CITY OF SAN ANTONIO

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March 12, 2015

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Councilman, District 10

SUBJECT: Audit Report of San Antonio Police Department Off-Duty Employment Program

Mayor and Council Members:

We are pleased to send you the final report of the San Antonio Police Department Off-Duty Employment Program. This audit began in May 2014 and concluded with an exit meeting with department management in December 2014. Management's verbatim response is included in Appendix B of the report. The Police Department management and staff should be commended for their cooperation and assistance during this audit.

The Office of the City Auditor is available to discuss this report with you individually at your convenience.

Respectfully Submitted,

Kevin W. Barthold, CPA, CIA, CISA
City Auditor
City of San Antonio

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CITY OF SAN ANTONIO

OFFICE OF THE CITY AUDITOR

Audit of San Antonio Police Department

Off-Duty Employment Program

Project No. AU14-026

March 12, 2015

Kevin W. Barthold, CPA, CIA, CISA
City Auditor

Executive Summary

As part of our annual Audit Plan approved by City Council, we conducted an audit of the San Antonio Police Department (SAPD) Off-Duty Employment Detail. The audit objectives, conclusions, and recommendations follow:

Are key internal controls over the SAPD Off-Duty Employment program adequate to ensure compliance with department policy and the Collective Bargaining Agreement (CBA)?

No, internal controls are not adequate over the SAPD Off-Duty Employment program to ensure compliance with department policy and the CBA. We determined the billing and collection of revenue is processed untimely and recorded inaccurately. We identified a lack of controls related to the scheduling of Officers, protection of credit card information and compliance with cash handling policies. We also identified a lack of event support documentation and outdated written procedures.

In addition, we determined the City is not recovering the cost to administer the Off-Duty Employment program. The City incurred a loss of $872,000 administering the Off-Duty Employment program in FY2014. This is in effect a subsidy for providing security related services for private events held at City facilities. As a result, the general fund absorbs the excess cost of operating the program.

We recommend that the SAPD Chief of Police:

- Conduct a review to identify efficiencies to reduce the cost of administering the program. The Chief should consider converting the support staff to civilian employees, allocating operating cost to the respective departments and updating the administrative fee to reflect the cost of administering the program.

- Implement effective controls to ensure billing, recording, and collection within the revenue cycle are accurate. Furthermore, establish controls for monitoring account receivable aging reports to ensure timely collection of City revenue.

- Revise the current process for scheduling off-duty assignments to ensure Officers are given an equal opportunity to participate in the Off-Duty Employment program. In addition, work with ITSD to ensure the

availability report in SAP currently used for scheduling off-duty assignments is accurate.

- Develop and implement procedures and internal controls to ensure client credit card information is secured. In addition, consider automating credit card payment processing to avoid the need to physically record cardholder data.

- Develop and implement procedures and establish controls to comply with Administrative Directive 8.1 Cash Handling.

- Implement effective procedures to ensure event documentation support is complete, accurate and maintained.

- Ensure that SOPs are reviewed and formally updated annually and in compliance with current policy and SAPD Off-Duty operations. In addition, ensure SOPs are updated as new processes are implemented.

SAPD Management's verbatim responses are included in Appendix B on page 11.

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Background

City of San Antonio Sworn Police Officers provides security for public and private events hosted at all City facilities. The City facilities include:

- La Villita
- Alamodome
- Market Square
- Lila Cockrell Theater
- Convention Center Exhibit Halls, Banquet Halls
- Texas A&M University – San Antonio Educational and Cultural Arts Center

Security includes traffic control, crowd control, and other police-related activities. The Off-Duty Employment program is administered by the SAPD Off-Duty Employment Detail (SAPD Off-Duty) staff in a manner consistent with the policies, procedures, and regulations of SAPD. In addition, it is governed by the Collective Bargaining Agreement (CBA).

SAPD Off-Duty is responsible for Officer event scheduling, attendance verification, event billing and ensuring accuracy of Officer's compensation. SAPD Off-Duty also administers the National Security Agency (NSA) contract between the City of San Antonio and the Department of Defense (DOD). Eligible off-duty SAPD Officers are assigned on a rotating basis to provide perimeter security detail for the two San Antonio facilities owned by the NSA and DOD.

