



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

MEETING MINUTES
Wednesday, April 25, 2012
2:00pm to 5:00pm

Call to Order

The meeting was called to order at 2:00pm

Audit Committee (Representing the County Commission)

Maxwell Kagan, CPA, Secretary
Paulette Becker, CPA, Esq., Member

REDW Internal Auditors

Jessica Bundy, REDW
Jeremiah Armijo, REDW
Steve Cogan, REDW

County Personnel/Guests

Tom Zdunek, County Manager
Vince Murphy, Deputy County Manager, Community Services
Jarvis Darnell Middleton, Deputy County Manager, Public Works
Teresa Byrd, Deputy County Manager, Finance
Jeff P. Lovato, MBA, Accounting Director
Bonnie Romero, CPA, Financial Projects Coordinator, Accounting
Kevin Sourisseau, CPA, Financial Projects Coordinator, Accounting
Cindy Torres, Audit Liaison, Accounting
Virginia Montoya, Audit Liaison, Accounting
Fidel Bernal, CPA, Chief Deputy Treasurer
Maria Zuniga, Interim Budget Director
Frank Barka, Deputy Fire Chief, Fire Department
Chris Gober, Fire Marshal, Fire Department
Nano Chavez, Interim Director, Zoning, Building and Planning
Rene Sedillo, Zoning, Building and Planning
Roger Paul, Technical Services Director, Public Works
Larry Herrera, Public Works
David Hall, Public Works

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, Secretary. *Paulette Becker, audit committee member, seconded the motion.* The minutes of the January 25, 2012 meeting were approved as distributed.

REVIEW OF THE INTERNAL AUDIT REPORTS

POWERPOINT PRESENTATION CREATED/NARRATED BY JESSICA BUNDY AND JEREMIAH ARMIJO

BUDGET OFFICE-BUDGET PROCESS (JESSICA BUNDY PRESENTED THIS REPORT)

1. Budget Monitoring
There were four departments where system budget checking controls should have been established at the cost center level or similar grouping but were instead established at the overall department level. As a result, budget overruns in one cost center were automatically covered by another cost center without any prior approval or line item transfer.
2. Line Item Transfer Supporting Documentation
Administrative Instruction No. 44 states that LIT's must include adequate documentation or support. LIT's tested did not have documentation to support the transfers.
3. Quarterly Departmental Reports
Required departmental quarterly reports were not consistently submitted to the Budget Office. Additionally, there was not a tracking process in place to determine if reports were received within 15-days after quarter end.
4. Contingency Planning Policy
Bernalillo County does not have a policy on Contingency Planning, there are no procedures in place that govern the use of the contingency funds.

*Teresa Byrd, Deputy County Manager Finance and Maria Zuniga, Interim Budget Director addressed questions from the audit committee.
(see official report for management response.)*

Maxwell Kagan, audit committee member, made motion to approve the Budget audit report. Paulette Becker, audit committee member, second. Motion passed.

PERMITTING (JEREMIAH ARMIJO PRESENTED THIS REPORT)

Fire Department Observations

1. Compliance with AI No. 57
 - a. Cash deposits were not made within 24hrs as required by AI No. 57.
 - b. SAP Cash Desk postings should be reconciled to cash receipting records in the KIVA permitting system on a daily basis.
 - c. There should be adequate cash receipts segregation of duties. Currently, there is not segregation which creates the risk that errors or fraud could occur without being detected.
2. Invoicing and Accounts Receivable
 - a. The SAP system is the county approved invoicing system, however, the Fire Department uses QuickBooks. This created unreconciled differences between SAP and Quick Books.
 - b. Permits completed in KIVA were not reconciled to billings generated from QuickBooks.

Jeff Lovato, Accounting Director, stated that the Fire Dept is using Quick Books for tracking receivables, but should be using SAP which is the county's financial system of record.

Tom Zdunek, County Manager, also recommended that the County use SAP system for invoicing and accounts receivables tracking.

Chris Gober, Fire Marshal, stated that the fire department will transition to SAP once staff is properly trained.

Kevin Sourisseau, Financial Projects Coordinator, stated that the County could use SAP and integrate an online system that could replace KIVA. SAP could be the answer!

PERMITTING (JEREMIAH ARMIJO PRESENTED THIS REPORT)

Fire Department Observations (cont'd)

Max Kagan, recommended to accept the Fire Department Observations report and the management response. In addition, Max Kagan suggested that the auditor's return before the end of the year and reaudit.

Zoning, Building and Planning Observations

3. Professional Deposit Accounts
 - a. Prepayment deposits were not always posted accurately to contractor accounts.
 - b. Collected prepaid deposits were recorded in the general ledger as permit revenue instead of as a liability until a permit was issued.
4. Inspection of County Buildings
 - a. Required inspections have not been consistently performed on County buildings. (see official report for management response.)

Public Works Observations

5. Barricading and Traffic Engineering Permits
 - a. Cash receipts were not recorded and applied to specific permits in the KIVA permitting system.
 - b. Fees were not always accurately assessed.
 - c. One of ten permits tested did not have an application on file to support the issuance of a permit and calculation of the fee.
 - d. The invoicing of barricading and traffic engineering permits was a manual process and monthly invoices were not always generated. (see official report for management response.)

County-Wide Observations

6. Deposit Procedures
 - a. There did not appear to be formal policies and procedures surrounding the use of the Wells Fargo Desktop Deposit system.

Fidel Bernal, Chief Deputy Treasurer, acknowledged that AI 57 is in the process of being revised by Jeff Lovato, Accounting Director, and the Treasury department staff. They anticipate the completion to be near the start of fiscal year thirteen.

Maxwell Kagan, audit committee member, made motion to accept Permitting Report as stated. Paulette Becker, audit committee member, second. Motion passed.

Adjournment

Maxwell Kagan, audit committee member, made motion to adjourn meeting. Paulette Becker audit committee member, second. Motion passed.

CONFIRMED NEXT MEETING DATE
AN AUDIT COMMITTEE MEETING WILL BE HELD FROM 2:00PM-4:00PM
WEDNESDAY, JUNE 27, 2012 IN CONFERENCE ROOM B

EXECUTIVE SESSION
COMMITTEE WENT INTO EXECUTIVE SESSION

ADJOURNMENT
MEETING WAS ADJOURNED AT 3:00PM BY MAX KAGAN