



City of Albuquerque

Office of Internal Audit

SECOND FOLLOW-UP OF THE
APD - Special Investigations Division Expense
Review
Report 23-16-103F
Date: April 26, 2023

INTRODUCTION

The Office of Internal Audit (OIA) issued Audit No. 16-103 Special Investigations Division Expense Review on March 17, 2017. OIA issued the first follow-up report on October 23, 2019 and found that, of the four recommendations made in the original report, three were fully implemented and considered closed, and one remained in process. OIA completed a second follow-up to determine the corrective actions that the Special Investigations Division (SID)¹ has taken in response to the one remaining recommendation; OIA has determined that the one remaining recommendation has been implemented and is now considered closed. Audit recommendations that were determined to be previously resolved and/or fully implemented are not included in this follow-up report.

BACKGROUND

OIA completed a performance audit to determine whether SID has internal controls to ensure operational expenditures are appropriate, accurate, and in accordance with federal and City of Albuquerque (City) regulations. This audit was included in OIA's fiscal year 2016 audit plan. Specifically, the audit objectives were to determine whether the following were true:

- Internal controls ensure operational expenditures are appropriate and accurate,
- SID expenditures are in accordance with the U.S. Department of Justice and/or US Treasury Department Guides for Equitable Sharing, and
- SID is prepared for the operational expense funding transition that would occur in FY 2017.

SID was the former specialized division within the Albuquerque Police Department (APD) with the responsibility of investigating targeted areas of crime and behavior of great concern to the community. These include crimes committed by career criminals and crimes involving illegal drugs and drug trafficking. At the time of the audit in the fiscal year 2016, SID consisted of three program sections that oversaw smaller units. The three program sections were the Career Criminal Section, the Narcotics Section, and the High-Intensity Drug Trafficking Area (HIDTA) Section. All of the units within SID were tasked with providing specialized investigative support to APD and other outside agencies, as well as identifying, targeting, and apprehending criminals involved in crimes affecting Albuquerque's quality of life.

Further information pertaining to the audit scope, limitations, and methodology can be found in Appendix A of the original audit report.

The audit found weaknesses related to the accuracy and approval of financial reports and expense information. The following issues were identified as part of the original audit:

¹ SID is now known as the Albuquerque Police Department's Investigative Services Division.

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- Ensuring amounts reported on federal reports reconcile to the City's financial system,
- Properly reporting, classifying, and approving SID's operational expenses,
- Ensuring federal forfeiture expenses comply with program requirements, and
- Establishing policies and procedures for the anticipated use of City General Funds to support SID's field operations.

FOLLOW-UP OBJECTIVE

The objective of this follow-up was to determine whether SID has taken the corrective actions recommended in OIA's original report. Consistent with *Government Auditing Standards*, Section 9.08, promulgated by the U.S. Government Accountability Office, the purpose of audit reports includes facilitating a follow-up to determine whether appropriate corrective actions have been taken. This field follow-up is a non-audit service. *Government Auditing Standards* does not cover non-audit services, which are defined as professional services other than audits or attestation engagements. Therefore, SID is responsible for the substantive outcomes of the work performed during this follow-up and is responsible to be in a position, in both fact and appearance, to make an informed judgment on the results of the non-audit service. OIA limited our scope to actions taken to address our audit recommendation from the original audit report dated March 17, 2017 through the submission of actions on March 28, 2023.

METHODOLOGY

To achieve the objective, OIA performed the following steps:

- Obtained documentary evidence from SID,
- Interviewed SID staff to understand and verify the status and nature of the corrective actions taken, and
- Verified the status of the recommendations that SID had reported as implemented.

RESULTS

The one remaining recommendation made in the original follow-up report has been fully implemented. Therefore, all four recommendations included in the original audit report have been implemented and are now considered closed. See ATTACHMENT 1.

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ATTACHMENT 1

Recommendations	Responsible Agency	Department Response	OIA Conclusion	<u>OIA Use Only</u> Status Determination
<p><u>Recommendation #4</u></p> <p>The Special Investigations Division (SID) should:</p> <ul style="list-style-type: none"> • Work with DFAS to determine the requirements for SID's use of City General Funds, including: <ul style="list-style-type: none"> ○ How SID will access the funds; ○ What, if any, exemptions will apply to SID; ○ How SID will document and authorize the use of the funds; ○ How often SID will provide financial information and reports to the City; and ○ How the City will be able to verify the accuracy and appropriateness of expenses. • Update the division's policies and procedures to include DFAS 	<p>Special Investigation Division</p>	<p><u>Responses to Recommendation #4, First Bullet, First Concern: SID Should Work with DFAS to Determine the Requirements for Use of City General Funds and How SID Will Access the Funds</u></p> <ul style="list-style-type: none"> • Use of the City funds is covered in detail in the division's Financial Policies/Procedure Handbook. The second and third concerns of the first bullet responses cover the specifics on the processes and guidelines set in place to ensure funds are utilized correctly. • Each year, a proposed preliminary budget is developed by the ISD Finance/Business Manager for the upcoming fiscal year for the division. This is done in November. After the budget is reviewed and approved by the division command staff, it is 	<p>APD's Investigative Services Division (ISD) (formerly known as SID) provided the Office of Internal Audit (OIA) with a document titled <i>Investigative Services Division (ISD) Financial Policies/Procedure Handbook and In-Processing Training Guideline</i>. OIA reviewed the document and found that it covers the use of City of Albuquerque (City) funds in detail in addition to the process of how ISD will access the funds in two separate disbursements that occur in July and December.</p> <p>ISD provided the exemptions that will apply to the division to include training, safety of detectives or compromising investigations, prior approval of purchases, vehicle purchases, lowest pricing of large purchases, and proposed meetings with DFAS.</p> <p>ISD will also document and authorize the use of the funds. Expense reports with receipts</p>	<p><input type="checkbox"/> Open</p> <p><input checked="" type="checkbox"/> Closed</p> <p><input type="checkbox"/> Contested</p>

