

**CITY OF ALBUQUERQUE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2004**

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

01-09 Disaster Recovery Plan

Condition. The DFAS Information Services (IT) Division should complete the disaster recovery plan.

Criteria. To ensure a successful recovery of computer operations and general business operations in the event of a disaster, a comprehensive site with an equipment contingency plan and a written disaster recovery plan which encompasses data, hardware, telecommunications, business processes, insurance and vendor notifications should be developed and then tested.

Cause. The City has not completed the process of developing and testing a comprehensive disaster recovery plan.

Effect. The City could incur substantial losses in both time and money restoring operations to the predisaster level.

Recommendation. The City needs to complete the process of developing offsite locations capable of supporting the City in the event of a disaster and to build and document a comprehensive business recovery plan that includes each IT and key business area, and then test the disaster recovery procedures using the plan. We also recommend that the individual in charge of developing and testing the disaster recovery plan be involved in reporting the status of the plan to the Information Systems Committee biannually.

Management Response. A Memorandum of Understanding has been established and signed for the use of space at Pino Yards for IT disaster recovery activities. Major physical site modifications including new air conditioning and power distribution units have been installed and work is to begin on establishing a suitable network infrastructure at the site. RESPEC, the City's IT disaster planning contractor is expected to complete the formal disaster recovery plan using the Pino Yards facility as a central element of the recovery strategy by the end of calendar year 2004.

**CITY OF ALBUQUERQUE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2004**

B. FINDINGS – FINANCIAL STATEMENTS AUDIT (CONTINUED)

01-11 Capital Assets - Transit Department

Condition. The Transit Department provided a list of capital assets for the year ending June 30, 2004. This list did not agree to the city wide capital asset system for this particular department. We could not determine which list contained the accurate information.

Criteria. Proper capital asset management requires that each department account for all capital asset purchases. This includes supporting all retirements of capital assets with proper documentation, tracking the location and usage of the capital assets. Items that are impaired, salvaged, or transferred should be adjusted out of accounts and records. (Per 1 NMAC 1.2.1).

Cause. General ledger accounts are not reconciled to an individual listing of capital asset in the system.

Effect. Capital asset balances could be over or understated. Capital assets could also be listed that are not in use or present in the department. Construction in progress amounts may be capitalized in the funds and not in the capital asset system.

Recommendation. All of transit's items should be identified and reconciled to the City wide capital asset system. Capital assets should be reconciled to the trial balance amounts.

Management Response. We concur with this finding. The division will work with the departments to ensure that assets purchased, via capital funds, will be entered onto the City's capital asset system.

**CITY OF ALBUQUERQUE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2004**

B. FINDINGS – FINANCIAL STATEMENTS AUDIT (CONTINUED)

01-17 Budget Overspending

Condition. While the budget was overspent, at the program level, in several departments we understand that this overspending was viewed as a means to improve the long-term budgeting process.

Criteria. Per ordinances Section 2-11-12 ROA 1994 "Approval constitutes proposal as budget; expenditures must be authorized", and Section 2-11-16 "Transfer of funds and expenditure authority within budget".

Cause. Several programs in various funds were overspent as budget adjustments were not approved prior to spending.

Effect. Overspending of the budget occurred which violates city ordinances.

Recommendation. Overspending of the budget is not to occur. We recommend that all budget adjustments be approved prior to spending and budget to actual reviews be made timely.

Management Response. We concur with this finding. The City has made a conscious decision to report actual program expenditures, which has resulted in programs exceeding budgeted amounts. This action will allow the City to attain the necessary data to improve future budgeting.

**CITY OF ALBUQUERQUE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2004**

B. FINDINGS – FINANCIAL STATEMENTS AUDIT (CONTINUED)

02-21 Capital Asset Inventory

Condition. The City completed an inventory of its buildings for the year ending June 30, 2003; however did not complete an inventory of equipment and other related capital assets as of June 30, 2004. The City also has a difference of approximately 1.8 million between individual fund capital outlay and capitalized capital assets.

Criteria. As of June 30, 2002, GASB 34 was required to be implemented for the City, which requires that capital assets be reported in the basic financial statements. The inability to properly monitor capital assets not only results in the inability to produce timely and accurate financial statements, but can also impair the City's ability to safeguard its assets. (Per 1 NMAC 1.2.1).

