City of Albuquerque
Office of Internal Audit and Investigations

Fiscal Year 2008 Annual Report
July 1, 2007 - June 30, 2008

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TABLE OF CONTENTS

MISSION STATEMENT:

To provide independent audits and investigations to promote transparency, accountability, efficiency and effectiveness of City government for the citizens of Albuquerque.

Summary of the Year

Significant FY08 Accomplishments

- ✓ OIAI passed a peer review performed by the Association of Local Government Auditors which determined that it was in full compliance with Government Auditing Standards (GAS). GAS requires an audit organization's system of quality control to encompass the audit organization's leadership, emphasis on high quality work and the organization's policies and procedures designed to provide reasonable assurance of complying with professional standards.

- ✓ OIAI purchased ACL software, which allows us to perform data mining and analyze large amounts of data. OIAI staff attended an on-site training to learn how to use the software.

- ✓ The Inspector General created a database to log investigations and tips received. This provides a central location for the information to be recorded, which is essential for identifying trends and tracking data.

- ✓ The Inspector General developed a draft Investigations Policies and Procedures Manual. It is anticipated that this manual will be incorporated into the existing OIAI Manual, which currently only addresses audit policies and procedures.

- ✓ The OIAI office space was remodeled to include three additional offices and a new conference room.

Reports

The Office of Internal Audit and Investigations (OIAI) issued 24 reports in Fiscal Year (FY) 2008 including:

- 13 Audits
  - 5 Special audits (Not included in the annual audit plan)
  - 4 Management audits
 - 4 Budget audits
- 9 Follow-ups
- 2 Investigations

There were several audits, follow-ups and investigations in process at year-end.

FY08 REPORTS ISSUED BY TYPE

21%	17%
17%	37%
8%	

Legend:
- Management Audits
- Special Audits
- Budget Audits
- Follow ups
- Investigations
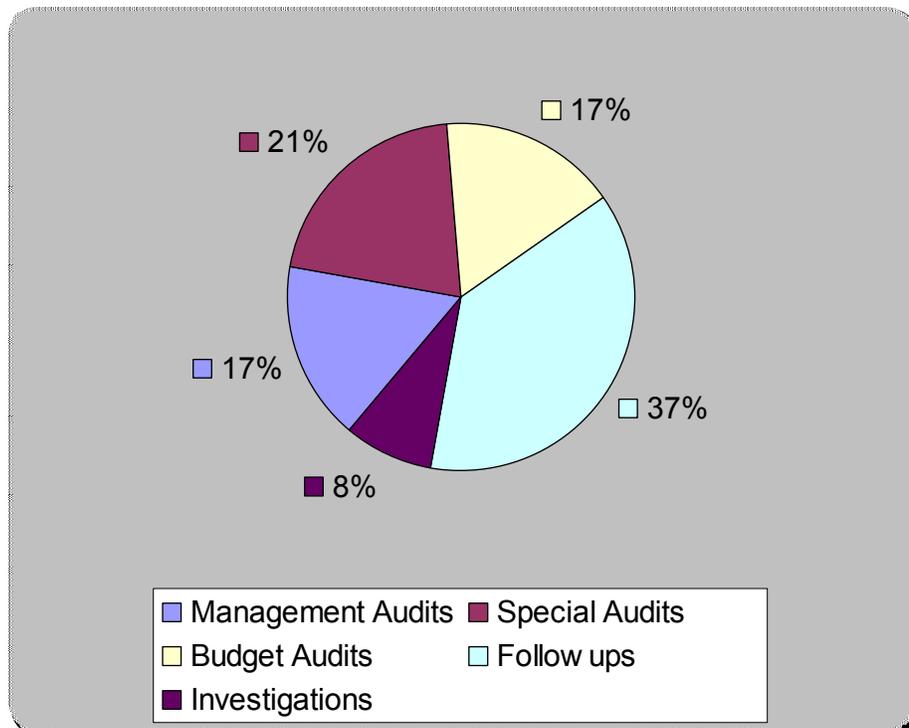
PROJECT HOURS BY TYPE
FY08

Type of Project	Audit Hours	Prior Year Actual Audit Hours	Increase (Decrease) from Prior Year
Special Audits	2,913	1,284	1,629
Other	1,841	1,793	48
Management Audits	1,834	3,892	(2,058)
Follow ups	1,303	1,169	134
Budget Audits	1,070	716	354
Contract Audits	557	684	(127)
Investigations	449	614	(165)
Payroll Audits	0	502	(502)
Total	9,967	10,654	(687)

FY 08 PROJECT HOURS BY TYPE

- Special Audits — 29%
- Other — 18%
- Management Audits — 18%
- Follow ups — 13%
- Budget Audits — 11%
- Contract Audits — 6%
- Investigations — 5%
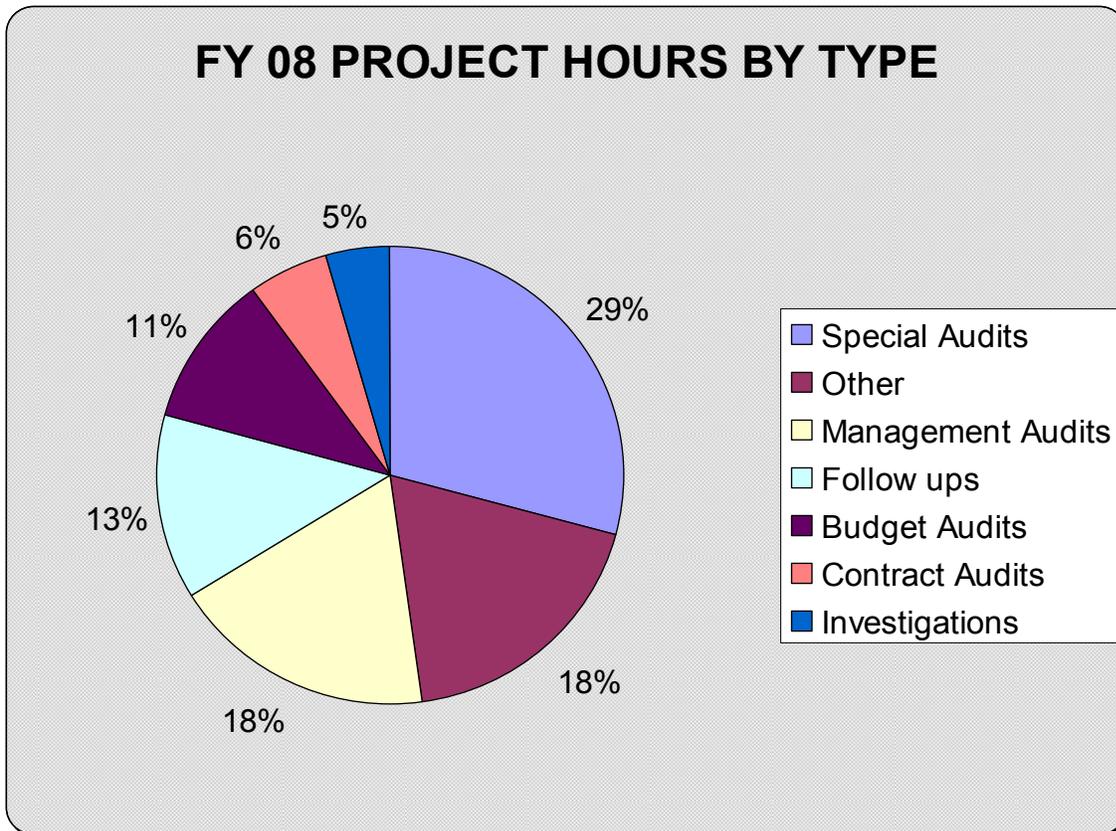
DEPARTMENT AND PROJECT HOUR DETAIL
FY08

