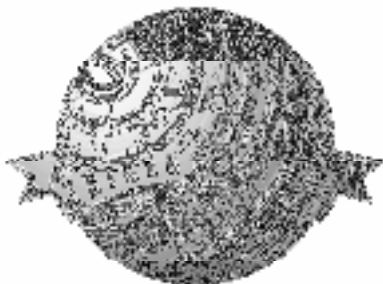


SPECIAL AUDIT REPORT
OF
SPECIAL INVESTIGATIONS DIVISION
ALBUQUERQUE POLICE DEPARTMENT

REPORT NO. 08-102



City of Albuquerque
Office of Internal Audit and Investigations

Special Investigations Division – Albuquerque Police Department
Report No. 08-102
Executive Summary

Background The Special Investigations Division (SID) of the Albuquerque Police Department (APD) is divided into two sections – Narcotics and Career Criminal. SID participates in the Federal Government’s Equitable Sharing Program (Program). Through this Program, any state or local law enforcement agency that directly participates in an investigation or prosecution resulting in a federal forfeiture may request an equitable share of the net proceeds.

Objective: Are SID’s financial records fairly presented and are expenditures in accordance with A Guide to Equitable Sharing of Federally Forfeited Property for State and Local Law Enforcement Agencies, March 1994?

- SID has not documented their accounting policies and procedures.
- SID has not trained the contract accountant on completing the Federal Annual Certification Report (FACR). As a result, the FACR has been completed by other individuals.
- SID has two separate transaction coding systems.
- SID has set up bank accounts separate from the City. SID has two separate federal forfeiture activity numbers (5162000 and 518000.)
- The FY06 FACR only included the general fund portion of the APD and City budgets.

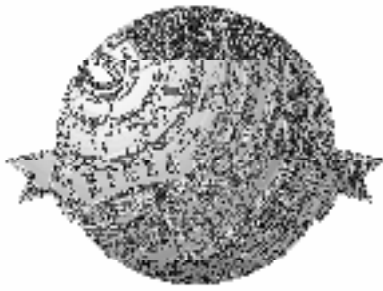
Recommendations:

- APD should document their accounting policies and procedures.
- APD should provide training to the contract accountant and he should prepare the FACR.
- APD should consider using only the federal coding system to track income and expenses.
- APD should establish its bank accounts through the City’s fiscal agent and close Activity No. 5162000.
- APD should report all funds that make up the APD and City budgets in the FACR.

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

Objective: Has APD SID developed performance measures?

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

January 30, 2008

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

Audit: Special Audit
Albuquerque Police Department, Special Investigations Division
Audit No. 08-102

FINAL

INTRODUCTION

The Office of Internal Audit and Investigations (OIAI) conducted a special audit of the Special Investigations Division (SID) operated by the Albuquerque Police Department (APD). The audit was requested by APD.

SID is divided into two sections – Narcotics and Career Criminal. The goal of the Narcotics Section is to take illicit narcotics off the streets of Albuquerque. The Career Criminal Section is divided into five units, including the following:

- Crisis Intervention Team
- Repeat Offender Project
- Gang Unit
- Vice Unit
- Intelligence Unit

SID participates in the Federal Government's Equitable Sharing Program (Program). Through this Program, any state or local law enforcement agency that directly participates in an investigation or prosecution resulting in a federal forfeiture may request an equitable share of the net proceeds.

A Guide to Equitable Sharing of Federally Forfeited Property for State and Local Law Enforcement Agencies, March 1994 outlines the requirements of the Program, including the requirement to file a Federal Annual Certification Report (FACR) within 60 days after the close of the City's fiscal year (FY). Among other things, the City must disclose the following in the FACR:

- Beginning Equitable Sharing Fund Balance
- Federal Sharing Funds Received
- Other Income
- Interest Income
- Federal Sharing Funds Spent
- Ending Equitable Sharing Fund Balance

AUDIT OBJECTIVES

The objectives of the audit were to determine:

- Are SID's financial records fairly presented and are expenditures in accordance with A Guide to Equitable Sharing of Federally Forfeited Property for State and Local Law Enforcement Agencies, March 1994?
- Does APD SID have performance measures?

SCOPE

Our audit did not include an examination of all functions and activities related to SID. Our scope included financial records and performance measures for FY 07.

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, October 11, 2007 and does not reflect events or accounting entries after that date.

