

**CITY OF ALBUQUERQUE  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 Year Ended June 30, 2005**

**A. SUMMARY OF AUDIT RESULTS**

1. The auditors' report expresses an unqualified opinion on the basic financial statements of the City of Albuquerque (City).
2. Fifteen reportable conditions were disclosed during the audit. The reportable conditions are as shown in Part B. None of the reportable conditions are material weaknesses.
3. No instances of noncompliance material to the financial statements of the City were disclosed during the audit.
4. Five 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 auditor's 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>
Section 8 Choice Vouchers	14.871
Local Law Enforcement Block Grant	16.592
Community Development Block Grants/Entitlement Grants	14.218
Public and Indian Housing	14.850
Public Assistance Grants	97.036

8. The dollar threshold for Type A programs of the City is \$2,975,803.
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, 2005**

**B. FINDINGS – FINANCIAL STATEMENTS AUDIT**

**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 expenditures are to be within budgeted amounts.

*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 of attain the necessary data for future budgeting.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2005**

**B. FINDINGS – FINANCIAL STATEMENTS AUDIT**

**02-21 Capital Asset Inventory**

*Condition.* The City performed a physical inventory of its buildings in 2003 and an inventory of equipment and other assets in 2005 in order to comply with GASB 34. The City deleted approximately \$45,000,000 during 2005 based on the inventory but we saw no additions to the list or asset transfers. The physical inventory noted several departments in which deletions may not be accurate. For example, a vehicle purchased during 2004 was deleted when in fact it was transferred to another department. There was also a motorcycle that was not added that was then wrecked without the insurance proceeds recorded.

*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 physical inventory revealed some additional steps and verification of assets remaining.

*Effect.* To maintain adequate accountability, the City should continue to verify the physical inventory performed and adjust the records accordingly.

*Cause.* The completion of a physical inventory, the size of the City is a large project and was dependent on proper information provided by the departments. The departments deleted items that could not be located, but did not add items that they had not on the inventory list.

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

*Management Response.* We concur with this finding. The Accounting Division will ensure that City departments retain supporting documentation related to inventory adjustments.

**CITY OF ALBUQUERQUE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2005**

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

**05-01 Travel Procedures**

*Condition.* Travel Cards (T-Card) transactions were tested for compliance. We noted one instance (out of 18 tested) not in compliance with City travel and per diem policies and procedures. In this case, the T-1 was prepared after “booking the tickets” and approved after the travel occurred. In addition, the T-7, which grants exemptions from the standard hotel rates, was also approved after the actual dates of travel.

*Criteria.* City travel authorization guidelines state that requests must be submitted and approved in advance of both “booking the tickets” and the actual travel. It also states that if the maximum allowable hotel rates are not adequate due to exceptional circumstances, the Department Director may request an exemption by submitting to the DFAS Director for approval in advance of the trip.

*Cause.* Non-compliance with City regulations.

*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 be properly approved by the authorized individual in accordance with the regulations.

*Management Response.* We concur with this finding. The department involved will be instructed as to the contracts of the travel rules and regulations and the necessity to follow as such.

**CITY OF ALBUQUERQUE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2005**

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

**05-02 Purchase Cards**

*Condition.* Based on our review of 26 P-Card transactions at the fire department, the following was noted; 17 transactions did not have documentation of prior approval, 6 transactions are for items that are specifically disallowed by the P-Card policies and procedures, including purchases for gas and airline tickets, 3 purchases were signed for by someone other than the cardholder, 20 transaction logs/reconciliations lacked documentation of a director or authorized personnel's approval and 2 invoices/receipts did not agree to the log/reconciliation.

*Criteria.* Departmental policies and procedures over P-Cards require that there is pre-approval on all purchases, the log/reconciliation of p-card purchases is to be reviewed by the director on a weekly basis, purchases of gas and airline tickets are specifically disallowed, and cardholders are the only parties allowed to sign for transactions.

*Cause.* It appears that there is a lack of adequate internal controls and formal policies and procedures are not in place at the department level.

*Effect.* Non-compliance with department policies and procedures.

*Recommendation.* We recommend that management continues to emphasize that P-card policies and procedures are adhered to in all cases. In addition, formal policies and procedures should also be developed at the department level.

