



Fire and Rescue

Internal Audit

September 2019

# **Bernalillo County Internal Audit Fire and Rescue**

## **Executive Summary**

### **SUMMARY OF PROCEDURES**

REDW performed internal audit procedures over payroll, cash handling and purchases at Fire and Rescue. Our internal audit focused on evaluating the payroll process, collection and recording of fees, deployment assignments, budget monitoring, and the purchasing process.

We performed the following procedures:

- Tested employees having changes in pay rates for special assignments to ensure changes were properly completed and paid accordingly based on Personnel Action Forms;
- Tested employees having leave requests (sick, PTO, FMLA, etc.) to ensure time was properly reflected on the employees schedule and paid accordingly;
- Tested employee timecards to determine Rules & Regulations were properly followed;
- Tested timekeeping procedures were completed in accordance with the new Administrative Instructions for timekeeping;
- Tested cash deposits for compliance with Administrative Instructions for collection of monies and handling requirements, and Fire Department Accounts Receivable Policies and Procedures;
- Tested to determine if employees and supervisors who handle cash had completed the County's cash handling training class;
- Tested deployment assignments to ensure these were properly billed and collected;
- Evaluated the process of budget monitoring for adequacy;
- Tested a selection of purchases to ensure these completed in accordance with County policy.

## SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

As a result of our testing, the following high risk observations were identified:

- 1) ***Noncompliance with Cash Handling AI and State Statute:*** There were six instances identified where monies were not deposited within 24-hours in accordance with County policy and State Statute. There were also two instances where deposits did not include the date payments were received at the Fire Marshall Office (FMO), as such we are unable to determine whether payments were deposited in accordance with County policy and State Statute. Additionally, eight instances were identified where the receipt of payment did not agree with the date of the overall payment log. Processes should be implemented at the Fire Marshall Office to ensure there is consistency in the recording of payments received. Additionally, processes should be implemented to ensure all monies are deposited within 24-hours of being received and all cashiers and their supervisors, as well as designated backups, are re-trained on a regular basis to ensure policies and State Statute are being followed.
- 2) ***Noncompliance with Timekeeping AI:*** Employees and their direct supervisor are both required to approve electronic time cards prior to submittal to payroll. For 2 pay periods tested, most time cards were not approved by the employee. Additionally, it was determined that the immediate supervisors were not approving timecards. Processes should be implemented requiring all employees and their immediate supervisors to approve their time cards prior to payroll being processed.

\* \* \* \* \*

Further detail of our purpose, objectives, scope, and procedures are included in the internal audit report.

We received excellent cooperation and assistance from the Fire and Rescue Department during the course of our interviews and testing. We sincerely appreciate the courtesy extended to our personnel.

REDW LLC

Albuquerque, New Mexico  
October 31, 2019

# **Bernalillo County Internal Audit Fire and Rescue**

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# **Bernalillo County Internal Audit Fire and Rescue Report**

## **INTRODUCTION**

We performed the internal audit services described below solely to assist the Fire and Rescue Department at Bernalillo County in evaluating the processes and related controls over payroll, cash handling, deployment assignments, budget monitoring, and processing of purchases. Our services were conducted in accordance with the Consulting Standards issued by the American Institute of Certified Public Accountants and the terms of our Professional Services Contract agreement for internal audit services. Since our procedures were applied to samples of processes, it is possible that significant issues related to the areas tested may not have been identified.

Although we have included management's responses in our report, we do not take responsibility for the sufficiency of these responses or the effective implementation of any corrective action.

An entrance conference was held on September 5, 2019, and fieldwork began September 10, 2019. An exit conference was held on October 25, 2019.

## **PURPOSE AND OBJECTIVES**

Our internal audit focused on evaluating the payroll process, collection and recording of fees, deployment assignments, budget monitoring, and the purchasing process to determine if these processes were in compliance with department policies and procedures, County Administrative Instructions and applicable laws and regulations.

## **SCOPE AND PROCEDURES PERFORMED**

**In order to gain an understanding of the processes and laws/regulations, we interviewed the following personnel:**

- Brian Kadle, Deputy Chief
- Sonya Baldonado, Administrative Officer II
- Erica Martinez, Financial Administrator
- Christina Baca, Administrative Officer II

**In order to gain an understanding of the processes we read relevant portions of:**

- Bernalillo County Administrative Instructions No. AD02- Collection of Monies and Handling Requirements, Revised April 16, 2018
- NMSA 1978 Section 6-10-3- Payment of State Money into Treasury; Suspense Funds
- Bernalillo County Administrative Instructions No. PR01-Timekeeping Operation Directive, Effective August 19, 2019
- Fire and Rescue Accounts Receivable Policies and Procedures, Revised April 25, 2019
- Fire and Rescue Staffing Management Program Policies and Procedures, Revised March 8, 2017

**We performed the following test work:**

***Special Assignment Rate Change:*** We obtained a listing from Payroll of all Fire & Rescue employees who had rate changes due to special assignments during fiscal year 2019. From the listing of 118, we selected 12 and tested to determine:

- A Personnel Action Form (PAF) was completed for the initial change in pay rate;
- The new pay rate was implemented on the pay period as of the effective date;
- A second PAF was completed to revert the change back to the regular pay rate;
- The previous rate did not rollover onto next pay period following the effective date.

