

**CITY OF ALBUQUERQUE  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 Year Ended June 30, 2001**

**A. SUMMARY OF AUDIT RESULTS**

1. The auditors' report expresses an unqualified opinion on the general purpose financial statements of the City of Albuquerque (the City).
2. 15 reportable conditions were disclosed during the audit. The reportable conditions are as shown in Part B.
3. No instances of noncompliance material to the financial statements of the City were disclosed during the audit.
4. 5 reportable conditions were noted during the audit of the major federal award programs of the City and none are considered to be material weaknesses. These reportable conditions are listed in Part C.
5. The auditors' report on compliance for the major federal award programs expresses an unqualified opinion.
6. Audit findings relative to the major federal award programs are reported in Part C of the Schedule.
7. The programs tested as major programs include:

	<b>CFDA No.</b>
Early Head Start	93.600
Federal Highway Administration	20.205
COPS	16.710
Local Law Enforcement Block Grant	16.592
Low Rent Housing Program	14.850
Comprehensive Grant Program	14.859

8. The dollar threshold for Type A programs of the City is \$1,856,450.
9. The City was determined to be a low risk auditee.

**CITY OF ALBUQUERQUE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2001**

**B. FINDINGS – FINANCIAL STATEMENTS AUDIT**

**01-15 Prior Year Repeated  
Audit Report Due Date**

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

*Criteria.* Per the 2.2.2 NMAC Audit Rule 2001, *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.* While administration originally sent a cleanup resolution to the Council on October 10, 2001, the Council tabled this resolution and submitted a substitute bill, which was approved on December 19, 2001. In addition, the Internal Audit Department is required by Council to perform an audit of the year-end close. Due to delays in obtaining approval of the “clean-up” resolution, because several programs in various funds were over spent, the annual audit report (Comprehensive Annual Financial Report) was not delivered to the Office of the State Auditor by December 1st.

*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.* The City administration concurs with the above comments. The City will attempt to work with City Council to expedite the approval process of the clean up resolution. In addition, the administration will work with the departments to improve budgetary controls over spending.

**01-16 Prior Year Repeat  
Loss Reserve Data**

*Condition.* We noted significant reconciling differences between paid losses per the City’s general ledger and paid losses per Risk Management’s information system.

*Criteria.* It is critical that internal legal billings be generated and processed in a timely manner as inaccurate or untimely loss development data in the Risk Management information system can potentially impact the results of the City’s loss reserve analysis and may ultimately result in inaccurate recorded loss reserves as well as inaccurate user/service charges to City departments.

**CITY OF ALBUQUERQUE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**Year Ended June 30, 2001**

**B. FINDINGS – FINANCIAL STATEMENTS AUDIT (CONTINUED)**

**01-16 Prior Year Repeat**  
**Loss Reserve Data (Continued)**

*Cause.* Reconciling differences have been present for the past three years and have been largely the result of the untimely generation and processing of internal legal billings. These internal legal billings are generated from the City's Legal department and must be manually processed into Risk Management's information system by the Risk Management Department.

*Effect.* It is critical that internal legal billings be generated and processed in a timely manner as inaccurate or untimely loss development data in the Risk Management information system can potentially impact the results of the City's loss reserve analyses and may ultimately result in inaccurate recorded loss reserves as well as inaccurate user/service charges to City departments.

*Recommendation.* We recommend that the Legal and Risk Management departments work together to implement procedures to ensure that internal legal billings are submitted to Risk Management in a timely manner, which will assist Risk Management in accurately reporting loss development data.

*Management Response.* It is our understanding that the Legal department is investigating an improved billing system which will hopefully speed up the processing of time sheets from the individual attorneys. The results were better at the end of fiscal year 2001 than at the end of fiscal year 2000, but the May and June billings were still received too late to process in the Risk System in fiscal year 2001.

**01-1 – Inventory-Measuring Device**

*Condition.* During our inventory testing at Public works/Fleet Management (Pino Yards; 4<sup>th</sup> Street Yards) we noted that a veeder-root device is used to measure the volume of fuel in the tanks. Per discussion with City personnel, discrepancies between the device and the manual dipstick are common so the manual dipstick measurements were used to value inventory.

*Criteria.* Inventory should be measured accurately to value the ending amount to properly reflect it on the City's financial statements.

