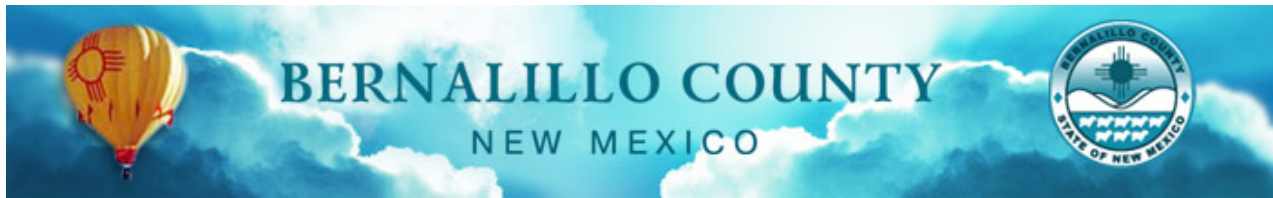


JULY 19, 2016
— TENTATIVE AND PRELIMINARY DRAFT —
FOR DISCUSSION PURPOSES ONLY



BERNALILLO COUNTY INTERNAL AUDIT PLAN
YEARS ENDING JUNE 30, 2017 AND 2018

BACKGROUND

REDW_{LLC} (REDW) is providing the following audit plan for internal audit services for Bernalillo County's (the "County") consideration for the fiscal years ending June 30, 2017 and 2018.

REDW's internal audit team includes the following:

- ◆ Steve Cogan, Principal
- ◆ Jessica Bundy, Senior Manager
- ◆ Abigail Moser, Internal Audit Manager

This audit plan summarizes planning and internal audit risk assessment procedures and describes the planned allocation of internal audit resources for the years ending June 30, 2017 and 2018.

As additional information is obtained throughout the year, we will reevaluate the risk areas and will adjust the audit plan as considered necessary upon approval by the Audit Committee.

PLANNING AND RISK ASSESSMENT

To plan the nature, scope and extent of internal audit services for the year:

1. Recommendations were solicited concerning the audit plan from the County Commission, County Manager, County Attorney, elected officials, department directors, and various other County personnel. Responses were received from the following individuals regarding perceived risks and areas that would benefit most from internal audit procedures:

County Commissioners

- ◆ Debbie O'Malley, District 1
- ◆ Maggie Hart Stebbins, District 3
- ◆ Lonnie Talbert, District 4
- ◆ Wayne Johnson, District 5

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County Managers

- ◆ Julie Morgas Baca, County Manager
- ◆ Shirley Ragin, Deputy County Manager Finance Division
- ◆ Roger Paul, Deputy County Manager Public Works Division
- ◆ Lisa Sedillo-White, Deputy County Manager of General Services

Elected Officials

- ◆ Manny Ortiz, County Treasurer

Other County Employees

- ◆ Damian Lara, Deputy County Assessor
- ◆ Greg Rees, Sheriff's Office
- ◆ Robert Lind, Sheriff's Office
- ◆ Isabelle Purcella, Chief Deputy Treasurer
- ◆ Ken Martinez, County Attorney
- ◆ Renetta Torres, Human Resources Director
- ◆ Pam Moon, Accounting Director
- ◆ Rod Rolston, Deputy Chief Information Officer

2. We considered the internal audit reports from the previous six years.
3. We considered the County's June 30, 2015, audited financial statements.

RISK MATRIX AND AUDIT CHART

Appendix A depicts departments/topics that were identified during the risk assessment process which are ranked by likelihood of occurrence and magnitude of potential impact. Bubble size is correlated to the number of inputs from the planning and risk assessment procedures. All significant internal audit risk departments/topics were incorporated into the two year plan or were audited in the previous year. Appendix B lists audits performed from 2012 through 2016 and anticipated audits for 2017 and 2018.

PLANNED ALLOCATION OF EFFORT AND TIMING

Based on our planning and risk assessment, we recommend consideration and approval of the following allocation of internal audit resources for the years ending June 30, 2017 and 2018.

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Audit Area	Description/Audit Risk	Tentative Timing	Estimated Hour Range
Human Resources	Assess various business processes within the Human Resources Department including: payroll, timekeeping, scheduling, hiring of personnel, and self-insurance administration. For each of these areas we will assess the internal control procedures in place and ensure processes are followed.	August 2016	340-360
MOU Tracking and Compliance	Evaluate the process for tracking Memorandum of Understanding's (MOUs) and assess whether departments are ensuring compliance with respective parties involved in the MOUs. Evaluate the costs associated with these MOU's against compensation or benefits received.	November 2016	200-220
Risk Management	Assess the process for claim submission and close out procedures including evaluating the amount submitted for claims and analysis done of the actual cost to the County. Determine if areas for improvement are communicated to departments after issues have been identified based on repetitive claims.	November 2016	160-180
Emergency Management	Test emergency planning and follow-up processes for compliance with regulations. Test training processes were documented and emergency listings were maintained. Determine if the process to authorize and initiate an emergency response was effective and followed. Test compliance with grant requirements.	January 2017	140-160
Fire and Rescue	Test policies and procedures to ensure accurate tracking of inventory. Perform procedures over inventory to determine if medical supply usage is tracked and properly supported.	January 2017	150-170
Treasurer's Office	Perform annual internal audit procedures. Test investment purchases, sales and reporting requirements to ensure compliance with the Investment Policy Statement (IPS). Assess and compare the IPS to industry best practices.	March 2017	220-240
Risk Assessment and Planning	Conduct a risk assessment update over the departments and activities within the County. Plan the nature, extent and timing of internal audit procedures for the	May 2017	100-120