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<p>requirements pertaining to the use of the funds.</p> <ul style="list-style-type: none"> • Have the Chief of Police review and approve the updated policies and procedures before SID implements them. 		<p>submitted to the APD Fiscal Manager. This is done in December. The ISD budget is then submitted as part of the Department's budget request.</p> <ul style="list-style-type: none"> • Once the Department's budget is approved by the City Council, the actual amount that was approved/allocated for ISD is forwarded to the division commander. The proposed budget is then adjusted/changed to match the City funds budgeted amount. In the middle of July at the start of the new fiscal year, a memo is sent to the APD Fiscal Manager requesting half of the total approved/allocated budget be issued to the division in the form of a check from City Treasury. • Once the drawdown check is received, the Finance/Business Manager then completes 	<p>will be provided for items necessary to complete missions for the division within 72 hours of the transaction. Purchases will also be monitored by a Finance/Business Manager r to ensure compliance. Every purchase requires pre-approval from supervisory or command staff. The Finance/Business Manager will maintain all checking accounts and report any suspicious activity to the commander. Every check requires two signatures. All four bank account statements are forwarded to the division commander for review and approval, in addition to all deposits or transfer of funds.</p> <p>ISD has provided numerous steps on how the City will be able to verify the accuracy and appropriateness of expenses. Redacted copies of all financial records reconciliation statements, bank statements, and a detailed audit report are provided at the end of each fiscal year to the APD Fiscal</p>	

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		<p>all of the support documents and a deposit slip, and the funds are deposited into the division's City Funds checking account. A copy of the deposit slip is then attached to the Account Transfer/Deposit Tracking sheet and forwarded to the division commander for his review and approval. The completed form is then placed in that month's folder for the division's City Funds checking account.</p> <ul style="list-style-type: none"> In December, another memo is sent to the APD Fiscal Manager requesting that a drawdown check for the second half of the fiscal year budget be issued. Once the check is received, the same process will be followed to get it deposited in the division's City Funds checking account. 	<p>Manager and City Finance. ISD meets with DFAS to review and discuss issues and financial documents. The Finance/Business Manager is the point of contact for all financial information requests.</p> <p>ISD implemented <i>Investigative Services Division (ISD) Financial Policies/Procedure Handbook and In-Processing Training Guideline</i> on September 12, 2019 and includes requirements to follow City purchasing guidelines unless it jeopardizes or compromises an investigation. All cardholders receive training upon hire and supervisors and command-level personnel do receive additional financial training. Refresher and updated trainings are offered as needed for procedural updates and is documented.</p> <p>The updated policies and procedures were reviewed and approved by the Chief of Police before ISD</p>	

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		<p><u>Responses to Recommendation #4, First Bullet, Second Concern: What, if any, Exceptions Will Apply To SID</u></p> <p>ISD still utilizes a Financial Policies/Procedure Handbook. The guidelines and rules were developed in adherence to the old Federal Forfeiture purchase guidelines and the City Treasury rules and guidelines. The manual is updated as needed as is training. All new division personnel are required to attend in processing training that the manual is covered in detail. Every attempt is made to complete that training within the first two weeks of their being assigned. Signed training logs are maintained by the division's administrative staff for all courses taught.</p> <p>The City purchasing guidelines are always be followed, unless doing so puts the safety of a detective</p>	implemented them in 2019.	

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		<p>in jeopardy or compromises an investigation.</p> <p>For all credit card purchases over \$500.00, along with prior approval from the section commander and unit supervisor, the completed expense report must also have a signed and dated prior approval memo from the division commander attached. A memo must describe the item and the reason for the purchase in detail. Once the purchase is made, the Finance/Business Manager will ensure that the form is properly filled out and signed by the chain of command. The signed approval memo will also be verified. Then everything will be properly filed.</p> <p>For any large purchases, every effort is made to get the item(s) for the lowest price. Given the nature of the types of equipment and supplies that are purchased by the division, sole source distributors are utilized. But special care is always used to</p>		