*Management Response.* We concur with this finding. The Fire Department discovered some unallowable purchases during the fiscal year. The department reviewed and improved its own pre-approval procedures. All card holders and coordinators have been instructed on the new procedures.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2005**

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

**05-03 Metropolitan Detention Center**

*Condition.* During our payroll testing we noted 1 of 16 employees of the Metropolitan Detention Center (MDC) was improperly paid. This employee was paid for regular hours and overtime hours for the same time and shift worked for three consecutive days. The employee submitted a timesheet and an adjusted hour's worksheet for the same time/shift. These forms were both signed by the employee and the supervisor.

*Criteria.* The employee, supervisor and payroll clerk are all responsible for verifying the accuracy of time sheets and supporting payroll documentation. Any discrepancies should be investigated and times/shifts worked should be compared.

*Cause.* The time sheet was filled out incorrectly.

*Effect.* The employee was paid for 24.5 hours at the overtime rate. Since the employee was paid regular pay for 24 hours and another 24.5 of overtime it would be considered a duplicate payment.

*Recommendation.* Payroll forms should be scrutinized for accuracy in hours worked and times/shifts worked.

*Management Response.* We concur with this finding. All personnel will be instructed on the importance of accurate information on payroll forms.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2005**

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

**05-04 Controls Over Purchase Cards (P-Cards)**

*Condition.* Based on our review of 49 P-Card transactions, the following items were noted; approval of transactions is not consistently documented by all departments as to who should approve and when the approval should occur. Transaction logs and reconciliations are not consistently reviewed and/or approved by the authorized person, and there is not consistent documentation of procedures used to verify available City contracts and/or availability of items housed at the City warehouse.

*Criteria.* Current P-Card policies related to the items in the condition are as follows: Purchase card policies and procedures require approval of the purchase, the log/reconciliation of p-card purchases is required to be reviewed by the authorized individual on a weekly basis, and verification that the item to be purchased is not provided by City contracts and not held at the City warehouse is required prior to purchase.

*Cause.* Policies and procedures over P-Cards do not require written documentation or pre-approval of all purchases consistently. Since the policies and procedures are determined on the departmental level, there is no consistent application or documentation.

*Effect.* The current procedures increase the risk of non-compliance and opportunity for fraudulent activities.

*Recommendation.* We recommend formal policies and procedures be developed at the appropriate level and adherence be monitored and reviewed by appropriate management level to determine if citywide purchasing standards are being followed.

*Management Response.* We respectfully disagree with this finding. The City feels that the current policies and procedures provide adequate controls to detect unauthorized use of the Purchasing Card.

**CITY OF ALBUQUERQUE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**Year Ended June 30, 2005**

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

**05-05 Solid Waste Inventory**

*Condition.* During our inventory observation test work, we noted 7 obsolete inventory items listed on the master inventory list. The amount of obsolete inventory was \$813. These items could not be located during year-end physical inventory procedures but were on the final inventory listing. We also noted that the perpetual inventory listing did not agree to the physical count done at year end. The counts for 28 out of 50 items tested did not agree.

*Criteria.* The inventory listing should be maintained and include only inventory items that are in stock and not obsolete. Also, the perpetual inventory should agree to physical counts at year end.

*Cause.* The inventory listing is not being properly reviewed and obsolete items are not being promptly removed. In addition, final inventory count sheets are not being used to complete year-end inventory procedures. Also, the general ledger is adjusted at year end to match the physical inventory without verification of what the cause for differences in perpetual inventory is.

*Effect.* Inventory is overstated.

*Recommendation.* The physical inventory counts should be reconciled to the master inventory list. Historical activity should be verified within the inventory system and any obsolete items need to be removed from the system. We also recommend that all inventories be reviewed for year end adjustments and determine causes for these adjustments.

*Management Response.* We concur with your recommendation. We are now performing monthly inventories of selected areas, concentrating on parts with high dollar value and high usage. Differences are being researched to determine reasons for discrepancies and corrective action is taken when necessary.



