



RESOLUTION NUMBER: 2016-53

Adopting a Roosevelt County Government Internal Control Policy

WHEREAS, NMSA 1978, Section 3-18-1 provides that municipalities, and also counties pursuant to NMSA 1978, Section 4-37-1, have the power to “protect generally the property of its municipality and its inhabitants” and to “preserve peace and order”; and,

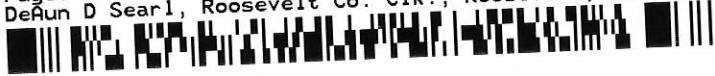
WHEREAS, NMSA 1978, Section 4-38-18 declares the Board of County Commissioners shall “have the care of county property and the management of the interest of the county in all cases where no other provision is made by law”; and,

WHEREAS, the Board of County Commissioners of Roosevelt County has determined that to best protect the Count’s citizens and its property it is necessary to promulgate a system of financial checks and balances designed to provide assurance that money and other assets do not disappear or that mistakes do not occure in the operation of Roosevelt County Government; and,

WHEREAS, the objective of this policy is to have the force and effect of law to implement, interpret, or make policy as it applies to the internal operations of Roosevelt County Government.

NOW, THEREFORE, BE IT RESOLVED that the Board of County Commissioners of Roosevelt County that:

The Board adopts the attached Internal Control Policy in order to define what constitutes internal controls, to outline rules and procedures all employees must follow when internal controls are not in place or not followed and to serve as a guideline for each department or office to develop their own set of internal controls.

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Approving the
ROOSEVELT COUNTY POLICY
Internal Control Policy

1.0 INTRODUCTION

All County employees play a part in Roosevelt County's internal control system. Ultimately, it is Roosevelt County managements' responsibility to ensure that controls are in place to safeguard its resources, assure accuracy and reliability of information and proper reporting of that information. That responsibility is delegated to each area of operation in the County so every employee has some responsibility for making the internal control system function. Therefore, all Roosevelt County employees need to be aware of the concept and purpose of internal controls.

2.0 PURPOSE

The purpose of this administrative policy is to define what constitutes internal controls, and to outline rules and procedures all employees must follow when internal controls are not in place or not followed. This policy will also serve as a guideline for each department/office to develop their own set of internal controls.

3.0 SCOPE

This policy applies to all Roosevelt County employees and elected officials.

4.0 DEFINITIONS

1. Internal Control - Refers to a system of financial checks and balances designed to provide assurance that money or other assets do not disappear or that mistakes do not occur.
2. Preventive Controls – Designed to discourage errors or irregularities from occurring.
3. Detective Controls – Designed to find errors or irregularities after they have occurred.
4. Fraud – Theft, intentional waste or abuse of County funds, property, records or time.
5. County Funds – Currency, checks, or other negotiable instruments belonging to the County of Roosevelt, or for which the County is the fiscal agent.
6. County Property – Any tangible item owned by the County of Roosevelt.

7. County Employee – This is a global term encompassing all individuals elected, appointed, hired, volunteering, or representing themselves to be working to the benefit and good of the County of Roosevelt.

8. Avoidance of Established Internal Controls – When a county employee circumvents, ignores or misapplies department or county established internal, preventive and/or detective controls.

9. Retaliation – When an individual is discriminated against or penalized for reporting internal controls non-compliance or fraud, or for cooperating, giving testimony, or participating in any manner in an audit/investigation, proceeding or hearing.

10. Negligence – (n) The quality or state of being negligent; lack of due diligence or care; omission of duty; habitual neglect; heedlessness; carelessness. (adj) Characterized by neglect and undue lack of concern; negligent of detail; marked by insufficient care or attention.

- a. A county employee's lack of prudent care and/or inattention to one's duty or responsibility to manage and protect county funds collected in the performance of official duties from loss or misapplication until deposited into the County Treasury.
- b. The lack of prudent care and/or inattention to one's duty or responsibility to manage and protect county property/assets from loss or damage.
- c. A county employee's failure to follow, intentionally circumvent, or failure to provide sufficient administrative control as stipulated in Roosevelt County's internal control and/or fraud policy.
- d. A county employee's failure to report or attempt to conceal actions intended to circumvent, ignore or disregard the internal control and/or fraud policy, in regards to their own or another's culpability.

5.0 BACKGROUND

1. Internal Controls are an integral part of the duties and functions of each department or office in the County and should be incorporated into the operational procedures and policies of each department or office to ensure resources are safeguarded, reports are reliable, policies and procedures are followed, and operations are conducted economically and effectively.

