MANAGEMENT AUDIT REPORT

OF THE

QUARTER CENT PUBLIC SAFETY TAX DEPARTMENT OF FAMILY AND COMMUNITY SERVICES

REPORT NO. 08-108



City of Albuquerque Office of Internal Audit and Investigations

Management Audit of the Quarter Cent Public Safety Tax Department of Family and Community Services Report No. 08-108 Executive Summary

Background:

Effective July 1, 2004, an excise tax equal to one-fourth of one percent of the gross receipts reported pursuant to the New Mexico Gross Receipts and Compensating Tax Act was imposed on any person engaged in business in this municipality. City of Albuquerque's (City) Ordinance 4-3- 8 ROA 1994: Municipal Gross Receipts Taxes Public Safety Tax designates the revenue collected from the Public Safety Tax to be used in specific percentages for the following purposes:

- Police 34%
- Fire/Emergency Preparedness 34%
- Crime Prevention and Intervention 26%
- Corrections 6%

Revenues allocated to the Department of Family and Community Services (DFCS) are for Crime Prevention and Intervention and the intended use of this funding is as follows:

- Nuisance Abatement, Gang Intervention, Crime Free Multi-Housing
- Substance Abuse Assessment/Treatment/Prevention
- School Programs for At-risk Youth

Objectives:

Is there a process in place to ensure Quarter Cent Public Safety Tax (Public Safety Tax) expenditures are separated and accounted for correctly?

Are the Public Safety Tax funds being used in accordance with City Ordinance 4-3-8 ROA 1994: Municipal Gross Receipts Taxes Public Safety Tax, and Council Resolution Bill R-03-239?

- One of 23 (4%) contracts tested provided services to DFCS before the contract was finalized.
- Four of 15 (27%) providers tested were not included on the RFP Waiver list approved by the CAO, nor were they named on the Executive Communication 06-187 to be eligible to exceed \$55,000 in funding aggregate.
- DFCS spreadsheets used to organize social service voucher payments were stored on the local computer drive and backed up on a flash drive monthly.

Recommendations: DFCS should:

- Ensure contracts are finalized prior to receiving services.
- Obtain supplemental CAO approval for qualified providers that are contracted after the beginning of the fiscal year.
- Ensure that critical electronic data is stored on the network drive.

The Department of Finance and Administrative Services - Information Systems Division should develop a Citywide written policy that communicates back-up and storage guidelines for critical data.

During our fieldwork we noted no exceptions for the following objectives:

Objective:

Are there performance measures for the use of Public Safety Tax funds by DFCS and have these performance measures been achieved?

Management responses are included in the audit report



City of Albuquerque

Office of Internal Audit and Investigations P.O. BOX 1293 ALBUQUERQUE, NEW MEXICO 87103

September 24, 2008

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

Audit: Management Audit

Quarter Cent Public Safety Tax

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FINAL

<u>INTRODUCTION</u>

The Office of Internal Audit and Investigations (OIAI) conducted a management audit of the portion of the Quarter Cent Public Safety Tax (Public Safety Tax) operated by the Department of Family and Community Services (DFCS). This audit was included in the approved fiscal year (FY) 08 audit plan.

Effective July 1, 2004, an excise tax equal to one-fourth of one percent of the gross receipts reported pursuant to the New Mexico Gross Receipts and Compensating Tax Act was imposed on any person engaged in business in this municipality. City of Albuquerque's (City) Ordinance 4-3-8 ROA 1994: Municipal Gross Receipts Taxes Public Safety Tax designates the revenue collected from the Public Safety Tax to be used in specific percentages for the following purposes:

- Police 34%
- Fire/Emergency Preparedness 34%
- Crime Prevention and Intervention 26%
- Corrections 6%

Revenues allocated to DFCS are for Crime Prevention and Intervention. Attachment A to Council Resolution Bill R-03-239 represents the intended use of this funding as follows:

- Nuisance Abatement, Gang Intervention, Crime Free Multi-Housing
- Substance Abuse Assessment/Treatment/Prevention
- School Programs for At-Risk Youth

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AUDIT OBJECTIVES

The objectives of the audit were to determine:

- Is there a process in place to ensure Public Safety Tax expenditures are separated and accounted for correctly?
- Are the Public Safety Tax funds being used in accordance with City Ordinance 4-3-8 ROA 1994: Municipal Gross Receipts Taxes Public Safety Tax, and the City Council Resolution Bill R-03-239?
- Are there performance measures for the use of Public Safety Tax funds by DFCS and have these performance measures been achieved?

