



# City of Albuquerque

*Office of Internal Audit*

P.O. BOX 1293, ALBUQUERQUE, NM 87103


August 22, 2018

Councilor Ken Sanchez, President  
City Council  
P.O. Box 1293  
Albuquerque, NM 87103

Dear Councilor Sanchez:

We have completed the Office of Internal Audit's Annual Report for fiscal year 2018. The Accountability in Government Oversight Committee approved the Annual Report on August 22, 2018, and we are pleased to transmit it to the City Council.

Sincerely,



Jim Thompson  
City Auditor  
Office of Internal Audit



***City of Albuquerque***  
***Accountability in Government Oversight Committee***  
**P.O. Box 1293 Albuquerque, New Mexico 87103**

August 22, 2018

Honorable Mayor Tim Keller, Members of the City Council, and Citizens of Albuquerque:

The Accountability in Government Oversight (AGO) Committee would like to recognize the Office of Internal Audit (OIA) City Auditor and his staff for their continued service to the Administration, City Council and the Citizens of the City of Albuquerque.

As this annual report demonstrates, OIA produces audits and non-audit services that include recommendations intended to improve City operations. It also shows the service OIA provides by offering its knowledge and expertise in responding to requests for assistance from department personnel.

The AGO Committee has found the OIA staff to be a professional and respected resource for the City of Albuquerque. As an independent, objective set of eyes that can help the organization accomplish its objectives, OIA is certainly an integral part of the City of Albuquerque government.

Sincerely,

Edmund E. Perea, Esq., Chairperson for  
Accountability in Government Oversight Committee

John A. Carey  
Elizabeth Metzger  
Daniel O. Trujillo  
Laura Smigielski Garcia



City of Albuquerque

# Office of Internal Audit

Fiscal Year 2018 Annual Report



Increasing the City's efficiency, effectiveness, and accountability to the citizens of Albuquerque



# Office of Internal Audit

## Fiscal Year 2018 Annual Report

### July 1, 2017 - June 30, 2018

## TABLE OF CONTENTS

	<u>Page</u>
Letter from the City Auditor .....	1
Organizational Chart .....	3
Audit Reports .....	4
Strategic Review Reports .....	6
Audit Hours by Department .....	8
OIA Budget .....	9
Performance Measures .....	10
Implementation of Recommendations .....	13
OIA Staff .....	14
Staff Bios .....	16

## Mission Statement

---

*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 15, 2018

Honorable Mayor Keller, Members of the City Council, Members of the Accountability in Government Oversight (AGO) Committee, and Citizens of Albuquerque,

I am pleased to present the Office of Internal Audit's (OIA) Annual Report for the fiscal year-end June 30, 2018 (FY2018). The Annual Report illustrates OIA's performance and is required by Section 2-10-14 ROA 1994 of the Accountability in Government Ordinance.

The City Auditor position was vacant for most of FY2018 until I was hired as City Auditor by the AGO Committee on June 23, 2018. During the vacancy of the City Auditor position, OIA maintained a service level that provided great value to the City and Citizens. The efforts of OIA's Audit Manager who served as the Acting City Auditor during the two-year vacancy period are applauded and recognized.

OIA completed various audits contained in the Annual Audit Plan, as well as non-audit services requested by the Administration and City Council to address emerging issues. For example, City Councilors' requested OIA to perform a performance review of APD's Independent Monitor. After considerable progress was made, the request was rescinded but would have provided a rapid response to a very urgent City matter.

OIA issued five audit reports, completed three strategic reviews, performed seven follow-up reviews, and responded to forty-eight requests for assistance in FY2018. Projects completed in FY2018 identified potential cost savings of approximately \$6.3 million.

The AGO Committee provides functional oversight of OIA to ensure audits, strategic reviews, follow-ups, and other non-audit services are performed in an impartial, equitable, and objective manner. Audit and non-audit services provide objective findings and recommendations to help the Administration and City Council:

- 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.

