



Risk Management

Internal Audit

June 2014

Bernalillo County Internal Audit Risk Management

Executive Summary

SUMMARY OF PROCEDURES

REDW performed an internal audit over Bernalillo County Risk Management (RM). Our internal audit focused on testing internal controls for selected processes related to loss control and prevention, including whether the County was in compliance with various policies and procedures as they related to safety training, employees authorized to drive on behalf of the County, safety inspections and reporting of damages, losses, injuries and accidents. Additionally, we tested whether system access was monitored to ensure that confidential information was secured and inactive users were disabled timely. We also performed follow-up procedures on one prior internal audit observation that the Risk Management Department believed was resolved.

The procedures performed included:

- Obtaining an understanding of operational procedures through reading relevant County policies and procedures, reading applicable regulations and interviewing various Risk Management personnel;
- Testing a sample of employees that should have attended training to determine if it was completed timely and expiring certificates were renewed;
- Testing a sample of employees that were in positions that would require driving on County business to determine if they were properly authorized and had completed required training on a timely basis;
- Testing a sample of County locations and operations that should have had a safety inspection completed to determine if required documentation was on file, inspection was completed timely and corrective actions were monitored;
- Testing a sample of incident and accident reports to determine if required documentation was complete and submitted timely, and if applicable corrective actions were monitored;
- Testing system access to determine if access granted was appropriate based on position or function and access was disabled upon transfer or termination of employment; and,
- Following up on an outstanding observation to determine if employees whose driver's licenses had been revoked or suspended were properly monitored and documented.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

We found areas during the course of the audit where controls were functioning properly and established procedures were followed. Access to Risk Management systems was appropriate and users were terminated timely. Additionally, all employees identified on the take home vehicle listing were properly listed as authorized drivers in the County's Driver Management System (DMS). Prior internal audit observations related to monitoring and maintaining documentation of suspended and revoked County employee driver's licenses were resolved, and processes relating to these areas were functioning properly.

Significant high and moderate risk observations are presented below:

- ***Lack of Follow-up on Corrective Actions***—There was no evidence to indicate that the Department completed corrective actions after issues were identified by RM through regular inspections or after an incident. RM should implement a process to track and monitor corrective actions to ensure that Departments complete the corrective actions timely.
- ***Required Safety Inspections were not Completed***—We identified several departments that did not have an inspection completed between 2011 and 2014. RM should ensure that they have a complete listing of all departments, operations and workplaces to ensure that inspections are conducted as required.
- ***Driver Requirements were not Completed and Drivers were not Authorized***—We identified several employees that were determined to be driving on behalf of the County and had not been set up in the Driver Management System or had not completed the driver training requirements. RM should periodically review the driver list to ensure all employees driving on behalf of the County have attended the required courses.
- ***Incident Reporting was not Completed as Required***—We identified multiple instances where incident reports were not submitted within the required timeframe, reports lacked required documentation of the incident or the documentation was not filled out correctly. RM should consider consolidating the required forms and updating the process and Policies and Procedures to provide clear guidance on forms and signatures required. Training should be conducted to reinforce that incidents should be reported within the required timeframe.
- ***Safety Training was not Completed as Required***—We identified several retrain dates and class dates that were the same and appeared to be incorrect in the Compliance Suite system. Additionally, several employees tested did not complete the retraining by the required date. RM should implement a process to ensure that retraining dates maintained in the Compliance Suite system or alternative system for tracking are accurate and monitored.

* * * * *

Further detail of our purpose, objectives, scope, procedures, observations, and recommendations are included in the internal audit report. In that report, management describes the corrective action taken for each observation.

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

REDW LLC

Albuquerque, New Mexico
July 24, 2014

Bernalillo County Internal Audit Risk Management

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Bernalillo County Internal Audit Risk Management Report

INTRODUCTION

We performed the internal audit services described below solely to assist Bernalillo County in evaluating the internal controls over selected processes relating to Risk Management (RM). 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.

An entrance conference was held on June 6, 2014, at which time most items needed for the audit were requested and had been received. Fieldwork began the week of June 9, 2014. An exit conference was held on July 14, 2014, and final management responses were received on July 24, 2014.

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

PURPOSE AND OBJECTIVES

Our internal audit focused on evaluating selected processes in the Risk Management Department to determine if those processes were in compliance with policies and procedures (P/Ps), applicable regulations, and reflected best practices and sound internal controls. We evaluated the adequacy and reasonableness of the internal controls surrounding processes including compliance with various rules and regulations as it related to safety training, authorized drivers and reporting of inspections, damages, losses, injuries or accidents. Additionally, our audit included follow-up on resolved prior internal audit observations.