SAPD Off-Duty and SAPD Fiscal are responsible for the accurate billing and collections for events. The table below summarizes the total number of events, participating Officers, and compensation for off-duty assignments paid during FY2013 and FY2014.

Off Duty	FY2013	FY2014
Approximate # of Events	560	588
Participating Officers	876	760
Total Officer Compensation	$1,837,107	$2,061,248

SAPD Off-Duty provides clients requesting security for events an estimate of security needed along with hourly rates prior to the date of the event. Hourly rates for off-duty assignments are established in the CBA. Compensation for working off-duty is paid through the Officer's bi-weekly payroll check.

The City assesses an administrative fee to the client in an effort to recover the cost for administering the operations of the Off-Duty Employment program. The administrative fee of $1.50 is added to each hour worked by off-duty Officers and is presented to the client in the hourly rate; this fee is retained by the City.

The City pays Officers $7.00 per day, which represents the special event parking rate. SAPD Off-Duty includes this fee in the client invoice. The following table provides the hourly rates charged in FY2014.

Position	First Hour	Additional Hours	Hour Minimum
Police Officer	$44.94	$37.94	3
Police Supervisor	$53.64	$46.64	3

Audit Scope and Methodology

The audit scope included SAPD Off-Duty operations, specifically processes related to the billing, collection and compensation to Officers assigned to work at City facilities and NSA on an off-duty basis for FY2013 and FY2014.

We interviewed SAPD Off-Duty staff to obtain an understanding of relevant processes. Additionally, we interviewed SAPD Fiscal staff to gain an understanding of the revenue collections and reporting process. We also reviewed relevant policies and procedures.

We examined cash handling procedures for compliance with Administrative Directive 8.1, Cash Handling. We also interviewed SAPD Off-Duty staff to determine if cash handling controls were in place to effectively safeguard payments received for security provided at City facilities. Additionally, we examined the credit card payment process to determine compliance with PCI Data Security Standards.

We examined the monthly billing and collection process for security provided for NSA. We reviewed the contract between SAPD and NSA and tested all 22 invoices (from October 2013 to July 2014) to determine accuracy of billing and recording of payments.

We selected a random sample of 10 Officers who worked off-duty assignments in FY2014 to determine if their payroll data from SAP agreed to event records and pay rate requirements.

We selected 40 events, covering all City facilities, to determine if payments were processed accurately, timely and included proper documentation. We reviewed relevant documentation to determine if invoices, which included Officer compensation and administrative fees, were accurate. Additionally, we tested these items to ensure payments were deposited timely and, if applicable, refunds were processed accurately. Finally, we reviewed 50 past events to determine why outstanding balances existed.

Testing criteria included the Collective Bargaining Agreement between the City of San Antonio and the San Antonio Police Officer's Association, SAPD Off-Duty Employment Standard Operating Procedures, and City Administrative Directives.

We relied on computer-processed data in SAP System, the City's principal accounting system to validate payments submitted to the City for events held at City facilities that required security. Our reliance was based on performing direct tests on the data rather than evaluating the system's general and application controls. Our direct testing included comparing documents such as invoices and

journal entries to the support documentation for each event to determine completeness and accuracy. We do not believe that the absence of testing general and application controls had an effect on the results of our audit.

We conducted this 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 audit results and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our audit results and conclusions based on our audit objectives. Our audit included tests of management controls that we considered necessary under the circumstances.

Audit Results and Recommendations

A. Operating Loss for SAPD Off-Duty Detail

The City incurred a loss of $872,000 administering the Off-Duty Employment program in FY2014. As a result, the general fund absorbs the cost of operating the program. The table below summarizes financial results of the program for FY 2013 and FY2014.

Program Administrative Revenues and Expenditures		
	FY 2013	**FY 2014**
Revenues		
NSA Revenue	$83,848.68	$61,379.28
Event Revenue	56,913.86	57,586.43
Total Revenues	140,762.54	118,965.71
Expenditures		
Personnel	894,484.83	947,999.56
Non - Personnel	38,604.91	43,272.88
Total Expenditures	933,089.74	991,272.44
Net Income (Loss)	**($792,327.20)**	**($872,306.73)**

According to the CBA, the administration of Off-Duty Employment program is required to be staffed by uniformed personnel. The City attempts to recover administrative costs by charging the client a fee of $1.50 per hour for each Officer. The current administrative fee is not adequate to cover operational expenditures. In addition, there is inconsistency in the retention of the administrative fee. For example, the Convention Center retains administrative fees for events held at Convention Center; while the Alamodome does not retain the fees for events held at the Alamodome. SAPD has not reviewed the administrative fee to determine reasonable cost recovery of operations. As a result, the City is subsidizing the cost for administering security for private events held at City facilities.

