

FOLLOW-UP OF
ABQ RIDE DEPARTMENT REVENUES
REPORT NO. 07-04-104F



City of Albuquerque
Office of Internal Audit and Investigations



City of Albuquerque
Office of Internal Audit and Investigations
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Accountability in Government Oversight Committee
City of Albuquerque
Albuquerque, New Mexico

Follow-Up: ABQ RIDE DEPARTMENT
07-04-104F

FINAL

INTRODUCTION

The Office of Internal Audit and Investigations (OIAI) performed a follow-up of Audit No. 04-104, ABQ Ride Department (ABQ Ride) Revenue, issued July 27, 2005. The purpose of our follow-up is to report on the progress made by ABQ Ride management in addressing our findings and recommendations.

ABQ Ride collected approximately \$4.8 million in passenger revenue in Fiscal Year (FY) 2007. Revenue is processed by ABQ Ride at three different locations: the Yale Boulevard Facility, the Westside Daytona Facility and the Alvarado Transportation Center.

SCOPE, OBJECTIVES, AND METHODOLOGY

Our follow-up procedures consist of interviews of City Personnel and review and verification of applicable documentation to assess the status of our audit recommendations. Our follow-up is substantially less in scope than an audit. Our objective is to ensure management has taken meaningful and effective corrective action in regards to our findings and recommendations.

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.

The scope of the follow-up did not include an examination of all the functions and activities related to ABQ Ride revenue. We limited our scope to actions taken to address our audit recommendations from the period of July 27, 2005 to March 21, 2008.

RECOMMENDATION NO. 1:

ABQ Ride

OIAI determined that ABQ Ride did not keep detailed records of bus passes and tokens. Consequently, OIAI could not determine if there were bus passes and tokens missing. Since there were no records, these items were more susceptible to the risk of loss.

All of the bus passes for August and September 2004 were stored in an unlocked room in the Alvarado Transportation Center (ATC) during working hours. The value of the bus passes stored in this unlocked room was \$422,400. If a small portion of these bus passes were stolen from this unsecured area, ABQ Ride might not detect the theft.

In June 2004, ABQ Ride experienced a theft at the ATC customer service teller area. ABQ Ride used a card key access system to control access to this area. Twenty-eight ABQ Ride employees, not involved in the customer service or teller functions, had card key access to this area.

OIAI identified two employees with system administrator rights to the card key system, whose access should have been terminated. System administration access allows an employee to make changes to the system, including who can access areas that are secured by card key access.

The audit recommended ABQ Ride:

- Keep accurate and complete inventory records of bus passes and tokens;
- Periodically generate and review a list of employees' access to cash handling areas secured by card key access; and
- Ensure that employees have the minimum level of access that allows them to perform their job.

ABQ Ride responded that it concurred with the recommendations and they had already been implemented.

Department of Finance and Administrative Services (DFAS) Treasury Division (Treasury)

According to Treasury's records, the total authorized balance of the 15 ABQ Ride cash funds as of the date they were audited, August 21, 2003, was \$6,320. However, ABQ Ride had returned a \$50 change fund, a \$300 petty cash fund and \$1,500 from another change fund to Treasury. ABQ Ride had documentation to show that the funds were returned to Treasury in August and September of 2002. However, Treasury did not update its records to reflect the returned funds.

The audit recommended that DFAS-Treasury update its cash fund records to reflect the funds currently in ABQ Ride's possession.

DFAS responded that it concurred with the finding. DFAS noted that ABQ Ride returned the funds to Treasury without providing the proper concurrent administrative notification as instructed on page 50 of the Treasury Division Cash Handling Manual. The Manual required notification to Treasury in advance of a transfer or termination of imprest funds or the departure of a custodian. DFAS indicated that Treasury would modify its procedures by December 31, 2005 to add a requirement to follow up when required documentation does not accompany a deposit.

ACTION TAKEN

The audit recommendations have been partially implemented. DFAS updated its cash fund records to reflect the cash imprest funds currently in ABQ Ride's possession.

ABQ Ride does not maintain inventory records of bus tokens and passes. However, during the follow-up process, ABQ Ride stated they were going to implement vault logs to track bulk bus tokens stored at the Yale facility vault and the ATC vault. ABQ Ride would conduct a count of the existing tokens to be used as a beginning count, and any additions or deletions would be listed on the vault log with a running balance.

