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Internal Audit

Follow-Up on Open Internal Audit Observations

July 2010

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 FY 2010 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. This master observation list will assist the County in tracking the status of each internal audit observation. Our services were performed in accordance with the *Consulting Standards* issued by the American Institute of Certified Public Accountants, general 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 internal audit observations have been resolved and focused on assessing the current status of each observation. Management and the audit committee have been provided with an electronic copy of these observations.

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:

- Jeff Lovato, Accounting Director
- Cindy Torres, Accountant
- Tom Sams, CIO
- Renetta Torres, HR Director
- Danette Gonzales, HR Manager
- Geri Maestas, Financial Services Administrator
- Virginia Chavez, MDC Financial Administrator
- Raul Griego, MDC Warehouse Manager

- Dennis Chavez, Economic Development Coordinator
- Raymond Quintana, South Valley Economic Development Center
- Lieutenant Greg Rees, Sheriff's Department
- Ramona Sanchez, Sherriff's Department
- Rebecca Medina, Sherriff's Department
- Chief Frank Barka, Fire Department
- Darrell Lindsay, Fire Department
- Maria Salazar, MATS
- Cecilia Baca, MATS

We performed the following procedures:

- We obtained the observation matrix from County finance;
- We compared the County finance matrix to the prior year's matrix provided to finance to ensure that all observations were included;
- 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 finance with the updated matrix.

Summary by department and year of resolved and unresolved observations:

Department	Number of observations resolved	Number of observations unresolved
Budget and Finance	4	1
Public Safety	17	28
County Manager	6	0
Human Resources	3	9
Assessor's Office	2	1
Total	32	39
Year	Number of observations resolved	Number of observations unresolved
2007	1	1
2008	3	3
2009	11	14
2010	17	21
Total	32	39

SUMMARY OF NEW AUDIT OBSERVATIONS

During the course of our testwork, we conducted some additional procedures that were related to the outstanding internal audit observations. Through these additional procedures, we discovered four additional internal audit observations, which are listed below.

Human Resources

Personnel Action Form (PAF) not always included in employee file—Two of the 22 files tested did not have the most current version of the employee's PAF on file. We recommend that all employee files contain a current PAF, unless specifically not required, such as in the case of a mass pay increase.

Metropolitan Assessment Treatment Services (MATS)

Storage of patient files was not secure—File cabinets containing patient files do not have locks. In addition, one of the doors to the room where patient files are kept did not have a lock. We recommend that all patient files be kept in a locking file, and access to the room also be secured with limited access.

No evidence of pharmacy audits—The MATS program was unable to provide us any current pharmacy audit reports. We recommend that all pharmacy audits be conducted as required, and a copy of the report be kept on hand.

SUMMARY OF UNRESOLVED PRIOR AUDIT OBSERVATIONS

There were a total of 71 open internal audit observations remaining from 2007 to 2010, 32 of which were resolved during this audit. We have included a summary of the remaining unresolved internal audit observations below with a summary of follow-up testwork performed.

May 2007 Sheriff's Department Currency Evidence Account Follow-Up

The East Area Command Center (EACC) is not faxing a copy of the evidence logs to the support technician—BCSD substations are to fax a copy of the completed evidence log sheet to the support technician. The EACC is not doing so. We recommend that all substations fax the evidence logs to the support technician. This will enable BCSD to ensure that the amount entered by APD is correct and there are no discrepancies between the logs from the substations and from APD.

We will be reperforming this audit this fiscal year and therefore we did not test this finding during the follow-up.

September 2008 Community Custody Program Follow-Up Fee Collection Process

Proper documentation for cash receipts are not being maintained in the case file and cannot be traced to a deposit record—Copies of the money orders and the treasurer's receipts are not being maintained in the inmate case files. Not all money orders can be traced to the treasurer's office deposit record. We recommend CCMs not collect any payments and instead an administrative employee be solely responsible for handling all payments and reconciling

payments to the treasurer's office deposit records. Also, consider implementing a drop box to be utilized when this employee is unavailable.

Management informed us that this is being addressed but is still considered unresolved as of July 2010.

Initial hook-up fees are not being paid—The initial fee that is assessed to hook-up the equipment is not always being collected. These fees can be waived, but there was no documentation that in the inmate files that this was the case. We recommend collecting the hook-up fees in a timely manner.

Management informed us that this is being addressed but is still considered unresolved as of July 2010.

Payments are not being made in a timely manner—Inmates pay regular maintenance fees based on salary and pay schedule. These fees can be waived, but documentation needs to be in the inmate's case file. There is no documentation in the file identifying the reason for payments not being received on time. We recommend documentation be placed in the inmate's case file stating and approving the reasons for late payments or waivers.

Management informed us that this is being addressed but is still considered unresolved as of July 2010.

