

FOLLOW-UP OF
ALBUQUERQUE POLICE DEPARTMENT EXPENDITURES
REPORT NO. 07-02-108F



City of Albuquerque
Office of Internal Audit and Investigations



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Accountability in Government Oversight Committee
City of Albuquerque
Albuquerque, New Mexico

Follow-Up: ALBUQUERQUE POLICE DEPARTMENT EXPENDITURES
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FINAL

INTRODUCTION

The Office of Internal Audit and Investigations performed a Follow-up of Audit No. 02-108, Albuquerque Police Department Expenditures, issued June 30, 2004. The purpose of our follow-up is to report on the progress made by the Albuquerque Police Department (APD) management in addressing our findings and recommendations.

SCOPE, OBJECTIVES, AND METHODOLOGY

Our follow-up procedures consist of inquires of City Personnel and review and verification of applicable documentation to assess the status of our audit recommendations. Our follow-up is substantially less in scope than an audit. Our objective is to ensure management has taken meaningful and effective corrective action in regards to our findings and recommendations. The audit was conducted in accordance with Government Auditing Standards, except Standard 3.49, requiring an external quality review.

The scope of the Follow-Up did not include an examination of all the functions and activities related to APD. We limited our scope to actions taken to address our audit recommendations consisting of APD expenditures from the period of June 30, 2004, to October 6, 2006.

RECOMMENDATION NO. 1:

APD has a Financial Management Division (APD Fiscal) that is responsible for providing accurate and timely financial services for the department. APD did not have adequate controls in place to ensure compliance with City policies regarding budgets and expenditures. OIAI identified numerous cases where controls were weak or not operating as intended.

The City has Administrative Instructions in place to delineate City policy and procedures for managing department budgets and expenditures. APD has standard operating procedures (SOPs) with mechanisms for internal controls. The procedures were frequently by-passed, thereby rendering the controls ineffective. Twenty-four of 104 invoices sample indicated that APD did not follow the Administrative Instructions and/or APD SOPs.

OIAI recommended that APD implement financial procedures, including a system of controls over budget and expenditures, to ensure compliance with City and department policies. The audit specifically recommended that:

- The procedures were documented in the SOPs, tested periodically to ensure that controls continue to function as intended, and followed by all APD employees.
- All APD employees authorized to make purchases were trained on City procurement policies and procedures.
- APD Fiscal personnel were made aware of their responsibility for financial controls as described in Administrative Instruction No. 2-20 and for compliance with all City policies.

APD responded that a new fiscal manager had been hired and they would ensure that he was trained in the City systems, financial processes, policies and procedures and Administrative Instructions.

ACTION TAKEN

The audit recommendations have been partially implemented. The new APD Fiscal Manager developed and implemented new SOPs for APD Fiscal, which provide adequate guidance for APD's Fiscal operations, with the exception of an item discussed in the status of Recommendation No. 2. The preliminary FY2006 year-end budget information indicates that all of APD's programs are under budget. The APD Fiscal Manager monitors monthly expenditures for the APD programs to ensure budget compliance.

Administrative Instruction No. 3-6, Comprehensive Purchasing Training Program, requires that departments designate a Purchasing Coordinator, who is responsible for coordinating all

purchasing actions the department generates. APD's Fiscal Manager is the department's Purchasing Coordinator. The Administrative Instruction requires that the departmental Purchasing Coordinator attend all courses offered by the Purchasing Division. The Fiscal Manager has attended all of the required courses, except for the Purchasing Card Coordinator training. Since APD utilizes purchasing cards, its Purchasing Coordinator should attend the training, to fulfill his responsibilities for coordinating APD's use of purchasing cards.

RECOMMENDATION

APD should ensure that its Fiscal Manager/Purchasing Coordinator attend the Purchasing Card Coordinator training.

RESPONSE FROM APD

“APD will ensure that it's Fiscal Manager / Purchasing Coordinator attends the purchasing card coordinator training.”

RECOMMENDATION NO. 2:

APD SOPs had not been revised to reflect City policy changes. Some SOPs were in conflict with current City policy. The use of purchasing cards was not addressed in the financial SOPs. Changes made by APD concerning responsibility for grants were also not reflected in the SOPs. Without current SOPs, APD employees did not have the appropriate standards to follow and might not comply with City policy.

The audit recommended that:

- APD update its SOPs to be consistent with City policy and the Administrative Instructions.
- The APD SOPs be reviewed and revised for procedures that have changed or are no longer reasonable.

APD responded that it would review its SOPs and eliminate those that duplicate the City's existing policies and procedures.