OIAI performed a surprise count of bus passes and tokens on August 14, 2007 at the ATC customer service area. A comparison of the count to the quantities recorded by ABQ Ride determined the following discrepancies:

Description	Quantity on Hand	Quantity per ABQ Ride Records	Shortage
Three day bus passes	73	87	14
Sunvan passes	41	44	3
Rolls of adult bus tokens	9	18	9

As of March 12, 2008, there were 85 individuals with authorized card key access to the ABQ Ride customer service teller area. Twenty-two (26%) of these individuals were no longer ABQ Ride employees.

OIAI reviewed the list of individuals on the list of system administrator rights to the card key access system. There are 26 ABQ Ride employees with system administrator rights to the card key access system. Five (19%) of these individuals were no longer ABQ Ride employees.

RECOMMENDATION

ABQ Ride should:

- Keep accurate and complete inventory records of bus passes and tokens.
- Periodically review employees' access to secured cash handling areas and ensure that employees have the minimum level of access that allows them to perform their job.

RESPONSE FROM ABQ RIDE

“ABQ RIDE concurs with the recommendations and they have already been implemented. ABQ RIDE implemented the use of inventory vault logs for use at Yale and ATC. Customer service has also implemented the use of a new vault log. Weekly counts will be conducted at all vault sights by the department with a monthly review by the finance department.”

“ABQ RIDE concurs with the recommendation and ABQ RIDE management has begun reviewing the access reports on a quarterly basis. All departments are required to notify Security when an employee or Westaff employee is hired or terminated in order the keep the list up to date.”

RECOMMENDATION NO. 2:

The Yale Boulevard facility had a main walk-in vault, where all of the revenues from ABQ Ride operations were counted and prepared for deposit. ABQ Ride operations had passenger bus revenues of \$3.3 million in FY2003. The cash was counted and prepared for deposit by a single ABQ Ride employee. ABQ Ride procedures required that two employees be present when cash was counted. OIAI identified several large bags of bus tokens stored in a drawer in a file cabinet in the vault at the

Yale facility. ABQ Ride personnel stated that these were bus tokens that they did not have room for at the ATC. Written records of the quantity and dollar value of these tokens were not maintained.

In July 2004, ABQ Ride received an additional \$80,000 of adult bus tokens which they stored in the Yale main vault. ABQ Ride did not consider these tokens to be part of the cash equivalent inventory, and did not maintain a written record of the quantity or the dollar value.

There were two security cameras in the vault. On the day that OIAI observed the cash count, one of the security cameras was not working.

The audit recommended ABQ Ride:

- Ensure two employees were involved in the counting of the cash and the preparation of bank deposits in the main vault at the Yale facility.
- Ensure that both security cameras were operable in the main vault at the Yale facility.
- Develop procedures to ensure that all cash equivalent items were recorded in inventory records.

ABQ Ride responded:

- A contractor was now handling the cash processing function for ABQ Ride, and no ABQ Ride employee had access to, or the opportunity to handle, bus fare cash.
- Since ABQ Ride made the decision to contract for the cash counting and deposit function with an outside vendor, it did not seem critical to ensure that both security cameras functioned in the main vault at the Yale facility.
- It concurred with the recommendation that all cash equivalents are recorded in ABQ Ride inventory records.

ACTION TAKEN

The first two audit recommendations are considered resolved because ABQ Ride is using a contractor to handle the cash processing function for bus revenues. The third recommendation has not been implemented. ABQ Ride does not maintain inventory records of bulk tokens. ABQ Ride fiscal personnel stated that the \$80,000 in tokens were sold and replaced during the normal course of business, but there were no inventory records to document the disposition of these bulk tokens.

RECOMMENDATION

ABQ Ride should maintain inventory records for all bus tokens.

RESPONSE FROM ABQ RIDE

“ABQ RIDE concurs with the recommendation and has already done an inventory of all bus tokens and implemented the use of inventory vault logs at Yale and ATC. Customer services has also implemented the use of a new vault log. The vault logs are used for tracking the transfers and receipts of all tokens to and from the vaults. Weekly counts are being conducted at all vault sights by the department with a monthly review by the Finance Accounting Supervisor.”

