



2008
Police CALEA ® Financial
Audit Report

Issued by the
Internal Audit Office
September 24, 2008

**City of El Paso
Internal Audit Office
2008 Police CALEA Financial Audit**

EXECUTIVE SUMMARY

The Internal Audit Office has concluded its audit of the fiscal activities at the El Paso Police Department and its follow-up audit fieldwork of the Police Fiscal Activities Audit Report dated June 6, 2007. Based on the results of the audit fieldwork, six (6) findings were identified and two (2) out of five (5) original audit recommendations from the original 2007 Police Fiscal Activities Audit are still pending implementation. Based on the results of this internal audit, the El Paso Police Department is in compliance with the CALEA Standards for Fiscal Management but is lacking proper internal controls over its cash activities.

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

Division/Section That Maintain Petty Cash, a Change fund, Discretionary Funds, an Undercover Cash fund and/or Collects Revenues:	Adequate Policies & Procedures	Adhering to Policies & Procedures	Finding Number
EPPD Financial Services Division petty cash fund	Yes	No	1, 2
DID: Intell Operations undercover cash fund	Yes	No	2, 3
DID: Flash undercover cash fund	Yes	No	2, 3
DID: Street Narcotics/Vice undercover cash fund	Yes	No	3
DID: Stash House Task Force PE/PI undercover cash fund	Yes	No	3
DID – Alpha Section: West TX HIDTA 2007 S.T.I.N.G PE/PI undercover cash fund	Yes	No	2, 3
DID – Alpha Section: West TX HIDTA 2007 S.T.I.N.G. Domestic Hwy Enforcement undercover cash fund	Yes	No	3
DID – Alpha Section: Confidential Source Awards undercover cash fund	Yes	No	3
CID: CAP Operations discretionary cash fund	Yes	No	2, 4
Abandoned Auto change fund	Yes	No	5, 6
Records Division change fund	No	No	6 & Addendum

Procurement Card (P-Card) Management	Adequate Policies & Procedures	Adhering to Policies & Procedures	Finding Number
EPPD Financial Services Division	Yes	Yes	-

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	Yes	-

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

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.)

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 2007-2008.

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

Lack of Internal Controls over Police Department Petty Cash Fund

A review of the Police Department Petty Cash fund for fiscal year 2008 identified the following internal control breakdowns:

- There are inadequate activity records maintained for the petty cash fund:
 - On 8/22/08 a petty cash count revealed a balance of approximately \$231.00 without supporting documentation readily available to account for \$569.00 in disbursements and/or advances.
 - On 8/28/08 a petty cash count revealed a balance of \$250.67 with questionable documentation provided for \$549.33 in disbursements. Ten receipts totaling \$378.46 provided by the Financial Services Manager contained altered receipts.
- The contributing factors that allowed the internal control breakdown in the maintenance of the Police Department Petty Cash fund are listed below:
 - The Police Department Financial Services Manager is the petty cash custodian, and also approves petty cash advances, disbursements, replenishments, and picks up the petty cash replenishments from the City Cashier.
 - Petty cash activity is not being reported on a quarterly basis.
 - The petty cash fund is not being handled in accordance with the City of El Paso Petty Cash Manual:
 - Original receipts are not being maintained for petty cash disbursements.
 - A Department/City Cashier Cash Advance Voucher PC-03 form is not being completed, submitted, and properly approved prior to an employee receiving a petty cash advance or a petty cash reimbursement.
 - Petty cash reimbursement receipts are not being submitted within 24 hours from purchase.
 - Petty cash advances are not being reconciled within three days from the date of a cash advance.

Recommendation

The El Paso Police Department should terminate its use of a petty cash fund.

Management's Response

EPPD will terminate its use of a petty cash fund.

