



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

MEETING MINUTES

Wednesday, January 25, 2012

3:00pm to 5:00pm

Call to Order

The meeting was called to order at 3:00pm

Audit Committee (Representing the County Commission)

Demesia Padilla, CPA, Chair, (absent)

Maxwell Kagan, CPA, Secretary

Paulette Becker, CPA, Esq., Member

REDW Internal Auditors

Jessica Bundy, REDW

Claire Hilleary, REDW

Jeremiah Armijo, REDW

Steve Cogan, REDW

County Personnel/Guests

Tom Zdunek, County Manager

Teresa Byrd, Deputy County Manager, Finance

Jeff P. Lovato, MBA, Accounting Director

Bonnie Romero, CPA, Financial Projects Coordinator, Accounting

Cindy Torres, Audit Liaison, Accounting

Virginia Montoya, Audit Liaison, Accounting

Patrick Padilla, County Treasurer

Fidel Bernal, CPA, Chief Deputy Treasurer

Emily Madrid, Accounting Manager, Treasurer's Office

Joe Crelier, Director, Risk Management

Sandra Anaya, Risk Management

Toby Perea, Director, Fleet Facilities

Randy Baca, Fleet Facilities

Renetta Torres, Human Resources Director

Chuck Griffith, Human Resources

Virginia Chavez, Human Resources

Dan McKay, Albuquerque Journal

Approval of Agenda

The agenda was unanimously approved as distributed.

Approval of minutes from last meeting The minutes of the November 9, 2011 meeting were unanimously approved as distributed.

REVIEW OF THE INTERNAL AUDIT REPORTS

POWERPOINT PRESENTATION CREATED/NARRATED BY JESSICA BUNDY

TREASURER'S OFFICE-INVESTMENTS (JESSICA BUNDY PRESENTED THIS REPORT)

1. **Investment Documents Storage** Most original records for investment transactions were not maintained at the Treasurer's office or other identified County locations. We also found multiple copies of investment documents maintained in the Treasurer's Office and off-site; some did not appear to be well organized. Administrative Instruction Number 34 Public Records Access and 34.A Records Retention Schedule do not define appropriate storage locations for County records; however, best practices indicate records should be stored in standard County file retention locations.
2. **Bid Documentation** During our testing of forty-one investments we identified seven instances where the bid sheets did not include yields to maturity or other documentation that the most favorable investment decision was made.
3. **Multiple Bid Purchases** During our testing we found fifteen of forty-one instances where multiple investments were purchased from one bid sheet.
4. **Standardization of Investment Policy Review** There is no designated timeframe for reviewing the Investment Policy. The most recent review of the policy took place at the July 29, 2010 Investment committee meeting. As of September 30, 2011, the policy had not been again reviewed by the Investment committee or the board of Finance.

Patrick Padilla, Treasurer addressed questions from the audit committee.

Overall, the plan is to insure that all original investment transaction documentation is maintained at the Treasurer's office. The Treasurer also agrees with the recommendations regarding the bid documentation for investment decisions. In addition, they will obtain a minimum of two bids, however when both bids for purchases are determined to be good choices for the County, then both bids can be accepted. This change will be included in the investment policy to be approved by the board of finance. The Treasurer also agrees with the standardized timeframe for reviewing the Investment Policy. The annual review will take place at the end of the 4th quarter each year. (see official report)

Maxwell Kagan, audit committee member, made motion to approve, as amended the Treasurer's audit report. Paulette Becker, audit committee member, second. Motion passed.

VEHICLE USE/TAKE-HOME VEHICLES (JESSICA BUNDY PRESENTED THIS REPORT)

1. **Use of Take Home Vehicle:** Each qualified employee must complete a take-home vehicle authorization form and have it approved by the appropriate Deputy County Manager. (new observation)
2. **Nonstandard procedures among departments for Day Use and Take-Home Vehicle Usage:** The current policy is silent on a range of procedural differences between departments for checking out/in day use vehicles and take-home vehicles.
3. **Motor Vehicle Division monthly checks:** Monthly MVD 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.
4. **Review of fuel usage:** The Fleet Facilities department produces a monthly fuel usage report of each department's consumption for the current month. Fuel usage report review is inconsistent and not all department Directors are taking full responsibility to monitor their department's fuel usage. (revised observation)
5. **Incomplete Usage Logs:** Usage of one of the vehicles tested was not documented for nineteen days, although the vehicle appeared to be used daily during the six month period.
6. **Noncentralized Oversight Functions:** The oversight function for determining driver eligibility, monitoring vehicle usage and ensuring nonexempt employees who have take-home vehicles are added to the fringe benefit calculation listing is spread among three departments: Risk management, fleet facilities and finance. This decentralization can lead to inefficiencies and

communication breakdowns which result in delayed notifications of driver changes, assignments and eligibility.

