



OFFICE OF INTERNAL AUDIT CITY OF ALBUQUERQUE

July 29, 2020

Councilor Pat Davis
President of City Council
P.O. Box 1293 Albuquerque, NM 87103

Dear Councilor Davis:

We have completed the Office of Internal Audit's Annual Report for fiscal year 2020. The Accountability in Government Oversight Committee approved the Annual Report on July 29, 2020, and we are pleased to transmit it to the City Council for review.

Respectfully,

A handwritten signature in black ink, appearing to be 'NK' or 'Nicole Kelley'.

Nicole Kelley
Internal Audit Manager

City of Albuquerque

Office of Internal Audit

Fiscal Year 2020 Annual Report



Increasing the City's efficiency, effectiveness, and accountability of Albuquerque





Office of Internal Audit

Fiscal Year 2020 Annual Report
July 1, 2019 - June 30, 2020

TABLE OF CONTENTS

	<u>Page</u>
Letter from the City Auditor	i
Organizational Chart.....	1
Audit Reports	2
Strategic Review Reports.....	4
OIA Budget	6
Performance Measures	7
Implementation of Recommendations	10
Staff Bios	11

Mission Statement

*Provide independent audits that promote transparency,
accountability, efficiency, and effectiveness of City
government for the citizens of Albuquerque.*



City of Albuquerque

Office of Internal Audit

P.O. Box 1293 Albuquerque, New Mexico 87103

July 29, 2020

Honorable Mayor Keller, Members of the City Council, Members of the Accountability in Government Oversight (AGO) Committee, and Citizens of Albuquerque:

I am pleased to present the Office of Internal Audit's (OIA) Annual Report for the fiscal year-end June 30, 2020 (FY2020). The Annual Report illustrates OIA's performance throughout the year and is required by Section 2-10-14 ROA 1994 of the Accountability in Government Ordinance.

FY2020 has been unlike any other. Albuquerque, like many other cities is dealing with an onset of new challenges as a result of the pandemic. During these challenging times, OIA has both an obligation and an opportunity to assist the City in both identifying and managing its most critical risks. While City Administration and Leadership juggle the dual imperative of crisis response and operational continuity, OIA remains committed to helping them weigh risks and opportunities to best inform their decision making.

From an audit plan perspective, OIA has revisited and re-prioritized our annual risk assessment to focus on what is most imperative. As we do every year, we solicited audit topic suggestions from the AGO Committee, City Council, City management, and the public. However, the weighted risk assessment was adjusted to place greater emphasis on potential audit areas that can help the City identify cost savings, increase revenues, and opportunities to more efficiently use its resources during this critical time. Additionally, we have set aside hours in the FY2021 Annual Audit Plan to be able to provide ad hoc advisory services to departments, so we can assist them during these trying times. To this point, OIA will dedicate 1,350 hours of its 6,500 hours budgeted, to other value-added advisory services.

OIA will continue to adapt the ways in which we work in order to comply with City and State social distancing and stay-at-home orders. I would like to thank Ken Bramlett, the Inspector General of Albuquerque and Interim City Auditor, as well as the OIA staff for their perseverance and hard work during this challenging time, as OIA continued to remain productive throughout the year. In addition to our audits, OIA and the Office of Inspector General (OIG) staff supported the City's COVID-19 response efforts by working at the City's Emergency Operations Center (EOC) three

days a week during the month of May, where our staff conducted medical screenings and assisted the EOC's with its procurement efforts.

While at times it has been challenging for us to get access to city staff and/or obtain requested documents, we recognize that City management's top priority is dealing with this crisis and keeping critical City services operating. Throughout this time, City management has remained responsive to our requests for information and access to their staff. However, when necessary, we have extended our timelines to accommodate competing priorities and will continue to do as necessary.

OIA is calibrating its ability and capacity to deliver, as we cannot produce meaningful work, if we do not have the qualified staff necessary to do so. Since joining the City in April, I have remained focused on rebuilding the organization by filling our vacant positions, many of which have been vacant for the better part of the fiscal year. Currently, the City Auditor, one Contract Auditor, and one Staff Auditor position remain vacant. Even with limited staffing throughout the year, OIA has been able to produce value-added work products. In FY2020, OIA issued three audit reports, completed four strategic reviews, conducted six follow-up reviews, and responded to 22 requests for assistance from various departments. Projects completed in FY2020 identified potential cost savings of approximately \$1.3 million and provided assurance through audit and non-audit services totaling \$0.4 million.