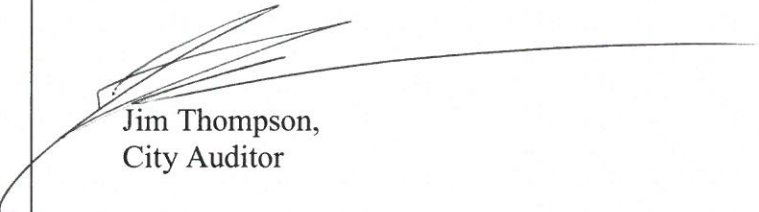
The term for two AGO Committee members will expire on September 1, 2018. The Mayor and City Council are responsible for appointing the respective At-large members. OIA continually strives to maximize the value of our services and looks forward to our continued service to the AGO, Citizens of

Albuquerque, the City Council, and the Administration by providing independent value added services.

OIA looks forward to another successful and productive year in FY2019. Our FY2019 audit plan includes expanded internal audit services, including 14 audits, 3 strategic reviews, and 8 follow-up reviews. OIA will continue to update our audit risk assessment and evaluate the effectiveness, efficiency and economy of the City's operations throughout FY2019. Our audit plan is flexible and allows us to add new audits in response to new risks identified during the year.

I would like to take this opportunity to thank the AGO and all OIA staff for their commitment to serving the public and for ensuring that our audits are done independently, objectively, unbiasedly and with integrity.

Sincerely,



Jim Thompson,  
City Auditor

# Organizational Chart

June 30, 2018

Section 2-10-5 ROA 1994 of the Accountability in Government Ordinance creates the Accountability in Government Oversight (AGO) Committee. The AGO Committee consists of five members from the community at large. The primary functions of the AGO Committee are to appoint the City Auditor of the Office of Internal Audit (OIA), approve OIA's annual audit plan, and approve audit, strategic review and follow-up reports.

## AGO Committee Composition

Name	Term Expiration	Representative
Laura Smigielski-Garcia	8/31/2018	At Large
John A. Carey	8/31/2018	At Large
Edmund E. Perea	8/31/2019	Law Enforcement
Elizabeth Metzger	8/31/2019	CPA
Daniel O. Trujillo	8/31/2020	Management Consultant

## OFFICE OF INTERNAL AUDIT Organizational Chart June 30, 2018





# FY2018 Audit Reports

Audit No. 17-101

EHD Air Quality Permit Revenue Process

October 25, 2017



The Environmental Health Department (EHD) has a dedicated program within the department that is responsible for air quality permits. EHD's Air Quality Program is responsible for the receipt, inspection, and issuance of air quality permits.

The purpose of this audit was to determine if EHD's internal controls are effective for ensuring the accuracy, timeliness, and appropriateness of air quality permit revenue transactions.

Overall, EHD's internal controls are effective for ensuring both the accuracy and appropriateness of air quality permit revenue, as well as the security of air quality permits. The department would benefit from establishing formal, detailed policies and procedures for the various revenue processes within the Air Quality Program. Formal policies and procedures would help ensure management's control activities and procedures are clearly defined and consistently applied by EHD staff.

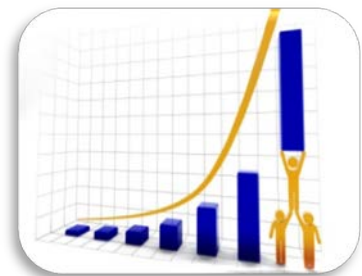
Audit No. 16-108

Performance Monitoring of Social Service Contracts

December 13, 2017

The Department of Family & Community Services (DFCS) is responsible for monitoring Social Service Contracts to ensure compliance with all City, State, and Federal regulations that govern the Social Service Contracts administrative, financial, and programmatic operations.

The purpose of this audit was to determine if DFCS has an effective and efficient process for monitoring the performance of Social Service Contracts.



In FY2016, DFCS had a passive performance monitoring process for over half of the department's Social Services Contracts. Fifty-nine percent of the contract files, totaling approximately \$33.2 million, had little or no evidence of performance monitoring and reporting, or did not meet the 90 percent performance objective requirement. As a result, DFCS does not have an adequate process to ensure that established performance objectives are accomplished, and renewed 83 percent of Social Service Contracts with performance issues.



June 27, 2018



Workforce Housing Trust Fund (WHTF) funding is often used as gap financing for multi-million dollar housing development projects. These funds make it easier for housing developers to bring in other investors and reduce the amount of high interest loans that they would otherwise incur.

The purpose of the audit was to determine if the Department of Family & Community Services (DFCS) is awarding WHTF money to low income housing projects in a timely manner and has an effective process to ensure expected outcomes have been accomplished.

