



**City of Albuquerque**

# Office of Internal Audit

Fiscal Year 2024 Audit Plan



## Overview

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The Office of Internal Audit (OIA) is responsible for conducting independent audits and assessments of operations for the City of Albuquerque (City). OIA benefits the City and its citizens by making recommendations that reduce costs, increase revenues, and improve performance and operations. Our mission is to provide objective and independent evaluations and effective solutions that promote transparency, accountability, efficiency, and effectiveness of City government for the citizens of Albuquerque.

## Introduction

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In accordance with Section 2-10-11 ROA 1994 of the Accountability in Government Ordinance, OIA is pleased to submit the Fiscal Year 2024 Audit Plan (FY2024 Audit Plan). The US Government Accountability Office's *Generally Accepted Government Auditing Standards – 2018 Revision* (Government Auditing Standards) and the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing* (IIA Standards) encourage the chief audit executive to establish a risk-based approach to determine the priorities for City Auditor activities.<sup>1</sup>

An Audit Plan is created by soliciting ideas from a variety of internal and external sources, examining data and processes, and then assessing the risk factors. Audit services considered for the Audit Plan are compiled from suggestions by the general public, City employees, City Administration, City Council, the Accountability in Government Oversight Committee (AGO), and OIA staff. All suggestions are evaluated and rated based on risk factors such as financial impact, risk perception, changes in the organization's management, time since the last internal/external audit, and control factors such as regulatory environment and fraud potential.

An Audit Plan facilitates the efficient allocation of OIA's current and planned resources; it also facilitates the prioritization of potential audit services based on the level of risk posed to the City. The FY2024 Audit Plan dedicates resources to audit services based on the risk assessment performed, completion of carryover audits from the prior year, special requests, strategic reviews, monitoring activities, follow-up audits, and advisory services. The majority of this Audit Plan is composed of six audits and two alternative audits. Alternative audits were included in case

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<sup>1</sup> *Generally Accepted Government Auditing Standards – 2018 Revision*, 8.04-5 and 8.16, July 2018, <<https://www.gao.gov/assets/gao-18-568g.pdf>>, accessed June 15, 2023. *International Standards for the Professional Practice of Internal Auditing*, 2000 and 2010, October 2017, <<https://www.theiia.org/globalassets/site/standards/mandatory-guidance/ippf/2017/ippf-standards-2017-english.pdf>>, accessed June 15, 2023.

additional or substitute projects are required. The Audit Plan also provides for hours to initiate an audit in the last quarter of the year that will carry over into FY25.

## Objective and Principles for Audit Plan Development

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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. However, the Audit Plan does not present the order in which audits will be performed, because OIA must remain flexible in order to execute the highest priority audits throughout the year, as previously mentioned. Additionally, audit scope and objectives will be defined or refined once a meeting about them is held and preliminary information is obtained and assessed.

To provide practical guidance for the development of the Audit Plan, OIA recognizes and observes the following principles.

- The Audit Plan is flexible, which allows the audit function to focus on stakeholder needs, accelerate audit cycles, drive timely insight, and reduce inefficiencies.
- The Audit Plan represents a dynamic and continuous process that adapts to changing business cycles, regulatory demands, and economic environments.
- The Audit Plan is a working document that may be revised, at the City Auditor's discretion and professional judgment, throughout the year as necessary to reflect changing risks and priorities.

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 Audit Plan will be evaluated quarterly. The City Auditor will exercise authority to reassess available resources and audits/projects while incorporating special requests and/or strategic reviews to ensure OIA is capturing immediate coverage of high-risk areas.

While OIA operates independently from other city entities, OIA leadership meets regularly throughout the year with City Council members, City Administration, and department directors and management to solicit input regarding emerging risks.

OIA extends its gratitude and appreciation to the Mayor's Office, City Council, AGO, City leadership and employees, and members of the public for providing input on the 2024 Audit Plan

and for supporting the general mission of our office throughout the year.

