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City Auditor

## OFFICE OF INTERNAL AUDIT CITY OF ALBUQUERQUE

# MEMORANDUM

**SUBJECT: Office of Internal Audit Monitoring and Follow-Up Status Report – Phase 1**  
**DATE: February 24, 2022**

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The United States Office of Management and Budget (OMB) Circular A-50, entitled “Audit Followup,” provides the requirements for establishing systems to assure prompt and proper resolution and implementation of audit recommendations. The Circular states:

Audit followup is an integral part of good management, and is a shared responsibility of agency management officials and auditors. Corrective action taken by management on resolved findings and recommendations is essential to improving the effectiveness and efficiency of Government operations. Each agency shall establish systems to assure the prompt and proper resolution and implementation of audit recommendations. These systems shall provide for a complete record of action taken on both monetary and non-monetary findings and recommendations.

Responsibility to resolve issues and manage agreed actions lies with management. However, the monitoring process helps to determine the effectiveness of management's response to risks identified. To this point, the City of Albuquerque’s (City) Office of Internal Audit (OIA) has enhanced its monitoring efforts. The revised process will be implemented in three phases. The first phase was to monitor all recommendations for fiscal year 2021. The results from phase one are detailed in this report. The second phase is to perform monitoring procedures on all open recommendations included in reports issued within the previous five years (fiscal year 2016 to fiscal year 2021)<sup>1</sup>. OIA plans to report on the results of phase two, at the end of the fiscal year. On a go-forward basis, OIA will monitor all recommendations it issues to departments of the City every six months after issuance and will report on the results of its monitoring activities on a bi-annual basis.

Phase three will be conducted in fiscal year 2023 and will include defining a risk-based approach to identify audits for more in-depth, field follow-up assessment. This approach will include sampling and testwork to verify whether recommendations implemented sufficiently mitigate the risks originally identified in the audit. Additionally, OIA will track and report on the length of time recommendations have been open.

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<sup>1</sup> A five-year period was determined, as the environment in which audits issued more than five years ago may have changed such that the issue-identified no longer exists or the recommendation is no longer relevant or feasible.

## 2 | Summary of Monitoring Activities – Phase 1

The monitoring process begins when OIA requests a written status update from the responsible department on the implementation status of each recommendation. OIA reviews the response and determines whether the recommendation is open, contested, or closed.

- **Ongoing (Open)** – the recommendation has not yet been fully implemented and/or the risk identified has not been mitigated. The auditee is working to implement the recommendation. OIA will follow up on all open recommendations as part of its ongoing monitoring efforts.
- **Contested or Failed to Respond** – the department has chosen not to implement the recommendation or the auditee failed to respond to the monitoring request.
- **Completed (Closed)** – the response described sufficient action to fully implement the recommendation or an acceptable alternative to mitigate the risk identified or a change occurred making the recommendation no longer applicable or feasible. No further monitoring is required.

## MONITORING ACTIVITY – FISCAL YEAR 2021

### Summary

OIA followed up on 39 open recommendations from 6 reports or memorandums issued during fiscal year 2021<sup>2</sup>. Of the 39 open recommendations, departments reported implementing 16 (41 percent). Consequently, OIA closed 1 of the 6 reports. Of the remaining 23 open recommendations, all were reported as in progress with completion dates expected to occur in fiscal year 2022. OIA will follow up on all open recommendations as part of its ongoing monitoring efforts.

Exhibit 1 shows the number of recommendations OIA followed up on and their resulting status and summarizes the status of reports for each department at the end of the fiscal year. Exhibit 2 shows the report that OIA closed.

#### Exhibit 1: Summary of Recommendations Monitored and Reports Open

Department	Recommendations		Reports Open
	Followed-Up On	Closed as of 12/31/2021	
Albuquerque Police Department	7	4	1
Animal Welfare	7	4	1
Family and Community Services	5	3	1
Finance and Administrative Services	14	2	1
Municipal Development	1	1	-
Transit	5	2	1
<b>Total</b>	<b>39</b>	<b>16</b>	<b>5</b>

<sup>2</sup> An additional two recommendations were considered closed at the time of report issuance.

## 3 | Summary of Monitoring Activities – Phase 1

**Exhibit 2: Summary of Report(s) Closed in Fiscal Year 2021**

Department	Issue Date	Report Title	Number of Recommendations*
Municipal Development	3/11/2021	Morrow Reardon Wilkinson Miller, LTD Contract Audit	1
<b>Total</b>			<b>1</b>

\*Two recommendations were closed in earlier periods.