**CITY OF ALBUQUERQUE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2001**

**B. FINDINGS – FINANCIAL STATEMENTS AUDIT (CONTINUED)**

**01-1 – Inventory-Measuring Device (Continued)**

*Cause.* The calibration of the device appears to be incorrect. This calibration difference causes the discrepancies between the device and manual measurements.

*Effect.* The inventory values could be incorrect if the measurement device is not reading correctly. Also if manual measurements have to be taken and compared to the readings of the veeder-root it appears to be inefficient use of time and technology.

*Recommendation.* We recommend that procedures for measuring fuel be re-evaluated to ensure that the readings are accurate and that the ending valuation is proper.

*Management Response.* Fleet Management/Fuels Section procedure manual will be updated to include recalibration of the veeder-root system annually. Procedures for measuring fuel will be reviewed and the procedure manual updated to ensure fuel inventory valuation is accurate.

**01-2– Inventory-Counting Process**

*Condition.* During our inventory testing at Pino Yards (inventory in fund 715), we noted that additional procedures should be in place to indicate what items had been counted. Items were counted from the inventory count sheets to the floor.

*Criteria.* Proper inventory counting facilitates accountability and the proper value of inventory.

*Cause.* The staff counted according to the inventory procedures, as documented.

*Effect.* Inventory items not in the system or not on the count sheets were not counted. Inventory could be improperly recorded on the City's year-end financial statements.

*Recommendation.* We recommend that inventory procedures include a method of identifying which items are counted during the inventory count. Tags or stickers would help identify items that were not counted. Staff could have designated count areas and add any items found that were not on the count sheet. These types of procedures help ensure proper inventory valuation and existence.

**CITY OF ALBUQUERQUE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**Year Ended June 30, 2001**

**B. FINDINGS – FINANCIAL STATEMENTS AUDIT (CONTINUED)**

**01-2– Inventory-Counting Process (Continued)**

*Management Response.* The Internal Services Section appreciates the observation and recommendation of external auditors, Neff and Ricci, LLP, and concurs with the finding. The next physical year-end inventory will implement colored stickers to mark items having already been counted in order that items that might not have been included in the count can easily be identified.

**01-3– Inventory-Counting Process**

*Condition.* During our inventory testing at Public Works Fleet Dept. 1717 6<sup>th</sup> street, inventory in fund 725 we noted that the master parts list appears to be unreliable. Parts are not located in the bin locations listed on the master parts listing as well as used parts mixed in with new parts.

*Criteria.* Proper inventory counting and safeguarding of assets should be done to reflect the proper value of inventory.

*Cause.* The master parts list does not contain proper information due to parts being issued and not removed from the list. Also personnel do not monitor the physical inventory and reconcile to the master parts listing.

*Effect.* Inventory improperly recorded on the City's year-end financial statements.

*Recommendation.* We recommend that procedures for receiving, storing and recording be monitored quarterly to ensure that policies and procedures are being properly followed. During our testing, we noted that the files for three employees terminating or resigning were missing PERA termination authorizations.

*Management Response.* Fleet Management will conduct a full official inventory of its parts stores during the month of October, this year. In preparation, the following actions are being taken:

- 100% of the in-stock part numbers are being assigned specific bin locations, which will be entered into the database prior to the inventory count. In cases where certain parts applications have been received and stocked under multiple part numbers (due to sourcing from different vendors), the main part number will be identified, and Fleet will attempt to make all official counts under the main part number.

**CITY OF ALBUQUERQUE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2001**

**B. FINDINGS – FINANCIAL STATEMENTS AUDIT (CONTINUED)**

**01-3– Inventory-Counting Process (Continued)**

- Measures are being put into place to receive and stock all future parts under the main part number. These measures include, but are not necessarily limited to tagging bin locations with the main part number and labeling parts with the main part number, as necessary.
- Quarterly, Fleet Management will review all parts showing quantities in the database, but no bin location, in order to identify items that have been received and placed on vehicles, but not issued to work orders.
- Also, quarterly throughout the year, Fleet Management will conduct full official inventories of its parts stores, and will review and correct bin locations prior to the process.

**01-4 Violation of Statutes**

*Condition.* Per correspondence from the State Auditor, the City has violated its statutory duty to file a proposed budget by the required due date.

*Criteria.* Each local public body is required to furnish and file with the Local Government Division (LGD) on or before June 1<sup>st</sup> of each year, a proposed budget for the subsequent fiscal year. (NMSA 1978, 6-6-2) In addition the statute also requires LGD to certify a final budget for each local public body prior to the first Monday in September of each year.