Department / Project	Hours	Department Total
ABQ Ride		
TDM Grant Audit	610	
Parsons Vendor Audit	557	
Transit Revenue Follow-Up	372	
Payroll Follow-Up	162	
Westside Transit Facility Follow-Up	81	1,782
Albuquerque Police Department		
Special Investigation Division Audit	352	352
Animal Welfare Department		
Animal Control Audit	661	
Investigation	114	775
Council Services Department		
Payroll Follow-up	119	119
City Wide		
City Architectural Contracts Audit	632	
Year-End Close Audits	569	
Quarterly Budget Audits	502	
Safe Traffic Operations Program Audit	196	
Purchasing Card Audit	128	
Computer Inventory Follow-Up	96	
Downtown Action Team – 2nd Follow-Up	56	
Lodger's Tax (ACVB/ACCH) Follow-Up	45	
Personal Computer Licensing Follow-Up	24	2,248
Department of Family and Community Services		
Quarter Cent Public Safety Tax Audit	426	426
Department of Finance and Administrative Services		
Lodger's Tax Audit	93	
Treasury Division Follow-up	73	
Accounts Payable Audit	12	178
Department of Municipal Development		
City Contract (Golfscapes) Audit	329	
Utility Billing Process Audit	283	
Investigation	24	636

DEPARTMENT AND PROJECT HOUR DETAIL
FY08

Department / Project	Hours	Department Total
Environmental Health Department		
CHPD Follow-up	242	
Investigation	174	416
Human Resources Department		
Insurance and Benefits Audit	72	72
Legal Departments		
Franchise Fees Audit	225	
Payroll Follow-up	33	
Alleged Campaign Practice Violations	71	329
Parks and Recreation Department		
Golf Point of Sale Audit	280	280
Solid Waste Management Department		
Commercial Collections Audit	364	
Investigations	136	500
Other	1,854	1,854
Total	9,967	9,967
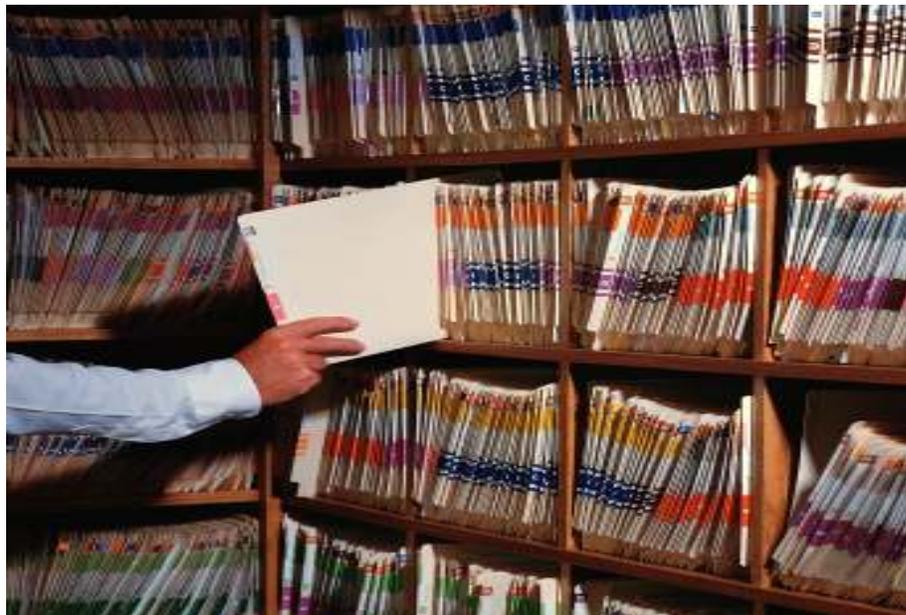
Special Projects

OIAI was involved in several projects at the request of the Council, Administration or both. Some of the more significant projects were as follows:

- *Enterprise Resource Planning (ERP) System Implementation*

  o The Director serves on the Steering Committee for the project as an advisory, non-voting member.
  o The Director and Internal Auditor are members of the Department Readiness Team (DRT). The DRT serves as a line of communication between the ERP project team and individual City departments.
  o The Audit Manager attends ERP Security meetings as an advisory member to provide input on IT security issues.

ERP Go-Live
1/1/09

- *Information Systems Meetings*

  At the request of the Administration, the Audit Manager (formerly the Information Systems Auditor) attends the following regularly scheduled meetings throughout the year: Technical Review Committee (TRC), Information Systems Council (ISC) and the Filenet Imaging Super Users group.

- *Chief Administrative Officer Budget Hearings*

  At the invitation of the Administration, the Budget Auditor and other OIAI staff members attended the FY08 department budget hearings held with the Office of Management and Budget.

- *Alvarado Transportation Task Force Meetings*

  At the request of Council, the Director participates on a Committee that is charged with making recommendations to the City Council on Alvarado Transportation Center Projects.

- *Albuquerque Police Department (APD) Promotional Scoring*

  At the request of the Administration, the Director was asked to review the scoring computation for the promotion of APD officers. These scores were reviewed for accuracy.

