

FINAL

PAYROLL AUDIT REPORT

OF

METROPOLITAN DETENTION CENTER

01-111



**CITY OF ALBUQUERQUE
OFFICE OF INTERNAL AUDIT**



City of Albuquerque
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Internal Audit Committee
City of Albuquerque
Albuquerque, New Mexico

Audit: Payroll Audit
Metropolitan Detention Center
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INTRODUCTION

The Office of Internal Audit performed a payroll audit of the Metropolitan Detention Center (MDC) for the pay period ended November 3, 2000. Subsequently, we performed additional audit testwork for the pay period ending June 14, 2002. A review of internal controls was made to determine if they were adequate. Good controls are necessary to assure management that payroll regulations and procedures are being properly administered.

MDC has one timekeeper, and two payroll clerks who assist the timekeeper. The timekeeper is responsible for reviewing payroll documentation for accuracy and completeness, and entering it into the City's automated payroll system. The timekeeper is also responsible for reviewing the accuracy of the entries into the City's automated payroll system.

MDC' approved budget for fiscal year 2003(FY2003) is \$54.8 million. Salary and benefit costs for FY2003 are 39 percent (\$21.3 million) of the total MDC budget. For FY2003, MDC has 484 approved positions. Actual personnel expenditures for FY2002 were \$21.5 million.

This audit, and its conclusions, is based on information provided through interviews, tests and reviews of procedures. The audit was conducted in accordance with Government Auditing Standards, except Standard 3.33, requiring an external quality control review.

SCOPE

This audit and its conclusions are based on information taken from a sample of transactions and do not purport to represent an examination of all related transactions and activities. Our audit testwork was limited to the following areas:

- Review time cards, time sheets, P-30s and approvals
- Review leave taken to determine if documentation is in order.
- Test approvals for salary changes and other compensation.
- Check compliance with applicable laws, policies and regulations

FINDINGS

The purpose of an internal audit is to identify changes in the auditee's activities that would improve its effectiveness, efficiency, and compliance with administrative policies and applicable rules and regulations. Therefore, the auditee's activities that appear to be functioning well are not usually commented on in audit reports. The following findings concern areas, which we believe would be improved by the implementation of the related recommendations.

1. MDC SHOULD ENSURE THAT PAYROLL UPGRADES ARE IN COMPLIANCE WITH THE CITY'S PERSONNEL RULES AND REGULATIONS.

The City of Albuquerque Personnel Rules and Regulations (Rules & Regs), Section 700.4, states, "The maximum number of hours worked in an upgraded status is limited to 160 hours per position, per fiscal year. The number of hours may be extended with the approval of the Employee Relations Office." According to the Rules & Regs, "Conditions for payroll upgrading include the absence of an employee from regular duty or for work performed outside of the employee's classification due to a business necessity and at the direction of the department director . . ."

The Pay Detail Report for the division showed 25 employees were temporarily upgraded between January 2000 and December 2000, for a total of 2,688 hours. Two of the employees worked in a temporary upgrade status for more than the 160-hour limit. One employee was upgraded for 480 hours and one for 457 hours.

During the period from January 2001 through December 2001, 38 employees were upgraded for a total of 4,683 hours. Five employees were upgraded for more than 160 hours:

Employee	Number of Hours Upgraded
Cook	966
Electrician	778
Stockkeeper	504
Corrections Records Tech	424
Corrections Officer	368

During the period from January 2002 through December 2002, 30 employees were upgraded for a total of 8,015 hours. Twelve employees were upgraded for more than 160 hours:

Employee	Number of Hours Upgraded
Electrician	1359
Cook	1279
Stockkeeper	1120
Corrections Records Tech	583
Corrections Officer	384
Cook	384
Corrections Officer	356
Corrections Officer	304
HVAC Tech	252
Corrections Officer	231
Corrections Officer	216
Corrections Officer	207

MDC relies on upgrades to compensate for numerous vacant positions. MDC should track the total number of hours that individual employees receive payroll upgrades in a year to ensure that employees do not exceed the 160-hour limit. MDC management stated that the Employee Relations Office had not approved exceeding the limit.

RECOMMENDATION

MDC should ensure that payroll upgrades are in compliance with the City's Personnel Rules and Regulations.