Toby Perea, Fleet Facilities Director addressed questions from the audit committee.

Overall, the plan is to incorporate language to administrative instruction AI22A regarding an annual review of all Vehicle Take-Home authorization forms. All vehicle authorization forms will be approved by the applicable Deputy County Manager.

In addition, a GPS tracking system is in the process of being implemented in 700 of the 1,100 County units. An initial 200 vehicles were outfitted with GPS units October 1, 2011. This will provide oversight for proper use of the vehicles and monitoring of fuel usage. Furthermore, an employee whose license has been suspended will be placed on inactive status so they are unable to use a county vehicle and fuel vehicles at County sites and the employee's PIN will be inactivated for the Wright Express (WEX) care for the period of suspension. Vehicle use and Fuel cards will only be reactivated upon receipt of a written formal activation request from the employee's department or Risk Management.

The County Manager will issue reminders at Quarterly Directors Meetings (included in the agenda) as a requirement to review fuel usage for their respective assigned vehicles. County department Directors will be responsible for enforcement of the usage log policy and consequences for noncompliance. For oversight responsibility, Fleet Facilities, Risk Management and the Budget Department will collaboratively establish a standard set of procedures. (see official report)

Maxwell Kagan, audit committee member, made motion to approve report with new observation, revised observation and revised responses. Paulette Becker, audit committee member, second. Motion passed.

HUMAN RESOURCES –EMPLOYMENT POLICIES (JEREMIAH ARMIJO PRESENTED THIS REPORT)

1. **Benefits received while on unpaid leave**
 - a. Rules and Regulations section 1017(G) states that all benefits shall cease while an employee is on leave without pay and if the employee wishes to continue his/her insurance benefits he may do so at this own expense. The County was paying all employee insurance benefits without prior collection from the employee and without the employee's consent.
 - b. The process in place to track receivables due from employees for outstanding benefit premiums is manual and not reconciled. It was determined that approximately \$126,000 was due as of the end of the audit.
 - c. Efforts to collect outstanding benefit premiums owed to the county by terminated employees for benefits received while on unpaid leave have not been made. HR management has recently implemented a process to notify County Legal so that collection efforts can be attempted.
 - d. Leave without pay was not properly approved. Five of 22 employees took leave without any documented approval.
2. **Family and medical leave act**
 - a. Employees were not always notified timely regarding HR's determination of the employee's FMLA eligibility. The Code of Federal Regulations, 29 CFR 825.00, requires that the employee be notified of eligibility within five business days of application.
 - b. Fitness for duty certifications were not obtained prior to the employee returning to work in three of 11 instances.
3. **Internal promotions and transfers**
 - a. Applications for promotion or transfer were not always on file. Based on review of other support in the personnel file it appeared that the employee did meet the minimum qualifications; however, no application was on file.
 - b. Memorandums for involuntary transfers, documenting the County Manager's approval and HR's determination that the employee met the minimum qualifications, were not always maintained.
 - c. Work history, experience, credentials and qualifications were not verified by HR for those employees promoted based solely on work experience. HR Rules and Regulations state it is

ultimately HR's responsibility for determining that an applicant meets the minimum qualifications.

- d. Reasonable documentation supporting an employee's minimum qualification for promotion to his or her position was not always maintained. Based on all information available we could not determine that the employee was adequately qualified for the position.

Renetta Torres, Human Resources Director addressed questions from the audit committee.

Overall the plan is to recommend a clarification to the Rules and Regulations to reflect the new billing process for employees on leave without pay and not covered by FMLA or USERRA which grants an employee up to thirty (30) days to reimburse the county for premiums paid during the employee's absence.

HR has implemented a receivables billing and reconciliation process in the County's SAP financial system for outstanding benefits due from employees. County Legal is now notified of all instances when attempts to collect past due premiums have been unsuccessful.

