



Internal Audit Report

Change of Command Metro Gang Task Force

Contents

Auditor's Opinion.....	3
Audit Profile	4
Memorandum.....	5
ISS.1 - Policies and Procedures.....	6
ISS.2 - Financial management	7
ISS.3 - Unidentified bank balance.....	9
ISS.4 - Missing Forms	10
ISS.5 - Review of bank records.....	11
ISS.6 - Incomplete Vouchers	11
ISS.7 - Documentation Quality.....	12

Auditor's Opinion

January 24, 2019

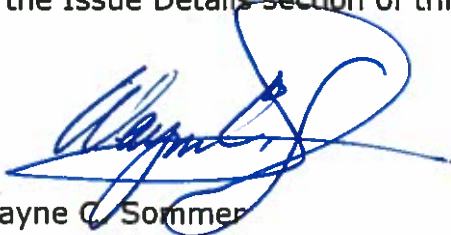
Internal Audit has completed the Change of Command Metro Gang Task Force (MGTF) engagement. We conducted this engagement in response to a special request from Aurora Police Department Division Chief Vanessa Wilson, received on June 13, 2018.

The audit objective was to verify the accuracy of the cash balances on-hand at the time of the change of command.

To these ends, Internal Audit:

- Reviewed bank statements
- Reviewed financial records
- Verified cash on hand

Internal Audit verified that the cash balances at the change of command were accurate. However, it is our opinion based upon the results of our engagement procedures that the financial practices employed did not ensure that MGTF assets were properly safeguarded. We have detailed the issues and our recommendations in the Issue Details section of this report.



Wayne C. Sommer
Internal Audit Manager

Audit Profile

Audit Team

Wayne Sommer, CPA, CGMA – Manager

Michelle Crawford, M.Acct., CIA, CFE and Sheree Van Buren, CIA – Leads

Background

The Aurora Police Department Metro Gang Task Force (MGTF) Lieutenant, through the Division Chief, requested a cash review due to the change of command in the MGTF on June 13, 2018. The MGTF is comprised of federal and local law enforcement agencies.

Scope

The procedures cover the time of the change in command, May 2018 to June 2018. We began the audit on June 14, 2018 and completed audit work during December 2018. (Due to the state of records, we postponed the audit from August 1, 2018 through November 1, 2018, while a new accounting technician was hired and trained.)

Memorandum

Metro Gang and Gun Task Force

To: Michelle Crawford

From: MGGTF Lieutenant Mark Hildebrand

Date: January 8th, 2019

Re: Internal Change of Command Audit Response



Michelle Crawford,

The purpose of this memo is to issue a response to a change of command audit conducted by the City of Aurora. The audit for the Metro Gang Task Force was initiated when I assumed command of MGGTF in June of 2018. Prior to my arrival at MGGTF, the task force was experiencing a major transition. The task force's primary federal partner was the FBI. The FBI left the task force in the early part of 2018. The task force was restructured, over several months, and eventually partnered with Homeland Security Investigations. Also, during this time-period, the financial analyst who was responsible for bookkeeping and accounting at the task force resigned on June 1st of 2018. This change of command audit covered May and June of 2018 specifically. Some earlier portions of 2018 were examined but were not the primary focus of this audit. Many of the responses and recommendations issued by the City of Aurora auditors relate directly to this transitional timeframe.

Many of the issues with accounting and bookkeeping at MGGTF have been resolved simply by the departure of the FBI and the former financial analyst. The absence of FBI finances and vouchers have simplified the accounting procedures. The City of Aurora hired a new MGGTF financial analyst on October 1st, 2018 and a refined method of the bookkeeping and accounting procedures have already been implemented.

The internal audit affirmed that the task force had accurate cash balances. This was an important conclusion. At this time, the key issues deal with bookkeeping, accounting, and policies and procedures.

Respectfully,
Lieutenant Mark Hildebrand

Issue Details

Due to the overall changes in MGTf personnel, policies and procedures, Internal Audit recommends a review of the financial records for MGTf for fiscal year 2019. Aurora Police can utilize external services or request Internal Audit to perform a review. Requests for Internal Audit to perform this review should occur by September 2019 during the annual risk assessment and 2020 audit plan process.

ISS.1 - Policies and procedures

We found evidence of non-compliance with existing policies and procedures, specifically section 1.8.C. During our fieldwork, we noted two transactions (#66 and #68) that were missing a contributor activity form (see Missing Forms recommendation, ISS.4.) In addition, for transaction #68, staff did not return the second voucher and monies to the safe within 48 hours. Non-compliance can increase the risk that unauthorized activity may occur.