2. Key elements of Internal Control.

- a. **Organizational Controls** require adequate checks and balances to separate authorizing and performing a task from reporting responsibility.
- b. **Procedure Controls** divide tasks to provide internal checks by specifying the work and responsibility of each employee.
- c. **Recording Controls** maintain necessity for prompt, complete and accurate recording by every employee who prepares, approves, processes or summarizes any record.
- d. **Reporting Controls** must be usable and present an accurate picture of what has occurred in a timely, complete, concise and accurate manner.

e. **Analysis/Oversight Controls** provide independent review and risk analysis of organization, procedures, recording and reporting.

3. Limitations of internal controls.

- a. Subject to human error due to mistaken judgment, carelessness, misunderstandings or fraud.
- b. Poorly written or poorly enforced internal controls allow fraud to occur.
- c. Implementation of sound internal control system and strong management practices can reduce weaknesses, but not eliminate them entirely.
- d. The system should be reviewed periodically and revised when necessary to keep pace with changes in office policies, duties and personnel, in an attempt to prevent complacency and complicity.
- e. Cost of controls exceeds potential benefit.

4. The County is committed to accurate, complete and honest financial reporting in all aspects of County business. The County is required to develop and maintain accounting systems that enable and support the preparation of accurate financial statements in accordance with statutes, applicable law, rules and accounting principles.

5. This policy is not intended to be a detailed study of every procedure or activity that constitutes internal controls. Accordingly, the information presented in this policy should not be considered as all-inclusive of what might constitute internal controls.

6. Authority to provide a defense including costs and attorney fees for for Elected Officials and Employees pursuant to NMSA 1978 section 41-4-4 (2001)

6.0 INTERNAL CONTROL

1. No employee shall, directly or indirectly, knowingly falsify, cause or allow to be falsified any book, record or account of the County. This includes expenditures, travel records, time sheets, approval of vendor invoices, case transaction records, or any other business/financial record of the County.

2. All employees and elected officials shall disclose in writing to the County Manager, any financial interest he/she believes or has reason to believe may be affected by the actions of the County.

3. No entries in financial ledgers should be made that intentionally conceal the true nature of any transaction or record of the County.

4. No funds or accounts should be kept for purposes not fully and accurately disclosed. Unrecorded or "off the books" funds or assets may not be kept for any purpose.

5. All County employees must protect County assets and ensure their efficient use. The County will not tolerate theft, misuse or waste of County assets. All County assets should be used strictly for legitimate County business purposes.



6. Applicable Internal Control descriptions with examples. (Note: The following examples are not intended to cover all possible procedures or activities that constitute internal controls. Each department or office should design, implement, monitor and adjust internal control objectives for each activity or procedure as applicable.

a. Adherence to all organizational procedures

i. Separation of duties

1. No one employee is functionally responsible for a financial or other business transaction from start to finish.

ii. A department/office approved written office policy or standard operating procedures establishing employee duties, authorization levels, internal controls, etc., on file in every department or office.

1. Describe each employee's duties and responsibilities and examples of those same duties and responsibilities.
2. Establish each employee's scope of authority and the transactions that conform to that authorization.
3. Reference or document internal control procedures for the office or department.
4. Establish and describe restrictive access to monies, safe and other sensitive areas.

iii. Competent management and employees.

1. Competent by education, experience and/or training to accomplish their assigned duties.

iv. Documents on file with appropriate county office.

1. Oaths of office completed and filed.
2. Education documentation maintained for audit.

v. Rotation of duties and/or personnel in positions more susceptible to fraud.

vi. Overages/Shortages

1. Overages deposited with daily deposits to the Office of the County Treasurer.
2. Shortages are made up immediately by Department Head/Elected Official and deposited to County Treasurer.

vii. Adherence to Procedure Controls

1. Issuing or receiving assets
 - a. Checks stamped "For Deposit Only" immediately.
 - b. Receipt written for every financial transaction.
 - c. Assets may not be issued or received without proper documentation and approvals.
 - d. Payment requests documented with backup.
 - e. Change funds are reconciled daily.