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Audit Area	Description/Audit Risk	Tentative Timing	Estimated Hour Range
	upcoming year.		
Internal Audit Follow-up	Analyze open internal audit findings from prior internal audits. Assess current status of the findings and provide the County with an updated audit matrix.	May 2017	180-200
Special Audits	This time is set aside to conduct a special audit for any issues that arise during the year.	As required	TBD
Project Management Meetings	Attend meetings or discuss issues throughout the year with various County personnel related to matters that may impact the internal audit process.	Throughout year	50
Total planned hours for fiscal year ending June 30, 2017			1,540-1,700

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Audit Area	Description/Audit Risk	Tentative Timing	Estimated Hour Range
Parks and Recreation	Determine the process for accepting rental fees is fair and consistently followed. Test that Community Center rental fees were collected and recorded properly. Test that reconciliations were performed timely and accurately.	August 2017	120-140
Substance Abuse	Evaluate various program processes and controls under Substance Abuse, which may include Metropolitan Assessment and Treatment Services, Addiction Treatment Program, Community Addiction Program, and Supportive Aftercare Community.	August 2017	130-150
Public Works-Capital Improvement Projects	Determine if the process for project selection criteria was followed in identifying and selecting improvement projects. Test that project documentation was maintained to support the overall project cost and that materials were properly tracked.	November 2017	140-160
Travel and Per Diem	Test that policies and procedures are followed relating to travel and per diem.	November 2017	120-140
Community Funding Initiatives (Economic and Health and Social Services)	Test the process for issuing funding for economic and community development (including industrial revenue bonds) and select a sample to test that awards were to eligible recipients and complied with program guidelines and/or general obligation bond requirements. Evaluate funding requirements and assess processes and controls were in place to monitor compliance. Additionally, assess reasonableness of funding allocated and confirm that the business purpose was met.	January 2018	160-180
Treasurer's Office	Perform annual internal audit procedures. Ensure compliance with IPS and other internal policies.	January 2018	180-200
SAP (Segregation of Duties Follow Up)	Determine if issues identified in the Segregation of Duties audit performed May 2016 were remediated. Identify significant risks and key controls in the SAP system. Assess automated/inherent controls such as edit and validation routines, password controls. Test configuration controls such as security controls and customizable options. Test logical access controls such as roles and	March 2018	160-180

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Audit Area	Description/Audit Risk	Tentative Timing	Estimated Hour Range
	authorization profiles. Test segregation of duties and change controls such as change requests, approval, testing, and implementation.		
Assessor's Office	Test process in place to ensure accurate property assessment is occurring including the processes to add and update property records, identify and value new properties, and changes in ownership.	April 2018	180-200
Budget Department	Determine if the budget process was in compliance with State Statutes and County policies. Evaluate procedures in place for monitoring budget compliance and determine if budget amendments were properly handled.	TBD	TBD
MDC	Evaluate compliance with cash handling procedures and inmate account tracking. Determine that inmate intake is done in accordance with policies and procedures.	TBD	TBD
Planning and Development	Test the process for permit approval and proper tracking of data through the process. Ensure data is properly captured in the system and policies and procedures are followed.	TBD	TBD
Risk Assessment and Planning	Conduct a risk assessment update over the departments and activities within the County. Plan the nature, extent and timing of internal audit procedures for the upcoming year.	May 2018	100-120
Internal Audit Follow-up	Analyze open internal audit findings from prior internal audits. Assess current status of the findings and provide the County with an updated audit matrix.	May 2018	160-180
Special Audits	This time is set aside to conduct a special audit for any issues that arise during the year.	As required	TBD
Project Management Meetings	Attend meetings or discuss issues throughout the year with various County personnel related to matters that may impact the internal audit process.	Throughout year	50
Total planned hours for fiscal year ending June 30, 2018			1,500 -1,700