Effect. It is essential to maintain records to demonstrate accountability for general capital assets acquired in governmental fund types. Due to the required implementation of GASB 34, it is essential that adequate accountability be made of all capital assets. To maintain adequate accountability, the City should conduct periodic physical inventory of capital assets and adjust the records accordingly to comply with GASB 34.

Cause. Unknown.

Recommendation. We recommend that proper resources of funding and personnel be allocated to accomplish this project.

Management Response. We concur with this finding. City departments will be tasked to complete an inventory of assets that are greater than one thousand dollars by June 30, 2005. This inventory will be handled annually in accordance with administrative instructions.

**CITY OF ALBUQUERQUE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2004**

B. FINDINGS – FINANCIAL STATEMENTS AUDIT (CONTINUED)

04-01 Transit Division Inventory

Condition. Adequate control over parts inventory at the Transit Division is not present.

Criteria. Good accounting practices relating to inventory assets require proper safeguards and documentation over inventory.

Cause. Access to parts is necessary during hours in which parts clerks are not on duty.

Effect. There could be misappropriation of assets.

Recommendation. We recommend that a procedure be implemented to ensure that personnel removing inventory acknowledge receipt of the parts.

Management Response. We concur there should be a control over parts inventory. Transit will develop written procedures.

**CITY OF ALBUQUERQUE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2004**

B. FINDINGS – FINANCIAL STATEMENTS AUDIT (CONTINUED)

04-02 Radio Communications Inventory – Inventory Items

Condition. During our inventory observation test work we noted four obsolete inventory items listed on the master inventory list. The amount of obsolete inventory was \$15.00.

Criteria. The inventory listing should be maintained and include only inventory items that are in stock and are not obsolete.

Cause. The inventory listing is not being properly reviewed.

Effect. Inventory is overstated.

Recommendation. The manual inventory observation should be compared to each item on the master inventory list and should be traced to the stock room. Historical activity should be verified within the inventory system and any obsolete items need to be removed from the system.

Management Response. The communications unit will on a regular interval run an inventory traffic report. The items that do not have a regular usage pattern will be reviewed. Any items that are deemed obsolete will be removed and salvaged in accordance with City administrative instructions.

**CITY OF ALBUQUERQUE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2004**

B. FINDINGS – FINANCIAL STATEMENTS AUDIT (CONTINUED)

04-03 Disposition of City Property

Condition. The Albuquerque Police Department (APD) disposed of City property without following all policies and procedures relating to the disposition.

Criteria. Administrative Instruction 6-2, Section A states, “No City employee shall directly dispose of any City property. City property can only be disposed of by the City Purchasing Officer or his designee.”

Cause. It appears that APD management was unaware of the policies and procedures relating to the disposal of City property.

Effect. The City is not in compliance with its own policies and procedures. APD is also not in compliance with department policy, SOP Section 3-61-1B2, regarding the sale of badges and weapons to employees upon retirement.

Recommendation. We recommend that APD follow all required policies and procedures regarding disposal of City property.

Management Response. APD concurs and will adhere to AI 6-2, Section 3A regarding the disposition of City property. APD will also adhere to Department Policy, SOPs Section 3-61-1b2 regarding the purchase of badges and weapons upon an officer’s retirement.

**CITY OF ALBUQUERQUE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2004**

B. FINDINGS – FINANCIAL STATEMENTS AUDIT (CONTINUED)

04-04 Payroll Metropolitan Detention Center Department

Condition. During our review of Internal Audit reports, we noted that the Metropolitan Detention Center Department (MDC) has several payroll control deficiencies. The items noted were unapproved upgraded hours that exceeded 160 hours, missing supporting documentation, missing P-30 forms, and managerial leave documentation.

Criteria. Good accounting and strong internal controls require a system be designed to identify deficiencies. Also, the City's personnel rules and regulations require payroll to be in accordance with various rules.

Cause. There are staff vacancies in the unit that is responsible for payroll

Effect. Payroll incorrectly paid or paid without proper documentation costs the City funds and places the City at risk for additional liabilities.

Recommendation. We recommend that MDC follow all required personnel rules and regulations and verify that payroll transactions are proper.

Management Response. The Metropolitan Detention Center has revamped the payroll unit and has implemented stronger internal controls. An administrative assistant is currently assisting in the supervision of the payroll. The fiscal manager reviews the payroll information on a monthly basis. Segregation of duties regarding entering and verifying all transactions has been created to ensure that all supporting documents are in compliance with the City's Personnel Rules and Regulations.

