



# **Police Fiscal Activities Audit Report**

Issued by the  
Internal Audit Office  
June 6, 2007

**City of El Paso  
Internal Audit Office  
Police Fiscal Activities Audit**

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***EXECUTIVE SUMMARY***

The Internal Audit Office has concluded its audit of the fiscal activities at the El Paso Police Department. Based on the results of the audit, five (5) findings were identified that indicate some internal control improvements should be made within the El Paso Police Department.

The table below provides data on the areas reviewed during the audit and the corresponding results of the review:

Cash Handling Procedures, Petty Cash Management, Reconciliations & Safeguarding of Assets	Adequate Policies & Procedures	Adhering to Policies & Procedures	Finding Number
Crimes Against Children Section	Yes	Yes	-
Crimes Against Persons Section	Yes	Yes	-
Property Office	Yes	Yes	-
Narcotics Section	Yes	Yes	-
Records Division	Yes	No	1
EPPD Financial Services Division	No	No	1, 2 & 3

Procurement Card (P-Card) Management	Adequate Policies & Procedures	Adhering to Policies & Procedures	Finding Number
EPPD Financial Services Division	Yes	No	4

CALEA Standards for Fiscal Management	EPPD Is In Compliance With CALEA Standard	Finding Number
17.1.1	Yes	-
17.2.1	Yes	-
17.2.2	Yes	-
17.3.1	Yes	-
17.4.1	Yes	-
17.4.2	Yes	-
17.4.3	No	5

For a detailed explanation of each of the findings please refer to the appropriate finding contained in the body of this Audit Report.

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***BACKGROUND***

The El Paso Police Department (EPPD) requested that the Internal Audit Office conduct an independent audit of the department's fiscal activities in order to comply with the Commission on Accreditation for Law Enforcement Agencies (CALEA) Standard 17.4.3.

As part of the CALEA accreditation process, the EPPD must meet an established set of professional standards.

The CALEA standards that address fiscal management by the accredited agency include:

- 17.1.1 – The agency's chief executive officer is designated as having the authority and responsibility for the fiscal management of the agency, either through a written statement issued by the government, or by a law or ordinance, or by a combination of the two.
- 17.2.1 – A written directive describes the agency's budget process and assigns the responsibility for final budget preparation and management to the fiscal management function.
- 17.2.2 – Major functions within the agency annually prepare written budget recommendations, based on functional goals and objectives.
- 17.3.1 – A written directive governs procedures for the requisition and purchase of agency equipment and supplies.
- 17.4.1 – The agency has an accounting system that includes approval of each account and, at a minimum, provisions for monthly status reports showing:
  - a) initial appropriation for each account (or program);
  - b) balances at the commencement of the monthly period;
  - c) expenditures and encumbrances made during the period; and
  - d) unencumbered balance.
- 17.4.2 - A written directive governs the maintenance of all cash funds or accounts where the agency personnel are permitted to receive, maintain, or disburse cash and includes, at a minimum:
  - a) a balance sheet, ledger, or other system that identifies initial balance, credits (cash income received), debits (cash disbursed), and the balance on hand;
  - b) receipts or documentation for cash received;
  - c) authorization for cash disbursement, including chief executive officer authorization for expenses in excess of a given amount;
  - d) records, documentation, or invoice requirements for cash expenditures;
  - e) persons or positions authorized to disburse or accept cash; and
  - f) quarterly accounting of agency cash activities.
- 17.4.3 - A written directive governs procedures for an independent audit of the agency's fiscal activities. (Commentary: As a basis for determining the financial integrity of the agency's fiscal control procedures, an independent audit should be conducted at least annually or at a time stipulated by applicable statute or regulation.)

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***SCOPE***

The objectives of this audit were to determine if the El Paso Police Department (EPPD) has adequate internal controls for their fiscal activities and whether their procedures are consistent with the CALEA Standards for fiscal management. In order to accomplish this, our audit addressed the following issues:

- Determined if fiscal management procedures currently being utilized by the EPPD are consistent with the CALEA Standards identified in the background section of this report.
- Determined whether internal controls are adequate and operating as intended for the following areas:
  - Cash receipts,
  - Deposits,
  - Expenditures,
  - Posting of cash transactions,
  - Reconciliations,
  - Review and approvals,
  - Reporting.
- Determined if EPPD management is operating in a control conscious environment as it relates to cash handling procedures. A control conscious environment is characterized as having the following:
  - An adequate level of internal control awareness.
  - Proper separation of duties.
  - Existence of a proper monitoring system.
  - Appropriate authorization/approval of expenditures.
  - Adequate safeguarding of financial, physical, and information assets.
- Documented areas where inefficiencies may exist and where internal controls may be strengthened or improved.