Recommendation

The Chief of Police should conduct a review to identify efficiencies to reduce the cost of administering the program. The Chief should consider converting the support staff to civilian employees, allocating operating cost to the respective departments and updating the administrative fee to reflect the cost of administering the program.

B. Ineffective Billing and Collection Controls

The collection of payments for off-duty security was not processed accurately. In addition, SAPD Fiscal did not bill the National Security Administration (NSA) timely.

B.1 Inaccurate Recording of Revenue

The collection of revenue for security services provided at City facilities was processed and collected untimely and applied inaccurately.

We tested 88 events and determined 51 events contained errors in recording revenue, billing, and collections. While we identified no inaccurate client billing, the following issues were identified. SAPD Off-Duty did not record revenues for 8 events totaling $49,828 until 30 days after services had been rendered. Revenues are not posted until payments are received leading to inaccurate aging reports and increasing the risk of delinquent payments going unnoticed.

SAPD Off-Duty applied 13 client payments totaling $65,694 to the incorrect event numbers resulting in the misstatement of event balances. Also, administrative revenues for 18 of the events totaling $4,660 were incorrectly recorded.

City sponsored events require the posting of journal entries to record revenue. We tested 17 journal entries and found that 9 entries totaling $17,596 were incorrectly credited to SAPD expense accounts instead of revenue accounts. In addition, we identified 7 revenue entries totaling $13,306 that were recorded inaccurately. Additionally, administrative fee revenues were not recorded for 3 of these events.

SAPD Fiscal does not have effective controls to ensure invoices are created timely, posted accurately, and payment to the City is received timely. In addition, they do not have effective controls for monitoring the aging of account receivables. Documentation was not reviewed by Fiscal to ensure that sales order requests were appropriately coded to the correct event numbers and general ledger accounts, and event numbers were not reconciled or closed out to ensure amounts billed were collected.

B.2. Failure to Bill National Security Administration (NSA)

SAPD Fiscal did not bill NSA in a timely manner. We tested 22 monthly invoices totaling $1,014,303 for NSA from October 2013 to July 2014. We identified 8 invoices from November 2013 through June 2014 totaling approximately $367,000 that were not billed to NSA by SAPD Fiscal, as of July 16, 2014. Per SAPD Staff, the delay for invoicing was attributed to new payroll wage types created for Officers assigned to NSA and lack of personnel.

According to AD 8.4 Accounts Receivable, City departments shall produce an invoice within one business day but no later than the end of the month of providing goods and/or services with terms payable within 30 days from the invoice day.

During the course of the audit, NSA was invoiced $367,271. As of October 1, 2014, a partial payment was received leaving a balance owed of $106,153.

Recommendation

The Chief of Police should implement effective controls to ensure billing, recording, and collection within the revenue cycle are accurate. Furthermore, establish controls for monitoring account receivable aging reports to ensure timely collection of City revenue.

C. Lack of Controls for Scheduling Off-Duty Assignments

SAPD Off-Duty has ineffective controls in place to ensure the accurate selection and scheduling of Officers on a rotating basis.

According to SAPD Off-Duty Standard Operating Procedures, staff should print an availability report generated from SAP and offer the assignment to the Officer in the order of appearance on the report. However, per SAPD Off-Duty staff, this report is frequently not utilized because the hours worked, last date worked, and the Officer's work schedule are inaccurate on the report. Instead, staff relies on the manual process of scheduling assignments based on an Officer's historical trend and/or Officer's request. Consequently, Officers may not be given the opportunity to participate in the Off-Duty Employment program.

Recommendation

The Chief of Police should revise the current process for scheduling off-duty assignments to ensure Officers are given an equal opportunity to participate in the Off-Duty Employment program.

In addition, work with ITSD to ensure the availability report in SAP currently used for scheduling off-duty assignments is accurate.

D. Lack of Controls for Protection of Credit Card Information

Client credit card information was not properly secured as required by Payment Card Industry (PCI) Data Security Standards. Credit card data including name,

number, and expiration date were transmitted by email and written on file records.