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		<p>make sure that the division is not identified. This is especially important when utilizing division-issued credit cards.</p> <p>When purchasing vehicles for the division fleet, various dealers are used. These dealers are aware that it is the ISD Division, but they are careful with all purchase documents to keep things confidential.</p> <p>Regular meetings with DFAS have not been conducted for quite a long period of time. Issues involving using City funds to purchase food or drinks in special instances have come up in the past. Setting up a process to meet on a regular basis to discuss special circumstances would be beneficial.</p> <p><u>Responses to Recommendation #4, First Bullet, Third Concern: How SID Will Document and Authorize the Use of the Funds</u></p>		

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		<ul style="list-style-type: none">• All purchases made by division personnel must be for items necessary for the completion of the mission for the divisions. All completed expense reports (with the receipt attached) must be turned in to the Finance/Business Manager within 72 hours of the purchase/transaction. The Finance/Business Manager will be responsible for monitoring all purchases to ensure that they are proper.• Guidelines for all purchases made by division personnel are divided into price categories. Every purchase made must be pre-approved by different levels of supervisory or command staff.• All of the division checking accounts are maintained by the Finance/Business		

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		<p>Manager. Division bank accounts are used for official business only. If the Finance/Business Manager discovers any suspicious activity in relationship to any of the division's financial accounts, that information must be reported to the division commander immediately.</p> <ul style="list-style-type: none">• Every check that is issued by the division requires two signatures. Signature authority is reserved to the division command staff and the Finance/Business Manager. For almost every check, the signatures are comprised of the Finance/Business Manager's signature and one of the other listed persons' signatures. The finance manager is responsible for making sure all support/tracking documents are completed and signed.		

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		<ul style="list-style-type: none"> • At the beginning of each month the finance manager forwards a copy of all four bank account reconciliation statements to the division commander for his review and approval. • Documentation for all deposits or transfer of funds that are made are forwarded to the division commander for his review and approval. <p><u>Responses to Recommendation, First Bullet, #4 Fourth Concern: How the City Will be Able to Verify the Accuracy and Appropriateness of Expenses</u></p> <ul style="list-style-type: none"> • At the end of each fiscal year, redacted copies of all financial records, monthly account reconciliation statements, and bank statements and a detailed audit report prepared by the Finance/Business Manager are sent to the 		

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		<p>APD Fiscal Manager and City Finance. Everything is sent before the end of July.</p> <ul style="list-style-type: none"> • In addition, throughout the fiscal year, copies of bank statements and other financial documents are sent when requested. • A process of setting up meetings with DFAS to come out to the division office complex to review and discuss financial documents and issues that come up has not been successful. Topics that have come up but have still not been fully addressed include the issue of not using City contractors, some unique food purchase situations, and the problem of getting quotes while still maintaining the division's anonymity. • To assure that the process is done correctly, the Finance/Business Manager handles all requests for financial 		

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		<p>information that are received from the City or any other outside source. All documents that are released are redacted of all Bank and account information, check numbers and date of issuance, vendor names, and all division personnel information (including undercover information).</p> <p><u>Responses to Recommendation, Second Bullet: Update the Division's Policies and Procedures to Include DFAS Requirements Pertaining to the Use of the Funds</u></p> <ul style="list-style-type: none"> The last time this audit was reviewed, September 12, 2019, the responses and actions taken by the division have been implemented and are still being followed. The Financial Handbook has continued to be updated as needed; division 		

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		<p>personnel are required to complete financial training; and the division commander is kept current through the use of forms and processes that were developed from the review in 2019.</p> <ul style="list-style-type: none">• Periodic problems still occur as to expense reports not being turned in with receipts, and issued credit cards being accidentally used to make personal purchases. In the few instances where an officer has made a personal purchase, it has been a case of the officer accidentally using the wrong card, and in each instance it has been rectified by the detective reimbursing the Division for the cost of the accidental purchase. Additional training has also been completed to help correct these issues. Expense reports with missing receipts require a memo detailing the		

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		<p>purchase, which is signed by the division commander and then attached and filed with the completed expense report.</p> <ul style="list-style-type: none"> The division budget has 23 ledger categories that have been utilized for several years to help track expenses. This fiscal year spending in some of the categories has exceeded what was allocated for the year. Adjustments have needed to be made moving funds from one ledger to another. It should be noted that the overall budget total has remained the same. Discussions need to be conducted to help develop solutions to minimize these problems. <p><u>Responses to Recommendation, Third Bullet: Have the Chief of Police Review and Approve the Updated Policies and Procedures Before SID</u></p>		

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		<p><u>Implements Them</u></p> <ul style="list-style-type: none"> • During the review process in 2019, meetings were held with then-Chief-of-Police Michael Geier on all of the new procedures and recommendations that were the result of the audit review. • More frequent meetings between DFAS and APD Fiscal to discuss budget trends and planning advice would be beneficial. Unexpected/emergency expenses and long term funding needs could be better coordinated. Attempts have been made to have quarterly financial review meetings, but the Finance/Business Manager did not follow through. He will get them scheduled within the next couple of weeks. <p>Documentation:</p>		

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		APD Interoffice Memorandum, "Response to Memorandum 23-16-103F AUDIT REPORT 16-103", Investigative Services Division (ISD) Financial Policies/Procedures Handbook and In-Processing Training Guideline Completion: September 2019		