

SPECIAL AUDIT REPORT
OF
OFFICER RETENTION PLAN
ALBUQUERQUE POLICE DEPARTMENT

REPORT NO. 12-104



City of Albuquerque
Office of Internal Audit

Officer Retention Plan
Albuquerque Police Department
Report No. 12-104

Executive Summary

The Office of Internal Audit (OIA) conducted a special audit of the Officer Retention Plan (ORP) administered by the Albuquerque Police Department (APD). The audit was requested by the Chief of Police.

APD has over 1560 employees, with 1100 authorized sworn officers and APD responds to over 42,000 calls for service on a monthly basis. The City of Albuquerque (City) implemented the ORP because it acknowledged that retaining qualified, experienced police officers was essential to meeting the public safety goals and mission of APD and to ensure the safety of the citizens of the City.

The City signed a Memorandum of Agreement (Agreement) with the Albuquerque Police Officer's Association (APOA) to initiate the ORP. The ORP was effective January 1, 2008 to June 30, 2011. During this time, APD made and entered into 274 individual ORP agreements, with 129 employees. As of March 9, 2012, the City contributed approximately \$2.4 million into deferred compensation accounts belonging to these employees.

Was the Officer Retention Plan (ORP) agreement consistently followed?

APD did not develop and maintain a detailed record of employees participating in the ORP and amounts contributed into each deferred compensation account.

The Agreement was implemented to retain experienced officers, yet APD did not measure the results of implementing the plan, such as how many qualified, experienced officers were retained and the overall cost to the City.

The Agreement did not provide for prorating deferrals for employees who satisfied the eligibility requirements before the City adopted the plan.

Were the benefits paid in accordance with the Officer Retention Plan (ORP) agreement?

The City did not comply with the conditions and limitations set forth in the Agreement. Employees did not meet all requirements in order to participate in an ORP agreement.

Fifty-eight employees received a deferred compensation payment but did not meet the eligibility requirements of the ORP agreement.

APD allowed employees to sign agreements and participate in the plan after their date of hire anniversary date. Employees received a deferred compensation payment without electing to continue active, unrestricted employment with APD. The City did not receive any benefit from the agreements because the employees were already continuing employment with APD.

Recommendations and management responses are included in the audit report.



City of Albuquerque
Office of Internal Audit
P.O. BOX 1293 ALBUQUERQUE, NEW MEXICO 87103

June 27, 2012

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

Audit: Special Audit
Officer Retention Plan
Albuquerque Police Department
Audit No. 12-104

FINAL

INTRODUCTION

The Office of Internal Audit (OIA) conducted a special audit of the Officer Retention Plan (ORP) administered by the Albuquerque Police Department (APD). The audit was requested by the Chief of Police.

APD has over 1560 employees, with 1100 authorized sworn officers and APD responds to over 42,000 calls for service on a monthly basis. The City of Albuquerque (City) implemented the ORP because it acknowledged that retaining qualified, experienced police officers was essential to meeting the public safety goals and mission of APD and to ensuring the safety of the citizens of the City.

The ORP was effective January 1, 2008 to June 30, 2011. During this time, APD made and entered into 274 individual ORP agreements, with 129 employees. Each participating employee was required to sign an ORP agreement that in part stated:

1. The employee's date of hire,
2. The employee agrees to active, unrestricted employment with APD,
3. Upon completion of an additional year of service the City will contribute the agreed upon amount to the employee's deferred compensation account unless:
 - a. The employee leaves APD prior to the scheduled anniversary date,
 - b. The employee must be unrestricted, full duty, full time status during the period,
 - c. The employee shall not be entitled to any lump sum or direct cash payment,
 - d. In the event the employee is promoted to a higher rank during the term of the agreement, the amount of the payment will remain unchanged.

As of March 9, 2012, the City contributed approximately \$2.4 million into deferred compensation accounts belonging to these employees.