Budget

In FY08, OIAI was budgeted as one program strategy, with two separate activities (Internal Audit and Inspector General.) The FY08 budget for the program as a whole was $1,304,000. Expenditures for the year were approximately $973,000*. The chart below contains budget and actual expenditure comparison for previous years.

OIAI BUDGET VS ACTUAL EXPENDITURES
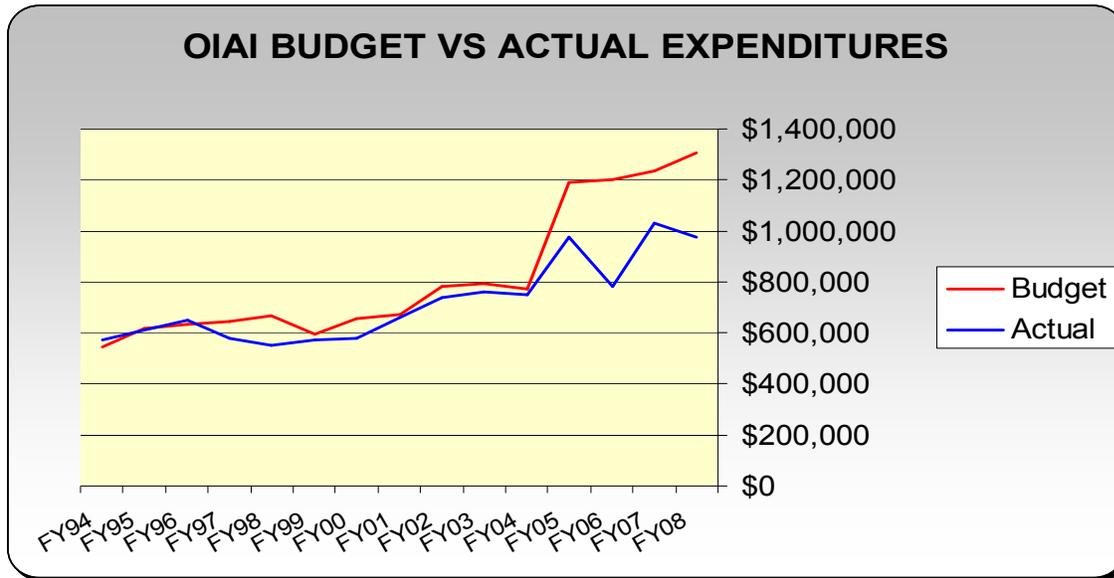
Note: Beginning in FY05, the budget contains funding for the Inspector General activity. *Actual expenditures for FY08 are approximate, as they are unadjusted and unaudited.*

In FY08, the Internal Audit program *underspent* its budget by $331,000* or 25%. This was primarily due to salary savings as a result of vacant positions.

There were 14 full-time budgeted positions in the OIAI program strategy. Several staffing changes occurred in FY08. The Inspector General was hired in January 2008. Two Principal Auditors were hired in January and March, respectively. One of these auditors did not complete the probationary period, the other is scheduled to complete probation in September 2008. The following vacancies existed at June 30, 2008:

- (1) Information Systems Auditor (M – 17)
- (1) Audit Supervisor (M – 17)
- (1) Principal Auditor (M – 16)
- (2) Senior Auditor (M-15)

Performance Measures – OIAI

The Program Strategy for OIAI is to enhance public confidence and promote efficiency, effectiveness, accountability and integrity in City government by:

- ☑ Ensuring compliance with City ordinances, resolutions, rules, regulations and policies

- ☑ Recommending operational improvements and service measurement integrity

- ☑ Investigating complaints of fraud, waste, and abuse and

- ☑ Recommending programs/policies which educate and raise the awareness of all City officials and employees.

The OIAI Program Strategy is a part of the City's Goal 8, **_Government Excellence and Effectiveness._**

Performance Measures – OIAI - Continued

The FY08 strategy outcome and performance measures are as follows:

Output Measure: Complete Management, Vendor/Contract, Payroll and Cash Handling audits with recommendations for improving City operations, programs and contract management.

NUMBER OF REPORTS ISSUED
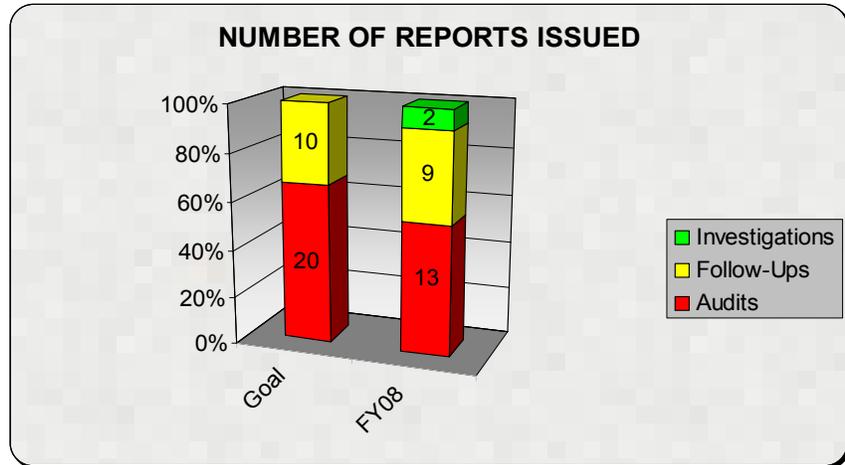
Twenty-four reports were finalized in FY08: thirteen audits, nine follow-ups, and two investigations. Staffing levels and complexity of projects have a direct affect on achieving this measure.