Responsible Party

Stuart Ed, Director of Administrative Services

Implementation Date

January 1, 2009

Finding 2

Quarterly Reporting

The Quarterly reports for the first three quarters in Fiscal Year 2007-2008 for each Police Department Division were reviewed for accuracy against their corresponding ledger or log. The following discrepancies were identified:

- The Police Department Financial Services Manager provided the Internal Audit Office with inaccurate 1st and 2nd quarter reports for the (Directed Investigation Division) DID Alpha Section and DID Narcotics Section.
- The DID Intell Operations 1st quarter quarterly report does not match ledger activity and a quarterly report was not prepared for the 3rd quarter.
- DID Alpha section 3rd quarter activity does not match ledger activity.
- The Crimes Against Persons (CAP) Section does not report cash advances as disbursements in their quarterly cash reporting per instructions from the PD Financial Services Manager.

Recommendation

The Police Department should maintain accurate quarterly accounting and properly prepared quarterly reports of all agency cash activities.

Management's Response

The Financial Services Manager and DID/CID Divisions will maintain accurate quarterly accounting and properly prepared quarterly reports of all agency cash activities.

The Financial Services Manager will lead a quarterly Quality Assurance/Quality Control (QA/QC) meeting with DID Intell, Alpha, and CAP. The Financial Services Manager will conduct quality spot checks of the ledger activity and documentation. Additionally, DID/CID Divisions will email their quarterly statements and courtesy-copy those statements to the Police Administrative Services Manager to further enhance the Department's QA/QC efforts. Ledgers will be uniformly maintained with an electronic spreadsheet to eliminate errors. These new procedures will be incorporated into the Financial Services Division Manual.

Responsible Party

Financial Services Manager/DID/CID Division Commanders

Implementation Date

March 1, 2009

Finding 3

Directed Investigation Division (DID) Undercover Cash Funds

The following undercover cash fund procedures specified within the Criminal Investigations Manual are not being adhered to:

- Electronic spreadsheets are not being maintained for all undercover cash funds.
- Division Commanders are not performing quarterly audits of the DID Alpha Section and DID Narcotics section cash funds.
- DID Alpha and DID Intell Operations are not placing vouchers and expenditure sheets in an envelope marked with the detective's name, ID #, date of clearance and related case number or informant number.

The following internal control weaknesses were identified in the maintenance of undercover cash funds:

- DID Narcotics/Vice Section – the DID Narcotics/Vice Lieutenant is performing quarterly cash counts by himself.
- DID Intell Operations – Three disbursements, totaling \$800.00, made from the Intell Operations undercover cash fund during Fiscal Year 2007 – 2008 do not have supporting documentation on file within the section.

Recommendation

The procedures in place for undercover cash funds should be consistently followed among Police Department Divisions/Sections to address issues identified in the finding.

Management's Response

The Financial Services Manager and DID/CID Divisions will maintain accurate quarterly accounting and properly prepared quarterly reports of all agency cash activities.

The Financial Services Manager will lead a quarterly Quality Assurance/Quality Control (QA/QC) meeting with DID Intell, Alpha, and CAP. The Financial Services Manager will conduct quality spot checks of the ledger activity and documentation. Additionally, DID/CID Divisions will email their quarterly statements and courtesy-copy those statements to the Police Administrative Services Manager to further enhance the Department's QA/QC efforts. Ledgers will be uniformly maintained with an electronic spreadsheet to eliminate errors.

Additionally, the DID Narco/Vice Lieutenant will no longer perform Quarterly cash counts by himself.

Responsible Party

Financial Services Manager/DID/CID Division Commanders

Implementation Date

March 1, 2009

Finding 4

Criminal Investigations Division (CID): Crimes Against Persons (CAP) Section

Based on a review of the CAP cash fund disbursements and reimbursements conducted during Fiscal Year 2007-2008, the following discrepancies were noted:

- The Criminal Investigations Division Policy in place for section discretionary cash funds has not been approved by the Chief of Police.
- The CAP Section is not maintaining supporting documentation on file for all of its cash disbursements. Supporting documentation had to be obtained from other sources in order to account for nine disbursements totaling \$1,927.84.
- Correct denominations are not being disbursed for expenses due to lack of adequate change.
- A \$10.00 discrepancy has been carried in the CAP discretionary fund ledger, but the balance has been accurately reported in the CAP Section quarterly reports.