On average, it takes DFCS 168 days to review and approve WHTF project applications. In addition, several monitoring compliance issues were identified such as inaccurate recording of monitoring activities and insufficient sample sizes for project monitoring.

Enhancing policies and procedures will enable DFCS to ensure WHTF funding is reviewed and awarded timely. The revisions will also assist DFCS in accurately and consistently monitoring low income housing projects to ensure that requirements are met and program objectives have been accomplished for the \$44 million appropriated to the WHTF program.

## Audit No. 18-104      Fresh & Clean Portable Restrooms, Inc. (2 Reports Issued)

June 27, 2018

The City contracts with Fresh & Clean Portable Restrooms, Inc. to supply portable restrooms for employees in the field and citizens attending the numerous City events throughout the year, including Summerfest and the Twinkle Light Parade.

The purpose of this audit was to review and report on Fresh & Clean's billing and insurance compliance for the period August 1, 2017 through March 23, 2018. A separate report was issued to Fresh and Clean and the City detailing the applicable findings for entity.



The audit found that Fresh & Clean was not billing in accordance with the contract and had overcharged the City an estimated \$1,192 during the audit period. City departments were not adequately reviewing invoices prior to authorizing payment, which allowed the discrepancies to exist and remain unnoticed.

# FY2018 Strategic Review Reports

## Strategic Review No. 17-402      2018 SID Cash Count

October 25, 2017



On an annual basis, the OIA conducts counts of petty cash funds and deposit verifications for the Special Investigations Division (SID) of the Albuquerque Police Department (APD).

The primary objectives of the strategic review were to determine if all petty cash funds entrusted to custodians are accounted for at fiscal year-end and are subsequently deposited in the SID's main checking account.

No exceptions were noted for the procedures above. All petty cash funds were accounted for at fiscal year-end, and subsequently deposited in the SID's main checking account.

## Strategic Review No. 18-401      Montessa Park Convenience Center Cash Count

October 25, 2017

OIA conducted a surprise cash count of the \$400 change fund maintained by the Solid Waste Management Department's (SWMD) Montessa Park Convenience Center (Montessa Park). OIA counted the change fund, reviewed cash handling certificates, and verified the adequacy of procedures for securing funds.

Montessa Park is one of three SWMD convenience centers where the public can drop off trash for transfer to the Cerro Colorado Landfill. The change fund is used to make change for paying customers.

The Montessa Park Cashier appropriately prevented access to the funds until credentials had been verified, and the \$400 change fund was accounted for without exception.

OIA noted compliance issues in the following three areas:

- Safekeeping of Funds,
- Department Specific Policies and Procedures, and
- Cash Handling Certifications.



June 27, 2018



OIA conducted a surprise cash count of the \$350 petty cash fund maintained by APD. An overage of \$.86 was noted during the petty cash count. Cash and vouchers on hand totaled \$350.86 while the fund's approved balance is \$350.

In addition to the overage, petty cash practices were not in compliance with the City's *Cash Management Manual* in eight areas. The eight areas

pertain to:

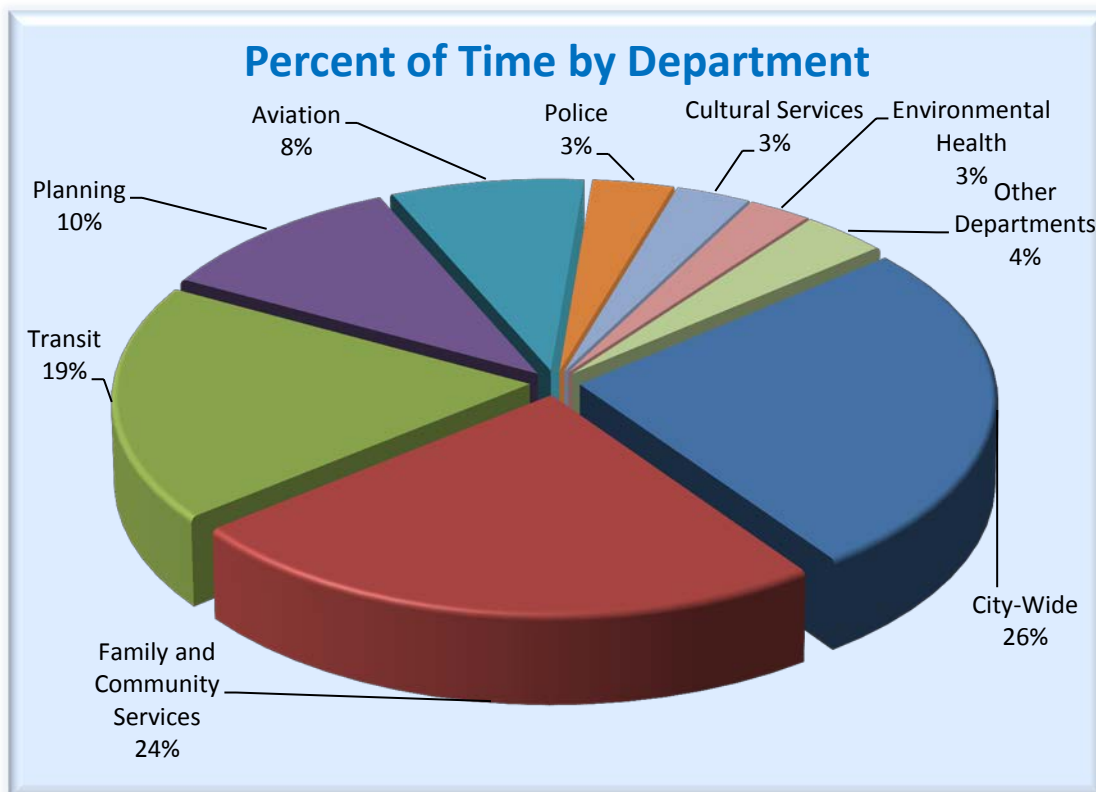
- Fund Access,
- Cash Handling Certification,
- Voucher Completion,
- Petty Cash Log Use,
- Department Policy & Procedure,
- Reconciliation,
- Replenishment, and
- Allowable Purchases.

APD may no longer require a petty cash fund. Receipts were dated between December 2015 and November 2017 and the fund had not been replenished since December 2015. The petty cash custodian stated that APD rarely uses the petty cash and may eliminate it.

# Audit Hours by Department

Department	Hours
City-Wide	1,417
Family and Community Services	1,300
Transit	1,006
Planning	566
Aviation	431
Police	180
Cultural Services	165
Environmental Health	140
Other Departments	191
<b>Total</b>	<b>5,396</b>

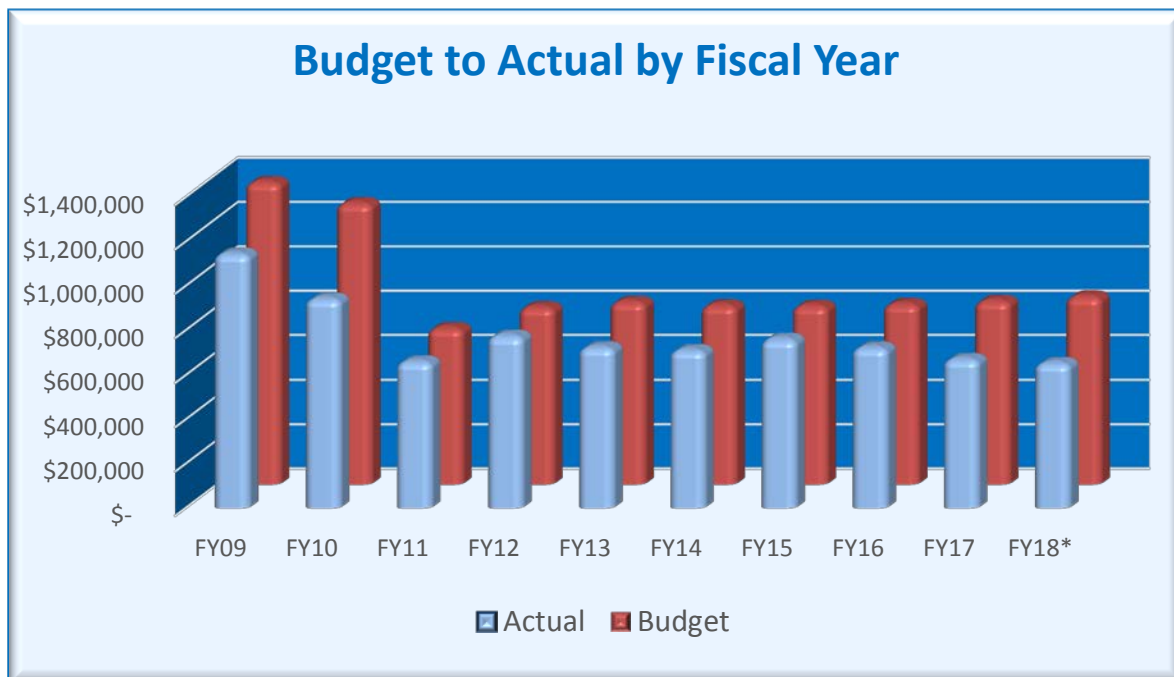
The table above only includes directly applicable hours for OIA projects. Excluded hours include paid holidays, vacation leave, sick leave, and administrative time. Administrative time includes department activities such as staff meetings, required training to maintain certifications, and required management activities to maintain the day-to-day operations of the office. The chart below illustrates the percentage of time OIA dedicated to City departments in FY2018.