FY08 = 24 Reports Issued

Performance Measures – OIAI - Continued

Output Measure: Work in partnership with departments by responding to requests for assistance related to compliance with City rules and regulations, process development, process improvement and re-engineering.
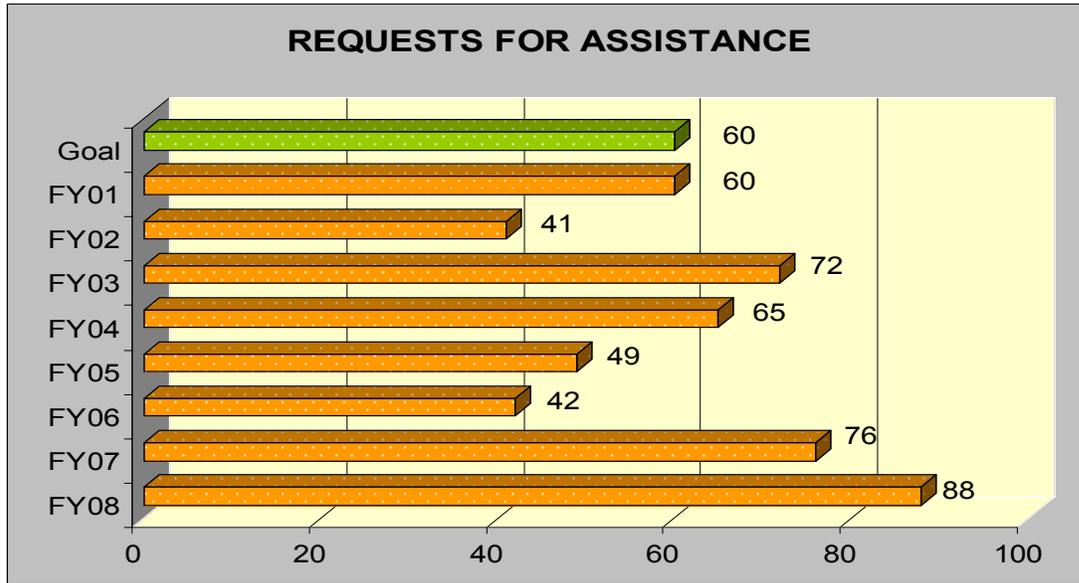
With 88 requests for assistance, OIAI exceeded the goal of 60 requests in FY08, reaching the highest level in eight years. OIAI considers this goal to be one of our most important, as we encourage City departments to consider our office a resource for assistance and direction. This is a performance measure that is strongly emphasized in staff meetings throughout the year.

Performance Measures – OIAI –Continued

Quality Measure: Citywide savings and increases to revenues as a percentage of the OIAI's approved final budget.

COST SAVINGS VERSUS OIAI BUDGET

	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08
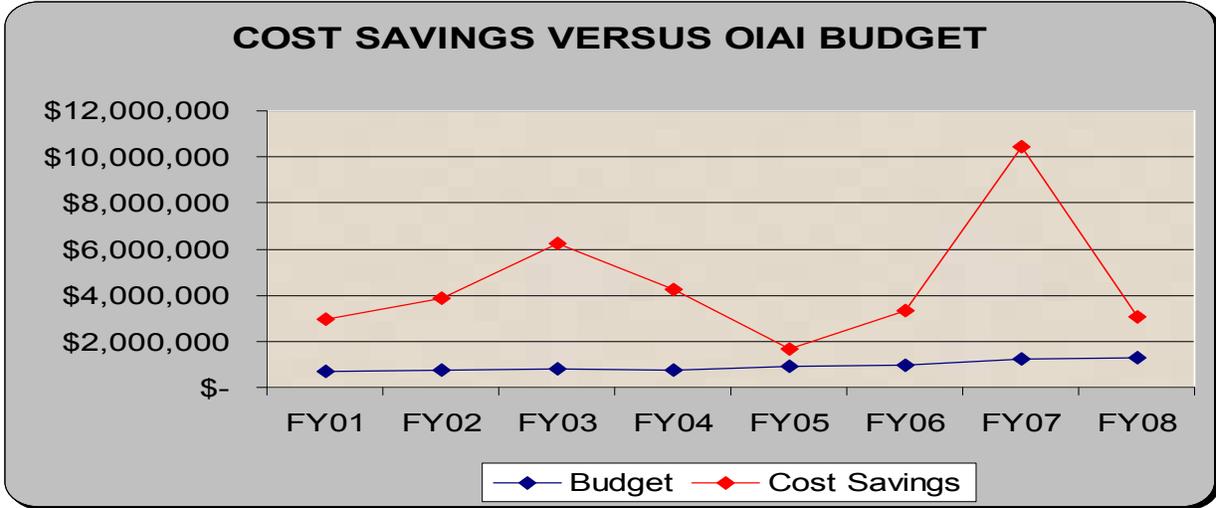
A conservative estimate of $331,283 of nonrecurring and $1,440,984 of recurring annual reductions in expenditures, avoided costs and increases in revenues which the City could realize with the implementation of FY08 recommendations. In addition, there were numerous recommendations made that will result in longer-term intangible benefits to the City through improved administration, better accountability and reduced potential liabilities.

POTENTIAL SAVINGS AS A % OF OIAI BUDGET

Goal 200%, FY01 342%, FY02 416%, FY03 685%, FY04 450%, FY05 76%, FY06 250%, FY07 748%, FY08 136%
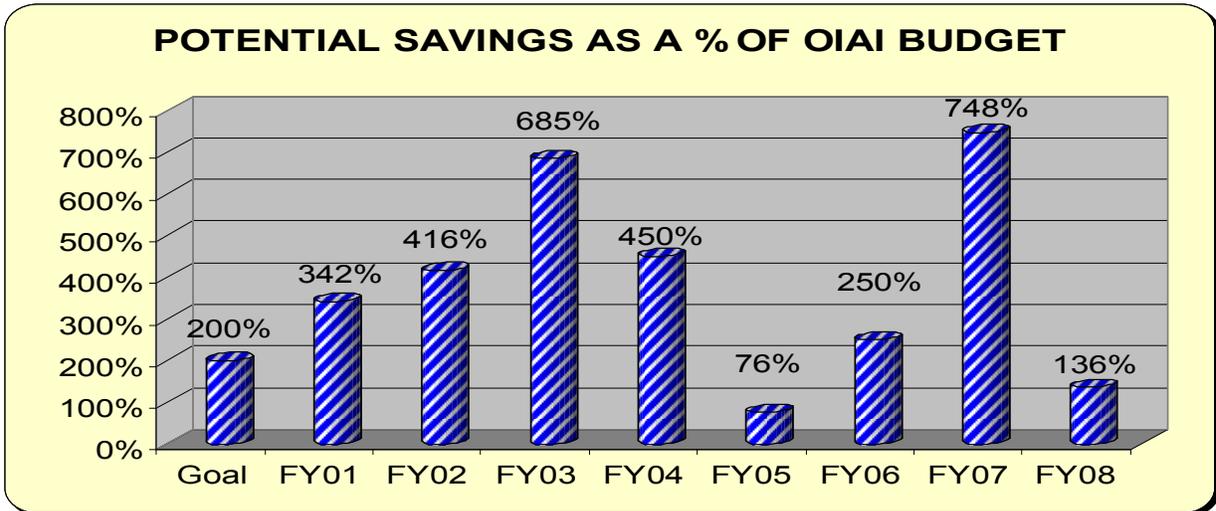
In FY08, the projected savings from recommendations in relation to the Department's total expenditures was 136%

Performance Measures – OIAI - Continued

Quality Measure: Chargeable time compared to total time.