October 2009 Assessor Data Entry

Additional research should be performed to locate returned mail property owners—The Assessor's office performs research to locate returned mail property owners. During our own research of returned mail, we found that 14 of the 80 properties tested were in delinquent status, resulting in approximately \$35,000 of past due taxes. By researching the 2007 and 2008 property tax rolls we were able to identify 26 possible addresses for the owners of the 80 returned mail properties researched. If this research strategy was applied to the entire returned mail population, the owners of an estimated \$1,000,000 of delinquent tax properties could possibly be located.

Follow-up testwork was performed in July 2010. Due to the cycle of the notice of value mailings, we will not be able to test this observation until next year.

May 2009 Public Safety

Fire and Rescue: Outdated policies and procedures—Procurement and procurement card policies and procedures have not been revised since their effective date of September 1, 2005. We recommend these policies be updated to reflect current departmental practices and current County policies.

Follow-up testwork was performed in July 2010. The Chief of Logistics–Fire Department informed us that the observation is being addressed but is still considered unresolved as of July 2010.

Fire and Rescue: County Tag ID numbers do not always match inventory listings or are not properly recorded—Inventory items maintained by the department must be tagged according to the department's Inventory Control Policies and Procedures. There were several

instances in which the tag number in the system did not match the tag on the inventory item, or the item was not tagged at all. We recommend the department update the inventory listing with correct tag numbers to ensure all items are properly accounted for.

Follow-up testwork was performed in July 2010. We obtained a detailed inventory listing for Station #1, and traced 15 items from the listing to the actual inventory. Six out of 15 items were either missing a tag, improperly tagged, or the item could not be located. This observation has not been resolved.

Fire and Rescue: Unable to locate certain items on inventory listing—Inventory items for the administrative department as well as individual fire stations are recorded on separate inventory listings. We noted several instances in which the inventory item on the inventory listing was not able to be located. We recommend the department conduct an inventory count to ensure that all inventory items on the listing are accurate.

Follow-up testwork was performed in July 2010. We obtained a detailed inventory listing for Station #1, and traced 15 items from the listing to the actual inventory. Three out of 15 items could not be located. This observation has not been resolved.

Fire and Rescue: Item not properly removed from inventory listing—All items that are disposed of or retired should be promptly removed from the inventory listing. An item on the inventory listing was retired but not properly removed from the list. We recommend that all items be removed as they are disposed of or retired to ensure the listings are accurate.

Follow-up testwork was performed in July 2010. We obtained a detailed inventory listing for Station #1, and traced 15 items from the listing to the actual inventory. Two of the 15 items were disposed of and were not removed from the inventory listing. This observation has not been resolved.

Fire and Rescue: Some items on fire trucks not properly tagged—Due to the nature of the items on the fire trucks, inventory tags do not always remain intact. We noted several instances in which items on the fire trucks did not have a tag. We recommend that each fire station conduct regular inventories of the fire trucks to ensure items are present.

Follow-up testwork was performed in July 2010. We obtained a detailed inventory listing for Station #1, and traced 15 items from the listing to the actual inventory. Three out of 15 items were either missing a tag, or improperly tagged. This observation has not been resolved.

Sheriff's Department: Lack of policies and procedures—There are no written policies and procedures specific to the department relating to inventory control, including issuance, return, and documentation standards. We recommend the department create policies and procedures to ensure all staff are performing the appropriate procedures relating to inventory.

Management informed us that this is being addressed and new software is being implemented but this is still considered unresolved as of July 2010.

Sheriff's Department: Decentralized inventory control system—The department does not have a centralized inventory system. Each division is responsible for tracking inventory, but the manner in which this is done is inconsistent within each division. We recommend the Sheriff's

Department work with the County's Information Technology department to modify the ERP system to allow the department to have a uniform system to track inventory.

Management informed us that this is being addressed and new software is being implemented but this is still considered unresolved as of July 2010.

Sheriff's Department: Incorrect Shooting Range inventory lists—The Shooting Range maintains an inventory listing of all weapons located at the range or issued to employees. We noted several instances in which the weapons selected from the listing were not located at the range; rather they were issued to employees or had been disposed. We recommend the listings be consistently updated as weapons are issued, returned, or disposed to ensure all weapons are properly accounted for.

Management informed us that this is being addressed and new software is being implemented but this is still considered unresolved as of July 2010.

Sheriff's Department: Incorrect SWAT/ERT/Support Services inventory lists—Inventory counts were performed for each of these divisions of the Sheriff's Department. There were several instances in which our count of the inventory item did not match the inventory listings. We recommend the inventory listings be updated when items are purchased or issued to personnel to ensure inventory listings are accurate at all times.

Management informed us that this is being addressed and new software is being implemented but this is still considered unresolved as of July 2010.

Sheriff's Department: Inaccurate personnel files and inventory listings – Personnel inventory files and access inventory listings are maintained for each person employed within the Sheriff's Department who has been issued inventory. We noted numerous instances in which the files or the listing were missing issued inventory items, including weapons. We also noted instances in which serial numbers of weapons were not recorded, and weapon receipts were not on file to document weapon issuances and returns. We recommend inventory reconciliation be completed between the inventory lists and personnel files to ensure all issued inventory items are properly accounted for and recorded under the appropriate employee.