RECOMMENDATION NO. 3:

ABQ Ride had a computer system that tracked the revenues received by the fare box on each bus. Each fare box recorded the dollar amount and the number of each type of paying passenger. This information was downloaded daily into the computer system. The daily passenger revenues from the fare box could be reconciled to the number of paying passengers. The audit determined that ABQ Ride was not reconciling the daily passenger revenue amounts from the fare box computer system to the daily deposits.

ABQ Ride procedures required audits of seven fare boxes daily, to verify that all passenger revenues received were counted. As of August 2003, the required fare box audits were not being performed.

As of June 2004, an ABQ Ride supervisor compared a sample of individual fare boxes counted by Yale main vault personnel to the revenue recorded by the computerized fare boxes on a daily basis. OIAI reviewed the supervisor's records for one day. The supervisor indicated on his records that the fare box audits were “ok”, i.e., there were no significant discrepancies that needed to be investigated. However, our review indicated there were discrepancies, which according to the procedures established by ABQ Ride, should have been investigated to determine the cause for the discrepancy.

ABQ Ride employees also did not compare and investigate discrepancies between the total daily deposit and the amount of bus fare box revenue.

The audit recommended ABQ Ride:

- Reinstatement of the required daily fare box audits;

- Research and resolve discrepancies noted in its fare box audits; and
- Reconcile the daily passenger revenue amounts recorded by the fare box computer system to the daily deposits.

ABQ Ride responded it concurred with the recommendation to:

- Reinstate required daily fare box audits; and
- Reconcile daily passenger revenues with daily deposits. Any discrepancies that exceed +/- two percent would be referred to the Operations Division for investigation and resolution. This process would be instituted by September 1, 2005.

ACTION TAKEN

The audit recommendations have not been implemented. ABQ Ride reinstated fare box revenue audits and then subsequently discontinued the audits again in July 2006. ABQ Ride fiscal management stated that fare box audits were discontinued due to a lack of personnel. OIAI reviewed FY2007 revenues and identified the following discrepancies between computer system reported bus fare box revenues and the funds deposited in the bank. ABQ Ride did not determine the reason for the differences that exceeded +/- two percent.

Month	Total of Bank Deposits	Total GFI Revenue	Difference (under) Over	Percentage Difference
July 2006	\$ 179,812	\$ 181,338	\$ (1,526)	0.8%
August 2006	208,522	80,197	128,325	160%
September 2006	301,846	294,960	6,886	2.3%
October 2006	204,527	201,022	3,505	1.7%
November 2006	173,116	169,213	3,903	2.3%
December 2006	165,473	158,989	6,484	4.1%
January 2007	171,241	180,048	(8,807)	4.9%
February 2007	177,258	172,106	5,152	3.0%
March 2007	182,226	188,470	(6,244)	3.3%
April 2007	182,981	109,196	73,785	68%
May 2007	190,280	187,007	3,273	1.8%
June 2007	189,501	190,865	(1,364)	0.7%
Totals	\$ 2,326,783	\$ 2,113,411	\$ 213,376	10.1%

RECOMMENDATION

ABQ Ride should:

- Research and explain differences between the daily computer system farebox revenue reports and the daily deposits that exceed +/- two percent.
- Evaluate the usefulness of reinstating the daily fare box audits on a sample basis.

RESPONSE FROM ABQ RIDE

“ABQ RIDE is in the process of running all the GFI reports to make a comparison to the reports run July 06 through June 2007. It appears that information was missing on the earlier reports and is now corrected. On the original reports there were several days that the probes were missing or entire garages had no data. The list below indicates with a (*) the new totals of the reports that have been rerun and corrected.

“Transit has received 56 new buses that are now in the line-up. In order to resolve this issue, a Federal Grant request is in the process that would allow Transit to purchase another 30-35 new buses as well as a request to reprogram an additional \$900,000.00 which would allow ABQ RIDE to update all the remaining fare boxes. The technologies of the fare boxes on the new buses will allow Transit to better track and monitor the revenues. Finance will begin to monitor the GFI reports vs. Bank Deposits on a weekly basis to detect differences earlier so that they may be researched.”