CHARGEABLE TIME AS A % OF TOTAL HOURS

	%
FY08	77
FY07	71
Goal	70
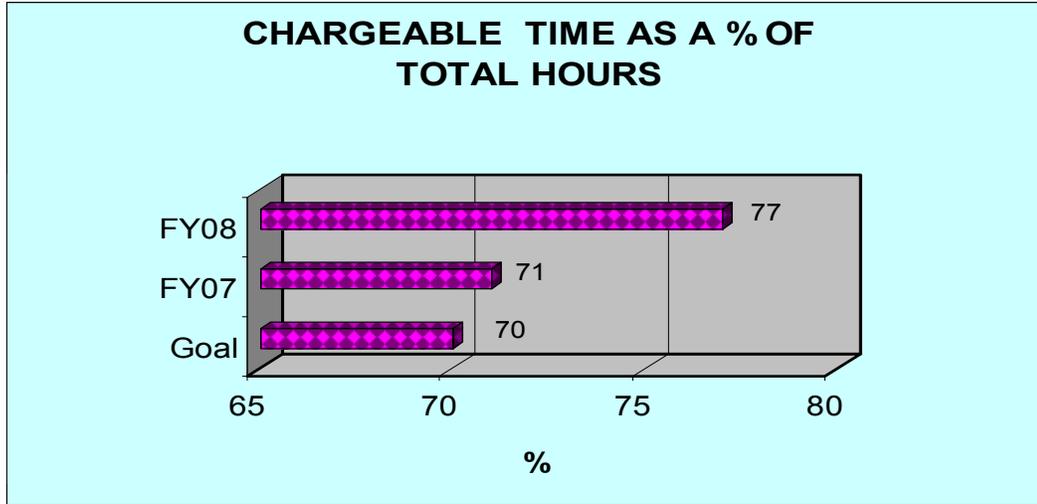
With 77% and 71% for FYs 08 and 07, respectively, OIAI has exceeded the chargeable hour goal for the last two years.

Chargeable audit time includes time coded to the following categories in the timekeeping system: Audit Planning/Organizing, Audit Fieldwork, Audit Supervision/Review, Complete Audit, Investigation Fieldwork, Investigation Interviews, Investigation Report Writing, Investigation Report Referral, Investigation Review, Continuing Education, Training, Professional Development, Miscellaneous Audit or Investigation Tasks, and Management Advisory Services.

Time

Performance Measures – OIAI - Continued

Quality Measure: Average number of training hours, per staff member, to ensure technical proficiency.
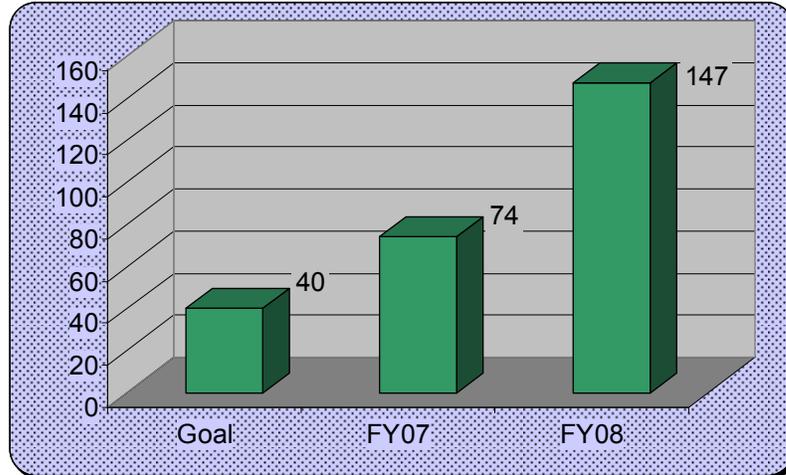
All of the certifications held by staff require a minimum number of continuing professional education (CPE) hours. Government Auditing Standards also require 80 hours of CPE every two years. At least 24 of the 80 hours must be in subjects directly related to government auditing, the government environment, or the specific or unique environment in which the entity operates.

OIAI staff received an average of 147 hours of CPE during FY08, greatly exceeding the goal of 40 hours. As OIAI experienced salary savings during FY08, staff attended additional training opportunities.

Performance Measures – Internal Audit

Strategy Outcome: Improve the operational efficiency of departments though acceptance of audit recommendations.   Operations will be improved if the audited departments and programs accept the recommendations made as valid and useful during the audit process.

% of Recommendations Accepted at Time of Audit
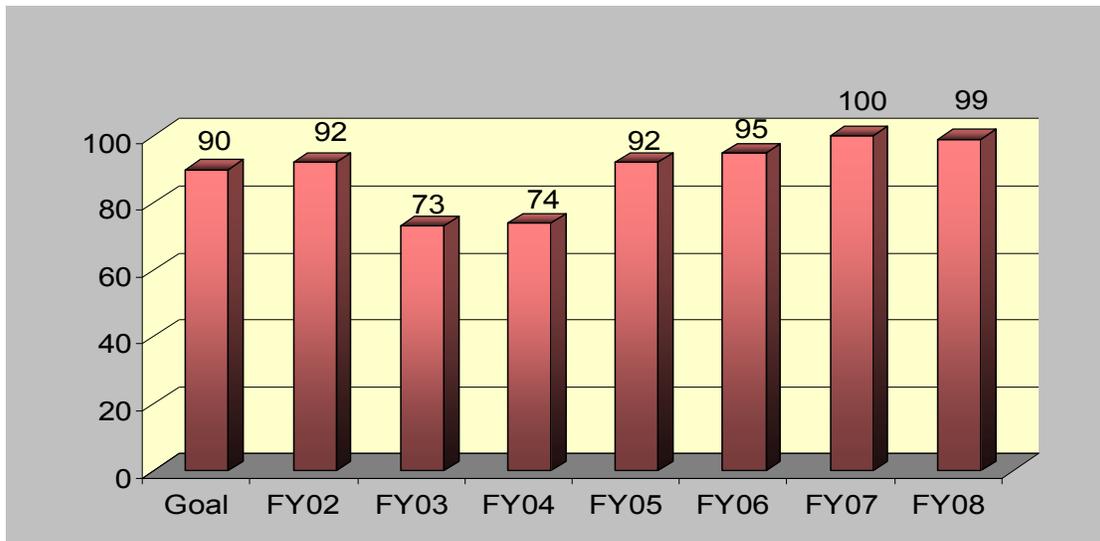
In FY08, 99% of recommendations were fully accepted by the auditee.   Another one percent were partially accepted by the auditee. This performance measure is calculated by the concurrence of the auditee to the recommendations offered in our reports.