Management informed us that this is being addressed and new software is being implemented but this is still considered unresolved as of July 2010.

Sheriff's Department: Inconsistent practices and missing items from inactive employees—Based on verbal standard practices, there were several employees that did not have a weapons receipt in their file to document all weapons were properly returned upon separation from the department. In addition, we noted one employee who did not appear to return all issued inventory items. We recommend policies and procedures be created to ensure consistent practices for returning inventory are followed.

Management informed us that this is being addressed and new software is being implemented but this is still considered unresolved as of July 2010.

August 2009 Metropolitan Assessment Treatment Services (MATS)

Inaccurate count recorded on incident log—The quantity of a controlled substance reported on an incident form did not match the quantity of the controlled substance in the administrative lockbox. We verified this was a miscount on the incident log, and the correct amount of medication was put into the lockbox. We suggest when a client leaves the facility the staff should count and record the medication with another staff member present to ensure accuracy. The staff also should ensure this amount agrees to the final inventory amount on the client's medication sheet.

Follow-up testwork was performed in July 2010. The MATS program was unable to provide us with a current Incident Log. We were not able to test this and consider this observation unresolved.

Employee understanding agreement and certification—According to MATS' policies and procedures, all employees who handle medication must sign a form indicating their understanding of MATS' policies and procedures. Also, all clinical employees are required to have the Medication Management Certification. Eleven out of twenty-two employees handling medication had not signed the form indicating understanding of medication policies and procedures and three out of twenty-two employees had not received the Medication Management Certification. We recommend that employees complete these upon being hired. We also recommend that the policies and procedures are updated to include the time frame employees have to complete these tasks.

Follow-up testwork was performed in July 2010. We obtained a listing of all employees at the MATS Program and tested each to verify they had signed the Policies and Procedures and that their Medication Management Certification was on file. Four of the 23 employees tested did not have Policies and Procedures on file, and one of the 23 employees tested did not have a Medication Management Certification. This observation has not been resolved.

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 over time is necessary for normal operations and not all overtime can be eliminated, nor can all overtime be replaced at new correction officer rates. We recommend that the MDC perform a staffing analysis to update the relief factor used to calculate staffing levels.

Management informed us that this is being addressed but is still considered unresolved as of July 2010.

MDC correctional officers are exceeding the 16 hour shift limit—The MDC is not in compliance with the local 2499 Corrections Contract which restricts correctional officers from working more than a 16 hour shift. Typically these instances did not exceed the 16 hour limit by more than an hour. During our testwork we noted 517 instances where employees worked more than sixteen hour shifts during the six month period between January 2009 and June 2009. This

was approximately 1.2% of the total time tested. We recommend that management should monitor the length of employee shifts to ensure they are not longer than 16 hours.

Management informed us that this is being addressed but is still considered unresolved as of July 2010.

MDC food service invoicing—Seven out of the 12 invoices tested were not calculated properly and the individual meal price did not correspond to the price scale approved by the contract. In total these per meal pricing variances were small. Additionally, we noted that there is no consistent formula for calculating the total amount of meals served. Some invoices include sack lunches in the total amount of meals served while others exclude them. We recommend the County should require Canteen to create a standardized invoice that will allow for easy recalculation and reconciliation.

Follow-up testwork was performed in July 2010. The Comptroller and IT Director for Canteen are currently developing a new invoice with MDC to provide easier reconciliation. The new invoice had not been in place at time of fieldwork and we did not test this observation. We consider this observation unresolved.

Monthly food service billing detail errors—While testing monthly Canteen food service billings, we found that there was one day of detail missing and also MDC was under-billed for meals during two of the four weeks tested. The detail provided to MDC is handwritten, very time consuming to recalculate, and in many instances incorrectly totaled.

Follow-up testwork was performed in July 2010. The Comptroller and IT Director for Canteen are currently developing a new invoice with MDC to provide easier reconciliation. The new invoice had not been in place at time of fieldwork and we did not test this observation. We consider this observation unresolved.

2010 Metropolitan Detention Center — Porch and Associates Findings

Cash intake internal controls—Internal controls over cash accepted at intake were tested for sixty nine inmates from July 1, 2008 to February 28, 2009, and noted the following: Thirty-seven instances where the arresting or escorting officer did not sign the property inventory sheet; two instances where the inmate did not sign the property inventory sheet; one instance where the property technician did not sign the property inventory sheet; one instance where there was a \$1 discrepancy between the property inventory sheet and the cash deposited into the inmates account; one instance where \$1.22 was put into property instead of in the inmates trust account; and one instance where a deposit was taken at intake but was recorded as a lobby deposit.

