



BERNALILLO COUNTY
AUDIT COMMITTEE MEETING
CONFERENCE ROOM B, 10TH FLOOR, ONE CIVIC PLAZA NW

MEETING MINUTES
Wednesday, February 20, 2013
2:30pm to 4:30pm

Call to Order

The meeting was called to order at 2:30pm

Audit Committee (Representing the County Commission)

Maxwell Kagan, CPA, Chair
Paulette Becker, CPA, Esq., Secretary
Mandy Funchess, CPA, Member

REDW Internal Auditors

Jessica Bundy, REDW
Steve Cogan, REDW
Melisa Martinez, REDW
Shannon Sanders, REDW

County Personnel/Guests

Commissioner Wayne Johnson
Commissioner Maggie Hart Stebbins
Tom Zdunek, County Manager
Teresa Byrd, Deputy County Manager, Finance
Jeff P. Lovato, MBA, Accounting Director
Shirley Ragin, Budget and Business Improvement Director
Roger Paul, Technical Services Director, Public Works
Fidel Bernal, CPA, Chief Deputy Treasurer
Lisa Sedillo-White, Purchasing Director
Karen Brown, Assistant to Commission Johnson
Cindy Torres, Audit Liaison and Accounting Officer, Accounting
Virginia Montoya, Accounting Officer, Accounting
Adrienne Candelaria, Purchasing
Brenda Archiveque, Finance
Randy Baca, Fleet Inventory Manager

Approval of Agenda

The agenda was approved as distributed.

Approval of minutes from last meeting: A motion to approve the minutes was made by Maxwell Kagan, Chair. Mandy Funchess, audit committee member, second. The Audit Committee Minutes of the December 6, 2012 meeting were approved as distributed.

REVIEW OF THE INTERNAL AUDIT REPORTS

POWERPOINT PRESENTATION CREATED/NARRATED BY JESSICA BUNDY AND MELISSA MARTINEZ

SPECIAL PROJECT-PUBLIC WORKS DESIGN REVIEW FEES (JESSICA BUNDY PRESENTED THIS REPORT)

1. **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.
2. **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.

Roger Paul, Technical Services Director at Public Works, addressed questions from the audit committee. Public Works and Utility Companies agree that a tiered fee structure would accommodate the different types of projects and also serve in the best interest of the County. As of February 7, 2013, seven projects have been completed from beginning to end and 47 projects are being tracked. Roger agreed that he will review projects and go with the 25% sampling as recommended by Tom Zdunek, County Manager. He will then provide a recommendation to the commission on revision of the Right-of-Way ordinance based on his evaluation.

Maxwell Kagan, audit committee chair, made motion to approve the Special Project-Public Works Design Review Fees Report. Mandy Funchess, audit committee member, second, motion passed

RECEIVING AND ISSUING INTERNAL AUDIT (MELISSA MARTINEZ PRESENTED THIS REPORT)

1. **Public Works Inventory Issuance Accuracy:** As items are taken out of inventory, they should be updated in the M4 System to reflect current quantities on hand.
2. **Auto Parts Inventory Count Discrepancies:** After inventory counts are completed, variances should be investigated and documented. Investigating variances will help reduce errors and identify theft in a timely manner.
3. **System User Roles Documentation:** System user roles are documented on approved workflow authority forms. There are several versions of these forms maintained. All previously submitted forms must be reviewed which causes inefficiencies and makes tracking difficult.
4. **Centralized Receiving and Low Value Assets:** It is best practice to always track low value items that are susceptible to theft or loss. It would be optimal to create a centralized receiving function and process.
5. **Ordering/Receiving Segregation of Duties:** The County does not require segregation of duties between the employee ordering items and the employee receiving items. When duties cannot be segregated due to the size of a department, management should implement alternative controls to ensure that the goods are actually received.
6. **Public Works Warehouse Physical Access:** Areas that store a significant amount of inventory should be secured and monitored. Cameras should be added to the inside of the building. Access should be restricted to only the employees who need it.
7. **Public Works Warehouse Inventory Documentation:** The policies and procedures were not updated for fleet and facilities inventory.

Lisa Sedillo-White, Purchasing Director and Randy Baca, Fleet Inventory Manager at Public Works, addressed questions from the audit committee.

1. A master list of inventory items with a description and codes will be created and given to all Inventory Staff.
2. A formal process for investigating discrepancies will be implemented.
3. The Workflow Authority Form is available on-line to all users.

7. Public Works Warehouse Inventory Documentation: *cont'd*

4. The Purchasing department will explore the possibilities of centralizing inventory control processes.
5. The ERP Staff will review Workflow Authority Forms and SRM System Roles to segregate the duties.
6. Video cameras for the interior of the warehouse, as well as smart card access at the entrances to the warehouse will be implemented.
7. Inventory policies and procedures will be updated and formally documented.

(see official report for full management response.)

Maxwell Kagan, audit committee chair, made motion to approve the report with two proposed changes to the Receiving and Issuing Internal Audit Report. Mandy Funchess, audit committee member, second, motion passed.

Internal Audit Status Update (presented by Jessica Bundy)

Jessica Bundy reported to the committee the status of the FY13 Internal Audit Plan.

- 5 internal audits are left on the plan.
- 3 will be reviewed by the committee at the next meeting in May 2013.
 - Assessor's Office
 - IT-Strategic Plan Design
 - Metropolitan Detention Center (MDC)
- The 2 remaining, (Social Service Sponsorship Grants and Animal Care) will be presented at a meeting later in June 2013.
- The follow-up Internal Audit will be completed in August 2014.
- Max Kagan would like to see report from REDW.
 - Look at number of observations for last 3 years (10, 11, 12) and see how many observations closed by year and by risk percentage. (90% or higher for a given year best practice)
 - Accomplish possibly in the 1st quarter of FY14.

Adjournment

Maxwell Kagan, audit committee member, made motion to adjourn meeting. Mandy Funchess audit committee member, second. motion passed.

CONFIRMED NEXT MEETING DATE

AN AUDIT COMMITTEE MEETING WILL BE HELD FROM 2:30PM-4:30PM

THURSDAY, MAY 23, 2013 IN THE MUNICIPAL DEVELOPMENT CONFERENCE ROOM #7096

EXECUTIVE SESSION

COMMITTEE WENT INTO EXECUTIVE SESSION

ADJOURNMENT

MEETING WAS ADJOURNED AT 4:30PM BY MAX KAGAN