



Internal Audit Report

APD Program Expenses

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Auditor's Opinion

August 2, 2019

Internal Audit has completed the APD Program Expenses review. We conducted this engagement as a special request by the Aurora Police Department.

To fulfill our engagement objectives, Internal Audit:

- Reviewed support for expenditures from applicable APD funds.
- Reviewed processes and internal controls over program expenditures and internal donations.

Internal controls consist of all the measures taken by management to:

- Protect its resources against accidental loss, waste, fraud, and inefficiency;
- Ensure the completeness, accuracy, timeliness, and reliability of accounting and operating data;
- Ensure compliance with federal, state, and local laws, regulations, and internal policies and procedures;
- Promote efficient and effective operations; and,
- Monitor the achievement of management's goals and objectives.

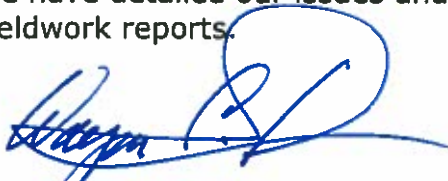
Objective 1: Verify that expenditures involving City funds for the Volunteer, Aurora for Youth, Explorers, and Teen Academy were appropriate.

Except for \$225 in Volunteer expenditures, we have concluded that the expenditures we reviewed for Aurora for Youth, Explorers, and Teen Academy appear to be appropriate.

Objective 2: Review controls and procedures for the programs for effectiveness.

It is our opinion, based upon the results of our audit procedures, controls for the programs are effective and are operating as designed. We identified some leading practices to assist APD in developing their process for handling internal donations.

We have detailed our issues and recommendations in the previously issued Fieldwork reports.



Wayne C. Sommer, CPA, CGMA
Internal Audit Manager

Audit Profile

Audit Team

Wayne C. Sommer, CPA, CGMA – Internal Audit Manager
Michelle Crawford, M.Acct., CIA, CFE – Lead Auditor

Background

Aurora Police requested an audit of a portion of their special programs to ensure that funds were spent appropriately.

Scope

January 1, 2018 through April 30, 2019.

Reports

Engagement Letter
Fieldwork Reports:
 Objective 1
 Objective 2

Issued Date

May 28, 2019

July 10, 2019

August 2, 2019



Fieldwork Report
APD Program Expenses: Appropriate expenditures

July 10, 2019

Fieldwork

In Fieldwork, we obtain sufficient competent evidential matter to afford a reasonable basis for conclusions on the engagement objectives. We accomplish this by performing tests, data analysis, and any other means necessary.

Objectives	CONCLUSIONS
<ul style="list-style-type: none">Objective 1 <i>Verify that expenditures involving City funds for the Volunteer, Aurora for Youth, Explorers, and Teen Academy were appropriate.</i>	<p><i>With the exception of \$225 in Volunteer expenditures, we have concluded that the expenditures we reviewed for Aurora for Youth, Explorers, and Teen Academy appear appropriate.</i></p> <p><i>See recommendations below.</i></p>

Wayne C. Sommer, CPA, CGMA
Internal Audit Manager

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Issue Details

ISS.1 - Purchases lack adequate detail

Some expenditures for the volunteer programs may not have been appropriate. Support for some items purchased using City funds lacked detail or expanded explanations. For example, multiple purchases from Hobby Lobby included generic receipt information such as jewelry making supplies, crafts, cards, etc. There was no additional detail on what was purchased and its intended use. Without this detail, we cannot determine if all purchases were for City use. We identified a total of \$225 in purchases where we could not determine if the purchase was appropriate.

Recommendation

We recommend APD include more detail on the support documentation for expenditures, such as what, specifically, was purchased and its intended use. Supervisors should review supporting documentation to ensure the level of detail is adequate. Additionally, we recommend training for supervisors on what to look for when reviewing supporting documentation.

Management Response

Supervisors will receive training on purchasing documentation, including incorporating a greater level of detail on the reason for purchases that are not self-explanatory.

Estimated Implementation Date: September 30, 2019

Issue Owner: Vanessa Wilson

Issue Final Approver: Paul O'Keefe

ISS.2 - Fiscally responsible purchases

Some purchases with City funds may not be fiscally responsible. Items purchased for the 2018 Volunteer Banquets—padfolios, pens, sports packs—included freight of \$489, 20% of the total invoice. For the 2019 Volunteer Banquet, engraved pint glasses were purchased and included shipping costs of \$425.07, 47% of the total invoice. There was no documentation that local vendors were considered, which could have reduced or eliminated the shipping cost and supported the local economy.

Office Supplies were purchased from vendors other than Eon, the City vendor. These purchases included shipping and there was no explanation why the City vendor was not used. The City Purchasing site regarding office supplies states that EON Office Products is the only authorized vendor from which City employees should order office supplies.

Recommendation

We recommend that the supervisors' review of purchases include ensuring shipping is reasonable, the authorized City vendor (where applicable) is used, and where possible, local vendors are considered.

Management Response

Eon will be used for supplies from now on, and purchases will be reviewed for reasonable shipping costs if local options are not available. Every effort will be made to order personalized items as early as possible before events to avoid the excessive shipping costs.