Recommendation

The CAP Section cash fund should:

- Be administered under an approved set of procedures.
- Maintain proper documentation for all advances and expenditures.
- Disburse proper denominations for expenses.

Management's Response

The CAP cash fund will incorporate an approved set of procedures into their Division Manual.

CAP will maintain accurate quarterly accounting and properly prepared quarterly reports of all agency cash activities, to include copies of all supporting documentation of expenditures.

The Financial Services Manager will lead a quarterly Quality Assurance/Quality Control (QA/QC) meeting with CAP. The Financial Services Manager will conduct quality spot checks of the ledger activity and documentation. Additionally, DID/CID Divisions will email their quarterly statements and courtesy-copy those statements to the Police Administrative Services Manager to further enhance the Department's QA/QC efforts. Ledgers will be uniformly maintained with an electronic spreadsheet to eliminate errors.

Additionally, the CAP Lieutenant will disburse exact denominations that match documented expenses.

Responsible Party

CAP Lieutenant

Implementation Date

March 1, 2009

Finding 5

Abandoned Auto

A review of the Abandoned Auto revenue generated for the month of July 2008 (22 business days) was conducted. With the following observations:

- The Abandoned Auto Division does not have documented procedures specifically for their section.
- Different types of receipts are provided to customers depending on who is running the register.
- Abandoned Auto does not perform reconciliations of revenues and deposits.

Recommendation

- Documented procedures should be developed for the Abandoned Auto Section to include consistency in the types of receipts that are provided to customers.
- Reconciliations of deposits for revenues should be performed and reviewed on a consistent basis.

Management's Response

Documented procedures will be developed for the Abandoned Auto Section to include:

- Consistency in the types of receipts that are provided to customers, and:
- Reconciliations of deposits for revenues performed and reviewed on a monthly basis.

Responsible Party

Fleet Maintenance Chief

Implementation Date

March 1, 2009

Finding 6

General Ledger (GL) Posting

Abandoned Auto daily revenues and the Records Division Public Counter daily revenues are not being posted to the GL in a timely manner and are being grouped as one journal entry making it difficult to trace daily receipts for a particular day. For the month of July 2008:

- Abandoned Auto daily revenues were posted to the GL by Financial Services between one (1) to four (4) business days after receipt of the funds from Abandoned Auto. There was one instance noted in which the GL posting was conducted by Financial Services ten (10) business days after receipt from Abandoned Auto.
- Four (4) out of 22 (18%) Abandoned Auto daily revenue receipts were grouped with another day's revenue.
- Public Counter daily revenues are being posted to the GL by PD Financial Services between one (1) to six (6) business days after receipt of the funds from the Records Division.
- 17 out of 22 (77%) public counter daily revenue receipts were grouped with either other Records Division revenue or with another day's revenue.

Recommendation

Abandoned Auto and Records Division daily revenues should be posted to the General Ledger in a timely manner and should not be grouped as one journal entry.

Management's Response

Abandoned Auto and Records Division daily cash revenues will be delivered to Financial Services no later than 9:30 am the next business day for pickup by a cash courier for delivery to the bank and posting to the General Ledger. Accordingly, daily revenues will not be grouped as one journal entry. Abandoned Auto, Financial Services, and Records will update their Division procedures manual accordingly.

Responsible Party

Fleet Maintenance Chief, Financial Services Manager, and Records Manager

Implementation Date

March 1, 2009

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 El Paso Police Department is in compliance with the CALEA Standards for Fiscal Management in regard to having the Fiscal Management directives in place but is lacking proper internal controls over its cash activities and bookkeeping of cash activities. The following are our conclusions regarding the fiscal activities at the El Paso Police Department (EPPD):

- There is a lack of internal controls over the Police Department petty cash fund. Documentation supporting cash transactions contained altered receipts.
- The Police Department is not maintaining accurate quarterly accounting of agency cash activities.
- The procedures in place for undercover cash funds are not consistently followed among Police Department Division/Sections.
- Abandoned Auto does not have documented procedures and is not performing reconciliations for deposits of revenues.
- Abandoned Auto daily revenues and the Records Division Public Counter daily revenues are not being posted to the General Ledger in a timely manner and are being grouped as one journal entry making it difficult to trace daily receipts for a particular day.