ACTION TAKEN

The audit recommendations have been partially implemented. The new Fiscal Manager developed and implemented new SOPs for APD Fiscal, which provide adequate guidance for APD's Fiscal operations, with the exception of the item discussed below.

APD was not in compliance with City and state regulations requiring governments to deposit monies received by the next business day. In May 2006, APD received \$58,000, which was not deposited until June 22, 2006. The monies were application fees paid by towing companies to participate in the City Tow Company Rotation, a program managed by APD. The APD Fiscal SOPs do not address City and State requirements relating to the timely deposit of public monies.

RECOMMENDATION

APD should revise the Fiscal SOPs to address City and State requirements relating to the timely deposit of public monies.

APD should make all deposits by the next business day.

RESPONSE FROM APD

“APD will ensure that the City and State cash handling requirements are included in the fiscal SOP.”

“APD agrees that all deposits should be made by the next business day in accordance with City cash handling requirements.”

RECOMMENDATION NO. 3:

Administrative Instruction No. 3-7 requires the City to pay all vendors in accordance with the terms of the contracts or within thirty days from the date goods or services are received and/or date of invoice, whichever comes last. As of January 2004, APD had 120 unmatched invoices with a total value of \$157,079 that were older than 60 days and had not been paid. APD's unmatched invoices rate was double the normal percentage for the City.

OIAI identified a number of problems resulting from the late payments. For example, on one property lease, APD was late making the lease payments five times in FY03, and paid almost \$1,400 in late fees. The lease stated that the month-to-month payments after the end of the lease period

would be one and a half times the regular monthly lease payment. APD Finance personnel paid five lease payments at the higher month-to-month rate before contacting the lessor to renegotiate the terms. There was a discrepancy in the APD records relating to credits that should have been received from the lessor. APD Finance personnel had not reconciled the differences to ensure that the credits due were received or recorded.

APD used a private investigator to serve summons on defendants, but did not have a contract with the private investigator. During FY2003, APD paid more than 100 invoices from the private investigator on 15 different purchase orders. The invoices were held and then purchase orders were periodically requested from the DFAS Purchasing Division. The private investigator was not paid timely. Some of the expenditures were not recorded in the correct fiscal year. It was inefficient to make multiple purchases for services from the same provider without a contract.

The audit recommended that APD:

- Ensure that all payments were made timely.
- Consider setting up monthly recurring payments such as lease payments on the auto-pay system to avoid late payments, and associated fees.
- Assign an employee to monitor the terms of contracts and leases so they can be re-bid or renegotiated prior to their expiration dates.
- Set up a building-rent account for building rental expenditures.
- Request that the DFAS Purchasing Division assist with the preparation of a contract for the service of summons.
- Routinely review its expenditures to determine if contracts were needed for multiple purchases of like goods or services.
- Monitor unmatched invoices to ensure that problems are resolved and vendors were paid timely.
- Ensure that its procedures for approval and payment of accounts payable were strictly followed.

APD responded that:

- The APD Fiscal Manager would ensure that unmatched invoices were monitored, invoice problems were resolved, timely payments were made, and procedures followed.
- The APD Fiscal Manager would emphasize the importance of monitoring the contracts for possible re-bid or renegotiation before they expire, and would also review expenses for possible new contracts.

- Excessively detailed object classifications would be avoided since they complicate the accounting procedure and are of limited use in financial management.

ACTION TAKEN

The audit recommendations have been partially implemented. APD Fiscal has assigned two employees the responsibility to research unmatched invoices. However, the October 10, 2006, APD unmatched invoice list included 93 invoices greater than 90 days. Thirty eight of these unmatched invoices were from a vehicle towing company used by APD to tow seized vehicles:

- All 38 invoices were entered into the City's accounts payable system in April 2006. APD Fiscal submitted a Requisition to the Purchasing Division for a purchase order so all 38 invoices could be paid.
- Six of the 38 invoices were dated in July 2005.
- According to APD Fiscal, the vendor started performing work for APD in July 2005. The APD unit which had made the arrangements with the vendor did not notify APD Fiscal of the agreement until nine months later.

As of February 20, 2007, APD only had two unmatched invoices over 90 days old.

APD assigned an employee to monitor the terms of contracts and leases so they can be re-bid or renegotiated prior to their expiration dates. OIAI reviewed the list of APD contracts used to procure goods and services. We noted that a contract for the service of summons by a private investigator had been established, but expired on October 17, 2006. APD has not renewed this contract, but continues using this vendor.

APD's fiscal officer reviews expenditures to determine if contracts are needed for multiple purchases of like goods or services, and if a need is determined, requests that the Purchasing Division issue a contract.