Follow-up testwork was performed in July 2010. We tested 51 inventory sheets from June 1, 2010 and May 1, 2010, and found three out of 51 inventory sheets without the inmate's signature, eighteen out of 51 inventory sheets without the arresting/escorting officer's signature, two out of 51 inventory sheets without the property technician's signature, and one out of 51 inventory sheet where the amount of cash received did not match the Transaction Detail Report. This observation has not been resolved.

Lobby withdrawals—Internal controls were tested over fifteen lobby withdrawals from July 1, 2008 to February 28, 2009 and the following was noted: One item tested did not include the correction officer or witness signature on the inmate money/property release form.

Follow-up testwork was performed in July 2010. We obtained the balancing reports for all shifts on April 1, 2010, May 1, 2010 and June 1, 2010, and tested each for: signature of inmate, signature of the person receiving the item, signature of witness, signature of the Cash Accounting Aide, and that the amount from the Transaction Detail Report tied to the Inmate Money/Property Release Form. One out of three release forms did not contain a witness signature and three out of three release forms did not contain the Cash Accounting Aide signature. This observation has not been resolved.

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.

Follow-up testwork was performed in July 2010. We obtained the MDC Medical Report for April 1, 2010 through June 30, 2010, and identified four instances with identical inmate numbers, dates, amounts, and descriptions. Management agreed that these were duplicate charges. This observation has not been resolved.

Cash register tapes—Cash register tapes are not balanced to the E-Justice System (EJS) reports or the account reconciliation sheet. According to MDC management these tapes are not used in daily balancing because there are often errors when using the register. This creates the risk that the register is being accessed and used for transactions other than those that are reported on the reconciliation sheets.

Follow-up testwork was performed in July 2010. We obtained the balancing reports for the cash accounting shifts for April 1, 2010, May 1, 2010, and June 1, 2010, and tied the cash register tape to the ending cash on the Cash Accounting Reconciliation Sheet and the EJS Reconciliation Sheet. Four out of eight balancing reports had a cash register tape that did not match the amount on EJS Reconciliation Sheet. This observation has not been resolved.

Reviews are not documented on reconciliation sheets—Account reconciliations are reviewed on a daily basis in the cash accounting office and monthly in the fiscal office. These reviews are not documented on the account reconciliation sheets.

Follow-up testwork was performed in July 2010. We obtained the Reconciliation Sheet for all shifts on April 1, 2010, May 1, 2010, and June 1, 2010, and tested them for incoming/outgoing employee signatures and a supervisor signature. One out of eight Reconciliation Sheets did not contain an employee signature and one out of eight Reconciliation Sheets did not contain a supervisor signature. This observation has not been resolved.

Cash accounting shifts—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. Ten items tested did not have the calculator tape with the shift documentation. Twelve items tested the cash register tape does not match the cash received and disbursed according to the EJS reports. Five items tested did not include the cash register tape with the shift documentation. One item tested had cash listed on the shift log as a check for \$340 instead of cash.

Follow-up testwork was performed in July 2010. We obtained the balancing reports for the cash accounting shifts for April 1, 2010, May 1, 2010, and June 1, 2010, and verified that the cash register tape and calculator tape was attached to the documentation. One out of eight did not have a cash register tape attached. This observation has not been resolved.

Bank account reconciliation—The inmate trust bank account is not reconciled to the EJS system.

Follow-up testwork was performed in July 2010. We obtained the April, May and June 2010 bank reconciliations, and noted a book balance in excess of bank balance of \$2,971, \$6,499, and \$7,188, respectively and no proper reconciling items. This observation has not been resolved.

February 2010 Human Resources

Certain W-4 documentation did not correspond to payroll register—Three of the 90 W-4 exemptions in the personnel files did not agree to the deductions on the payroll register. There was no documentation for the amount withheld from the employees check. Human Resources management should perform periodic quality control reviews on the employee files to ensure the required documentation is maintained and updated in the payroll system.

Follow-up testwork was performed in July 2010. We obtained the payroll register for check date July 23, 2010 and from that register pulled a sample of 22 employees to test for a current W-4 on file. One of the 22 employees tested did not have a current W-4 on file. This observation has not been resolved.

Some employees exceeded bereavement leave limits—According to Rules and Regulations and Union Contracts, each group of employees is allotted a certain amount of bereavement leave per instance. For fiscal year 2009, ten employees were identified who exceeded their allotted bereavement leave. We recommend a formula be included in the Empath system to ensure employees do not exceed their bereavement leave limits.

Management informed us that this is being addressed but is still considered unresolved as of July 2010.

Bereavement leave policy is not consistently being 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. Of the 29 instances of employee bereavement leave tested we noted:

- 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.
- Eight bereavement leave forms were not signed by Human Resources.
- One bereavement leaves form was not signed by the department.
- One bereavement leave form did not have support included.
- One instance where leave was approved for a nonimmediate family member.

All bereavement leave forms need to be completed timely by all required individuals and include all necessary information. This information will help Human Resources assess whether the leave is appropriate.

