



# City of Albuquerque

*Office of Internal Audit*

P.O. BOX 1293, ALBUQUERQUE, NM 87103

April 25, 2019

Councilor Klarissa J. Pena, President  
City Council  
P.O. Box 1293  
Albuquerque, NM 87103

Dear Councilor Pena:

We have completed our review of the Audit Plan for Fiscal Year (FY) 2020 submitted by the Office of Internal Audit. The Accountability in Government Oversight Committee has approved the Audit Plan and we are pleased to transmit it to the City Council for immediate action and final approval as a resolution.

The Audit Plan is based on a risk analysis of City departments and programs. There are approximately 7,560 audit hours available during FY2020.

Sincerely,

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



City of Albuquerque

# Office of Internal Audit

Fiscal Year 2020 Audit Plan



Increasing the City's efficiency, effectiveness and accountability for the  
Citizens of Albuquerque



# FY2020 Audit Plan

## Introduction

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In accordance with Section 2-10-11 ROA 1994 of the Accountability in Government Ordinance, the Office of Internal Audit (OIA) is pleased to submit the Fiscal Year (FY) 2020 Audit Plan. OIA uses a dynamic risk-based approach for selecting and prioritizing audits. The Audit Plan facilitates the efficient allocation of OIA's limited resources.

The FY2020 Audit Plan dedicates resources to audits, special audits, strategic reviews, audit follow-ups, and the completion of work in process at July 1, 2019. The majority of the Audit Plan is comprised of 17 audits with a resource demand of 5,300 hours. OIA will also dedicate 2,260 hours to other value added services and completion of audits in process at July 1, 2019.

In an effort to increase the response time of OIA's audits and maximize the value of our services, we have targeted high-risk areas that allow for narrowed scopes. This effort will allow quicker turnaround times and enable OIA to address identified issues in a timely manner. However, some audits are inherently complex and demand additional time to provide quality results. OIA will not sacrifice quality for timeliness, and will adhere to the exceptional internal quality standards that have consistently enabled us to comply with *Generally Accepted Government Auditing Standards* (GAGAS).

Other value added services that increase accountability include special audits, audit follow-ups, and strategic reviews. Below are brief explanations for each service.

- Special Audits – Audits not specifically identified in the FY2020 Audit Plan but are anticipated and subsequently assigned based on the impact and value of addressing ad-hoc issues. These are frequently performed at the request of the City Council or City Administration.
- Audit Follow-Ups – Follow-ups report on the status of corrective actions taken to address OIA's recommendations for the specified audit. A follow-up is substantially less in scope than an audit, and is typically performed one year after the date the audit was issued.
- Strategic Reviews – Reportable non-audit services that are designed to add value by providing rapid responses to urgent City issues or ensure compliance in high-risk areas. Strategic reviews may include, but are not limited to bench marking, best practice research, targeted compliance reviews, and surprise cash counts.

## High Risk Areas Not Addressed

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OIA's available resources limit the number of audits that can be completed each year. As a result, there are a number of high-risk areas that are not addressed by the FY2020 Audit Plan, but may be considered in future audit plans.



## OFFICE OF INTERNAL AUDIT

### Annual Audit Plan For the Year Ending June 30, 2020

| <u>DESCRIPTION</u>  | <u>Estimated<br/>Audit Hours</u> |
|---|----------------------------------|
| <b>Aviation Department</b>  |                                  |
| Management of Concessionaire Contracts<br>Goal Area: Public Infrastructure                                  | 400                              |
| <b>Citywide</b>   |                                  |
| Targeted Revenue Source(s)<br>Goal Area: Government Excellence and Effectiveness                            | 300                              |
| <b>Citywide</b>   |                                  |
| Vehicle Take Home, Mileage, and Usage<br>Goal Area: Government Excellence and Effectiveness                 | 400                              |
| <b>Citywide</b>   |                                  |
| Two City Vendors - Targeted Billing Compliance<br>Goal Area: Government Excellence and Effectiveness        | 400                              |
| <b>Citywide</b>   |                                  |
| Two City Vendors – Compliance with Contract Terms<br>Goal Area: Government Excellence and Effectiveness     | 500                              |
| <b>Citywide</b>   |                                  |
| Targeted Department(s) Purchase and Travel Card Usage<br>Goal Area: Government Excellence and Effectiveness | 400                              |
| <b>Department of Finance and Administrative Services</b>  |                                  |
| Risk Recovery Funding<br>Goal Area: Government Excellence and Effectiveness                                 | 300                              |
| <b>Department of Finance and Administrative Services</b>  |                                  |
| Budget Allocation and Adjustment Process<br>Goal Area: Government Excellence and Effectiveness              | 400                              |
| <b>Department of Finance and Administrative Services</b>  |                                  |
| Management and Analysis of Paid Risk Claims – Non APD<br>Goal Area: Government Excellence and Effectiveness | 300                              |

# FY2020 Audit Plan



## DESCRIPTION

## Estimated Audit Hours

### **Department of Finance and Administrative Services**

Developer Financing Programs 250  
 Goal Area: Government Excellence and Effectiveness

### **Department of Finance and Administrative Services**

City Operator Permit Program 300  
 Goal Area: Government Excellence and Effectiveness

### **Department of Municipal Development**

CIP Overhead – Composition and Reconciliation 350  
 Goal Area: Public Infrastructure

### **Parks and Recreation Department**

Targeted Concessionaire Contracts 300  
 Goal Area: Human and Family Development

### **Parks and Recreation Department**

Accountability and Use of Equipment and Inventory 400  
 Goal Area: Human and Family Development

### **Planning Department**

Board-Up Program 300  
 Goal Area: Sustainable Community Development

**Unplanned Special Audit(s)** 300

**Strategic Reviews** 1,100

**Follow-up Status Reports** 240

**Complete Work in Process at July 1, 2019** 620

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**TOTAL HOURS INCLUDED IN FY2020 AUDIT PLAN** **7,560**

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# FY2020 Audit Plan

## Mission Statement

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To provide independent, objective and value added audits and services that promote transparency, accountability, efficiency and effectiveness for the citizens of Albuquerque.

