



Follow-Up on Open Internal Audit Observations

Internal Audit

August 2013

Bernalillo County Internal Audit Follow-Up on Open Internal Audit Observations

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Bernalillo County Internal Audit Follow-Up on Open Internal Audit Observations Report

INTRODUCTION

We performed the internal audit services described below solely to assist Bernalillo County in evaluating whether open internal audit observations issued through April 2013 have been resolved. We also updated the master observation list “Matrix” that includes a plan of action, the person responsible for the plan of action, and the planned date of completion if available. This master observation list will assist the County in tracking the status of each internal audit observation. Our services were conducted in accordance with the *Consulting Standards* issued by the American Institute of Certified Public Accountants, Generally Accepted Government Auditing Standards, and the terms of our contract agreement for internal audit services. Since our procedures were applied to samples of transactions and processes, it is possible that significant issues related to the areas tested may not have been identified.

PURPOSE AND OBJECTIVES

Our follow-up on open internal audit observations was performed in response to management and the audit committee’s interest in whether previous moderate to high risk internal audit observations have been resolved and focused on assessing the current status of each observation.

The follow-up internal audit was not intended to be a complete re-audit of the departments and functions; therefore, our procedures were less in scope than would be performed in a full internal audit of each department or function. Processes were analyzed to determine if adequate corrective actions were implemented to resolve the observation and small samples were selected to verify that certain new processes were properly implemented.

SCOPE AND PROCEDURES PERFORMED

Interviews: In order to follow up on the observations to determine if each had been resolved.

We interviewed the following personnel:

- Virginia (Ginny) Montoya, Accounting Officer – Audit Liaison
- Nataliya Rubinchik, Financial Administrator
- Matt Pepper, Animal Care Services Director

- Manuel Ruiz, Special Projects Coordinator
- Shirley Ragin, Budget and Business Improvement Director
- Jennifer N. Gallegos, Financial Projects Coordinator
- Chris Gober, Division Chief/Fire Marshal
- Mary Murnane, Fleet/Facilities Director
- Dwight Coleman, Fleet Administrator
- Renetta Torres, Human Resources Director
- Yolanda Ulibarri, Human Resources Generalist
- Candace Sanchez, Administrative Officer III
- Carl Romero, HR Benefits Analyst
- Charles Griffith, HR Benefits Manager
- Paul Roybal, Chief Information Officer
- Lorri Romero, Administrative Officer II
- Geri Maestas, Financial Projects Coordinator
- Mari Simbana, Permit Manager
- Jeff Senseney, Building Official
- Joe Crelier, Risk Management Director
- Veronica Espinosa, Fiscal Officer
- Deborah Pearson, Solid Waste Fiscal Officer
- Barbara Merryman, Attorney – Solid Waste Delinquent Accounts
- David Hall, Traffic Engineer
- Larry Herrera, O&M Fiscal Officer

We performed the following procedures:

- We obtained the observation matrix from County Accounting;
- We compared the matrix to the prior year's matrix to ensure that all observations were included and also reviewed observations from internal audits performed after the prior year's matrix was completed;
- We read relevant County policies and procedures;
- We performed walk-throughs of various systems;
- We tested various departmental reports;
- We tested various transactions;
- We classified each observation as resolved, unresolved, or superseded; and
- We provided County Accounting with the updated matrix.

Summary by department and fiscal year of resolved and unresolved observations:

Department	Number of observations resolved	Number of observations unresolved
Animal Care	0	1
Accounting	0	5
Budget and Business Improvement	2	3
Fleet Management	1	4
Fire Department	2	0
Housing	0	1
Human Resources	1	5
Information Technology	0	7
Metropolitan Detention Center	2	1
Parks & Recreation	0	2
Operations & Maintenance	0	1
Purchasing	0	5
Risk Management	0	1
Solid Waste	1	1
Technical Services	0	4
Treasurer's Office	3	0
Zoning, Building and Planning	2	0
Total	14	41
Fiscal Year	Number of observations resolved	Number of observations unresolved
2010	2	5
2011	1	11
2012	11	14
2013	0	11
Total	14	41

SUMMARY OF UNRESOLVED PRIOR AUDIT OBSERVATIONS

There were a total of 55 open high/moderate risk internal audit observations outstanding from 2010 through July 2013, 14 of which were resolved during this audit (see appendix A). We have

included a summary of the remaining unresolved internal audit observations below with a summary of follow-up testwork performed when applicable. When management informs us that an observation remains unresolved, we do not perform testwork. Management stated that all the unresolved findings are in the process of being resolved.

High risk observations are marked below with a 

High / Moderate risk observations are marked below with a 

Moderate risk observations are marked below with a 

January 2010 Metropolitan Detention Center

Correction Officers' overtime—"MDC correction officers work a significant amount of overtime to operate the Center. Annualized overtime for the calendar year 2009 was approximately 92,000 hours. Since the overtime rate is significantly higher than the rate for a new correction officer, the County could be saving approximately \$1,240,000 annually by replacing the excessive overtime worked with new correction officer's time. Our calculation is an estimate, and we understand that some overtime is necessary for normal operations and not all overtime can be eliminated, nor can all overtime be replaced at new correction officer rates." 

Status: Unresolved—In the May 2013 updated matrix, Management stated this is in progress but is still considered unresolved.

February 2010 Human Resources and Related Payroll Processes

Certain W-4 documentation did not correspond to payroll register—"We noted three of the 90 employees tested where the exemptions on the W-4 form in the personnel files did not agree to the deductions on the payroll register. There was no documentation for the amount being withheld from the employee's paycheck." 

