



CITY OF SAN ANTONIO

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October 16, 2015

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SUBJECT: Audit Report of San Antonio Police Department Alarm Permits

Mayor and Council Members:

We are pleased to send you the final report of the San Antonio Police Department Alarm Permits. This audit began in January 2015 and concluded with an exit meeting with department management in July 2015. Management's verbatim response is included in Appendix B of the report. The San Antonio 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 the San Antonio Police Department

Alarm Permits

Project No. AU15-024

October 16, 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 Police Department Alarm Permits. The audit objectives, conclusions, and recommendations follow:

To determine if SAPD alarm permit issuance, monitoring, and revenues are appropriately managed.

No, alarm permit issuance, monitoring, and revenues are not appropriately managed. SAPD charged incorrect rates for alarm permit applications. We identified a lack of monitoring and recording of outstanding fees. Additionally, SAPD does not properly monitor or clear outstanding credits. Due to staffing issues, SAPD is unable to monitor and clear unresolved potential false alarms on a timely basis. We also identified users in the False Alarm Management System (FAMS) that no longer needed access. Finally, SAPD does not have a point-of-sale system for the alarm permit process.

The Alarm Permit Office is also understaffed given the current workload. Staff levels were reduced in 2014 in anticipation of outsourcing the permitting process. The outsourcing efforts were unsuccessful, however, staffing has not been restored to an adequate level to meet current workload demands.

We recommend that the Chief of Police:

- Ensure SAPD staff follow and implement current alarm permit procedures.
- Implement procedures and controls to ensure all outstanding fees are actively monitored, and the appropriate accounts receivable is recorded in SAP. Additionally, analyze staffing levels to determine staffing needs to identify and bill past outstanding alarm permit renewal fees to an extent feasible.
- Implement procedures and controls to ensure all outstanding credits are actively monitored and cleared in accordance with AD 8.4 "Financial Management of Accounts Receivable".
- Assign necessary staff to monitor and clear unmatched alarm notifications to determine if alarm fees should be billed and collected to the extent possible. Additionally, analyze staffing levels to determine actual staffing needs to work the potential false alarms on a timely basis.

- Implement monitoring procedures in accordance with AD 7.8D to ensure the correct user access is maintained in the False Alarm Management System (FAMS).
- Coordinate with the Finance Department and ITSD to discuss the implementation of an online point-of-sale system.

The Police Department Management's verbatim response is in Appendix B on page 7.

Other Matters

We identified limitations with the FAMS system, which include the following:

- FAMS does not age outstanding credits. As a result, Audit could not determine how long credits had been outstanding.
- The system generates a one-time invoice for alarm permit renewals. If a permit holder does not renew and pay the invoice, no additional invoices are issued.
- FAMS cannot display the entire unassociated log, which includes triggered alarms. Only the most recent entries are displayed. As a result, Audit could not determine how many potential false alarm fees were in the unassociated log.
- FAMS cannot create a listing of new permits with the original permit date, date of last renewal, and most recent fee paid. An accurate population of new permits issued in FY 2015 could not be obtained as a result.

SAPD should continue submitting issues along with requests to correct issues and where applicable enhance FAMS functionality as well as the reporting capabilities.

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Background

Residents and businesses are required by City Ordinance to obtain an alarm permit when they have a monitored alarm system installed by an alarm company. There are three types of alarm permits: residential, residential over 65 (discounted), and commercial, which must be renewed annually. Alarm permits are processed and managed by SAPD in the False Alarm Management System (FAMS).

SAPD also charges false alarm fees. Fees are charged for any false alarms after the first three are received at the same address. Additionally, unpermitted fees are charged if an alarm is triggered but it is discovered the resident does not have a current alarm permit.

SAPD issued 18,553 active permits from October 2014 through February 2015. The alarm permit process generated \$1.5 million of revenue during the same time period.

SAPD originally intended to outsource the entire revenue cycle for the alarm permit process. Contract negotiations with a vendor concluded in May 2013. However, the outsourcing of this process was voided in January 2014 due to the vendor's inability to secure proper bonding. The alarm permit process became understaffed due to the unsuccessful outsourcing efforts. As a result, the alarm permitting process was staffed with available SAPD resources and temporary employees. SAPD currently has four full-time COSA employees and eight temporary employees working on the alarm permit process.