# OIA Budget

OIA's FY2018 budget was \$850,000. Estimated actual expenses for FY2018 are \$659,000. The City Auditor position remained vacant until the last week of FY2018, which is the primary reason for the disparity between the budgeted vs. actual expenditures. The FY2019 budget was increased to \$948,000 (11.5%), and is primarily due to the creation of a Staff Auditor position.

In FY2018, the Acting City Auditor expressed and the AGO Committee recognized the need for the creation of one (1) Staff Auditor position. The Staff Auditor position will allow OIA to create a career ladder for the more demanding Principal Auditor positions, and increase the office's ability to perform less technical projects such as surprise cash counts, municipal tax collection reviews, and ad-hoc best practice research. Inclusive of benefits, the position increased OIA's budget by \$75,000.



*\*Actual expenditures for FY2018 are approximate, as they are unadjusted and unaudited.*

**Note:** For the years FY2009 through FY2010, the budget also contained activity for the Office of Inspector General (OIG). OIA and OIG became separate departments in FY2011.

# Performance Measures

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 measuring the efficiency and effectiveness of City programs; and
- ✦ Recommending programs/policies, which educate and raise the awareness of all City officials and employees.

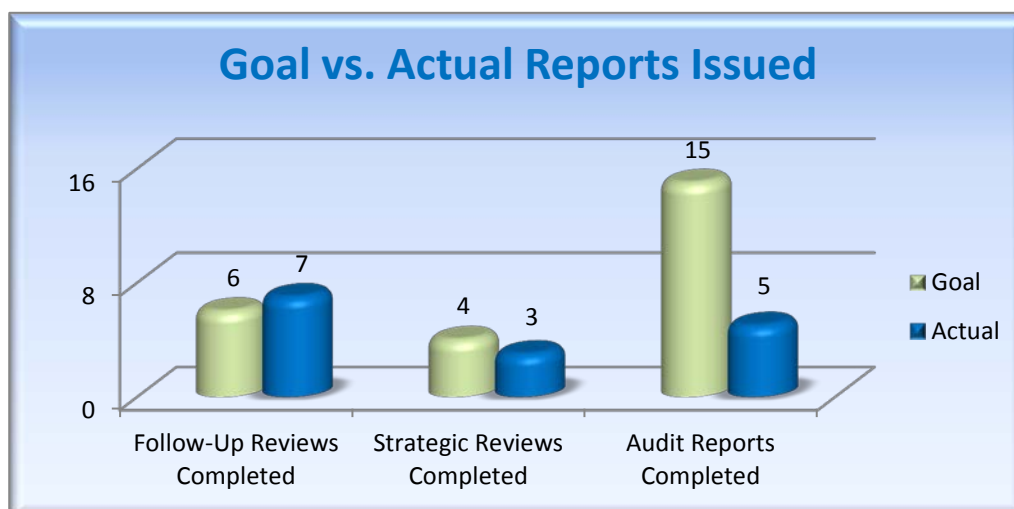
The OIA Program Strategy is part of the City's Goal No. 8, *Government Excellence and Effectiveness*.

## OIA's FY2018 Performance Measures

### REPORTS ISSUED

One of OIA's outputs is measured by the number of reports completed during each fiscal year. OIA completed four audits and issued five reports in FY2018. Although the project mix differed from our goal, the value of OIA's efforts has been very beneficial to the City.