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SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
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**B. FINDINGS – FINANCIAL STATEMENTS AUDIT (CONTINUED)**

**05-06 Cash Handling – Albuquerque Bio Park Division (Cultural Services  
Department)**

*Condition.* During our review of reports prepared by the Office of Internal Audit and Investigations, we noted compliance issues relating to the Bio Park. Cash handlers have not all received the required City Cash handling training. Another requirement of the City Cash Handling Manual was not followed regarding custodial statements.

*Criteria.* The City Cash Handling Manual requires cash controls in many areas including required training and custodial statements. These requirements were not being followed by the division.

*Cause.* Constraints of staffing and Bio Park hours of operation caused employee changes and the training and policies were not followed.

*Effect.* The City's exposure to loss of monies is increased because policies and procedures are not being followed.

*Recommendation.* All training and cash controls should be followed as required by City policy.

*Management Response.* We concur with the recommendation. The Bio Park is working toward 100% compliance by training all its cashiers and cash handlers, and following the City's Cash Handling Manual requirements.

**CITY OF ALBUQUERQUE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2005**

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

**05-07 Payroll Audit - Legal Department**

*Condition.* During our review of reports prepared by the Office of Internal Audit and Investigations, we noted payroll processing for the Legal Department did not follow City policy and lacked proper segregation of duties.

*Criteria.* Administrative instruction No. 7-6, states that Department directors and supervisory staff are responsible for insuring that the procedures for accurately recording leave are followed and that records and supporting documentation are properly maintained.

*Cause.* The Legal Department is not following and not in compliance with City Personnel Rules and Regulations and the approved Department Leave Plan. Also an adequate review process is not in place.

*Effect.* Without proper review and separation of duties, necessary for good internal controls, the recording and processing of payroll for the department is not accurate.

*Recommendation.* We recommend that all supervisors and employees comply with all City personnel rules and regulations. We also recommend a proper review process and that all adjustments to payroll be properly documented.

*Management Response.* The Legal Department agrees with the findings and has implemented procedures to ensure compliance with all City personnel rules and regulation. Payroll duties are now properly segregated. In addition, supervisory staff members have been informed of their responsibility to ensure that procedures for accurately recording leave are followed and that payroll records and support documentation, including payroll adjustments, are properly maintained.

**CITY OF ALBUQUERQUE  
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Year Ended June 30, 2005**

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

**05-08 Transit Department Revenue**

*Condition.* Cash and revenue reporting at the transit department are not adequate. A theft of cash and possible fraud concerning an unknown amount of bus passes and tokens occurred. City policies and procedures are not being followed regarding cash handling training, custodian statements, and notifications to treasury for overages and shortages.

*Criteria.* The City Cash Handling Manual requires cash controls in many areas including training and custodial statements. These requirements were not being followed by the division.

*Cause.* Insufficient training, supervision and review of all employees handling cash contribute to improper following of procedures. Also, there were 28 transit employees who had card key access to the teller area and were not involved in the customer service or teller functions.

*Effect.* There is increased risk of loss of public monies as well as approximately \$700 in cash and an unknown amount of bus passes and tokens have been reported stolen.

*Recommendation.* We recommend that the transit department follow City policies and procedures and that the department directors review and verify compliance.

*Management Response.* Transit concurs with the recommendation. Transit has corrected the issue with employees having card key access to the teller area. Only employees with a need have access. The issue of cash handling training and custodial statements have been complied with; all employees handling cash have received cash handling training and signed a custodian statement of responsibility (these are on file in the Finance division). All overages and shortages are posted to cashbook remote ledger.

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

**05-09 State Auditor Notification**

*Condition.* Improper use of a purchase card by a City employee was not disclosed to the State Auditor. There was also another instance of a stolen computer not disclosed.

*Criteria.* Pursuant to Section 12-6-6, NMSA 1978, the City shall notify the State Auditor immediately, in writing, upon discovery of all possible criminal statute violation in connection with its financial affairs.

*Cause.* City personal responsible for reporting were not advised.

*Effect.* Non-compliance with 2.2.2 NMAC Audit Rule 2005 and State requirements.

*Recommendation.* We recommend City follow all State requirements and verify that all notifications are sent to the State Auditor in a timely manner.