The audit period covered the fiscal activities at the EPPD for fiscal year 2006-2007.

The audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors.

***SIGNIFICANT FINDINGS, RECOMMENDATIONS,  
AND MANAGEMENT'S RESPONSES***

The definition of a significant finding is one that has a material effect on the City of El Paso's financial statements, identifies an internal control breakdown, a violation of a City procedure, law and/or regulation, which the City is required to follow. Any finding not meeting these criteria will be classified as an "Other Finding".

**Finding 1**

**Cash Handling – Records and EPPD Financial Services Divisions**

A review was conducted of the cash handling procedures for Records Division revenues collected during the period from 2/16/07 to 3/27/07. The following was noted:

- The Records Division is not submitting revenues for deposit promptly as required by the Records Division Operations Manual Chapter 2.1.F and City Charter Section 7.7. An analysis of the Public Counter Register Count forms for the period from 2/16/07 to 3/27/07 indicates that cash was held at the Records Division from eight (8) to 22 calendar days before being submitted to the EPPD Financial Services Division for deposit.
- The EPPD Financial Services Division is not depositing revenues promptly, and whenever possible within one business day after its receipt, as required by the City Charter Section 7.7. An analysis of the four deposits made during March 2007 indicates that there were gaps between deposit dates ranging from three (3) to ten (10) business days.
- We were unable to determine if all revenues collected by the Records Division are being submitted to the EPPD Financial Services Division for deposit and if all revenues submitted are being deposited by the EPPD Financial Services Division for the following reasons:
  - The Records Division does not provide the EPPD Financial Services Division with documentation listing the date and amount of revenue being submitted for deposit.
  - Reconciliations of revenues and deposits are not performed.
- \$346,013.54 in Records Division revenue has been deposited as of 5/30/2007.

**Recommendation**

- Records Division revenues should be submitted for deposit promptly and whenever possible within one business day after its receipt. (The public counters should submit their revenues to the Records Division on a daily basis. The Records Division should then submit these revenues to the EPPD Financial Services Division for deposit on a daily basis.)
- Records Division should provide the EPPD Financial Services Division with documentation listing the date and amount of revenue being submitted for deposit.
- EPPD Financial Services Division should deposit revenues promptly and whenever possible within one business day after its receipt.
- Reconciliations of revenues and deposits should be performed and reviewed on a consistent basis.

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**Management's Response**

Record Division revenues collected at the counters are reconciled to the cash register tapes and are later submitted to Financial Services for deposit. Revenues received from the Public Counters by Records Division are recorded daily on a Cash Summary Sheet by the Records Specialists and are reconciled by the Supervisor when cash is turned in. This Cash Summary Sheet, along with the daily cash register closeout tape, provide a record of the transactions conducted and monies received each day by each counter employee.

To streamline cash turn-in procedures, the Department will utilize a courier service at its records counters and Financial Services to make daily cash deposits directly into bank accounts. This courier service is the same service utilized by Municipal Court at its public counters. Cash will be collected daily by a private courier company at all Records counters, including the PD Headquarters Records counter, as well as PD Financial Services. Records Specialists at each counter will reconcile a daily cash register receipt tape produced from the cash register and record the results of the reconciliation on the Cash Summary Sheet. The employee will then sign the Cash Summary Sheet, and place the cash in a locked courier bag for courier pickup. The courier will pick up the cash daily directly at each Records Counter. The Cash Summary Sheet, cash register closeout tape, and any deposit ticket issued by the courier will be forwarded daily to Records for Supervisor quality control review, reconciliation, signature, and account transaction filing. A copy of the Cash Summary Sheet signed by both the Records Counter employee and Records Supervisor and courier deposit ticket will then both be forwarded daily to Financial Services by the Records Supervisor for quality control review and account transaction filing.

All Sections/Divisions turning cash in will follow this same procedure. A Detail Transaction Report of Revenues will be run at the end of each processing month to insure that deposits are reconciled between the Cash Summary Sheet and the PeopleSoft system. The Section/Division submitting cash may also run this report to insure the funds were deposited as a third-level quality control check.