Quality Measure: Percent of audits performed within the budgeted hours.
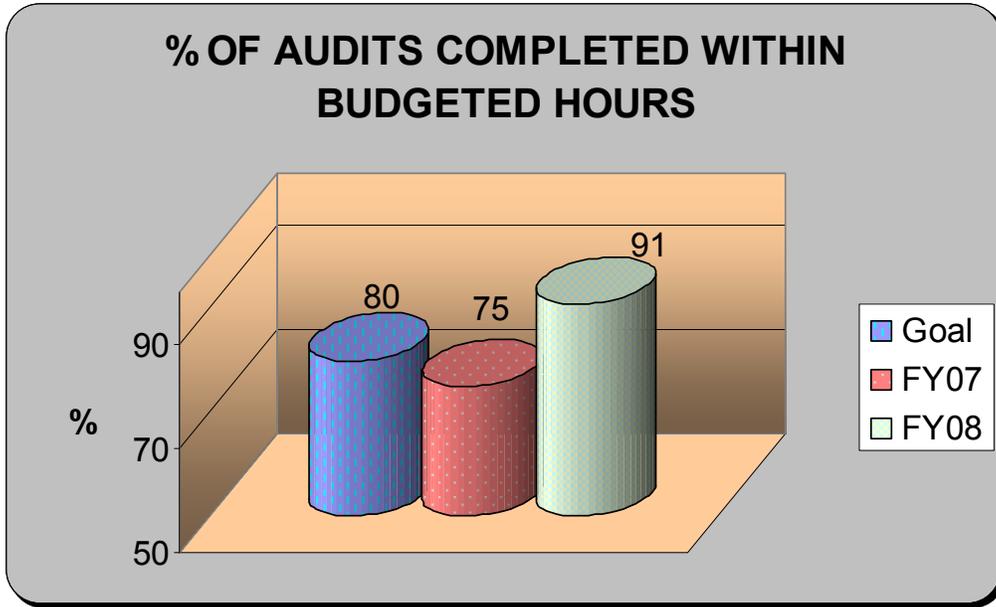
Time budgets are prepared for every audit assignment. Audits are considered within budget if completed within 125% of the assigned hours.   Auditors are instructed to monitor their individual project budgets and request an increase, if necessary. In FY08, 91% of audits were completed within the budgeted hours. This is an increase of 16% over the prior year.

Project Budgets

Quality Measure: Improve the efficiency and effectiveness of departments' operations through value added audit reports and recommendations. End of audit surveys include a question regarding the value added by the audit.

AUDITEE RESPONDED THAT AUDIT ADDED VALUE
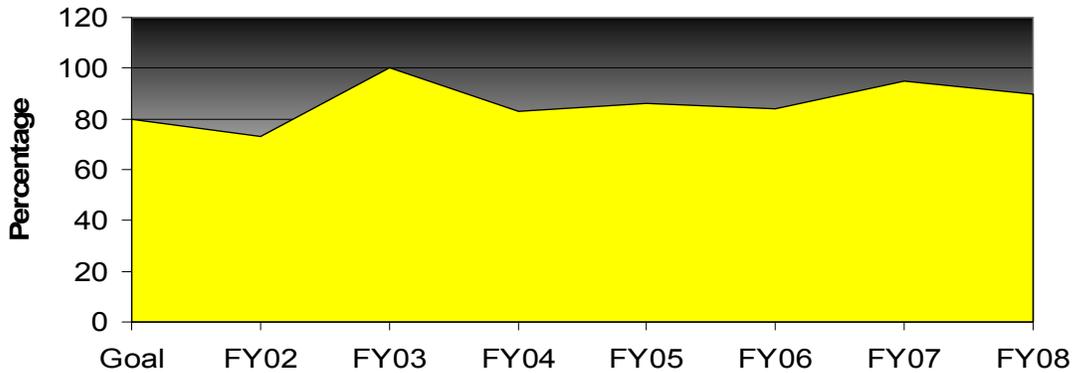
OIAI requests end of audit surveys be completed by the audited departments. Auditees are asked to rate the professional proficiency of the auditors, scope of work, performance of audit work, and the value of the audit reports. Ratings are on a one to five scale with five indicating "excellent."

In FY08, 90% of respondents felt the audit added value to their respective activity, program or department.

+ VALUE ADDED AUDITS +

Quality Measure: Staff days per audit.

Average Number of Staff Days per Audit
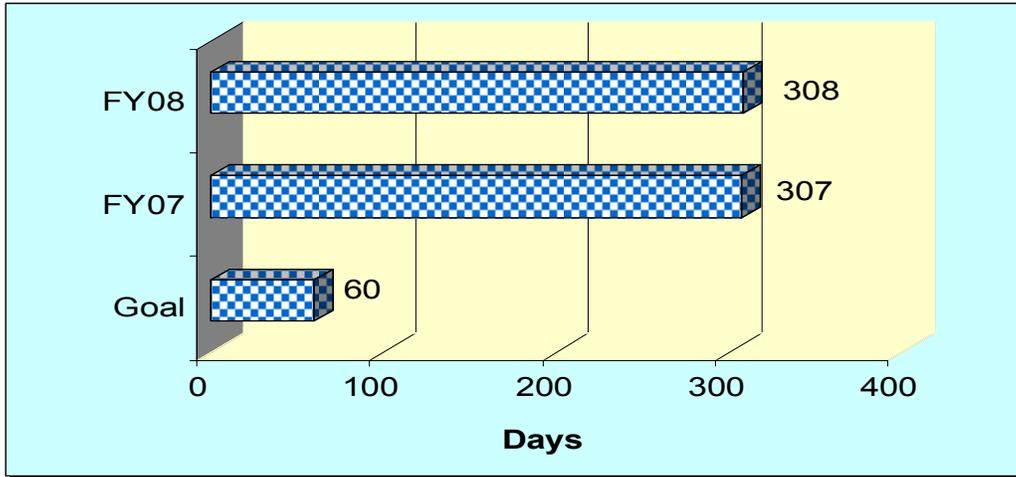
OIAI set a goal of 60 days for the average amount of time each audit is open. This is calculated from assignment of the project to completion and report issuance. In FYs 07 and 08, the length averaged 307 and 308 days, respectively.

