



Treasurer's Office

Internal Audit

January 2016

Bernalillo County Internal Audit Treasurer's Office

Executive Summary

SUMMARY OF PROCEDURES

REDW performed an internal audit over selected processes of the Treasurer's Office. Our internal audit focused on testing various policies and procedures and internal controls, including: processes related to tax billing and collections, overpayments, and delinquencies, as well as investment selection and document retention.

We performed the following procedures:

- Obtained an understanding of operational procedures through reading relevant Treasurer's Office documentation and interviewing various personnel.
- Tested a sample of tax bills to evaluate whether they were accurate, provided timely, and that payments received were correctly applied.
- Obtained a listing of delinquent accounts as of May 2015 and determined if the appropriate penalties and interest were applied as well as whether the taxpayer was notified timely of the delinquency for the 2014 tax year. Additionally, we evaluated 2012 tax year delinquencies and determined whether the State was notified timely.
- For a sample of 2014 tax overpayments, determined whether the amount was properly applied to future tax liabilities or refunded depending on the taxpayer's request.
- Selected a sample of days during FY2015 and determined whether both daily tax account reconciliations and online payment reconciliations were performed, completed timely, and that variances were investigated and resolved.
- Selected a sample of months during FY2015 and determined whether bank statement reconciliations were performed, completed timely, and that variances were investigated and resolved.
- Tested a sample of investment purchases from April 2014 through December 2015 and determined whether the County's policy was followed with regard to bid requirements, documentation, and approvals.
- For selected months, evaluated whether the Investment Committee Working Group was assessing the County's liquidity needs and whether documentation was maintained in accordance with the policy.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

We found areas during the course of the audit where controls were functioning properly and established procedures were followed. Most notably was the change and improvements that the Treasurer's Office implemented related to the investment selection process and maintenance of supporting documentation. There were no significant or moderate risk observations identified in our testing.

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Further detail of our purpose, objectives, scope, and procedures are included in the internal audit report.

We received excellent cooperation and assistance from the Treasurer's Office during the course of our interviews and testing. We sincerely appreciate the courtesy extended to our personnel.

REDW LLC

Albuquerque, New Mexico
April 1, 2016

Bernalillo County Internal Audit Treasurer's Office

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Bernalillo County Internal Audit Treasurer's Office

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 the Treasurer's Office functions. 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 January 15, 2016, and fieldwork began the week of January 25, 2016. An exit conference was held on April 1, 2016.

PURPOSE AND OBJECTIVES

Our internal audit focused on determining whether selected processes were in compliance with policies and procedures (P&P), applicable regulations, and reflected best practices and sound internal controls. We assessed the processes related to calculating, printing and mailing tax bills as well as ensuring payments received were correctly applied, delinquent accounts were managed in accordance with policy and State Statutes, and that overpayments were properly refunded or applied to future tax liabilities. Additionally, we evaluated the controls over investment purchases, document retention, and liquidity management.

SCOPE AND PROCEDURES PERFORMED

In order to gain an understanding of the processes and operations, we interviewed the following personnel:

- Isabelle Purcella, Chief Deputy Treasurer
- Jerry Larranga, Deputy Treasurer
- Dennis Chavez, Compliance Officer
- Bennie Santilanes, Cashier Manager
- Pamela Klenck, Treasury Manager
- Chris Sanchez, Treasurer's Office Accounting Manager
- Crystal Trujillo, Treasurer's Office Accountant

In order to understand policies and procedures we read relevant portions of:

- The Bernalillo County Investment Procedures dated Amended and Board of Finance approved December 2015;
- The Bernalillo County Investment Policy Amended and Board of Finance approved May 2015;
- The Bernalillo County Treasurer's Office Procedures on Reconciling Tax and Non-Tax Payments;
- NMAC 1.15.5 General Financial Schedule;
- NMSA 1978 §7-38-35 Preparation of Property Tax Schedule by Assessor; and,
- NMAC 3.6.7.59-61 Property Taxes.

