

CASH HANDLING AUDIT REPORT

OF

ALBUQUERQUE POLICE DEPARTMENT

REPORT NO. 01-121



**CITY OF ALBLUQUERQUE
OFFICE OF INTERNAL AUDIT**

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Internal Audit Committee
City of Albuquerque
Albuquerque, New Mexico

Audit: Albuquerque Police Department
Cash Handling Audit
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FINAL

INTRODUCTION

The Office of Internal Audit performed a cash handling audit of the Albuquerque Police Department's (APD), imprest funds. According to the Treasury Division of the Department of Finance and Administrative Services Department, there are three change funds and two petty cash funds assigned to APD.

The following change funds are assigned to APD.

- \$50 assigned to the Alarm Ordinance Unit
- \$40 assigned to the ID Brady Unit
- \$60 assigned to the Public Information Unit

The following petty cash funds are assigned to APD.

- \$50 assigned to the Scientific Evidence Division (SED)
- \$350 assigned to the Fiscal Division

The audit was conducted in accordance with Government Auditing Standards, except Standard 3.33, which requires an external quality review.

SCOPE

- Verify the existence and the amount of the cash funds audited.
- Reconcile the cash to the appropriate control account.
- Check compliance with applicable laws, policies, and regulations.
- Evaluate the internal control procedures used to safeguard and control cash.

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. We usually do not comment on the activities which appear to be functioning well. The following findings concern areas, which we believe would be improved by implementing the related recommendations.

1. APD SHOULD ADOPT AND IMPLEMENT WRITTEN CASH HANDLING POLICIES AND PROCEDURES.

According to Treasury's Cash Handling Manual, "Written cash handling policies" are required for the departments using imprest funds. APD's standard operating procedures reference the Treasury Cash Handling Manual. However, APD does not have written cash handling procedures specific to the imprest funds assigned to it. A majority of the findings in this report can be attributable to the absence of department specific written procedures. Management is not using a tool which could be used to ensure that the City's requirements for the use of imprest funds are followed. As a result, some employees at APD may not be aware of City policies for using imprest funds.

Strong controls can prevent losses of City monies and support compliance with applicable City Regulations. A department's written policies and procedures should be used as a tool to communicate to staff the controls required over City monies.

RECOMMENDATION

APD should develop written cash handling procedures specific to APD operations to ensure that proper procedures for imprest funds are being followed. These written procedures should communicate City requirements to those individuals who use the funds.

EXECUTIVE RESPONSE FROM APD

“The Albuquerque Police Department concurs with the finding of written cash handling policies and procedures. The APD Fiscal Division will develop written cash handling policies and procedures in accordance with City of Albuquerque requirements. Additionally, all other APD units that handle imprest funds will also develop written policies and procedures in accordance with City of Albuquerque requirements specific to their function. This project will be completed by January 2003.”

2. APD SHOULD ONLY ALLOW INDIVIDUALS CERTIFIED IN CASH HANDLING TO ACCESS CITY MONIES.

According to Administrative Instruction No. 2-6, “Cash-management training is applicable to those involved with cash-handling operations and imprest fund usage . . .” The Instruction further states that “Those individuals not certified by the Treasury Division . . . will not be recognized as official cash handlers and shall not handle City monies until completing the training course and receiving certification.”

A review performed on training received by individuals handling monies from the imprest funds showed that the following individuals had not received the required training.

- One assigned to the Alarm Ordinance Unit
- One assigned to the Fiscal Division
- One assigned to the Records Division
- Six individuals assigned to SED

APD does not monitor training to ensure that individuals handling imprest funds receive the required training. As a result, APD is not complying with City policies regarding training, and individuals are not receiving the training necessary to properly use imprest funds assigned to APD.

RECOMMENDATION

APD management should see that training is brought current for all individuals handling APD imprest funds.

Also, APD management should adopt processes to ensure that the required training is taken and kept current.

EXECUTIVE RESPONSE FROM APD

“It is difficult for APD to concur or to have a non-concurrence on this particular recommendation. When the audit was performed it may have been possible that employees handling imprest funds were not certified. However, in checking with the managers/supervisors in the four sections that were mentioned in the audit, they indicated that only individuals that are certified are currently handling imprest funds.

As far as the training issue in the audit findings, the Treasury Department has always provided this training. However, just recently APD inquired about sending new hires to training. It was brought to our attention that they (Treasury) were no longer providing training. In fact they indicated that it was up to the individual departments to provide training. We strongly disagree with this policy. The Treasury Department should be responsible for this training to ensure that all City employees have consistent training in the City’s policies and procedures when dealing with City funds. Along with training, Treasury should routinely send out notices to City employees when they are required to attend a refresher course for re-certification.”

Auditor’s Comment:

As of October 2, 2002, the Treasury Division had 5 special cash handling classes scheduled specifically for APD. The classes are to train 70 APD employees.

3. APD SHOULD PROVIDE SAFETY AND SECURITY FOR THEIR IMPREST FUNDS.

Treasury’s Cash Handling Manual states that, “The Custodian must provide safe storage, security, safeguarding, of the money assigned.” Two imprest funds at APD are not being secured appropriately: the \$40 change fund assigned to APD ID Brady Unit and the \$50 change fund assigned to the SED.

At the time of the audit, the fund assigned to the ID Brady Unit was secured in a cash register during business hours. However, it was not being removed from the cash register at night. The cash register was on a counter located up front in a room, which was next to an outside entrance to the building. The cash register was visible from outside the room.

SED has extreme security measures in place due to the nature of their work. The area is located behind locked doors. Access to the area is by authorization only. At the time of the audit, the money was kept in an unlocked metal box. The box was kept in the front reception area in an unlocked desk drawer. Although the area was secure, anyone gaining access to the area could easily access the money.

APD management has not provided guidelines covering how monies are to be secured. The absence of department specific written cash handling procedures for the divisions with imprest funds assigned to them has probably contributed to this. When monies are not properly secured, the likelihood of losses increases. Since custodians have signed a legal document committing to the safe and secure storage of City monies, it is possible that they could be held accountable for missing monies. This places an unnecessary risk on them.

RECOMMENDATION

APD management should implement department specific written cash handling procedures which include standards for the security of monies during business hours and after business hours.

EXECUTIVE RESPONSE FROM APD

“APD concurs with this audit finding. With the written policies and procedures that will be implemented this will correct this concern. Additionally, the two units of concern in this finding have moved to a more highly secure area. They will be required to have funds in a locked moneybox at all times. This measure will be implemented as soon as possible. The after hours issue will also be addressed to ensure that moneyboxes are in secure places.”

4. APD SHOULD ENSURE THAT CASH VOUCHERS ARE COMPLETED PROPERLY AND SUPPORTED WITH RECEIPTS.

Vouchers, receipts, types of purchases and replenishment information were reviewed for the petty cash fund assigned to APD’s Fiscal Division. City policies for the use and management of petty cash funds are detailed in Treasury’s Cash Handling Manual (Manual).

According to the Manual, “Petty cash voucher should contain voucher number, date, amount, reason for expense, appropriate signatures, valid account/activity numbers, and contact telephone number.” The Manual also requires that original receipts are obtained for any purchases made with monies from imprest funds.