BERNALILLO COUNTY
NEW MEXICO

Follow-Up on Open Internal Audit Observations

Internal Audit

July 2014

REDW LLC
CPAs | Business & Financial Advisors

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Report

INTRODUCTION

We performed the internal audit services described below solely to assist Bernalillo County in evaluating whether open internal audit observations issued through November 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. We 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 a large number of County employees and 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 or unresolved; and

- We provided County Accounting with the updated Matrix.

Summary by department of resolved and unresolved observations:

Department	Number of observations resolved	Number of observations unresolved
Accounts Payable	0	1
Animal Care	0	2
Assessor's Office	0	3
Budget and Business Improvement	1	0
Enterprise Resource Planning	0	2
Fleet Management	2	0
Health and Social Services	1	0
Housing	2	1
Human Resources	4	1
Information Technology	5	3
Metropolitan Detention Center	1	5
Operations and Maintenance	1	0
Parks and Recreation	2	0
Payroll	2	4
Procurement and Business Services	1	4
Risk Management	1	0
Solid Waste	1	0
Substance Abuse	1	0
Technical Services	4	0
Youth Services Center	3	0
Total	**32**	**26**

Summary by fiscal year of resolved and unresolved observations:

Fiscal Year	Number of observations resolved	Number of observations unresolved
2010	2	3
2011	6	5
2012	11	3
2013	6	13
2014	7	2
Total	**32**	**26**

SUMMARY OF UNRESOLVED PRIOR AUDIT OBSERVATIONS

There were a total of 58 open high to moderate/low risk internal audit observations outstanding from 2010 through November 2013, 32 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 description of the follow-up testwork performed, when applicable.

- 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 ▪
- Moderate/low 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 officers' 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—Management stated this is in progress but is still considered unresolved. REDW will be conducting an internal audit that will address this outstanding observation in FY 2015.

February 2010 Human Resources and Related Payroll Processes

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 pending implementation. We 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 nonimmediate family member."

Status: Unresolved—Based on correspondence with management during our testing, the process has not yet been fully implemented across all departments; therefore, this is not ready for follow-up testing.

October 2010 Housing Department/County

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—Based on discussions with management, this process is not automated as intended; therefore, we will consider this unresolved. REDW will be conducting an internal audit that will address this outstanding observation in FY 2015.

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 for invoice management was implemented on July 1, 2013; however, issues have been identified and are currently being investigated for resolution. 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 July 2014. We requested reconciliations for January through May 2014; however, the current process did not include a documented count of physical inventory to verify there were no discrepancies to the system count. 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—Management stated this is in progress but is still considered unresolved. The final phase of this process is scheduled to begin in October 2014. This should be ready to test in the next follow-up audit.

Untimely Employee Status Notification—"There was a significant time lag between when employees were transferred or terminated by Human Resources and access updated in SAP. This issue is compounded by not having a direct link between the user name and employee identification number. Consultants were not monitored to ensure their access was restricted. Monthly, the ERP Manager should obtain reports from HR that identify the new employees for potential SAP access and the employee transfers or terminations affect SAP access." ▮

Status: Unresolved—Management stated this is in progress but is still considered unresolved. The final phase of this process is scheduled to begin in October 2014. This should be ready to test in the next follow-up audit.

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—Management stated this is in progress but is 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 were 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—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—Follow up testwork was performed in July 2014. REDW examined a sample of eight temporary salary increase forms which should include verification and approval by a supervisor and Human Resources and related payroll data. We determined that, of the forms selected, one form was not approved timely and one employee was paid a temporary salary increase that was higher than the amount approved.

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 were considered public records were not maintained and disposed in accordance with state requirements."

Status: Unresolved—Management stated that an email policy has been created; however, it is still in draft form. This will be considered unresolved pending formal implementation of the policy and training.

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—Management stated that Administrative Instruction (AI) IT 20 Management of County Records has been created; however, it is still in draft form. This will be considered unresolved pending formal implementation.

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—Management stated this is in progress. REDW will be conducting an internal audit that will address this outstanding observation in FY 2015.

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—Management stated this is in progress. REDW will be conducting an internal audit that will address this outstanding observation in FY 2015.

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—Management stated this is in progress. REDW will be conducting an internal audit that will address this outstanding observation in FY 2015.

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—Management stated this is in progress. REDW will be conducting an internal audit that will address this outstanding observation in FY 2015.