OIAI has decided to remove this measure for FY09, as there are a number of factors that directly impact it. For example, staff members have numerous projects they are working on concurrently. Sometimes departments ask for an extension of time or due to their staffing levels, are not able to respond to our requests immediately. Staff turnover is also a factor, as projects then need to be re-assigned.

Inspector General

Performance Measure	Goal FY08	Actual FY08
Number of allegations requiring investigation	30	8
Number of referrals for administrative actions, convictions or pleas obtained for employee/contractor wrongdoing	15	3
Percentage of investigations resulting from employee reports	64%	50%

The Inspector General was hired January 2008. Because this activity is new to the OIAI, there is no historical data on performance measures. Additionally, the OIAI has changed some of the performance measures for FY09 that more accurately reflect the objectives of this activity. The FY08 goals were set without historical information, and actual numbers show they were set too high.

❖ Of the allegations reported, 45 percent involved missing money.

❖ One allegation was reported under the Whistleblower Ordinance.
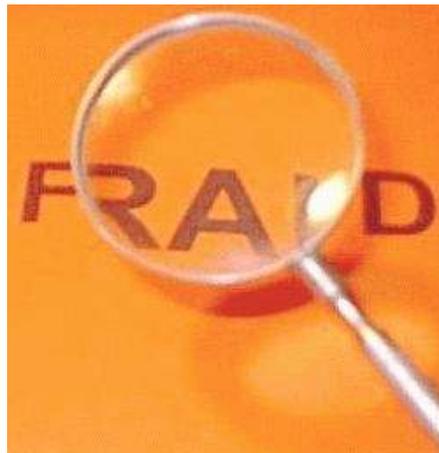
Implementation of Recommendations

OIAI strives to improve the operational efficiency of departments through their implementation of audit recommendations. Follow-ups are generally conducted within two years after an audit is completed.

PERCENTAGE OF RECOMMENDATIONS IMPLEMENTED AT TIME OF FOLLOW-UP
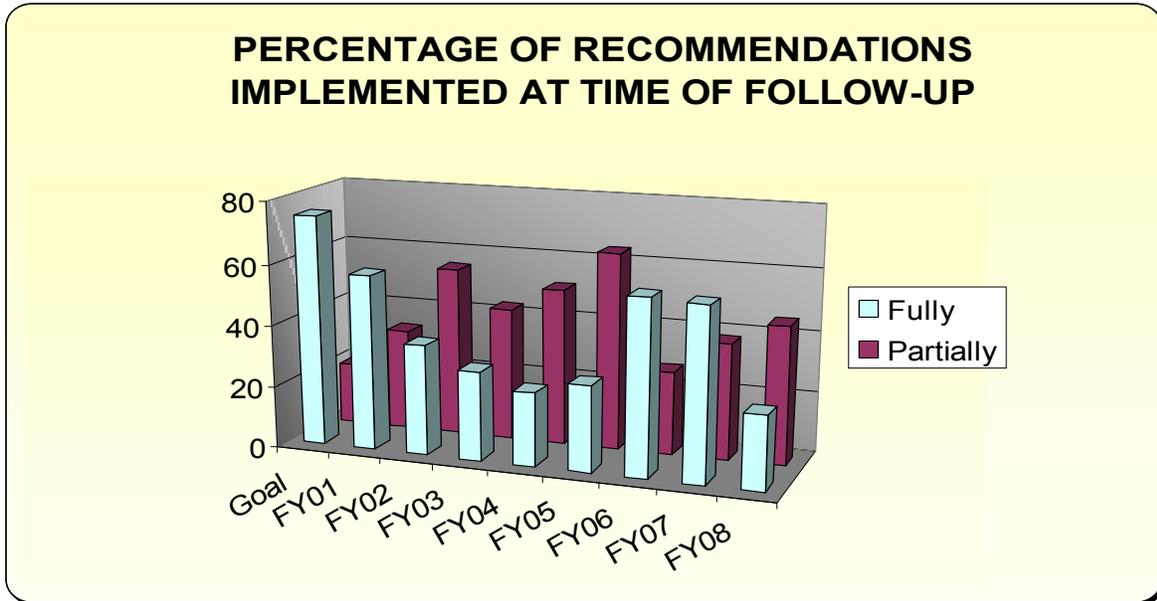
In FY08, City departments had *fully* implemented 24% and *partially* implemented 45% of recommendations at the time of the follow-up. The *partially* implemented portion of the goal (25%) was achieved; however, the number of *fully* implemented recommendations did not reach the goal, (75%). FY08 showed a significant decrease in the number of recommendations *fully* implemented.

OIAI, as an independent entity, has no control over the implementation of recommendations. This measure is reported for informational purposes only.

Recommendations Implemented

OIAI Staff

A number of professional certifications are held by OIAI staff members including:

(7) Certified Public Accountants (CPA)
(4) Certified Fraud Examiners (CFE)
(2) Computer Information Systems Auditors (CISA)
(1) Certified Government Auditing Professional (CGAP)
(1) Certified Information Technology Professional (CITP)
(1) Certified Management Accountant (CMA)
(1) Certified Financial Manager (CFM)

The Staff is active in numerous professional organizations including:

- The Institute of Internal Auditors (IIA)
- The Association of Local Government Auditors (ALGA)
- The Association of Government Accountants (AGA)
- Association of Certified Fraud Examiners (ACFE)
- Institute of Management Accountants (IMA)
- The Information Systems Audit and Control Association (ISACA)
- The American Institute of Certified Public Accountants (AICPA)
- The New Mexico Society of Certified Public Accountants (NMSCPA)
- The Association of Latino Professionals in Finance and Accounting (ALPFA)
- New Mexico Ethics Alliance

OIAI Staff - Continued

OIAI staff members have over **137** years of combined auditing/accounting experience.

Carmen L. Kavelman – Director

Carmen has worked for OIAI since 1993. In 14 years she filled five different positions in the office, including Director. Prior to her tenure with the City, she worked for the New Mexico State Auditor's Office as a Staff Auditor and the University of New Mexico Bookstore as the Accounting Manager. She also spent four years in public accounting. Carmen graduated from the University of New Mexico, Anderson School of Management with a Bachelors of Business Administration. Carmen is a CPA, CISA and CGAP. Carmen serves on the FY08/09 IIA – Albuquerque Chapter Board of Governors, as the Vice-President of Programs.