Status: Unresolved—In the May 2013 updated matrix, Management stated this is in progress but is still considered unresolved.

Excess leave deduction process is inefficient and creates greater risk for errors—"There were various issues identified with the excess leave deduction process. Some of the data in the spreadsheet did not recalculate and some of the formulas and hard coded data were incorrect. This is a manual process performed annually and is very time consuming since the County has approximately 2,500 employees. With all manual processes there is a greater risk of error, as we found with the leave deductions done at the County. Some of the issues identified included the leave accrual to determine excess leave being done incorrectly and incorrect calculations of excess leave resulting in incorrect deductions of leave." 

Status: Unresolved—In the May 2013 updated matrix, Management stated this is in progress but is still considered unresolved.

Some Employees exceeded bereavement leave limits—"According to County Rules and Regulations and Union Contracts, each group of employees is allotted a certain amount of bereavement leave per instance. For fiscal year 2008, we identified ten employees who exceeded their allotted bereavement leave." 

Status: Unresolved—Management informed us that a new process was to be implemented by June 2013. We will consider this unresolved pending further testing once the new process has been implemented and confirmed by management to be working properly.

Bereavement leave policy was not being consistently followed—“In order for the County to assess whether bereavement leave is appropriate, bereavement leave forms should be completed with all required support attached and submitted to Human Resources within a reasonable timeframe. During our testwork we noted:

- a. Three bereavement leave forms were not completed until REDW arrived to request the documentation. One form was signed and authorized 60 days after the bereavement leave was paid to the employee and two forms were signed and authorized 32 days after the bereavement leave was paid to the employees.
- b. Eight bereavement leave forms were not signed by Human Resources.
- c. One bereavement leave form was not signed by the department.
- d. One form did not have support included.
- e. One instance where leave was approved for a non-immediate family member.” ■

Status: Unresolved—In the May 2013 updated matrix, Management stated this is in progress but is still considered unresolved.

July 2010 Purchasing

Some purchases made prior to obtaining a purchase order—“The County is not always obtaining purchase orders before purchasing goods or services. We noted five out of 78 instances where a purchase was made prior to obtaining a purchase order.” ■

Status: Unresolved—In the May 2013 updated matrix, Management stated this is in progress but is still considered unresolved.

October 2010 Housing Department

Manual transfer of data between the Housing and Finance Departments—“The Housing Department uses Emphasis Elite to manage their housing programs and accounting functions, while the Finance Department uses SAP. There is no interface between the two programs, so data is manually transferred monthly between the two systems.” ■

Status: Unresolved—In the May 2013 updated matrix, Management stated this is in progress but is still considered unresolved.

December 2010 Accounts Payable

Timely payment of invoices—“Thirteen out of 59 invoices tested were not paid within 60 days of the invoice date. Additionally, we found that at June 30, 2010, the County had approximately \$375,000 in outstanding invoices older than 60 days. The County should modify or create a process for streamlining the receiving and invoice approval functions within the individual departments.” ■

Status: Unresolved—Management informed us that a new system was implemented on July 1, 2013 for invoice management. We will consider this unresolved pending further testing once the new system has been implemented and confirmed by management to be working properly.

April 2011 Animal Care Services—Fee Collection and Licensing

License Tag Inventory Controls—“ACS does not conduct a periodic physical inventory count of the animal license tags. Periodic physical inventories provide a basis for updating inventory balances and aid in detecting variances.” ■

Status: Unresolved—Follow up testwork was performed in August 2013. We requested reconciliations for March and May 2013; however the current process did not include documented count of physical inventory. We will consider this unresolved pending further testing once confirmed by management that the process is working properly.

May 2011 ERP—SAP User Access Controls

Lack of current approved access monitoring policies and procedures—“Although several draft blueprint reports were provided, there were no current written policies or procedures to ensure that ERP staff was properly monitoring SAP user access roles, including the SAP super user accounts. Also, there were no documented procedures for preventing incompatible user duties; ensuring users have proper segregation of duties when roles are created or changed, and monitoring users and those creating user roles.” ■

Status: Unresolved—In the May 2013 updated matrix, Management stated this is in progress but is still considered unresolved.

Untimely employee status notification—“SAP user access roles were not properly monitored.” ■

Status: Unresolved—In the May 2013 updated matrix, Management stated this is in progress but is still considered unresolved.

May 2011 Fleet Management—Take Home Vehicles

Take-home vehicle authorization forms—“In accordance with AI 22 (A) Take-Home Vehicle Procedures, each qualified employee must complete a take-home vehicle authorization form and have it approved by the appropriate Deputy County Manager. Personal use of the vehicle is a taxable fringe benefit. There was 1 of 36 (3%) take-home vehicles tested that did not have an authorization form on file which caused an employee not to be taxed in accordance with IRS guidelines. In addition this vehicle did not appear to be used for County business and instead was primarily used to commute to and from work. Once it was identified that a form had not been completed and the use was not authorized, this employee submitted the form and was taxed for previous use.” ■

Status: Unresolved—Management informed us that the related Administrative Instruction was to be revised by June 2013. We will consider this unresolved pending further testing once the new process has been implemented and confirmed by management to be working properly.