Month	Total of Bank Deposits	Total GFI Revenue	Difference (under Over)	Percentage Difference Revised
July 2006	\$ 179,812	\$ 181,338	\$ (1,526)	0.8%
August 2006 *	208,522	204,313	4209	2.06%
September 2006	301,846	294,960	6,886	2.3%
October 2006	204,527	201,022	3,505	1.7%
November 2006	173,116	169,213	3,903	2.3%
December 2006	165,473	158,989	6,484	4.1%
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March 2007	182,226	188,470	(6,244)	3.3%
April 2007 *	182,981	180,789	2192	1.197%
May 2007	190,280	187,007	3,273	1.8%
June 2007	189,501	190,865	(1,364)	0.7%
Totals	\$ 2,326,783	\$ 2,309,120	\$ 17,663	.76%

RECOMMENDATION NO. 4:

The Treasury Cash Handling Manual required that cash overages and shortages be recorded in the appropriate general ledger account and activity. Administrative Instruction No. 2-4 also required that the loss of cash funds be recorded as shortages. There were incidents where cash fund overages and shortages were not recorded to the City's general ledger.

Administrative Instruction No. 2-4 required the timely notification of Treasury when funds were determined to be missing. ABQ Ride did not notify Treasury of a June 2002 loss of \$949 until 14 months later. In September and October 2003, seven bags that contained coupons and revenue paid by Sun Van customers were lost. Another two bags were turned in late. ABQ Ride maintained a log on which information about these bags was recorded. On this log, information about two bags collected was scratched out, without an explanation.

ABQ Ride was not recording or tracking the trend of individual teller shortages as required by City procedures. When ABQ Ride recorded daily cash receipt information into the City's general ledger, it lumped together all teller overages and shortages for the day, rather than recording the amounts individually.

The audit recommended ABQ Ride:

- Report cash overages and shortages, and missing revenues to Treasury.
- Improve the controls over the handling and processing of the Sun Van passenger revenue bags.
- Investigate lost bags and make explanations on the bag log.
- Record teller shortages individually into the City's general ledger system, and track the trend of shortages by individual tellers over time.

ABQ Ride responded:

- It concurred that overages/shortages and missing revenues should be reported as required;
- It had corrected the issue of improving controls over the handling and processing of Sun Van passenger revenue bags; and
- It concurred that teller overages/shortages should be properly recorded.

ACTION TAKEN

The audit recommendations have been partially implemented. A surprise cash count was performed on August 14, 2007 at the ATC customer service area. There was a \$10 teller

shortage on August 13, 2007, that was properly documented by ABQ Ride and correctly recorded into the City's general ledger system.

OIAI reviewed the handling and processing of Sun Van passenger revenue bags and the investigation of lost bags during February 2008 and noted the following discrepancies:

- On two different dates, one of the revenue bags was missing even though ABQ Ride records indicated that it was turned in by the driver and placed in the safe at ABQ Ride's Westside Daytona Facility.
- On two different dates, the ABQ Ride records indicated that one of the revenue bags was not turned in by the driver after the route was completed. ABQ Ride never determined what happened to the two missing bags.
- On ten different occasions, a revenue bag was not recorded as being turned in by the driver. However, records indicated that the revenue bag was picked up by ABQ Ride fiscal personnel.

Treasury was not notified about these missing revenue bags.

RECOMMENDATION

ABQ Ride should:

- Improve controls over the handling and processing of the Sun Van passenger revenue bags;
- Verify that bags are turned in and investigate lost bags; and
- Ensure that revenue bag records are accurate.

RESPONSE FROM ABQ RIDE

***“ABQ RIDE has implemented the recommendations and has re-worked the log being used by the Sun Van supervisors and fiscal personnel to include a comments column. This column would be used to note if a route was not run on a certain day, if fiscal received bags that were not listed or if there was a currency count difference. ABQ RIDE fiscal will begin emailing the Sun Van supervisor daily if there are any discrepancies between the logs and the bags received. All routes will be required to have something listed on the log even if no bag was dropped.*”**

“ABQ RIDE investigated the “missing” bags and it was determined that routes had been combined together which made it appear that a route bag was missing. The driver and Supervisor did not note this on the log. In the future all lines on the route logs will have comments if there is not bag dropped.”