January 2013 Assessor's Office-Commercial and Residential Property Tax

Inadequate Documentation—"During our testing we identified several instances where there was no documentation to support protest of value changes and exemptions. Additionally, there were no notes in the system to show why the value did not change on properties with recent building permits."

Status: Unresolved

Untimely Revaluation of New Construction—"Revaluations must occur in the year following when the construction was completed, otherwise the 3% cap is in effect for the property which causes lost revenue for the County. Four of 127 properties tested were not revalued during the allotted time period, and therefore the additional value of the property could not be added for tax purposes. The Assessor's Office should implement a process to monitor new construction and addition revaluations. This will ensure that revaluations are performed on a timely basis for these properties."

Status: Unresolved

Transfer of Ownership—"Property valuations are updated when a change of ownership occurs. At that time, the property should be reassessed and updated within the system. One of 22 quitclaims, where a transfer in ownership took place, was not taxed properly for a year. Once a property is identified as including an error in the previous tax assessment, the Assessor's Office should consider whether the County can request back taxes. A process should be implemented to address what action should be taken when these situations."

Status: Unresolved

April 2013 Animal Care Complaint Process

Noncompliance with Policies and Procedures—"Policies and procedures were not followed consistently, and the ZACS database was not properly utilized to track and report complaints received."

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Status: Unresolved—Follow up testwork was performed in July 2014. We requested documentation for ten complaints logged between January and March 2014. Five of the complaints tested were improperly classified in the system as routine complaints, rather than emergencies as outlined in Animal Care procedures, and we were unable to confirm that the response for these emergency complaints was within one hour as required. Additionally, for one of ten tested, information was not documented accurately across all required forms creating inconsistencies in recorded information for a bite complaint. We will consider this unresolved pending further testing once confirmed by management that the process is working properly.

April 2013 Information Technology—Strategic Plan

Some Initiatives Not Completed Timely—"Target completion dates are important in order to monitor the status of the initiatives in the Plan and the Plan as a whole. The IT Strategic Plan lists target completion dates for the various initiatives. Three of the 12 initiatives tested with target completion dates prior to the audit date were not yet completed. Two of the three had been started and one had not." 🟨

Status: Unresolved—Management stated this is in progress but is still considered unresolved. This should be ready to test during the next follow-up audit.

April 2013 Metropolitan Detention Center

Initial Background Checks—"MDC Policy 3.11 governing background checks was not consistently followed. Additionally, MDC Policy 20.01 had conflicting language as it related to screening and selection of volunteers." 🔺

Status: Unresolved—Management stated this is in progress but is still considered unresolved. This should be ready to test during the next follow-up audit.

Inmate Programs—"There was no comprehensive reporting of inmate programs with tracking of measurable objectives, expenditures and funding sources." 🟨

Status: Unresolved—Management stated this is in progress but is still considered unresolved. This should be ready to test during the next follow-up audit.

September 2013 Community Custody Program

Fee Collection Process—"Weekly fees often did not have support for the amount assessed nor were they collected consistently. Additionally, the record of payment on the inmate's file was often incomplete or missing." 🔺

Status: Unresolved—Management stated this is in progress but is still considered unresolved.

Forms and Signatures—"There are various forms that are required to be completed and approved throughout the inmates' time in the CCP. Many of the required forms were often missing from the inmates' files. Additionally, there were many versions of forms in use, and newer versions of the same forms not in use. Different files from the same period of time used different versions of the same form." 🔺

Status: Unresolved—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
September 9, 2014

APPENDIX A—SUMMARY OF RESOLVED INTERNAL AUDIT OBSERVATIONS

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: Resolved—Follow up testwork was performed in April 2014. Twenty-two W-4 forms were tested to verify that the latest W-4 signed form in the employee's personnel file agreed to the deductions on the payroll register. Additionally, as of January 2014, all updates are initiated by the employee in the Empath system and updated electronically. To further reduce the risk of errors, the HR Department sent a notification to all County employees on April 24, 2014, to verify their Federal W-4 exemptions were correct in the Empath system.

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: Resolved—Follow up testwork was performed in April 2014. We obtained the excess leave schedule for all employees with balances over 288 hours as of year-end. We performed an analysis and tested 74 employees that requested an extension to verify that the request was on file. Additionally, we tested that excess leave was properly deducted at the end of the year for 127 employees that had not submitted an extension request. There have been significant improvements in the processes. No issues were identified in maintaining documentation to support leave extension requests and updating leave balances at year-end for those employees that were not granted a leave extension.