Nonstandard procedures among departments for day use and take-home vehicle usage—“The current policy is silent on a range of procedural differences between departments for checking out/in day use vehicles and take-home vehicles. For instance, the Sheriff’s Department does not have a written approval process for permanent assignment to vehicles. Instead the Sheriff’s Department utilizes an “Inspection Sheet” filled out by the deputy using the vehicle which details the condition and contents of the vehicle. This form is not approved and/or authorized and is used to merely document the condition of the vehicle and reinforce the concept of accountability.

Similarly, the Fire Department does not use a daily check in/out sheet for day use vehicles but rather employees are responsible for completing a daily inspection of their vehicles.” ■

Status: Unresolved—Management informed us that the related Administrative Instruction was to be revised by June 2013. We will consider this unresolved pending further testing once the new process has been implemented and confirmed by management to be working properly.

Motor vehicle division monthly checks—“The monthly MVD credential changes review performed by Risk Management included no evidence of what corrective action was taken for the drivers whose licenses were not in good standing.” ■

Status: Unresolved—Follow up testwork was performed in August 2013. One of two employees selected with suspended or revoked licenses continued to have access to their fuel card for an additional nine days after the County had been notified of the revoked license. We will consider this unresolved pending further testing once confirmed by management that the process is working properly.

Incomplete Usage Logs—“Check-out or check-in times were not documented in multiple instances for eight of the 59 vehicles tested. Usage of one of the vehicles tested was not documented for nineteen days, although this vehicle appeared to be used daily during the six month period. Thus this gap indicated the log was not used for a period of time.” ■

Status: Unresolved—Management informed us that the related Administrative Instruction was to be revised by June 2013. We will consider this unresolved pending further testing once the new process has been implemented and confirmed by management to be working properly.

Non-centralized Oversight Function—“The oversight function for determining driver eligibility, monitoring vehicle usage and ensuring nonexempt employees who have take-home vehicles are added to the fringe benefit calculation listing is primarily spread among three departments: Risk management, fleet facilities and payroll. This decentralization can lead to inefficiencies and communication breakdowns which result in delayed notifications of driver changes, assignments, and eligibility.” ■

Status: Unresolved—Management informed us that the related Administrative Instruction was to be revised by June 2013. We will consider this unresolved pending further testing once the new process has been implemented and confirmed by management to be working properly.

July 2011 Parks & Recreation

Accuracy of supply lists—“We found several discrepancies in comparing the February 2011 to the June 2011 supply lists for three Community Centers.

- a. At all three locations some items from the February list were not shown on the June list.
- b. At one location a whole section of approximately 20 lines was excluded from the June list.
- c. One location had items with purchase dates prior to February 2011. These items should have been included on the old list but were not. This location also had items with purchase dates in the future.
- d. At one location multiple items listed changed descriptions or brands from one list to the next, but dates of purchase remained the same. Other items showed a lower quantity on the new list, but nothing was written indicating what happened to the rest of the items.” ▲

Status: Unresolved—In the May 2013 updated matrix, Management stated this is in progress but is still considered unresolved.

Cash handling and compliance with AI 57—“We found instances of noncompliance with AI 57 and other deficiencies with the cash handling processes. Variances found during cash counts were not reported at the end of the day and checks were not restrictively endorsed. All variances should be documented, and any variance over \$5 should be reported in writing to the Accounting Director. Each location should endorse checks immediately upon receipt with the designated stamp.” ■

Status: Unresolved—Management informed us that a new “Cash Handling Procedures Manual” and training process were to be implemented for the 2013 Aquatics Hiring process. We will consider this unresolved pending further testing once the new process has been implemented and confirmed by management to be working properly.

October 2011 Human Resources-Employment Policies

Family and Medical Leave Act—“Employees were not always notified timely regarding HR’s determination of the employee’s FMLA eligibility. The Code of Federal Regulations, 29 CFR 825.300, requires that the employee be notified of eligibility within five business days of application. Twenty of 22 employees tested were not notified within five business days of the request. The timeframe to notify employees ranged from seven to 81 days with an average of 28 days. Fitness for duty certifications were not obtained prior to the employee returning to work in three of 11 instances. Two certifications were not on file and one was completed and signed 56 days after the employee returned to work.” ■

Status: Unresolved—Follow up testwork was performed in August 2013. Two out of five employees did not obtain a fitness of duty certification prior to returning to work. We will consider this unresolved pending further testing once confirmed by management that the process is working properly.

Internal Promotions and Transfers—

- a. “Applications for promotion or transfer were not always on file. We observed one out of 22 instances where an employee’s application was not on file to support the promotion. HR Rules and Regulations section 407 (C) states that an employee may be selected to transfer to a vacant position if the employee meets the minimum qualifications for the position as demonstrated by the completion of an employment application. Based on review of other support in the personnel file it appeared that the employee did meet the minimum qualifications; however, no application was on file.
- b. Memorandums for involuntary transfers, documenting the County Manager’s approval and HR’s determination that the employee met the minimum qualifications, were not always maintained. In two out of 22 instances a transfer memorandum noting the County Manager’s approval was not on file. HR Rules and Regulations section 407 (C) requires that in the event an employee is transferred at the County’s initiative, the County Manager must approve the transfer upon conferring with the Department Director and the employee.
- c. Work history, experience, credentials, and qualifications were not verified by HR for those employees promoted based solely on work experience. Department Directors are responsible for calling professional references; however, no documentation was maintained to demonstrate that efforts were made to validate the employee’s work history. We tested 12

promotions based solely on work experience and found that none had supporting documentation on file demonstrating that HR verified the experience stated on the application. HR Rules and Regulations state it is ultimately HR's responsibility for determining that an applicant meets the minimum qualifications.

