

MANAGEMENT AUDIT REPORT

OF THE

QUARTER CENT PUBLIC SAFETY TAX
ALBUQUERQUE POLICE DEPARTMENT

REPORT NO. 10-103



City of Albuquerque
Office of Internal Audit and Investigations

Management Audit of the Quarter Cent Public Safety Tax
Albuquerque Police Department
Report No. 10-103
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 (GRT) 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%

The Albuquerque Police Department (APD) currently receives both the 34% for Police and the 6% for Corrections. APD started receiving the 6% for Corrections when the responsibility for operating the Metropolitan Detention Center (MDC) was transferred from the City to Bernalillo County in FY07. APD uses the 6% Corrections amount to pay for the costs associated with the transport of prisoners to the MDC.

Objective:

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 Resolution R-03-239?

- The Public Safety Tax Advisory Board (Board) created by City Ordinance § 2-6-11 (A) ROA 1994, has never met due to a lack of members.
- The procedure for distributing the components of the GRT and changes made to the formulas of the spreadsheet are not documented.

Recommendations:

Council Services should:

- Make further efforts to recruit members for nomination to the Mayor to sit on the Board.
- Consider a revision to the ordinance to reduce the number of members to make it easier to recruit a full Board.

DFAS should document:

- The process for distributing the components of GRT collected by the State.
- Changes made to formulas in the spreadsheet.

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

The supporting documentation maintained by APD did not match the figures reported for three of the four measures reported in the FY09 Performance Plan.

The total amount of prisoners transported in the FY08 Service Activity Accomplishments does not agree with the amounts reported in the Highlighted Measure section.

Recommendations:

APD should ensure that:

- Documentation supports the measures reported in the City's performance plan.
- Information reported on performance measurement accomplishments is consistent.

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

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

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

April 28, 2010

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

Audit: Management Audit
Quarter Cent Public Safety Tax
Albuquerque Police Department
10-103

FINAL

INTRODUCTION

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 Albuquerque Police Department (APD). This audit was included in the approved fiscal year (FY) 10 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%
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APD currently receives both the 34% for Police and the 6% for Corrections. APD started receiving the 6% for Corrections when the responsibility for operating the Metropolitan Detention Center (MDC) was transferred from the City to Bernalillo County in FY07. APD uses the 6% Corrections amount to pay for the costs associated with the processing and transport of prisoners to the MDC.

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 Resolution R-03-239?
- Are there performance measures for the use of Public Safety Tax funds by APD 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 APD. Our scope included the Public Safety Tax processes and expenditures incurred during FY08 and FY09.

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, February 28, 2010, 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 APD fiscal personnel who administer Public Safety Tax programs and manage expenditures. Council Services, Office of Management and Budget (OMB) and Department of Finance and Administrative Services (DFAS) personnel were also interviewed. Documentation and processes reviewed included the following:

- Expenditures funded with Public Safety Tax;
- Supporting documentation of Public Safety Tax transactions;
- Performance measures reported in the FY 08 and FY09 Performance Plans;
- Distribution of Gross Receipts Tax Revenues.

FINDINGS

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

1. COUNCIL SERVICES SHOULD MAKE FURTHER EFFORTS TO RECRUIT MEMBERS TO SERVE ON THE PUBLIC SAFETY TAX ADVISORY BOARD.

The Public Safety Tax Advisory Board (Board) has never met. According to Council Services staff, the City Council has made several attempts to recruit members to serve on this Board, but has not been successful. Since not enough people are willing to serve, the Board has not met.

City Ordinance § 2-6-11(A) ROA 1994: Public Safety Tax Advisory Board created this Board, which is required to consist of 13 members. Each councilor is required to nominate two people who reside in his/her City Council district. The Mayor is required to appoint one of these nominees with the advice and consent of the City Council. The purpose of the Board is to review the use of the tax, recommend funding, and suggest changes, if necessary, in the distribution of Public Safety Tax revenue.

The ordinance noted that the City Council found that ongoing review was needed to ensure that the use of the Public Safety Tax most effectively and efficiently met the needs of the growing and diverse City. The City Council further found that periodic modification to the use and distribution of Public Safety Tax revenue might be necessary as the needs of Albuquerque residents changed.

If the Board does not meet, the use of the Public Safety Tax will not be reviewed, and needs of City residents might not be met.

RECOMMENDATION

Council Services should:

- Make further efforts to recruit members for nomination to the Mayor to sit on the Board.
- Consider a revision to the ordinance to reduce the number of members to make it easier to recruit a full Board.

RESPONSE FROM COUNCIL SERVICES

“Council Services concurs with this finding. It should be noted that several attempts were made to recruit potential members for the Advisory Board. It has been increasingly difficult to recruit qualified candidates because of competition across the City to fill vacancies on its almost fifty Boards and Commissions.

“Currently, 74% of the funds are allocated to APD and AFD. 100% of these funds pay for salaries. This leaves a balance of 26% that is available for crime prevention and intervention services, most of which is used to fund social service contracts through the Department of Family and Community Services. Because of the current use of the funds, the oversight function is limited.

“Within the next 90 days, Council Services will make another attempt to recruit people to serve on the Advisory Board. If this is not successful, consideration will be given to revising the ordinance.”