*Cause.* As of September 17, 2001 neither the interim nor final budget document has been submitted to the LGD.

*Effect.* The City of Albuquerque has violated state statute.

*Recommendation.* We recommend that the final budget document for year ending June 30, 2001 be filed immediately and all future documents be filed timely.

*Management Response.* These deadlines have been added to the budget calendar. The City of Albuquerque will submit the proper materials for the interim budget in May of each year. We will submit the budget legislation upon adoption. Adoption occurs subsequent to final action by the City Council and the Mayor's signature. This year, the date of the Mayor's signature was July 17, 2001.

The final budget document will be mailed upon completion. The document for FY/02 was mailed on September 21.

**CITY OF ALBUQUERQUE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2001**

**B. FINDINGS – FINANCIAL STATEMENTS AUDIT (CONTINUED)**

**01-4 Violation of Statutes (Continued)**

Our failure to meet the first deadline was due to an oversight that occurred as a result of a staff retirement. This will not happen in the future. Upon notification by the state Local Government Division, all materials including the budget legislation were sent to the state. That package was mailed on July 19.

**01-5 Payroll**

*Condition.* No one in the Police Department's payroll area verifies that the hours entered from the employee's timesheets into the payroll system are accurate.

*Criteria.* The payroll supervisor should compare information on the Time Card Detail (TCD) report to the employee's timesheet to ensure employees are not over-paid.

*Cause.* Comparison of employee timesheets to the TCD is not done because of the volume of employees and the lack of time to perform this task for each bi-weekly pay period.

*Effect.* Payroll clerks could intentionally or unintentionally input an employee's time incorrectly into the payroll system, resulting in possible over-payments to employees.

*Recommendation.* Considering the time constraints associated with verifying all the Department's employee timesheets, the payroll supervisor should randomly select a percentage of employees to compare the TCD to the employee's timesheet.

*Management Response.* The payroll supervisor currently prints and reviews all error reports available to ensure that employees are not receiving over and/or under payment, she will continue to perform this function. The supervisor will also randomly select a percentage of the employees and will compare the TCD (on screen) to the employees' timesheets.

**CITY OF ALBUQUERQUE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2001**

**B. FINDINGS – FINANCIAL STATEMENTS AUDIT (CONTINUED)**

**01-6 Cash Handling-Senior Affairs**

*Condition.* During our review of cash controls and review of internal audit reports we noted that the Department of Senior Affairs, Nutrition program needs to strengthen its cash handling procedures. Internal audit determined that receipt book receipts were lacking and appeared to have been altered. Deposits were made late or not made by the Highland center.

*Criteria.* New Mexico State statutes require that all public monies received be deposited by the next business day. Also good cash handling procedures are required by the Department of Senior Affairs.

*Cause.* No written cash handling procedures are in place.

*Effect.* The City could be in violation of State statutes and could lose revenue.

*Recommendation.* We recommend that the Department of Senior Affairs document their cash handling procedures and provided proper training to all staff.

*Management Response.* Internal Audits findings were a result of our department's own investigation. Since the discovery of the cash handling exceptions, the department has set in place procedures and guidelines for staff to correct the problems. Procedures have been written and are currently in final review with a deadline for completion of November 9, 2001. The required department staff has been "cash handling" certified in accordance with the City of Albuquerque Cash Handling Procedures. Prior to November 30, 2001, the staff will have been trained and have received copies of the internal department written procedures for their respective sites.



**CITY OF ALBUQUERQUE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**Year Ended June 30, 2001**

**B. FINDINGS – FINANCIAL STATEMENTS AUDIT (CONTINUED)**

**01-07 Travel & Per Diem**

*Condition.* Travel expenses of the special investigations division are not documented in accordance with the City's travel regulations. Copies of the hotel receipts, car rental receipts, per diem calculations and other miscellaneous costs did not support some travel expenses for the division employees.

*Criteria.* All travel expenses should be properly documented to receive reimbursement. Receipts should support all expenses. All travel payments and reimbursements should be consistently handled according to the City's travel regulations.

*Cause.* It appears that the division personnel who approve and pay the travel expenses were not aware of the documentation requirements.

*Effect.* Improper expenses could be reimbursed to personnel that would cause the City to incur costs that are not proper.