- d. Reasonable documentation supporting an employee's minimum qualifications for promotion to his or her position was not always maintained. We identified two instances out of 22 with inadequate documentation on file to support that the individual met the minimum qualifications for promotion to a new job position. In the first instance, the individual did not appear to have seven years of tax experience as required by the job description. In the other instance, the individual was promoted to a Director position without having the required bachelor's degree. Based on all information available we could not determine that the employee was adequately qualified for the position." ■

Status: Unresolved—In the May 2013 updated matrix, Management stated this is in progress but is still considered unresolved.

December 2011 Budget Process

Line Item Transfer Supporting Documentation—"AI #44 states that LIT's must include adequate documentation or support. The Budget Office did not consistently retain source documentation for LIT's. We found two out of 19 LIT's tested did not have documentation to support the transfer." ■

Status: Unresolved—Follow up testwork was performed in August 2013. One of eight line item transfers selected did not match amounts listed on the supporting documentation and the transfer was made in an amount that exceeded the requested amount by \$50,000. We will consider this unresolved pending further testing once confirmed by management that the process is working properly.

February 2012 Permitting

Barricading and Traffic Engineering Permits—

- a. "Cash receipts were not recorded and applied to specific permits in the KIVA permitting system. As a result, these permits did not have any collections posted to them and it was difficult to determine which permits have been appropriately completed and closed out in permitting system.
- b. Fees were not always accurately assessed. Two of the seven permits tested did not properly calculate fees. These two mischarges resulted in \$38 of under billings. There were a total of 542 barricading and traffic engineering permits issued during FY2011 and extrapolated to the population translates to approximately \$2,900 in estimated mischarges.
- c. One of 10 permits tested did not have an application on file to support the issuance of a permit and calculation of the fee. We were unable to determine if the fees assessed were accurate.
- d. The invoicing of barricading and traffic engineering permits was a manual process and monthly invoices were not always generated. Permits issued by Traffic Engineering were tracked on a spreadsheet and invoices were generated on a monthly basis from this spreadsheet. We observed 2 out of 10 instances where a permit was issued during a month, but an invoice was never created in SAP nor sent to the contractor at month-end. The contractors in both instances did ultimately pay the fees, but this was due to contractor

diligence. Failure to invoice contractors in a timely manner results in the untimely recording of revenue and could ultimately result in nonpayment.” ■

Status: Unresolved—Management informed us that a process to reconcile SAP and KIVA has not been implemented. Additionally the KIVA system is scheduled to be replaced by Accela Automation by October 2013 with a transition period of 18 months. We will consider this unresolved pending further testing once the new system has been implemented and confirmed by management to be working properly.

March 2012 Timekeeping Process

Prior-Period Adjustments—“We observed the following with regard to the processing of prior-period adjustments:

- a. AI 16 (c) requires the Payroll Office to maintain all signed timecards. Five of the 10 adjustments tested did not have support to substantiate employee acknowledgement, supervisory review and approval, and timekeeper verification of the hours adjusted.
- b. We observed three out of 10 adjustments where an employee’s time was supposed to be adjusted from regular time to vacation time; however vacation hours were added back to the employee’s time instead of reducing them.
- c. Administrative Instruction BD 05 states that if an adjustment is needed then the department should prepare a corrected timecard for submission to Payroll by the end of the following pay period. For pay periods ending January 13, 2012 and February 10, 2012, there were approximately 1,300 adjustments processed. Approximately 20% of the checks issued contained an adjustment. Additionally, the average between the work day adjusted and the pay period processed was approximately 21 days and the maximum days between an effected work day and pay period processed was 188 days.” ◆

Status: Unresolved—In the May 2013 updated matrix, Management stated this is in progress but is still considered unresolved.

Time Entry—“One out of 22 timesheets tested included two hours of leave; however this was entered and paid as regular time. As a result the employee’s leave balance was not reduced and the employee received compensation for two hours of regular time that was not actually worked. Additionally, we found one out of 22 timesheets tested where an employee received overtime pay for two hours that should have been paid at regular time.” ■

Status: Unresolved—In the May 2013 updated matrix, Management stated this is in progress but is still considered unresolved.

Temporary Salary Increases—

- a. “Seven out of 37 employees tested were paid incorrectly according to the agreement on file. In all instances it was determined that the rate on the agreement was correct and the employee received inaccurate compensation.
- b. One out of 37 employees tested received special pay compensation for two pay periods for which a temporary salary increase form could not be provided.
- c. Prior-period adjustments surrounding temporary salary increases were not always processed accurately. One out of 37 employees tested should have been paid at a rate of \$4.52 per hour for 181 hours, but instead received \$0.64 per hour. When the error was caught, an adjustment was made for the entire hourly rate instead of the difference between what

should have been paid and what had already been received. This resulted in the employee being over-compensated at a rate of \$5.16 per hour for 181 hours.” ■

Status: Unresolved—In the May 2013 updated matrix, Management stated this is in progress but is still considered unresolved.

April 2012 Solid Waste

Delinquent Accounts—“The Solid Waste department did not have formal policies and procedures in place for how and when they process legal letters for delinquent customer accounts. In addition, the informal policy of sending a letter to customers with balances over 120 days was not being consistently followed and there was no method as to how balances that do receive a letter were selected. During our test work, we found that 49 out of 60 delinquent customer accounts tested had balances over 120 days but no legal letter was sent.” ■

Status: Unresolved—In the May 2013 updated matrix, Management stated this is in progress but is still considered unresolved.