RECOMMENDATION NO. 5:

When a cash fund was transferred from one custodian to another, the money should have been counted by both the old and new custodian. A new Custodian’s Statement of Responsibility should have been completed. This ensures accountability for the fund and protects both the former custodian and the new custodian.

Treasury maintained a record of cash funds assigned to the various City departments and their divisions. It was important that the records maintained by Treasury accurately reflected the identity of the custodians of the cash funds for each City department and its divisions.

On various occasions, funds were transferred to different ABQ Ride custodians without the required transfer procedures being performed. In each of these cases, there was no documentation that ABQ Ride personnel performed dual verification of the funds when cash was transferred from one custodian to another. Additionally, new statements of custodian responsibility were not prepared. A \$300 petty cash fund and a \$50 change fund were in the possession of a different ABQ Ride employee than shown on the Treasury records. Eleven of 24 ABQ Ride employees, assigned responsibility for cash funds, did not have custodian statements.

The audit recommended that ABQ Ride ensure:

- A new Custodian’s Statement of Responsibility is completed, signed and notarized when responsibility for a change fund is transferred to a new custodian; and
- All employees assigned the responsibility for cash funds have custodian statements.

ABQ Ride responded that it concurred with the recommendation that new custodian statements be completed on a timely basis, when change funds are reassigned and it had corrected this issue. All employees with responsibility for cash funds have custodian statements.

ACTION TAKEN

The audit recommendations have not been implemented. A surprise cash count was performed on August 14, 2007 at the ATC customer service area. OIAI determined the following for the 11 tellers who had custody of cash funds:

- Six (55%) were not listed in Treasury's records as having custody of cash funds. ABQ Ride did not provide Treasury with information to update their records.
- Two (18%) did not have custodian statements. ABQ Ride subsequently prepared custodian statements for these two tellers on September 10, 2007.

Treasury's records also indicated that ABQ Ride employees had custody of \$1,700 of cash funds. However, ABQ Ride could only account for \$1,600 of cash funds. ABQ Ride decided that it was not cost effective to research this discrepancy, and requested an adjustment to write-off the difference. The adjustment was made by Treasury.

RECOMMENDATION

ABQ Ride should ensure:

- Custodian statements are prepared for all employees who have custody of cash funds; and
- Information is provided to Treasury to update their records of cash funds assigned to employees.

RESPONSE FROM ABQ RIDE

“ABQ RIDE concurs with the recommendation and has since done a complete audit of all custodial statement and has provided this information to Treasury. ABQ RIDE completes monthly updates and Treasury is notified of any changes. ABQ RIDE is currently scheduling the remaining (new) Sun Van drivers for the next available cash handling class.

“ABQ RIDE is currently working with Treasury to get certified in cash handling so that ABQ RIDE may include the training in the new hire process.”

RECOMMENDATION NO. 6:

The Treasury Cash Handling Manual required a separation of duties for cash handlers. Cash fund custodians should not have access to other cash funds or revenues to avoid the potential of commingling of funds. Commingling increased the risk of loss of funds to the City.

Cash Funds

The audit determined that two petty cash funds and two change funds were held by one individual. Another employee had access to three different sources of cash revenues, assisted in the reconciliation process, and prepared deposits. When the same person performs multiple cash handling duties, it can compromise and weaken controls over cash.

Bus Tokens and Passes

The employees who had access to and issued bus tokens and passes to vendors and other ABQ Ride personnel also performed the reconciliation and recordkeeping duties. These employees also processed the payments received from the vendors who sell the bus tokens and passes to the public.

The audit recommended that ABQ Ride ensure:

- A single employee is not the custodian for more than one cash fund; and
- Cash fund custodians maintain adequate separation of duties.

ABQ Ride responded that it concurred with the recommendations and the department was separating duties, as practical.

ACTION TAKEN

The audit recommendations have been partially implemented. A review of the employees assigned cash funds determined that no single employee is the custodian for more than one cash fund.

OIAI determined that the same ABQ Ride employee who maintains the open invoice accounting records for consigned bus tokens and passes also receives cash when payments are made. OIAI observed the process on August 13, 2007 and noted a cash deposit of \$3,222 was prepared by the same employee who maintains the open invoices accounting records and is responsible for collection of past due consignment items. The duties of

recordkeeping and custody of assets should be assigned to different individuals. No one individual should be assigned to more than one of these duties.

