceed appropriations. Administrative Instruction 2-20 states:

Program Strategies are the level at which appropriations are made. It is at this level that managers must ultimately be responsible for controlling expenditures. All employees with budgetary control over a Program Strategy must accomplish their tasks within the approved budget.

All personnel decisions and all expense decisions must be made within that framework. It is unacceptable for an employee with budgetary control to spend in excess of the appropriated budget.

Employees such as fiscal managers and human resource coordinators who may lack direct control, but serve in a direct advisory capacity for expenditure decisions, shall provide the best information available. If the manager fails to act in a financially prudent manner upon receipt of the advice, the fiscal manager and/or human resource coordinator shall report to the manager’s supervisor. This process will be repeated at ascending levels of management until the financial advice is heeded. If necessary, after following this procedure, if he/she still believes corrections have not been made in line with the advice, he/she should report directly to the Chief Financial Officer. Failure to follow this procedure will result
in the same disciplinary procedure applicable to the Program Strategy Manager, described below.

Failure on the part of the Program Strategy Manager to monitor and control expenses within the appropriated budget will be subject to disciplinary action as defined in the Personnel Rules and Regulations. Disciplinary action may include written reprimand, suspension, demotion, or dismissal.

The following explanations are provided for programs whose overexpenditures exceeded $100,000 or 5%.

**GENERAL FUND PROGRAMS**

*Program 45504 – Parks and Recreation Department - Promote Safe Use of Firearms* program overspent its $298,000 budget by $19,269 (6%). The shooting range hosted three shooting competitions that resulted in increased overtime, supplies, and contractual services.

*Program 77526 – Albuquerque Police Department – Transfer to Law Enforcement Fund* overspent its $431,000 budget by $138,508 (32%). Approximately $138,000 was spent for undercover vehicles purchased by the Special Investigations Division (SID) for use by the area commands. This program reimbursed the SID account for the purchase of the vehicles.

*Program 77526 – City Support Functions – Katrina Relief* program overspent its $8,000 budget by $27,678 (>100%). The overexpenditure was caused by invoices that were not included in the FY06 accounts payable accrual. The invoices were paid during FY07. An appropriation of $28,000 was included in the year-end clean up.

**OTHER OPERATING PROGRAMS**

*Programs 21503, 21507, 21504, 21502, and 21508 – Metropolitan Detention Center (MDC) - Corrections/Detention, Bernalillo County Balance Due, Transfer to General Fund, Administrative Support, and Community Custody in the Correction/Detention Fund 260 were not budgeted. Appropriations were not made to this fund because the County took over the operations of MDC in FY07. Expenditures were limited to outstanding invoices, and actual expenses were unknown until year-end. Appropriations of $735,000 were included in the year-end clean up once final spending was completed and available fund balance was determined. The final close for this fund is expected to be in FY08.*

*Program 62514 – Department of Municipal Development (DMD) - Transfer to General Fund in the Gas Tax Road Fund 282 overspent its $215,000 budget by $17,080 (8%). The appropriation*
for this program is based on an estimate of personnel costs in the Gas Tax Road Fund. Expenditures were more than anticipated due to several large snow storms that increased personnel costs.

*Program 26590 – DMD – Plaza del Sol Building* in the Plaza del Sol Building Operating Fund 292; the $748,000 budget was overspent by $45,293 (6%) due to an increase in utility costs. The 311 Call Center, a 24/7, 365 days/year operation, began in the Plaza del Sol building in FY06. The FY07 operating budget appropriations in the utility line items were not increased to account for this change and; therefore, were overspent. An appropriation of $48,000 was included in the year-end clean up.

*Programs 54501 and 54505 – The Solid Waste Management Department (SWMD) Collections and Clean City* programs in the Refuse Disposal Fund 651 overspent by $1,909,425 (13%) and $175,087 (4%), respectively.

SWMD management reported that the increase in fuel costs was primarily responsible for the projected overexpenditure in *Collections*. Diesel was budgeted at an average cost of $1.11/gallon for FY07; however, the actual costs during FY07 were an average of $2.45/gallon. SWMD included a fuel surcharge on customer bills to recover some of the increase in fuel costs. The surcharge only applies to diesel and does not become effective until costs exceed $1.11/gallon. The additional cost of petroleum-based vehicle lubricants is not included in this surcharge. Repairs and maintenance expenditures have increased due to an aging fleet of landfill heavy equipment and refuse collections vehicles requiring necessary repairs.

Overtime expenditures also account for a portion of the overexpenditure. In FY06, hiring for vacant positions that required a commercial driver’s license was frozen in anticipation of layoffs related to the transition of MDC to Bernalillo County. A City driver laid off from the MDC would be offered a similar position with the SWMD. The hiring freeze and poor retention of drivers resulted in vacancies in FY07 that caused additional use of overtime. Heavy snow also increased overtime costs. An appropriation of $1,940,000 was included for *Collections* in the year-end clean up.