## Audit Selection and Prioritization

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OIA electronically surveyed the general public, City employees, City Administration, City Council, and AGO. Survey participants were asked to identify City departments, divisions, contracts, vendors, and processes that would benefit from an independent audit or review. Survey suggestions were then compiled, evaluated, and rated using OIA's risk assessment matrix. OIA's risk assessment uses a weighted average to prioritize audits. The following risk factors were utilized: economic impact, risk perception, changes within the organization, environmental factors, time since the last internal/external audit, results from the last audit, and the quality of the organization's internal controls.

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. OIA's available resources limit the number of audit services that can be completed each year. As a result, the Audit Plan does not, nor intends to, examine every City department, division, vendor, or potential risk. OIA believes that the Audit Plan utilizes resources strategically and that high-level priorities and risks are being appropriately addressed at this time.

## Estimated Audit Hours

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The City's FY2024 approved budget for OIA is \$979,000 and provides for seven audit staff positions and an administrative coordinator position. The number of annual hours available was adjusted to reflect that not all budgeted positions have been filled. OIA estimated the total number of annual hours available for FY2024 to be approximately 8,320. From the annual hours available, OIA reduced standardized hours per auditor for holidays, vacation and sick leaves, continuing professional education credits, supervision, administrative duties, and other assigned projects. OIA reduced additional hours to complete FY2023 carryover audits; anticipate special requests and strategic reviews; perform monitoring activities and follow-up audits; conduct cash counts and internal quality checks; and to complete the examination of qualifying contributions.

The resulting 1,902 hours represents the audit hours available to conduct FY2024 audits. Refer to Appendix B for the Calculation of Estimated Audit Hours.

Further, OIA will develop and perform detailed procedures during each individual audit to address identified specific risks. Each audit includes its own risk assessment process which further evaluates risk and allocates audit effort to the highest risks. OIA management accepts

responsibility for the system of quality control and continually strives to improve OIA's operations.

City management is responsible for establishing internal controls to detect and prevent fraud. Although fraud detection is not a primary responsibility of OIA, all audits consider the possibility that fraud, waste, or abuse may be occurring. OIA also considers the risk for inequity as part of our audit process<sup>2</sup>. This is in accordance with Government Auditing Standards, which specify that the management of public resources should be done effectively, efficiently, economically, and ethically.<sup>3</sup>

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<sup>2</sup> Albuquerque, NM, Accountability in Government Ordinance, § 2-C-1 (2022).

<sup>3</sup> *Generally Accepted Government Auditing Standards – 2018 Revision*, 1.03, July 2018, <<https://www.gao.gov/assets/gao-18-568g.pdf>>, accessed June 15, 2023.

# OFFICE OF INTERNAL AUDIT

## Annual Audit Plan

For the Year Ending June 30, 2024

<u>DESCRIPTION</u>	<u>Estimated Audit Hours</u>
<b>Fire Rescue</b> Overtime Performance Audit Goal Area: Government Excellence and Effectiveness	300
<b>Citywide</b> Strategic Review of the Gateway Center Goal Area: Government Excellence and Effectiveness	350
<b>Citywide</b> Contract Performance Audit Goal Area: Government Excellence and Effectiveness	400
<b>Citywide</b> Franchise Fees Performance Audit Goal Area: Government Excellence and Effectiveness	250
<b>Municipal Development Department</b> Strategic Review of a Targeted Vendor Goal Area: Government Excellence and Effectiveness	300
<b>Finance &amp; Administrative Services Department</b> Targeted Vendor Performance Audit Goal Area: Government Excellence and Effectiveness	300
<b>TOTAL HOURS INCLUDED IN FY2024 AUDIT PLAN</b>	<hr/> <b>1,900</b> <hr/>
<b>Alternative Audit – Albuquerque Community Safety Department</b> Policy and Procedure Framework Performance Audit Goal Area: Government Excellence and Effectiveness	
<b>Alternative Audit – Police Department</b> Victim Assistance Unit Performance Audit Goal Area: Government Excellence and Effectiveness	