**Responsible Party**

Records Manager (Terry Manson) and Financial Services Manager (Robert Adkinson)

**Implementation Date**

September 1, 2007

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**Finding 2**

**Reconciliations & Safeguarding of Assets**

- Reconciliations for the following accounts that include deposits for revenues, restitution payments, and reimbursements are not being performed:

Account	Source of Deposit	Cumulative Deposit Activity as of 5/30/2007
404064	Narcotics Reimbursement (Crime Lab)	\$ 9,400.99
405065	Restitution, Reimbursements & Misc.	241,793.28
405067	Reimbursed Overtime	287,475.55
405068	Records Division	346,013.54
Total		\$ 884,683.36

- Funds are secured in a locked filing cabinet within the EPPD Financial Services Division until they are deposited.

**Recommendation**

- Management should implement an internal control over revenues, restitution payments, and reimbursements by performing reconciliations to ensure that the correct amount of funds are deposited to and/or withdrawn from the appropriate account.
- The EPPD Financial Services Division should obtain a safe to secure funds until they are deposited.

**Management's Response**

A Detail Transaction Report of Revenues will be run at the end of each processing month to insure that deposits are reconciled between the Cash Summary Sheet, any deposit tickets provided by the courier, and the PeopleSoft system.

A small floor safe will be purchased to store all funds until they are deposited.

**Responsible Party**

Financial Services Manager (Robert Adkinson)

**Implementation Date**

September 1, 2007

**Finding 3**

**Petty Cash Management**

A review of petty cash management was performed. We found that the budget coordinator does not maintain the following for petty cash funds or accounts, as required by the EPPD Financial Services Division Operations Manual Chapter 2.11:

- A balance sheet, ledger, or other system that identifies initial balances, credits (cash income received), debits (cash disbursed), and the balance on hand.
- Listing of persons or positions authorized to disperse or accept cash.
- Quarterly accounting of department activities.

**Recommendation**

The budget coordinator should maintain the following for all EPPD petty cash funds:

- A balance sheet, ledger, or other system that identifies initial balances, credits (cash income received), debits (cash disbursed), and the balance on hand.
- Listing of persons or positions authorized to disperse or accept cash.
- Quarterly accounting of department activities.

**Management's Response**

A spreadsheet will be developed and maintained by all sections utilizing cash identifying initial balances, credits (cash income received), debits (cash disbursed), and the balance on hand.

A form listing persons authorized to disperse or accept cash will be maintained by all sections utilizing cash at the section level as well as in Financial Services.

A quarterly report of all petty cash transactions will be completed after the month closes (November, February, May, August) and kept on file. Every section that manages cash will submit the quarterly report to Financial Services for quality control. Financial Services will randomly audit cash accounts within the Department, with all cash accounts receiving an audit by Financial Services at least once annually.

**Responsible Party**

Financial Services Manager (Robert Adkinson)

**Implementation Date**

September 1, 2007

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**Finding 4**

**Procurement Card (P-Card)**

An analysis of P-Card transactions processed during fiscal year 2007 was conducted. We found that one out of 42 P-Cards (2%) had 11 transactions totaling \$7,032.59 which were processed after the cardholder retired from the EPPD on 4/17/2006. The transactions are shown in the table below:

#	Transaction Date	Merchant Name	Amount
1	4/18/2006	Maps & Stuff	\$ 550.00
2	4/19/2006	El Paso Office Prod AOPD	162.00
3	4/24/2006	Sirchie Finger Print Labo	1,218.14
4	4/25/2006	Armor Holdings Forensics	1,002.50
5	4/28/2006	Economy Cash & Carry	116.61
6	5/1/2006	Economy Cash & Carry	71.25
7	5/3/2006	El Paso Office Prod AOPD	374.40
8	5/4/2006	Southwestern Mill Dist	115.30
9	5/5/2006	Economy Cash & Carry	(6.15)
10	5/24/2006	Airgas Safety Lyons	2,291.54
11	12/1/2006	Armor Holdings Forensics	1,137.00
Total			\$ 7,032.59

EPPD Management represented to us that the P-Card purchases were legitimate EPPD purchases. However, the following internal control breakdowns regarding P-Card management were noted:

- We could not find evidence that a P-Card Account Maintenance (PCM-1) Form was submitted requesting that authorization be revoked for the retired cardholder, as required by the City's Procurement Card Manual Section 4.3.
- P-Card was active and purchases were made seven (7) months after the cardholder's retirement. This activity was not detected by the EPPD Financial Services Division during the monthly P-Card reviews. Therefore, immediate action to revoke authorization was not taken as of the retirement date of the cardholder.

