

CITY OF ALBUQUERQUE CODE OF ORDINANCES

ARTICLE 10: INTERNAL AUDIT

Section

- 2-10-1 Short title
- 2-10-2 Purpose
- 2-10-3 Definitions
- 2-10-4 Office of internal audit
- 2-10-5 The internal auditor
- 2-10-6 Audit committee
- 2-10-7 Audit standards
- 2-10-8 Scope of audits
- 2-10-9 Annual audit plan
- 2-10-10 Special audits
- 2-10-11 Responsibility to notify internal audit
- 2-10-12 Records
- 2-10-13 Access to records and property
- 2-10-14 Agency response
- 2-10-15 Audit reports to the audit committee
- 2-10-16 Degree of confidentiality of audit reports
- 2-10-17 Report of irregularities
- 2-10-18 Contract auditors, consultants, and experts
- 2-10-19 Ethics advisor

§ 2-10-1 SHORT TITLE.

This article may be cited as the "Internal Audit Ordinance."

('74 Code, § 1-14-1) (Ord. 57-1986; Am. Ord. 46-1988; Am. Ord. 13-2001)

§ 2-10-2 PURPOSE.

(A) Since no overall indicator of performance measurement such as profit in the private sector exists for the public sector, other techniques are used to gauge effectiveness and efficiency. In particular, these techniques include audits and management studies which independently review, evaluate, and report on the following areas of city agencies and programs:

- (1) Financial condition;
- (2) Accuracy of financial and property record keeping;
- (3) Compliance with applicable laws, policies, guidelines, and procedures;
- (4) Effectiveness and economy of operations;

(5) Assessment of whether the desired results or benefits established by the city have been achieved, and whether alternatives have been considered that might yield desired results at lower costs.

(B) The City Council has an oversight responsibility to insure that the actions of the public officials and employees of the city are carried out in the most responsible manner possible and that City policies, budgets, goals and objectives are fully implemented. To accomplish this end, the city requires the services of an internal audit staff independent from the city administration.

('74 Code, § 1-14-2) (Ord. 57-1986; Am. Ord. 46-1988; Am. Ord. 13-2001)

§ 2-10-3 DEFINITIONS.

For the purpose of this article, the following definitions shall apply unless the context clearly indicates or requires a different meaning.

AUDITEES. Auditees are the city related departments, programs, activities, agencies, contractors or other city related entities affected by an audit.

EXPANDED SCOPE AUDIT. An expanded scope audit is an audit whose original scope has been modified by the Internal Audit Officer/Committee based on circumstances and findings noted during the audit.

PUBLISHED. An audit report is published when it is distributed in final form to the auditees, to the Audit Committee, to the Mayor and Chief Administrative Officer, and to the City Council, and when it is available upon request to the public.

SPECIAL AUDITS. Special audits are exigent audits not included in the annual audit plan, because the need for these audits was not foreseen when the audit plan was adopted. Situations creating the need for special audits include, but are not limited to, unexplained disappearances of cash or other assets, or evidence indicating the possibility that a city vendor or a city employee or official in the course of his city duties or employment has breached a law or city policy.

('74 Code, § 1-14-3) (Ord. 57-1986; Am. Ord. 46-1988; Am. Ord. 13-2001)

§ 2-10-4 OFFICE OF INTERNAL AUDIT.

The Office of Internal Audit is hereby established. This shall be the sole internal audit office of the city.

('74 Code, § 1-14-4) (Ord. 57-1986; Am. Ord. 46-1988; Am. Ord. 13-2001)

§ 2-10-5 THE INTERNAL AUDITOR.

(A) The Internal Auditor shall be the executive and administrative head of the Office of Internal Audit. The Internal Auditor shall be independent in carrying out his/her duties, consistent with the provisions of this article for setting priorities, areas for investigation, and procedures. The Internal Auditor shall have such assistants and employees as are necessary to perform duties of the office, as directed by the policies set by the Audit Committee. The Internal Auditor shall select the staff of the Office of Internal Audit. For administrative purposes, the Internal Auditor shall report to the Director of Council Services for approval of the following types of leave: vacation, sick, emergency, and city business leave. Any discipline of the Internal Audit Officer shall be by the Director of Council Services with the concurrence of the Internal Audit Committee as provided by §3-1-22.

(B) Appointment. Applicants for the position of Internal Auditor who meet minimal job qualifications shall be submitted by the Director of Council Services to the Audit Committee. The committee shall review the applications and interview at least five most suitable candidates. The Audit Committee shall then submit to the Council the three candidates it finds are best qualified to be Internal Auditor, indicating its ranking. The Council shall make a selection among the three by adoption of a resolution.

