



External Quality Control Review

of the

City of Albuquerque
Office of Internal Audit

Conducted in accordance with guidelines of the
**Association of Local Government
Auditors**
for the period July 1, 2019 – June 30, 2022



Association of Local Government Auditors

April 26, 2023

Marisa C. Vargas,
Interim City Auditor
Office of Internal Audit
City of Albuquerque
One Civic Plaza, Suite 5025
Albuquerque, NM 87103

Dear Ms. Vargas,

We have completed a peer review of the City of Albuquerque Office of Internal Audit for the period July 1, 2019 through July 1, 2022. In accordance with generally accepted government auditing standards peer review requirements, we followed the standards and guidelines contained in the *Peer Review Guide* published by the Association of Local Government Auditors (ALGA).

We reviewed the internal quality control system of your audit organization and conducted tests in order to determine whether your internal quality control system was adequately designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards* issued by the Comptroller General of the United States and applicable legal and regulatory requirements. Our procedures included:

- Reviewing the audit organization's written policies and procedures.
- Reviewing internal monitoring procedures.
- Reviewing a sample of audit and non-audit working papers.
- Reviewing documents related to independence, training, and development of auditing staff.
- Interviewing auditing management and staff to assess their understanding of, and compliance with, relevant quality control policies and procedures.

Due to variances in individual performance and judgment, compliance does not imply adherence to standards in every case but does imply adherence in most situations. Organizations can receive a rating of pass, pass with deficiencies, or fail. The City of Albuquerque's Office of Internal Audit has received a rating of pass.

Further, based on the results of our review, it is our opinion that the City of Albuquerque, Office of Internal Audit's internal quality control system was adequately designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards* and applicable legal and regulatory requirements for audits and non-audit engagements during the July 1, 2019 through June 30, 2022.

We have prepared a separate letter offering suggestions to further strengthen your internal quality control system.

Sincerely,



Van Lee, MBA, CRMA, CICA
Audit Manager
Office of the City Auditor
City and County of Honolulu, HI



Rebecca Testin, CPA, CIA
Huntersville, NC



Association of Local Government Auditors

April 26, 2023

Marisa C. Vargas,
Interim City Auditor
Office of Internal Audit
City of Albuquerque
One Civic Plaza, Suite 5025
Albuquerque, NM 87103

Dear Ms. Vargas,

We have completed a peer review of the City of Albuquerque Office of Internal Audit (OIA) for the period July 1, 2019 through July 1, 2022 and issued our report thereon dated April 26, 2023. We are issuing this companion letter to offer certain observations and suggestions stemming from our peer review.

We would like to mention some of the areas in which we believe your office excels:

- **Audit Reports.** The Office of Internal Audits' reports are concise, well-written, and reflect adherence to government auditing standards (GAS).
- **Supportive Management and Staff.** Staff report a highly supportive, collaborative environment among peers and supervisory staff that is dedicated to ensuring education and competency of staff.
- **Commitment to Improvement and Compliance with Governance Auditing Standards.** During our review we found that circumstances during the start of the review period resulted in OIA being less than current in following current GAS standards. Management and staff recognized these issues and have taken and are continuing to proactively monitor and update practices ensure compliance with the most current GAS standards.

We offer the following observations and suggestions to enhance your organization's demonstrated adherence to *Government Auditing Standards*:

- **GAS 4.50(e)** (Monitoring CPE) states: *The audit organization's policies and procedures for CPE may address the following: monitoring auditor compliance with the CPE to ensure that auditors complete sufficient CPE in qualifying programs and subjects.* We found OIA's CPE Tracker is a potentially effective mechanism to monitor and verify completion of GAS 4.16 CPE requirements. However, management has not used the system to effectively monitor staff's compliance with GAS 4.16. As a result we found that several staff failed to meet CPE requirements during OIA's two-year reporting period for this peer review. We also found instances of insufficient documentation to support completed CPE hours. We suggest that management adopt practices to review and monitor the OIA tracking information on a semi-annual basis in order to identify CPE progress and compliance and proactively ensure that staff pursue compliance with GAS 4.16 requirements.

- **GAS 5.04** (System of Quality Control) states: *An audit organization should document its quality control policies and procedures and communicate those policies and procedures to its personnel.* **GAS 8.88** (Supervision) states: *Audit supervision involves providing sufficient guidance and direction to auditors assigned to the audit to address the audit objectives.* We found that OIA's current management utilized a revised policies and procedures together with a set of supporting documents and detailed procedures for utilization of its new TeamMate software program to guide staff in executing OIA's quality control system. However, we found that some specific GAS-required quality control measures are not documented. We believe that documentation of these GAS quality control requirements provides more complete guidance and greater assurance of staff compliance. We suggest that OIA ensure its quality control system addresses the following:
 - GAS 3.27 Auditors should apply the conceptual framework at the audit organization, engagement team, and individual auditor levels.
 - GAS 3.60 Decline or terminate the engagement if threats cannot be eliminated or reduced to an acceptable level.
 - GAS 3.20 Verify auditors were independent during the period covered by the subject matter and period of the engagement. Recommend adding a "wrap-up" independence verification to the independence statement to cover consideration of independence throughout the engagement.
 - GAS 3.34 Evaluate the impact of threats identified after report issuance and take appropriate steps. OIA's ALGA Form 7 comments addresses states what is done but there is no documentation of this procedure in the documents provided.
 - GAS 8.32 States that if planning to use the work of specialists, auditors should document the nature and scope of the work to be performed by the specialist. OIA cites AGO Article 10, Section 2-10-15 which permits the use of specialists but does not address the documentation requirements.
 - GAS 8.82 Assess independence for any specialist used. Forms address staff independence but not specialist independence.
 - GAS 9.10(4) Auditors should prepare audit reports that contain if applicable, the nature of any confidential or sensitive information omitted.
 - GAS 9.45-GAS 9.47 Requirements: Reporting findings directly to parties outside of the audited entity. OIA cites its reporting procedures in ALGA Form 7 QCS, but this is not documented in P&P or supporting forms.
 - GAS 9.68 Discovery of Insufficient Evidence after Report Release. Recommend this be addressed in the description section under Post-Issuance Administration (TeamMate).

We extend our thanks to you and your staff for the hospitality and cooperation extended to us during our review.

Sincerely,



Van Lee, MBA, CRMA, CICA
 Audit Manager
 Office of the City Auditor
 City and County of Honolulu, HI



Rebecca Testin, CPA, CIA
 Huntersville, NC



City of Albuquerque

Office of Internal Audit

P.O. BOX 1293, ALBUQUERQUE, NM 87103

April 26, 2023

Van Lee
Audit Manager
Office of the City Auditor, City and County of Honolulu

Rebecca Testin
Senior Auditor

Dear Mr. Lee and Ms. Testin:

Thank you for your external quality control review report dated April 26, 2023. We are very pleased with your opinion that the City of Albuquerque's Office of Internal Audit was in compliance with *Government Auditing Standards* and applicable legal and regulatory requirements for audits and non-audit engagements during the July 1, 2019 through June 30, 2022 period.

We greatly appreciate the efficiency of the review team and its efforts to recognize areas in which our office excels relative to audit reports, supportive staff and management, and commitment to improvement and compliance with *Government Auditing Standards*. We would also like to thank Lyndon S. Remias' efforts in coordinating our peer review and putting together such a great team.

Our office is committed to continuously improving our audit processes. We appreciate the professionalism, time, and effort the review team devoted to help us become an effective audit organization.

Sincerely,

Marisa C. Vargas, Interim City Auditor