June 2012 Information Technology Equipment

IT Equipment Inventory Management—“There was a lack of segregations of duties surrounding IT equipment inventory management. The PC Systems Support Supervisor ordered inventory, received inventory, and reconciled the inventory maintained in the IT storage room. This creates the risk that fraud could occur and not be detected in a timely manner.” ▲

Status: Unresolved—In the May 2013 updated matrix, Management stated this is in progress but is still considered unresolved.

IT Take Home Equipment—“For portable equipment that is issued to an employee, Administrative Instruction No. IT 15 section C requires that a Take Home Equipment Authorization Form be completed and approved by the employee’s Department Director. It also requires that the forms be maintained by the Purchasing Department. We found:

- a. Thirteen out of 69 instances where a Take Home Authorization Form was not on file authorizing the issuance of the take home equipment.
- b. The County did not have a standard Take Home Equipment Authorization Form. Instead the IT department had created an Information Technology Portable Equipment Authorization Form. This form did not have a department director signature line, and therefore there was no documented approval by department directors for those employees with take home equipment.
- c. These forms were not maintained by the Purchasing Department and instead the IT Department was maintaining these forms.
- d. Upon separation there was no process to ensure take home equipment was returned to the County.” ■

Status: Unresolved—In the May 2013 updated matrix, Management stated this is in progress but is still considered unresolved.

Destruction of Computer Hard Drives—“Section 2.2.2.10 (V) of the New Mexico Administrative Code (NMAC) requires that written certification be sent to the Office of the State Auditor (OSA) stating that computer hard drives have been effectively erased under the

acceptable approaches specified by NMAC guidelines. The County was not submitting the required written certification to OSA for the disposal of computer hard drives. With regard to hard drive disposals we observed the following:

- a. Computer hard drives were not always destroyed timely. Six out of 21 computers tested were removed from the IT equipment listing and set for disposal; however, as of our fieldwork these computers were still residing at the respective departments. The average amount of time since removal from the equipment listing was approximately 268 days.
- b. All 21 computer disposals tested had a disposal form on file with a signed affidavit by the Chief Information Officer attesting that the computer hard drive was destroyed in accordance with NMAC requirements; however, this notification was not sent to the OSA.” ■

Status: Unresolved—In the May 2013 updated matrix, Management stated this is in progress but is still considered unresolved.

Capitalized IT Equipment Tracking—“According to Administrative Instruction No. 24, as capital equipment is purchased it should be tagged and added to the capital asset listing and tracked/inventoried on a regular basis. There were several servers that were not tagged in an accessible place; therefore, we were unable to ensure proper tracking of these items. Numerous items in the main server room were no longer in use, including a server purchased in 2009 for \$42,000, and IT equipment on the fixed assets listing included servers that were capitalized in 2003 and could potentially be obsolete and no longer in use.” ■

Status: Unresolved—In the May 2013 updated matrix, Management stated this is in progress but is still considered unresolved.

August 2012 Records Management and Public Information

Email Record Retention—“Electronic messages (email) classified as public records are regulated by the NM Commission of Public Records-State Records Center and Archives (SRCA) and also the requirements of the Public Records Act and the Inspection of Public Records Act (IPRA). These requirements stipulate that notice shall be given to the SRCA at least 60 days before the date of proposed destruction. The County did not have an email record retention policy and was not consistently maintaining these records. Within the past year there have been several upper level employees who are no longer with the County who would be classified as Executive Management. For one of five Executive level employees tested, the email account was permanently deleted. Email accounts had not been filtered or scanned to determine what electronic messages or correspondences were considered public record. Additionally, the SRCA was not notified prior to the deletion of these email accounts. As a result, electronic messages that are considered public records were not maintained and disposed in accordance with state requirements.” ▲

Status: Unresolved—In the May 2013 updated matrix, Management stated this is in progress but is still considered unresolved.

Records Management Policies—“The County did not have formal records management policies and as a result records were not always managed effectively or consistently. During our visits to 12 County departments we observed the following:

- a. Eight departments did not have a centralized inventory index for the critical records on hand.

- b. Two departments did not notify the State Records Center prior to disposing of records as required by (NMSA 1978) 14-1-8 “Obsolete County records; notice of proposed destruction; preservation desired by state records administrator; delivery of documents.”
- c. One department did not have an established Records Liaison Officer with SRCA as required by 1.13.10.9 NMAC “Records Custody, Access, Storage, and Disposition.” ▲

Status: Unresolved—In the May 2013 updated matrix, Management stated this is in progress but is still considered unresolved.

Records in Storage—“Records Management utilized a third party vendor for storing microfilmed records and inactive paper records. Through current practice, Records Management also used the third party’s monthly inventory index for tracking what records were stored. During our observation of the storage sites and testing of 22 records maintained in storage we found the following:

- a. The monthly inventory index utilized by Records Management did not have consistent formal descriptions of the records, dates of the records, assigned retention schedules, or dates available for destruction. As a result, we were unable to reasonably determine the appropriate retention schedules and assess the key monitoring dates and formal classifications of the records.
- b. None of the records tested had a retention schedule assigned. As a result, there could have been records available for disposition that were still retained resulting in unnecessary storage costs. Annual storage costs are approximately \$43,000.
- c. Four out of six microfilmed records were either non-essential records or records that are past the required retention period. The cost to store each microfilmed record was approximately \$3.82 per record per month. Extrapolated out to the population of 552 microfilmed records there are potentially 369 records that are either a non-essential record or past retention. The County is potentially spending approximately \$17,000 per year in unnecessary storage costs for microfilmed records.
- d. None of the physical records held in storage had a consistent label and some had a h and written vendor index number. As a result, it was difficult to determine what the nature of the records were, and we could not reasonably determine the retention periods for the records.” ■

Status: Unresolved—In the May 2013 updated matrix, Management stated this is in progress but is still considered unresolved.