The Internal Audit Office noted during this audit that significant improvements have been made over the prior year's audit. 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
Edmundo S. Calderon, CIA, CGAP, MBA
Chief Internal Auditor

Signature on File
Liz Delao, CIA, CGAP
Senior Auditor

Distribution:

Legislative Review Committee, Fiscal Affairs, Management Support and Internal Audit
Joyce A. Wilson, City Manager
William F. Studer Jr., Deputy City Manager, Finance & Public Safety
Gregory K. Allen, Chief of Police

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ADDENDUM

The Internal Audit Office conducted a follow-up on Police Fiscal Activities Audit Report dated June 6, 2007 during the course of the 2008 Police CALEA Financial Audit. Upon completion of the audit fieldwork, we have determined the status of the recommendation for each audit finding as outlined in the table below:

Finding No.	Description of Finding	Status
1	<p><u>Finding:</u></p> <ul style="list-style-type: none"> • The Records Division is not submitting revenues for deposit promptly. • EPPD Financial Services Division is not depositing revenues promptly. • Reconciliations of revenues and deposits are not performed. <p><u>Current Observation of pending items:</u></p> <ul style="list-style-type: none"> • Records Division revenues are not submitted for deposit promptly. Cash is being submitted to PD Financial Services between three (3) to six (6) business days from date of receipt. • Reconciliations of revenues and deposits are not being performed by neither Records Division, nor Financial Services. 	In Progress
2	<p><u>Finding:</u></p> <ul style="list-style-type: none"> • Reconciliations for the following accounts are not being performed: <ul style="list-style-type: none"> ○ #404064 – Narcotics Reimbursement ○ #405065 – Restitution, Reimbursement & Misc. ○ #405067 – Reimbursed Overtime ○ #405068 – Records Division • Funds are secured in a locked filing cabinet within the EPPD Financial Services Division until they are deposited. <p><u>Current Observation of pending items:</u></p> <ul style="list-style-type: none"> • Management is not performing reconciliations of the accounts identified. • Financial Services has an armored service that picks up cash receipts on a daily basis, but cash is still being held overnight in a locked filing cabinet. On 21 out of 22 (95%) days, the Records Division submitted daily receipts after the armored service pick-up which arrives between 10:30 a.m. and 12:00 p.m.; public counter daily revenues average \$1,000.00. 	In Progress
3	<p><u>Finding:</u></p> <p>The budget coordinator does not maintain the following for petty cash funds or cash accounts:</p> <ul style="list-style-type: none"> • A balance sheet, ledger, or other system that identifies initial balances, credits, debits, and balances on hand. • Listing of persons or positions authorized to disburse or accept cash. • Quarterly accounting of department activities. <p><u>Current Observation of pending items:</u></p> <ul style="list-style-type: none"> • A form listing persons authorized to disperse or accept cash is not being maintained at the section level by two of the seven (30%) sections that utilize cash; Financial Services is not maintaining a copy of the forms. • Not all sections are submitting quarterly reports to the budget coordinator. 	Implemented

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4	A P-Card was identified as having 11 transactions totaling \$7,032.59 after the cardholder had retired. <ul style="list-style-type: none">• There was no evidence that a PCM-1 Form was submitted requesting that authorization be revoked.• The P-Card was active and purchases were made seven (7) months after the cardholder's retirement.	Implemented
5	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.	Implemented

Based on the results of the follow-up field work conducted, two (2) of the original five (5) findings are in progress of being fully implemented and three (3) have been fully implemented. A follow-up audit on the six findings contained within the audit report and the two pending audit findings from the 2007 CALEA Financial Audit will be conducted during the 2009 CALEA Financial Audit.