MDC should develop procedures that ensure upgrades do not exceed 160 hours per year, per position, unless proper approval for an extension is obtained.

EXECUTIVE RESPONSE FROM MDC

“The Metropolitan Detention Center has followed the union contract for bidding out the upgrades for vacancies. The department agrees that some individuals did exceed the 160 hour limit.

“Currently the Detention Center has set up procedures to review and control the number of hours of upgrades.”

2. MDC SHOULD DEVELOP PROCEDURES TO ENSURE THAT THE PAYROLL EMPLOYEES MAKE REQUIRED ACCRUAL ADJUSTMENTS.

Rules & Regs, Section 402.5.B., states, "Employees on leave without pay for eight (8) hours or more per pay period, will not accrue sick or vacation leave."

- For the two-week pay period ending November 3, 2000, nine employees on some type of leave without pay status for more than eight hours per pay period accrued their full amount of vacation and sick leave for these time periods.
- For the two-week pay period ending June 14, 2002, five employees who were on leave without pay status for more than eight hours per pay period accrued their full amount of vacation and sick leave for these time periods.

The MDC timekeeper and payroll clerks did not make the required sick and vacation leave accrual adjustments. Consequently, some employees got more vacation and sick leave than they were entitled to. For example, one employee was absent without pay for 80 hours during the two-week pay period, and four other employees were absent without pay for 40 hours each during this two-week pay period. However, the final payroll register for the pay period indicated that each of these employees still received the full amount of their normal vacation and sick leave accrual.

In some cases, MDC payroll employees did make the necessary payroll entries to adjust vacation and sick leave accruals when employees were on a leave without pay status. The MDC payroll employees are aware of the requirement to adjust sick and vacation leave accruals. The responsibility for ensuring that Rules & Regs are being followed lies with the MDC management. Payroll entries should be reviewed to ensure that information is accurate and that all applicable rules are being followed.

RECOMMENDATION

MDC should develop procedures to ensure that its payroll employees make the required adjustments to accruals when employees are on leave without pay status for more than eight hours in a pay period.

MDC management should develop procedures to review the preliminary payroll registers to ensure that information is accurate and that all applicable rules are being followed.

EXECUTIVE RESPONSE FROM MDC

“The department reconciles the vacation and sick leave on a monthly basis. At the time of the reconciliation, the adjustments had been made. In the future the adjustments will be made during each pay period.”

3. MDC SHOULD DEVELOP PROCEDURES TO ENSURE THAT EMPLOYEES ARE PAID CORRECTLY

A sample of 31 out of the 404 MDC employees was selected to test for compliance with payroll requirements for a two-week pay period ending November 3, 2000. In five cases, there were discrepancies between the supporting payroll documentation, and the amount that was paid to the employee. Consequently, in these five cases, the auditor could not determine if the employee had been paid correctly. The following problems were noted:

- The City’s Payroll Register indicated that an employee was paid for four days of temporary upgrade. However, a “Report of Payroll Upgrading” indicated that the employee should have been paid for five days of temporary upgrade.
- The City’s Payroll Register indicated that an employee was paid for 52 hours of temporary upgrade. However, a “Report of Payroll Upgrading” indicated that the employee should have been paid for 64 hours of temporary upgrade.
- The MDC payroll documentation contained two conflicting overtime slips for the same day and shift. One of the overtime slips indicated that the employee worked 8 hours of overtime during that shift. The other overtime slip for the same date/shift indicated that the employee only worked 1-¾ hours of overtime during that shift.
- The City’s Payroll Register and the employee’s weekly time report indicate that the employee used two hours of accrued compensatory time during this payroll period. However, the employee prepared a form P-30 that indicates that she used 5 ½ hours

of accrued compensatory time during the payroll period. The 5-½ hour mark on her P-30 was crossed out, and replaced by a two. However, the employee or her supervisor did not initial the change, so it was not clear how much compensatory time the employee actually used. This was a MDC payroll unit employee.

- There was a discrepancy between the number of regular hours worked by an employee as recorded on the City's Payroll Register, and the number of regular hours reported as worked on the employee's weekly time sheet. This was a MDC payroll unit employee.
- A MDC fiscal employee transferred to the payroll unit from the cash accounting unit in late 2001. This employee was receiving shift differential pay when he was working in the cash accounting unit. When he transferred to the payroll unit, he was no longer entitled to receive shift differential pay. However, he continued to receive shift differential pay during the first part of 2002, even though he was not entitled to this pay. This error was subsequently detected by MDC, and the employee was repaying the shift differential pay.

