



June 24, 2015

Special Audit

Albuquerque Police Department – Purchase and Tracking of Ammunition

City of Albuquerque

Report No. 15-106



**CITY OF ALBUQUERQUE
OFFICE OF INTERNAL AUDIT**

SPECIAL AUDIT REPORT
ALBUQUERQUE POLICE DEPARTMENT
PURCHASE AND TRACKING OF AMMUNITION
REPORT NO. 15-106

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Purchase & Tracking of Ammunition

Albuquerque Police Department

6/24/2015

Audit #15-106

The purpose of this audit was to review and report on the purchase and tracking of ammunition by the Albuquerque Police Department and was requested by the Albuquerque City Council.

Summary

During the audit, the Albuquerque Police Department (APD) was unaware of its cumulative, departmental total of ammunition. Although APD has an extensive supply of ammunition, it has not established and implemented department-wide policies and procedures for purchasing, tracking and managing ammunition inventory. Rather, each of the 11 APD locations throughout the City of Albuquerque (including the range) maintains independent records of the ammunition on hand. APD does not have formal policies and procedures pertaining to ammunition, which has resulted in inconsistent practices for tracking ammunition and various opportunities for improvement. Shipments of ammunition are not sent to a central location and, due to the excessive lead time for ammunition orders, coupled with staffing changes, deliveries of ammunition may be unexpected at the receiving location. Internal controls surrounding ammunition need strengthening as discrepancies in inventory records were noted at 82 percent of the APD locations with ammunition.

APD largely agrees with the recommendations in finding number one. APD disagrees with the recommendation in finding number two and will continue to maintain ammunition inventory at 11 locations. Detailed responses can be found in the report.

Recommendations & Benefits

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By establishing and implementing policies and procedures pertaining to ammunition, APD will be able to:

- Manage inventories and ensure accountability,
- Communicate consistent expectations for tracking ammunition usage,
- Improve internal controls over ammunition,
- Forecast departmental needs and establish acceptable inventory levels,
- Document expectations for accuracy, and
- Manage recycling of spent ammunition casings.

By limiting the number of APD locations with ammunition, the Department will help to lower the risks associated with tracking and storing ammunition.



City of Albuquerque

Office of Internal Audit

June 24, 2015

Accountability in Government Oversight Committee
P.O. Box 1293
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Audit: Special
Albuquerque Police Department – Purchase and Tracking of Ammunition
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FINAL

INTRODUCTION

The Office of Internal Audit (OIA) conducted a special audit of the purchase and tracking of ammunition at the Albuquerque Police Department (APD). The audit was requested by the Albuquerque City Council and was not included in OIA's fiscal year (FY) 2015 audit plan. Information pertaining to the audit objectives, scope and methodology can be found in **Appendix A**.

APD maintains an extensive supply of both duty use and practice ammunition. According to the Department, APD supports a thorough firearms training program as proficiency with a firearm can often mean the difference between life and death for a law enforcement officer. APD recognizes that with this commitment comes the "obligation to continually maintain a sustainable ammunition inventory managed to meet Department consumption demands" and that "safeguarding the stockpiles and maintaining an accurate inventory is essential both for reasons of fiscal responsibility and for public safety concerns." However, at the beginning of the audit, APD was unaware of its cumulative, departmental total of rounds of ammunition.

Though all firearms qualifications and the majority of APD's firearms training are conducted at the APD outdoor shooting range (Range), officers are permitted to practice at private indoor shooting ranges as needed. Mandatory firearms qualifications (testing to demonstrate accuracy and proficiency with assigned firearms) are held twice a year at the Range and involve day time and night time courses. The frequency of formal firearms training courses varies by APD Unit

and the amount of practice needed is decided by each individual officer – so long as successful firearms qualification is the outcome.

FINDINGS

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

1. APD SHOULD ESTABLISH AND IMPLEMENT POLICIES AND PROCEDURES PERTAINING TO AMMUNITION INVENTORY.

APD does not have formal policies and procedures pertaining to ammunition inventory. The United States General Accounting Office's (GAO) document entitled Executive Guide: Best Practices in Achieving Consistent, Accurate, Physical Counts of Inventory and Related Property (GAO Best Practices) states:

Establishing and documenting policies and procedures are essential to an effective and reliable physical count. Policies and procedures demonstrate management's commitment to the inventory physical count process and provide to all personnel clear communication and comprehensive instructions and guidelines for the count. Establishing written policies and procedures helps ensure consistent and accurate compliance and application needed to achieve high levels of integrity and accuracy in the physical count process. Policies and procedures also become the basis for training and informing employees.