SCOPE AND PROCEDURES PERFORMED

In order to gain an understanding of the processes and operations surrounding Risk Management loss control and prevention, we interviewed the following personnel:

- Veronica Espinosa, Fiscal Officer
- Liyen Jong, Loss Control/Safety Administrator

- Joe Crelier, Risk Management Director
- Regina Ortega, Workers' Compensation Specialist
- Christine Chavez, Workers' Compensation Specialist
- Albert Muniz, Safety Specialist
- Lisa Smoots, Administrative Officer

In order to understand policies and procedures over Risk Management, we read relevant portions of:

- Bernalillo County Loss Control Policy;
- Bernalillo County Administrative Instruction No. RM 02 – Loss of County Owned Equipment/Property;
- Bernalillo County Administrative Instruction No. RM 03 – Property and Casualty Insurance Claims;
- Bernalillo County Administrative Instruction No. RM 06 – Workers' Compensation Claims/Injury Time;
- Bernalillo County Administrative Instruction No. RM 07 – Safety Training;
- Bernalillo County Administrative Instruction No. RM 08 – Safety Inspections; and,
- Bernalillo County Employment Relations Rules and Regulations Section 1100 – Injury Time/Workers' Compensation.

We performed the following testwork:

System Access Levels: We obtained a listing of RM employees from the Human Resource Department (13 employees as of March 2014) and compared it to the user lists and access levels granted for the systems in use at RM: the Driver Management System and the Compliance Suite training and claims modules. We assessed all 13 RM employees and determined if:

- Access granted was appropriate based on the employee's position or function; and,
- Access was disabled upon transfer or termination of employment.

Training Requirements: We obtained a listing of current employees identified with retrain dates in the Compliance Suite training module for OSHA courses and selected a judgmental sample of 21 employees (based on 90% confidence level (CL) and 10% tolerable deviation (TD)) to determine if:

- Employees completed training by the retrain date as required.

Authorized Drivers: We obtained a listing of employees hired, transferred or promoted between October 2013 and March 2014 that were specific to departments/positions that could be required to drive on behalf of the County and selected a judgmental sample of 21 employees (based on 90% CL and 10% TD). We then tested and determined if:

- Driver's License number and expiration was maintained in the system (to validate one was issued/verified);

- Class of vehicle authorized was maintained and supported the functions/duties of the position;
- Initial Driver Awareness Course (DAC) or equivalent was completed; and,
- Subsequent Driver Awareness Refresher Courses (DARC) or equivalent were completed every three years.

We also performed an analysis between the authorized driver listing and the listings below to determine if they were properly included on the authorized driver listing: employees that received mileage reimbursements in fiscal year 2014, employees authorized for take home vehicles, and employees issued a fuel card.

Inspection Reporting: We obtained a County departmental listing and selected facilities and operations where an inspection should have been completed and selected a judgmental statistical sample of 18 inspections (based on 90% CL/10% TD) and determined the following:

- The inspection report was completed and maintained;
- The facility/operation had inspections completed with no more than a 24 month gap between inspections or had a reasonable explanation for delay (under construction/renovation);
- If applicable, Vehicle Inspection Checklists were maintained;
- If applicable, a Job Hazard Analysis was completed and/or updated as required; and,
- If applicable, corrective actions included on the report were completed and followed up on within a 30 day timeframe as required.

Incident/Accident Reporting: We obtained a listing of all damages, losses, injuries and accidents reported to RM between October 2013 to March 2014 and selected a statistical sample of 54 incidents (30 property/vehicle and 24 injury – based on 95% CL/5% TD) and determined the following:

- Required documentation was complete and properly maintained;
- Required documentation was submitted to RM within the timeframe required;
 - Property/Equipment Damage Loss Report Form within 48 hours;
 - Vehicle Accident Notice, reports and statements within 24 hours;
 - Injuries to members of the public within 48 hours;
 - Injury and/or Workers’ Compensation required forms within 48 hours;
- Request for Information forms were maintained and signed for approval; and,
- If applicable, corrective actions included on the report were completed within 30 days as required.

We also obtained inventory listings from the Parks & Recreation department to determine if any property was lost or stolen that met the \$1,000 threshold for reporting, and if so, it was reported to RM.

Follow-up Procedures: Procedures are outlined in the Follow-up section at the end of the report.

OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

We identified the following weaknesses relating to the Bernalillo County’s processes:

1) *Lack of Follow-up on Corrective Actions*

In accordance with the Bernalillo County Administrative Instruction RM 08 – Safety Inspections, the Risk Management Loss Control/Safety Section (LC/S) documents unsafe work conditions and provides written recommendations on corrective measures to the respective Department Managers and Directors. Corrective actions shall be completed within thirty (30) days of receipt of deficiencies. During our testing of safety inspection requirements we observed the following:

- Three of six inspections tested that were conducted after an incident was reported did not have evidence to indicate that the Department completed the corrective actions as required;

<u>Department</u>	<u>No. of Corrective Actions</u>
Parks and Recreation	2
Sheriff’s Office	1
	<u>3</u>

- Eight of 18 periodic safety inspections tested were not followed up on by RM and departments did not provide RM with evidence to indicate that corrective actions were completed as required.

<u>Department</u>	<u>No. of Corrective Actions</u>
Aquatics	1
County Clerk’s Office	1
Emergency Communications	1
Information Technology	1
Mountain View Community Center	1
Operations & Maintenance	1
South Valley Economic Development Center	1
Substance Abuse	1
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Potential Risk: High—If unsafe work conditions are not corrected in a timely manner, accidents or injuries could occur to County employees or the general public and lead to liability and/or public relations issues. Additionally, OSHA fines could be incurred if safety hazards are determined to be willfully ignored.

Recommendation

The Risk Management LC/S should implement a process to track and monitor corrective actions to ensure that Departments complete the corrective actions identified.

Management's Response

The Loss Control Administrator will do the following:

- a) Review the department's Field ID software for a feature to assist staff in identifying safety inspections with an "open" status;
- b) Obtain an additional user profile in Field ID for the staff Policy and Planning Administrator (position on loan from Metropolitan Detention Center (MDC)) to also review the software for tracking features to assist staff with tracking inspections in which a follow-up is due;
- c) Request written guidance from the Field ID company in regards to maximizing the software in a way that will assist staff with tracking inspections in which a follow-up is due; and,
- d) Update the Loss Control/Safety section standard operating procedures to provide instruction to the Safety Specialists staff regarding follow-up and close out of safety inspections.

Target for completion: October 1, 2014

2) *Required Safety Inspections were not Completed*

In accordance with the Bernalillo County Administrative Instruction RM 08 – Safety Inspections, the Risk Management LC/S is responsible for coordinating and conducting periodic safety inspections of all County Departments, operations and respective workplaces in order to ensure a safe work environment. The facility/operational safety inspections are scheduled to occur no more than twenty-four (24) months apart. During our testing of safety inspection requirements, we observed the following:

- Four of 18 departments tested did not have an inspection completed within the 24 month timeframe:

Department/Operation	No. of Inspections
Animal Care Services	1
Fleet/Facility Management	1
Housing	1
South Valley Economic Development Center	1
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- Four of 18 departments tested had no evidence of an inspection having been completed between 2011 and 2014.

Department/Operation	No. of Inspections
Capital Improvement Program	1
Fire and Rescue	1
Homeland Security and Emergency Management	1
Sheriff's Office	1
	<hr/>
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Potential Risk: High—Departments, operations and workplaces that are not inspected on a periodic basis may have unidentified safety hazards that could lead to accidents or injuries to County employees or the general public and lead to liability and/or public relations issues. Additionally, OSHA fines could be incurred if safety hazards are determined to be willfully ignored.

Recommendation

The County should ensure that they have a complete listing of all departments, operations and workplaces to ensure that inspections are conducted as required. This listing should be compared to the inspection schedule to ensure that all locations have been scheduled.

Management’s Response

The Risk Management department will do the following:

- a) Risk Management switched to an active inspection database/software product called Field ID which allows for the programming and advance assignment of inspections to Risk Management Safety Specialists. The department formerly used an MS Excel spreadsheet; and,
- b) The Loss Control Administrator and the Policy and Planning Administrator will review the database and ensure all areas are added and all events are programmed with assignments to Safety Specialists.

Target for completion: October 1, 2014.