I would also like to extend my gratitude to the AGO Committee for the unwavering support it continues to provide our office. The Committee's leadership, guidance, and advocacy is invaluable and has allowed us to be able to produce audits that are conducted independently, objectively, unbiasedly, and with integrity.

During these changing times, OIA's mission remains the same and in FY2021 we will continue to provide independent audits that promote transparency, accountability, efficiency, and effectiveness of City government for the citizens of Albuquerque. I thank you for the opportunity to serve the great citizens of Albuquerque.

Respectfully,

A handwritten signature in dark ink, appearing to be 'NK' or 'Nicole Kelley'.

Nicole Kelley
Internal Audit Manager

Organizational Chart

June 30, 2020

Section 2-10-5 ROA 1994 of the Accountability in Government Ordinance creates the Accountability in Government Oversight (AGO) Committee. The AGO Committee consists of five members from the community at large. The primary functions of the AGO Committee are to appoint the City Auditor of the Office of Internal Audit (OIA), approve OIA's annual audit plan, and approve audit, strategic review, and follow-up reports.

AGO Committee Composition

Name	Term Expiration	Representative
Edmund E. Perea	8/31/2022	Law Enforcement
Daniel O. Trujillo	8/31/2020	Management Consultant
John A. Carey	8/31/2021	At Large
Laura Smigielski-Garcia	8/31/2021	At Large
Johnny Mangu	8/31/2021	CPA

OFFICE OF INTERNAL AUDIT

Organizational Chart

June 30, 2020



FY2020 Audit Reports

Audit No. 19-109

Collection and Write-Off of Property Liens

May 27, 2020



The Code Enforcement Department (CED) is a division of the Planning Department and is responsible for responding to violations, zoning, building, land use codes, and regulations, recording and releasing of property liens, reconciling the accounts receivable, and ensuring all property liens are pursued. The objective of the audit was to determine if lien receivables and write-offs for weed removal, litter clean-up and demolition filed by CED adhere to the requirements outlined in the City's

Administration Instruction1 (AI) 2-2.

According to AI 2-2, each department should have written policies and procedures for collections. If a department does not have collections policies and procedures, then the AI will govern the department's policies. The audit found that CED practices surrounding lien collection and write-off do not always comply with the requirements outlined in AI 2-2 and CED lacks policies and procedures to supplement the guidelines outlined in AI 2-2. These two things have contributed to many liens and their associated fees going uncollected. Between fiscal year 2015 and fiscal year 2019, 5,422 liens totaling \$2.9 million had been filed by CED. Of which, only \$1.3 million (45 percent) had been recouped. CED should improve practices surrounding the tracking, recording, aging, reconciling, and writing-off of lien receivables and its collection of amounts due.

Audit No. 19-107

Allocation & Use of PEG Access Funding

December 19, 2019



Through its franchise agreement with Comcast of New Mexico, LLC (Comcast), the City of Albuquerque receives \$0.44 per subscriber per month as Public, Education, and Government Access (PEG Access) funds. The purpose of the audit was to determine, for the period July 1, 2016 through June 30, 2019, if PEG Access funding was timely and properly recorded into the designated PEG Access

project activity within Fund 305 and whether PEG Access funding was expended solely to support the capital needs of PEG Access activities. The audit also assessed whether an annual inventory of City owned PEG Access assets was being performed in accordance with the City's Fixed Asset Policies.

The audit found that PEG Access funding was timely and properly recorded into the designated PEG Access project activity within Fund 305. However, the audit found that \$72,138 in PEG Access funding was spent for operating costs not associated with the capital needs of PEG Access and included \$71,982 in payments for water utility costs and a \$156 payment for labor costs for troubleshooting HVAC units. The audit also found that an annual inventory of PEG Access assets in the possession of a City contractor was not performed.