October 2012 Construction & Maintenance Projects

Tracking and documentation of project costs—“The County does not have a documented process in place to manage projects where internal personnel are utilized. For two of three internal projects tested, the projects did not have controls in place to properly track and document the overall project cost and progress. Initial budget established for the projects within the SAP system exceeded \$60,000; therefore, it appears that the expectation of the Division was that the costs would be significant; however, we were unable to obtain a complete project scope of work or estimate. Additionally, the Division did not have a complete set of project records; therefore, we had to request the majority of documentation project costs from the Accounting and Purchasing Departments. With no scope of work or initial project estimate, additional materials could be ordered and misappropriated as there is no project outline to compare to and ensure that all materials purchased were accounted for on the project.” ■

Status: Unresolved—In the May 2013 updated matrix, Management stated this is in progress but is still considered unresolved.

Documentation of modifications to funding agreements—“For one of four projects tested with outside funding sources, the Division did not allocate the funding according to the written agreement with Albuquerque Metro Arroyo Flood Control Authority “AMAFCA.” As stated in the funding agreement for the project, “No modification or amendment shall be enforceable unless done in writing and signed by the parties.” This agreement outlined funding of \$700,000 for the project tested; however, only \$42,000 was allocated to the project within the SAP system, with the remaining funding allocated to an alternate project listed in the agreement. Although the Division requested to change the allocation requirements of the agreement, this change was not supported by a written modification or amendment. We were also unable to determine if AMAFCA agreed with the change, as their response stated that it would require “Board Action.” We understand and observed that the two projects outlined in the funding agreement served the same purpose; however, because they were listed separately with different funding amounts on the agreement the modifications to those amounts should have been in writing.” ■

Status: Unresolved—Management informed us that this is in progress and is periodically discussed at the monthly engineers meeting. We will consider this unresolved pending further testing once the process has been confirmed by management to be working properly.

November 2012 Design Review Fee

Actual Cost and Time Tracking—“There was not a process in place to capture and track the actual time and costs incurred in the design review process. The department collects other fees for various services provided to the public and there was no tracking done to determine the actual cost incurred. In order to gain a better understanding of the actual time spent and costs involved in the various processes, the department should monitor and track actual time and costs incurred for a couple months. This will allow the department to better understand the actual cost associated with each process and update the fee schedules accordingly.” ■

Status: Unresolved—In the May 2013 updated matrix, Management stated this is in progress but is still considered unresolved.

Design Review Fee Structure—“Management should determine if a flat fee or a tiered fee structure based on the project size would best meet county and utility requirements for easily administered and equitable full recovery of county review costs.” ■

Status: Unresolved—In the May 2013 updated matrix, Management stated this is in progress but is still considered unresolved.

December 2012 Receiving and Issuing

Public Works Inventory Issuance Accuracy—“As items are taken out of inventory, they should be updated in the system to reflect current quantities on hand. One of 22 items tested was not properly depleted in the M4 system. Two of 22 items were miscoded when updated in the M4 system; therefore, the physical count indicated a shortage for one item and an overage for the item that was miscoded. Maintaining accurate system inventory counts will help ensure that financial information related to inventory is reported accurately and improve the County’s ability to detect theft.” ■

Status: Unresolved—In the May 2013 updated matrix, Management stated this is in progress but is still considered unresolved.

Auto Parts Inventory Count Discrepancies—“Although we inspected count, recount sheets and a memo describing general reasons for discrepancies in the year-end inventory counts, we found there was no investigation of why discrepancies occurred. During FY2012 there were a total of 315 adjustments. After inventory counts are completed, variances should be investigated and documented. Investigating variances will help reduce errors and identify theft in a timely manner.” ■

Status: Unresolved—In the May 2013 updated matrix, Management stated this is in progress but is still considered unresolved.

System User Roles Documentation—“System user roles are documented on approved workflow authority forms. There are several versions of these forms maintained and when a new form is completed it does not supersede the previous form. There is not a comprehensive listing of roles by department; therefore, in order to determine if there are inconsistencies, all previously submitted forms must be reviewed which causes inefficiencies and makes tracking difficult.” ■

Status: Unresolved—In the May 2013 updated matrix, Management stated this is in progress but is still considered unresolved.

Centralized Receiving and Low Value Assets—“Although the current policy (Administrative Instruction AD 04) states a listing of low value assets may be required when deemed to be in the best interest of the County, it is best practice to always track low value items that are susceptible to theft or loss. There are a few departments that have a significant amount of low value assets for which it would be optimal to create a centralized receiving function and process. Currently the inventory management group has implemented a process to track low value assets at MDC and Public Works. Additional departments that may benefit from this process are Fire, Sheriff, and the JYDC since these departments have significant activity with low value assets.” ■

Status: Unresolved—In the May 2013 updated matrix, Management stated this is in progress but is still considered unresolved.

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This report is intended for the information and use of Bernalillo County management, the audit committee, members of the board of commissioners of Bernalillo County, and others within the organization. However, this report is a matter of public record, and once accepted its distribution is not limited.