Currently the Department is using the payroll reports from COGNOS to monitor all payroll activities to ensure that the department is in compliance with all personnel and payroll policies.

**CITY OF ALBUQUERQUE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2004**

B. FINDINGS – FINANCIAL STATEMENTS AUDIT (CONTINUED)

04-05 Travel Arrangements Inconsistent with Travel Regulations

Condition. During our review of travel expenditures for personnel of the City, there was one out of fourteen occasions of reimbursement for costs by an employee's personal credit card.

Criteria. City travel regulations require that all travel arrangements be made through a travel agent and paid for with the City's Diners Club Card.

Cause. Unknown.

Effect. This is in violation of the City's travel regulations.

Recommendation. We recommend that all travel arrangements be done according to the City's travel regulations. Also we recommend that all travel is properly approved by the supervisor in accordance with the regulations.

Management Response. We concur with this finding. The City agrees that there should be compliance with all current rules and regulations. The City has developed a modern set of travel rules and regulations that will bring the City into compliance with current Internal Revenue Service regulations.

**CITY OF ALBUQUERQUE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2004**

B. FINDINGS – FINANCIAL STATEMENTS AUDIT (CONTINUED)

04-06 Barelás Community Write-Off

Condition. One of the Housing and Urban Development Fund (fund 277) developer loan receivables was written off. This forgiveness of \$13,000 in debt was authorized by the director of the department.

Criteria. The write-off of receivable should have been approved by City Council.

Cause. Unknown.

Effect. Loan balances were written off, that may have been collectable.

Recommendation. Department directors should be advised of the proper authorizations when write-off's become necessary.

Management Response. Management agrees with the finding. In the future, we will make sure such write-offs are approved by the City Council.

**CITY OF ALBUQUERQUE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2004**

B. FINDINGS – FINANCIAL STATEMENTS AUDIT (CONTINUED)

04-07 Theft of Cash at Transit

Condition. During our cash receipts walkthrough of the Transit area it was discovered that cash was stolen from the customer service center vault.

Criteria. City assets should be properly safeguarded.

Cause. Someone with access to the building, as well as knowledge of the procedures for storing the cash in the vault stole money.

Effect. A loss of \$700.

Recommendation. Assets should be properly safeguarded.

Management Response. The Transit Department concurs with this recommendation. It is Transit's understanding that this issue has to do with the security of the master key for the cash drawer. This key is now secured in the supervisor office and only the supervisors have access to it. APD is still investigating.

**CITY OF ALBUQUERQUE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2004**

B. FINDINGS – FINANCIAL STATEMENTS AUDIT (CONTINUED)

04-08 Purchase Card

Condition. We found no evidence of misuse of the purchasing cards throughout the City, however, we noted 6 out of 21 files tested did not have the required pre-authorization form prior to the use of individual purchase cards. We also noted one individual's card limit was increased without obtaining the required form.

Criteria. Purchase Card Policies and Procedures require that all forms be completed at the specified time.

Cause. It was noted that this was a new program and there were implementation issues.

Effect. Unknown.

Recommendation. We recommend that the purchasing card policies and procedures are adhered in all cases.

Management Response. We agree with this finding. The purchasing card is a new program that eliminates the outdate SPO program. As with any new program there was the usual confusion related to implementation issues. The City feels the procedural issues have been resolved.

**CITY OF ALBUQUERQUE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2004**

B. FINDINGS – FINANCIAL STATEMENTS AUDIT (CONTINUED)

04-09 Debt Service Coverage for Golf Bond

Condition. The debt service coverage covenant has not been met for the Golf Series 2001 Bond as of June 30, 2004.

Criteria. According to the covenants of the bond, the debt service coverage requirement is a ratio of 1.50. The debt service coverage as of June 30, 2004 is .65.

Cause. Unknown.

Effect. The City is not maintaining the debt covenant requirements, which could cause the City to have to repay the bond or bond ratings to be affected.

Recommendation. The City should ensure that the debt covenant requirements are being met.

Management Response. We agree with this finding. The debt ratio shortfall was caused by the failure to reduce expenditures in relation to declining revenues. The declining revenue was partially due to a new rate fee that was imposed with the approval of the City Council.