The MDC timekeeper is not adequately supervising and reviewing the work of the two payroll clerks. If the MDC timekeeper were to thoroughly review the payroll documentation that is being processed by the two payroll clerks, these types of errors could be detected and corrected prior to the employees being paid.

RECOMMENDATION

MDC should develop procedures to ensure that employees are paid correctly. MDC should develop procedures to ensure that the supporting payroll documentation and the City's Payroll Register are in agreement. MDC should ensure that the timekeeper review the payroll documentation that is being processed by the two payroll clerks.

EXECUTIVE RESPONSE FROM MDC

"The Metropolitan Detention Center agrees with the findings. The department has made changes to the procedures for accepting time sheets and making payroll adjustments. Time sheets must be turned in on a timely basis. This should ensure that all employees are paid correctly. In the future a supervisor will review all entries."

4. MDC SUPERVISORS AND EMPLOYEES SHOULD COMPLY WITH THE APPROVED DEPARTMENTAL MANAGERIAL LEAVE POLICY.

Rules & Regs, Section 402.7, states, "Managerial leave is paid leave granted to management series employees who may be required to perform work in addition to or outside of their regular work schedules at the discretion of department directors." This section further states, "Managerial leave may be granted only as the result of a pre-existing plan or program authorized by the Chief Administrative Officer (CAO) which provides specific criteria, including the maximum award for such leave."

MDC has a Managerial Leave Policy, dated September 1999, which was approved by the previous CAO. This policy states, "On a monthly basis the Division Managers will evaluate eligibility for all managers under their direct supervision requesting managerial leave. The Director or his designee will review the eligibility of each manager and either approve or disapprove managerial leave . . . Under no circumstances will an employee be granted more than eight (8) hours of managerial leave for any one month. " The policy further states, "Managerial Leave may not be accrued. Approved Managerial Leave must be taken within 30 days of approval. "

During the pay period reviewed, there were 23 MDC management employees who accrued managerial leave, and did not take it within 30 days of approval. As of the date of the fieldwork, 15 employees had managerial leave balances greater than 8 hours.

The departmental payroll records indicated that during a single pay period, 11 MDC management employees received managerial leave of more than eight hours posted to their payroll records. One employee had 56 hours of managerial leave posted to his balance.

A March 1, 2002, memorandum from a MDC Captain stated, "It has come to my attention that [a lieutenant] has not received any managerial leave since August 2001 and would request that he receive **40 hours**, . . ." The letter further stated, "I also have failed to receive managerial leave and would request that I also receive this time." The March 2002 request by the MDC Captain that he and the lieutenant each receive 40 hours of managerial leave was approved. This does not comply with the MDC Managerial Leave Policy, which requires that the eligibility of managers be evaluated on a monthly basis.

The final payroll register for the pay period ending June 14, 2002 indicates that a MDC Lieutenant had 16 hours of credit for managerial leave added to his managerial leave balance. However, the MDC payroll unit could not provide the auditor with any documentation that supported this addition to the Lieutenant's managerial leave balance. Consequently, the auditor could not determine if this addition to the managerial leave balance of the employee was correct.

The MDC supervisors who administer the policy are not adhering to the requirements of the policy. The Department Director should not approve requests for Managerial Leave that do not comply with the approved policy.

RECOMMENDATION

MDC should develop procedures to ensure that all supervisors are aware of and comply with the approved managerial leave policy.

MDC should request approval from the current CAO for its Managerial Leave Plan.

EXECUTIVE RESPONSE FROM MDC

“The Metropolitan Detention Center has submitted a new managerial leave policy to the Chief Administrative Officer, which was approved on April 11, 2003.”

5. MDC SHOULD CONSIDER ADOPTING A CAP ON THE NUMBER OF HOURS OF OVERTIME OFFICERS MAY WORK EACH PAY PERIOD.

MDC does not have limitations on the total amount of overtime employees may work during a pay period. Our review determined that some corrections officers are working more than 40 hours of overtime within a pay period.