REDW LLC

Albuquerque, New Mexico
October 19, 2013

APPENDIX A—SUMMARY OF RESOLVED INTERNAL AUDIT OBSERVATIONS

2010 Metropolitan Detention Center — Porch and Associates Findings

Cash accounting at shift changes—“Tested internal controls over twenty-three cash accounting shifts from July 1, 2008 to February 28, 2009, and the following were noted:

Two items tested did not have the calculator tape, which indicates the cash drawer was recounted by the accounting tech on the subsequent shift, initialed by the reviewing accounting tech.

- a. Ten items tested did not have the calculator tape with the shift documentation.
- b. For 12 items tested the cash register tape did not match the cash received and disbursed according to the EJS reports.
- c. Five items tested did not include the cash register tape with the shift documentation.
- d. One item tested had cash listed on the shift log as a check for \$340 instead of cash.” ■

Status: Resolved—Follow up testwork was performed in April 2013. Thirty daily reconciliation packets examined were complete with supporting documentation and included verification by a supervisor.

Medical fees and subsequent payment—“Internal controls over six medical fees charged to inmates from July 1, 2008 to February 28, 2009, were tested and Porch found the medical report contained duplicate charges to the inmate accounts. These duplicate charges were only taken from the inmates account once but remitted to the County twice. This error appears to have begun prior to February 2007.” ■

Status: Resolved—Follow up testwork was performed in April 2013. Monthly medical fee reconciliations examined for December 2012, January 2013 and February 2013 were complete with supporting documentation and included verification by a supervisor. We also observed the system used to track medical fees, and determined that controls were in place to detect duplicate charges.

May 2011 Fleet Management—Take Home Vehicles

Review of fuel usage—“The fleet facilities department runs a monthly fuel usage report of each department’s consumption for the current month compared to the same month in prior years and other reports to identify outliers and multiple fueling on the same day. This report is maintained on the intranet. Based on our department director interviews it appears that fuel usage report review is inconsistent and that not all department directors are taking full responsibility for their department’s fuel usage.” ◆

Status: Resolved—The Fuel Report by Department for the third and fourth quarters in fiscal year 2013 included an analysis by department. The report and related usage discussion is included as a regular agenda item at all Director meetings, where the importance of monitoring and reporting of vehicle usage is emphasized.

September 2011 Treasurer's Office - Investments

Bid Documentation—"During testing of forty-one investments seven instances were identified where the bid sheets did not include yields to maturity or other documentation that the most favorable investment decision was made. There were also three instances where the bid sheets did not include documentation of the investment decision when the selection was complicated by different maturities or other factors." 

Status: Resolved—Follow up testwork was performed in August 2012. Six investment packets examined included bid sheets with explanation for purchase, original source documentation, and were signed and approved by the Treasurer.

Multiple Bid Purchases—"The Investment Policy states that when securities are purchased or sold, the County will obtain a minimum of two bids. The bid sheets utilized by the County contain a header describing the type, amount and maturity of the investment sought and enough spaces for a total of three bids. During testing it was found fifteen of forty-one instances where multiple investments were purchased from one bid sheet." 

Status: Resolved—Follow up testwork was performed in August 2012. Six investment packets examined obtained a minimum of two bids for the purchase as required by the investment policy effective February 2012.

Investment Documents Storage—"Most original records for investment transactions were not maintained at the Treasurer's office or other identified County locations. We also found multiple copies of investment documents maintained in the Treasurer's Office and off-site; some did not appear to be well organized. Administrative Instruction #34 Public Records Access and 34A Records Retention Schedule do not define appropriate storage locations for County records; however, best practices indicate records should be stored in standard County file retention locations." 

Status: Resolved—Follow up testwork was performed in August 2012. Six investment packets examined included bid sheets with explanation for purchase, original source documentation, and were signed and approved by the Treasurer.

October 2011 Human Resources-Employment Policies

Benefits Received While on Unpaid leave—"The following was observed with respect to the Unpaid Leave process:

- a. Rules & Regulations section 1017 (G) states that all benefits shall cease while an employee is on leave without pay and if the employee wishes to continue his/her insurance benefits he may do so at his own expense. The employee is responsible for both the employee and employer portion of benefits while on leave without pay. The County was paying all employee insurance benefits without prior collection from the employee and without the employee's consent.
- b. The process in place to track receivables due from employees for outstanding benefit premiums is manual and not reconciled. We were not able to determine if collections were occurring in all instances or determine the total amount of unpaid balances. There were approximately 600 employees (with a total of 79,000 hours) who took leave without pay during FY11. After fieldwork, HR performed an analysis on the receivables due from

employees for benefits premiums. It was determined that approximately \$126,000 was due as of the end of the audit.

- c. Efforts to collect outstanding benefit premiums owed to the County by terminated employees for benefits received while on unpaid leave have not been made. The seven terminated employees tested had uncollected unpaid benefits totaling \$29,775. HR management has recently implemented a process to notify County Legal so that collection efforts can be attempted.
- d. Leave without pay was not properly approved. Rules and Regulations Section 1001 (B) states all employees are required to have leave without pay approved by the County Manager. The timekeeper or supervisor approved eight of 22 leave requests and three of 22 leave requests were approved by the Director. Additionally, five of 22 employees took leave without any documented approval.” 

Status: Resolved—Follow up testwork was performed in August 2013. Five FMLA application packets were examined and agreed to supporting documentation for payments collected and posted to SAP to support that benefits payments were properly tracked, collected and recorded to SAP.