Sylvia Padilla – Inspector General

Sylvia has over 20 years of audit experience. Her experience includes 10 years of government and business fraud examination. Sylvia worked for the Office of the State Auditor for over 6 years, specializing in fraud examination and litigation support. She holds a designation as a CFE and holds professional memberships with the Association of Certified Fraud Examiners and the Institute of Internal Auditors. She has a Bachelor of Business Administration, University of New Mexico, 1983.

Lynette L. Fridley – Internal Auditor

Lynette graduated in 1997 with a Bachelors of Business Administration degree from Tiffin University in Tiffin, Ohio. Lynette has over 11 years of auditing experience, including six years in public accounting, where she primarily audited governmental entities. She became a CPA in 2001. Lynette has been with the OIAI since 2004. She was a Principal Auditor and Budget Auditor prior to becoming the Internal Auditor in 2006. Lynette serves on the FY08/09 Albuquerque Chapter Board of the New Mexico Society of CPAs.

Alan Gutowski – Audit Manager

Alan is the Audit Manager for the OIAI. Alan has over 11 years of audit experience working both in the government and private sectors. He has also worked in the public accounting profession. Alan also has over 6 years of financial accounting experience in both the banking and healthcare industries. He received his bachelor of business administration with a concentration in accounting from the University of New Mexico – Robert O. Anderson School of Business. Alan is a CPA licensed in the State of New Mexico. He is also a CISA, CITP and CFE. Alan was the FY07/08 and FY08/09 President of ISACA – Albuquerque Chapter. He also serves on the Albuquerque Public Schools Audit Committee.

OIAI Staff - Continued

Lola Neudecker – Budget Auditor

Lola is currently the Budget Auditor for the City of Albuquerque. Lola has over 15 years of financial accounting in subjects including taxation, contracts and grants, purchasing, budgeting, payroll and banking. Lola has worked in public accounting, higher education, and government. Lola graduated from the University of Texas at El Paso with a Bachelor's in Business Administration degree with a major in Accounting and a Master's of Accountancy degree. Lola is a CPA, CMA, CFM and CFE. Lola was the FY07/08 President of the IMA Rocky Mountain Regional Council.

Richard M. Williams, Jr. – Principal Auditor

Rick has 26 years of audit experience including public accounting, banking, oil and gas, electric and gas utility and 11 years with the OIAI. Rick has a Bachelor of Business Administration with Honors - University of Texas – 1974. He is a CPA licensed in the State of New Mexico. Rick serves as the Treasurer on the Board of a local non-profit pre-school.

Brooke Nutting – Principal Auditor

Brooke is currently a principal auditor with OIAI. She is a CPA and CFE and has been with the OIAI since October 2005. Brooke has over six years of auditing experience which includes internal auditing for the OIAI and financial auditing of State and Local Governments, Banks and Not-for-Profits. Brooke graduated from the University of New Mexico with a Bachelors of Business Administration with a concentration in Accounting and Financial Management. Brooke serves on the FY08/09 IIA – Albuquerque Chapter Board of Governors, as a member of the Seminar Committee.

Denise Ortiz – Principal Auditor

Denise is a principal auditor for the OIAI. She is a graduate of the University of New Mexico – Robert O. Anderson School of Business with a Bachelors of Business Administration with a concentration in accounting. Denise is a CPA and has over 15 years of experience in both audit and taxation. She has most recently worked as a corporate controller in the private sector before joining the City.

OIAI Staff – Continued

> ### *Vicky M. DeHerrera – Executive Assistant*
>
> Vicky has worked for the City of Albuquerque for over 26 years. Vicky began her City career with the Public Works Department - Traffic Engineering and then worked for the Fire Marshal's Office in the Albuquerque Fire Department. From 1987 to 1995, Vicky was the Administrative Assistant for OIAI. She then worked in the Fiscal Section of the Family and Community Services Department for nine years. Vicky returned to the OIAI in 2004 as the Executive Assistant to the Director.

The OIAI staff is dedicated to improving the City and the community. Department employees actively participate in both City and community service activities. OIAI had 100% participation in the 2008 United Way campaign. Three employees regularly participate in City blood drives. One staff member actively supports the Boy Scouts of America. Many staff members participate in the Back-to-School Supply drive.

OIAI also participated in the 2007 Make A Difference Day. OIAI staff members volunteered for the Rio Grande Food Project assisting in the preparation of food boxes for low income families in the City.

Accountability in Government Oversight (AGO) Committee

The AGO Committee is a management committee, not a public board or commission, and is not subject to the Open Meetings Act. The Committee does not formulate public policy. The Committee's primary function is to approve all audit and investigation reports.

The AGO is composed of five citizens from the community. The Accountability in Government Ordinance requires at least one member be a CPA, one member have a law/law enforcement background and one member has to be a professional management consultant. As vacancies in the AGO occur, the City Council and Mayor alternately appoint new members. Each term lasts three years.

As of June 30, 2008, the AGO Committee was comprised of the following members:

Name	Term Expires	Representative
Kacy A. Schwartz, MBA, CISA, CIDA PMP (Chair)	9/1/08	Management
Victor P. Raigoza	9/1/09	At-Large
Melissa Ann Henderson, CIA, CTA, MBS	9/1/09	At-Large
Roger Nagel, CPA, CMA	9/1/10	CPA
Patricia A. Caristo, NMLPI	9/1/10	Law

Outlook for FY09

Budget

In FY09, the Internal Audit and Inspector General activities will remain in one program for budgetary purposes.

	Amount	Percentage
Salaries	$ 1,296,680	95%
Operating	$ 66,064	4%
Transfers	$ 3,256	1%
TOTAL	**$ 1,366,000**	**100%**

OIAI will continue to work with the City Council and Administration to find the proper balance between independently reporting the results of audits and maintaining the public's trust in the City and its employees.

New Performance Measures

The following measures have been included in the FY09 performance plan.

Inspector General

- Number of allegations received
- Number of referrals for administrative actions, convictions or pleas obtained for employee/contractor wrongdoing
- Number of investigations resulting in a report

Internal Audit

- An OIAI staff member will participate on an ALGA peer review team
- Number of abstracts submitted to ALGA quarterly

Planned Initiatives and Objectives

Inspector General	Internal Audit
Advertise services to employees and citizens of the City.	Integrate ACL software into audit processes
Work cooperatively with law enforcement and prosecuting agencies.	