**Recommendation**

- The P-Card approver should immediately submit a PCM-1 Form and P-Card to the P-Card Account Manager requesting that authorization be revoked for any cardholder who retires, is terminated, or is transferred to another department.
- The P-Card approver should maintain a copy of the submitted PCM-1 Form and document the confirmation from the P-Card Account Manager that the request was processed.
- The P-Card reconciler and approver should take immediate action to revoke authorization if transactions for retired, terminated, or transferred cardholders are found during the P-Card account monthly reviews after the separation date.

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**Management's Response**

Regarding the cited findings, Louie Alvidrez retired in April of 2006. All orders on Mr. Alvidrez's card were placed before the employee retired, however several charges were not posted to his credit card until after he left. The charge that was posted in December 2006 was ordered in February 2006 through the Internet while the employee was still employed by EPPD. The vendor, Armor Holdings Forensics, does not know why the invoice was submitted so late. A copy of the order showing that it was placed in February is attached. The order in May with Airgas Safety Lyons is currently being researched by the vendor. The vendor stated that the charge was applied as a credit for items ordered after Mr. Alvidrez left and a refund check cut for the balance. The vendor will fax a copy of the file once they have everything consolidated. Mr. Alvidrez made the other charges in April prior to his retirement. They did not hit the system until the following month.

EPPD will insure employee issued a P-Card will turn their card over to EPPD Financial Services upon their retirement or when they will no longer need to make purchases. EPPD Financial Services will prepare the PCM-1 form. The form, p-card, and a copy of the form will be hand carried to City Hall Financial Services. The original form and credit card will be given to the responsible City Hall Financial Services employee overseeing the p-card program. The copy of the PCM-1 form will be signed and dated by the person receiving the originals and returned to the Department. The copy of the signed PCM-1 form verifying turn-in will be maintained in an inactive file at EPPD Financial Services. This procedure will be effective July 1, 2007.

**Responsible Party**

Financial Services Manager (Robert Adkinson)

**Implementation Date**

July 1, 2007

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**Finding 5**

**CALEA Standards Compliance**

A review of the EPPD's compliance with CALEA Standards for fiscal management was performed. The results of our review are shown in the table below:

CALEA Standard	EPPD Compliance
17.1.1	Yes
17.2.1	Yes
17.2.2	Yes
17.3.1	Yes
17.4.1	Yes
17.4.2	Yes
17.4.3	No*

\* There is no written directive governing procedures for an independent audit of the EPPD's fiscal activities, as required by CALEA Standard 17.4.3.

**Recommendation**

Management should develop a written directive governing procedures for an independent audit of the EPPD's fiscal activities.

**Management's Response**

Management will develop a written directive governing procedures for an independent audit of the EPPD's fiscal activities. This written directive will be placed in Chapter 6 of the Financial Services Operations Manual and will state:

**6.0 INDEPENDENT AUDIT.** The Financial Services Division will arrange for an annual independent audit of the Department's fiscal activities through the City's Internal Auditor. *(CALEA 17.4.3)*

**Responsible Party**

Financial Services Manager (Robert Adkinson)

**Implementation Date**

August 1, 2007

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***INHERENT LIMITATIONS***

Because of the inherent limitations of internal controls, errors or irregularities may occur and not be detected. Also, projections of any evaluation of the internal control structure to future periods are subject to the risk that procedures may become inadequate due to changes in conditions, or that the degree of compliance with the procedures may deteriorate.

***CONCLUSION***

Based on the results of this internal audit, the following are our conclusions regarding the fiscal activities at the El Paso Police Department (EPPD):

- The cash handling procedures over Records Division revenues revealed the absence of an audit trail caused by a:
  - Lack of documentation listing the date and amount of revenue submitted for deposit;
  - Lack of reconciliations;
  - Untimely submittal of revenue for deposit; and
  - Untimely deposits.
- Reconciliations for deposits of revenues, restitution payments, and reimbursements are not being performed. Funds pending deposit are not adequately safeguarded.
- There is no balance sheet or ledger, listing of authorized persons or positions, or quarterly accounting of activities regarding the EPPD's petty cash funds.
- There were 11 P-Card transactions totaling \$7,032.59 which were processed after the cardholder retired from the EPPD. There was no documentation requesting that the retired cardholder's authorization be revoked. P-Card was active and purchases were made seven (7) months after the cardholder's retirement.
- There is no written directive governing procedures for an independent audit of the EPPD's fiscal activities, as required by CALEA Standard 17.4.3.

We wish to thank the El Paso Police Department management and staff for their assistance and numerous courtesies extended during this audit.

*Signature on file*

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Edmundo S. Calderon, CIA, CGAP, MBA  
Chief Internal Auditor

*Signature on file*

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Christine L. Esqueda, CIA, CGAP  
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