RECOMMENDATION

ABQ Ride should ensure there is a separation of duties for recordkeeping and collection of monies for consigned bus tokens and passes.

RESPONSE FROM ABQ RIDE

“ABQ RIDE concurs with the recommendation has separated the duties of the Accounting Clerk. The Accounting Supervisor has taken over the collection aspect of the consignment items.”

RECOMMENDATION NO. 7:

City policies required that training and certification were current for all cash handlers. The Treasury Cash Handling Manual required that the individual must have a current cash handling certification. According to Administrative Instruction No. 2-6, those individuals not certified by Treasury should not handle City monies until completing the training course and receiving certification.

As of August 2003, ABQ Ride had 24 employees assigned to cash handling duties. OIAI's review of the training and certification status for these employees determined that three (12%) had not received the required training and fifteen (62%) had expired certifications.

The audit recommended ABQ Ride ensure that all cash fund custodians receive the required cash handling training and are certified as City cash handlers.

ABQ Ride responded that it concurred with the recommendation and all personnel that handle cash had been certified by Treasury.

ACTION TAKEN

The audit recommendations have been fully implemented. As of August 2007, all 11 of the ABQ Ride Customer Services tellers had current cash handling training certificates.

RECOMMENDATION NO. 8:

Bus passes and tokens were consigned by ABQ Ride to various companies and institutions, which sold these items to the public. The amounts due for the consignments were recorded by ABQ Ride in its in-house system. According to Treasury personnel, DFAS had not approved the ABQ Ride system that records receivable transactions. This approval was required by Administrative Instruction No. 2-2: Credit, Collections and Accounts Receivable Policy.

In addition, duties had not been separated as required by the Administrative Instruction. One ABQ Ride employee was responsible for all of the transactions relating to the recording, collecting, reconciling and safeguarding of these bus passes and tokens.

ABQ Ride records indicated that \$5,892 of consigned item receivables was older than 90 days. An ABQ Ride receivable for \$3,921, listed on the City's accounts receivable system, was more than four years old. Additionally, OIAI determined that not all of the ABQ Ride consigned items were listed in the City's account receivable records.

The audit recommended ABQ Ride:

- Obtain approval from DFAS for the use of their in-house system for consigned item receivables;
- Ensure that the system can interface with the City's general ledger;
- Ensure that any receivables on its subsidiary ledger are reflected in total on the City's general ledger system;
- Separate the duties of processing and accounting for consigned items; and
- Ensure that the required actions to initiate collections on past due accounts are performed.

ABQ Ride responded:

- Over the next six months, ABQ Ride and Treasury would work with the DFAS Director to identify necessary changes related to consigned items.
- It would consider policies for amounts of consigned items by type of vendor.
- Vacancies in the ABQ Ride financial division caused the disruption of several internal controls related to the separation of duties. With the filling of some of those vacancies, appropriate separation of duties would be reinstated as practical.

ACTION TAKEN

The audit recommendations have not been implemented. ABQ Ride's subsidiary accounting records are not in balance with the City's general ledger system. As of February 28, 2008,

ABQ Ride's listing of open invoices was \$1.42 million. However, the City's general ledger reflects an accounts receivable balance of \$309,234. Of the \$1.42 million, \$668,860 (47%) was older than 90 days. ABQ Ride's open invoices include:

- \$873,000 due from the Mid-Region Transit District
- \$322,877 of bus tokens and passes consigned to outside companies and governmental entities
- \$224,579 due from the Bernalillo County.

There is not a separation of duties regarding the processing and accounting for consigned items.

ABQ Ride did not:

- Obtain approval from DFAS for the use of their in-house system for consigned item receivables;
- Ensure that the system can interface with the City's general ledger; and
- Ensure that any receivables on its subsidiary ledger are reflected in total on the City's general ledger system.

RECOMMENDATION

ABQ Ride should:

- Obtain approval from DFAS for the use of their in-house system for consigned item receivables.
- Ensure that the system can interface with the City's general ledger.
- Ensure that valid receivables on its subsidiary ledger are reflected in total on the City's general ledger system.
- Separate the duties of processing and accounting for consigned items.
- Ensure that the required actions to initiate collections on past due accounts are performed.
- Balance its subsidiary accounting records for open invoices to the City's general ledger system.