Audit No. 19-105

Trane, Inc. Contract Compliance Audit

October 24, 2019



The City contracts with Trane Inc. (Trane) to provide on-call HVAC services for City facilities. The population for the audit period consisted of 255 invoices totaling \$1,062,097. The purpose of this audit was to review and report on Trane Inc.'s contract and billing compliance for the period July 1, 2016 through December 15, 2018.

The audit found that departments are not sufficiently verifying the accuracy of contractual billing compliance prior to authorizing payments. Specifically, the audit identified incorrect labor charges for unlicensed Journeymen and after-hour rates, trip charge fees that were not established in the contract, were billed to the City, and quoted services were billed at the quoted prices instead of the actual Time and Material project prices.

From a statistical random sample of 22 invoices, overcharges were noted for incorrect labor charges and trip charge fees on 8 invoices totaling \$934. Extrapolating the error rate results in an estimated overcharge of \$23,004. The two invoices for quoted service were billed at the quoted price, which exceeded the actual billable costs by \$11,930. An extrapolation estimate could not be generated because a population of quoted services could not be derived. In addition to the two statistical random sample quoted services, a large dollar \$226,458 quoted service project was judgmentally selected for review. The review identified an undercharge variance between the quoted price billed vs. actual billable cost of \$(11,917) and an overcharge for unlicensed Journeymen of \$10,790, which results in a net undercharge of \$(1,127). An extrapolation estimate is also not possible for this amount because judgmental samples are not statistically valid for extrapolation estimates.

FY2020 Strategic Review Reports

Strategic Review No. 20-402

Animal Welfare Department –
Westside Animal Shelter Cash Count

October 23, 2019



On October 9, 2019, OIA performed a surprise cash count of the change funds maintained by the AWD's Westside Animal Shelter. OIA noted no exceptions or compliance issues. Specifically, the review found that the Animal Welfare Department (AWD) change fund located at the Westside Animal Shelter was accounted for without exception and that procedures for securing cash are adequate. The review further found that current change fund practices fully complied with the City's Cash Management Manual and an applicable Administration Instruction and at the beginning of the cash count, the supervisor appropriately prevented access to the funds until verifying credentials.

Strategic Review No. 20-401

Cultural Services Department –
Kimo Theatre Cash Count

October 23, 2019

On October 2, 2019, OIA performed a surprise cash count of the change fund maintained by the Cultural Services Department (CSD) Kimo Theatre. OIA counted the change fund, reviewed cash handling certificates, and verified the adequacy of procedures for securing funds.

The review found that the Kimo Theatre cashier appropriately prevented access to the funds until credentials had been verified, and the \$500 change fund was accounted for without exception.

OIA noted compliance issues in the following three areas: safekeeping of funds, department specific policies and procedures, and cash handling certifications.