By establishing and implementing formal policies and procedures for ammunition inventory, the Department will be able to address and improve the following areas:

- Accountability,
- Tracking – Shipments received and usage,
- Consistency,
- Accuracy,
- Internal Controls,
- Forecasting/Budgeting – Inventory levels, and
- Recycling of spent ammunition casings.

Each area is discussed in detail below.

Accountability:

APD has not established or communicated the requirements for managing ammunition inventory.

Without policies and procedures establishing and communicating management's expectations, APD is unable to hold personnel accountable for properly managing the ammunition inventory at each APD location.

Tracking – Shipments Received:

APD does not stipulate or limit where orders of ammunition may be shipped. As a result, each of the APD locations throughout the City may order and have ammunition shipped directly to each APD location. Recently, APD's Fiscal Division instructed the APD locations to direct all ammunition orders to the Range. However, this practice is not formally documented.

It can take eight to twelve months to receive ammunition after placing an order. During that time period, staffing at the various APD locations can change through APD's bid process. Without formal policies and procedures stipulating where ammunition shipments may be received, combined with the extensive lead time of ammunition orders and the transfers of APD staff, shipments of ammunition may be unexpected when they arrive. This increases the risk of improper tracking.

Consistency:

The records maintained at the 11 APD locations are not consistent. Inconsistencies within the following areas were noted:

- Inventory Intervals – Ammunition inventories were verified at unspecified intervals ranging from monthly to annually to longer/never. Some APD locations did not always record the date when the inventory was verified.
- Records – Usage logs maintained at the 11 APD locations differ and do not capture the same information.
- Records – Usage logs at three of the 11 APD locations (27%) did not include a running total (perpetual inventory) of ammunition.

Without formal policies or procedures regarding inventory, consistency between APD locations cannot be achieved as standards have not been established and communicated to those responsible.

Accuracy:

Records maintained at the various APD locations with ammunition are not accurate.

Discrepancies in on-hand counts compared to usage logs were noted at nine of the eleven APD locations (82%) and mathematical errors on the usage logs were noted at five of the eleven APD locations (45%). Net discrepancies noted at the nine APD locations resulted in:

Total Overages:	25,770 rounds
Total Shortages:	<u>(14,895) rounds</u>
Net Total Overage:	10,875 rounds

Without formal policies and procedures, APD has not established or communicated an expectation of accuracy for ammunition records. As a result, errors and discrepancies exist and remain unresolved.

Internal Controls:

The internal controls surrounding the tracking of ammunition need improvement. At the 11 APD locations with ammunition, internal control weaknesses were noted in the following areas:

- Physical Access:
 - Multiple individuals may have access to the ammunition inventory.
 - One location had a keyed entry as well as a numeric key pad. The key-pad combination had not been changed when staffing changed.
- Documentation (Processing and Recording):
 - Usage logs:
 - Are not consistently completed.
 - Contain unexplained errors and discrepancies.
 - Contain adjusting entries for unexplained errors.
 - These entries updated the usage log/perpetual inventory record to presumably match the ammunition inventory level on-hand at the time of verification.
 - There was no indication on the logs that the errors/adjusting entries had been researched to determine the cause of the issues.
 - Do not contain the name of the individual making the adjusting entries.
- Segregation of Duties:
 - The same individual who has access to the ammunition inventory is responsible for counting and verifying the inventory amount.

Without formal policies or procedures regarding the purchase and tracking of ammunition, APD has not identified or properly communicated the internal controls that must be in

place and functioning to ensure that ammunition inventory is adequately secure and managed. Without proper internal controls surrounding ammunition inventory, the Department has experienced errors, discrepancies, overages and shortages of ammunition, and is unable to hold officers accountable.