PCI Data Security Standards state that entities should protect stored cardholder data and encrypt transmission of cardholder data. SAPD Off-Duty does not have a written procedure in place for processing payments via credit card, thus lacks controls in protecting client information. The lack of formal written procedures and internal controls for processing payments via credit card can lead to potential theft and abuse of client information.

Recommendations

The Chief of Police should develop and implement procedures and internal controls to ensure client credit card information is secured. In addition, consider automating credit card payment processing to avoid the need to physically record cardholder data.

E. Non-compliance to Cash Handling Procedures

SAPD Off-Duty is not in compliance with the Cash Handling Administrative Directive 8.1. Specifically,

- One employee collects payments, records transactions in SAP and processes deposits. No mitigating controls are in place to reduce the risk from this lack of segregation of duties.
- Deposits are not delivered to Finance within 24 hours of receipt, but rather are made on a weekly basis without approval from Finance.
- Seven employees who receive payments by check or credit card had not attended the required cash handling training course prior to accepting and processing payments.
- Documented cash handling procedures do not exist.

Recommendations

The Chief of Police should develop and implement procedures and establish controls to comply with Administrative Directive 8.1 Cash Handling.

F. Lack of Support Documentation

SAPD Off-Duty staff did not maintain documentation that supports Officer's selection, scheduling and compensation. According to SOP 107.02, all event related correspondences will be maintained in the appropriate event file.

We identified 31 of 40 events that did not have the appropriate support documentation. Specifically, documentation regarding Officer's availability was not filed for 27 out of 40 events. Documentation should include an SAP generated report used to select officers on a rotating basis for assignment.

Additionally, 6 out of 40 events did not have the Officer's cancellation form. A cancellation form is a tracking tool to ensure correct Officers are scheduled and compensated. Lack of this documentation may result in scheduling conflicts and compensating the wrong Officer.

Finally, 6 events did not have the required contracts on file or documentation that support the billing process. SAPD Off-Duty does not have effective procedures in place to ensure required documentation is retained.

Recommendation

The Chief of Police should implement effective procedures to ensure event documentation support is complete, accurate and maintained.

G. Outdated Policies and Procedures

Standard Operating Procedures (SOPs) for SAPD Off-Duty are outdated.

SOP 111 states that the supervisor shall review and revise the SOPs on an annual basis. We reviewed key components of SAPD Off-Duty SOPs and identified 6 out of 15 that do not reflect their current operations and have not been formally updated since February 2010. Additionally, clients are now able to pay via credit; yet an SOP has not been created to include this new process.

Recommendations

The Chief of Police should ensure that SOPs are reviewed and formally updated annually and in compliance with current policy and SAPD Off-Duty operations. In addition, ensure SOPs are updated as new processes are implemented.

Appendix A – Staff Acknowledgement

Buddy Vargas, CFE, Audit Manager
Rosalia Vielma, CFE, Auditor in Charge
Cristina Stavley, Auditor
Lawrence Garza, Auditor

Appendix B – Management Response

CITY OF SAN ANTONIO
SAN ANTONIO TEXAS 78283-3966

February 2, 2015

Kevin W. Barthold, CPA, CIA, CISA
City Auditor
San Antonio, Texas

RE: Management's Corrective Action Plan for the Audit of San Antonio Police Department Off-Duty Employment Program

San Antonio Police Department has reviewed the audit report and has developed the Corrective Action Plans below corresponding to report recommendations.

Recommendation					
#	Description	Audit Report Page	Accept, Decline	Responsible Person's Name/Title	Completion Date
A	**Operating Loss for SAPD Off-Duty Detail** The Chief of Police should conduct a review to identify efficiencies to reduce the cost of administering the program. The Chief should consider converting the support staff to civilian employees, allocating operating cost to the respective departments and updating the administrative fee to reflect the cost of administering the program.	5	Accept	Deputy Chief Anthony Muro	December 2015
	Action plan: The department will explore opportunities to positively affect the operating loss through : 1. Identifying opportunities to replace sworn staff accomplishing administrative functions with civilian staff; 2. Increasing the "administrative service fee"; and 3. Making functional changes to the billing partnerships with the Convention, Sports and Entertainment Facilities; and Cultural Affairs Departments.				