The FMLA procedures have been streamlined and a new request form does not require the timekeeper and department Director's signature which will allow for faster response times. In addition, employees have been instructed to submit the original FMLA fitness for duty certification to their timekeeper upon their return to work. A copy is required to be submitted to HR for filing.

A checklist for internal promotions and transfers will be revised and submitted with the employee packets to ensure that all the proper documentation is submitted to the file room and placed in the employee file. The latest application and job description of the applicant's current position will be used as documentation that the employee qualifies for the transfer.

A new employment verification form consists of 26 questions used to verify the employment history on the application. A checklist will be submitted with all employee packets to ensure that all the proper documentation is submitted to the file room and placed in the employee file. (see official report)

FOLLOW-UP ON PRIOR-YEAR OBSERVATIONS

- Observation 1** Certain W-4 documentation did not correspond to payroll register.
Current Status: Unresolved
Management Response: HR will collect and scan the W-4. The scanned copy of the W-4 will be sent to Payroll for processing. The original W-4 will be sent to the file room to be placed in the employee file.
- Observation 5** Excess leave deduction process was inefficient and creates greater risk for errors.
Current Status: Improved, Further Action Required
Management Response: HR will propose that Rules and Regulations be revised to extend the excess leave deadline through February instead of December. The two month extension will eliminate the request for extension memo and the calculation errors.
- Observation 8** Annual performance evaluations were not being completed.
Current Status: Low risk; removed from matrix
Management Response: The HR department does not have enforcement authority over the submission of the performance evaluations.
- Observation 9** Personnel Action Forms (PAFs) were not completed timely.
Current Status: Resolved

Maxwell Kagan, audit committee member, made motion to approve as amended the Human Resources audit report. Paulette Becker, audit committee member, second. Motion passed.

FINANCE BONDS (CLAIRE HILLEARY PRESENTED THIS REPORT)

1. **Bond yield analysis:** The County's analysis to determine if the interest income earned is in excess of the bond yield for tax-exempt bonds was not formally documented and thus the County was unable to provide documentation supporting reviews had taken place and was in compliance with the IRS requirements.
2. **Cross Training:** Currently, the county relies on one individual for the maintenance of consolidated bond information spreadsheets. Written procedures for updating this workbook have been formulated but never tested. (low risk)

Teresa Byrd, Deputy County Manager Finance addressed questions from the audit committee.

Overall the arbitrage schedules are sent to the County's financial analyst contractor every six months for evaluation and preparation of arbitrage reports. The current arbitrage reports have been prepared as required for all current county bonds as of June 30, 2011 and are retained in county records. The reports were reviewed and they indicated no arbitrage rebate due.

The summary financial report is reconciled and balanced to the SAP system monthly. The report and the procedures are maintained in a share drive and have been available since 2009. The detailed procedures are currently being tested and updated and will continue to be reviewed on a quarterly basis. (see official report)

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

AUDIT MATRIX REVIEW

Jessica Bundy, REDW, presented a listing of 19 outstanding observations from the internal audit matrix which they considered low risk. The audit committee reviewed and discussed the listing and agreed that 18 observations were low risk and should be removed from the matrix. Number 9 (Human Resources FY2010) on the listing was considered moderate risk and should remain on the audit matrix. The 18 low risk observations will be removed from the matrix.

Paulette Becker made motion to remove the 18 low risk observations from the audit matrix. Max Kagan second. Motion passed.

Other issues

Jessica Bundy, REDW, provided an update on the current internal audits in progress. Two internal audits, "Budget and Finance-Budget Process" and "Permitting" will be completed and presented at the Audit Committee meeting in April 2012. The final three internal audits on the audit plan for FY12, "Payroll-Timekeeping", "Solid Waste", and Information Technology-Equipment", will be completed and presented at the Audit Committee meeting in June 2012.

ADJOURNMENT

Maxwell Kagan, audit committee member, made motion to adjourn meeting. Audit Committee went into Executive Session. Paulette Becker audit committee member, second. Motion passed.

CONFIRMED NEXT MEETING DATE
AN AUDIT COMMITTEE MEETING WILL BE HELD FROM 2:00PM-5:00PM
WEDNESDAY, APRIL 25, 2012 IN CONFERENCE ROOM B