The current policies and procedures lack key financial elements. For example, the current policies do not address the need for or process by which the MGTf Commander and the Executive Board exercise financial oversight. In addition, they do not address the Accounting Technician's responsibilities regarding the accurate and timely recording of financial transactions in the accounting system (QuickBooks).

Documented policies and procedures provide consistent guidance for necessary business processes and internal controls. They are reference guides for existing staff and training material for new staff to ensure that the unit operates consistently, efficiently, and effectively. They help ensure accurate and complete records. They provide a basis for sound decision-making that complies with established requirements and standards.

Recommendation

We recommend that the MGTf Commander ensure staff compliance with the existing policies and procedures. We further recommend that the Executive Board develop new policies and procedures related to their and Management's financial oversight responsibilities and guidance for the timely recording of financial transactions.

Executive Boards and Management are stewards of the organization and must have an understanding of the financial operations. Best practices for Executive Board and Management oversight activities include¹:

- Reviewing/understanding annual budgets
- Reviewing/understanding monthly financial statements
- Reviewing/understanding results of audits and/or inspections

¹ <https://nonprofitquarterly.org/2018/03/14/beyond-financial-oversight-expanding-the-boards-role-in-the-pursuit-of-sustainability/>

<https://www.lawhelp.org/files/7C92C43F-9283-A7E0-5931-E57134E903FB/attachments/4EFA05DA-0B76-4478-AC04-06AEDE61C6E7/financial-oversight-10-22-14.pdf>

Management Response

With the inception of the new task force, revised policies and procedures will be authored. These policies and procedures will provide clear financial and administrative guidelines regarding the duties and responsibilities of the supervisors, financial analyst, task force commander, and executive board. Each position bears fiscal and monetary responsibility and serves a unique role for bookkeeping, accounting, and management. These roles have distinct review and oversight responsibilities.

A monthly checklist will be established for the financial analyst, supervisors, and task force commander. This will ensure the proper review of financial records each month. The task force commander will train the supervisors on the proper review of financial documents for accuracy, completeness, and content.

Reference the return of a second voucher over 48hrs, this was directly related to procedures of the FBI and reimbursement processing times. The absence of the FBI should help reduce the possibility of these occurrences. There are legitimate reasons why a second voucher may be submitted after 48hrs. For instance, a weekend operation or holiday may affect the time for submitting a return voucher. To remedy this problem, the new policies and procedures will cover possible exceptions to the 48hr rules and proper procedures for documenting these exceptions. These procedures will include a log where the TFO (Task Force Officer) documents the fact that a voucher was returned after 48hrs and the reason why this occurred. If the reason is not an approved exception, the issue will be addressed with the TFO or supervisor internally and the resolution will be documented.

The power point to the executive board will be updated to include better-detailed financial statement and budget information. This will also include errors or mistakes that occur, an explanation for these errors, and specific direction on how these errors will be corrected and prevented.

I have received information from the city auditors to help implement these changes. The policies and procedures should be revised and sent to the executive board in July of 2019. All other changes should be fully implemented by April 1, 2019.

Estimated Implementation Date: 12-31-19

Issue Owner: Mark Hildebrand

Issue Final Approver: Vanessa Wilson

ISS.2 - Financial management

The Metro Gang Task Force (MGTF) financial management practices were substandard. These included late paid invoices, sloppy recordkeeping, and inadequate supervisory reviews. We provide more details below.

Overdue balances and amounts due

The May and June 2018 telephone invoices included past due balances and late fees. Cell phone statements included prior due balances. Amounts due were crossed out and other amounts were paid with no documented explanation. During February 2018, two identical

cell phone payments were made with no documented explanation. Our schedule of cell phone payments and invoices for January through June 2018 showed the payments for February through April caught up the prior due balances. The City withheld the April cell phone reimbursement to MGTF due to confusion over the appearance of duplicate payments in February. The MGTF can legitimately request reimbursement from the City for the April cell phone payment.

Reimbursement requests

The MGTF operates on a reimbursement basis. The Task Force requests reimbursement from the City prior to paying vendor invoices. We found requested reimbursements for May and June 2018 that occurred after the covered invoice due dates. The timeliness of reimbursement requests allows the MGTF to receive the funds to pay bills on time.

Using proper forms

The financial records showed that transaction #68 was recorded in the HIDTA Fund when it should have been recorded in the Federal Fund. (The records showed that the error was caught and corrected.) Internal Audit also noted multiple officer voucher forms that had "Federal" or "HIDTA" crossed out and written over.

