



City of Albuquerque

Office of Internal Audit

Fiscal Year 2023 Audit Plan





FY2023 Audit Plan

Overview

The Office of Internal Audit (OIA) is responsible for conducting independent audits and assessments of City operations. OIA benefits the City of Albuquerque 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

In accordance with Section 2-10-11 ROA 1994 of the Accountability in Government Ordinance, OIA is pleased to submit the Fiscal Year (FY) 2023 Annual Audit Plan (Audit Plan). Government Auditing Standards and the Institute of Internal Auditors' Standards encourage the chief audit executive to establish a risk-based approach to determine the priorities for City Auditor activities.

The Audit Plan is conducted 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, 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.

The Audit Plan facilitates the efficient allocation of OIA's current and planned resources and the prioritization of potential audit services based on the level of risk posed to the City. The FY2023 Audit Plan dedicates resources to audit services based on the risk assessment performed, completion of carryover audits from prior year, special requests, strategic reviews, monitoring and follow-up procedures, and advisory services. The majority of the Audit Plan is comprised of six audits and two alternative audits, with a resource demand of 5,804 hours. Alternative audits were included in the event 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 FY24. Below are brief explanations for each type of audit service provided by OIA.

- Audits – 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 of its audits in accordance with Government Auditing Standards.



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- Special Requests – Audits and assessments not specifically identified in the Annual Audit Plan, but are anticipated and subsequently assigned based on the impact and value of addressing new and emerging issues.
- Strategic Reviews – Reportable non-audit services that are designed to provide rapid responses to urgent City issues identified by OIA. 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 to assess the status of corrective actions taken to implement the agreed-upon recommendations for the specified audit. Follow-up activities are performed on high-risk reported findings to provide assurance that corrective action has been taken by management. Corrective action implementation progress is verified, documented, and reported.

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 the Audit Plan utilizes resources strategically and that high-level priorities and risks are being appropriately addressed at this time.

Quality Control Compliance

Audits conducted by OIA are performed in accordance with the Government Auditing Standards (U.S. Government Accountability Office). 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 being reviewed – 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 and is in place and operating effectively. A peer review also provides assurance that an audit organization is following its established policies and procedures and applicable standards. OIA is committed to improving the audit process and undergoes peer review every three years. In October 2019, OIA passed its fifth independent external quality control review for the period of July 1, 2016 through June 30, 2019.



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In response to the COVID-19 pandemic, the U.S. Government Accountability Office granted audit organizations up to two years and three months past their review period to complete the peer review. As a result, our review period of July 1, 2019 through June 30, 2022 is anticipated to take place in the third quarter of fiscal year 2023.

Principles for Audit Plan Development

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

- The Audit Plan adopts the principles of agile auditing, which allows the audit function to focus on stakeholder needs, accelerate audit cycles, drive timely insight, and reduce inefficiencies.
- The Audit Plan is viewed as 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, leadership meets regularly throughout the year with City Council members, City Administration, and department directors and management to solicit input regarding emerging risks.

Audit Selection and Prioritization

OIA surveyed the general public, City employees, City Administration, City Council, and the Accountability in Government Oversight Committee. 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



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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.

OIA extends its gratitude and appreciation to the Mayor's Office, City Council, Accountability in Government Oversight Committee, City leadership and employees, and members of the public for providing input on the 2023 Audit Plan and for supporting the general mission of our office throughout the year.

Preparing the Annual Audit Plan

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 as previously mentioned, OIA must remain flexible and execute the highest priority audits throughout the year. In addition to this, audit scope and objectives will be defined or refined once a meeting occurs and preliminary information is obtained and assessed.

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.

Estimated Audit Hours

The City's FY2023 approved budget for OIA is \$1.03 million and provides for seven audit staff positions and an administrative coordinator position. The amount of available audit hours was adjusted to reflect that not all budgeted positions have been filled. OIA estimated the total number of staff hours available for FY2023 to be approximately 7,800. OIA reduced the annual full-time hours per auditor in FY2023 by holidays, anticipated leaves, administrative duties, Accountability in Government Oversight Committee meetings, staff meetings, and the annual required training to maintain certifications to comply with Government Auditing Standards and City requirements. The available-hours calculation anticipates minimal staff turnover and that vacant positions will be filled within the first quarter of the fiscal year. Refer to Appendix A for the Calculation of Estimated Audit Hours.



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The resulting 5,804 direct audit hours include hours required to conduct audits, complete FY2022 carryover projects, anticipate special requests, strategic reviews, monitoring and follow-up activities, and review audit work papers and reports to ensure compliance with OIA's system of quality control, professional standards, and regulatory requirements.

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 of our 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. This is in accordance with Government Auditing Standards, which specify that the management of public resources should be done effectively, efficiently, economically, ethically, and equitably.

Staff

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



OFFICE OF INTERNAL AUDIT

Annual Audit Plan

For the Year Ending June 30, 2023

DESCRIPTION

Estimated
Audit Hours

Aviation Department

Payroll Performance Audit 350
Goal Area: Government Excellence and Effectiveness

Citywide

Franchise Fees Compliance Audit 400
Goal Area: Government Excellence and Effectiveness

Office of the City Clerk

New Mexico Open Meetings Act Compliance Audit 300
Goal Area: Government Excellence and Effectiveness

Planning Department

Business Registration Performance Audit 300
Goal Area: Government Excellence and Effectiveness

Parks & Recreation Department

Asset Management and Payroll Performance Audit 350
Goal Area: Government Excellence and Effectiveness

Aviation Department ¹

Construction Project Management Performance Audit 100
Goal Area: Government Excellence and Effectiveness

TOTAL HOURS INCLUDED IN FY2023 AUDIT PLAN

1,800

Alternative Audit – Citywide²

Targeted Vendor Compliance Audit 350
Goal Area: Government Excellence and Effectiveness

Alternative Audit – Fire Rescue & Police Department

Targeted Vendor Compliance Audit 350
Goal Area: Government Excellence and Effectiveness

¹ A portion of hours were allocated to initiate the audit in the fourth quarter of FY2023 in order to coincide with project construction.

² These audits were identified as alternatives due to their risk score and may be added to the Audit Plan in the event additional or substitute projects are required.

**Calculation of Estimated Audit Hours
Available for FY2023**

APPENDIX A

	Lead Auditor*	Principal Auditor*	Principal Auditor	Staff Auditor	Staff Auditor*	Total
Total FY2023 Annual Hours Available	1,040	1,040	2,080	2,080	1,560	7,800
Less Hours For:						
Holidays	52	52	104	104	80	
Vacation	50	50	100	100	75	
Sick Leave	20	20	40	40	30	
Continuing Professional Education	20	20	40	40	40	
Professional Organizations	6	6	3	0	0	
City Training	13	10	10	10	10	
Administrative Duties	45	45	140	90	68	
Other Assigned Projects	45	45	70	70	53	
Supervision	180	0	0	0	0	
Total Less Hours:						1,996
Total FY203 Annual Hours Available						5,804
Total FY2022 Carryover						1,300
Non-Audit Work:						
Monitoring						150
Follow-Ups						560
Citizens' Independent Salary Commission						200
TeamMate+ Conversion						40
Internal Quality Check						70
Peer Review						160
Special Requests and Strategic Reviews						1,500
Total FY203 Annual Hours Available						1,824

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

**Audit supervision and administrative hours for the City Auditor and Audit Manager were not included in the direct audit hours.