



City of Albuquerque

Office of Internal Audit

P.O. BOX 1293, ALBUQUERQUE, NM 87103

June 23, 2021

Councilor Cynthia Borrego, President
City Council
P.O. Box 1293
Albuquerque, NM 87103

Dear Councilor Borrego:

We have completed our review of the Audit Plan for Fiscal Year (FY) 2022 as submitted by the Office of Internal Audit. We have approved the Audit Plan and are pleased to transmit it to the City Council for final approval as a resolution.

The Audit Plan is based on a risk analysis of City departments and programs. There are approximately 6,750 audit hours available during FY2022.

Sincerely,

DocuSigned by:

Edmund E. Perea, Esq.

645A1FA5A6314C3...

Edmund E. Perea Esq., Chairperson
Accountability in Government Oversight Committee



City of Albuquerque

Office of Internal Audit

Fiscal Year 2022 Audit Plan





FY2022 Audit Plan

Introduction

In accordance with Section 2-10-11 ROA 1994 of the Accountability in Government Ordinance, the Office of Internal Audit (OIA) is pleased to submit the Fiscal Year (FY) 2022 Audit Plan. Audits considered for the annual audit plan are compiled from suggestions by OIA staff, City Administration staff, City Council members, the general public and other sources of information. The suggestions are evaluated and rated using a risk assessment matrix. The number of audits selected for the plan is based on the impact the audit would have; the sensitivity, complexity, and difficulty of the project compared to its likely impact; staff qualifications and other resources available; and the breadth and depth of audit coverage across City government. The Audit Plan facilitates the efficient allocation of OIA's limited resources.

The FY2022 Audit Plan dedicates resources to audits, special audits, strategic reviews, audit follow-ups, and the completion of work in process at July 1, 2021. The majority of the Audit Plan is comprised of 11 audits with a resource demand of 4,400 hours. OIA will also dedicate 2,350 hours to other value-added services and completion of audits in process at July 1, 2021.

In an effort to increase the response time of OIA's audits and maximize the value of our services, OIA has targeted high-risk areas that allow for narrowed scopes. This effort will allow quicker turnaround times and enable OIA to address identified issues in a timely manner. However, some audits are inherently complex and demand additional time to provide quality results. OIA will not sacrifice quality for timeliness, and will adhere to the exceptional internal quality standards that have consistently enabled us to comply with *Generally Accepted Government Auditing Standards* (GAGAS). Other value-added services that increase accountability include special audits, audit follow-ups, and strategic reviews. Below are brief explanations for each service.

- Special Audits – Audits not specifically identified in the FY2022 Audit Plan but are anticipated and subsequently assigned based on the impact and value of addressing ad-hoc issues. These are frequently performed at the request of the City Council or City Administration.
- Audit Follow-Ups – Follow-ups report on the status of corrective actions taken to address OIA's recommendations for the specified audit. A follow-up is substantially less in scope than an audit, and is typically performed one year after the date the audit was issued.
- Strategic Reviews – Reportable non-audit services that are designed to add value by providing rapid responses to urgent City issues or ensure compliance in high-risk areas. Strategic reviews may include, but are not limited to bench marking, best practice research, targeted compliance reviews, and surprise cash counts.

OIA's available resources limit the number of audits that can be completed each year. As a result, there are a number of high-risk areas that are not addressed by the FY2022 Audit Plan, but may be considered in future audit plans or if additional resources become available.



FY2022 Audit Plan

OFFICE OF INTERNAL AUDIT

Annual Audit Plan

For the Year Ending June 30, 2022

<u>DESCRIPTION</u>	<u>Estimated Audit Hours</u>
Albuquerque Police Department Police Property and Evidence Control Audit Goal Area: Public Safety	450
Arts and Culture Department Cash Collections and Handling Procedures Audit Goal Area: Government Excellence and Effectiveness	300
Citywide Audit of User Access Rights and Control Procedures Goal Area: Government Excellence and Effectiveness	450
Citywide City Department Social Media Use and Controls Audit Goal Area: Government Excellence and Effectiveness	400
Citywide Procurement, Contract and Invoice Review Analysis Goal Area: Government Excellence and Effectiveness	500
Department of Municipal Development Street Maintenance and Repair Performance Audit Goal Area: Public Infrastructure	450
Department of Municipal Development Audit of City Real Estate Sales & Services of City Owned Property Goal Area: Public Infrastructure	450
Economic Development Department Audit of Workforce and Economic Development Programs to Benefit the Local Economy Goal Area: Government Excellence and Effectiveness	400
Environmental Health Department Environmental Health Inspections Performance Audit Goal Area: Public Safety	400
Legal Department Targeted Vendor Audit Goal Area: Government Excellence and Effectiveness	300



FY2022 Audit Plan

Senior Affairs Department	
Targeted Vendor Audit	300
Goal Area: Government Excellence and Effectiveness	
Unplanned Special Audit(s)	400
Strategic Reviews	160
Follow-up Status Reports	640
Completion of Work in Process at July 1, 2021	1,150
TOTAL HOURS INCLUDED IN FY2022 AUDIT PLAN	6,750

Mission Statement

To provide objective and independent evaluations and effective solutions that promote transparency, accountability, efficiency and effectiveness for the citizens of Albuquerque.