RESPONSE FROM ABQ RIDE

“ABQ RIDE will work with DFAS for approval of the in house system. ABQ RIDE feels that it is in the best interest of the department to maintain the in

house system. Due the nature of the bus consignments, we must be able to generate a new invoice monthly on a daily basis when unsold passes are returned.

“ABQ RIDE is attending the training and informational meetings for the upcoming processing conversion. ABQ RIDE will work with the ERP team to determine the possibilities of interfacing the in house system to the general ledger.

“ABQ RIDE will work with DFAS to determine how or if ABQ RIDE receivables can be reflected on the City general ledger due to the amount of changes that are made to the outstanding invoices.

“ABQ RIDE has separated the duties of the Accounting Clerk.

“ABQ RIDE has implemented steps to ensure that consignment items are collected in a timely manner. Most of the past due items were pending approved MOU’s and Intergovernmental Agencies.

“The Accounting Supervisor or designee, on a monthly basis, will balance the subsidiary accounting records open invoices to the City’s general ledger system.”

RECOMMENDATION NO. 9:

ABQ Ride collected \$6.3 million in revenues in FY2003. ABQ Ride had some written cash handling procedures for its operations; however, the procedures had not been updated since 1995. ABQ Ride added two additional cash processing sites since 1995, the ATC cashier area and the Westside Daytona Facility.

In November 2003, the ABQ Ride Director instructed the fiscal manager to develop written cash handling procedures for the department. As of July 2004, this had not yet been accomplished.

The audit recommended that ABQ Ride update its written cash handling procedures.

ABQ Ride responded that it agreed that current cash handling procedures should be documented and would complete this task by December 31, 2005.

ACTION TAKEN

The audit recommendation has not been implemented. ABQ Ride has not developed written cash handling procedures. During the follow-up, ABQ Ride stated that written procedures for the handling and processing of revenue would be completed by August 15, 2007. On September 11, 2007, ABQ Ride stated that they had requested a temporary employee to assist in the completion of policies and procedures. As of March 3, 2008, ABQ Ride reported procedures had been drafted, but not yet approved by management.

RECOMMENDATION

ABQ Ride should finalize its written cash handling procedures.

RESPONSE FROM ABQ RIDE

“ABQ RIDE finalized and implemented the cash handling procedures the end of March 2008.”

RECOMMENDATION NO. 10:

In March 2002, the City purchased the Acropolis Parking Unit. At the same time, the City leased this parking facility to a company that was required to make monthly lease payments to the City. During the first two years of the lease, the company was required to pay the City a minimum of \$221,302 (50 percent of the total amount due to the City). The amounts due from the company was recorded as an accounts receivable by the City. The City never received any payments.

Administrative Instruction No. 2-2 (Revised) required the Legal Department (Legal) to take action for debts of at least \$25,000. In April 2004, the Department of Municipal Development (DMD) took over the operation of the Acropolis parking facility. In July 2004, a lawsuit was filed by Legal in an effort to collect the unpaid debt. If the Parking Division had referred this situation to Legal for action when the debt to the City first exceeded \$25,000, the loss to the City may have been reduced.

The audit recommended that DMD develop procedures to ensure that timely legal action was initiated for the collection of a debt as soon as it exceeded \$25,000.

DMD responded that the fact pattern related to the Acropolis parking facility was far more complicated and convoluted than was presented in the finding. The Parking Division, first under ABQ Ride and then under DMD, involved Legal as soon as it became apparent that the lessee would not meet their contractual obligations under the lease. Not only was a lawsuit filed, the Parking

Division took over daily operations of the Acropolis parking structure to minimize further economic detriment to the City.

ACTION TAKEN

The audit recommendation is partially resolved. DMD has not developed department procedures to ensure that timely legal action is initiated for the collection of a debt as soon it exceeds \$25,000. DMD management stated that the Acropolis parking facility receivable is the only account with a balance greater than \$25,000. As of March 12, 2008, the balance of this past due receivable was \$553,557. The lawsuit related to the Acropolis parking facility is still in litigation.