Strategic reviews are particularly valuable and are designed to add value by providing rapid responses to urgent City issues or ensure compliance in high-risk areas. For example, City Councilors' requested OIA to perform a performance review of APD's Independent Monitor. After considerable progress was made, the request was rescinded but would have provided a rapid response to a very urgent City matter. OIA completed three strategic reviews in FY2018. The chart below illustrates the project goals versus actuals for FY2018.



### Audit Reports

The FY2018 Goal was to complete 15 audit reports. Five audit reports were issued and another seven audits were in various stages of completion at year-end. Audits require a significant amount of planning and documentation in order to comply with *Government Auditing Standards*. In addition, the audited entity and/or the Administration prepare formal responses to the audit recommendations, which are included in the final report.

### Strategic Reviews (Special Projects)

The FY2018 Goal was to complete four strategic reviews. Three strategic reviews were completed and one was discontinued at the request of City Council in FY2018. Strategic reviews are performed at the request of the Administration and/or City Council, or in response to emerging issues. Generally, they do not require as much planning or documentation as audits and can be completed in less time.

### Follow-Up Reviews

The FY2018 Goal was to complete six follow-up reviews. Seven initial follow-up reviews were completed in FY2018.

OIA follows up on recommendations made in past audits to determine the status of implementation. Follow-up reviews help motivate the audited entities to make the recommended changes. The follow-up reviews are generally conducted one year after an audit is completed.

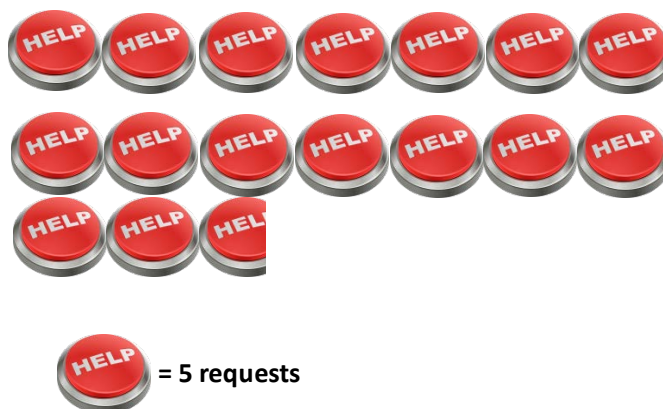
## REQUESTS FOR ASSISTANCE

OIA also measures service quality by the number of requests for assistance received from other City departments and organizations. Requested assistance ranges from technical explanations to advice on implementing internal controls. For example, APD contacted OIA to gain insight about OIA's operations and established independence in preparation of creating an independent internal audit division within APD. As shown below, the number of requests for assistance in FY2018 exceeded expectations by 13 requests.

