

**MANAGEMENT AUDIT REPORT**

**OF**

**TRANSFERS AND JOURNAL VOUCHERS**  
**CITYWIDE**

**REPORT NO. 09-102**



**City of Albuquerque**  
**Office of Internal Audit and Investigations**

Management Audit of Transfers and Journal Vouchers - Citywide  
Report No. 09-102  
Executive Summary

**Background:**

The Office of Internal Audit and Investigations (OIAI) conducted a management audit of Transfers and Journal Vouchers (JVs) created Citywide. This audit was included in the fiscal year (FY) 09 approved audit plan.

The City of Albuquerque (City) performs reconciliations of the General Ledger (G/L) accounts with the ultimate goal of closing the year end and preparing the Comprehensive Annual Financial Report (CAFR). Approximately 2,700 Transfers and JVs were generated and posted Citywide during FY08.

**Objective:**

Are G/L postings of Transfers and JVs accurate, and does the description, documentation, and approval support the entry according to the City's On-Line JV Policy and Department of Finance and Administrative Services (DFAS) Accounting Procedures for Recording Transactions?

- The policies and procedures for Transfers and JVs are not current and have not been communicated Citywide.
- Nine of 39 Transfers and JVs (23%) tested Citywide were not created and posted in a timely manner.
- Fourteen of 39 Transfers and JVs (36%) tested Citywide were created and approved by the same individual.
- One of 26 fiscal employees (4%) tested Citywide logged into the City's financial system so a contractor could generate JVs.

**Recommendations:**

The CAO should ensure:

- Transfer and JV policies and procedures are communicated Citywide in an Administrative Instruction (AI).
- The AI addresses the timeliness and verification of Transfer and JV creation, approval and posting. The AI should also require departments to review supporting documentation upon approval. Department fiscal personnel should verify the accuracy of the posting to the G/L.
- The AI does not allow the same individual to create and approve Transfer and JV transactions.

DFAS should ensure User IDs and passwords are not shared among users.

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

**Objective:**

Does the purpose of the Transfer or JV match the intended use of the program(s) affected?

**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**

January 28, 2009

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

Audit: Management Audit  
Transfers and Journal Vouchers – Citywide  
09-102

**FINAL**

**INTRODUCTION**

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The City of Albuquerque (City) performs reconciliations of the General Ledger (G/L) accounts with the ultimate goal of closing the year end and preparing the Comprehensive Annual Financial Report (CAFR). Approximately 2,700 Transfers and JVs were generated and posted Citywide during FY08.

JVs are entries made to the G/L in order to correct original entries, to reclassify data, to record unique transactions, and/or to post recurring items. There are two types of Transfers: Inter-fund Transfers and Other Transfers. Inter-fund Transfers are authorized transactions between funds to record monthly operating activity based on appropriations and are included as a separate line item in the CAFR. Inter-fund Transfers were not included in the scope of this audit. Other Transfers (Transfers), which are included in the scope of this audit, record an exchange of services between departments and funds. Individual departments generate Transfers and JVs throughout the FY as a component of daily and monthly transactions.

In order to ensure Transfers and JVs are documented and justified, the Department of Finance and Administrative Services (DFAS) Accounting Division (Accounting) reviews the Transfers and JVs for completeness, reasonableness, date and description before it is approved and posted to the G/L. For control purposes, the supporting documentation for Transfers and JVs is required to be approved by authorized department personnel.

### AUDIT OBJECTIVES

The objectives of the audit were to determine:

- Are G/L postings of Transfers and JVs accurate, and does the description, documentation, and approval support the entry according to the City's On-Line Journal Voucher Policy (On-Line JV Policy) and DFAS Accounting Procedures for Recording Transactions?
- Does the purpose of the Transfer or JV match the intended use of the program(s) affected?

### SCOPE

Our audit did not include an examination of all functions and activities related to Transfers and JVs created Citywide. Our scope included Transfers and JVs created and posted during FY08.

