

Our review of one hundred and twenty-six vouchers used by the Fiscal division disclosed the following:

- None of the vouchers were numbered.
- One voucher did not have the authorization portion completed. (The remaining 125 vouchers were completed with the necessary authorization.)
- Four vouchers did not have the support of a receipt. (The remaining 122 vouchers did have receipts to support the purchases made.)

Although APD follows Treasury's Cash Handling Manual regarding the completion of vouchers, vouchers are not always completed in accordance with the requirements as stated in the Manual. As a result, this weakens the controls over cash.

#### RECOMMENDATION

APD management should require that vouchers are completed in accordance with requirements listed in the Manual. Also, receipts should be required for all purchases made with monies from imprest funds. APD should include these procedures in its written cash handling policies.

#### EXECUTIVE RESPONSE FROM APD

***“APD concurs with this audit finding. Concerning the first issue, vouchers were not numbered. This has been corrected. Currently all vouchers are numbered. The second issue, the voucher authorization portion of the audit revealed that one voucher did not have the authorization completed out of 126 that were checked. APD strives to have 100% compliance with all policies and procedures. The audit finding actually revealed that APD was 99% in compliance on this issue. The third issue, four vouchers that did not have supporting documentation. We agree that all vouchers should have supporting documentation. Again, APD wishes to point out that the audit supported that APD was 96% in compliance with this issue. As the audit indicates written policies and procedures will correct most of the findings. APD will address these specific issues to be in full compliance with the Treasury's Cash Handling Manual.”***

5. APD SHOULD USE CITY RECEIPTS PROPERLY.

According to Treasury's Cash Handling Manual, "city transactions are complete upon issuance of an official receipt, (*cash transactions*). In absence of a cash register receipt, validation, or other electronically approved method, a City of Albuquerque official receipt is required." The Manual further states that for amounts due the City, an accounts receivable form must be completed and, "MUST HAVE A SIGNATURE." On the accounts receivable form, the customer signs and ". . . hereby certify that the above is true and accurate in all respects", and "agree that this billing is true and that the above described services have been performed or the above described merchandise has been received in good condition, by Customer Signature, title, and date." The customer receives one copy and the other copies are used by the department in recording the receivable on the City's books.

SED is issuing an official City of Albuquerque receipt whether the customer pays at the time of service or will pay later. SED is not using an accounts receivable form for those customers not paying at the time of service. Instead, a copy of the receipt is given to the customer and copies of the receipt are sent to APD fiscal to record the receivable on the City accounts receivable system.

APD does not have procedures in place to ensure that City receipts and accounts receivable forms are used properly. By not using receipts and account receivable forms correctly, the City may be unable to support accounts receivables from customers, i.e., payments not made at the time of service.

RECOMMENDATION

APD should ensure that usage of receipts and accounts receivable forms are in accordance with City policies. APD should include these procedures in its department specific written policies.

EXECUTIVE RESPONSE FROM APD

***"APD concurs with this audit finding. APD will ensure that usage of receipts and accounts receivable forms are in accordance with City policy. The APD written policies and procedures will address this specific issue. APD will not issue receipts in lieu of accounts receivable forms."***

6. APD SHOULD ENSURE THAT ITS IMPREST FUND CUSTODIANS ARE FREE FROM OTHER CASH FUND DUTIES.

According to Treasury's Cash Handling Manual, "Any activity associated with . . . any other funds, must be assigned to an employee outside of the cash handling area." The Manual further requires ". . . segregations of change fund from revenue receipts." Having these requirements provides for separation of duties and strengthens controls over City monies. Responsibilities assigned to custodians of two imprest funds at APD may be compromising controls over monies.

- The custodian of the \$50 change fund assigned to the Alarm Ordinance Unit periodically opens the mail which contains payments from customers. While performing the cash count of the change fund, we observed that the opening of mail is not being performed under dual control. Only one person was opening the mail.
- The custodian assigned to the \$350 petty cash fund in the Fiscal Division prepares deposits of funds received from other areas of APD. This compromises the controls over both the monies in the petty cash fund and the monies received to be prepared for deposit.

APD staff do not always practice separation of duties when performing job functions. As a result, controls over monies and other functions such as the opening of mail containing payments may not be operating as well as intended.

RECOMMENDATION

APD should implement procedures that provide for the separation of, and dual control over, duties associated with revenues and imprest funds. APD should include these in its department specific written procedures, which address the handling of City monies.

EXECUTIVE RESPONSE FROM APD

***"APD concurs with this audit finding. APD will implement procedures for the separation of, and dual control over, duties associated with revenues and imprest funds as much as employee resources allows. APD written policies and procedures will address these concerns."***

7. APD SHOULD ENSURE THAT SIGNATURES ON PETTY CASH VOUCHERS SUPPORT DUAL CONTROL OVER IMPREST FUNDS.

According to Treasury's Cash Handling Manual, one of the signatures to be completed on petty cash vouchers is the person authorizing the purchase. Also, according to the Manual, "Dual separate signature requirements." should be met. This means the person signing the voucher authorizing the purchase should be separate from the custodian of the fund and the person making the purchase. APD is not following these requirements. All of the vouchers reviewed had either the custodian or cashier of the fund signing the authorization portion of the voucher.

Since APD management does not have separate signature requirements on petty cash vouchers, control over the fund has been compromised. Unauthorized purchases, errors, or omissions could occur and go undetected.

RECOMMENDATION

APD management should assign authorization for approval of petty cash purchases to staff other than fund custodians. APD should ensure that there is adequate separation of duties in this function. The procedures should be included in the department's written cash handling policies.