August 28, 2019

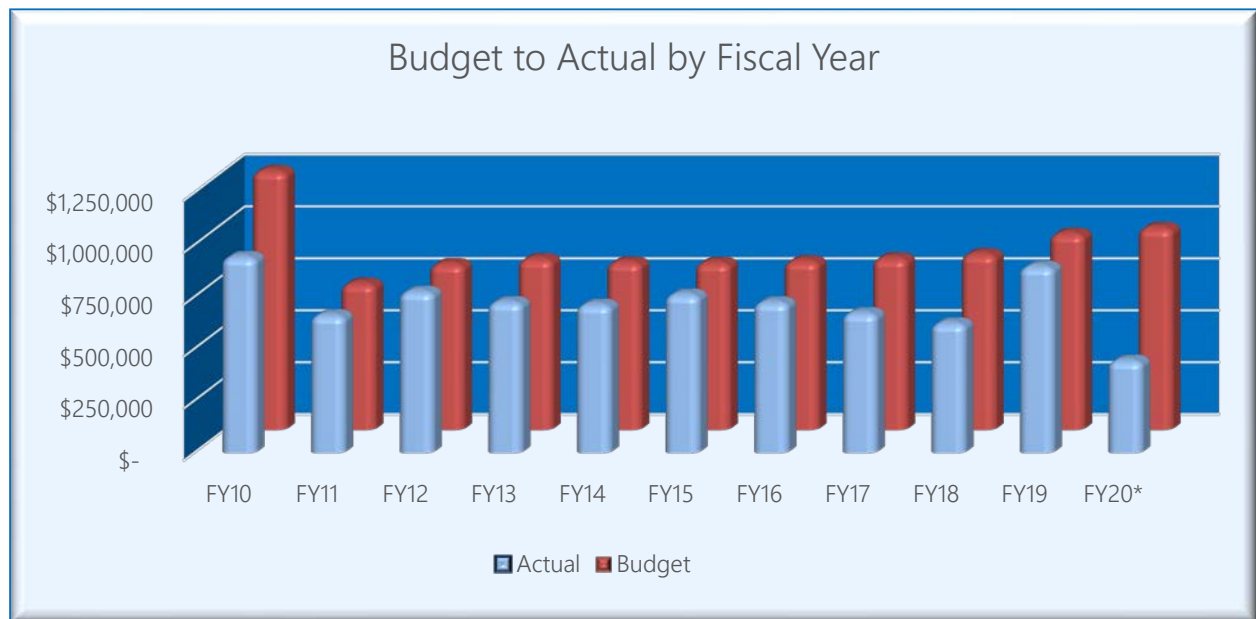


At the request of a City Councilor OIA performed a strategic review to assess program goals, target populations, service components, and impact information from the Esperanza Bicycle Safety Education Center (Esperanza) and compare Esperanza's activities to five similar programs from other cities.

Esperanza's overall goal is to increase the safety and self-reliance of bicyclists throughout the greater Albuquerque area. The review found that Esperanza achieves this goal by educating the public on the use of bicycles and how to ensure a safe experience while riding a bicycle. Esperanza's targeted clientele are individuals who cannot afford to purchase a new bicycle and need transportation other than a personal vehicle, and individuals who want to learn how to repair and maintain their own bicycles. Esperanza provides bicycle recycling and a bicycle shop where citizens can repair and maintain their own bicycles during shop hours. The shop is open to the general public for walk-in repairs, and shop personnel are available to guide customers through repairs. No fees are charged to the customers of the bike shop. Although youth are not a primary target population, Esperanza offers services specifically to youth, which can be considered a secondary target population. Esperanza is a unique City program and no other city operated program could be located.

The review found that Esperanza has experienced an increase in inputs, including employees, volunteers, and donated bicycles, which has resulted in an increase in Esperanza's outputs, including participation in various programs offered. Esperanza's increased inputs and outputs have resulted in positive impacts on the citizens through bicycle safety education, bicycle repair and refurbishment, and free bicycles and helmets.

OIA Budget



**Actual expenditures for FY2020 are approximate, as they are unadjusted and unaudited. Additionally, many of OIA's budgeted FTE positions remained unfilled during the fiscal year.*

Note For FY2010, the budget also contained activity for the Office of Inspector General (OIG). OIA and OIG became separate departments in FY2011.

Performance Measures

The Program Strategy for OIA 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 measuring the efficiency and effectiveness of City programs; and
- + Recommending programs/policies, which educate and raise the awareness of all City officials and employees.

The OIA Program Strategy is part of the City's Goal No. 8, *Government Excellence and Effectiveness*.

OIA's FY2020 Performance Measures

REPORTS ISSUED

One of OIA's outputs is measured by the number of reports completed during each fiscal year. This year our office experienced a high turnover rate throughout almost all levels of the division and many of our budgeted positions remained vacant up until recently. This turnover and staffing shortage significantly impacted our ability to issue as many reports as planned. However, OIA was able to complete 3 audit, 3 strategic reviews, 12 follow-up reports, and assist with 22 special requests in FY2020. Although the project quantity and mix differed from our goal, the value of OIA's efforts has been very beneficial to the City.

Strategic reviews are particularly valuable and are designed to provide rapid responses to urgent City issues or ensure compliance in high-risk areas. For example, a City Councilor requested OIA to perform a performance review of Capital Implementation Plan labor recovery charges for the Department of Municipal Development and Parks & Recreation Department to provide a rapid response to a very urgent City Councilor's operational concern. OIA completed three strategic reviews in FY2020. The chart below illustrates the project goals versus actuals for FY2020.

Audit Reports

One of OIA's FY2020 performance goals was to complete 16 audit reports. Three audit reports were issued and another two audits were in various stages of completion at year-end. Audits require a significant amount of planning and documentation in order to comply with *Government Auditing Standards*. In addition, the audited entity and/or the Administration prepare formal responses to the audit recommendations, which are included in the final report.