The overexpenditure in the *Clean City* program was due to increased purchases of supplies for graffiti removal, and contractual services for temporary employees. Management reported that the City experienced above normal graffiti tags in FY07, requiring the purchase of more paint and supplies. The overexpenditure in contractual services was due to the loss of an agreement between SWMD and MDC. In previous years, the "War on Weeds" (WOW) program used prisoner labor from MDC to remove weeds from within the City. SWMD replaced prisoner labor by increasing an existing workforce provided by St. Martins Hospitality Center. An appropriation of $175,000 was included in the year-end clean up.
Programs 57508, 57514, 57550 and 57565 – ABQ Ride Department – Strategic Support, ABQ Ride, Paratransit, and Facility Maintenance programs in Transit Fund 661 overspent by $222,420 (7%), $1,812,499 (8%), $195,523 (4%), and $282,197 (23%), respectively.

Management reported the primary cause of the overexpenditure in the Strategic Support program was the use of temporary services due to the high rate of vacancies in customer service and security positions. The capital outlay line item was also overspent due to the purchase of vehicle, a token counting/packing machine, and installation and testing of data lines for the Daytona facility. An appropriation of $222,000 was included in the year-end clean up for Strategic Support.

The primary causes of the overexpenditures in the ABQ Ride programs were repairs and maintenance, and fuel costs. An aging fleet has resulted in increases in repairs and maintenance and contractual services. ABQ Ride received an appropriation of $1,812,000 in the year-end clean up.

The Paratransit program was overspent primarily due to fuel costs being higher than budgeted. Paratransit received an appropriation of $196,000 in the year-end clean up.

Management reported overexpenditures in the Facility Maintenance program were due to utility expenses at the Westside Transit Facility being higher than budgeted. The personnel line items were also overspent. An appropriation of $282,000 was included in the year-end clean up for this program.

Program 31516 – Apartment Operating Debt Service program in the Apartment Operating Debt Service Fund 675 overspent its $989,000 budget by $50,030 (5%) because an additional payment of $200,000 was made on the bond principal in FY07. The overexpenditure on the bond principal was offset by savings in interest expense. This program received $54,000 in the year-end clean up appropriation.

Program 24502 – DMD – Transfer to General Fund program in the Baseball Stadium Operating Fund 691 overspent its $6,000 budget by $477 (7%). The budget for this program is based on an estimate of personnel costs and is calculated by OMB. At the end of the fiscal year this amount is adjusted based on actual personnel costs. In FY07, personnel costs increased because an additional position was budgeted to help maintain the facility, resulting in an overexpenditure.

Programs 33542 and 47504 – Tort and Other Claims and Unemployment Compensation programs in Risk Management Fund 705 overspent their budgets by $1,012,028 (6%) and $48,526 (8%), respectively. The Tort and Other Claims overexpenditure was due to actual
claims being more than the amount budgeted. The *Unemployment Compensation* program overexpenditure was due to a rise in unemployment claims in FY07. These programs received $1,015,000 and $49,000, respectively, in the year-end clean up legislation.

*Program 28503 - Department of Finance and Administrative Services (DFAS) Fleet Management* program in Fleet Management Fund 725 overspent its $11,962,000 budget by $235,000 or 2%. The overexpenditure in this program was due to increased fuel costs. Management reported there were also several vacant mechanic positions throughout the year that resulted in an increase in contractual services. This program received $240,000 in the year-end cleanup legislation.

**RECOMMENDATION**

The CAO should ensure that all programs spend within their appropriation and should take appropriate action in accordance with Administrative Instruction No. 2-20, Budgetary Control Responsibilities.

**RESPONSE FROM CAO**

“The CAO actively monitors department and program budgets on a quarterly basis. Department directors and fiscal managers are frequently cautioned on the importance and responsibility of staying within budget. In some instances, there are programs the administration knows will spend beyond the existing appropriations for reasons that are beyond the control of the department directors or fiscal managers. In those instances, steps are taken to minimize the over expenditure as much as possible without having an adverse impact on city services. Steps are also taken to ensure adequate resources are available and in place to cover the over expenditure and appropriation adjustments, if required, are submitted for council approval. However, because of the legislative process it is not always possible to have appropriation adjustments in place prior to year-end.

“The CAO also wants to assure that no department director or fiscal manager has willfully or negligently overspent their appropriations and in those instances disciplinary action would be strictly enforced per Administrative Instruction No. 2-20.”
2. **DFAS SHOULD ENSURE THAT APPROPRIATIONS ARE ACCURATELY REPORTED IN THE CAFR.**

The appropriation for Program 44503 - Transfer to Golf Debt Service, in Fund 681 was overstated by $26,000 in the FY07 CAFR. The CAFR shows the amount budgeted in both the original and revised budget for this program is $346,000. The correct amount is $320,000. The DFAS – Accounting Division referred to the total Debt Service line item in the FY07 Approved Budget instead of the Transfers to Debt Service line item when they prepared the CAFR.