*Recommendation.* We recommend that the division personnel obtain copies of the City's travel regulations and use these regulations in documenting their travel expenditures. Also the personnel should request training in the handling of travel and per diem.

*Management Response.* The Department of Internal Audit for the City of Albuquerque is currently conducting the annual audit of the Special Investigations Division. The issue of proper documentation of travel related expenses for the division also came up during the audit. Most of the expenses were already being properly tracked. However, some expenses such as registration receipts and some rental car bills were not submitted as required.

Since then, new guidelines have been implemented to ensure that all travel related expenses are properly documented with receipts. In addition to these new procedures, the issue of travel related expenses is being addressed in an updated version of an MOU that the division currently has with the City. The MOU will be forwarded through the proper channels once a new Chief of Police is selected.

**01-08 Transit-Parking Division**

*Condition.* Based on our walk through of the cash controls at the parking division we noted the following:

- Alleged embezzlement is being investigated and new cash controls are being reviewed.

**CITY OF ALBUQUERQUE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**Year Ended June 30, 2001**

**B. FINDINGS – FINANCIAL STATEMENTS AUDIT (CONTINUED)**

**01-08 Transit-Parking Division (Continued)**

- There is no requirement that two people be present in the counting room.
- There were altered logs for the daily parking revenues that were not reviewed on a daily basis.
- Informal controls relating to the on-site counts at the separate parking lots. Also at the City/Counting building the parking attendants are not always charging an exiting person the correct amount or at all for the days parking.

*Criteria.* Controls over cash should be strong to properly safeguard access to cash. Any discovery of alleged embezzlement or other possible criminal statute violation in connections with its financial affairs has to be reported in writing to the State Auditor pursuant to Section 12-6-6NMSA 1978.

*Cause.* The internal auditor's office was not made aware of the above mention item therefore they did not notify the State Auditors office of the possible violation. The cash handling controls needed to be reviewed and updated.

*Effect.* If cash is not safeguarded possible theft or errors in reporting of cash can occur that causes incomplete information.

*Recommendation.* We recommend that the new polices (that are being documented) be put into place immediately and that a policy relating to notifying the State Auditor of possible criminal violations be put into place and monitored.

*Management Response.* The Department decided last spring to contract with Arthur Anderson to assist with writing new cash handling policies and procedures for the Parking Division. The contract has finally been signed, the work is underway, and it should be completed within several months. New procedures will be implemented as soon as completed, but no later than February 2002, and will include a policy requiring timely notification of the State Auditor of possible criminal violations.

**01-09 Disaster Recovery Plan**

*Condition.* The Information Technology (IT) Department regularly tests and restores backup files and has started to develop a disaster recovery plan, including offsite locations far enough from the downtown area to be available in the case of a longer-term disaster. However, the lack of offsite contracts or sites, equipment located at those site, a written plan that includes the business users in key areas such as Finance, and Mayor's office, dependence on goodwill of vendors and available IT staff makes recovery less certain, and assuredly longer to accomplish. The lack of written documentation means that some steps could inadvertently be left out, increases the possibility that recovery would not work as planned, and general business operations would not be restored in a timely manner.

**CITY OF ALBUQUERQUE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2001**

**B. FINDINGS – FINANCIAL STATEMENTS AUDIT (CONTINUED)**

**01-09 Disaster Recovery Plan (Continued)**

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

*Cause.* The City has not properly allocated resources to develop and test a comprehensive disaster recovery plan.

*Effect.* The City could incur substantial losses in both time and money restoring operations to the pre-disaster level.

*Recommendation.* We encourage management to develop 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 areas, 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 Steering Committee each time it meets.

*Management Response.* The Information Services Division (ISD) has entered into a contract with experienced disaster recovery specialists to develop a project initiation report, project plan and statement of work to develop a formal disaster recovery plan and establish remote “co-location” recovery sites. This will be a phased approach and will include a test plan. As a major project, status will be reported regularly to the Information Services Committee (ISC). While the scope will be limited initially to IT infrastructure and application recovery, it is anticipated that comprehensive business recovery planning will be addressed in the Emergency Management Project.

**01-10 Strategic Plan**

*Condition.* Strategic planning is a process whereby an organization's management meet to examine the organization's basic purpose and to develop goals and strategies to achieve that purpose in a constantly changing environment. We understand the Information Systems Department has both a Technical Review Committee and an Information Steering Committee that assist in short-term planning and prioritization. The Information Systems Department does not have a current long-term strategic plan.