### FY2018 Requests for Assistance

Goal: 35 Requests

Actual: 48 Requests





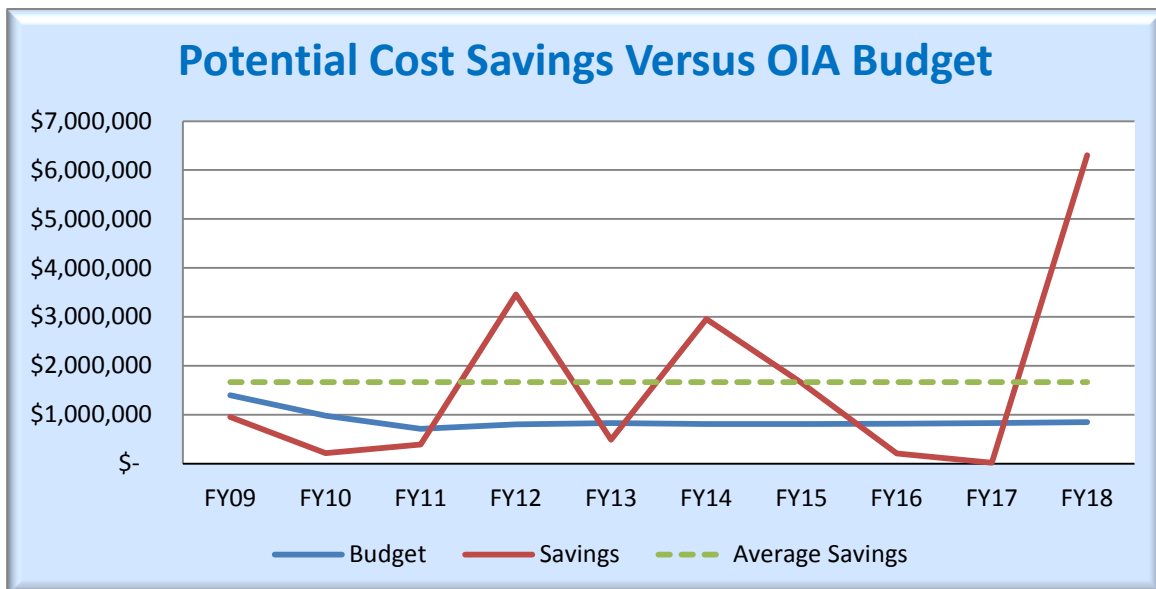
## AFTER AUDIT SURVEY RATINGS

Another quality measure of OIA services is the average ratings provided by auditees after audits are completed. Each audited department or vendor is asked to complete an after-audit survey. The survey requests the auditee to provide a rating of the auditor, the audit process, and the audit report on a one to five scale, with five being the highest rating. The after audit survey goal is 4.5. One response was received from the four audits performed in FY2018. The average rating for the response was 4.2.

## SAVINGS IDENTIFIED BY PROJECTS

Each year OIA identifies costs savings, either one-time or recurring. OIA's goal is to be self-sufficient and fully recover the costs of OIA's operations. Projects completed in FY2018 identified potential savings equal to 742 percent (\$6.3 million) of the department's budget for the year. The potential annual savings identified by OIA over the past 10 years averaged \$1.7 million.

Many projects result in increased efficiencies and compliance. However, the value gained from some projects cannot be easily quantified. As a result, this measure may not be achieved every year, as illustrated below.



# Implementation of Recommendations

OIA strives to improve the operational efficiency of departments by identifying the root causes to audit findings and proposing value added recommendations to address the findings.

Follow-up procedures rely on the department(s) providing the status of the recommendations. Follow-up procedures are substantially less in scope than an audit. The objective is to report on the status of corrective action regarding the findings and recommendations.

OIA conducted seven initial follow-up reviews in FY2018. City departments *fully implemented* or *resolved* 65 percent (17) of audit report recommendations and 35 percent (9) were *in process* at the time the follow-ups were performed. The table below illustrates each follow-up and the status of associated recommendations.

Follow – up No.	Title	Original Report Date	Recommendations		
			Fully Implemented or Resolved	In Process	Not Implemented
<b>17-14-101F</b>	Inspection of Public Records Act	10/29/2014	2	2	0
<b>18-14-105F</b>	Albuquerque Police Department – DWI Overtime	5/8/2014	5	0	0
<b>18-14-107F</b>	TASER International Body-Worn Camera Procurements	5/5/2015	5	1	0
<b>18-15-102F</b>	Albuquerque Convention Center Renovation – Phase II Change Orders	2/25/2015	2	1	0
<b>18-15-103F</b>	Traffic Engineering CIP Payroll and Staffing	1/28/2015	1	2	0
<b>18-15-106F</b>	Albuquerque Police Department Purchase and Tracking of Ammunition	6/24/2015	1	1	0
<b>18-15-107F</b>	Use and Management of Staffing Agency Employees	6/24/2015	1	2	0
<b>Recommendation Totals</b>			<b>17</b>	<b>9</b>	<b>0</b>

# OIA Staff

---

**FY2018 Approved Staff Level = 7**  
City Auditor, Audit Manager, Contract Auditor,  
Senior Information Systems Auditor, two Principal  
Auditors, and Executive Assistant



OIA had an approved staffing level of seven (7) for FY2018. The City Auditor retired at the end of FY2016 and the Audit Manager continued to serve as Acting City Auditor until the last week of FY2018. One of the Principal Auditor positions was also vacant eight months of FY2018.