According to the Government Finance Officers Association (GFOA), many groups and individuals need reliable information about a government’s finances. Interested parties seeking financial data about a government often must rely on general purpose external financial reports. Users of the FY07 CAFR do not know that an incorrect budget amount for the Transfer to Golf Debt Service Fund was reported.

**RECOMMENDATION**

DFAS should ensure appropriations are accurately reported in the CAFR.

**RESPONSE FROM DFAS**

“DFAS Accounting agrees with the audit finding and recommendation and will ensure that all budget presentations are accurately reported in the City's Fiscal Year 2008 CAFR. The $26,000 budget overstatement in the Golf Transfer account, Fund 681 will be corrected when the Fiscal Year 2008 CAFR is submitted to the Office of the State Auditor on December 1, 2008.”

**OTHER INFORMATION**

There were 51 general fund and 24 other operating programs that were underspent by more than $100,000 or 5%. These programs are highlighted in gray on the attached Tables A & B.

There were six general fund and two other operating programs whose underexpenditures exceeded $500,000 and 10% of the approved budget. These programs are highlighted in blue on the attached Tables A & B.
The follow explanations are provided for these programs.

**GENERAL FUND PROGRAMS**

*Program 23510 – Cultural Services Division - CIP BioPark* program underspent its $2,053,000 budget by $728,863 or 36%. The underexpenditure in this program was due to salary savings.

*Program 25550 – DFAS - Citizen Services* program underspent its budget of $4,102,000 by $946,460 (23%). The primary cause of the underexpenditures was salary savings. Management reported that an average of 20 positions remained vacant throughout FY07 due to a change in management and a thorough review of the program.

*Program 31506 - Provide Mental Health Services* program in the Department of Family Services (DFCS) underspent its budget of $3,580,000 by $899,902 or 25%. The contractual services line item comprises 95% of the total program budget. This program includes several contracts such as Assertive Community Treatment (ACT), Crisis Outreach and Support Team (COAST) and the Mental Health Housing Coalition. Management reported that the ACT contract with UNM was for $992,000 but they only requested reimbursement for $386,000 because most of the program costs were reimbursed by Medicaid. A second ACT Team was planned, but was not developed in FY07. In addition, the contract with Albuquerque Mental Health Housing Coalition for "Housing First" services was underspent by over $100,000. Both of these contracts were funded with Public Safety Quarter Cent and the reversion was reappropriated in FY08.

*Program 31516 – Partner with Public Education* program in DFCS underspent its budget of $5,720,000 by $857,432 or 15%. The primary cause of the underexpenditure in this program was in the contractual services line item. The contract with Albuquerque Public Schools (APS)
accounts for the majority of the appropriation in the contractual services line item. APS provides programming and submits a reimbursement for their costs. DFCS management reported that $110,000 of the appropriation for the Community Schools Partnership was not spent. One-hundred thousand was appropriated for background checks for volunteers at APS but only half that contract was spent. The balance of the reversion was due to underspending by APS in the High School Drop-Out Prevention and Elementary/Middle School contracts.

**Program 49506 – Community Revitalization** program in the Planning Department underspent its budget of $3,700,000 by $1,568,903 or 42%. The underexpenditure occurred because there were sector plans that were not completed in FY07. Funds were encumbered and reappropriated in FY08.

**Program 77124 – City Support Functions - Transfer to Operating Grants Fund** program underspent its budget of $5,822,000 by $900,026 (15%). The transfer from the General Fund to the Operating Grants Fund for indirect overhead and the City’s match amount is based on an estimate of grants that will be received in the fiscal year. In FY07, the estimate that was appropriated was greater than grants actually received.

**OTHER OPERATING PROGRAMS**

**Program 33541 – Workers’ Compensation** program in the Risk Management Fund 705 underspent its $9,504,000 budget by $1,885,022 (20%). The claims payment line item is the reason for the underexpenditure in this program. Workers’ compensation claims expenses are difficult to predict given the uncertainty in the number and value of the claims that are filed.

**Program 47550 – Insurance and Administration** program in the Employee Insurance Fund 735 underspent its $49,182,000 budget by $6,313,794 or 13%. Management reported that during contract negotiations for FY07, insurance costs were estimated to increase 10% to 12%. The contracts were finalized after the FY07 budget was completed and the actual increased costs were only approximately 5%, resulting in the program being over budgeted. Funds for a Wellness Program were also included in the appropriation. This initiative was in the design and implementation phase in FY07.

**CONCLUSION**

OIAI believes the recommendations noted above will help the City ensure expenditures do not exceed budgeted amounts and appropriations will accurately be reported in the CAFR.

OIAI appreciates the cooperation of all City employees contacted during the audit.
Budget Auditor

REVIEWED:

Internal Auditor

APPROVED:                      APPROVED FOR PUBLICATION:

Carmen Kavelman, CPA, CISA, CGAP  Chairperson, Accountability in Government
Director                            Oversight Committee
Office of Internal Audit & Investigations