December 2011 Budget Process

Budget Monitoring—“There were four departments where system budget checking controls should have been established at the cost center level or similar grouping but were instead established at the overall department level. As a result, budget overruns in one cost center were automatically covered by another cost center without any prior approval or line item transfer.” 

Status: Resolved—Follow up testwork was performed in August 2013. We obtained the hierarchy levels related to budget cost center grouping and examined four quarterly budget to actual reporting packets from the 3rd quarter of fiscal year 2013 and confirmed that cost centers and groupings were set up correctly.

Quarterly Departmental Reports—“The required departmental quarterly reports were not consistently submitted to the Budget Office. We tested eight quarterly departmental reporting packets for FY 2011 for Sheriff’s, Fleet and Facility Management, Economic Development, and Assessor’s and found the following reports were not submitted:

- a. Eight Quarterly Budget to Actual Analyses;
- b. Seven Revenue Graphs;
- c. Seven Performance Measurers Reports;
- d. Six Position Count Updates;
- e. Two Quarterly Goal Update reports.

Additionally, there was not a tracking process in place to record when reports were received by the Budget Office. As a result we were unable to determine if the reports were submitted within 15 days after quarter end.” 

Status: Resolved—Follow up testwork was performed in August 2013. Four quarterly budget to actual reporting packets from the 3rd quarter of fiscal year 2013 were examined and confirmed as submitted on a timely basis, with support for review of cost overruns; and tracking logs were updated with complete information.

February 2012 Permitting

Compliance with AI No. 57—

- a. “AI 57 requires that cash and checks be deposited within 24 hours of receipt or the next business day. Cash deposits were not made within 24 hours of collection for any of the 10 deposits tested. The current practice was to prepare and make deposits weekly.
- b. SAP Cash Desk posting should be reconciled to cash receipting records in the Kiva permitting system on a daily basis. None of the 10 days tested had a reconciliation of the SAP cash desk posting to the cash receipts recorded in the KIVA system.
- c. There should be adequate cash receipts segregation of duties. The Administrative Officer handles all payments received in person and by mail; posts payments in Kiva, Quick Books and SAP; sets up customer accounts receivable; maintains custody of cash receipts and prepares the bank deposit. This creates the risk that errors or fraud could occur without being detected or corrected in a timely manner.” ■

Status: Resolved—Follow up testwork was performed in August 2013. Reconciliations for the months of April and May 2013 were examined to verify that eight deposits were reconciled between SAP and cash receipts in KIVA. Additionally, checks were deposited with 24 hours of receipt or the next business day and destruction of checks was properly logged. We also observed that adequate segregation of duties was in place and Quick Books was no longer being used in the process.

Invoicing and Accounts Receivable—

- a. “AI #44 (B)-Accounts Receivable requires that all county Departments and Offices use the County approved electronic system to generate bills. SAP is the County approved invoicing system, but the Fire Department uses QuickBooks. We observed an unreconciled difference of approximately \$6,000 between Quick Books and SAP accounts receivable at June 30, 2011.
- b. One out of 40 permits tested was not invoiced; therefore, revenue was never recorded and cash was not collected. It appears that this occurred because permits completed in KIVA were not reconciled to billing generated from Quick Books.” ■

Status: Resolved—Follow up testwork was performed in August 2013. Eight permits were verified as invoiced in SAP with related receipt of payments. Additionally, reconciliations for the months of April and May 2013 were examined to verify that amounts invoiced in SAP were reconciled on a monthly basis to the inspections, plan reviews, and permits completed in the KIVA System.

Professional Deposit Accounts—

- a. “Prepayment deposits were not always posted accurately to contractor accounts. We observed 2 of 10 days where two deposits were collected but the accounts to which the deposits were posted could not be found. We also identified one deposit that was not applied to the contractor’s account.
- b. Collected prepaid deposits were recorded in the general ledger as permit revenue instead of as a liability until a permit was issued. Prepaid deposits for ZBP totaled approximately \$55,000 at June 30, 2011.” ■

Status: Resolved—Follow up testwork was performed in August 2013. Three permits were agreed to supporting documentation within the KIVA system for contractor and amount, and building permit prepayments collected were accurately posted to the correct contractor’s account. The year-end journal entry to post the prepayments was properly posted in SAP as of June 30, 2013 to record the deposits to a liability account.

Inspection of County Buildings—“Required inspections have not been consistently performed on County buildings. One of 40 permits tested was marked as completed in the system, but the required inspection of the related County building did not appear to have been performed. We identified eight additional County properties that were also missing permits and/or inspections but were marked as completed in the system. Without proper inspections or permits, safety or occupancy problems may not be identified or addressed in a timely manner.” ■

Status: Resolved—Follow up testwork was performed in August 2013. Three permits for County properties were traced through the process and agreed to supporting documentation for inspection dates prior to being closed in the KIVA System. Inspections were completed as required.

April 2012 Solid Waste

Gross Receipts Tax Rate—“Customers were charged the incorrect gross receipts tax rate. According to the gross receipts tax schedule prepared by the New Mexico Taxation and Revenue Department, the correct tax rate for a governmental entity is 5%. Customers were charged 5.125%, which is the State rate that would be used for nongovernmental entities. Based on the current quarterly service fee, this equates to each customer being overcharged six cents per quarter, or two cents per month.” ■

Status: Resolved—Follow up testwork was performed in August 2013. Six payment histories were examined, and we determined that the correct governmental gross receipts tax rate was applied.