As of June 30, 2007, the DMD Parking Fund had an account receivable balance of \$679,591. An allowance for uncollectible accounts receivable of \$646,727 had been established, which resulted in a net accounts receivable balance of \$32,864.

OIAI reviewed the DMD Parking Fund accounts receivable subsidiary ledger as of March 12, 2008 and noted the following:

An account receivable balance of \$65,663 was listed on the subsidiary ledger. However, according to DMD, this was not a correct balance. DMD and DFAS - Accounting Division determined in January 2008 that payments previously made by the debtor had not been accounted for correctly by the City, and that the account had been paid. DMD stated that the department was going to post correcting entries to the receivable account. As of March 13, 2008, this had not been done.

Another account receivable balance of \$20,050 was listed on the subsidiary ledger. The account is delinquent. The balance originated in June 2007, and there was a partial payment of \$4,900 made in February 2008. Prior to the partial payment, the account receivable balance was \$24,950. The partial payment occurred after DMD personnel met with the debtor. DMD stated that a verbal agreement had been reached, and the delinquent balance would be paid by the debtor within four months (June 2008.) The agreement to resolve the account delinquency was not documented.

RECOMMENDATION

DMD should:

- Post correcting entries to the \$65,663 receivable account.

- Document agreements with debtors regarding the payment of delinquent accounts.

RESPONSE FROM DMD

“The Department has been working diligently with both the Accounting Officer of the Department of Finance and Administrative Services and the customer to verify and clear the accounts receivable. The necessary correcting entries have been posted and the \$65,663 receivable account has been cleared.

“The Department concurs and has documented the verbal agreement regarding the payment associated with the accounts receivable cited in the audit. In working with the customer, the Department has reduced the accounts receivable from \$20,050 to \$11,400 (as of April 24th) and the customer has agreed to pay the delinquent balance by June 2008.

“The Department will also ensure that future agreements with debtors regarding the payment of delinquent accounts are appropriately documented.”

OTHER ITEM NOTED DURING THE FOLLOW-UP AUDIT

The following finding was noted during our test work and was not part of the original audit. The finding concerns an area that we believe could be improved by the implementation of the related recommendation.

1. DFAS SHOULD ENSURE THE CORRECT REVENUE AMOUNT IS REPORTED IN THE CONSOLIDATED ANNUAL FINANCIAL REPORT (CAFR).

The FY2006 CAFR cash flow statement reported that cash received from customers for ABQ Ride was \$1,888,566 versus \$3,335,445 for FY2005. The DFAS - Accounting Division determined that cash received from customers for ABQ Ride had been underreported by \$1,933,762 in FY2006 due to a calculation error.

According to the Government Finance Officers Association (GFOA) many groups and individuals need reliable information about a government's finances. Interested parties seeking financial data about a government often must rely on general purpose external financial reports.

Users of the FY2006 CAFR do not know that an incorrect revenue amount for ABQ Ride has been reported.

RECOMMENDATION

DFAS should ensure the correct ABQ Ride revenue amount is reported in the CAFR.

RESPONSE FROM DFAS

“DFAS Accounting concurs with the audit finding and recommendation. An error was made in the calculation of ABQ Ride revenue on the Statement of Cash Flows; however, the ABQ Ride revenue (charges for services) was reported correctly on the Statement of Revenues, Expenses, and Changes in Fund Net Assets. In FY06, the change in the 'Amounts Due From Other Governments' was incorrectly offset against the 'Cash Received From Customers' amount and should have been offset to the 'Capital Grants Received' amount as it related to grants receivable, not charges for services. For the FY07 CAFR, the ABQ Ride revenue amount of \$4,648,905 was correctly reported on the Statement of Cash Flows.”

CONCLUSION

One of the 10 recommendations noted in the initial audit report has been fully implemented. Three of the recommendations have been partially implemented. One recommendation is considered partially resolved. Five have not been implemented. As noted in our follow-up recommendations, ABQ Ride needs to further strengthen its internal policies and procedures relating to revenues.

We appreciate the assistance and cooperation of ABQ Ride personnel during the audit.

Principal Auditor

REVIEWED:

Audit Manager

Internal Auditor

APPROVED:

APPROVED FOR PUBLICATION:

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

Chairperson, Accountability in Government
Oversight Committee