**Open Recommendations**

In some cases, a department has implemented few or none of OIA's recommendations. This does not necessarily indicate that the department is not trying to resolve the underlying issues. In some instances, the department has not yet had the opportunity because the recommendations relate to events that happen only periodically, such as revising Standard Operating Procedures, or because the recommendations were issued too recently for the department to have achieved full implementation. Departments reported each of the remaining 23 open recommendations as in progress with expected implementation dates to occur in fiscal year 2022.

**Exhibit 3: Summary of Open Reports for Fiscal Year 2021**

Department	Issue Date	Report Title	Open Recommendations	Closed Recommendations
Albuquerque Police Department	10/28/2020	<a href="#">Albuquerque Police Department Overtime Audit</a>	3	4
Animal Welfare	3/11/2021	<a href="#">Street Cat Hub, Inc. City Vendor Audit</a>	3	4
Family and Community Services	4/28/2021	<a href="#">Heading Home Contract Audit</a>	2	3
Finance and Administrative Services	6/23/2021	<a href="#">Citywide Purchase and Travel Card Usage</a>	12	2
Transit	3/11/2021	<a href="#">Lamar Advertising Targeted Revenue Sources Audit</a>	3	1

**FOLLOW-UP ACTIVITY – AS OF DECEMBER 31, 2021**

OIA's current process is to judgmentally select audit reports with open recommendations for follow-up. The objective of a follow-up is to verify whether the recommendation has been implemented as reported by departments. As previously discussed, phase three of the enhanced monitoring program and will include defining a risk-based approach to identify audits for more in-depth, field follow-up assessment, that will include sampling and testing to verify whether recommendations implemented, sufficiently mitigate the risks originally identified in the audit.

## 4 | Summary of Monitoring Activities – Phase 1

OIA completed 13 follow-ups as of December 31, 2021. Subsequent follow-ups will be performed until the related open recommendations are determined to be closed. OIA followed up on 28 open recommendations from 13 reports issued during fiscal years 2014 through 2021. Of the 28 open recommendations, departments reported implementing 24 or 86 percent. Consequently, OIA closed 9 of the 13 reports. Of the remaining 4 open recommendations, all were reported as in progress with completion dates expected to occur in fiscal year 2022.

**Exhibit 4: Summary of Field Follow-Ups Completed or In-Progress as of December 31, 2021**

Department	Issue Date	Report Title	Open Recommendations	Follow-Up Issue Date
Solid Waste Management Department	10/30/2013	<a href="#">Residential Collections Audit</a>	0	6/23/2021
Office of the City Clerk	10/29/2014	<a href="#">Inspection of Public Records Act</a>	0	6/23/2014
Albuquerque Police Department	3/17/2017	<a href="#">Officer Overtime</a>	1	10/28/2020
Environmental Health Department	10/17/2017	<a href="#">Air Quality Permit Revenue Process</a>	0	4/28/2021
Department of Finance and Administrative Services-Purchasing Division	6/27/2018	<a href="#">Fresh and Clean Portable Restrooms, Inc. Citywide Vendor Performance Audit</a>	0	3/11/2021
Aviation Department	9/13/2018	<a href="#">Management of Off-Site Parking Revenue</a>	1	10/20/2021
Cultural Services Department	10/24/2018	<a href="#">Fund 225 Use and Tracking</a>	0	6/23/2021
Planning Department	10/24/2018	<a href="#">Inspection Tag Inventory Controls</a>	0	3/11/2021
Department of Finance and Administrative Services	2/27/2019	<a href="#">City Vehicle Collision Repairs</a>	0	4/28/2021
Technology and Innovation Department	2/27/2019	<a href="#">Personable Identifiable Information Security on City of Albuquerque Systems</a>	1	3/11/2021
Technology and Innovation Department	2/27/2019	<a href="#">Personable Identifiable Information Security on City of Albuquerque Systems</a>	0	12/15/2021
Department of Municipal Development	4/25/2019	<a href="#">Payroll Audit</a>	0	10/20/2021
Department of Finance and Administrative Services	8/22/2019	<a href="#">Citywide Vendor Audit- Trane, Inc</a>	1	12/15/2021

5 | Summary of Monitoring Activities – Phase 1

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