***Leave Time:*** We obtained a listing from Fire and Rescue of all dates employees took leave (sick, PTO, FLMA, etc.) during fiscal year 2019. From the population of 6,557, we selected 65 and tested the following:

- Time off was appropriately reflected on the employees TeleStaff schedule;
- Regular time was removed from the employees' TeleStaff schedule;
- Time cards in Timekeeper reflected time off and not regular time.

***Hours of Work:*** We obtained a listing of all Fire and Rescue employees as of September 2019 and identified all non-union administrative employees. For all 13 employees within the population, we selected four pay periods during fiscal year 2019 and tested to determine:

- The employees schedule in TeleStaff included 8 hours and a 30-minute lunch break for the pay period selected;
- Timecard in Timekeeper reflects only 8 hours worked per day;
- Approval was obtained for employees having over 80 hours (overtime).

***Timekeeping:*** We selected the two most recent pay periods ending September 16, 2019 and September 30, 2019 and tested to ensure:

- The employees approved their time card;
- The immediate Supervisor approved their employee's time card;
- Employees did not have an unusual amount of hours.

**Collection, Recording and Reconciliation of Fees:** We obtained a listing of all deposits logged in the SAP system during fiscal year 2019. From the total population of 157, we selected 30 days to test the collection, reconciliation, and deposit process. For the days selected, we tested to ensure:

- The payment log was completed and documented by two individuals;
- The total from the payment log and receipts matched the payment entered into SAP;
- Credit card receipt payments were retained;
- A reconciliation was completed and documented by two individuals;
- The deposit slip agreed to the reconciliation and there were initials indicating a review was performed;
- The deposit receipt agrees to both the reconciliation and the deposit slip; and,
- The deposit was completed within 24 hours or end of business day.

Lastly, we tested to determine if employees and supervisors who handle cash as of October 2019 had completed the County's cash handling training course.

**Deployment Assignments:** We obtained the listing of all deployment assignments for fiscal year 2019. From the total population of 21, we selected 10 assignments and tested to ensure:

- Invoice agreed to supporting documentation;
- Review of the invoice was completed by someone other than the preparer;
- The invoice was prepared accurately and in a timely manner;
- The amount invoiced agreed to the amount collected; and,
- Reimbursements not yet collected were appropriately classified as receivables at year-end.

**Budget Monitoring:** We obtained an understanding of the budget monitoring process in order to determine whether a consistent process exists and adequate oversight was performed.

**Purchases:** We obtained a listing of all purchases for fiscal year 2019. From the total population of 616, we selected 10. For the purchases selected, we tested to determine if:

- A purchase requisition was completed;
- A quote was obtained for the purchase;
- Invoice agreed to the purchase order; and,
- The purchase was allowable.

## **OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT RESPONSES**

As a result of our testing, REDW identified the following observations:

### ***1) Noncompliance with Cash Handling AI and State Statute***

The County's AI No. AD 02 – *Collection of Monies and Handling Requirements* and NMSA 1978 Section 6-10-3 *Payment of State Money into Treasury* requires employees to deposit monies daily within 24 hours of receipt and record monies collections in SAP daily. During testing we observed the following:

- Six out of 30 daily deposits tested were not deposited within 24 hours of receiving payment;
- Two out of 30 daily deposits tested did not include the date payments were received at the Fire Marshall Office (FMO), as such we are unable to determine whether payments were deposited in accordance with County policy;
- Eight out of 30 daily deposits tests had various dates listed as the receipt date at FMO on the payment log, as such we are unable to determine whether payment was deposited in accordance with County policy.

REDW also observed various credit card transactions were not entered into SAP on the same day of when payment was received.

**Potential Risk: High**—As County policy and State Statute is not being followed, there is a higher risk of theft and fraudulent activity occurring.

**Recommendation:** Processes should be implemented at the Fire Marshall Office to ensure there is consistency in the recording of payments received. Additionally, processes should be implemented to ensure all monies are deposited within 24-hours of being received and all cashiers and their supervisors, as well as designated backups, are re-trained on a regular basis to ensure policies and State Statute are being followed.