**CITY OF ALBUQUERQUE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2004**

B. FINDINGS – FINANCIAL STATEMENTS AUDIT (CONTINUED)

04-10 Housing Authority Inventory Overstatements

Condition. During our price testing of inventory items we noted 5 out of 15 items where the cost did not agree to the supporting invoice.

Criteria. The cost on the inventory listing should equal the amount on the invoice.

Cause. The inventory listing is not being properly reviewed.

Effect. Inventory is overstated.

Recommendation. The manual inventory list should be reviewed regularly and updated when new purchases are made.

Management Response. Management agrees with the finding. Invoices were not being reconciled to the inventory list. In some cases, the inventory list was not detailed enough to allow partial ordering of items. The staff has been informed of the problem and is updating the inventory program. System support training was completed November 10, 2004. Moreover, an Accountant I position will be filled by December 2004 with the main responsibility being purchasing and inventory reconciliation. The position will work closely with warehouse personnel to continually correct any errors to the inventory program.

**CITY OF ALBUQUERQUE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2004**

B. FINDINGS – FINANCIAL STATEMENTS AUDIT (CONTINUED)

04-11 Housing Authority-Lack of Segregation of Duties

Condition. The same employee who is responsible for ordering inventory also receives the items.

Criteria. Segregation of duties requires that the employee who orders inventory items should not be receiving them.

Cause. Unknown.

Effect. Items may be ordered and received that are not authorized or approved.

Recommendation. An employee other than the person, who orders, should be receiving inventory items.

Management Response. Management agrees with the finding. The employee responsible for the work orders was generating the purchase order and receiving the items. Staff is now aware of the problem and segregation of duties has been implemented. The employee who generates a work order now forwards a copy of the purchase order to the warehouse staff. Once the copy is received, the warehouse staff follows through with the receiving process. Once the items are received in the system, the packing slip is forwarded to accounts payable personnel for payment processing.

**CITY OF ALBUQUERQUE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2004**

B. FINDINGS – FINANCIAL STATEMENTS AUDIT (CONTINUED)

04-12 Water Authority Capital Assets

Condition. Certain costs in the Joint Water & Sewer Department, such as training, maintenance fees, and meetings with contractors, which appear to not be capitalizable were capitalized, yet some direct expenditures for the construction of a project were not capitalized. In addition, the Department capitalized and began depreciating a project that was not placed into service.

Criteria. Expenditures that do not add to the utility of an asset should be charged to expense and all normal expenditures of readying an asset for use should be capitalized in determining the cost. The cost of self-constructed depreciable assets should include all direct costs.

Assets should not be depreciated until placed into service.

Cause. Expenditures are being capitalized or expensed according to the fund type rather than by the type of expenditure. Different project numbers are not always being used to separately identify construction/development costs from assets placed in service. As such, all these costs are being placed into service and depreciated.

Effect. Capital assets, construction-in-progress and expenditure balances are not properly stated.

Recommendation. Expenditures in all Enterprise Funds should be reviewed for proper recording. Different project numbers should be used to separately identify costs related to construction-in-progress and assets placed into service. Projects need to be reviewed for project completion and proper capitalization

Management Response. We concur with this finding. The Water Utility has developed recording procedures that allow for separate project tracking. The department Fiscal Manager will review project completions for capitalization purposes.

**CITY OF ALBUQUERQUE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2004**

B. FINDINGS – FINANCIAL STATEMENTS AUDIT (CONTINUED)

04-13 Apartment Capital Assets

Condition. The Apartment Fund does not have a detailed capital asset and depreciation listing for the Santa Barbara, Glorieta, Candelaria or Tucson apartments, four of the seven apartments recorded in the fund.

Supporting documentation for the cost of the construction of the Santa Barbara Apartment is not recorded in the fund.

Previously capitalized carpeting and small appliances and related accumulated depreciation are not being deleted from the records when these assets are replaced.

An annual physical inventory of capital assets is not performed.

Criteria. A detail of capital assets and depreciation should be developed; a physical inventory should be performed annually; and the general ledger should be adjusted accordingly. (Per 1 NMAC 1.2.1).

Supporting documentation related to capital assets should be retained.

When capitalized assets are replaced, these assets and associated accumulated depreciation should be written off the books.