According to the Memorandum of Agreement (Agreement) between the City and the Albuquerque Police Officer’s Association (APOA), an employee was eligible to participate in the ORP, if the employee:

- Earned at least 18 years of Public Employee Retirement Act (PERA) service,
- Held a designation of Patrol Officer, Sergeant, or Lieutenant
- Had not returned to work under the PERA Retiree Return to Work Plan,
- Received a satisfactory performance evaluation, and
- Declared and elected to continue active, unrestrictive, full-time employment with APD.

The benefit varied based on the employee’s rank and years of PERA service earned. Under the Agreement, the City contributed the following amounts into the employee’s deferred compensation account upon the successful completion of one continuous year of service.

Years of PERA Service	Patrol Officer/Sergeant Deferral	Lieutenant Deferral
18	\$5,000	\$2,500
19	\$10,000	\$5,000
20	\$12,500	\$6,250
21	\$15,000	\$7,500
22 or more	\$15,000	\$7,500

Source: Agreement between the City and APOA

Employees who satisfied the eligibility requirements before the Agreement was adopted by the City were allowed to participate in the plan and receive a prorated benefit based on rank, years of PERA service, and date of hire anniversary date.

For example, a sergeant with 18 years of PERA service and a date of hire anniversary date of October 31, 2008 would have received a prorated deferral of \$4,162.

AUDIT OBJECTIVES

The objectives of the audit were to determine:

- Was the Officer Retention Plan agreement consistently followed?
- Were the benefits paid in accordance with the Officer Retention Plan agreement?

SCOPE

Our audit included an examination of the functions and activities related to the Officer Retention Plan in effect January 1, 2008 to June 30, 2011.

This report and its conclusions are based on information taken from an examination of all related transactions and activities. The audit report is based on our examination of activities through the completion of fieldwork on May 16, 2012 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

We utilized several methodologies to achieve the audit objective. These evidence gathering techniques included, but were not limited to:

- Reviewing the Memorandum of Agreement regarding the ORP effective January 1, 2008,
- Reviewing the Agreement between the City and APOA effective July 1, 2008 through June 30, 2011,
- Reviewing the Memorandum of Understanding between the City and APOA regarding the ORP effective June 30, 2011,
- Reviewing all ORP agreements between the City and Employee,
- Reviewing Government Finance Officers Association (GFOA) Best Practices and Advisories,
- Reviewing APD department personnel files for the participating employees, and
- Interviewing APD department and the Department of Finance and Administrative Services Department, Payroll Section (DFAS Payroll) personnel.

FINDINGS

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

1. APD SHOULD DEVELOP AND MAINTAIN RECORDS OF PLAN PARTICIPANTS.

APD did not develop and maintain a detailed record of employees participating in the Officer Retention Plan (ORP) and amounts contributed into each deferred compensation account.

APD could not locate one of the 274 ORP agreements.

The Agreement was implemented to retain experienced officers, yet APD did not measure the results of implementing the plan, such as how many qualified, experienced officers were retained and the overall cost to the City.

The GFOA Best Practices and Advisories states that accounting records must be properly designed. GFOA also states that program and financial performance should be continually evaluated, and adjustments should be made to encourage progress toward achieving goals.

RECOMMENDATION

APD should develop and maintain comprehensive records for all future agreements in order to measure efficiency and effectiveness and evaluate performance.

RESPONSE FROM APD

“The Albuquerque Police Department agrees that the recommendations made by the Office of Internal Audit represent valid concerns and further agrees that should a similar program be created in the future, the recommendations will be implemented in full.

“Under the previous Administration, the City of Albuquerque entered into a Memorandum of Understanding (Agreement) with the Albuquerque Police Officers' Association (APOA) to pay retention bonuses with the goal of retaining experienced police officers who were eligible for retirement. The Agreement was drafted by APOA representatives and the City's Employee Relations Director; the Agreement was not submitted to, or reviewed by, the Legal Department prior to its execution.”