Not using the proper funds' forms and recording transactions in the wrong funds, causes confusion and increases the risk of inaccurate financial reporting.

Financial management practices

In February 2018, the MGTF bank account had a negative balance of \$2,641.04 and incurred a \$35 insufficient funds (NSF) charge. There was no documentation explaining the negative balance and no documentation of management's awareness of the charge and negative balance. MGTF requested a refund for the NSF charge from the bank but did not receive a reimbursement. The granting agency stated they would not pay the fee. The MGTF has not accounted for the NSF charge accurately in QuickBooks, resulting in a difference on the balance sheet.

Adequate review requirements for those in an oversight capacity would identify these items and allow for timely resolution. The current MGTF commander documents his review by initialing invoices. This review should include ensuring charges are appropriate and corrective action is taken for any late payments.

Recommendation

The MGTF commander reviews financial records and supporting documentation monthly and documents explanations for any unusual occurrences or late payments.

The Accounting Technician pays invoices timely, documents deviations from amounts due, and requests reimbursements in a timely manner.

The appropriate separation of fund data when recording officer transactions on vouchers and when recording transactions within QuickBooks.

The MGTF request reimbursement of the \$35 late fee and \$985.62 cell phone expense from the City and account for these reimbursements in QuickBooks.

Management Response

With the hiring of a new financial analyst these issues should be resolved. The financial analyst is aware of the audit results and will utilize proper financial management practices and bookkeeping to eliminate further issues. The financial analyst has requested reimbursement of the late fee and cell phone expense from the City. With the new checklist, proper oversight will occur and be the responsibility of the supervisors and task force commander. If issues with accounting or bookkeeping are uncovered, then they will be addressed immediately with documentation. Mistakes and errors require an explanation for how it occurred, why it occurred, how it will be resolved, and how we can avoid future occurrences. With regards to proper forms, the federal forms have been eliminated with the exit of the FBI. This will simplify the accounting procedures and reduce the chances of a wrong form being utilized.

These corrections and the proper accounting, invoice payment, and oversight will be implemented immediately.

Estimated Implementation Date: 6-28-19

Issue Owner: Mark Hildebrand

Issue Final Approver: Vanessa Wilson

ISS.3 - Unidentified bank balance

The MGTF has been carrying a residual balance since the bank account opened; there is no documentation of what comprises the balance. The Metro Gang Task Force (MGTF) operates on a reimbursement basis. Any residual balances should be traceable to specific outstanding invoices. In 2017 and 2018, there was a residual balance of \$9,175.63. We researched the origin of this balance, but were unable to substantiate it from available records. The City provided records showing a 1994 balance of \$6,222.05. No one was able to identify the balance's origin. It is possible that the funds came from contributions by the participating agencies at its inception, but that is not documented. These may or may not be grant funds; that cannot be determined from existing records.

If these funds were contributed as startup capital, the amounts should be tracked to ensure they are not misspent. If these were grant funds, they should be reserved against the possibility that the funding agency(ies) may request their return.

Recommendation

Reserve and track any activity against this balance. We also recommend that research continue to try to identify the origin of the funds. Develop a plan to respond to any federal grant inquiries that may question the balance and seek its return.

Management Response

Part of the monthly checklist will include reconciling the banking account balance to ensure that we are carrying over the same balance month to month. In researching the

bank records back to 2015, MGTF was carrying a balance of approximately \$9,175.63. We know that the balance at inception was \$6,222.05 in 1994. It is still unknown how approximately \$3,000 was accrued between 1994 and 2015. We will continue to investigate the source of this money but identifying the source may be difficult to narrow down at this point. I do not have any intentions of spending these funds to ensure that they are available for reimbursement if they are found to be unspent grant funds.

Estimated Implementation Date: 6-28-19

Issue Owner: Mark Hildebrand

Issue Final Approver: Vanessa Wilson

ISS.4 - Missing forms

All required forms did not support officer transactions. There were two transactions (#66 and 68) in May that were missing contributor activity forms.

The unit is not able to substantiate how an officer expended the cash given him or her without a properly documented and approved voucher.

The current Metro Gang Task Force Policies and Procedures state:

Section 1.8 -

- 24-hour requirement - "After an approved expenditure is completed, a second voucher documenting the expenditure will be completed and given to supervisor within twenty-four hours."
- 48-hour requirement - "Any unused monies will be returned to the appropriate fund within forty-eight hours."

Recommendation

We recommend officers abide by the policy requiring the submission of all vouchers and forms to substantiate any transactions within 24 hours.