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: Resolved—Follow up testwork was performed in July 2014. Procedures for Procurement Violations (PV) have been revised effective July 2014 with progressive penalties for violations. Additionally, process maps and the "Purchasing Violation Form" have been created to document the circumstances surrounding PVs and track the number of violations for specific employees. Significant improvements have been made to the process which have reduced PVs as evidenced by PV data examined from FY 2010 (initial audit) and FY 2014.

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: Resolved—Follow up testwork was performed in July 2014. Administrative Instruction (AI) No. FL 02 was revised to contain sufficient standardized instructions for take-home and daily-use vehicles to include all changes identified in the management response.

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: Resolved—Follow up testwork was performed in July 2014. Administrative Instruction (AI) No. FL 02 was revised to include sufficient standardized instructions for take-home and daily-use vehicles. Additionally, we obtained the Daily Vehicle Use Logs for a sample of three departments (Metropolitan Detention Center, Assessor's Office, and Public Works) and determined that the vehicle log was in use.

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: Resolved—Follow up testwork was performed in June 2014. Two employees with suspended/revoked licenses were examined and support was on file as evidence that monitoring occurred and appropriate corrective actions were taken. There were significant improvements including documentation kept on file to support license status change with notifications to the employee's Department Director and the fuel card administrator. Additionally, subsequent status checks were performed to confirm the status of the license suspension or revocation of monitored employees.

Incomplete Usage Logs—"Check-out or check-in times were not documented 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: Resolved—Follow up testwork was performed in July 2014. Administrative Instruction (AI) No. FL 02 was revised to contain sufficient standardized instructions for take-home and daily-use vehicles to include all changes identified in the management response. Additionally, we obtained the Daily Vehicle Use Logs for three departments (Metropolitan Detention Center, Assessor's Office, and Public Works) and determined that the vehicle log was completed and in use.

Noncentralized 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: Resolved—Follow up testwork was performed in July 2014. Administrative Instruction (AI) No. FL 02 was revised to contain sufficient standardized instructions for take-home and daily-use vehicles to include all changes identified in the management response.

July 2011 Parks and Recreation

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: Resolved—Follow up testwork was performed in July 2014. Cash desk audits for May and June 2014 were selected for testing. We determined the audits by the department were completed with supporting documentation to confirm that cash on hand agreed to the register tape and included verification by a supervisor. Throughout the 2014 fiscal year REDW performed ten cash counts and identified three instances where cash on hand did not match the activity report by a small amount; however, based on the updated process we believe the cash collections are properly monitored and issues are being identified and reported timely. We will consider this observation resolved.

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: Resolved—Follow up testwork was performed in July 2014. Physical inventory counts and quarterly audits were performed for the periods of FY13-14 1st quarter (October 2013) and FY13-14 2nd quarter (March 2014). We verified that issues identified in October 2013 were corrected and documented in the March 2014 departmental verification process.

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: Resolved—Follow up testwork was performed in April 2014. Ten FMLA requests were selected for testing and were properly submitted and approved.

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: Resolved—Follow up testwork was performed in April 2014. Ten employees were tested and met the minimum qualifications for the position and adequate documentation was on file to support the employee's stated credentials. There have been significant improvements in the processes and additional risks have been minimized.

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: Resolved—Follow up testwork was performed in July 2014. The Budget and Business Improvement Department has revised documented processes to indicate when additional supporting documentation of Line Item Transfers (LIT) within SAP is required. Ten LITs were selected for testing, and all LITs selected were completed according to the revised process. Although informal training has been conducted for new and existing employees in FY14, training has been tentatively scheduled quarterly for FY15.

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: Resolved—Follow up testwork was performed in July 2014. We obtained a report from Accela for the period of April to May 2014 to support that permits were closed timely. Fee calculations are completed automatically within Accela based on parameters developed when the

system was implemented. Additionally, we confirmed that payments are received prior to issuance of the permits, with the exception of PNM and NMGCO which are billed through SAP. The SAP invoices are cleared in SAP when the check is deposited; therefore, all outstanding payments can be monitored. As the system to support permit tracking has changed from Kiva to Accela, the overall process has improved.