2. APD SHOULD ENSURE THAT DOCUMENTATION SUPPORTS THE MEASURES REPORTED IN THE CITY’S PERFORMANCE PLAN.

The purpose of City Performance Plans is to enhance the budget as a tool that aids departments in focusing on, and managing for, intended results.

A. Supporting Documentation

OIAI reviewed the FY09 Performance Plan measures reported for APD – Public Safety Goal #2 Prisoner Transport. Supporting documentation for the performance achievements was reviewed and compared to the reported figures. The supporting documentation provided by APD did not match the figures reported for three of the four measures reported in the FY 09 Performance Plan as follows:

Measure of Merit	FY09 Actual Reported	FY09 Supporting Documentation	Difference	%
Arrests where the offender was transported to MDC	22,357	21,225	1,132	5%
Prisoners Transported for Misdemeanor Arrest	16,711	16,064	647	4%
Prisoners Transported for Felony Arrest	5,646	5,463	183	3%
Trips to Metropolitan Detention Center (MDC)	2,808	2,808	0	0%

APD was not able to determine the reason for the differences.

If supporting documentation does not agree with performance measures reported, then the achievements of the program may be deemed to be unreliable.

B. Consistency of Data

OIAI reviewed the FY09 and FY10 Approved Budgets - Performance Plan Service Activity Accomplishments and determined that APD reported 13,835 prisoners transported in FY08 which consisted of:

- Number of prisoners transported for felony arrest - 2,712
- Number of prisoners transported for misdemeanor arrest - 11,123

This Service Activity was also reported in the FY09 and FY10 Approved Budgets – Performance Plan on a separate page as a Highlighted Measure. The total amount of prisoners transported in FY08 in the Service Activity Accomplishments does not agree with the amount reported in the Highlighted Measure section:

	Service Activity Accomplishments	Highlighted Measure	Difference	%
Prisoners Transported in FY08	13,835	22,729	8,894	64%

APD was not able to determine the reason for the inconsistency.

If the information on performance measurement accomplishments is not consistent, it might be difficult to determine the efficiency and effectiveness of service delivered by APD. Citizens, the City Council and the Administration may be misinformed.

RECOMMENDATION

APD should ensure that:

- Documentation supports the measures reported in the City’s performance plan.
- Information reported on performance measurement accomplishments is consistent.

RESPONSE FROM APD

“APD agrees the documentation should support the measures reported in the City’s performance plan and that the information reported on performance measurement accomplishments is consistent. The prisoner transport division does have a system to collect and maintain information on a consistent basis which is recorded in a timely manner. The historical raw data is maintained and accurate. The errors found in the performance plan were due to minor mathematical computation errors. APD will work to reduce these types of errors.”

3. DFAS SHOULD DOCUMENT THE PROCESS FOR DISTRIBUTING THE COMPONENTS OF THE GROSS RECEIPT TAX REVENUES COLLECTED BY THE STATE OF NEW MEXICO.

The Department of Finance and Administrative Services (DFAS) Treasury Division (Treasury) distributes the components of the Gross Receipt Tax (GRT) collected by the State of New Mexico (State) on a monthly basis. The amounts distributed are calculated using a spreadsheet application. When the GRT changes, the formulas of the spreadsheet are updated. The spreadsheet is never saved prior to changing the formulas.

The procedure for distributing the components of the GRT, and changes to the formulas of the spreadsheet, are not documented.

The Information Technology Governance Institute’s Control Objectives for Information and Related Technology (COBIT) recommends that all changes to procedures and practices be logged, assessed and authorized prior to implementation and reviewed against planned outcomes following implementation.

DFAS Treasury never considered the necessity of documenting the GRT distribution process.

Prior spreadsheet history is lost when changes are made to the formulas of the spreadsheet. If any of the employees involved in this process were to leave City employment, valuable knowledge could be lost. A new employee could have difficulty in reconstructing the spreadsheet prior to formula updates.

RECOMMENDATION

DFAS should document:

- The process for distributing the components of GRT collected by the State.
- Changes made to formulas in the spreadsheet.

RESPONSE FROM DFAS

“The Department of Finance and Administrative Services concurs with the need to document the process and maintaining a history of the distribution of Gross Receipts Tax (GRT). The Office of Management and Budget has drafted documentation explaining the breakdown of the GRT distribution received from the State Taxation and Revenue Department. Although Treasury currently preserves a separate worksheet for each month thus maintaining a history of the GRT distribution, they are taking further steps to ensure the current month's distribution worksheet also contains a history of changes in the GRT distribution.”

CONCLUSION

Council Services should:

- Make further efforts to recruit members for nomination to the Mayor to sit on the Board.
- Consider a revision to the ordinance to reduce the number of members on this board to less than 13, in order to more easily recruit a full Board.

APD should ensure that the information reported on performance measurement accomplishments is consistent and agrees with the supporting documentation.

DFAS should document the spreadsheet application process for distributing the components of GRT revenues received from the State.

We appreciate the assistance and cooperation of APD, DFAS and Council Services personnel during the audit.

Principal Auditor

REVIEWED:

Audit Manager

Internal Auditor

APPROVED:

APPROVED FOR PUBLICATION:

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