We performed the following testwork:

Tax Bills and Collection: Obtained the listing of the County's tax roll as of November 2014 and selected a sample of 60 property parcels (based on 95% Confidence Level (CL) and 5% Tolerable Deviation (TD) from a total population of 272,300). We tested to determine if:

- Required levy rates were applied appropriately to tax bills.
- Bills were properly calculated based on assessed values.
- Bills were mailed by November 1, as required by State Statute.
- Payments were applied to the correct taxpayer account.

Additionally, we verified the documentation was maintained by the Treasurer's Office supporting the completion of the 2014 tax bill annual reconciliation, balancing of tax accounts with the County Assessor's Office listing, and testing of the coupon bills.

Delinquent Payments: Obtained the listing of all delinquent tax payments. From this listing we isolated the population based on the delinquency year to allow us to test for the various delinquent process requirements.

- For 2014 delinquent tax accounts, we selected a sample of 22 real property parcels that would require a delinquency notice to be sent (based on 90% CL and 10% TD from a total population of 22,800) and determined if the delinquency notice was sent by June 1, 2015, and if penalties and interest were appropriately applied to the account.
- For 2012 delinquent tax accounts, we selected a sample of 22 real property parcels (based on 90% CL and 10% TD from a total population of 22,300), and if the account was still delinquent as of July 2015, we tested that they were sent to the State on the Delinquency Listing.

Tax Overpayment: We obtained the listing of all property tax overpayments for FY2015. We selected a sample of 22 overpayments (based on 90% CL and 10% TD from a total population of 1,053). We tested to determine if the overpayment was applied toward future property tax payments or refunded to taxpayer upon taxpayer request, and the amount of overpayment was accurately applied or refunded.

Online Payments and Property Tax Reconciliations: From the daily online payment and property tax reconciliations, we selected 6 days from each type for a total of 12 that were performed during peak property tax collection periods (to ensure sufficient activity was present for testing), and we tested to determine if the:

- Reconciliations were completed within five business days.
- Variances were investigated, resolved, and documented, if applicable.
- Reconciliations were reviewed and approved by the appropriate employee in a timely manner.

Bank Statement Reconciliations: We obtained the bank statements and the related account reconciliations for the Wells Fargo, Bank of the West, and National Bank accounts for the months of December 2014, May 2015, and July 2015 for a total of 9. We tested each to determine if the:

- Reconciliations were completed timely.
- Variances were investigated, resolved and documented, if applicable.
- Reconciliations were reviewed and approved by the appropriate employee in a timely manner.

Investment Purchases: We obtained the listing of investment summaries by month from April 2014 through December 2015. We extracted all investment purchases and selected a sample of 20 investments (based on 90% CL and 10% TD from a total population of 75). We tested to determine if:

- Three bids were obtained for each investment purchased.
- Purchase was properly approved by the County Treasurer, County Manager and the third party consultant.

- Wire transfer of funds for the investment purchase was approved by the Treasurer and the Deputy Treasurer and accompanied by the trade ticket.
- Trade Ticket included selection of bid and other purchase information.
- Investment file/supporting documentation was retained in the Treasurer's Office according to policy.
- The investment selected was reasonable based on other bids obtained.

Cash Flow Evaluation: We obtained the monthly Investment Committee Working Group minutes from meetings held in the months of January, June, and November 2015. We tested to determine if the cash flow needs for the County were evaluated and proposed follow-up actions were properly approved and documented.

OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

There were no reportable observations. We found that the areas tested had established processes in place that appeared to be followed including processes related to the investment selection and maintenance of supporting documentation.

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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 minor observations with management and received excellent cooperation and assistance from the Treasurer's Office during the course of our interviews and testing. We sincerely appreciate the courtesy extended to our personnel.

REDW LLC

Albuquerque, New Mexico
April 1, 2016