2. Daily, timely and accurate deposits of all receipts to the County Treasurer.
3. Secure funds in locked safe when held overnight.
4. Balance receipts for each cash drawer at the end of the day or shift.
5. Restricting access to office, documents, equipment and personnel.
6. Ensuring that employees take regular vacations.
7. Follow established and documented internal controls as detailed in office policy.

viii. Adherence to Recording Controls

1. Transactions are recorded as executed, when executed, and properly classified.
2. Every transaction is documented properly and timely with a receipt, P.O., or other county approved documentation.
 - a. Clear documentation of cash receipts from the time of collection to the time of deposit.
3. Files maintained accurately and up-to-date, with timely recording of facts.
4. Only approved and official Roosevelt County receipts used for County business.
 - a. County Treasurer name or County logo.
 - b. Unique tracking numbers.
 - c. Multiple copies.
 - d. Date of issuance.
 - e. Amount paid and what form of payment.
 - f. Subject of document
 - g. Initiator of document
 - h. Payee information.

ix. Adherence to Reporting Controls

1. Maintain good accounting control over assets, liabilities, revenues and expenses.
 - a. Monthly reconciliation of bank statements; reconcile with checkbook register and ledger/report.
 - b. Asset movement, authorization and reconciliation
2. Documentation easily available to meet audit requirements, detail internal control objectives and procedures, asset accountability, all transactions and/or any other business activities performed in the department or office.

x. Adherence to Analysis/Oversight Controls

1. Independent reviews and monitoring of tasks.
2. Department Head/Elected Official reviews reports, reconciliations, receipts and disbursements.



3. Regular independent audits of areas susceptible to fraud.
 - a. Recount and verification of daily receipts.
 - b. Authorization level of document signer.
 - c. Vendor information.
4. Evaluate audit findings and recommendations.
5. Determine proper actions and response to audit findings and recommendations.
6. Complete all actions that correct or otherwise resolve the audit findings within established time frames.

7.0 RESPONSIBILITIES

1. All County Employees.

- a. Any employee who has knowledge of avoidance of established internal controls shall immediately notify his/her supervisor. If the employee has reason to believe that the employee's supervisor may be involved, the employee shall immediately notify the Department Head/Elected Official of his/her department/office. However, if the employee has reason to suspect that the Department Head/Elected Official may also be involved, the employee should contact Human Resources or County Manager. Every employee shall cooperate with administrative investigations pursuant to this administrative procedure. The employee shall not discuss the matter with anyone other than the authorized investigator, his/her supervisor, the Department Head/Elected Official, Human Resources, and the County Manager. Failure to report the avoidance of established internal controls will be considered negligence and could result in disciplinary action or possibly termination.
- b. Any employee who has knowledge of the lack of established internal controls shall immediately notify his/her supervisor. If, after notifying his/her supervisor, the employee finds that the employee's supervisor has not followed through on the notification, the employee shall immediately notify the Department Head/Elected Official of his/her department/office. If the employee finds that the Department Head/Elected Official has not followed through on the notification, the employee should contact Human Resources or the County Manager. Every employee shall cooperate with administrative investigations pursuant to this administrative procedure. The employee shall not discuss the matter with anyone other than his/her supervisor, the Department Head/Elected Official, Human Resources and the County Manager. Failure to report the lack of established internal controls will be considered negligence and could result in disciplinary action.

2. Supervisor

- a. Upon notification from an employee of avoidance of established internal controls, or if the supervisor has reason to suspect the avoidance of established internal controls, the supervisor shall immediately notify the Department Head/Elected Official of his/her department/office. The supervisor shall not attempt to investigate the suspected avoidance of internal controls or to discuss

the matter with anyone other than the authorized investigator, Department Head/Elected Official, Human Resources, and the County Manager. However, if the supervisor has reason to suspect that the Department Head/Elected Official may also be involved, the supervisor should contact Human Resources or the County Manager. Failure to report the avoidance of established internal controls will be considered negligence and could result in disciplinary action or possible termination.

b. Upon notification from an employee of the lack of internal controls, or if the supervisor has reason to believe there is a lack of internal controls, the supervisor shall immediately notify the Department Head/Elected Official of his/her department/office. When notification comes from an employee, the supervisor will respond to the employee within a reasonable time period of any action taken regarding the notification. The supervisor, with direct knowledge of the Department Head/Elected Official, should and may correct the lack of internal controls, updating the office policy to reflect the change and notifying the County Manager of the changes. The Auditor's Office should be contacted for help in establishing, changing or evaluating internal controls as necessary.

3. Department Head/Elected Official

a. Upon notification from an employee or supervisor of avoidance of established internal controls, or if the Department Head/Elected Official has reason to suspect the avoidance of established internal controls, the Department Head/Elected Official shall immediately notify the County Manager. The Department Head/Elected Official shall not attempt to investigate the suspected avoidance of internal controls or to discuss the matter with anyone other than Human Resources and the County Manager. Failure to report the avoidance of established internal controls will be considered negligence and could result in disciplinary action or possible termination.

b. Upon notification from an employee or supervisor of the lack of internal controls, or if the Department Head/Elected Official has reason to believe there is a lack of internal controls, the Department Head/Elected Official, should and may correct the lack of internal controls, updating the office policy to reflect the change and notifying the County Manager of the changes. When notification comes from an employee or supervisor, the Department Head/Elected Official will respond to the employee or supervisor within a reasonable period of time of any action taken regarding the notification. The County Manager should be contacted for help in establishing, changing or evaluating internal controls as necessary.