SCOPE

Our audit did not include an examination of all functions and activities related to the Public Safety Tax managed by DFCS. Our scope included the Public Safety Tax processes and expenditures incurred during FY 07.

This report and its conclusions are based on information taken from a sample of transactions and do not intend to represent an examination of all related transactions and activities. The audit report is based on our examination of activities through the completion of fieldwork, June 19, 2008, and does not reflect events or accounting entries after that date.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

METHODOLOGY

OIAI interviewed DFCS fiscal personnel who administer Public Safety Tax programs and manage expenditures. Documentation and processes reviewed included the following:

- Administrative Requirements for Contracts Awarded Under the City of Albuquerque, Department of Family and Community Services, Social Services Program (Administrative Requirements).
- Expenditures funded with Public Safety Tax.
- Supporting documentation of Public Safety Tax contracts and transactions.

• Performance measures reported in the FY 07 Performance Plan.

FINDINGS

The following findings concern areas that we believe could be improved by the implementation of the related recommendations.

1. <u>DFCS SHOULD ENSURE CONTRACTS ARE FINALIZED PRIOR TO RECEIVING SERVICES.</u>

OIAI selected a statistical sample of contract expenditures funded with Public Safety Tax revenue. Supporting contract documentation was reviewed to determine if the DFCS Administrative Requirements were met. OIAI reviewed 23 of 52 contracts and noted that one contractor (4%) performed services prior to the finalization date of the contract.

DFCS personnel stated that the contract was signed after the commencement date because a component of the provider's application was not complete. The contractor performed services prior to the finalization date of the contract and was subsequently paid for these services upon approval by the program specialist and division manager.

City Administrative Instruction No. 3-7: Payments to Vendors Doing Business with the City requires operating departments to ensure goods or services are not acquired before a contract is finalized.

If services are received prior to the finalization of the contract, DFCS may receive services that are not agreed upon.

RECOMMENDATION

DFCS should ensure provider contracts are completed correctly and finalized prior to receiving services.

RESPONSE FROM DFCS

"We concur with this finding. We have reviewed Administrative Instruction 3-7 and agree that the contract in question was not finalized with signatures from both parties prior to services provided. This issue has surfaced before given the volume of social service contracts the Department oversees and given the lengthy approval process. The Department has instructed program staff responsible for

contract oversight, to make sure the agencies do not begin providing service until their contracts are finalized. Additionally, DFCS has emailed vendors a copy of Administrative Instruction 3-7, with the directive that services should not be performed before the contract is finalized."

2. DFCS SHOULD OBTAIN SUPPLEMENTAL CAO APPROVAL FOR QUALIFIED SUBSTANCE ABUSE NETWORK TREATMENT PROVIDERS (PROVIDERS) THAT ARE CONTRACTED AFTER THE BEGINNING OF THE FY.

At the beginning of each fiscal year, DFCS prepares an inter-office memorandum to the CAO entitled *Request for Waiver of the RFP Process for Substance Abuse Treatment Voucher Agreements* (RFP Waiver). The CAO approves this document which lists providers that are exempt from the Request for Proposals (RFP) process for that FY. This memorandum is prepared to comply with Administrative Instruction (AI) No. 3-1.1A: Signature Authority Public Purchases which states that an RFP is required by the Public Purchases Ordinance for professional technical services involving an amount exceeding \$55,000.

At the beginning of each fiscal year, DFCS also introduces an Executive Communication (EC) entitled *Request for Substance Abuse Treatment Voucher Contractors to Exceed \$55,000 Funding Aggregate* (\$55,000 Funding Aggregate) which includes a list of qualified providers and is approved by the CAO and City Council. This EC is prepared to comply with AI No. 1-1: Signature Authority General Policy states that professional technical contracts and social service contracts that are expected to exceed \$55,000 require CAO approval.

OIAI selected a statistical sample of social service contract expenditures that were funded with Public Safety Tax revenue. Supporting contract documentation was reviewed to determine if the DFCS Administrative Requirements were met, and if providers were approved for both RFP Waiver and \$55,000 Funding Aggregate exemptions for FY 07. OIAI reviewed 15 of 23 provider contracts and noted the following:

- Four of 15 providers (27%) were not included on the approved RFP Waiver or the \$55,000 Funding Aggregate documents.
- Eleven of 15 providers (73%) were properly included on the approved RFP Waiver or the \$55,000 Funding Aggregate documents.