Cause. The Apartment Fund has seven apartments, three of these apartments have debt associated with them. Prior to fiscal year 2003, the City CAFR did not reflect the activity of the Apartment Fund and the Apartment Fund was not recorded onto the City's general ledger until the end of fiscal year 2003. However, the activity was being recorded by the management company. Also, the apartments financed by debt had been audited by a separately contracted independent auditor, as required by the bond document. As such, a detailed capital assets and depreciation schedule is available for these apartments. The four apartments not requiring an audit do not have a detail schedule or documentation supporting all assets purchased in prior years

The Santa Barbara Apartment was constructed using grant funding from Fund 240; however, not all the costs were transferred when the Apartments Fund was established.

Neither the management company contracted to oversee the apartments nor the City performed an annual physical inventory of capital assets.

**CITY OF ALBUQUERQUE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2004**

B. FINDINGS – FINANCIAL STATEMENTS AUDIT (CONTINUED)

04-13 Apartment Capital Assets (Continued)

Effect. Capital asset accounts may not be properly stated.

Recommendation. A physical inventory should be performed for each apartment and compared to the listing of capital assets maintained or to facilitate the creation of a detailed listing to support amounts recorded for those apartments where a listing is not available. The listing should be updated to reflect only those assets currently in service and the general ledger adjusted accordingly. Documentation to support capitalized capital assets should be retained.

Management Response. Management agrees with the finding. A physical inventory of all capital assets had not been done in the past but is being done currently. That inventory will be maintained and documented by the property manger.

**CITY OF ALBUQUERQUE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2004**

B. FINDINGS – FINANCIAL STATEMENTS AUDIT (CONTINUED)

04-14 Audit Report Due Date

Condition. The report was not submitted by the due date.

Criteria. Per the 2.2.2.9A (1)(d) NMAC Audit Rule 2004, *Requirements for Contracting and Conducting Audits of Agencies*, annual audit reports are to be received in the Office of the State Auditor on or before December 1st.

Cause. A procedural problem with a determination of accrual amounts. Legislation was proposed to City Council that would have affected fund balances had not been approved.

Effect. The annual audit report was not submitted to the Office of the State Auditor by the due date.

Recommendation. We recommend that the required approval be obtained in advance of the Office of the State Auditor's due date in order to submit the annual audit report by the due date

Management Response. We concur with this finding and will attempt to take actions necessary to prevent this situation in the future.

**CITY OF ALBUQUERQUE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2004**

B. FINDINGS – FINANCIAL STATEMENTS AUDIT (CONTINUED)

04-15 State Auditor Notifications

Condition. The State Auditor received several notifications from the City reporting alleged fraud or other criminal activity. Several of these notifications included determinations of lack of controls that contributed to or allowed immaterial losses to the City. The individuals involved are being prosecuted and additional controls are being established.

Criteria. Strong internal controls are required to be in place to avoid or eliminate loss.

Cause. Unknown.

Effect. Costs and losses are incurred by the City.

Recommendation. We recommend that the departments follow up with internal audit and the State Auditor to determine that all controls are strengthened and that any reimbursement due the City is received.

Management Response. We concur with this finding. The affected areas have reviewed and stronger internal controls have been implemented.

**CITY OF ALBUQUERQUE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2004**

B. FINDINGS – FINANCIAL STATEMENTS AUDIT (CONTINUED)

04-16 Apartment Fund-Accounting Oversight Within the City and Internal Control

Condition. Accounting activity relating to the Apartment Fund is recorded on the City's general ledger based solely upon transaction files provided from the contracting management company, Monarch. Although the account balances per the City general ledger are agreed to the Monarch general ledger account balances for input accuracy, there is no verification of account balances performed to supporting documentation by the fund accountant or the fiscal accountant within the Family Community Services Department

Criteria. Strong internal control includes reconciliation to and review of supporting documentation to ensure the accuracy of account balances and proper cut-off between fiscal years.

Cause. Documentation supporting account balances is not being reviewed by City employees for accuracy, propriety, and unusual items.

Effect. Questionable information.

Recommendation. We recommend an accountant within the Family Community Services Department be assigned to review the propriety and accuracy of the Apartment Fund financial transactions as reported by the management company.

Management Response. We partially concur with this finding. The Department will perform verification work throughout the year and will have the property manager contract with an IPA acceptable to the State Auditor to perform a transaction audit on all apartment properties at fiscal year-end.