*Criteria.* Information system expenditures are generally significant and should be approached with a great deal of long-term planning to maximize the value to the City. Systems planning and implementation should be done jointly with a review of the current processes to determine how processes can be changed to be more efficient.

**CITY OF ALBUQUERQUE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**Year Ended June 30, 2001**

**B. FINDINGS – FINANCIAL STATEMENTS AUDIT (CONTINUED)**

**01-10 Strategic Plan (Continued)**

*Cause.* The Department has not allocated resources to develop a strategic plan since 1989.

*Effect.* Over the long term, the Department may not be allocating its information technology resources in the most efficient manner.

*Recommendation.* We encourage the Department to complete the development of the long-range information systems plan and ensure that there is a mechanism for the plan to be updated regularly. We believe that information systems will be a key to the future success of the City and deserves significant attention by management. Some of the benefits of developing a strategic plan are:

- Optimization of data processing expenditures.
- Increased user satisfaction with data processing systems.
- Efficient utilization of technology within the Organization.
- Improved coordination of information system development activities with the City's strategic goals and objectives.
- Satisfaction of organizational information needs.

*Management Response.* The City has created a draft Citywide Information Technology Strategic Plan that will be submitted to the Information Services Committee (ISC) for approval during its January 2002 meeting. The City will review this plan annually, with the ISC approving any changes in strategic direction. The Information Services Division will document, and maintain a history of, all changes in the Plan's appendix.

At the Department level, ISD has initiated a web application that will provide a method for City Departments to enter information technology projects (project details and budgets) for the upcoming budget year and for two-years out. ISD will summarize this data and produce a Strategic Plan for each Department. These plans will become part of the Citywide Information Technology Strategic Plan, and will be submitted annually to the ISC for review and approval. This process will begin with the fiscal year 2003 budget process.

**01-11 Fixed Assets**

*Condition.* The transit department provided a list of their fixed assets. This list included items that are listed as being recorded in Fund 110 – General Fund (\$1,161,370) and Fund 641 – Parking (\$200,072). The list also included items with conditions marked “Sal” and “City Radio”. These assets were salvaged, but are still included in the fixed asset system. In both cases, we could not determine if these assets are included in the proper fund or not.

**CITY OF ALBUQUERQUE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**Year Ended June 30, 2001**

**B. FINDINGS – FINANCIAL STATEMENTS AUDIT (CONTINUED)**

**01-11 Fixed Assets (Continued)**

*Criteria.* Proper fixed asset management requires that each division account for all fixed assets purchased by the division. This includes supporting all retirements of fixed assets with proper documentation, tracking the location and usage of the fixed assets. Items that are impaired, salvaged, or transferred should be adjusted out of accounts and records.

*Cause.* Personnel entered the fund locations 110 and 641 in error. General ledger accounts are not reconciled to an individual listing of fixed asset in the system. There are no detailed listings of the fixed assets recorded in the general ledger for the enterprise funds.

*Effect.* Fixed asset balances could be over or understated. Fixed assets could also be listed that are not in use or present in the division. Construction in progress amounts may be capitalized in the funds and not in the fixed asset system.

*Recommendation.* All of transit's items should be identified with fund 641. Salvaged items should be reviewed, items with no value should be written off, and the fixed assets should be reconciled to the trial balance amounts. This becomes even more critical with the implementation of GASB 34 and other related pronouncements.

*Management Response.* The Transit Department purchases fixed assets from different funds, for instance Fund 265, Fund 305, Fund 641, Fund 661 and Fund 665. For accurate recording of fixed asset purchases, the Department needs to correctly record the Fund used for each specific fixed asset purchase.

The Transit Department is in the process of removing assets with no value from the fixed assets list, and will reconcile the remaining items to the trial balance amounts.

**01-12 Housing Authority**

*Condition.* During our audit of the Housing Division, we several discrepancies between detailed reconciliations and the ending general ledger account balances. For example:

- One cash account has an unreconciled balance of \$5,295, which has been researched by the Housing Division. However, the unreconciled amount has not been located.
- One accounts receivable account has not been reconciled to the subsidiary ledger.
- Depreciation expense per the detailed schedules does not agree to the trial balance.
- Accumulated depreciation for approximately 18 items was overstated. In some cases, items have been overstated for both fiscal year 2000 and 2001 per the detailed schedule.
- Beginning accumulated depreciation does not agree to prior year amount.