Management informed us that this is being addressed but is still considered unresolved as of July 2010.

Excess leave deduction inefficiencies—There were various issues identified with the excess leave deduction process currently in place at the County. 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. We recommend that a script be written for the Empath system to automatically deduct the excess leave according to each employee's classification.

Management informed us that this is being addressed but is still considered unresolved as of July 2010.

Yearly performance evaluations are not being completed—According to Rules and Regulations section 408 and 409, classified employees are required to have a yearly performance review. Of the 38 classified employees tested, 25 did not have a performance review documented in their personnel file in either of the past two years. A process should be implemented to ensure performance reviews are completed for all required employees.

Management informed us that this is being addressed but is still considered unresolved as of July 2010.

PAFs were not completed timely—Two of the 90 PAFs tested were approved many months after the personnel action took place. We also noted three of the 12 new hire PAFs tested did not have all the required approval signatures within one month of hire. All information should be approved and entered in the systems within a reasonable timeframe (i.e. one month).

Management informed us that this is being addressed but is still considered unresolved as of July 2010.

Periodic background investigations are not performed after the employee's initial screening—Periodic employee background investigations are vital to maintaining a dependable workforce free of unlawful behavior. Periodic credit checks for those employees dealing with public funds can alert management of any credit issues that could lead to that employee committing fraudulent acts with public funds.

Management informed us that this is being addressed but is still considered unresolved as of July 2010.

Administrative Instruction 8-Personnel Actions—The Administrative Instruction (AI) states that a Personnel Action Form (PAF) is to be completed for pay changes of any type. It is the practice of the County not to create a PAF for County wide pay changes due to the amount of time it would take to complete these for all employees.

Management informed us that this is being addressed but is still considered unresolved as of July 2010.

Administrative Instruction 15 B Sick Leave—The AI states the Rules and Regulations are effective January 15, 1999. These have been since updated and should be corrected in 15 B.

Management informed us that this is being addressed but is still considered unresolved as of July 2010.

February 2010 ACH and Wire Transfers

There is not a comprehensive ACH and wire transfer policy—During our testing we found there was not a standardized process of setting up ACH vendors. Twenty-eight of the 56 enrollment forms tested were not kept on file, so we were unable to determine if the vendor information was accurate. The County should develop a comprehensive ACH and wire transfer administrative instruction that includes enrollment form requirements and retention guidelines, payee change procedures, and review and monitoring procedures.

Management informed us that a resolution is being proposed to correct the finding but this is still considered unresolved as of July 2010.

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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.

REOW LLC

October 13, 2010

APPENDIX A—SUMMARY OF RESOLVED INTERNAL AUDIT OBSERVATIONS

June 2007 MDC Follow-Up

Inventory Reconciliations—During our inventory analysis we noted the following: Two out of 25 inventory items counted had a differing balance from the previous count and were not corrected on the subsequent inventory valuation summary. One out of 25 inventory items counted was incorrectly recorded. Two out of 25 inventory items counted were incorrectly counted. Three out of 25 inventory items counted in opened containers holding multiple items were counted as full, but were not physically verified. One out of 25 inventory items counted were included in inventory and were not listed in the QuickBooks system. We recommend that all inventories are counted, items in open containers are physically counted, and differing balances between the initial count and recounts are reconciled.

We selected a statistical sample of 28 items from the warehouse inventory listing and traced the items to the actual items on hand. We then haphazardly chose five items from the items on hand and traced them to the inventory listing. There were no exceptions and we consider this observation resolved.

January 2008 Capital Assets

The IT department has not performed an inventory since 2005 and their inventory process does not appear to be adequate—An inventory of the IT equipment has not been performed since 2005. In addition, the department is only tracing items found at their various locations to the inventory listing and not verifying that the items on the listing exist. We recommend that the IT department perform inventory counts.

Based on testing performed by the external auditor this finding is considered resolved. An inventory of all IT inventory was done for Fiscal Year 2010.

October 2008 Assessor's Office – Commercial and Residential Property Tax Assessment

Incorrect valuation of properties—We investigated changes in ownership names from 2007 to 2008 that appeared to be a sale of residential property. If a property sale occurs, the property is to be assessed at the current market value and the standard 3% increase per annum cap does not apply. During our testwork we identified two instances out of the entire population of quitclaims identified where the change in ownership was classified as a quitclaim deed by the Assessor's office, and therefore was not considered to be a true change in ownership. However, upon obtaining the deed it appears that these were truly a change in ownership and therefore the property should have been revalued to the current and correct value for the 2008 tax year and property taxes should have been reassessed based on the revaluation. Policies and procedures should be developed to ensure that quitclaims are investigated by the Assessor's office in more detail to ensure that these property values are properly increased if a sale has occurred.

This finding was considered low risk and resolved by the audit committee.