DFCS personnel believed that the approved RFP Waiver and \$55,000 Funding Aggregate documents allowed additional providers to be added during the year.

If DFCS does not seek approval from the CAO when additional providers are contracted during the fiscal year, then contracts may be executed with providers that do not qualify for the RFP Waiver and/or the \$55,000 Funding Aggregate exemption.

RECOMMENDATION

DFCS should obtain supplemental CAO approval for qualified providers that are contracted after the beginning of the FY.

RESPONSE FROM DFCS

"DFCS concurs in part with this finding. Four of the providers were not listed by name on the Waiver EC and were, therefore, not approved by Council. The City Legal Department has recommended DFCS include generic language in future EC's stating the potential for additional providers to be added during the year. The Legal Department states this language would allow the Department to add providers during the year without returning to Council for approval.

"In Addition, after reviewing the Department's EC against the Purchasing Ordinance, the Legal Department determined that the Substance Abuse Treatment Voucher Contractors are exempt from the RFP process. This means an RFP waiver is not needed. Although RFP's are required by the Public Purchases Ordinance for the purchase of professional/technical services exceeding \$55,000, the Purchasing Officer has determined that an RFP is not required for the contracts entered into with qualified substance abuse network treatment providers, because of the non-competitive circumstances, i.e. all providers who apply and meet the established requirements are given a contract.

"The EC to Council only informs them of the potential to exceed the \$55,000."

3. <u>DFCS SHOULD ENSURE THAT CRITICAL ELECTRONIC DATA IS STORED ON THE NETWORK DRIVE.</u>

OIAI inquired about the DFCS information systems controls over Public Safety Tax data. OIAI noted that DFCS spreadsheets used to organize provider voucher payments are stored on the local computer drive and backed up on a flash drive monthly.

The Department of Finance and Administrative Services – Information Systems Division (DFAS-ISD) does not have written Citywide policies that communicate data back-up or storage guidelines.

The Control Objectives for Information and Related Technology Control Practices recommends that management documents and communicates data back-up and restoration strategies, identifies critical data, and implements back-up strategies.

If Public Safety Tax data is not stored on the network drive, information critical to the accuracy of Public Safety Tax expenditures may not be recoverable.

RECOMMENDATION

DFCS should ensure that critical electronic data is stored on the network drive.

DFAS-ISD should develop a Citywide written policy that communicates back-up and storage guidelines for critical data.

RESPONSE FROM DFCS

"We concur with this finding. Senior management has informed Department staff to save all City files on the share drive. DFCS staff will routinely review "file properties" of critical files stored on the network drive to assure they are being routinely updated."

RESPONSE FROM DFAS-ISD

"DFAS concurs with this recommendation. The Information Technology Policies and Standards were updated effective 8/08/2008 to be reviewed 08/08/2010 to include Electronic File and Document Storage. The scope applies to all City Information Technology Assets. All user-generated electronic files and documents, as City records, shall be stored on City network-attached file servers configured for routine backup and recovery operations (e.g., on the X:\ drive). Files and documents shall not be stored on local personal computer disks (e.g., on the C:\ drive) or local removable media (e.g., CDs/DVDs, USB "thumb" drives).

"URL:

<u>http://mesa.cabq.gov/policy.nsf/72eebd88c7bea20287256e3000179ac9/c097b35b3ec0bc3e8725749f005252e0?OpenDocument</u>

"In addition the Novell Logon screen has been modified to reflect the new standard. "Accordingly the City standards, all user-generated electronic files and documents, as City records, shall be stored on City network-attached file servers configured for routine backup and recovery operations (e.g., on the X:\ drive).

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Files and documents shall not be stored on local personal computer disks (e.g., on the C:\ drive) or local removable media (e.g., CDs/DVDs. USB "thumb" drives)." The X drive is backed up nightly."

CONCLUSION

DFCS should make every effort to ensure that contracts are finalized prior to receiving services and should obtain proper approval for qualified contracts. OIAI believes the recommendations noted above will help the DFCS achieve public safety program goals.

DFAS-ISD should develop a Citywide policy for critical data storage.

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

Principal Auditor	
REVIEWED:	
Audit Manager	Internal Auditor
APPROVED:	APPROVED FOR PUBLICATION:
Carmen Kavelman, CPA, CISA, CGAP Director Office of Internal Audit & Investigations	Chairperson, Accountability in Government Oversight Committee