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: Resolved—Follow up testwork was performed in July 2014. Effective February 2013, the Solid Waste department engaged an attorney to assist with collections. Additionally, as of June 2013, the department began filing claims of lien on properties with delinquent accounts, resulting in over 1,750 claim of liens filed in FY 2014 with releases for accounts paid in full. Collections for FY 2014 increased by $129,000 over FY 2013. We obtained the listing of payment contracts with customers to support that collection efforts were occurring. There have been significant improvements in the process.

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: Resolved—Administrative Instruction (AI) No. IT 15 was revised effective November 2013 to reflect procedures for purchasing, receiving and tracking IT equipment with clear segregation of duties between these positions.

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: Resolved—Administrative Instruction (AI) No. IT 15 was revised effective November 2013 to reflect procedures for purchasing, receiving and tracking IT equipment with clear segregation of duties between these positions. Additionally, per examination of the IT Portable Authorization Form and the listing of take home equipment issued in June 2014, sufficient information was collected to facilitate monitoring.

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: Resolved—Administrative Instruction (AI) No. IT 15 was revised effective November 2013 to reflect that disposition of computer equipment shall be in accordance with the State Auditor's Rule 2.2.2.10 V. Additional procedures were documented to reflect instructions for Salvaging/Destruction of Hard Drives which included notification to the Office of the State Auditor before destruction. AI IT 15 specifically references AI AD 04 Fixed Assets which outlines detailed procedures for disposition and removal from the inventory listing.

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: Resolved—Follow up testwork was performed in July 2014. Ten IT assets were selected for testing and these items were properly included in the annual physical inventory count. Disposals were processed as needed for three of the ten IT assets tested. The physical count documentation included verification by at least two County personnel to indicate that IT assets were properly tagged when feasible.

August 2012 Records Management and Public Information

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 hand written vendor index number. As a result, it was difficult to determine what the nature of the records was, and we could not reasonably determine the retention periods for the records." ☐

Status: Resolved—Follow up testwork was performed in July 2014. Records Management maintains a report listing records currently in storage. We obtained the report from May 2014, which included over 3,200 records that were tracked with sufficient information to include department, dates, locations, destruction dates, type (document, microfilm) and size.

October 2012 Construction and 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: Resolved—Follow up testwork was performed in July 2014. The Fleet and Facilities Maintenance Department maintains a listing of all open projects to include detailed information with funding type, original budget/cost estimate, encumbered/PO, spent, remaining, additional funding needed, project manager, percent complete, and status to facilitate tracking and monitoring. As of July 2014, there were 26 projects on the open projects listing. All closed project information is maintained on a separate listing for reference if needed. Additionally, we examined documentation for the Gas Generator project which included sufficient detail to properly monitor the project progress (scope, budget, schedule).

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: Resolved—Follow up testwork was performed in July 2014. The Technical Services Department conducts monthly meetings and communicates the importance of compliance with funding requirements and obtaining amendments for changes to funding agreements. Although the meetings are not formally documented, notes are taken and maintained to reference items discussed.

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: Resolved—Follow up testwork was performed in July 2014. The Development Review of the Public Works Division began monitoring oversight of construction plans to determine actual costs in the fall of 2012. We examined, but did not test, the results of the analysis which indicated that as of June 2014, the average cost per project related to 21 completed dry utility projects was $1,058. The statistical information can be used going forward to ensure that design review fees charged will cover the actual costs.

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: Resolved—Follow up testwork was performed in July 2014. The Development Review of the Public Works Division began monitoring oversight of construction plans to determine actual costs in the fall of 2012. In August 2013, the Board of County Commissioners passed Administrative Resolution 2013-52 establishing the design review fee for utility projects using a tiered structure with projects estimated at less than $250,000 being charged at $750 and projects estimated at greater than $250,000 being charged at 1.5% of the construction estimate. Staff has been utilizing this fee structure since that approval. This fee structure is expected to be reviewed during the FY2015 budget cycle and any appropriate fee adjustments recommended at that time.

We examined, but did not test, the results of the cost analysis which indicated that as of June 2014 the average cost per project related to 21 completed dry utility projects was $1,058. The statistical information can be used going forward to ensure that design review fees charged will cover the actual costs.