3) *Driver Requirements were not Completed and Drivers were not Authorized*

In accordance with the Bernalillo County Loss Control Policy, all employees operating a vehicle for authorized County business shall possess and maintain a valid New Mexico State Driver’s License of the proper class for the vehicle and shall attend the County approved Driver Awareness Course (DAC) or the National Safety Council’s Defensive Driving Course (DDC) prior to operating a vehicle on County authorized business. All driver information should be maintained in the Driver Management System to ensure compliance. Additionally, employees must attend the County mandated Driver Awareness Refresher Course (DARC) every three (3) years after first attending the initial DAC. During our testing of driver requirements, we observed the following:

- Five of 47 County employees tested had not been setup as authorized drivers in the Driver Management System, but were determined to be driving on behalf of the County:

<u>Department</u>	<u>No. of Employees</u>
Clerk’s Office	1
Board of County Commissioners	1
Sheriff’s Office	2
Fleet/Facility Management	1
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- Five of 47 County employees tested had not completed the driver training requirements, but were determined to be driving on behalf of the County.

Department	No. of Employees
Clerk’s Office	1
Board of County Commissioners	1
Sheriff’s Office	1
Metropolitan Detention Center	2
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Additionally, for all employees tested, we could not determine if the Driver’s License had been issued for the proper class of vehicle because this information is not maintained by the Driver Management System.

Potential Risk: Moderate—The County maintains the employee’s driver information to ensure that they are notified of suspended or revoked licenses; however, if the County is not aware that an employee is driving on behalf of the County, these notifications will not be sent to the County by the Motor Vehicle Division. Additionally, employees should attend training to ensure that they are aware of driving hazards and how to avoid them, which can reduce the risk of vehicle accidents and potential liability to the County.

Recommendation

The County should periodically review the driver list to ensure all employees driving on behalf of the County have attended the required courses. Some procedures could include: comparing the drivers listed in the Driver Management System to the fuel cards listing, mileage reimbursements, and the take home vehicle listing for completeness. Additionally, with the assistance of the Human Resources department, employees could be identified as having duties that require driving on behalf of the County whenever an employee is hired, transferred or promoted to ensure they are added to the Driver Management System and have taken training as required.

Management’s Response

The REDW audit has documented the weakest control of the Driver Management System (DMS). That is, we rely on liaisons in each department to add employees to the database whenever they are driving any vehicle for County business. An omission or deliberate removal of a driver from the system can occur without alert. A quarterly learning event is provided for the DMS liaisons to learn the tasks required to keep the system accurate. These events started in early 2014 and will continue. As a result of the audit, the Risk Management Fiscal Officer will ensure the following occur:

- a) The DMS liaison learning content will be refined on DMS responsibilities so that it can be used as employee instruction by any supervisor, or self-study by any employee, including as content in a learning management system should one become available;
- b) The department will conduct an audit of the DMS employee list in the same fashion performed by REDW to discover any additional omissions; and,

- c) A review of the employee selection process for driver course attendance will be performed with consideration about how to incorporate the Defensive Driver Refresher course scheduling and employee selection into a learning management system should one become available.

Target for completion: October 1, 2014.

4) Incident Reporting was not Completed as Required

In accordance with the Bernalillo County Administrative Instruction RM 03 – Property and Casualty Insurance Claims and RM06 – Workers’ Compensation Claims/Injury Time, as well as Bernalillo County Employment Rules and Regulations Section 1100 Injury Time/Workers’ Compensation, supervisors must complete and deliver specified documents to the Risk

Management Department within forty-eight (48) hours of the occurrence, with the exception of motor vehicle accidents, which are due within twenty-four (24) hours of the occurrence. During our testing of incident reporting, we observed the following:

- 19 of 54 incident reports tested were not submitted within the required timeframe;

Department	No. of Incident Reports
Fire and Rescue	1
MDC	4
Assessor’s Office	2
Fleet/Facility Management	2
Parks and Recreation	3
Sheriff’s Office	4
Clerk’s Office	1
Treasurer’s Office	1
Department of Substance Abuse	1
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- Nine of 54 incident reports tested either lacked required documentation of the incident or the documentation was not filled out correctly;

Department	No. of Incident Reports
Sheriff’s Office	2
MDC	2
Clerk’s Office	2
Treasurer’s Office	1
Housing	1
Fire and Rescue	1
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- One of 54 incident reports was not maintained in the Compliance Suite system due to system errors; and,

- One of 54 incident dates was recorded incorrectly in the Compliance Suite system due to inaccuracies in the documentation submitted by the Fire and Rescue Department.

Additionally, we determined that one required form (Infectious Disease Form) was not reflected in the County P/Ps related to incident reporting to state criteria for when the form should be completed and submitted.

Potential Risk: Moderate—Incidents that have not been reported timely, accurately and/or completely could lead to delays in processing claims and the County may be held liable for negligence for not performing due diligence in ensuring that claims are valid.