Audit Scope and Methodology

The audit scope was active alarm permits issued from October 2014 through March 2015. We also reviewed the current alarm permit application process in FAMS.

We interviewed staff regarding the alarm permits application process in FAMS and the deposit recording in SAP. We obtained and reviewed the standard operating procedure for alarm permit processing to gain a better understanding of the process. Additionally, we obtained and reviewed the code of ordinances that govern the alarm permit process.

We obtained a listing of all active permits in FAMS as of March 9, 2015 and selected a random sample of 40 for alarm permit application testing. This testing included reviewing the original alarm application for accuracy and proper payment including applicable discounts, tracing the application information processing into FAMS, and tracing the deposit and revenue entry into SAP. We also randomly selected 40 alarm permits renewed during 2015 and determined if renewal notices had been sent to alarm permit holders. Finally, we obtained a current listing of FAMS users to determine if access was current.

We relied on computer-processed data in FAMS to validate the alarm permit application data. We also relied on computer-processed data in SAP to validate the deposit and revenue recording. 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 tracing the alarm permit application information into FAMS and tracing the alarm permit application deposit into SAP. 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 performance 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 findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Audit Results and Recommendations

A. Unqualified Discounts

SAPD charged the senior discounted rate for alarm permit holders that did not qualify. We selected 40 alarm permit applications for testing and determined 2 of the 40 permit applications were processed in FAMS as a senior citizen resident and charged the discounted rate when they did not qualify for the age exemption discount. Charging incorrect permit applications fees can lead to inaccurate revenue.

While SAPD has a process in place to verify the senior citizen alarm permit discount, they did not execute the controls in place to ensure all permit applications processed are recorded accurately and charged the appropriate permit fee. The Alarm Systems Code of Ordinances requires that residents be 65 or older to receive the discounted rate. Verification of age exemption is verified in the BCAD (Bexar County Appraisal District) system. SAPD did correct these two exceptions during the audit.

Recommendations

The Chief of Police should ensure SAPD staff follow and implement current alarm permit procedures.

B. Inadequate Billing and Monitoring of Outstanding Fees

SAPD does not have procedures in place to monitor alarm permit renewal application fees and outstanding renewals. Renewal notices are only sent once to alarm permit holders with no follow-up. Additionally, the FAMS system generates a renewal invoice only once, which is a limitation of the system. According to AD 8.4, it is the City Department's responsibility to issue collection notices at 30, 60, and 90 days overdue. Not properly monitoring outstanding fees can lead to lost revenue.

Additionally, SAPD does not create an accounts receivable in SAP for outstanding fees. AD 8.4 indicates that all revenue-related activities should be recorded in SAP as a receivable. Not recording a receivable in SAP leads to an understated receivable balance and can hinder collection efforts.

Recommendation

The Chief of Police should implement procedures and controls to ensure all outstanding fees are actively monitored, and the appropriate accounts receivable is recorded in SAP. Additionally, analyze staffing levels to determine staffing

needs to identify and bill past outstanding alarm permit renewal fees to an extent feasible.

C. Monitoring of Outstanding Credits

SAPD does not actively monitor or clear outstanding credits on customer balances. Currently, it is SAPD's process to only offset credits against customer accounts when payments are received. There is no procedure in place to monitor outstanding credits. As of 3/12/2015, there are a total of 686 credits outstanding totaling \$46,236.50. Due to system limitations, we could not determine the age of the credits. However, it is presumed most are older than 30 days.

AD 8.4 "Financial Management of Accounts Receivable" states customer overpayments should be refunded within 30 days of receipt by the City. Outstanding credits that are not actively monitored or cleared can lead to overstatement of revenue.

Recommendation

The Chief of Police should implement procedures and controls to ensure all outstanding credits are actively monitored and cleared in accordance with AD 8.4 "Financial Management of Accounts Receivable".

D. Unresolved Potential False Alarms

SAPD is not able to clear unmatched alarm notifications on a timely basis. These result when triggered alarms do not match with an active permit in FAMS. These unmatched alarm notifications could contain potential false alarms, which result in a fee.