*Management Response.* The City concurs with this finding and the City has changed its procedures to insure proper notification.

**CITY OF ALBUQUERQUE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2005**

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

**05-10 False Alarms Service Fees (Fund 287)**

*Condition.* The following deficiencies related to the treatment of receivables and revenues from false alarms service fees were noted;

- Approximately 70% of receivables are greater than 120 days past due and only minimal, if any, collection efforts have been made.
- Reconciliations of the A/R detail listing and general ledger are not being completed on a regular basis.
- Revenues are not being posted to the correct fund consistently and on a timely basis.
- Computer purchases were not received by the alarm unit

*Criteria.* Administrative Instruction No. 2 states that each department shall be responsible for reconciling its A/R to the centralized GL system on a monthly basis. It also states that the department shall be responsible for collection efforts and to coordinate with the Treasury Department for combined efforts. In addition, the Alarm Ordinance, Section 9-3-16 requires that false alarm service fees should be recorded in the general fund.

*Cause.* False alarm fees are not considered to be a significant part of APD and, therefore, efforts in this area have been limited.

*Effect.* Non-compliance with Administrative Instruction No. 2-2 and overstatement of accounts receivable and other assets.

*Recommendation.* We recommend City follow all Ordinances and Administrative Instructions and make considerable efforts to collect all receivables.

*Management Response.* The false alarm unit is complying with the collection procedures outlined in Administrative Instruction 2-2 as to the best of our abilities. Restrictions on staffing numbers prohibit complete adherence to the policy, but the Department will continue to develop plans for implementation of additional collection procedures.

The false alarm unit reconciles bank information to the false alarm software information and to the general ledger source data on a daily basis. The Department agrees that the information should also be reconciled to the City general ledger when the month end information is available and will implement procedures to do so.

The current general ledger system does not interface with the false alarm software system to post revenue entries automatically to the correct fund. Reports are run on the false alarm software system to collect the information needed which is then manually recorded in the City general ledger system. During FY05, the procedure was changed from

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

**05-10 False Alarms Service Fees (Fund 287) (Continued)**

recording the manual adjusting journal entry annually to recording it quarterly. The revenue that should be going into the General fund rather than the False Alarm fund is being moved. The Department disagrees with this finding and believes that the revenues are being posted to the correct fund consistently and on a timely basis and that the Department is complying with all Ordinances and Administrative Instructions related to this reported deficiency.

The alarm unit did receive purchased computers. Comparable computer equipment was delivered to the alarm unit from technical services as opposed to the exact equipment and serial numbers that were listed on the false alarm invoices. Procedures were implemented in FY05 to ensure that the same, not comparable, equipment be delivered to the false alarm unit when purchased. The Department believes that it has complied with all Ordinances and Administrative Instructions related to this reported deficiency.

**CITY OF ALBUQUERQUE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2005**

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

**05-11 Fixed Assets – Albuquerque Bernalillo County Water Utility Authority**

*Condition.* During our testwork of fixed assets for the Water Utility Authority, it was determined that additions to capitalized meters were understated.

*Criteria.* Asset additions should be reconciled to supporting documentation.

*Cause.* The Water Utility Authority has not implemented procedures reconciling meter additions per the books to supporting documentation.

*Effect.* Assets are understated.

*Recommendation.* We recommend the Water Utility Authority implement procedures ensuring that financial data agrees to supporting documentation.

*Management Response.* We agree with the finding. The Utility's billing system generates a report that shows all new meters installed during the fiscal year. These reports are used by New Services, who provides this information to the Water Systems Division to calculate the capitalized meter amount. New Service's provided Water Systems the incorrect meter count. The Utility is implementing policy in which when New Services provides the meter count to Water Systems they must also provide the reports to support the count given. Water Systems will not use any information from New Services without the proper support. All capitalized meter information submitted the City of Albuquerque's accounting group will include all the appropriate support as well.

**CITY OF ALBUQUERQUE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2005**

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

**05-12 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, 2005.

*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, 2005 is 1.29

*Cause.* Insufficient revenue to comply with coverage requirement.

*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 concur with this finding. The City will review expenditures relative to revenues and make appropriate adjustments to ensure compliance with coverage requirements.