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, October 10, 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 DFAS – Accounting and various Citywide departmental fiscal personnel who manage, generate and approve Transfer and JV transactions. Documentation and processes reviewed included the following:

- On-Line JV Policy dated March 19, 1996
- DFAS Accounting Procedures for Recording Transactions
- Transfers and JVs created and approved during FY08
- Supporting documentation for Transfers and JVs

## FINDINGS

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

1. THE CHIEF ADMINISTRATIVE OFFICER (CAO) SHOULD ENSURE TRANSFER AND JV POLICIES AND PROCEDURES ARE COMMUNICATED IN AN ADMINISTRATIVE INSTRUCTION.

OIAI interviewed DFAS Accounting and Citywide department fiscal personnel, regarding current policy documentation for Transfers and JVs. The On-Line JV Policy provided was dated March 19, 1996. There was also an Interoffice Memorandum entitled General Ledger – Journal Vouchers dated June 28, 2002.

DFAS Accounting personnel stated that due to an oversight, the policies and procedures for Transfers and JVs had not been updated or communicated Citywide in recent years.

According to the Government Finance Officers Association (GFOA) an essential component of internal controls is the communication and formal documentation of accounting policies and procedures. The GFOA states the documentation of accounting policies and procedures should be evaluated and updated periodically, no less than once every three years, according to a predetermined schedule.

If policies are not updated and communicated, current procedures may not reflect department activities and may not align with the City's other rules and regulations.

## RECOMMENDATION

The CAO should ensure the Transfer and JV policies and procedures are communicated Citywide in an Administrative Instruction.

## RESPONSE FROM CAO

***“The CAO concurs with the finding to ensure the transfer and JV policies and procedures are communicated in an Administrative Instruction. The CAO will develop an Administrative Instruction for Transfer and Journal Voucher policies and procedures for the ERP system. This project will be completed by March 2009.”***

2. THE CAO SHOULD ENSURE TRANSFERS AND JVs ARE CREATED, APPROVED, AND POSTED IN A TIMELY MANNER.

The City created and posted 2,694 Transfers and JVs during FY08. OIAI selected a statistical sample of 39 Citywide Transfers and JVs. Based on supporting documentation, the Transfers and JVs were tested for timeliness and accuracy when created and posted to the G/L. OIAI determined 9 Transfers and JVs (23%) were not created in a timely manner as follows:

- Three JVs were approved by the department fiscal manager more than 30 days after the JVs were initially created by the fiscal analyst. Department fiscal personnel stated that scheduling conflicts were the reason the JVs were not approved timely.
- Two JVs and one Transfer were posted to an incorrect reporting period based on the supporting documentation. Department fiscal personnel stated the reason these JVs and Transfer were not posted in a timely manner was because they discovered an adjusting entry was necessary months after the effected reporting period and the correcting entry was mistakenly posted to the current month.
- Three JVs were generated in order to correct and close old and inactive grant activity numbers. Department fiscal personnel stated that these JVs were entered to correct G/L activity postings from prior fiscal years.

The On-Line JV Policy provides requirements for the use of the on-line journal voucher system, including the purpose of source documentation, and intends to expedite the Transfer and JV process and reduce time needed to close the books.

The GFOA recommends every state and local government fulfill its financial reporting responsibilities by issuing timely financial statements as part of a CAFR.

Transfers and JVs that are not posted in a timely manner, or verified for accuracy by department fiscal personnel, may cause the G/L to be misstated between months or FYs. A G/L that is not accurate does not allow the end user to obtain meaningful information. Delays in closing the month and FY may postpone the publication of the CAFR.

RECOMMENDATION

The CAO should ensure, as a component of the Administrative Instruction referenced in Finding #1, that Transfers and JVs are created, approved and posted in a timely manner. The CAO should require departments to review supporting documentation upon approval of the Transfer or JV. Department fiscal personnel should verify the accuracy of the posting to the G/L.

RESPONSE FROM CAO

***“The CAO concurs with the audit finding. The Administrative Instruction will address the timeliness of transfers and journal vouchers in regards to creation, approval, and posting. Department of Finance and Administrative Services will set up monitoring procedures for the journal vouchers and transfers to ensure compliance with the Administrative Instruction. This project will be completed by March 2009.”***

3. THE CAO SHOULD ENSURE DEPARTMENTS CITYWIDE DO NOT ALLOW THE SAME INDIVIDUAL TO CREATE AND APPROVE TRANSFER AND JV TRANSACTIONS.