## Appendix A - Operations

### Quality Control Compliance

Audits conducted by OIA are performed in accordance with the Government Auditing Standards. These standards provide the foundation for government auditors to lead by example in the areas of independence, transparency, accountability, and quality through the audit process. Each audit organization performing audits in accordance with Government Auditing Standards must have an external peer review performed by reviewers independent of the audit organization; such a review must occur at least once every three years. The objective of the peer review is to determine whether an audit organization's quality control system is suitably designed. A peer review also provides assurance that an audit organization is following its established policies, procedures, and applicable standards. In April 2023, OIA passed its sixth independent external quality control review for the period of July 1, 2019 through June 30, 2022.

### Types of Audit and Non-Audit Services

Below are brief explanations for each type of audit service provided by OIA.

- **Audits:** Audits are independent, objective and reliable evaluations of whether City organizations are operating in accordance with the principles of economy, transparency, efficiency and effectiveness. The City Ordinance requires the OIA to conduct all its audits in accordance with Government Auditing Standards<sup>4</sup>.
- **Special Requests:** Special requests are engagements not specifically identified in the Annual Audit Plan; rather, they are anticipated and subsequently assigned based on the impact and value of addressing new and emerging issues as requested.
- **Strategic Reviews:** Strategic reviews are reportable non-audit services that are designed to provide rapid responses to urgent City issues. Examples include targeted compliance reviews, surprise cash counts, and activities provided at the request of City boards and commissions (such as the Board of Ethics and the Citizens' Independent Salary Commission).

**Monitoring and Follow-Ups:** Monitoring activities are conducted for every audit report issued. Their purpose is to assess the status of corrective actions taken to implement the agreed-upon recommendations for a specific audit. Follow-up activities are performed on high-risk findings to

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<sup>4</sup> Albuquerque, NM, Accountability in Government Ordinance, § 8-A (2022).

assure that corrective actions implemented by management are effectively mitigating identified risks. Corrective action implementation progress is verified, documented, and reported.

## Staff

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<i>Vacant</i>	City Auditor
Marisa Vargas	Internal Audit Manager
Vanessa Meske	Lead Auditor
Connie Barros-Montoya	Principal Auditor
<i>Vacant</i>	Principal Auditor
Stacy Martin	Staff Auditor
Leslie Rendon	Staff Auditor
<i>Vacant</i>	Administrative Coordinator



## Appendix B – Calculation of Estimated Audit Hours Available for FY2024

	Lead Auditor	Principal Auditor	Principal Auditor*	Staff Auditor	Staff Auditor*	<b>Total</b>
<b>Total FY2024 Annual Hours Available</b>	<b>2,080</b>	<b>2,080</b>	<b>1,040</b>	<b>2,080</b>	<b>1,040</b>	<b>8,320</b>
Reduced Standardized Hours For:						
Holidays	104	104	52	104	52	
Vacation	120	120	60	120	60	
Sick Leave	40	40	40	40	20	
Continuing Professional Education	50	85	42	85	85	
Professional Organizations	60	0	0	0	0	
City Training	10	10	10	10	10	
Administrative Duties**	140	140	70	90	45	
Other Assigned Projects**	90	70	35	70	35	
Supervision	200	0	0	0	0	
						<b>5,822</b>
Reduced Additional Hours For:						
FY2023 Carryover Audits						1,300
Special Requests and Strategic Reviews						1,500
Follow-Ups						320
Cash Counts						320
Qualifying Contributions Examination						250
Monitoring						160
Internal Quality Check						70
Peer Review						0
Citizens' Independent Salary Commission						0
<b>Total FY2024 Estimated Audit Hours Available</b>						<b>1,902</b>

\* These positions may become vacant for a portion of the fiscal year.

\*\*Includes tasks such as: AGO meetings, staff meetings, staff performance appraisals, and updating the audit plan when necessary.