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

- 3 Masters in Business Administration (MBA)
- 3 Certified Public Accountants (CPA)
- 1 Certified Internal Auditors (CIA)
- 1 Certified Information Systems Auditor (CISA)
- 1 Certified Government Auditing Professional (CGAP)
- 4 Certified Fraud Examiner (CFE)
- 1 Certified Information Technology Professional (CITP)
- 1 Certified in Financial Forensics (CFF)
- 1 Certified Six Sigma Green Belt (CSSGB)
- 1 Certified Government Financial Manager (CGFM)
- 1 Information Technology Infrastructure Library - Foundation (ITIL F v3)
- 1 Associate in Risk Management (ARM)



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 Albuquerque Chapter of Certified Public Accountants (ACPA)
- The Association of Government Accountants (AGA)



ALGA



## STAFF – BIOS

---

### **James Thompson – City Auditor**

Jim is a CPA and CFE and has over twenty-five years of audit experience. Over the years he has performed a variety of audits and forensic audits involving large government entities and is experienced in performing audits in accordance with generally accepted *Government Auditing Standards*. Many of these audits involved city, county, and state & local government audits throughout New Mexico. Prior to becoming the City Auditor in June of 2018, he worked for several large public accounting firms. He began his audit career as an auditor in 1989 with Arthur Andersen, a big four public accounting firm. In 1999, Jim left Arthur Andersen to join a large local public accounting firm that was later merged with a large national firm in 2006. Jim served as a partner in the large national firm's governmental practice from 2006 until his retirement from the firm in 2017. Jim graduated from UNM's Anderson School of Business in 1989 and proudly served in the United States Coast Guard from 1982 to 1986.

---

### **Lawrence L. Davis – Audit Manager**

Lawrence has more than 14 years of audit, accounting, and financial management experience. He has a diverse background from both private and public sectors, which includes financial management experience with multi-billion dollar corporate expense accounts and public pension fund accounting experience with the New Mexico Educational Retirement Board's \$11 billion retirement fund. Lawrence 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 Program Evaluation (Audit) unit of the New Mexico Legislative Finance Committee.

---

### **Alan R. Gutowski - Senior Information Systems Auditor**

Alan Gutowski has worked for the Office of Internal Audit (OIA) 2 times; most recently returning as the Senior Information Systems Auditor on May 14, 2016. He has worked for the City of Albuquerque for over 17 years. Alan was the Risk Finance Manager for the City Risk Management Division from January 2012 thru May 2016. He previously worked for OIA from December 2000 – January 2012 as the Senior Information Systems Auditor and as the Audit Manager. Prior to being employed by the City, Alan worked for 10 years in the private sector in the banking and healthcare industries in various positions, and in public accounting in various positions. He graduated from the University of New Mexico Anderson School of Management with a BBA with a concentration in Accounting. Alan is a CPA licensed in New Mexico, CISA, CITP, ITIL F v3, CFE, CSSGB, and ARM. He is a member of the AICPA, IIA, ISACA, ACFE, AGA, ASQ, and ALGA.

---

### **Christina Owens – Contract Auditor**

A member of OIA since November 2011, Christina has over 20 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. She is a member of the AICPA, ACFE, IIA, and ALGA.

---

### **Chad Mantelli - Principal Auditor**

Chad has over 10 years of audit and compliance experience in both the private and public sectors. He has served in various capacities for insurance companies, and financial institutions. Prior to joining OIA, Chad served as an auditor for the Office of the Inspector General at the New Mexico Department of Transportation. He is a graduate of the University of Texas – Dallas, and holds a Bachelor's Degree in Economics and Finance. Chad also holds an MBA from New Mexico Highlands University. Chad is a member of the IIA and ALGA.

---

### **Jennifer Baca - Principal Auditor**

Jennifer is a recent addition to the OIA staff. Before joining OIA, Jennifer worked for the City of Albuquerque's Accounting Division as the Accounting Systems Coordinator. Prior to working for the City of Albuquerque, Jennifer served as the Executive Director of the New Mexico Public Accountancy Board. She gained audit experience while working for the NM Gaming Control Board, where she performed audits of Commercial, Tribal, and Non-profit casinos throughout the State of New Mexico. She graduated from the University of New Mexico Anderson School of Management with a BBA with a concentration in Accounting. Jennifer is a CGFM and CFE.

---

### **Joy Serna - Executive Assistant**

Joy recently joined the OIA staff as Executive Assistant, but has been with the City of Albuquerque for over 12 years. Her career began at the Albuquerque Museum of Art and History with the Cultural Services Department. Prior to joining OIA, Joy worked at the Planning Department, where she was the Senior Administrative Assistant for the Code Enforcement Division and also the secretary for the Housing Authority and Appeals Committee. She currently also serves as Executive Assistant for the Office of Inspector General.