

Section III – Findings - Financial Statement Audit (continued)

None noted

Section IV –Section NMSA 12-6-5 Findings

FS 2015-002 Payroll Internal Controls-(finding that does not rise to the level of significant deficiency) (Repeated and Modified)

Condition: During our testwork of internal controls surrounding the City’s payroll processes we noted 1 employee out of 8 tested in which the employee’s leave usage was not approved in the electronic time keeping system. Time for this member of executive management was approved via email by the City Mayor; however, it was noted that the approved leave usage was not reconciled periodically to leave balances in the payroll system. The employee was a salaried employee and the total dollar amount associated with the payroll for this employee was \$6,667. In fiscal year 2016, the City’s progress towards remediating find FS 2015-002 includes discontinuance of the manual time keeping system and implementation of an electronic time keeping system that interfaces electronically with the City’s accounting system. The City’s approval of time is now evidenced electronically rather than manual signatures for employees who are not members of executive management.

Criteria: Good internal controls require effective review of time in comparison with leave balances in the payroll system on a bi-weekly basis to ensure accurate pay and leave balances (PTO).

Effect: The potential impact of lack of review of this specific employee’s time is that the employee could have inaccurate PTO balances. Leave could be taken and not recorded in the City’s payroll system.

Cause: Management did not deem it necessary to reconcile the approved time to the PTO balances in the payroll system.

Auditors’ Recommendation: We recommend the Finance Department review and reconcile time approved to the PTO balances in the payroll system on a bi-weekly basis.

Management’s response: The timeline for corrective action is immediate and the City Manager, Mayor, and City Commission are responsible for corrective action. Historically City Manager time off requests are submitted via email and would then be approved by the Mayor and/or City Commissioner. This corrective action has been in place since the summer of 2014. Once the problem described above was identified, the City Manager immediately put in place a corrective action in the form of an informal policy change. This policy dictates that as the Mayor and/or Elected Officials do not have access to the time keeping system, they will manually sign a print out of the electronic time sheet that will be kept on file. This is currently in use and will continue to be used pending the adoption of a formal policy moving forward.