(C) Qualifications. The Internal Auditor shall be a person able to manage a professional audit staff,

analyze financial and property records, and evaluate operations for economy, efficiency, and program results.

(D) Political Activities. The Internal Auditor and the employees of the Internal Audit Office shall not be actively involved in partisan political activities or the political affairs of the city.

(E) Disciplinary Actions, Including Termination. An Internal Auditor may be disciplined only as provided by §3-1-22.

('74 Code, § 1-14-5) (Ord. 57-1986; Am. Ord. 46-1988; Am. Ord. 64-1989; Am. Ord. 7-1997; Am. Ord. 13-2001)

§ 2-10-6 AUDIT COMMITTEE.

(A) An Audit Committee is hereby established to:

(1) Provide to the Internal Auditor general guidance, priorities and potential areas for investigation, and advice regarding technical issues.

(2) Coordinate the work of the Department of Internal Audit with the needs of the Mayor, the Chief Administrative Officer, and the City Council.

(3) Prepare a job description, specify qualifications for applicants, determine the applicant search procedure and make recommendations to the Council on the selection and termination of the Internal Auditor. Give or deny concurrence to the Director of Council Services on discipline of the Internal Auditor.

(4) Annually recommend to the Mayor and the Council a budget for the Office of Internal Audit.

(5) Annually recommend to the Director of Council Services a salary adjustment for the Internal Auditor which shall be not less than that received by other department heads, unless recommended by the committee.

(B) The Audit Committee shall be comprised of five representatives from the community at large, who shall be appointed by the City Council, taking note of any recommendations by the Mayor; the representatives from the community at large shall be people with expertise in auditing and/or management, at least one of whom shall be a CPA and at least one of whom shall be a professional management consultant; appointments shall be staggered for terms of three years unless the appointment is to fill a vacancy. Terms shall begin on the first day of September. The Chairperson of the committee shall be selected by the committee members. One City Councillor, elected annually by the Council and one member of the Administration shall serve as an ex officio member of the Audit Committee. Members of the Audit Committee from the community at large may not serve on any other board, commission, committee or task force.

(C) The Audit Committee is a management committee and not a public board, commission or committee as specified by §§2-6-1-1 et seq. The Audit Committee is not formed for the purpose of formulating public policy nor is authority to formulate public policy delegated to the committee.

(D) The Chief Administrative Officer and the Director of Council Services or their designees may attend all meetings of the Audit Committee.

('74 Code, § 1-14-6) (Ord. 57-1986; Am. Ord. 46-1988; Am. Ord. 64-1989; Am. Ord. 7-1997; Am. Ord. 13-2001)

§ 2-10-7 AUDIT STANDARDS.

The Internal Auditor and the Office of Internal Audit shall adhere to generally accepted government auditing standards in conducting its work and will be considered independent as defined by those standards.

('74 Code, § 1-14-7) (Ord. 57-1986; Am. Ord. 46-1988; Am. Ord. 13-2001)

§ 2-10-8 SCOPE OF AUDITS.

The Internal Auditor shall have responsibility to conduct audits and expanded scope audits of all departments, programs, activities, and agencies of the city to independently determine whether:

- (A) Activities and programs being implemented have been authorized by the City Council, state law, or applicable federal law or regulation;
- (B) Activities and programs are being conducted in a manner contemplated to efficiently and effectively accomplish the objectives intended by city legislation and regulation, state law, or applicable federal law and regulation;
- (C) Funds are being expended in compliance with applicable laws;
- (D) Revenues are being properly collected, deposited, and accounted for;
- (E) Resources, including funds, property, and personnel, are adequately safeguarded, controlled, and used in a faithful, effective, and efficient manner;
- (F) Financial and other reports are being provided that disclose fairly and fully all information that is required by law, that is necessary to ascertain the nature and scope of programs and activities, and that is necessary to establish a proper basis for evaluating the programs and activities;
- (G) There are adequate operating and administrative procedures and practices, accounting internal control systems, and internal management controls which have been established by management;
- (H) City policies, budgets, goals and objectives are fully implemented; and,

(I) Additionally, the Internal Auditor shall be responsible for performing financial and management studies, as special audits pursuant to §2-10-10, of the causes of proposed or actual over- or under-expenditures of the annual adopted budget or other failures to comply with the annual adopted budget when requested by the City Council.

('74 Code, § 1-14-8) (Ord. 57-1986; Am. Ord. 46-1988; Am. Ord. 13-2001)

('74 Code, § 1-14-8) (Ord. 57-1986; Am. Ord. 46-1988)

§ 2-10-9 ANNUAL AUDIT PLAN.

(A) At the beginning of each fiscal year, the Internal Auditor shall submit an annual audit plan to the Audit Committee for review and comment. As part of these deliberations the Mayor and City Councillors will be invited to recommend areas for inclusion in the plan. The plan shall include the departments, offices, boards, activities, and agencies scheduled for audit during the year, a statement of the scope of the audit and the estimated time required to complete the audit.