**CITY OF ALBUQUERQUE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2004**

B. FINDINGS – FINANCIAL STATEMENTS AUDIT (CONTINUED)

04-17 Apartment Inter-fund Transactions

Condition. Inter-fund transactions occurring between the Apartment Fund and Fund 240 were not eliminated as part of closing procedures and there was not proper cut-off of payroll liabilities.

Criteria. Strong internal control includes reconciliation to and review of supporting documentation to ensure the accuracy of account balances and proper cut-off between fiscal years.

Cause. Documentation supporting account balances is not being reviewed by City employees for accuracy, propriety, inter-company transactions, unusual items, proper cut-off, etc.

Effect. Questionable information.

Recommendation. We recommend an accountant within the Family Community Services Department be assigned to review the propriety and accuracy of the Apartment Fund financial transactions as reported by the management company.

Management Response. The Accounting division will work with the Family and Community Services Department (FCS) personnel to establish reconciliation procedures for the data being received from the property management company to ensure the accuracy of the data being posted to the City's general ledger. In addition, the division will review the accrual of payroll liabilities with the FCS to ensure that those accruals are proper.

**CITY OF ALBUQUERQUE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2004**

B. FINDINGS – FINANCIAL STATEMENTS AUDIT (CONTINUED)

04-18 Unbilled Receivables- Capital Acquisition Fund

Condition. During our review and testwork of accounts receivable in Fund 305 (Capital Acquisition Fund) we noted that billings are not being submitted to reimbursing agencies on a timely basis.

Criteria. Per review of applicable program files, billings are required to be submitted on a monthly basis.

Cause. The City has not implemented policies and procedures ensuring that billings are submitted timely.

Effect. The City could lose revenue if programs expire prior to submission of related reimbursement requests.

Recommendation. The City should implement policies and procedures wherein billings are submitted to reimbursing agencies on a monthly basis.

Management Response. The City partially concurs with this finding. Currently all reimbursement requests from State of New Mexico through the Department of Finance and Administration are submitted on a monthly basis. Policies and procedures will be implemented for all other state agencies to ensure that billings are submitted on a monthly basis.

**CITY OF ALBUQUERQUE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2004**

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD
PROGRAM AUDIT**

01-18 Federal Claim

Department of Justice-CFDA#16.710

Condition. The federal government may assess a claim against the City of Albuquerque to recover federal funds that might have been spent for purposes other than adding personnel.

Criteria. When applying for a grant, the applicant should submit accurate information and once the award has been received, the recipient is required to spend the money as directed in the grant document.

Cause. The Department of Justice, who issued the federal grant to the City, is questioning how the grant money was spent. The City of Albuquerque has reviewed the report from The Department of Justice and disagrees with a large portion of the amount the federal agency is questioning.

Effect. It is possible that the City may be disqualified for future Department of Justice grant awards.

Questioned Costs. The original amount in question was \$4,152,447. In response to the federal agency and after a thorough review of the City's records by City personnel, the City has reimbursed The Department of Justice the sum of \$151,636 in the current year and is not anticipating further reimbursement. The City is awaiting final determination from the Department of Justice.

Recommendation. We recommend that the City review information submitted in applications to the Department of Justice and examine procedures for monitoring the COPS grants to ensure that compliance requirements are being adhered to.

Management Response. The City will ensure that APD review any applications for DOJ grant and monitor all expenses and drawdowns against the COPS grant to ensure compliance with the grants scope and the unlimited use of funds as stated on the application.

**CITY OF ALBUQUERQUE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2004**

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD
PROGRAM AUDIT (CONTINUED)**

03-08 Reporting Federal Grants

Condition. The City has several federal, state, and local grant revenue sources as well as many other revenue sources. It was determined that there are certain federal grants that have been received, recorded and expended properly in the general ledger, yet not reported properly on the Schedule of Expenditures of Federal Awards (SEFA). The SEFA is used to report federal expenditures to the Federal Clearing House and is required to be tested based on the level of expended funds to determine proper compliance with federal awards. This condition does not pertain to any specific grant or federal agency.

Criteria. All grant revenue sources need to be identified, properly recorded, and reported in the Schedule of Expenditures of Federal Awards to comply with Federal OMB standards and to maintain good accounting practices.

Cause. The revenue is recorded based on each department's identification and recommendation of postings. There is no reconciliation of grant revenues, expenditures, receivable, and deferred revenue.

Effect. If revenue sources are not properly posted and monitored, all federal sources could be jeopardized for future.