4. Human Resources

a. Upon notification of any absence or avoidance of internal controls Human Resources should immediately notify the County Manager. Human Resources shall not attempt to investigate the suspected avoidance of internal controls or to discuss the matter with anyone other than the Department Head /Elected Official, and the County Manager. Failure to report the avoidance of

established internal controls will be considered negligence and could result in disciplinary action or possible termination.

5. Finance

a. Upon notification or discovery of avoidance of internal controls, Finance will promptly coordinate the investigation of possible fraud with the County Manager. Finance will follow up on the lack of internal controls that may be identified during the investigation.

c. Upon discovery or notification of the lack of internal controls, or a request for help establishing, changing or evaluating internal controls by a department/office, Finance will follow up with the County Manager and the department/office.

6. County Manager

The County Manager will contact the District Attorney's office to coordinate the investigation of any criminal action reported or identified in the course of an audit or investigation with Finance to address relevant issues of fraud or other actions resulting from the audit or investigation. As per the Audit Rule 2.2.2.10.K, the County Manager must file any discovery of fraud with the New Mexico State Auditor's office.

8.0 PROCEDURES

1. Documentation/Record Security

a. Maintaining a record of any notifications and the resulting follow up to that notification should be made by applicable parties to be used in any further investigation.

b. A successful audit/investigation can only be performed if the documentation relating to an internal control issue and possible alleged fraud is available for review in its original form. Therefore, once notified of an avoidance of internal controls, the Department Head/Elected Official and supervisors shall take immediate action to prevent the theft, alteration, or destruction of relevant records or be considered negligent. Such actions include, but are not necessarily limited to, removing the records and placing them in a secure location, limiting access to the location where the records currently exist, and preventing all other individuals from having access to the records. The records must be adequately secured until the audit or investigation begins and records are turned over to the auditor or investigator.

2. Contacts/Protocol

a. After an initial review and a determination that the suspected activity warrants additional investigation, The County Manager will notify Human Resources of the allegations as appropriate. The County Manager shall coordinate the investigation with the appropriate law enforcement officials and shall report its investigative findings as described in the section entitled, "Disposition of Investigation."

3. Confidentiality. All participants in any investigation shall keep the details and results of the investigation confidential except as expressly provided in this administrative procedure. However, the County Manager, Human Resources, the County Attorney and the District Attorney may discuss the investigation with any person if such discussion would further the investigation.

4. Personnel Actions. If a suspicion is substantiated by the audit or further investigation, disciplinary actions shall be taken in conformance with the County's Personnel Policies and Procedures. A false or vindictive allegation of avoidance of internal controls or fraud is a violation of this administrative procedure. All violations of this administrative procedure, including violations of the confidentiality provisions, shall result in disciplinary actions up to and including termination.

5. Retaliation. It is a violation of this administrative procedure for any individual to be discriminated against for reporting fraud or for cooperating, giving testimony, or participating in an audit/criminal investigation, proceeding or hearing. Such individuals fall under the protection of the Whistle Blower Act.

6. Media Issues. If the media becomes aware of an audit or criminal investigation, the appropriate supervisor or Department Head/Elected Official shall refer the media to the County Manager. The alleged actions and investigation shall not be discussed with the media other than through the County Manager.

9.0 DISPOSITION OF INVESTIGATION

At the conclusion of the audit and/or criminal investigation, the County Manager will document the results in a confidential memorandum report to the Commissioners, with a copy to the appropriate Department Head/Elected Official. If the report concludes that the allegations are founded, the report will be copied to Human Resources.

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DeAun D Searl, Roosevelt Co. Clk., Roosevelt, NM



PASSED, APPROVED, and ADOPTED this 20th day of December, 2016.

**BODY OF COUNTY COMMISSIONERS
ROOSEVELT COUNTY, NEW MEXICO**

ATTEST

DeAun D. Searl, Roosevelt County Clerk

Richard Leal, Chairman – District II

Jake Lopez, Vice-Chair – District I

Lewis (Shane) Lee – District III

Gene Creighton – District IV

Paul Grider – District V