April 2013 Metropolitan Detention Center

*Honor Pod Indigent Credit—"*The criteria governing the eligibility process for inmates to receive an indigent credit was not included in the main body of the Honor Pod policy and only referenced in the appendix. Inmate participation should be properly approved and documented upon entrance to the program."

Status: Resolved—Management stated that MDC discontinued the Honor Pod program effective July 2014.

August 2013 Renee's Project HUD Grant

*Children of Program Participants Enrolled in School—"*The technical submission, grant agreement and the Renee's Project Program Procedures dated February 8, 2013, state that the program will ensure that all school-aged children are enrolled in school to maintain compliance with the McKinney-Vento Homeless Assistance Act. The Technical Submission for the renewal Grant Agreement dated December 21, 2012, stated that the project will have a designated staff person to ensure that children are enrolled in school and receive educational services as appropriate. The DSAP Program Procedures dated February 8, 2013, stated that DSAP's Renee's Project will ensure homeless children are enrolled in school. Three participants with school aged children did not include verification of enrollment for children in supportive educational services with their application. During participation in the program, no evidence of enrollment in school for children of the participant was maintained in the participant file."

Status: Resolved—Follow up testwork was performed in July 2014. We selected the September 2013 and January 2014 quarterly inspections performed by the DSAP Quality Assurance Team which verified all required support was maintained. The department has significantly improved the process to include accurate information in client files and verification of enrollment in school for children supported by the program.

*Tracking of Expenditures by Functional Area—"*Based on the HUD Notification of Continuum of Care Monitoring and On-site Review dated August 20, 2012, related to Financial Reporting-24 CFR 84.21 (b)(1) Finding Number 2, expenditures should be tracked by functional area to ensure expenditures match the budget submitted to HUD. For two of six timesheets tested, for periods tested subsequent to the HUD finding, we found that Housing Department's timesheets, which had not been submitted to HUD for reimbursement, were not broken out by functional area."

Status: Resolved—Follow up testwork was performed in July 2014. We obtained a current timesheet template which included a specific section for Renee's Project timekeeping with date, time, hours and description of work.

*Income Verification—"*The grant agreement and the Renee's project program procedure dated February 8, 2013, state that the program participants must supply information about the client

family's income which affect eligibility and the amount of the participant's portion of the rent. One of five participant files tested did not include documented income verification. The rent calculation form included in the participant file indicated that the participant had income that was used as a basis to calculate the participant's portion of the rent; however, there was no evidence on file of income verification in the amount. This income reduced benefits to the participant; however, because it was not documented this reduction in benefits was not substantiated."

Status: Resolved—Follow up testwork was performed in July 2014. Quality control checks (Tenant File Error Summary) from September 2013 and January 2014 were completed, which indicated no corrective actions were required and included verification by a supervisor.

September 2013 Health and Social Services

Health Inspections—"Regular health inspections were not always occurring, inspection results were not always entered into the database available to the public, inspections reports were not always retained, and annual gross revenues were not always reported by vendors renewing health permits."

Status: Resolved—Follow up testwork was performed in July 2014. Seven inspection reports were selected for testing. We determined that inspections were completed and entered into Accela for proper tracking and monitoring as required.

November 2013 Youth Services Center

Employee Requirements—"Background checks were not always on file to support completion prior to the employee starting duties at YSC. Additionally, evidence to support that employees acknowledged understanding of facility policies and procedures was not always maintained."

Status: Resolved—Follow up testwork was performed in July 2014. There were no new transfers to YSC; therefore, we were unable to test the processing of background checks and employee acknowledgement for transfers. However, YSC has updated the Background Check Request Form as well as the Policy & Procedure Acknowledgement Form. Additionally, the formal signed statement of acknowledgement has been implemented as a standard practice with new employee orientation.

YSC PREA Policy for Incident Reporting—"Incident reports and other key documentation for alleged sexual misconduct incidents were not always on file."

Status: Resolved—Follow up testwork was performed in July 2014. Two PREA Incident Reports were selected for testing. We determined that alleged incidents were reported, investigation was completed and properly documented, and supporting documentation was maintained.

Resident Grievances—"Grievances and related investigations were not adequately documented, and residents were not always informed of the results of the investigation."

Status: Resolved—Follow up testwork was performed in July 2014. Twelve Complaint/Grievance and Appeal Notification Forms were selected for testing. We determined that grievances were investigated as required, with all supporting documentation maintained.