**CITY OF ALBUQUERQUE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**Year Ended June 30, 2001**

**B. FINDINGS – FINANCIAL STATEMENTS AUDIT (CONTINUED)**

**01-12 Housing Authority (Continued)**

*Criteria.* Good accounting practice includes reconciliation procedures in order to verify that recorded balances are correct.

*Cause.* Unknown.

*Effect.* Unreconciled amounts could result in incorrect balances shown on the general ledger.

*Recommendation.* We recommend that reconciliations and review of reconciliations are performed and any differences be investigated in order to determine the proper treatment.

*Management Response.* The Section 8 bank account has been researched by the Accountant II responsible for the reconciliation and by the Fiscal Manager of the Housing Division. The unreconciled amount of \$5,295 has not yet been located after in depth research. Efforts at reconciliation will continue.

The Section 8 accounts receivable account reconciliation will be corrected to reflect an appropriate reconciliation to the subsidiary ledger.

The accumulated depreciation amounts that were overstated are due to formula errors originating when the GAAP conversion consultant created the spreadsheet. The spreadsheets will be corrected and adjustment entries will be made to the general ledger.

The depreciation amounts that do not agree to the prior year amounts between the FDS schedule and the General ledger were due to misclassification of assets during the GAAP conversion for fiscal year 2000. The amounts were correctly classified in the general ledger system and prior period adjustments were performed on the FDS schedule for fiscal year 2001.

**CITY OF ALBUQUERQUE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2001**

**B. FINDINGS – FINANCIAL STATEMENTS AUDIT (CONTINUED)**

**01-17 Budget Overspending**

*Condition.* The budget was overspent in several departments.

*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.* The City Administration will work with the offending departments to improve budgetary controls over spending.

**CITY OF ALBUQUERQUE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**Year Ended June 30, 2001**

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

**00-2 Prior year improved**  
**Urban Mass Transit**  
**CFDA#: 20.507**

*Condition.* We noted that a vendor used for purchases of goods and services for a federal program was not tested for suspension and debarment.

*Criteria.* Programs receiving federal funds are prohibited from contracting with or making sub-awards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. Covered transactions included procurement contracts for goods or services equal to or in excess of \$100,000 and any non-procurement transactions.

*Cause.* Unknown.

*Effect.* Because verification of the status of the vendor is not performed, there is a deficiency in internal controls over compliance with procurement, suspension and debarment requirements.

*Questioned Costs.* None.

*Recommendation.* The program should ensure that vendors are not included on the suspension and debarment list by either getting certification statements from the vendor or examining the list of suspended and debarred parties provided on the internet.

*Management Response.* The Transit Department agrees with the external auditor's recommendation. To address this particular instance, the Transit and Legal Departments have worked together to develop a construction bid document to be used for Federal Transit Administration funded construction projects.

**00-5 Major Program: Comprehensive Grant Program**  
**CFDA #: 14.859**  
**Federal Agency: Department of Housing and Urban Development**

*Condition.* It was noted that the Housing Division was not monitoring the payrolls of its contractors and subcontractors receiving federal funds. The Housing Division does not require contractors and subcontractors to submit certified payrolls for review in order to ensure all laborers were paid the prevailing wage rate.



**CITY OF ALBUQUERQUE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2001**

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

**00-5 Major Program: Comprehensive Grant Program (Continued)**

**CFDA #: 14.859**

**Federal Agency: Department of Housing and Urban Development**

*Criteria.* All contractors and subcontractors that engage in construction contracts over \$2,000 financed by Department of Housing and Urban Development grant funds are required to pay all laborers and mechanics wages not less than the prevailing wage rate established by the United States Department of Labor for the specific locality. The program must ensure that contractors and subcontractors pay the prevailing wage rate to its laborers and mechanics.

*Cause.* Contractors and subcontractors receiving federal funds are submitting certified payrolls to the City of Albuquerque. However, city personnel are not reviewing such reports for compliance with the Davis-Bacon Act. There is no procedure to compare wage rates for laborers and mechanics with the Department of Labor's prevailing rates.

*Effect.* Because certified payroll reports are not reviewed by program personnel, there is a deficiency in internal controls over compliance with the Davis-Bacon Act requirements.

*Questioned Costs.* Unknown.