Strategic Reviews (Special Projects)

One of OIA's FY2020 performance goals was to complete six strategic reviews. Three strategic reviews were completed during the fiscal year. Strategic reviews are performed at the request of the Administration and/or City Council, or in response to emerging issues. Generally, they do not require as much planning or documentation as audits and typically can be completed in less time than an audit.

Follow-Up Reviews

One of OIA's FY2020 performance goals was to complete six follow-up reviews. However, OIA was able to complete 12 follow-up reviews in FY2020. OIA follows up on recommendations made in past audits to determine the status of implementation. Follow-up reviews help motivate the audited entities to make the recommended changes. The follow-up reviews are generally conducted one year after an audit is completed.

Requests for Assistance

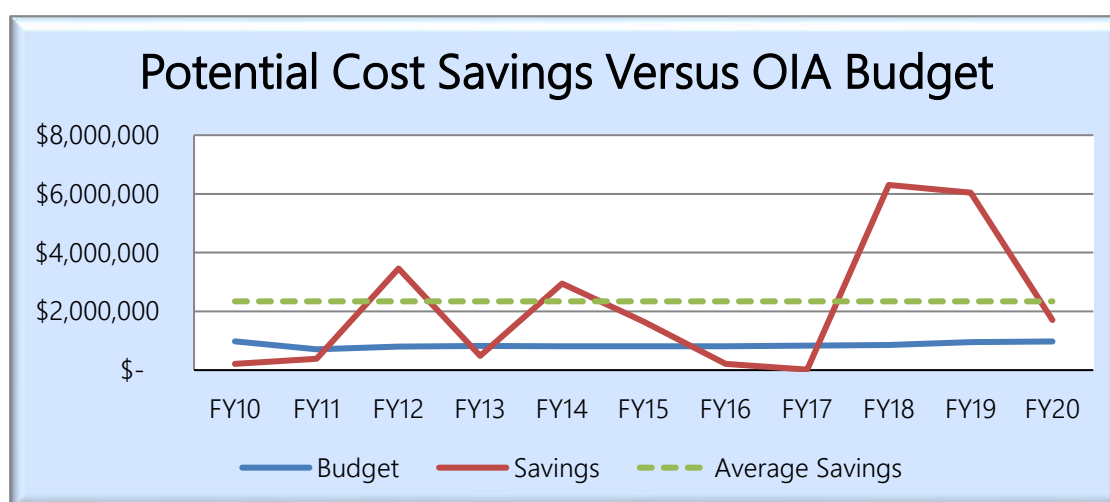
The internal audit function is not limited to just assurance services. OIA provides consulting activities designed to add value and improve an organization's operations. These consulting-like services reach beyond the traditional ways that internal audit can help the organization, such as enterprise risk management evaluations and advanced analytics. One of OIA's FY2020 performance goals was to complete 35 assistance requests. However, OIA was able to complete 22 follow-up reviews in FY2020.

AFTER AUDIT SURVEY RATINGS

Another quality measure of OIA services is the average ratings provided by auditees after audits are completed. Each audited department or vendor is asked to complete an after-audit survey. The survey requests the auditee to provide a rating of the auditor, the audit process, and the audit report on a one to five scale, with five being the highest rating. The after-audit survey goal is 4.5. No survey responses were received from the 3 audits performed in FY2020.

SAVINGS IDENTIFIED BY PROJECTS

Many projects result in increased efficiencies and compliance. However, the value gained from some projects cannot be easily quantified. As a result, this measure may not be achieved every year, as illustrated below.



ASSURANCE PROVIDED

Audits and non-audit services involve verification and testing of transaction to evaluate information in the City's accounting records for accuracy and compliance with significant policies, laws, regulations, contracts, etc. Audit and non-audit service procedures are often applied on a sample basis to a population, like payroll for a department, and the exception or error rate of the sample is then projected over the entire population tested to derive a level of assurance about the population as a whole. OIA's services provide an assurance value relative to the populations that were subject to the audit and non-audit procedures. In FY2020, OIA estimated a combined assurance value of \$1.7 million.