During the pay period ending November 3, 2000, 78 Corrections officers worked 40 or more hours of overtime. Fifteen of these Corrections officers worked more than 60 hours of overtime during this two-week period. One Corrections officer worked 105 hours of overtime during this two-week period.

For the two-week pay period ending June 14, 2002, 10 Corrections officers worked 40 or more hours of overtime. Four of these Corrections officers worked more than 60 hours of overtime.

When Corrections officers are allowed to work unlimited hours of overtime, the officers' capacity to be in optimum shape to handle life and death situations could be seriously compromised. This not only places the City and the public at risk, but also places the Corrections officers themselves at risk.

MDC requires coverage by officers on all shifts. If there are not enough corrections officers to cover a particular shift, then some officers must work overtime. The

collective bargaining agreement between the City and the union that represents Corrections officers states that overtime is assigned by seniority.

RECOMMENDATION

MDC should consider adopting a cap on the number of hours of overtime officers may work each pay period.

EXECUTIVE RESPONSE FROM MDC

“The Metropolitan Detention Center will review the overtime situation and develop procedures to address excess overtime hours.”

6. MDC SHOULD DEVELOP PROCEDURES TO ENSURE THAT ALL REQUESTS FOR LEAVE ARE PROPERLY COMPLETED.

Administrative Instruction No. 7-6, Leave of Absence Form (P-30), states, “All leave shall be coded correctly on the revised Leave of Absence Form (P-30) in order to properly identify the type of leave being taken.” The P-30 documents the employees’ use of sick leave, vacation leave, and other absences. The Administrative Instruction further states, “Department directors and supervisory staff are responsible for insuring (sic) that the procedures for accurately recording leave are followed and that records and supporting documentation are properly maintained.”

Pay Period Ending November 3, 2000

We reviewed an audit sample of 31 MDC employees’ P-30s for completeness. There were 11 cases where the employee did not properly complete the P-30s, but the supervisor still approved the leave request. The following information is vital in order to correctly process the P-30s to the correct employee and the correct division:

- Three of the P-30s did not list the employees’ complete social security number.
- Three of the P-30s did not list the employee’s pay unit code, or his division or department information.
- Five of the P-30s did not list the employee’s pay unit code, or his division information.

Pay Period Ending June 14, 2002

We reviewed an audit sample of 10 MDC employees’ form P-30s for completeness. There were 13 cases where the employee did not properly complete the P-30s, but the

supervisor still approved the leave request. The following information is vital in order to correctly process the P-30s to the correct employee and the correct division:

- One of the P-30s did not list the employee's complete social security number, or the pay unit code.
- Eleven of the P-30s did not list the employee's pay unit code or division information.
- One P-30 did not list the employee's pay unit code, or his division or department information.

Several P-30s did not list the employees' pay unit code. This information, while asked for on the form, will not keep the leave from being processed if the division information is complete. Supervisors are responsible for ensuring that the P-30s turned in by employees are accurate and complete.

RECOMMENDATION

MDC should develop procedures that ensure all P-30s are properly completed.

EXECUTIVE RESPONSE FROM MDC

“The Metropolitan Detention Center has procedures in place that require request for leave forms to be completed accurately. The department is in the process of communicating with the employees on what is required on all payroll documents.”

7. MDC SHOULD REVIEW THE USE OF MANUAL PAYROLL CHECKS CAUSED BY THE LATE SUBMITTAL OF PAYROLL DOCUMENTATION.

For the pay period ending November 3, 2000, 14 manual checks had to be prepared for MDC employees. Manual checks have to be prepared if employees do not turn their payroll documentation in on time, or the supervisors do not review and approve payroll documentation on a timely basis.

For the two-week pay period ending November 3, 2000, the payroll documentation for 31 employees was reviewed. We noted three payroll documents that contained the notation “Late Paperwork”. This indicates that employees are not turning in their payroll documentation on a timely basis, or supervisors are not reviewing and approving payroll documentation on a timely basis.

When payroll documentation is submitted late to the MDC payroll unit, it causes extra work for payroll employees because they have to have manual checks prepared for the employee. This reduces the amount of time that those payroll employees have to work on other payroll functions.

RECOMMENDATION

MDC should review the use of manual payroll checks caused by the late submittal of payroll documentation.

EXECUTIVE RESPONSE FROM MDC

“The department has implemented procedures to reduce the number of manual checks.”