OIAI selected a statistical sample of the 2,694 Citywide Transfers and JVs which were created and posted during FY08. Based on supporting documentation, the Transfers and JVs were tested for proper approval. OIAI reviewed 39 Transfers and JVs Citywide and determined 14 (36%) were created and approved at the department level by the same individual.

Individual permission to have system access for Transfer and JV generation and approval was requested by the department directors to the DFAS Information Systems Division (ISD), who in turn required approval from DFAS Accounting. DFAS Accounting granted fiscal analysts permission to both create and approve Transfers and JVs. As a result, some departmental fiscal managers allowed analysts to both create and approve their own Transfers and JVs without reviewing the related supporting documentation. Before Transfers and JVs were posted to the G/L, DFAS Accounting personnel reviewed the Transfers and JVs for completeness with the assumption that the supporting documentation for the transaction was already reviewed at the department level.

DFAS Accounting Procedures for Recording Transactions state that each department have:

- Individuals who are authorized to create Transfers and JVs but are not authorized to approve them.
- A Transfer and JV administrator is required to review and approve each Transfer and JV that their department personnel created.

According to the GFOA, incompatible duties should be separated. Duties of recording transactions, authorization, and custody of assets should be assigned to different individuals. No one individual should be assigned more than one of these duties.

The G/L may be misstated as a result of incorrect and/or unnecessary Transfer and JV postings. These transactions may not have adequate supporting documentation and may go undetected if there is no review process in place at the department level. The additional time constraints placed on DFAS Accounting personnel to review supporting documentation and approve departmental Transfers and JVs may cause delays in monthly and FY closings.

#### RECOMMENDATION

The CAO should ensure, as a component of the Administrative Instruction referenced in Finding #1, that departments Citywide do not allow the same individual to create and approve Transfer and JV transactions.

#### RESPONSE FROM CAO

***“The CAO concurs with the audit finding. The Administrative Instruction will address this issue. A procedure has been implemented by the Department of Finance and Administrative Services Financial Reporting section, to monitor the appropriateness of journal voucher creators and approvers at the Department level. Each Department has submitted forms to Financial Reporting indicating the individuals able to create journal vouchers and the individuals able to approve those journal vouchers.”***

#### 4. DFAS SHOULD ENSURE USER IDs AND PASSWORDS ARE NOT SHARED AMONG USERS.

OIAI reviewed a statistical sample of 39 Citywide Transfers and JVs created and posted during FY08, which had been prepared by 26 departmental fiscal employees. OIAI observed and interviewed these employees to determine the reliability of information systems controls including authorized access, User ID and password protection, and storage of critical data. In one instance (4%) a DFAS ISD contract worker generated a JV using another City employee’s User ID.

The contractor’s duties included the creation of JVs, however, she was not granted access privileges to the financial system because of her contractor status. A City co-worker with access privileges logged into the system and allowed the contract worker to create JVs.

The Information Technology Policies and Standards for the City state that User IDs and passwords shall not be shared among users. It also states that contractors or employees of non-City agencies who access City applications may be issued User IDs that identify them as external users.

If User IDs are shared among individuals, it will not be possible to track user access or trace unauthorized activity.

#### RECOMMENDATION

DFAS should ensure User IDs and passwords are not shared among users. Contract workers who access City applications should be given special User IDs in order to identify their activity within the City's financial system.

#### RESPONSE FROM DFAS

***“DFAS concurs with the audit finding. The Administrative Instruction will address this issue and reinforce the Information Technology Policies and Standards for User IDs and passwords. This project will be completed by March 2009.”***

#### CONCLUSION

The CAO should ensure Transfer and JV policies and procedures are communicated in an Administrative Instruction (AI). The AI should include guidelines on timeliness and the separation of duties in the creation, approval and verification of the transactions. OIAI believes the recommendations noted above will help DFAS and other City departments be more accurate and efficient in the Transfer and JV process.

We appreciate the assistance and cooperation of DFAS and Citywide fiscal personnel during the audit.

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Principal Auditor

REVIEWED:

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Audit Manager

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Internal Auditor

APPROVED:

APPROVED FOR PUBLICATION:

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Carmen Kavelman, CPA, CISA, CGAP  
Director  
Office of Internal Audit & Investigations

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Chairperson, Accountability in Government  
Oversight Committee