2. APD AND DFAS SHOULD ENSURE COMPLIANCE WITH ALL CONDITIONS AND LIMITATIONS OF CITY AGREEMENTS.

The City did not comply with the conditions and limitations set forth in the Agreement. Employees did not meet all requirements in order to participate in an ORP agreement.

A. Eligibility Date

DFAS Payroll made four deferred compensation payments at least three months prior to the employees' date of hire anniversary date.

The Agreement states that on the eligible employee's date of hire anniversary date, the City shall contribute an agreed-upon amount to the employee's deferred compensation account.

B. Evaluations

The APD department personnel records for the participating employees were reviewed to verify the requirement for a satisfactory evaluation.

- Seventy-one Employee Work Plans (EWPs) for the year immediately preceding the employee's eligibility for a deferred compensation payment could not be found in the APD department personnel files.
- Fourteen EWPs for the year immediately preceding the employee's eligibility for a deferred compensation payment were blank with no comments from the evaluator indicating that the evaluation was completed.
- Two EWPs for the year immediately preceding the employee's eligibility for a deferred compensation payment were unsatisfactory.

An officer who has received an "unsatisfactory" performance evaluation on the evaluation immediately preceding the officer's eligibility for a deferred compensation payment shall not be eligible for the benefit.

The ORP Agreement states that APD's Human Resources Coordinator would verify the employee's eligibility to participate in the ORP as shown by a signature on the agreement. The Coordinator did not verify the employees' eligibility.

Fifty-eight employees received a deferred compensation payment but did not meet the eligibility requirements of the ORP agreement.

RECOMMENDATION

APD and DFAS should ensure compliance with the conditions and limitations set forth in all future agreements.

RESPONSE FROM APD

“No contracts based on the Agreement have been entered into since June 30, 2011 and the program in its prior form will not be not reinstated.”

RESPONSE FROM DFAS

“The City agrees with this finding. There were four (4) individuals that were paid prior to their anniversary date of hire. To correct this issue Central Payroll asked APD to submit the forms to Central Payroll only when they were to be paid.”

3. APD SHOULD ENSURE THAT IT COMPLIES WITH WRITTEN AGREEMENTS AND DOES NOT COMMIT THE CITY TO UNNECESSARY EXPENSE.

Employees signed 223 of the 274 ORP agreements after their date of hire anniversary date; fifteen of the 223 agreements were signed a year or more after their anniversary date.

APD allowed employees to sign agreements and participate in the plan after their date of hire anniversary date. Employees received a deferred compensation payment without electing to continue active, unrestricted employment with APD. The City did not receive any benefit from the agreements because the employees were already continuing employment with APD.

The City allowed employees who satisfied the eligibility requirements before the ORP agreement was adopted to participate in the plan and receive a prorated benefit. Fifty-one of the 129 employees who participated in the plan, received a prorated benefit totaling \$246,667.

The prorated deferral received by 51 of the 129 employees was calculated by DFAS Payroll using a monthly basis rather than the daily basis APD Human Resources section intended. If the 51 deferrals were prorated on a daily basis, the City would have saved \$21,025.

The agreement between the City of Albuquerque and Albuquerque Police Officer's Association did not provide for prorating deferrals for employees who satisfied the eligibility requirements before the City adopted the plan.

RECOMMENDATION

APD should ensure that it:

- Complies with written agreements and does not commit the city to unnecessary expense.
- Collects any deferrals paid incorrectly.

RESPONSE FROM APD

“The Albuquerque Police Department agrees that the recommendations made by the Office of Internal Audit represent valid concerns and further agrees that should a similar program be created in the future, the recommendations will be implemented in full.”

CONCLUSION

We believe this audit will assist APD in determining compliance and consistency with the Officer Retention Plan, and will provide the City with recommendations to help avoid noncompliance and inconsistencies in future agreements.

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

Staff Auditor

REVIEWED and APPROVED:

APPROVED FOR PUBLICATION:

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