Recommendation					
#	Description	Audit Report Page	Accept, Decline	Responsible Person's Name/Title	Completion Date
B	**Ineffective Billing and Collection Controls** The Chief of Police should implement effective controls to ensure billing, recording, and collection within the revenue cycle are accurate. Furthermore, establish controls for monitoring account receivable aging reports to ensure timely collection of City revenue.	6	Accept	Deputy Chief Anthony Muro	April 2015
	Action plan: The Department has taken action to correct existing billing issues and collect outstanding receivables. All procedures and existing processes are under review and updating to ensure timely and accurate billing and recording of revenue. In addition to documenting our billing processes, an aging report will be created to present to Fiscal leadership on a monthly basis to identify at-risk accounts and focus collection efforts. The current Administrative Associate position will be filled with an Accountant I and will have a dual reporting structure to the Fiscal Administrator and the Sergeant managing the Off-Duty program. Additional position changes will be explored to assure the necessary knowledge and skills in accountancy to manage the billing and collection processing are in place.				
C	**Lack of Controls for Scheduling Off-Duty Assignments** The Chief of Police should revise the current process for scheduling off-duty assignments to ensure Officers are given an equal opportunity to participate in the Off-Duty Employment program. In addition, work with ITSD to ensure the availability report in SAP currently used for scheduling off-duty assignments is accurate.	7	Accept	Deputy Chief Anthony Muro	September 2015
	Action plan: The existing availability report in SAP will be replaced with a new scheduling tool currently being developed by ITSD. The new scheduling tool will revise the current process for scheduling off-duty events, increase efficiency, and create a more equitable process for Officers to bid for Off-Duty Employment Opportunities.				

Recommendation					
#	Description	Audit Report Page	Accept, Decline	Responsible Person's Name/Title	Completion Date
D	**Lack of Controls for Protection of Credit Card Information** The Chief of Police should develop and implement procedures and internal controls to ensure client credit card information is secured. In addition, consider automating credit card payment processing to avoid the need to physically record cardholder data.	7	Accept	Deputy Chief Anthony Muro	March 2015
	Action plan: The department has ceased recording client credit card information for processing of payments. The Department has initiated a process for customers to contact the Finance Department to process credit cards payments until a credit card machine is installed at the Off-Duty Employment Office. Steps have been initiated to accomplish this within the next 60 days.				
E	**Non-Compliance to Cash Handling Procedures** The Chief of Police should develop and implement procedures and establish controls to comply with Administrative Directive 8.1 Cash Handling.	8	Accept	Deputy Chief Anthony Muro	Completed
	Action plan: All personnel currently assigned to the Off-Duty Employment Detail have completed Cash Handling Class. Future personnel, Sworn and Civilian, assigned to the Unit will be required to complete the Cash Handling Certification class as provided by the City of San Antonio. The Fiscal staff will be responsible for providing guidance and perform periodic audits on appropriate handling of cash, check and credit card payments. The audits will include confirming all staff are certified cash handlers and that the requirements of the Administrative Directive are being met.				
F	**Lack of Support Documentation** The Chief of Police should implement effective procedures to ensure event documentation support is complete, accurate and maintained.	8	Accept	Deputy Chief Anthony Muro	April 2015

Recommendation					
#	Description	Audit Report Page	Accept, Decline	Responsible Person's Name/Title	Completion Date
	Action plan: Fiscal will provide guidance to the Off-Duty Unit personnel to determine the appropriate documentation and support required to create accurate and substantiated invoicing processes. The updated SOP for Off-Duty invoicing will include the required processes.				
G	**Outdated Policies and Procedures** The Chief of Police should ensure that SOPs are reviewed and formally updated annually and in compliance with current policy and SAPD Off-Duty operations. In addition, ensure SOPs are updated as new processes are implemented.	9	Accept	Deputy Chief Anthony Muro	April 2015
	Action plan: The review of existing SOPs is underway and will continue until all SOPs are current with updated practices and requirements. In conjunction with Fiscal staff, the Off-Duty personnel will update all SOPs associated with the program and will ensure an annual review through the SAPD Self-Audit process.				

We are committed to addressing the recommendations in the audit report and the plan of actions presented above.

Sincerely,

A. Trevino — 2/2/15

Anthony Trevino
Chief of Police
San Antonio Police Department

Date

Erik Walsh — 2/2/15

Erik Walsh
Deputy City Manager
City Manager's Office

Date