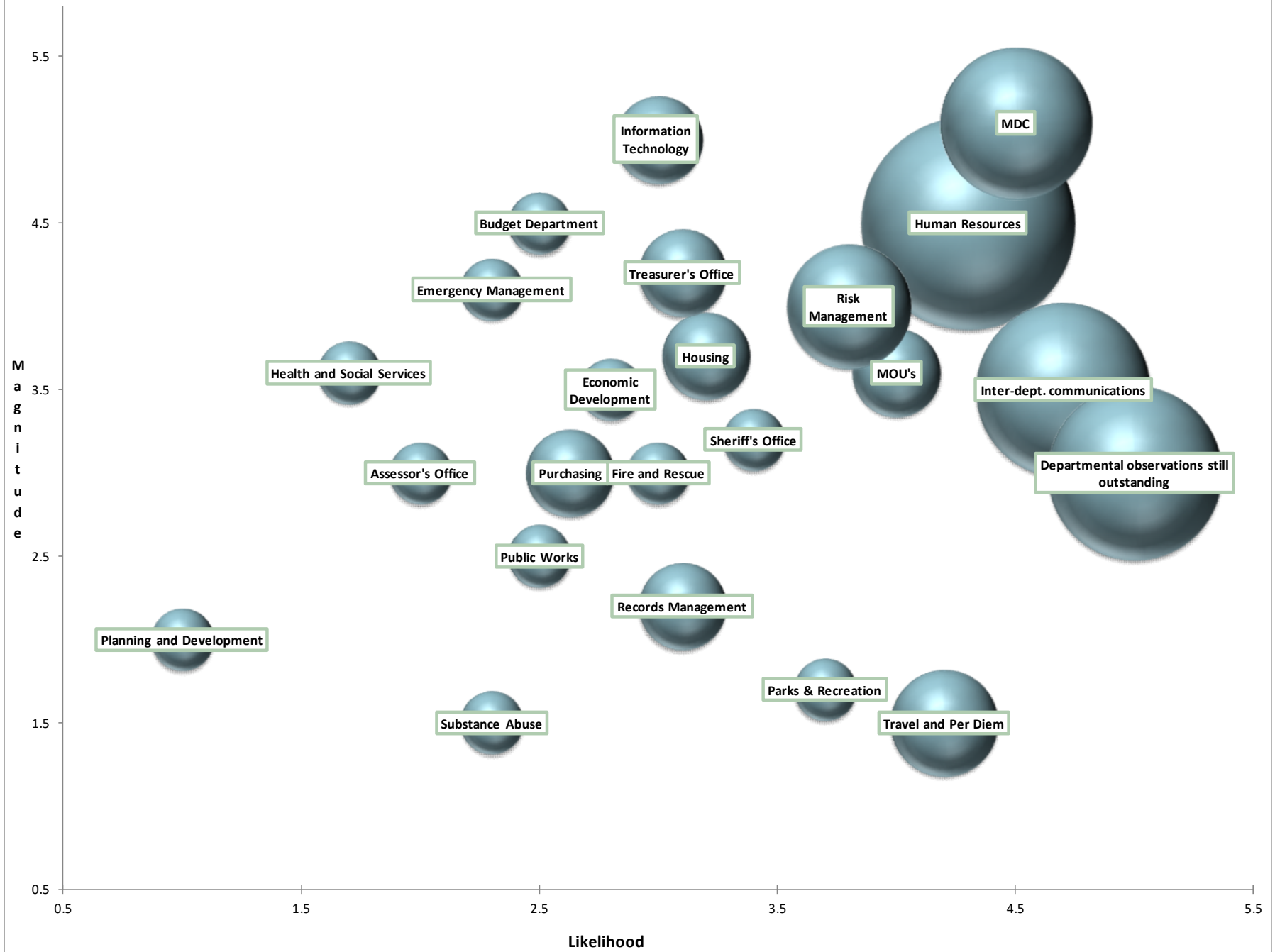
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AUDIT COMMITTEE APPROVAL

A draft of this plan was discussed and approved by the audit committee on August 4, 2016. The plan is ready for submission to the County Commissioners for their approval.

Albuquerque, New Mexico
XXXX, 2016

Appendix A-Risk Matrix



— TENTATIVE AND PRELIMINARY DRAFT —
FOR DISCUSSION PURPOSES ONLY

APPENDIX B-AUDIT CHART

Audit	2012	2013	2014	2015	2016	2017	2018
Accounts Payable					X		
Animal Care		X					
Assessor's Office		X	X				X
Budget Department	X						X
Capital Assets (IT Focus in 2013)	X	X					
Cash Receipts and ACH/Wire Transfers					X		
Clerk's Office					X		
Community Custody Program			X				
Contract Monitoring/Performance					X		
Economic Development Assistance							X
Emergency Communications			X				
Emergency Management						X	
ERP / SAP Controls					X		X
Finance Office - Bonds	X			X			
Fire and Rescue						X	
Grants Administration					X		
Health and Social Services			X				
Healthcare Self Insurance						X	
Housing				X			
Human Resources	X		X			X	
Information Technology				X			
MDC		X		X	X		X
MOU Tracking and Compliance						X	
Parks and Recreation	X						X
Payroll, Timekeeping and Scheduling	X					X	
Planning and Development	X						X
Public Works	X	X		X			X
Purchasing / Inventory Management		X		X			
Real Estate/ Lease Acquisition Procedures			X				
Records Retention/ Public Information Requests		X					
Risk Management			X			X	
Sheriff's Office				X			
Social Service Sponsorship Grants		X					
Substance Abuse							X
Treasurer's Office	X				X	X	X
Travel and Per Diem							X
Youth Services Center		X					