One of the unmatched invoices is a \$410,007 item, dated April 2006. According to APD Fiscal, this was a duplicate invoice and they have contacted the vendor, but have not been able to get a resolution of the item from the vendor. OIAI asked to examine any written correspondence that APD Fiscal had with the vendor regarding the resolution of this item, but APD Fiscal could not provide the requested documentation.

OIAI noted that five months of office rent for an APD unit, totaling \$14,015, were charged to the supplies account in October 2005. As of October 2006, there was no lease with the building owner. However, APD was working with the Purchasing Division and the Legal Department to put a contract in place. As of February 2007, the Legal Department approved a lease, which is pending approval by the City Council.

RECOMMENDATION

APD should:

- Require its operating units that arrange for vendor services for APD to notify APD Fiscal. This will enable APD Fiscal to make the necessary arrangements with the Purchasing Division.
- Charge office rent to an appropriate account.
- Ensure that contracts are renewed timely.
- Document communications with vendors to resolve unmatched invoices.

RESPONSE FROM APD

“APD requires that all employees comply with City ordinances, including the City of Albuquerque Public Purchases Ordinance. APD will continue to educate employees so that they are aware of and comply with City purchasing regulations.

“APD agrees that coding errors should be minimized. Additional resources will be devoted to reviewing document account coding.

“APD fiscal will continue to try to have contracts renewed timely.

“Most vendor communications dealing with problem resolution are verbal. APD agrees that vendor communication may need to be better documented.”

RECOMMENDATION NO. 4:

Administrative Instruction No. 3-11 required that City funds were not 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. Five of the 104

invoices sampled were for the purchase of prohibited personal-use items, including purchases of food, coffee supplies, bottled water service, meals at restaurants and retirement watches.

OIAI recommended that APD:

- Comply with Administrative Instruction No. 3-11 and ensure that the request and approval procedures in the SOPs are followed. This would help ensure that purchases of personal use items are not made.
- Review department purchases to ensure that discretionary items are not purchased during periods when expenditures are being reduced Citywide.

APD responded that:

- With the exception of cake and water purchases, it was in compliance with the Administrative Instruction regarding the purchase of personal items; and the department will review its SOPs regarding personal use items with its staff in order to ensure the policy is understood.
- APD management does comply with Budget and CAO mandates when fiscal constraints are imposed.

Note: Subsequent to this audit, Administrative Instruction No. 3-11 was withdrawn and replaced by Administrative Instruction No. 3-14, Purchase of Personal-Use Items for Use by Employees. The new administrative instruction permits department directors to purchase food and beverages for certain specified purposes, such as board meetings.

ACTION TAKEN

The audit recommendations have been partially implemented. OIAI reviewed the use of APD purchasing cards during the period from January through September 2006. APD purchasing cards were not used to obtain personal use items, as defined in Administrative Instruction No. 3-14.

OIAI's review of APD purchasing card activity, noted the following:

- The APD Purchasing Card Coordinator maintains a spreadsheet that lists the APD purchasing card holders and indicates if the card holder has turned in the weekly required transaction report. Two APD employees had purchasing card transactions in August 2006, but as of October 6, 2006, had not turned in the weekly required

transaction report. Additionally, there were 40 other APD employees with purchasing cards who did not turn in reports for one or more of the weeks in August. Purchase card holders are required to turn in a weekly report, even if they have no transactions. The APD Purchasing Card Coordinator sends monthly e-mail reminders to APD purchase card holders instructing them to turn in their required transaction reports.

- APD requires cardholders to obtain written pre-approval from either the APD Fiscal Manager or the Fiscal Supervisor prior to making a purchase. Purchases made by APD card holders in June 2006, totaling \$4,756, did not have written pre-approval. One cardholder wrote a memo approving his own purchases, totaling \$1,783.
- Departments are allowed to use purchasing cards to purchase an item or items up to \$1,000. This includes the total cost of the item(s) and any associated shipping and handling costs. APD had one instance in which a cardholder used his purchasing card to make a single transaction totaling \$1,066. APD Fiscal notified the cardholder of this instance of non-compliance.

RECOMMENDATION

APD should require that cardholders:

- Timely submit their required weekly transaction reports.
- Obtain written pre-approval from either the APD Fiscal Manager or Fiscal Officer.
- Comply with the purchase card limit of \$1,000.

RESPONSE FROM APD

“APD requires cardholders to comply with City policy as stated in the City of Albuquerque purchasing cards policies and procedures manual. All APD employees are required to attend training before they are allowed to use a purchasing card. APD fiscal will continue to remind card users of program policies when errors are discovered.”