8. MDC SHOULD DEVELOP PROCEDURES TO ENSURE THAT THE FAMILY AND MEDICAL LEAVE ACT (FMLA) POLICY IS COMPLIED WITH.

The Rules & Regs, Section 401.11, regarding FMLA leave state, “As with any type of leave, an employee must give advance notice requesting leave and obtain approval, except in emergencies . . . Request for leave must be submitted on a Request for Leave of Absence form.”

For the pay period ending June 14, 2002, we reviewed the payroll documentation for a sample of 10 employees to test compliance with the City’s FMLA policy, and noted the following exceptions:

- An employee was paid for 16 hours of FMLA injury pay. The MDC payroll unit did not have a P-30 for this time. The payroll clerk informed the auditor that the employee needed to turn in a P-30 for this time, but had not yet done so.
- Another employee was paid for 80 hours of injury pay. The MDC payroll unit did not have a P-30 for this time.
- A third employee was paid for 3 hours of FMLA sick leave. The MDC payroll unit did not have a P-30 for this time. Additionally, the employee’s time sheet reflected that the employee was using 8 hours of FMLA sick leave, but the final payroll register reflects that the employee used only three hours of FMLA sick leave.

RECOMMENDATION

MDC should develop procedures to ensure that the City's FMLA policy is complied with.

EXECUTIVE RESPONSE FROM MDC

"MDC is in the process of developing procedures to comply with FMLA standards."

9. MDC SHOULD DEVELOP PROCEDURES TO ENFORCE THE SICK LEAVE USAGE REQUIREMENTS IN THE UNION CONTRACTS.

The Agreement Between the City of Albuquerque and Albuquerque Officers Association, Local 1888, states, "Employees who have been absent from work for sick leave on at least three (3) occasions and have missed more than fifty-six (56) hours of personal absence sick leave during the preceding twelve (12) (rolling calendar year) months shall not be granted further personal absence sick leave until their utilization falls below this level."

Some employees may be over utilizing the City's sick leave benefit. During the 11-month period from January 1, 2000, to November 9, 2000, 24 employees used more than 56 hours of sick leave. The average amount of sick leave used by these 24 employees was 75 hours each, with two of these employees using more than 100 hours.

Sick leave usage reports are available on the automated payroll system to help departments identify potential over utilization of leave. The sick leave usage reports display the number of hours used per month, the number of personal sick leave hours used for the 12-month period and the percentage of personal sick leave hours used during the 12-month period.

MDC division managers and supervisors should be trained to enable them to understand the information contained in the reports.

RECOMMENDATION

MDC management should enforce the union contract requirement that employees not be granted further personal absence sick leave until their utilization falls below fifty-six hours of personal absence sick leave during the preceding twelve months.

EXECUTIVE RESPONSE FROM MDC

“MDC is reviewing the current sick leave usage requirements and will be developing procedures to address the situation.”

10. MDC SUPERVISORS SHOULD DEVELOP PROCEDURES TO ENSURE THAT ALL PAYROLL DOCUMENTATION IS PROPERLY REVIEWED AND APPROVED.

We reviewed the payroll documentation for a sample of 31 employees for the two-week pay period ending November 3, 2000. We noted 89 payroll documents that did not have all of the required signatures to indicate proper review and approval by supervisors, or concurrence by the employee for changes to his or her payroll records. For example, there was not a supervisor’s signature on an “Employee Clearance Form.” This is the form to document an employee leaving the City’s payroll. The employee did not sign six “Hours Correction Forms” to indicate that the employee was made aware that his or her payroll records were being changed. The “Hours Correction Form” is used to change payroll entries made in prior payroll periods.

For the pay period ending June 14, 2002, we noted that some payroll documentation also lacked the proper review and approval. For example, an employee did not sign three “Hours Correction Forms” to indicate that the employee was made aware that his or her payroll records were being changed.

MDC does not have adequate internal controls to ensure that employees’ payroll documentation is properly reviewed and approved, and signed to indicate that the review process has been properly completed. Entries may be made to the City’s payroll system that are not correct.

RECOMMENDATION

MDC should develop procedures to ensure that all payroll documentation is reviewed and approved.

EXECUTIVE RESPONSE FROM MDC

“Currently all payroll documentation is being reviewed for proper signatures. If signatures do not appear on the documents, the payroll documents are sent back to the supervisor for review and to obtain the proper signatures.”