Estimated Implementation Date: September 30, 2019

Issue Owner: Vanessa Wilson

Issue Final Approver: Paul O'Keefe

ISS.3 - Membership purchases

We identified several areas of concern with purchases from businesses that require memberships. Our review of expenses included purchases made from Sam's Club, Costco, and Amazon. APD has a Sam's Club membership. We could not determine whether the Costco or Amazon purchases used a personal or APD account.

Our review of the transaction log for the APD Sam's Club membership identified several items that appear to be for personal use. We could not determine whether the purchased items were acquired with city funds; however, using the APD membership made them tax exempt. The City's tax-exempt status should never be used for personal acquisitions. We were unable to review transaction logs for Costco or Amazon.

Using a personal account or membership, makes it difficult to ensure that items purchased with City funds were not returned for credit. City membership accounts carry the risk of using the tax-exempt membership for personal purchases.

Recommendation

We recommend evaluating the cost for creating an APD Amazon business account for APD for all Amazon purchases. Supervisors should review account transactions for membership/Amazon purchases quarterly ensuring purchases are appropriate and for department use.

We strongly recommend that Aurora Police follow up on the purchases under the APD Sam's Club membership referenced above to verify whether they were for department or personal use.

Management Response

APD membership purchases will be reviewed quarterly to ensure that they are made for legitimate business purposes and not personal reasons.

The training on procurement documentation will include training supervisors on requiring better documentation on what membership purchases are for. APD will follow up on any purchases that appear to be for personal use and investigate it properly forwarding the issue to our internal affairs unit if procedures have been violated.

Estimated Implementation Date: September 30, 2019

Issue Owner: Vanessa Wilson

Issue Final Approver: Paul O'Keefe

ISS.4 - Tracking food inventory

We identified several issues related to a large year-end food purchase for youth programs. In December 2018, over \$2,000 in snack food items was purchased for the Teen Academy. The Teen Academy occurs during the summer months.

The storage area where the snacks were located was previously not locked (it is now kept locked), making it difficult to ensure that all items were used for their intended recipients. Some items included in the purchase were to be used by School Resource Officers for students at their schools. Prior to the audit, APD did not track the food on-hand to identify what items are used for the Teen Academy and SRO. Our review of the inventory on hand identified that several of the items had expired. Purchasing large quantities of food items over six months in advance includes the risk that items may expire prior to their intended use.

Recommendation

Continue using Excel to identify what items are used for Teen Academy and SRO and use that information to inform future food purchases. Evaluate whether large year-end purchases are feasible.

Management Response

An excel spreadsheet is now being used to track food inventory for accountability and to help plan the timing of food purchases. Year-end food purchases will be evaluated to ensure that the food will still good when it is needed.

Implemented during the audit.



Fieldwork Report Objective 2
APD Program Expenses: Controls & Procedures

August 2, 2019

Fieldwork

In Fieldwork, we seek sufficient competent evidential matter to afford a reasonable basis for conclusions on the engagement objectives. We accomplish this by performing tests, data analysis, and any other means necessary.

Objectives	CONCLUSIONS
Objective 2 <ul style="list-style-type: none">Review the effectiveness of controls and procedures for the programs.	<i>Controls over the program are operating as designed. As noted in our prior report, additional training is needed for supervisor reviews.</i>
<ul style="list-style-type: none">Review leading practices for handling internal donations.	<i>We have identified some leading practices to assist APD in developing their process for handling internal donations.</i>

Wayne C. Sommer, CPA, CGMA
Internal Audit Manager

Issue Details

Issues 1-4 were included in our prior Fieldwork review of expenses report.

ISS.5 - Donation procedure

Aurora Police Department employees participate in donating to various internal causes. APD currently lacks a formal procedures for handling these internal donations.

We are providing some leading practice guidance to assist APD in developing its donation procedures. Internal Audit is willing to review any processes APD develops and provide comments for improvement where appropriate.

1. Require preapproval by a designated level of command staff for all donation solicitations.
2. Receipt donations immediately when received. Triplicate receipt books can be very useful for receipting all donations of value (cash, checks, gift cards, etc.)—one receipt to the donor, one receipt to the employee logging receipts, and one receipt stays in the book. The book becomes a permanent record.
3. If donations are received in the form of a check made out to APD, they should be restrictively endorsed as soon as possible and deposited into a City bank account.
4. Segregate duties for handling donations to reduce the risk of loss or misappropriation. Duties should be segregated as follows:
 - a. Those who collect and receipt donations should not be involved in maintaining the actual funds or any electronic logs used for donation record keeping (such as an Excel spreadsheet).
 - b. Those who reconcile the logs with receipts should not be involved in collecting receipts. The reconciliation is best performed by a supervisor or higher who is not involved in receiving donations.
5. Donations should be stored in a secure area with limited access.
6. Donation distributions are best conducted by two individuals and should be documented in a log and via a receipt. A supervisor or above with designed approval authority should sign off on the distribution.

Formal procedures ensure consistency in handling donations and ensures that adequate controls are in place to safeguard the donated funds.

Recommendation

We recommend that APD develop its donation procedures in accordance with leading practices.

Management Response

Members of PSS are working on a draft policy which will be implemented before October 31st. Best practices will be followed to ensure audit compliance.

Estimated Implementation Date: October 31, 2019

Issue Owner: Harry Glidden

Issue Final Approver: Paul O'Keefe