The audit was conducted in accordance with Government Auditing Standards.

METHODOLOGY

During the audit, OIAI conducted interviews with APD, the Department of Finance and Administrative Services (DFAS), and the U.S. Marshals Service-District of New Mexico. OIAI also reviewed the following:

- A Guide to Equitable Sharing of Federally Forfeited Property for State and Local Law Enforcement Agencies, March 1994
- Organization Chart
- FY06 FACR

- FY06, FY07, FY08 APD budgets
- SID's Petty Cash Logs
- SID's financial records and ReportNet.

FINDINGS

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

1. APD SHOULD DOCUMENT THEIR ACCOUNTING POLICIES AND PROCEDURES.

APD has hired a contract accountant to perform accounting services for SID. OIAI reviewed the agreement between SID and the contract accountant. Although the agreement outlines the responsibilities of the contract accountant, SID has not documented accounting policies and procedures.

Since the contract accountant is a former APD employee who knows the accounting process, formal policies and procedures have not been documented. If the contract accountant left SID unexpectedly, his replacement would know the responsibilities of the position but not the specific accounting policies and procedures.

The Government Finance Officers Association (GFOA) suggests that documenting accounting policies and procedures can serve as a useful training tool for staff and recommends that governments document their policies and procedures.

RECOMMENDATION

APD should document their accounting policies and procedures.

RESPONSE FROM APD

“APD agrees with the finding. All policies and procedures will be documented in the SID procedural orders. The policies and procedures documentation will be completed by September 30, 2008.”

2. APD SHOULD PROVIDE TRAINING TO THE CONTRACT ACCOUNTANT AND HE SHOULD PREPARE THE FACR.

The agreement between SID and the contract accountant states that SID will provide the necessary training to the contract accountant and that he is responsible for completing the FACR. However, APD's fiscal manager prepared the FACR in FY05 and FY06 and has not provided training to the contract accountant. OIAI reviewed SID's financial records and compiled the numbers for the FY07 FACR.

If the contract accountant does not receive training, he will not be able to complete the FACR as required by his agreement with APD.

RECOMMENDATION

APD should provide training to the contract accountant and he should prepare the FACR.

RESPONSE FROM APD

"APD agrees with the finding. Internal Audit has provided training to the contract accountant. APD will ensure that training is continued and implemented. The next FACR report is due August 29, 2008. Training will be completed by that time."

3. APD SHOULD CONSIDER USING ONLY THE FEDERAL CODING SYSTEM TO TRACK INCOME AND EXPENSES.

SID has two separate transaction coding systems. One coding system is unique to SID, while the other is a federal coding system. Many similarities exist between these two coding systems. For example, SID's code for travel and training is 400, while the federal code for travel and training is 404.

SID's unique coding system was established prior to and continued by the current contract accountant. However, recording transactions in two separate coding systems is inefficient. The agreement between SID and the contract accountant requires an automated ledger system that is easy to understand and use.

RECOMMENDATION

APD should consider using only the federal coding system to track income and expenses.

RESPONSE FROM APD

“APD will consider using only the federal coding system to track income and expenses. The SID Commander will set-up a meeting with the APD fiscal officer and the contract accountant to review the federal coding system and its’ possible implementation. A decision will be completed before the next fiscal year begins July 1, 2008.”

4. APD SHOULD ESTABLISH ITS BANK ACCOUNTS THROUGH THE CITY’S FISCAL AGENT AND CLOSE ACTIVITY NO. 5162000.

SID Bank Accounts

Due to the confidential nature of its activities, SID has set up bank accounts separate from the City to provide for ongoing operations. SID is not in compliance with Chapter 4, Article 1, Section 4-1-4 of the City’s Code of Ordinances, which states that the designated depository financial institution shall enter into an agreement with the City and collect and deposit all checks received by the City and payable to its order or bearer.

Interest Earned on Federal Forfeitures

OIAI identified \$9,809 in interest revenue that posted to Activity No. 5162000 in FY07. The accounting systems coordinator in DFAS indicated that the City pools its cash from all funds into one common cash fund. Interest is allocated to all funds based on the average cash balance during the month.

A Guide to Equitable Sharing of Federally Forfeited Property for State and Local Law Enforcement Agencies states that agencies should:

Establish a separate revenue account through your Department of Finance for the proceeds from the disposition of federal sharing proceeds. This account should also receive any interest income generated by the funds. This account will be solely for the use of federal sharing proceeds. No other funds may be included in this account.