*Recommendation.* Certified payroll should be received by the Housing Authority for each of the contractors and subcontractors subject to the Davis-Bacon Act requirements. Each payroll should be reviewed to determine that laborers and mechanics are being paid the current federal prevailing wage rates. The certified payrolls should be signed by a program staff and a supervisor as evidence of review.

*Management Response.* We concur with the finding and have implemented a policy in compliance with the recommendation.

**01-13 Major Program: Early Head Start**

**CFDA#: 93.600**

*Condition.* During our testing of the Early Head Start program, we noted that for one vendor, Nobel Sysco, the client was not aware that federal monies were being used to pay this vendor. Thus, it appears that the City did not check for the suspension and debarment compliance requirement.

*Criteria.* OMB Circular A-133 states that non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred.

**CITY OF ALBUQUERQUE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2001**

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

**01-13 Major Program: Early Head Start (Continued)  
CFDA#: 93.600**

*Cause.* Unknown.

*Effect.* Because the client was not aware that this vendor (Nobel Sysco) was being used for the Early Head Start program, no efforts were made to verify if this vendor was a suspended or debarred party.

*Questioned Costs.* Unknown.

*Recommendation.* We recommend that procedures be implemented and documentation maintained to ensure that vendors paid with federal funds are not suspended or debarred parties.

*Management Response.* Subsequent to this finding, the Department has verified that this vendor was not suspended or debarred and documented this in the files. In consultation with the Purchasing Division, the Department will develop and implement procedures to insure and document that vendors paid with federal funds are not suspended or debarred parties.

**01-14 Reimbursement Requests**

*Condition.* A request for reimbursement under the Federal Highway grant submitted by the Parks & Recreation Department was submitted more than 90 days after the end of the funding period.

*Criteria.* Part III of the Compliance Supplement states that “non-Federal entities subject to the A-102 Common Rule shall liquidate all obligations incurred under the award not later than 90 days after the end of the funding period (or as specified in a program regulation) to coincide with the submission of the annual Financial Status report (SF-269)”.

*Cause.* Unknown.

*Effect.* If reimbursement requests are not submitted within the time frame stipulated, the City is not in compliance with the program regulations.

*Questioned Costs.* None.

*Recommendation.* We recommend that all reimbursement requests be submitted on a timely basis, preferably monthly. In addition to ensuring the City’s compliance with program requirements, this will also improve the City’s cash flow.

*Management Response.* Parks and Recreation agrees with the audit recommendation above. Reimbursement requests have been addressed and will be submitted on a timely basis per signed agreements to ensure a positive cash flow for the City of Albuquerque.

**CITY OF ALBUQUERQUE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2001**

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

**01-18 Federal Claims**

*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.

The Department of Justice is reviewing the expenditures and their appropriateness per the grant agreement.

*Criteria.* When awarded a federal grant, the recipient is required to spend the money as directed in the grant document. The Department of Justice issued a grant to be used to hire officers and it should have been used for that purpose only.

*Cause.* The Department of Justice, who issued the federal grant to the City, is questioning how the grant money was spent.

*Effect.* Unknown at this time.

*Questioned Costs.* Unknown at this time.

*Recommendation.* We recommend that the City examine procedures for monitoring grants to ensure that compliance requirements are being adhered to.

*Management Response.* The City Administration will work with the Police Department to review all Federal and State grants to determine that the compliance requirements are being met.

**CITY OF ALBUQUERQUE  
STATUS OF PRIOR YEAR AUDIT RECOMMENDATIONS  
Year Ended June 30, 2001**

**REPORTABLE CONDITIONS**

00-1	Urban Mass Transit	Resolved
00-2	Urban Mass Transit	Improved-Repeated
00-3	Low Rent Housing	Resolved
00-4	Low Rent Housing	Resolved
00-5	Comprehensive Grant Program	Repeated
00-6	Comprehensive Grant Program	Resolved
NA	Disaster Recovery Planning	Repeated-See 01-9
NA	Internet Firewall Assessment	Resolved
NA	Security Weakness IT	Resolved
NA	GASB 34	Resolved
NA	Report Due Date	Repeated-See 01-15
NA	State Auditor Approval Contract	Resolved
NA	Presentation of Housing Authority	Resolved
NA	Loss Reserve Data	Repeated-See 01-16
NA	Transit Fixed Assets	Resolved
NA	Public Funds	Resolved