Revaluation not performed due to delay in filing sales documents—During our testwork of property sales with a change in value of 3% or less we identified seven sales in which the sales document that activates an increase in the property value was not filed for a number of years following the sale. The dates of sale ranged from 1999 to 2006. In addition we identified the same situation with two quitclaims reviewed. Management states that according to New Mexico Statutes Annotated (NMSA) 7-36-21.2 *Limitation on increases in valuation of residential property*, the Assessor's office is unable to reassess the value after the initial year of sale has passed, and so although these were indeed sales, the values have never been increased more than the standard 3%. Based on our review of the statute, the untimely filing of documents of sale by the purchaser may not apply to the limitation on increases in the valuation of residential property. We recommend that County Legal be contacted to obtain clarification.

This finding was considered low risk and resolved by the audit committee.

May 2009 Public Safety

Fire and Rescue: Lack of policies and procedures and inconsistent inventory practices for inactive employees—There are no policies and procedures relating to the issuance and return of equipment from employees. There were instances in which it was unclear if inventory items had been returned by inactive employees. We recommend policies and procedures be implemented within the department to ensure procedures are uniformly followed.

We obtained the Bernalillo County Fire Department Policies and Procedures, Rev. Date August 27, 2010. A policy is in place for issuance and return of equipment (Section VII). We tested five recently terminated employees to determine if all employees tested had returned their equipment properly. There were no exceptions and we consider this observation resolved.

May 2009 Tax Incremental Development Districts

Standard checklist and policies and procedures—A standard checklist and written Policies and Procedures have not been created for the TIDD process, which would ensure that each TIDD packet includes all the required information as noted within the State statute and County ordinance. Two of the four TIDD binders reviewed did not include all of the required information, including a tax increment development plan, operation plan, and financial feasibility study.

The County has adopted a standard checklist and Policies and Procedures related to the TIDD process. We consider this observation resolved.

August 2009 Metropolitan Assessment Treatment Services (MATS)

Identification of clients when dispensing medication—There is no process in place to properly identify clients when medication is being dispensed. Currently, the client states his or her name and bed number with no other form of verification provided to the staff who is dispensing medication. We recommend a policy be implemented requiring staff to more accurately verify who a client is before dispensing medication.

On July 21, 2010, we observed the MATS facility distributing medication to patients. Approximately 20 patients came to the disbursing area and requested their medication. In all instances the person distributing the medication would identify the patient by the bed number on

their wrist band. We noted no instances of medication being disbursed without the employee observing the patient's wrist band. We consider this observation resolved.

September 2009 Payroll

Overtime sheets did not reconcile to the timecard—We identified two instances, both from the Metropolitan Detention Center (MDC), in which the overtime hours did not recalculate to the totals on the timecard. In both cases the hours in and out did not add to the totals at the bottom of the timecard or to the supporting documents for that period.

We obtained the April 9, 2010, May 21, 2010, and June 4, 2010 Payroll Registers and selected a random sample of 22 timecards to test that the overtime hours and support recalculated to the totals on the timecard. There were no exceptions and we consider this observation resolved.

Timecard hours did not match payroll register—The hours listed on the timecard did not match the hours paid on the payroll register for 11 of the 84 timecards tested. Timekeepers can make adjustments directly in the Empath system and sometimes these changes are not recorded on the timecard. We recommend that all timecards correspond to what is entered into the system since the employees' signature on the timecard attests that the employee has reviewed the timesheet and all information is accurate.

We obtained the April 9, 2010, May 21, 2010, and June 4, 2010 Payroll Registers and selected a random sample of 22 timecards to test that the hours paid matched the timecards and tied to the payroll register. There were no exceptions and we consider this observation resolved.

September 2009 — South Valley Economic Development Center

Payments—Payments are not always in accordance with current lease agreements. The County does not have a process for reconciling monthly tenant lease payments received to the current lease agreements or monthly rental invoices.

Follow-up testwork was performed in October 2010. Based on discussions with management a new process has been implemented and an RFP for vendor selection was completed. Management feels significant progress has been made and performance measurements are in place to ensure business objectives are being met. Payment turnaround has improved and the County will soon be allowing SVEDC to handle all payments themselves. We consider this observation resolved.

Reimbursements to the SVEDC—The County is not reimbursing SVEDC for rents received in a timely manner. For 18 of the 26 months tested, we found that the County did not reimburse SVEDC within five business days following receipt of the payment at the County. In ten of these instances, the delays ranged from 10 to 27 days.

Follow-up testwork was performed in October 2010. Based on discussions with management a new process has been implemented and an RFP for vendor selection was completed. Management feels significant progress has been made and performance measurements are in place to ensure business objectives are being met. Payment turnaround has improved and the County will soon be allowing SVEDC to handle all payments themselves. We consider this observation resolved.

Payments to the County—Payments are not always submitted timely to the County. SVEDC tenant payments are not submitted to the County in a timely manner. For 9 of the 26 months tested, we found that the rental payments were submitted to the County more than five business days following the date the payments were due to SVEDC. In three of these instances, the delays ranged from 10 to 21 days.