(B) The Office of Internal Audit shall review City expenditures and encumbrances at the end of each quarter of each fiscal year for each fund, department and program strategy. Based on historic spending patterns, the Office of Internal Audit shall identify funds, departments and program strategies that are projected to exceed or underspend their appropriated budgets for that fiscal year by \$100,000 or five percent of the line item authority, whichever is lower. For each item, the Chief Administrative Officer shall identify the cause of the over- or underspending and a plan to bring the item back into compliance with the adopted budget for that fiscal year. The Office of Internal Audit shall submit a quarterly budget implementation report to the City Council including its projected over- and under-expenditures by fund, department and program strategy and the Chief Administrative Officer's comments regarding the causes of the over- or underexpenditures and plans to bring the items back into compliance with the adopted budget for that fiscal year.

(C) The annual audit plan will be transmitted to the Council for final approval as a resolution.

(D) This plan may be amended by resolution during the year after review with the Audit Committee.

(E) In the selection of audit areas, the determination of audit scope, and the timing of audit work, the Internal Auditor should consult with federal and state auditors and

independent auditors so that the desirable audit coverage is provided and audit effort may be properly coordinated.

(F) The Internal Auditor shall make reports at least quarterly to the Audit Committee on the status of the work plan.

('74 Code, § 1-14-9) (Ord. 57-1986; Am. Ord. 46-1988; Am. Ord. 13-2001)

§ 2-10-10 SPECIAL AUDITS.

(A) The Internal Auditor may initiate all special audits with no outside approval if quickly beginning seems necessary for an adequate audit response.

(B) If the Internal Auditor does not expect the special audit to consume more than 2% of the Office of Internal Audits budgeted audit hours, no authorization is required.

(C) If the Internal Auditor expects the special audit to consume more than 2% of the Department's budgeted audit hours, but not consume as much as 10% of the Department's budgeted audit hours, the Audit Committee shall approve the special audit as quickly as possible; if the committee declines approval, the special audit shall immediately terminate.

(D) In all other cases, special audits shall be approved by the Council as an amendment to the annual audit plan as soon as possible; the Audit Committee shall make a recommendation on the special audit to the Council; if the Council declines approval, that special audit shall immediately terminate.

(E) Special audit reports shall be released as provided in § 2-10-16.

(F) In all cases, the Internal Auditor will, within 48 hours from implementation, notify the Audit Committee that a special audit is being undertaken.

('74 Code, § 1-14-10) (Ord. 57-1986; Am. Ord. 46-1988; Am. Ord. 13-2001)

§ 2-10-11 RESPONSIBILITY TO NOTIFY INTERNAL AUDIT.

City employees and officials shall promptly notify the Internal Audit Officer of instances of theft or other disappearance of cash, checks, or property, of misfeasance or nonfeasance, defalcations, and non-compliance with laws and city regulations of which they are aware.

('74 Code, § 1-14-11) (Ord. 57-1986; Am. Ord. 46-1988; Am. Ord. 13-2001)

§ 2-10-12 RECORDS.

A complete file of each audit report and each report of other examinations, investigations, surveys, and reviews made under legislative or special committee authority shall be retained for at least six years. The file should include audit work papers and other supportive material directly pertaining to the audit report.

('74 Code, § 1-14-12) (Ord. 57-1986; Am. Ord. 46-1988; Am. Ord. 13-2001)

§ 2-10-13 ACCESS TO RECORDS AND PROPERTY.

All officials, contractors, and employees of the city shall furnish the Internal Auditor with requested information and records within their custody regarding powers, duties, activities, organization, property, financial transactions, and methods of business required to conduct an audit or otherwise perform audit duties. In addition, they shall provide access for the Internal Auditor to inspect all property, equipment, and facilities within their custody. If such officials or employees fail to produce the aforementioned information, the Internal Auditor shall notify the Audit Committee and shall make a written request to the Chief Administrative Officer for his assistance in causing a search of city property to be made and germane exhibits to be taken from any book, paper, or record of any such official or employee, excepting personal property. The Chief Administrative Officer shall require the officials or employees to produce the aforementioned information. Every office having the custody of such records shall make a search and forward such requested exhibits to the Internal Auditor.

('74 Code, § 1-14-13) (Ord. 57-1986; Am. Ord. 46-1988; Am. Ord. 13-2001)

§ 2-10-14 AGENCY RESPONSE.