Forecasting/Budgeting – Inventory Levels:

APD has not determined the inventory levels necessary to meet the Department's duty and training needs. Formal projections are not prepared by any APD location prior to ordering ammunition. Without formal projections, APD may not be accurately anticipating the Department's ammunition budget needs. For example, if APD recruiting efforts result in a higher than expected graduating class of cadets, the total budget for ammunition may not be sufficient to maintain necessary inventory levels.

GAO Best Practices state that when managers and other decision makers know how much inventory there is and where it is located, effective budgeting, operating, and financial decisions can be made.

Without formal policies or procedures regarding the purchase and tracking of ammunition, APD has not addressed how to project ammunition needs or established inventory levels. Without this information, the Department is unable to determine whether ammunition inventory levels are reasonable or excessive, and whether additional orders are needed at each location.

Recycling of Ammunition Casings:

APD does not have a documented process regarding the recycling of spent ammunition casings. Additionally, casings are recycled as needed, rather than on a regular schedule. Although internal controls over the recycling of casings have been improved, and the Department only accepts recycling payments via check, documenting the process will help to ensure understanding and consistency by those involved.

Without a formal, documented process for recycling brass, procedures may be executed incorrectly and could result in loss or theft. By recycling the brass ammunition casings on a regular schedule rather than as needed, the Department will receive beneficial information as trends can be tracked and analyzed.

RECOMMENDATIONS:

APD should:

- Create and implement formal policies and procedures regarding the purchase, tracking and management of ammunition. These policies and procedures should:

- Establish and communicate clear expectations to ensure accountability of ammunition inventory,
 - Document how to process donations and disposal of ammunition that is no longer needed,
 - Document how frequently inventory counts should be taken (ex: no less than quarterly),
 - Require that verifications of inventory be documented on the usage form and include:
 - Date of verification,
 - Name of individuals who verified the ammunition, and
 - Total rounds verified.
 - Require that any errors or discrepancies noted be researched and reported through the appropriate chain of command.
 - Identify internal controls including:
 - Physical access,
 - Documentation, and
 - Segregation of Duties.
- Determine acceptable inventory levels for each location.
 - Prepare formal projections for the use and purchase of ammunition to ensure levels of inventory are adequate and sufficient budget is requested to meet APD's needs. These projections should consider, at a minimum:
 - Number of officers assigned at each APD location,
 - Anticipated training schedule, and
 - Lead time.
 - Require that all shipments of ammunition be delivered to and distributed from a central location as determined by APD.
 - Provide each APD location with identical ammunition tracking/usage forms that record the following information:
 - Type of ammunition,
 - Date,
 - Requesting officer,
 - Issuing officer,
 - Number of rounds issued, and
 - Running total/remaining balance.
 - Ensure that an ammunition tracking/usage form exists for each type of ammunition at all APD locations and the Range (including any remaining

- ammunition from shooting competitions).
- Consider implementing an electronic inventory system for tracking ammunition.
 - Create formal, written policies and procedures for recycling brass (spent ammunition casings), to include at a minimum:
 - Detailed process to be followed,
 - Name of recycling center to be used,
 - That all payments for recycling are to be made via check payable to the City of Albuquerque, and
 - Process to deposit check.
 - Recycle casings on a regular schedule (ex: quarterly) so that data may be collected and trend analysis can be performed.

RESPONSE FROM APD:

“Agree.

“APD will create and implement formal policies and procedures pertaining to ammunition inventory. APD does not believe it is feasible to require that all shipments of ammunition be delivered to and distributed from a central location. Shipments of ammunition vary by weight and amount of ammunition shipped. APD will implement a program whereby ammunition is delivered to three locations: APD property unit, tactical range and “regular” range. This will facilitate short term storage of ammunition, in addition to storing ammunition, given the geographical locations of APD Area Commands. APD cannot identify the name of which recycling center it will use in the policies and procedures but will maintain a list of companies with whom APD has contracts for recycling. It is not realistic to recycle casings on a regular schedule as amounts of casings available for recycling vary greatly.”

ESTIMATED COMPLETION DATE:

“August 15, 2015”

2. APD SHOULD REDUCE AND LIMIT THE NUMBER OF LOCATIONS MAINTAINING AN AMMUNITION INVENTORY.

APD currently has 11 locations throughout the City with varying levels of ammunition inventory. The Range and one other location have duty and practice ammunition inventories. The additional nine locations stock only practice ammunition.