RECOMMENDATION NO. 5:

OIAI reviewed a sample of nine journal vouchers (JVs) to ensure that the entries were valid, appropriate and properly supported. The JVs transferred a total of \$175,828 between programs and accounts. The descriptions provided for the JVs stated that they were to correct previous posting errors and to move disallowed costs from grant funds to the General Fund. The JVs were not always supported with the appropriate documentation to justify the entries.

The audit recommended that APD maintain files with complete documentation to support and justify all JV entries.

APD responded that the APD Fiscal Manager will ensure that proper documentation and substantiating paperwork is in place in accordance with the CAO's memo before approving or processing any subsequent JV's.

ACTION TAKEN

The audit recommendations have been fully implemented. OIAI reviewed APD's FY2006 JVs, which had adequate supporting documentation.

RECOMMENDATION NO. 6:

The DFAS Accounting Division issued a list of standard account numbers, which should have been used by APD for proper classification of expenditures. Twenty-four of 104 APD purchases sampled were recorded to an incorrect expenditure account. Some of the APD employees who posted the entries did not have a clear understanding of the various account classifications.

Some APD activities did not have accounts established for major cost classifications. For example, the activity for the Local Law Enforcement Block Grant, under which vehicles were purchased, did not have an account for recording the purchase of automobiles.

The purchase of bicycles for police use was recorded to the Supplies account. The bicycles should have been recorded as capital purchases and listed as City owned fixed assets. Since the bicycles were not included in the fixed asset lists, the City was not tracking them.

The audit recommended that APD:

- Review and ensure that all recorded expenditures are properly classified.

- Request that additional accounts are established for recording expenditures so that costs are properly classified.
- Ensure that all capital items are properly recorded as assets and tracked.

APD responded that the Fiscal Manager will review accounts payable transactions before they are processed to ensure that the transactions are charged to the appropriate expense account.

ACTION TAKEN

The audit recommendations have been partially implemented. The new APD Fiscal Manager developed and implemented new SOPs for APD Fiscal. These SOPs include a requirement in the APD account payable responsibilities that transactions are reviewed for proper coding into the general ledger system. OIAI's follow-up testwork indicates that improvements can be made in this process. As noted in the status of Recommendation No. 2, five months of office rent for an APD unit, totaling \$14,015, were charged to the supplies account in October 2005.

OIAI reviewed 10 other vendor invoices, greater than \$2,000, which APD charged to supplies accounts in FY2006. Administrative Instruction No. 6-4, Capitalization of Fixed Assets, requires that all disbursements greater than \$1,000 for furniture and equipment are charged to capital outlay expenditure accounts. Four DWI breath analyzer units, each costing \$7,325, for a total of \$29,300 should have been capitalized as fixed assets instead of supplies.

RECOMMENDATION

APD should improve its review process for proper coding of general ledger transactions.

APD should correct the accounting for the transaction charged to supplies expense.

RESPONSE FROM APD

“APD agrees that coding errors should be minimized. Additional resources will be devoted to reviewing document account coding.”

“The transaction charged to supplies expense has been reclassified.”

RECOMMENDATION NO.7:

The City utilizes performance based budgeting, where actual performance is reported, monitored, and compared to performance standards. As of October 2003, APD had not reported data regarding its accomplishment of measures listed in the City's annual performance plan for FY2002 or FY2003. The audit recommended that APD:

- Determine the reasons for the differences between performance goals and actual performance, and either develop solutions to bring performance into line with the goal, or adjust the goal to make it realistic and achievable.
- Develop procedures to ensure that performance measure data is tracked and reported.

APD responded that it would review its actual performance versus its goals and make the necessary adjustments. APD stated that it tracked and monitored its performance data as part of the annual budget process.

ACTION TAKEN

The audit recommendations have been fully implemented. APD Fiscal has a FY2007 goal of 8,000 total hours of training per employee funded by APD. An APD fiscal employee maintains a spreadsheet that tracks the number of hours APD employees go to training. The tracking indicates that for the first three months of FY2006 (July through September) APD employees received 3,830 hours of training. This data indicates that APD should achieve its 8,000 hour goal for FY2007.

APD Fiscal has a FY2007 goal of no more than 30 invoices appearing as over 90 days old on the unmatched invoice list. The October 10, 2006 APD unmatched invoice list had 93 invoices greater than 90 days. As of February 20, 2007, APD only had two unmatched invoices over 90 days old.

CONCLUSION

Two of the recommendations noted in the initial audit report have fully implemented or resolved. Five recommendations have been partially implemented. As noted in our follow-up recommendations, APD needs to further strengthen its internal policies and procedures relating to expenditures.

We appreciate the assistance and cooperation of APD personnel during the audit.

Principal Auditor

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