Management Response

This was directly related to the bookkeeping practices of the previous financial analyst and the lack of supervisory oversight. We have implemented new procedures for reconciling and keeping track of vouchers and CI (confidential informant) contributor forms. They are processed by the TFO and reviewed by the supervisor. The task force commander then reviews the voucher packet for accuracy, completeness, and policy compliance. They are provided to the financial analyst for review and record keeping. Each month the task force commander reviews them after the financial analyst numbers them and saves them in the K: Drive. A copy is then saved in the CI file, which is preserved on two encrypted flash drives.

Current policies will be followed. If there are exceptions or errors, these will be documented with an explanation and kept with the transaction's record.

Estimated Implementation Date: 6-28-19

Issue Owner: Mark Hildebrand

Issue Final Approver: Vanessa Wilson

ISS.5 - Review of bank records

The bank records review was inadequate. Two checks are missing from the MGTF check sequence in 2018, check numbers 2490 and 2497. MGTF staff cannot locate physical copies of the checks or records of their use. The bank records show neither check clearing the account. There is no documentation that anyone identified the checks as missing from the sequence prior to our review. Missing checks can result in unauthorized access to bank accounts.

The current MGTF commander reviews the online bank records; however, the May and June 2018 bank statements and reconciliation do not have documentation of any review outside the preparation by the former Accounting Technician.

Reviews are necessary to ensure that records are accurate and to identify any potential areas of concern, such as missing checks or overdraft fees.

Recommendation

Work with the bank to issue stop payments for both check numbers. Henceforth, the MGTF commander reviews the bank statement and monthly reconciliation verifying that the beginning balances agree and for any unusual transactions or fees, and missing checks.

Management Response

Stop payment through the bank has been conducted for both missing checks. Citywide Bank has no record of these checks ever being utilized. The checklist will include a verification of bank records. This checklist will have a date and signature line to show accountability for the review. Task force supervision will verify that checks are sequential and that copies are retained for bookkeeping.

Estimated Implementation Date: 6-28-19

Issue Owner: Mark Hildebrand

Issue Final Approver: Vanessa Wilson

ISS.6 - Incomplete vouchers

During our review, Internal Audit noted incomplete vouchers. These vouchers were missing references to the case number, the data entry date, the name of the receiving officer (for cash on hand deposits), or the safe balance after transaction amounts.

Incomplete vouchers increase the risk of inaccurate record keeping. Complete vouchers and forms substantiate officer transactions and provide the needed information for the financial records. Proper and complete documentation demonstrates accountability and good stewardship over the unit grant funds.

Recommendation

We recommend the MGTF Commander and Sergeants responsible for reviewing the vouchers and forms supporting officer transactions ensure that the officers have documented each field of the voucher or form completely and accurately. No transactions should be completed until all required information is provided.

Management Response

Based on previous responses, the new defined procedures, checklists, and the supervisory roles should eliminate these occurrences. Any errors will be dealt with through training and documentation. I have already spoke with the supervisors about this attention to detail and their responsibilities and accountability. The financial analyst is aware of what is required and needed to eliminate these errors and occurrences.

Estimated Implementation Date: 6-28-19

Issue Owner: Mark Hildebrand

Issue Final Approver: Vanessa Wilson

ISS.7 - Documentation quality

Internal Audit is concerned about the overall care taken when unit officers are documenting the vouchers and cash logs.

During Internal Audit's review, we noted that the vouchers and cash logs (for both funds) contained a lot of scratched out documentation. Occasional mistakes are expected, but excessive scratch-outs imply insufficient care. The cash log sheets were not consecutively numbered.

Documentation quality affects the accuracy of the financial recording. Crossed out documentation and extraneous notes raise concerns about the validity of the recordkeeping.

Recommendation

We recommend the MGTF Commander and Sergeants responsible for reviewing vouchers and cash logs, ensure that the documentation is valid (supported by the appropriate and complete vouchers and forms), accurate, and legible. This will require the unit to make updates to the voucher or cash log template, ensuring that the appropriate name is in the header.

We also recommend the consecutive numbering of cash logs to better aid in the identification of missing transactions.

Management Response

The task force will immediately implement due diligence with regards to the quality of voucher documentation. This will be reviewed by the supervisors, the task force commander, and the financial analyst. If the vouchers are not neat and clearly legible, they will be rewritten. I have provided training to the supervisors. The financial analyst is aware of expectations.

Estimated Implementation Date: 6-28-19
Issue Owner: Mark Hildebrand
Issue Final Approver: Vanessa Wilson