APD Commanders explained that ammunition is kept at the various APD locations for multiple reasons including: supplementing the rounds of practice ammunition supplied to officers by the Range, supplying ammunition for training courses, and for emergency duty purposes. APD's firearms qualifications and training is conducted at the Range and firearms practice is primarily conducted at the Range. Therefore, it seems redundant to maintain practice inventories at 10 additional locations.

Officers are limited at the Range to one box of ammunition for each type of weapon for each practice session. However, there are no controls that would detect an officer checking out practice ammunition from both the Range and another location. Ammunition has value and could easily be sold on the street or kept for personal use.

The inventory at each location is separately tracked, stored and secured. As mentioned in Finding 1 above, the practices for tracking ammunition inventories are not consistent at the various locations, and internal controls need improvement. The staff at the additional locations turns over frequently, along with responsibility for managing the ammunition inventories. This further increases the risk of loss as there may not be sufficient training for the new inventory custodians taking over for departing officers.

By reducing the number of APD locations with ammunition inventory, APD will increase inventory accountability. There will be fewer locations at which to store, track and safeguard ammunition. This will help decrease the risk of undetected theft and loss, unexpected shortages of critical ammunition, and unnecessary purchases of items already on hand.

RECOMMENDATION

APD should reduce and limit the number of locations throughout the City that have ammunition inventories.

RESPONSE FROM APD:

“Disagree.”

“APD currently has eleven locations which maintain an ammunition inventory. Each Area Command has an individual budget marked for ammunition. The ammunition can be securely stored in each location. There is not a single storage location which can accommodate the amount of inventory maintained by APD. Storing in one location creates a serious public safety risk as to the potential for theft or even a threat of destruction. Use of identical ammunition tracking/usage forms will ensure the control of ammunition, as will a quarterly inventory.”

ESTIMATED COMPLETION DATE:

N/A

AUDITORS’ COMMENT

The recommendation is to reduce and limit the number of locations where practice ammunition is stored, and does **not** suggest storage at only one location. The costs for ammunition can be allocated by journal entry to each Area Command’s budget if the ammunition is stored at a location other than the specific Area Command.

CONCLUSION

Formal policies and procedures pertaining to APD’s ammunition inventory are needed. Although APD has an extensive supply of ammunition, it has not established and implemented department-wide policies and procedures for purchasing, tracking, and managing ammunition inventory. Tracking the acquisition, storage, and distribution of inventory is critical to controlling cost, operational efficiency, and mission readiness. APD should reduce the number of locations with ammunition inventory to limit risk and increase accuracy of inventory tracking.

Throughout the audit, the Albuquerque Police Department personnel were cooperative and involved. The active participation, time and assistance were greatly appreciated.

Contract Auditor

REVIEWED:

Internal Audit Manager

APPROVED:

Debra Yoshimura, CPA, CIA, CGAP
Director, Office of Internal Audit

APPROVED FOR PUBLICATION:

Chairperson, Accountability in
Government Oversight Committee

APPENDIX A

OBJECTIVES

The objectives of the audit were:

- To determine whether APD maintains an accurate, up-to-date and acceptable inventory of ammunition.
- To determine whether internal controls surrounding APD's purchase and use of ammunition are in place and sufficient to ensure accuracy and accountability.

SCOPE

Our audit did not include an examination of all functions and activities related to the Albuquerque Police Department. Our scope was limited to the objectives above for the purchase and tracking of ammunition.

This report and its conclusions are based on information taken from a sample of transactions and do not represent an examination of all related transactions and activities. The audit report is based on our examination of activities through the completion of fieldwork on April 3, 2015 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

Methodologies used to accomplish the audit objectives include but are not limited to the following.

- Gather and review background information, internal control documentation and policies and procedures regarding APD's purchase and tracking of ammunition.
- Interview key personnel at APD as well as the Range and document processes and procedures,
- Observe inventory counts and reconciliations at each inventory location,

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- Observe storage of APD's ammunition supply and determine whether adequate safeguards exist,
- Select ammunition purchase orders and verify shipment information, and
- Other methodologies as needed.