Staff

Nicole Kelley	City Auditor
<i>Vacant</i>	Internal Audit Manager
Marisa Vargas	Contract Auditor (Acting Internal Audit Manager)
Sarah Faford-Johnson	Contract Auditor
Connie Barros-Montoya	Principal Auditor
Vanessa Meske	Principal Auditor
Vanessa Lucero	Staff Auditor
Leslie Rendon	Executive Assistant



FY2022 Audit Plan

Quality Control Compliance

OIA performs audits in accordance with GAGAS issued by the Comptroller General of the United States. OIA is committed to improving the audit process, and undergoes an independent external quality control review every three years. In October 2019, OIA passed its fifth GAGAS compliance quality control review for the period of July 1, 2016 through June 30, 2019. The next GAGAS compliance quality control review of July 1, 2019 through June 30, 2022 is anticipated to take place in FY2022. However, OIA does note that as of March 13, 2020 all in-person peer reviews were suspended due to COVID-19. The significant backlog caused by the suspension resulted in granting many jurisdictions an extension of up to two years and three months past the review deadline period to complete reviews.

Principles for Audit Plan Development

In order to provide practical guidance and a framework for the development of the annual Audit Plan, the following principles are recognized and observed:

- Audit resources are limited, resulting in significantly less than one hundred percent audit coverage each year. This inherent limitation is mitigated by using a dynamic risk assessment to select and prioritize audits.
- The risk assessment criteria used in the ranking of the audit suggestions places an emphasis on perceived and actual knowledge of systems of internal control.
- The Audit Plan is viewed as a flexible and active tool that can be amended throughout the year to reflect changing City risks and priorities.
- The Audit Plan gives consideration to those audits that may be mandated by City Ordinance.

The Audit Plan is developed with the understanding that there are risks and limitations associated with any method or system of prioritizing audits. As a result, the risk factors and scoring process are periodically evaluated and modified in an effort to continuously refine the Audit Plan process.

Audit Selection and Prioritization

The development of an annual risk-based audit plan is a dynamic process. OIA surveyed the Mayor's Office, City Council, City Administration, department directors, and created general surveys on the City's intranet and external website to allow all City employees and citizens to provide audit suggestions. Survey participants were asked to identify City departments, divisions, contracts, vendors, and processes that would benefit from an independent audit or review. Respondents also identified areas they believed could be subject to fraud, waste, or abuse. Survey suggestions were then compiled, evaluated, and rated using OIA's risk assessment matrix. The risk assessment matrix uses a weighted average to prioritize audits. The following risk factors were used:



FY2022 Audit Plan

- Impact factors such as financial impact, volume of transactions, number of personnel, revenue generated, alignment of responsibility with authority, and trends;
- Risk perception from the Administration, City Council, department personnel, and potential culture issues within departments;
- Changes in the organization's management, key personnel and information systems;
- Time since the last internal/external audit and associated audit results, if applicable; and
- Control factors such as regulatory environment, fraud potential, public perception and management's responsibility for establishing and maintaining effective internal controls.

OIA also worked with the Office of the Inspector General to identify any further areas of perceived risk. Further, OIA held discussions with department directors to present the preliminary risk assessment results, and to determine whether City departments had any specific risks and/or concerns OIA should consider.

The number of audits selected for the Audit Plan is based on the impact the audit may have (the problem or risks the audit may address and the likely types of opportunities for improvement that may result); the sensitivity, complexity, and difficulty of the project compared to its likely impact; the breadth and depth of audit coverage across City government; staff qualifications; and available resources.

Preparing the Annual Audit Plan

The objective of the annual planning process is to establish and schedule audit activities for the next fiscal year. The principles and procedures discussed in this document have been developed to provide a process for fulfilling this objective. A critical component of the annual audit planning process is to ensure qualified audit personnel are assigned to the highest priority assignments.

Staff assignments are based on experience, qualifications, interests, and availability. During the Audit Plan development process, OIA may identify projects that may also require additional expertise from consultants.

The final step in completing the annual Audit Plan is to estimate the number of available staff hours in the year and apply these to the estimated hours needed to complete selected audits and projects. The FY2022 Audit Plan is presented on pages 2 and 3, along with the estimated time allocations for individual audits and projects.

Estimated Audit Hours

OIA estimated the total number of staff hours available for FY2022 to be approximately 12,480. We reduced the 2,080 annual full-time hours per auditor in FY2022 by holidays, anticipated leaves,



FY2022 Audit Plan

administrative time, Accountability in Government Oversight Committee meetings, staff meetings, and the annual required training to maintain certifications to comply with GAGAS. The available-hours calculation anticipates minimal staff turnover and that vacant positions will be filled by within the first quarter of the fiscal year.

The resulting 6,750 direct audit hours includes hours required to review audit work papers and reports to ensure compliance with OIA's system of quality control, professional standards, and regulatory requirements.

Further, OIA will develop and perform detailed procedures during each individual audit to address identified specific risks. Each audit includes its own risk assessment process which further evaluates risk and allocates audit effort to the highest risks. OIA management accepts responsibility for the system of quality control and continually strives to improve OIA's operations.