Implementation of Recommendations

OIA strives to improve the operational efficiency of departments by identifying the root causes to audit findings and proposing value added recommendations to address the findings.

Follow-up procedures rely on the department(s) providing the status of the recommendations. Follow-up procedures are substantially less in scope than an audit. The objective is to report on the status of corrective action regarding the findings and recommendations.

OIA conducted 12 follow-up reviews in FY2020. City departments *fully implemented* or *resolved* 74 percent (26) of audit report recommendations and 26 percent (9) were *in process* at the time the follow-ups were performed. The table below illustrates each follow-up and the status of associated recommendations.

Follow – up No.	Title	Original Report Date	Recommendations		
			Fully Implemented or Resolved	In Process	Not Implemented
20-16-108F	Monitoring of Social Service Contracts	2/27/20	2	0	0
20-13-101F	Disaster Recovery Plan	2/27/20	2	0	0
20-15-112F	Website Accuracy & Completeness	2/27/20	1	1	0
20-15-104F	Printer/Copier Security	2/27/20	0	5	0
20-16-102F	Advantage Barricade & Roadmarks, LLC	2/27/20	3	0	0
20-11-104F	On-Call Contractors	12/11/19	0	2	0
20-12-108F	Take Home Vehicles	12/11/19	2	0	0
20-12-101F	Fuel Usage and Security	12/11/19	3	0	0
20-12-107F	Health and Social Service Centers	12/11/19	4	1	0
20-12-106F	Albuquerque Convention & Visitor's Bureau	10/23/19	2	0	0
20-12-102F	Fleet Maintenance Program	10/23/19	4	0	0
20-16-103F	Special Investigations Division Expense Review	10/23/19	3	0	0
	Recommendations Totals		26	9	0

STAFF – BIOS

Ken Bramlett – Interim City Auditor

In addition to being the City's Inspector General, Ken is also currently the Interim City Auditor. Prior to serving the City of Albuquerque in these capacities, Ken was Inspector General for the Los Angeles Unified School District for 5 years and prior to that, he was Inspector General for the Georgia Department of Public Health from 1999 to 2011. Prior to his employment with the State of Georgia, Ken served the Cobb County Police Department in various command positions until his retirement after 23 years of service. Ken received his BS from Shorter College, his MPA from Columbus State University, and is a graduate of the FBI National Academy, 162nd Session and Georgia Law Enforcement Command College. Ken is also a Certified Fraud Examiner, Certified Inspector General, Certified Inspector General Inspector/Evaluator and a Certified Board Adviser.

Nicole Kelley – Internal Audit Manager

Nicole has over 15 years of audit and accounting experience. After receiving her BS in accounting from Sonoma State University, where she also played collegiate soccer. Nicole spent five years in public accounting at KPMG. A calling to public service led her to the City and County of San Francisco's City Services Auditor's Office, where she served as an Audit Supervisor, Audit Manager, and finally as Assistant Director of Audits. Nicole also received her MBA with an emphasis in Finance, from the University of San Francisco School of Business.

Connie Barros-Montoya - Principal Auditor

Connie has 24 years of experience in financial and collections in the private sector and six years of experience with Taxation and Revenue. With one year of auditing with Weight Distance and two years of auditing with International Fuel Tax Association (IFTA) and International Registration Program (IRP). Connie graduated from University of Phoenix with a Bachelor's of Science in Business and a minor in Accounting.

Vanessa Meza - Principal Auditor

Vanessa has over five years of auditing and investigating experience. While earning both her BS in Criminal Justice and MBA, she spent four years at a Tribal casino where she worked in Auditing, Surveillance, and Risk Management. She then went on to work as an Internal Auditor for MGM Resorts International, where she led a team of auditors that were responsible for oversight of 15 MGM properties.

Leslie Rendon – Administrative Coordinator

Leslie currently serves as the Administrator Coordinator for both the OIA and OIG. Leslie joined the OIA and OIG staff as Administrative Coordinator in 2020, but has served the City of Albuquerque in various capacity for over eight years. Her career with the City began at the Cultural Services Department's Albuquerque Museum of Art and History, she then spent time at the Albuquerque Police Department and then the Planning Department. Prior to joining OIA, Leslie worked at the Department of Municipal Development, where she was the Senior Administrative Assistant for the Real Property Division.