Follow-up testwork was performed in October 2010. Based on discussions with management a new process has been implemented and an RFP for vendor selection was completed. Management feels significant progress has been made and performance measurements are in place to ensure business objectives are being met. Payment turnaround has improved and the County will soon be allowing SVEDC to handle all payments themselves. We consider this observation resolved.

Inadequate performance monitoring and role definition—The County does not have a designated employee who is responsible for monitoring SVEDC's performance, and performance measurements have not been established by the County for SVEDC to adhere to. We also found throughout our audit work and interviews with County and SVEDC personnel that roles and responsibilities between the County and the RGCDC are not clearly defined.

Follow-up testwork was performed in October 2010. Based on discussions with management a new process has been implemented and an RFP for vendor selection was completed. Management feels significant progress has been made and performance measurements are in place to ensure business objectives are being met. Payment turnaround has improved and the County will soon be allowing SVEDC to handle all payments themselves. We consider this observation resolved.

Final lease agreements—Final lease agreements are not forwarded to the SVEDC. After all other signatures are obtained, final lease agreements are signed by the Bernalillo County Legal Department and the County Manager. We found that lease agreements on file at SVEDC do not contain these final two signatures; however, the County's copies do include these signatures. There is no process in place to ensure that the final lease agreements are forwarded to SVEDC.

Follow-up testwork was performed in October 2010. Based on discussions with management a new process has been implemented and an RFP for vendor selection was completed. Management feels significant progress has been made and performance measurements are in place to ensure business objectives are being met. Payment turnaround has improved and the County will soon be allowing SVEDC to handle all payments themselves. We consider this observation resolved.

Fiscal Year 2009 Cash Counts

Cash handling—According to AI 57, all checks must be immediately endorsed with Bernalillo County's "for deposit only" stamp. During our cash count procedures performed at the Raymond G. Sanchez Community Center we noted that one check out of 72 was not restrictively endorsed. During our counts we also noted that none of the checks at Los Padilla's Pool and Rio Grande Fitness Center were restrictively endorsed.

This finding was considered low risk and resolved by the audit committee.

January 2010 MDC

Lack of support for MDC inmate commissary purchases—During our testwork we noted eight of the 400 inmate commissary receipts tested could not be located. Additionally, six of the 400 receipts were not signed by the inmate. Without these signed receipts we were unable to determine if these were valid charges made by inmates.

We randomly selected two bills of lading and verified there was a signature for each sale. We then ensured any purchase from the bill of lading that did not have a signature was not charged to the inmates account. There were no exceptions and we consider this observation resolved.

Time is not always being coded correctly into Empath System—During our testwork we noted one out of 40 employee timecards tested had three hours of sick time improperly coded as regular time. This resulted in the employee's sick leave balance not being reduced by the amount of sick leave taken.

We obtained a payroll register and timecards for the period ended March 12, 2010. We then randomly selected 20 employees and verified that the payroll codes entered into Empath corresponded to the type of time on the timesheet. There were no exceptions and we consider this observation resolved.

Food temperature compliance—The Canteen contract states the contractor can be assessed a penalty of \$1,000 for improper temperature compliance of meals. There appears to be a lack of communication between the compliance manager who is conducting these tests and MDC finance to assess the fines. Furthermore, based on our discussions with management there does not appear to be any documented time frame on how often the compliance audits should be conducted and what documentation should be maintained.

This finding was considered low risk and resolved by the audit committee.

2010 Metropolitan Detention Center – Porch and Associates Findings

Deposit limits—There is not a limit on the amount of money that can be deposited or withdrawn from an inmate's account by an outside individual. This leaves MDC susceptible to money laundering through the inmate's accounts.

We read the new policy that limits inmate deposits and withdrawals to \$300. We then scanned a sample of eight Transaction Detail Reports to verify that no transactions exceeded the \$300 limit. There were no exceptions and we consider this observation resolved.

Receipt signs are not posted—There is not a posted sign by the cash accounting window stating that a receipt should be issued for all deposits to inmate accounts.

On July 21, 2010, we observed a receipt sign posted at receipting locations. This observation is resolved.

Money accepted by mail—Controls were tested for money received by mail for thirty seven inmates from July 1, 2008 to February 28, 2009, and Porch noted the following: Six instances where the money received by mail form was not included in the cash accounting shift documentation. Two instances were identified where the inmate did not sign the money received

by mail form. Two instances were identified where the inmate and correction officer did not sign the money received by mail form.

MDC has adopted a policy which eliminated the Money Received by Mail Form. This policy states that all checks and money orders should be made out to MDC and addressed to MDC; Attn: Cash Accounting. Any checks or money orders made out to the inmate will be returned to sender. The inmate should receive a receipt for mail deposits. We obtained the balancing reports for April 1, May 1 and June 1, 2010, and verified mail deposits tied to the Transaction Detail Report and a copy of the receipt for deposit was on file. There were no exceptions and we consider this observation resolved.