A preliminary draft of the audit report will be forwarded to the auditees and the Chief Administrative Officer for review and comment before it is released. The auditees, including departments whose assistance is needed in order to accomplish a recommendation, shall respond in writing specifying agreement with each of the audit findings and recommendations or reasons for disagreement with findings and/or recommendations, and auditee plans for implementing solutions to identified problems including a timetable to complete such activities. The written response to the preliminary draft of the audit report shall be forwarded to the Internal Auditor within 14 calendar days of receipt of the audit report. Auditee comments to the preliminary draft may be utilized to amend the report if appropriate. If the preliminary audit report is amended, the auditees will be given a copy of the amended draft, and the auditees will be given seven to fourteen calendar days, as determined by the Internal Auditor and the Auditee, to respond to the amended draft of the audit report. The Internal Auditor shall include the auditees' response in the audit report.

('74 Code, § 1-14-14) (Ord. 57-1986; Am. Ord. 46-1988; Am. Ord. 13-2001)

§ 2-10-15 AUDIT REPORTS TO THE AUDIT COMMITTEE.

(A) Each audit and special audit will result in a written final report.

(B) The Internal Auditor shall submit five copies of each audit report to the Audit Committee and shall retain a copy as a permanent record.

(C) If appropriate, the audit report shall contain the professional opinion of the Internal Auditor or the contract auditor concerning the financial statements issued by the auditees, or if the audit is an expanded scope audit the report will contain the professional conclusions of the audit regarding the management activities audited. The auditor shall include in the audit reports where applicable:

(1) A precise statement of scope encompassed by the audit;

(2) A statement that the audit was performed in accordance with generally accepted government auditing standards;

(3) A statement that an examination for compliance with applicable laws, policies, and regulations was conducted, and a presentation of the findings associated with that examination;

(4) A statement of significant audit findings, including a statement of the underlying causes, evaluative criteria used, and the current and prospective significance of the findings;

(5) A statement that internal control systems were examined and a report of any material weaknesses found in the internal control systems;

(6) Statements of response submitted by the auditees relevant to the audit findings;

(7) A concise statement by the auditees of the corrective actions previously taken or contemplated as a result of the audit findings and a timetable for their accomplishment;

(8) Recommendations for additional necessary or desirable action.

('74 Code, § 1-14-15) (Ord. 57-1986; Am. Ord. 46-1988; Am. Ord. 13-2001)

§ 2-10-16 DEGREE OF CONFIDENTIALITY OF AUDIT REPORTS.

(A) Prior to final report publication the audit reports will be confidential. A preliminary draft of an audit report in which an auditee is not a city department or agency may be released to the auditee for review and comment if the auditee agrees to restrict its use and to maintain the confidentiality of the information.

(B) Prior to final report publication the Internal Audit Officer may share selected audit information with other city departments if the information is timely needed for decision-making purposes.

(C) All final audit reports shall be promptly published and made available to the public; except, the Internal Auditor shall delay making audit reports public when criminal conduct is found in the audit, the appropriate law enforcement authority is pursuing an investigation, and release of the report would jeopardize further such investigation; a report whose release has been delayed shall be released promptly at the end of the condition giving rise to the delay.

('74 Code, § 1-14-16) (Ord. 57-1986; Am. Ord. 46-1988; Am. Ord. 13-2001)

§ 2-10-17 REPORT OF IRREGULARITIES.

If the auditor detects apparent violations of law or apparent instances of misfeasance or nonfeasance by an officer or employee or information that indicates derelictions may be reasonably anticipated, the Internal Auditor shall report the irregularities in writing to the Audit Committee. If the irregularity is criminal in nature, the auditor shall also immediately notify the appropriate prosecuting authority.

('74 Code, § 1-14-17) (Ord. 57-1986; Am. Ord. 46-1988; Am. Ord. 13-2001)

§ 2-10-18 CONTRACT AUDITORS, CONSULTANTS, AND EXPERTS.

Upon approval of the Audit Committee, the Internal Auditor may obtain the services of certified public accountants, qualified management consultants, or other professional experts necessary to perform the auditor's duties. An audit that is performed by contract must be conducted by persons who have no financial interests in the affairs of the government unit or its officers. The Internal Auditor will coordinate and monitor auditing performed by persons under contract to the Internal Auditor to assist with audit-related activities.

('74 Code, § 1-14-18) (Ord. 57-1986; Am. Ord. 46-1988; Am. Ord. 13-2001)

§ 2-10-19 ETHICS ADVISOR.

Upon the request of the Mayor, a City Councilor, the Chief Administrative Officer or the Director of Council Services for an advisory opinion regarding an issue concerning the Code of Ethics of the City Charter or any other issue concerning a potential conflict of interest, the Internal Auditor shall obtain the services of a professional expert to issue an advisory opinion in a timely manner. The expert shall have no financial interest in the affairs of the government or its officials.

(Ord. 24-2003)