EXECUTIVE RESPONSE FROM APD

***"APD concurs with this audit finding. APD implemented procedures for the approval of petty cash purchases other than the fund custodian several months ago. APD written policies and procedures will address these concerns."***

8. APD SHOULD KEEP WRITTEN DOCUMENTATION FOR DELEGATING PETTY CASH PURCHASE APPROVALS.

Per Administrative Instruction No. 2-1-1A, Signature Authority (Budget and Financial Documents), responsibility for "Petty cash vouchers/vehicle mileage reimbursement" has been assigned to the Department Director. The Instruction provides that "Signature authority as assigned in this Administrative Instruction may be delegated in writing by the official with the assigned authority to any supervisory employee under his or her direction."

APD has not formally delegated the signature authority for petty cash vouchers to anyone. The vouchers are not being signed and approved by the Director. Without having signature authorizations established, APD is not meeting the requirements as set forth in the Administrative Instruction.

RECOMMENDATION

APD management should delegate, in writing, signature authority for purchases using petty cash vouchers. APD should include this in the department's written policies.

EXECUTIVE RESPONSE FROM APD

***“APD concurs with this audit finding. APD will document in writing signature authority for purchases using petty cash, and include, them in the written policies and procedures.”***

9. APD SHOULD COMPLY WITH CITY REGULATIONS REGARDING THE TYPES OF PURCHASES THAT ARE MADE WITH CITY FUNDS.

Both Administrative Instruction No. 3-11, Purchase of Personal-use Items for Use by Employees, and the Manual state that “It is the City’s policy that city funds will **not** be used to purchase gifts, amenities, or items for the personal use of employees or for consumption by employees, unless the items are required to perform assigned departmental responsibilities or functions.” Exceptions have been provided for in the Instruction and the Manual. According to the Manual personal use items may be purchased when, “Items [are] purchased which have been determined by a department director to be necessary for the health, safety or welfare of employees, due to the working conditions or the physical location of the workstation.”

Eleven purchases were identified that were for items which are unallowable according to City policies unless approved by the Department Director. There was no documentation on file to support the approval of the expenditures by the Department Director.

By not having department specific written cash handling procedures which address requirements for purchases, APD has increased the possibility that unallowable purchases will be made.

RECOMMENDATION

APD’s written cash handling procedures should include the items which are allowable to be purchased with monies from the department’s imprest funds. All purchases of personal use items should be approved by the Department Director prior to the purchases being made.

EXECUTIVE RESPONSE FROM APD

***“APD will include in the written policies and procedures items that are allowable to be purchased with monies from the Department’s imprest funds. The Chief of Police will make the determination of the approval authority and process.”***

10. APD SHOULD FOLLOW CITY POLICIES FOR PETTY CASH REPLENISHMENTS.

According to the Manual “Transactions are recorded in general ledger, when the check is issued to the petty cash custodian.” In order for items to be recorded in the general ledger in a timely manner, it is important that replenishments are made monthly. In order to have sufficient monies on hand to make purchases the Manual states that, “A good measurement to use to determine when to replenish a petty cash fund is when the money is about half of the original assigned amount.”

Replenishments made to the petty cash fund from May 2000 through February 2001 were reviewed. During this timeframe there were nine replenishments made. The fund was not replenished when the fund’s balance dipped below the fifty percent amount nor were replenishments made to ensure items were recorded in the general ledger in a timely manner. As a result, funds may not have been available when needed, and items may not have been recorded in the general ledger during the correct time frame.

APD management has not followed the guidelines for replenishments stated in the Manual, and the requirements have not been communicated to those individuals assigned responsibilities for the petty cash fund. This is attributable to the absence of department specific written cash handling procedures, which could be used to communicate the requirements in the Manual for replenishing the petty cash fund.

RECOMMENDATION

APD management should follow the City’s Cash Handling Manual guidelines for the replenishment of the petty cash fund. It should ensure that monies are available for purchases and that transactions are recorded to the general ledger in a timely manner.

EXECUTIVE RESPONSE APD

***“APD will implement in writing policies and procedures for the replenishment of petty cash funds. These policies and procedures will be in accordance with the City’s Cash Handling Manual guidelines. APD will ensure that transactions are recorded to the general ledger in a***

***timely manner. The issue that monies are not available for purchases is an assumption on the part of the auditor.”***

11. APD SHOULD CHANGE CLASSIFICATION OF IMPREST FUND TO PROPERLY REFLECT ITS USAGE.

According to the Manual, the various functions assigned to Treasury are “Record and control city funds.” Therefore, information on file with Treasury regarding imprest funds should be accurate.

According to Treasury, there are two petty cash funds assigned to APD. However, during our cash count we found that the \$50 petty cash fund assigned to SED is being used as a change fund and not a petty cash fund. APD has not taken steps to change classification of the fund to reflect its current usage. As a result information on file at Treasury does not accurately reflect classification of one imprest fund held at APD.

RECOMMENDATION

APD should contact Treasury whenever information on file needs to be updated. Periodically, APD should verify with Treasury that the information on file is correct and accurate regarding its imprest funds.

EXECUTIVE RESPONSE FROM APD

***“APD will contact Treasury in order to change the function of the SED \$50.00 petty cash fund to the proper classification. The APD written policies and procedure will address the time frame(s) to verify with the information on file in Treasury.***

***“In conclusion, the APD appreciates your assistance during this audit and will implement changes as needed with the available resources.”***

CONCLUSION

By implementing these recommendations, the Albuquerque Police Department will better fulfill its responsibilities to administer the City’s cash policies and procedures in an effective manner.

We appreciate the assistance and cooperation of the personnel in the Albuquerque Police Department.

**REVIEWED:**

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Senior Auditor

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Principal Auditor

**APPROVED:**

**APPROVED FOR PUBLICATION:**

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Debra D. Yoshimura, CPA, CIA  
Internal Audit Officer

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Chairman, Audit Committee