## Staff

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|--------------------|------------------------------------|
| Jim Thompson       | City Auditor                       |
| Lawrence L. Davis  | Internal Audit Manager             |
| Alan R. Gutowski   | Senior Information Systems Auditor |
| Christina M. Owens | Contract Auditor                   |
| Jennifer Baca      | Principal Auditor                  |
| Vacant             | Principal Auditor                  |
| Brandi Bell        | Staff Auditor                      |
| Joy Serna          | Executive Assistant                |

## Quality Control Compliance

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OIA performs audits in accordance with GAGAS issued by the Comptroller General of the United States. OIA is committed to improving the audit process, and undergoes an independent external quality control review every three years. In October 2016, OIA passed its fourth GAGAS compliance quality control review for the period of July 1, 2013 through June 30, 2016. The next GAGAS compliance quality control review will be conducted in FY2020 and will review the period of July 1, 2016 through June 30, 2019.

## Principles for Audit Plan Development

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In order to provide practical guidance and a framework for the development of the annual Audit Plan, the following principles are recognized and observed:



## FY2020 Audit Plan

- Audit resources are limited, resulting in significantly less than one hundred percent audit coverage each year. This inherent limitation is mitigated by using a dynamic risk assessment to select and prioritize audits.
- The risk assessment criteria used in the ranking of the audit suggestions places an emphasis on perceived and actual knowledge of systems of internal control.
- The Audit Plan is viewed as a flexible and active tool that can be amended throughout the year to reflect changing City risks and priorities.
- The Audit Plan gives consideration to those audits that may be mandated by City Ordinance.

The Audit Plan is developed with the understanding that there are risks and limitations associated with any method or system of prioritizing audits. As a result, the risk factors and scoring process are periodically evaluated and modified in an effort to continuously refine the Audit Plan process.

## Audit Selection and Prioritization

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The development of an annual risk-based audit plan is a dynamic process. Throughout the year, OIA staff members obtain information from a variety of sources for inclusion in the risk assessment process. Audits considered for the Audit Plan are compiled from suggestions by OIA staff, surveys, complaints, known areas of risk, the Comprehensive Annual Financial Report, and other sources of information.

To develop the FY2020 Audit Plan, OIA surveyed the Accountability in Oversight Committee, City Council, City Administration, department directors, and created general surveys on the City's intranet and external website to allow all City employees and citizens to provide audit suggestions. Survey participants were asked to identify City departments, divisions, and processes that would benefit from independent audit or review. Respondents also identified areas they believed could be subject to fraud, waste, or abuse.

Survey suggestions were then compiled, evaluated, and rated using OIA's risk assessment matrix. The risk assessment matrix uses a weighted average to prioritize audits. The following risk factors were used:

- Impact factors such as financial impact, volume of transactions, number of personnel, revenue generated, alignment of responsibility with authority, and trends;
- Risk perception from the Administration, City Council, department personnel, and potential culture issues within departments;
- Changes in the organization's management, key personnel and information systems;
- Time since the last internal/external audit; and
- Control factors such as regulatory environment, fraud potential and public perception.



## FY2020 Audit Plan

The number of audits selected for the Audit Plan is based on the impact the audit may have (the problem or risks the audit may address and the likely types of opportunities for improvement that may result); the sensitivity, complexity, and difficulty of the project compared to its likely impact; the breadth and depth of audit coverage across City government; staff qualifications; and available resources.

### Preparing the Annual Audit Plan

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The objective of the annual planning process is to establish and schedule audit activities for the next fiscal year. The principles and procedures discussed in this document have been developed to provide a process for fulfilling this objective. A critical component of the annual audit planning process is to ensure qualified audit personnel are assigned to the highest priority assignments.

Staff assignments are based on experience, qualifications, interests, and availability. During the Audit Plan development process, we may identify projects that may also require additional expertise from consultants.

The final step in completing the annual Audit Plan is to estimate the number of available staff hours in the year and apply these to the estimated hours needed to complete selected audits and projects. The FY2020 Audit Plan, on pages 2 and 3, is presented along with the estimated time allocations for individual audits and projects.

### Estimated Audit Hours

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We estimate the total number of direct audit hours available for FY2020 to be approximately 7,560. We reduce the 2,080 annual full-time hours per auditor in FY2020 by holidays, vacation leave, sick leave, administrative time, staff meetings, and the annual required training to maintain certifications and comply with GAGAS. The available-hours calculation anticipates no staff turnover and that the vacant Principal Auditor position will be filled by June 30, 2019.

In addition to the 7,560 direct audit hours, OIA's management will dedicate an additional 1,700 hours to reviewing audit work papers and reports to ensure compliance with OIA's system of quality control, professional standards, and regulatory requirements. OIA management accepts responsibility for the system of quality control and continually strives to improve OIA's operations.