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Year Ended June 30, 2005**

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

**05-13 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 2005, *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.* Staff changes.

*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 are taking actions to prevent this situation in the future.

**CITY OF ALBUQUERQUE  
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Year Ended June 30, 2005**

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

**03-18 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 and each in fund.

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

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

**05-14 Late Filing on Status Reports**

**Community Development Block Grant – CFDA #14.218**

**Questioned Costs: None**

*Condition.* We noted during our test work of the reporting requirement for the CDBG grant, the Financial Status Reports was filed past the required deadline.

*Criteria.* Per review of the grant compliance supplement, the City is required to submit quarterly financial status reports to the granting agency within 15 days of the close of the quarter.

*Cause.* Unknown.

*Effect.* Non-compliance with grant requirement increases possible questioned costs and additional review by the granting agency.

*Recommendation.* We recommend that all grant requirements be followed and all required reports be filed within the specified time frame.

*Management Response.* The City concurs with this finding. In most instances the City is able to comply with the Federal Requirement given that the COA's Central Accounting Division closes the books 10 working days after the month end. However, there are occasional anomalies - December 2004 was one. December 2004 books did not close until January 20, 2005, which was 14 working days, following the end of the quarter. City staff needs 2 working days to reconcile GL Transactions to invoices and draws before completing Form 272. It generally takes an additional 2 working days for signature routing and delivery to the local HUD office. This has not been an issue with the local HUD office given the City's continuing effort to submit the report as soon as possible.

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

**05-15 Period Of Availability**

**Public Assistance Grant – CFDA #97.036**

**Questioned Costs: \$998,092**

*Condition.* We noted during our testwork of grant revenues and related receivables, for the Albuquerque Bernalillo County Water Utility Authority, that \$998,092 of expenditures related to this program (FEMA Project 53) may be determined ineligible since work was performed subsequent to the cut-off date.

*Criteria.* Per review of correspondence related to this project, the Grant required the project to be completed within six months.

*Cause.* Water Utility Department staff were unaware of the six month time frame.

*Effect.* The Water Utility is now at risk to pay for a project with Utility funds instead of Federal funds.

*Recommendation.* We recommend that the Water Utility develop procedures to monitor deadlines to help ensure that projects are completed timely and can be reimbursed with Federal funds.

*Management Response.* We agree with the finding. The issue stems from a misunderstanding with the Authority and the New Mexico Department of Public Safety. It was the Authority's understanding based upon the contract signed between the Utility and the State that all the projects had a time period of one year. After the one year time period we are allowed to request extensions. As this relates to project 53 the period to complete the project was only 6 months, and work performed after that required an extension. The Utility was tracking this monthly, but was working under the year time table. The Authority is working with the State and FEMA to fix this problem. From the beginning, procedures have been in place to monitor these deadlines. Reports are filed quarterly with the State, and again the problem was not identified by the State until FEMA notified them of the time requirements.

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

**05-16 GRANT EXPENDITURES**

**EPA Grant – CFDA # 66.001 & 66.034**

**Questioned Costs: \$342,378**

*Condition.* During the current year, the City underwent a program audit relating to the EPA/AIR Quality grant. It was determined that \$342,378 were unallowable grant costs for grant periods for 2002 and 2003. This amount consisted of \$128,710 in costs that lacked supporting documentation and \$213,668 was disallowed. This amount has been repaid to EPA.

*Criteria.* Grant awards specifically state what expenditures are allowed and what will be reimbursed by the grantor. The award also states that all supporting documentation is required for reimbursement.

*Cause.* Procedures were not established and reviewed to ensure proper costs.

*Effect.* The City is not in compliance with grant requirements. This may effect future funding related to EPA/Air Quality grants.

*Recommendation.* The City should provide additional training to any individuals responsible for expending grant funds. Also the City should strengthen controls with review procedures and stress the importance of supporting documentation.

*Management Response.* Subsequent to the EPA audit in Fiscal Year 2004, the Environmental Health Department, Air Quality Division developed written procedures that became Divisional Standard Operating Procedures. All staff members that administer EPA grants have been instructed in these procedures. The Department has also added a position to coordinate grant administration.