Recommendation. We recommend that the City develop a plan to accumulate the information and properly record the expenditures in the SEFA.

Management Response. We concur with the recommendation. We will again recommend that additional resources be added to the City's accounting division.

**CITY OF ALBUQUERQUE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2004**

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD
PROGRAM AUDIT (CONTINUED)**

04-19 COPS

CFDA # 16.710 Community Oriented Policing Services (COPS)

Condition. Expenditure reports submitted to the grantor do not agree to the general ledger. The accounting department is not reviewing the expenditure reports prior to submission to the grantor.

Criteria. Grant expenditures need to be properly recorded and reported to comply with Federal OMB standards and to maintain good accounting practices.

Cause. The allowable expenditures for each police officer exceed the total dollars expended. Therefore, the maximum allowable expenditures are reported.

Effect. The general ledger account for COPS contains expenditures that do not relate to the grant.

Questioned Costs. Unknown.

Recommendation. We recommend that the applicable accounts be reconciled to the expenditure reports and that the accounting department review the reports prior to submission.

Management Response. We agree with this finding. APD has made changes in the fiscal staff. Actions have been taken to ensure that the reported expenses match the City's general ledger.

**CITY OF ALBUQUERQUE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2004**

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD
PROGRAM AUDIT (CONTINUED)**

**04-20 Section 8 Housing Choice Vouchers-Tenant Payment Calculations
CFDA#: 14.871 Department of Housing and Urban Development**

Condition. We noted that in two tenant files out of sixteen tested, that the total tenant payment (TTP) was calculated incorrectly.

Criteria. HUD requires an updated utility allowance to be completed regularly and used in the tenant payment calculation of rent due to owner.

Cause. In one case, Housing Authority staff inadvertently misread the amount of the utility allowance on the schedule and in the other case, the utility allowance amount used was for a one bedroom and should have been for a two bedroom.

Effect. Total tenant payment (rent to owner) was overstated by \$5 and \$8 in each situation, respectively.

Questioned Costs. None.

Recommendation. The Housing Authority should ensure that the amount of the tenant payments is computed accurately by ensuring that the proper utility allowance amount is used.

Management Response. The department will take steps to improve the quality controls to minimize the error in the calculation of utility allowances.

**CITY OF ALBUQUERQUE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2004**

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD
PROGRAM AUDIT (CONTINUED)**

**04-21 Albuquerque Police Department Expenditures - All Grants From US
Department of Justice With Fiscal Year Expenditures**

Condition. Albuquerque Police Department (APD) has not complied with City and Department fiscal policy. Complete documentation to support and justify all journal voucher entries was not maintained, unmatched invoices over 60 days old were noted during the year and Administrative Instruction No. 3-11 was violated when personal use items were purchased.

Criteria. City departments should follow the City policy.

Cause. APD has not had consistent management since April 2001. Other finance personnel were upgraded to the Acting Fiscal Manager position for the past three years.

Effect. APD's financial records may not be accurate.

Recommendation. APD should review and update the standard operating procedures (SOPs) for Finance to reflect recent changes in City Policy. In addition, APD should develop procedures to ensure that journal vouchers are properly documented.

Management Response. APD reviews and updates its SOPs on a continuous basis. APD agrees that any SOP that does not agree with City Policy should be updated. APD has developed and implemented procedures to ensure that journal vouchers are properly documented and to ensure that Administrative Instruction No. 3-11 is being complied with. APD makes every effort to process all error-free invoices in a timely manner.

**CITY OF ALBUQUERQUE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2004**

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD
PROGRAM AUDIT (CONTINUED)**

04-22 Open Space Division Grants - Department of Justice

Condition. The draw down requests for Grant 02-MJTF-AOS and Grant 03-MJTF-AOS have not been managed properly. The requests for reimbursement are not being submitted to the granting agency in a timely manner.

Criteria. Requests for payment should be prepared on a monthly basis. In the past, the request was prepared 15 months after the subrecipient requested reimbursement.

Cause. Unknown.

Effect. Proper cash management procedures require that payment requests be made on a timely basis. This would allow for subrecipients to be paid in a reasonable time.

Recommendation. We recommend that the division request grant funds monthly in order to reimburse subrecipients within 30 days from the date funding was received.

Management Response. The City agrees with this finding. The Open Space Division has made appropriate changes to ensure that Requests for Payment, Requisitions and all other documentation will be handled in a timely manner.