Recommendation

RM should consider consolidating the required forms, which would create a more efficient process for incident reporting. Streamlined forms would minimize redundant information, reduce the time to prepare the documentation, reduce the chance for error, encourage timely submission and facilitate proper review to ensure accuracy. P/Ps should be updated to provide clear guidance on forms and signatures required and training should be conducted to reinforce that incidents should be reported within the required timeframe, regardless of the severity of the situation. Additionally, the checklist used to track documentation received should be modified to include document receipt dates to properly monitor timeframes and identify issues with specific departments to target additional training. The Risk Management Department should consider a new system or process ensure information is properly maintained, especially as it relates to record only incidents.

Management's Response

The timely and complete reporting of incidents is reliant on departments to report the incident on time and to thoroughly complete the forms. Additionally, even though the County requires immediate reporting of employee injuries, workers have 15 days by law to report an OJI. In the instance of a late reporting injury, a policy violation is still a legal reporting. Risk Management staff will:

- a) A Risk Management Claims Specialist presents this information at New Employee Orientation and will continue to do so;
- b) One of the Risk Management Claims Specialists has recently participated in a multi-day County policy training event that was presented to all management staff in the Bernalillo County Fire Department;
- c) Risk Management now has two Safety Specialists working at MDC, one as a primary and one supporting. They help MDC personnel with reporting issues;
- d) A Claims Specialist will be assigned to refine the New Employee Orientation PowerPoint content on incident reporting so that it can be used as employee instruction by any supervisor, or self-study by any employee, including as content in a learning management system should one become available;
- e) The Risk Management reporting forms will be refined and consolidated by the Claims Specialists in collaboration with the Policy and Planning Administrator and Risk Management Director;
- f) The reporting requirements are listed on the forms and will continue to be listed on the refined consolidated forms; and,

- g) The Claims Specialists and the Risk Management Director will develop a policy or procedure to verify forms are complete.

Target for completion: October 1, 2014.

5) Safety Training was not Completed as Required

In accordance with the Bernalillo County Administrative Instruction RM 07 – Safety Training– mandatory training will be conducted by Risk Management LC/S and will address general safety practices, recognized industrial and vehicle training needs, and OSHA mandated training requirements. The Compliance Suite system maintains retrain dates for OSHA courses that have specified retraining requirements. During our testing of training requirements we observed the following:

- Retrain dates and class dates were the same and appeared to be incorrect in the Compliance Suite system for 115 of 789 classes. 18 out of 21 employees tested did not complete the retraining by the required date.

Department	No. of Employees
FI – Accounting	1
Fleet/Facility Management	6
Housing	3
JDC Grant	1
Juvenile Detention	4
Metropolitan Detention Center	1
Parks and Recreation	1
Purchasing	1
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Potential Risk: Moderate—Employees that do not attend retraining may be at a higher risk of accidents or injuries that may lead to potential liability for the County.

Recommendation

The Risk Management LC/S should implement a process to ensure that retraining dates maintained in the Compliance Suite system or alternative system for tracking are accurate and monitored. This will identify employees that should be scheduled to attend retraining to maintain high standards in performing the duties of their position in compliance with OSHA and minimize the risk of injury.

Management’s Response

The Compliance Suite database has been used for about 15 years to record training events conducted by Risk Management. From about 2008 to 2010, Risk Management made it available to YSC for their use documenting training events and course descriptions. The Risk Management Loss Control Administrator will:

- a) Review the sample data observed by REDW and make corrections;
- b) Review all Risk Management courses listed in Compliance Suite and verify retraining dates are appropriate for the controlling standard or policy; and,

- c) Identify the type of database reporting required to identify retraining needs in Compliance Suite and in a County-wide learning management system should one become available.

Target for completion: October 1, 2014.

FOLLOW-UP ON PRIOR-YEAR OBSERVATIONS

Follow-up testing was performed on observations from the Take Home Vehicle (THV) internal audit report from May 2011. The status of the observation below was determined through inquiry, testing, and/or observation.

Prior Observation: Motor Vehicle Division Monthly Checks (THV-2011 #3)—“The monthly Motor Vehicle Division 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.”

Current Status: Resolved—We obtained the current listing of employees whose licenses were suspended or revoked. We tested two of five employees with suspended or revoked licenses. For both employees tested, proper documentation was on file to support 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.

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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.

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

REDW LLC

Albuquerque, New Mexico
July 24, 2014