11. MDC SHOULD DEVELOP PROCEDURES TO ENSURE THAT THE TIMEKEEPER REVIEWS ALL RELEVANT PAYROLL EXCEPTION REPORTS.

The City's computerized payroll system can generate various exception reports. Exception reports help timekeepers and supervisors identify payroll errors. The department timekeeper utilizes six of the exception reports that are available. There are four other exception reports, which are available, which she does not utilize.

The MDC Personnel Manager, who is the timekeeper's supervisor, does not use the exception reports because “we are hooked up through the County and BCDC is having problems hooking up payroll to the Page Center to print, review reports.”

If payroll exception reports available are not run, payroll errors can remain undetected.

RECOMMENDATION

The timekeeper should review all relevant payroll exception reports. The timekeeper and the payroll clerks should investigate any unusual situations that are reported on the exception reports.

MDC should determine if it could gain the necessary computer access to be able to run and print the payroll exception reports that are available from the City's computerized payroll system.

EXECUTIVE RESPONSE FROM MDC

“Currently the department has two new payroll clerks and is in the process of obtaining proper City payroll training. This will ensure that the available reports will be properly accessed and reviewed.”

12. MDC SHOULD COMPLY WITH THE REGULATIONS REGARDING THE MAXIMUM LENGTH OF SERVICE FOR TEMPORARY EMPLOYEES.

The Rules & Regs, Section 302.9, states, " A **temporary** employee is one who is given a termination date at the time of appointment and whose length of service may not exceed two (2) years. Temporary employees shall be terminated two (2) years from date of hire." Three MDC employees listed on the City's automated payroll system Position Control Report of Temporary Employees/Positions show a hire date more than two years ago. One of these MDC employees shows a hire date of 1996. The MDC Fiscal Manager stated that MDC had received permission from the Human Resources Department to keep temporary employees for longer than two years. However, he was unable to provide the auditor any documentation to support this statement.

Long-term temporary employees could claim that they are permanent and entitled to benefits if allowed to remain on the payroll beyond the two-year limit.

RECOMMENDATION

MDC should comply with the Rules & Regs regarding the maximum length of service for temporary employees.

Temporary employees should either be terminated after two years, or their positions should be reclassified as permanent.

EXECUTIVE RESPONSE FROM MDC

"The Department maintains a temporary pool of correction officers. When correction officer positions are vacated, the temporary employees are moved into those positions. The average length of time each temporary employee is held in the pool is 6 months.

"There are also 8 retired correction officers who are hired to assist in the transport of inmates to court. These employee's cannot work more than 1500 hours per year. One of the temporary employees had a hire date of 1996. It was the department's understanding that the retired employee would not fall under the two year limitation."

"Conclusion

"The MDC realizes that there are errors in the payroll procedures and is currently working on correcting all the exceptions as pointed out by this audit. The department had vacancies within the personnel and payroll unit and recognizes that over time the implementation of new

procedures and the proper training of the new staff will reduce the errors.”

13. MISCELLANEOUS

The following findings do not require a response, but should be considered as additional ways to improve MDC administration of the payroll function.

- A. A MDC employee was paid for 32 hours of floating holidays in the pay period ending November 3, 2000. The Rules & Regs (Section 401.3) requires that employees obtain written approval from their department head if they are going to float a holiday. MDC was unable to provide copies of the documentation

MDC employees who float holidays should obtain the written approval of their department head. The payroll supervisor and the payroll clerks should not process floating holiday payroll entries that do not have the proper authorization.

- B. A MDC payroll unit employee helps to distribute payroll checks to employees.

The responsibility to distribute payroll checks should be separated from the responsibility to process payroll information into the City's payroll system.

- C. MDC was unable to provide documentation supporting 11 payroll adjustments made in 2000 selected as a sample to verify that proper approvals were obtained. Consequently, we could not determine if the payroll adjustments were proper.

MDC should ensure that all adjustments that are made to payroll records be adequately documented.

CONCLUSION

By implementing these recommendations, the Metropolitan Detention Center will better fulfill its responsibility to administer the City's payroll policies and procedures in an effective manner. We appreciate the assistance provided by MDC personnel during the audit.

REVIEWED and APPROVED:

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