Distribution of inmate accounts—MDC cash accounting does not follow a formal policy for distributing an inmate's balance upon release. This distribution is generally paid in cash if there is enough cash in accounting when the inmate is released. Distributing large amounts of cash through the accounting office leaves the detention center more susceptible to fraud.

MDC has adopted a policy which states all disbursements will be in the form of a check, with the only exception being when inmates are released to Immigration. We obtained the Bernalillo County Transaction Detail Report for April 1, 2010, May 1, 2010, and June 1, 2010, to verify that there were no cash distributions. We noted that all distributions were made by check, except when the inmate was released to Immigration. All distributions by cash for the days tested were noted on the Immigration log. We consider this observation resolved.

Payments made to inmates—All payments to inmates should be reviewed for accuracy before being disbursed and checked to ensure the identity of the person receiving the check. Six of the thirty seven releases tested were not included in the cash accounting shift documentation. One of the six transfers tested was not completely recorded in the check processing log.

On July 21, 2010, we observed three inmates released, all of whom were wearing identification wristbands, which include a picture of the inmate. We observed the cashier asked to verify the wristband before disbursing a check. We also verified that all three inmates were included in the July 21, 2010 cash accounting shift documentation and check processing log. We consider this observation resolved.

Self cash bonds—Observed internal controls over three self cash bonds from July 1, 2008 to February 28, 2009, and the following were noted: One of the three checks did not have the inmates name listed on the check.

We obtained the Self Cash Bonds Report for June 2010 and compared the items to a copy of the check stub to verify that the inmate was listed as payee. All five self cash bonds tested had the inmate listed as a payee. We consider this observation resolved.

Damages and subsequent payment—Internal controls over six damage charges from July 1, 2008 to February 28, 2009, were tested and found the damages 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.

We obtained the Damages Report for the months of April, May and June of 2010, and scanned for any charges to the same booking number, charges on the same date, and charges for the same amount. We did not find any duplicates in the report and we consider this observation resolved.

Canteen billing—Internal controls were tested over three Canteen billings and the following were noted: Credit corrections included on the invoice are included as additions to the amount owed instead of reductions. These charges to additions were traced to the inmates' accounts. This caused the amount paid to the County to be overstated by twice the amount of credit corrections.

We obtained the Canteen Commissary Sales Reports for April, May and June 2010 and scanned them to verify all credit corrections were properly reduced. In addition, we noted that Canteen is now correcting all credits in real time and on the spot. We consider this observation resolved.

Overages over \$5—Overages over \$5 are not consistently reported to County Finance.

MDC is now following the County-wide policy regarding reporting discrepancies. All overages and shortages are reported to MDC finance, who in return reports the discrepancy to County Finance. We received the ROADS Data Tracking Report for the months of April, May, and June 2010, and scanned the reports for any shortages/overages over \$5. We found three instances of overages of \$5.00 or more. We then verified with the Accounting Director that these were reported to County Finance. We consider this observation resolved.

Policy for activities captured on camera—There is not a formal policy stating which activities performed by the accounting tech should be captured on camera. Additionally, neither camera captures transactions occurring on the lobby side of the cash accounting window. This does not allow for a thorough investigation of monies disbursed because it is not possible to see who the money is disbursed to.

The County has adopted a policy that addresses which activities should be captured on camera. MDC does not have the server capacity to add a camera that would capture the lobby side of the accounting window. We considered this observation resolved.

Mistakes in paperwork policy—There is no formal policy in place stating how mistakes should be documented.

MDC has adopted policies regarding mistake documentation. We consider this observation resolved.

February 2010 Human Resources

Lack of documentation supporting background investigations—One of the 25 employees selected for background investigations did not have a background investigation on file in the Human Resources department. According to discussions with management these background checks were completed but not on file. All background investigation documentation received should be kept on file in the Human Resources department in accordance with the County's record retention policy.

We obtained the payroll register for check date July 23, 2010, and pulled a statistical sample of 22 employees to test for a passed background check/drug screen (when applicable). All

employees tested had the required passed background check/drug screening on file (when applicable). We consider this observation resolved.

Missing employee file—We were unable to obtain one employee file and therefore were unable to perform any testwork on this employee. All personnel files should be accounted for at all times. If a file is removed from the file room, then appropriate documentation needs to be kept to be able to identify who has possession of the file.

We obtained the payroll register for check date July 23, 2010, and pulled a statistical sample of 22 to test for various attributes. All employee files selected for testing were available and provided timely. We consider this observation resolved.

Missing I-9 forms—Three of the 90 I-9 forms tested could not be located. All U.S. employers must complete and retain a Form I-9 for each individual they hire. We recommend the County ensure that all I-9's are completed and kept on file.

We obtained the payroll register for check date July 23, 2010, and pulled a statistical sample of 22 employees to test for a current I-9 document on file. All employees tested had a current I-9 on file. We consider this observation resolved.