**Management's Response:** Effort will be made to ensure that all of the deposits are deposited within the 24 hours of receiving the payment. We will re-train a backup to process the cash desks to eliminate the non-compliance identified. The Financial Administrator has made a change to the main payment log that is utilized by department that lists all of the payments for the daily deposit, to include a line for a received date with initials. The main payment log was revised to exclude an additional date field on left hand column. The date on the top of the form is the date that the payments were taken/made/mailed and should be the official date of record. Deposit must be made within 24 hours from that date on top. Credit card payments are automatically credited to the main bank account. Advised Accounting and Auditors that credit card payments were being held until the next deposit that includes checks, cash and other credit card payments since payment was already 'received' directly in the system. Was told that we can handle how we deemed necessary and that either way was acceptable. In light of the audit, advised the Fire Marshal's Office that we will need to issue a log with credit cards if received on any given day, even though there are no other forms of payment. This process will be done so as to ensure that all deposits are made with the 24 hour allotted time.

## 2) *Noncompliance with Timekeeping AI*

According to AI No. PR 01- Bernalillo County Timekeeping Operation Directive, employees and their direct supervisor are both required to approve electronic time cards prior to submittal to payroll. Approval of time cards ensures the time coded is accurate and both parties agree to what will be paid. For the two pay periods selected, we observed the following:

- For the August 16, 2019 pay period:
  - 169 of 255 time cards were not approved by employees;
  - 5 of 255 time cards were not approved by a supervisor.
- For the August 30, 2019 pay period:
  - 186 of 255 time cards were not approved by employees;
  - 3 of 255 time cards were not approved by a supervisor.

Although the majority of timecards were approved, most were not approved by the immediate supervisor, therefore there was no review in place to validate the time being paid to the employee was accurate.

While the new timekeeping AI was effective August 2019, we determined no changes had been made to the current timekeeping process in order to comply with the updated requirements.

**Potential Risk: High**—As employees are paid based on pre-populated schedules, they should be required to confirm their timecards as there is a heightened risk that the timecard is not the actual time worked. Additionally, as the Deputy Chief does not oversee employees on a day-to-day basis, there does not appear to be a valid review process to ensure time paid is accurate.

**Recommendation:** Processes should be implemented requiring all employees and their immediate supervisors to approve their time cards prior to payroll being processed.

**Management's Response:** The Fire Department will send out a directive to all personnel directing them to approve all timecards going forward. Also, the Department will monitor compliance and address deficiencies in employee timecard approval on a case-by-case basis.

Where practical, BCFD has begun to devolve the authority and responsibility to supervisors to sign the timecards of subordinates. This is, however limited by the fact that field firefighters may have several supervisors to which they report in any given pay period. For those employees, it is currently not possible to have anyone other than the Deputy Chief of Administration approve their timecards. The Department is about to conduct a test of time-punching for all employees to determine if this is a practical option to ensure employees time is accurately depicted in Telestaff and in Time Keeper. The audit revealed five timecards in one pay period and three in another that were not approved by a supervisor. By signing these timecards, the supervisor would falsely indicate that the time cards were correct/accurate and approved. In these instances, the Deputy Chief signing the timecards for the field staff as their supervisor recognized that they were not being recorded accurately. These time cards had to be corrected by changing a pay rule through the Payroll Division before they could be signed off, and that didn't happen before fire payroll was submitted. The Payroll Division had to fix them through their processes. Addressing the "High Risk": Employees being paid on prepopulated schedules; they are paid based on their schedule as it appears in Telestaff, which is pulled into Timekeeper. The schedule is updated

automatically three times a day. Additionally, as changes are made to correct timecards, in order to process payroll, the changes are made in Telestaff then transferred into Timekeeper through the update (push/pull) process. At that point, the timecard reflects the latest version that appears in Telestaff as it translates into Timekeeper. This (push/pull process) may happen several times to ensure accuracy before the timecards are signed off by the Deputy Chief and sent to payroll.

## **PROCESS IMPROVEMENT OPPORTUNITIES**

As a result of our testing, REDW identified the following best practice process improvement opportunities:

### ***1) Hours of Work***

According to Section 509-*Hours of Work* from Rules and Regulations, employees are required to work a minimum of 40 hours, not inclusive of an unpaid meal period (1/2 hour). As employees are paid based on pre-determined schedules, these must account for a lunch break during the day. It would be beneficial to have employees enter their time on a daily basis as opposed to having pre-populated schedules to ensure applicable rules and regulations are being followed.

### ***2) Deployment Assignments***

Fire and Rescue often uses employees from the Wildland Team to assist with wildfires. Time and equipment during deployment are tracked and billed to the appropriate agency. The department should develop standard procedures to help accelerate the collection of federal funds as we identified two deployment billings taking over 60 days to be collected. Additionally, all activity should be recorded as a receivable upon creation of the invoices, which would eliminate having to notify Accounting of a receivable needing to be booked in connection with those deployment assignments that have not been collected at year-end.

\* \* \* \* \*

This report is intended for the information and use of the Bernalillo County Fire and Rescue Department, the audit committee, members of Bernalillo County Commission and others within the organization.

We discussed and resolved other minor observations with management and received excellent cooperation and assistance from the Fire and Rescue Department during the course of our interviews and testing. We sincerely appreciate the courtesy extended to our personnel.

REDW LLC

Albuquerque, New Mexico  
October 31, 2019