If federal forfeitures are combined with other monies for investment purposes, it may prove difficult to differentiate the federal forfeiture interest earned from other interest earned.

Federal Forfeiture Activity Numbers

OIAI reviewed the general ledger and noted two separate federal forfeiture activity numbers in Fund 280, the Law Enforcement Protection fund:

- Activity No. 5162000 - Federal Forfeitures
- Activity No. 5180000 - Federal Forfeiture SID

Federal forfeitures transferred from SID to the City are posted to Activity No. 5162000. Activity No. 5180000 is used to account for monies held by SID in its bank accounts and not transferred to the City. One adjusting entry is currently made at year-end to ensure the ending balance in Activity No. 5180000 equals the ending balance held by SID in its bank accounts. Viewing either activity by itself, prior to the year-end entry, does not provide a complete picture of SID funds. This process also increases the risk for errors.

For example, OIAI identified an incorrect adjusting journal entry that posted to Activity No. 5180000. Two related journal entries were made; one was effective 6/30/2006, while the other was effective 6/30/2007. As a result, \$18,246 was moved from General Fund Activity No. 5155000 - Special Investigations twice. The journal entry effective 6/30/2007, which moved \$18,246 from Activity No. 5155000 to Activity No. 5180000, should not have been made.

As a result of this journal entry, the general ledger is incorrect. Administrative Instruction No. 2-8, Handling and Deposit of Public Monies, states that persons recording public monies shall post these amounts to the appropriate account centers.

RECOMMENDATION

APD should coordinate with DFAS Treasury Division to ensure SID bank accounts are established through the City's designated depository financial institution. Interest revenue earned on these accounts should be accounted for separately.

APD should prepare an adjusting journal entry to return \$18,246 to Activity No. 5155000.

APD should transfer the balance in Activity No. 5162000 to Activity No. 5180000 and close Activity No. 5162000. APD should use only the one activity to record transactions.

RESPONSE FROM APD

“For the safety of undercover officers and informants, SID wishes to continue to establish their internal SID bank accounts outside of the DFAS Treasury Division and through banks that are not the City’s designated depository financial institution. APD has no problem with DFAS Treasury personnel reviewing bank account information at any time.

“APD concurs with the finding and will reverse the June 30, 2007 journal entry by March 31, 2008.

“APD concurs with the finding and stopped using activity 5162000 on July 1, 2007 in order to close the activity. The final entry to close the account will be made by March 31, 2008, after the external audit report is finalized.”

5. APD SHOULD REPORT ALL FUNDS THAT MAKE UP THE APD AND CITY BUDGETS IN THE FACR.

OIAI reviewed the FY06 and FY07 approved budgets and the FY06 FACR, and noted the following discrepancies:

Description	Approved Budget	FY06 FACR	Variance
APD FY06 Budget	\$125,082,000	\$119,774,000	\$5,308,000
APD FY07 Budget	\$138,411,000	\$130,503,000	\$7,908,000
City FY07 Budget	\$880,995,000	\$876,850,000	\$4,145,000

APD’s fiscal manager only looked at the general fund to complete the FY06 FACR. As a result, the budgets for APD and the City as reported on the FY06 FACR do not include all funding sources. For example, APD’s budget as reported on the FY06 FACR excludes the Law Enforcement Protection Fund, Fund 280, which includes federal forfeitures.

The FACR requires the following: (1) the agency budget for the current and prior fiscal years; (2) the city budget for the current and prior fiscal years. The FACR instructions do not expand on these requirements. However, by including all funding sources, the budgets of APD and the City are more accurately reported.

RECOMMENDATION

APD should report all funds that make up the APD and City budgets in the FACR.

RESPONSE FROM APD

“APD concurs with the finding and will use whichever budget table Internal Audit believes to be the most appropriate for the FACR. The change will be made for the next FACR report that is due August 29, 2008.”

CONCLUSION

To enhance internal controls, APD should:

- Document their accounting policies and procedures;
- Train the contract accountant and have him complete the FACR; and
- Use one system for coding transactions.

To enhance accounting controls, APD should coordinate with DFAS and:

- Close Activity No. 5162000; and
- Review how bank accounts are set up.

We appreciate the assistance and cooperation of APD and DFAS 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