The unassociated log is created by FAMS to track these unmatched alarm notifications. SAPD uses this log to clear unmatched alarm notifications but cannot monitor and clear it on a timely basis due to staffing issues. Only one temporary employee is currently assigned to the task. As of 2/19/2015, there were approximately 95,000 entries dating back to 1/1/2011 in the unassociated log.

As the unassociated log cannot be currently monitored and cleared on the scale required, this could result in lost revenue for the City.

Recommendation

The Chief of Police should assign necessary staff to monitor and clear unmatched alarm notifications to determine if alarm fees should be billed and collected to the extent possible. Additionally, analyze staffing levels to determine actual staffing needs to work the potential false alarms on a timely basis.

E. FAMS Access

FAMS has active users that no longer require access to FAMS. Audit obtained a listing of all active FAMS users and determined 6 of the 41 active users no longer needed access. SAPD is not actively monitoring user access in FAMS.

AD 7.8D states that all COSA information systems should be periodically scanned for inactive accounts and users with 90 days of continuous inactivity should have their accounts disabled. SAPD did correct this issue during the audit.

Recommendation

The Chief of Police should implement monitoring procedures in accordance with AD 7.8D to ensure the correct access is maintained in FAMS.

F. No Online Point-of-Sale System

SAPD does not have an online point-of-sale system for the alarm permit process. Currently customers can mail in alarm permit payments or pay in person only at the Public Safety Headquarters. An online point-of-sale system would make it convenient for permit holders to pay the required fees for alarms permits and increase efficiencies in staff processing of permits. This could also increase revenue for SAPD.

Recommendation

SAPD should coordinate with the Finance Department and ITSD to discuss the implementation of an online point-of-sale system.

Appendix A – Staff Acknowledgement

Buddy Vargas, CFE, Audit Manager
Douglas Francis, Auditor-in-Charge
Cecilia Gonzalez, Auditor

Appendix B – Management Response



CITY OF SAN ANTONIO

P.O. Box 839966
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September 30, 2015

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

RE: Management's Corrective Action Plan for the audit of the San Antonio Police Department (SAPD) Alarm Permits

SAPD 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	Unqualified Discounts The Chief of Police should ensure SAPD staff follow and implement current alarm permit procedures.	3		Steve Baum, Assistant Police Director	August 1, 2015

Recommendation					
#	Description	Audit Report Page	Accept, Decline	Responsible Person's Name/Title	Completion Date
	<p>Action plan: The Alarm Office staff will continue with its present procedures of verifying the proper permit and correct fee. Personnel will match the permit holder's checked designation on the application and the amount of the check enclosed with the application. Personnel will also check the permit holder name and address against the Bexar County Appraisal District (BCAD) data base to verify if the permit holder has a homestead exemption on the property. In addition, under the direction of the Alarm Supervisor, a monthly quality control check will be instituted by taking a sampling of up to 10% of the new permit applications received. If errors are found, the supervisor may elect to expand the sample. All errors found will be corrected at the time of discovery. Results will be published in the Administration and Records monthly report. This procedure was implemented August 1, 2015. Effective October 1, 2015, the City Code will be revised to eliminate the homestead exemption requirement for senior reduced fee eligibility, and the permit fee will decrease from \$35 to \$30 annually.</p>				
B	<p>Inadequate Billing and Monitoring of Outstanding Fees</p> <p>The Chief of Police should implement procedures and controls to ensure all outstanding fees are actively monitored, and the appropriate accounts receivable is recorded in SAP. Additionally, analyze staffing levels to determine staffing needs to identify and bill past outstanding alarm permit renewal fees to an extent feasible.</p>	3		<p>Steve Baum, Assistant Police Director</p>	<p>FAMS upgrade- August 2015</p> <p>In Lieu position – December 31, 2015</p>

Recommendation					
#	Description	Audit Report Page	Accept, Decline	Responsible Person's Name/Title	Completion Date
	<p>Action plan: The vendor (Orion) for the False Alarm Management System (FAMS) has been contacted to create invoices for unpaid renewal permit fees based on an aging of receivables that are 30, 60, and 90 days past due. The Alarms staff and the vendor collaborated to make the necessary changes to the software. In order to comply with the finding as quickly as possible the vendor has agreed to manually produce the invoices for the AIO until the software is changed. The first invoices for unpaid renewal fees were sent out on the August 20, 2015 (which covered unpaid renewal permit fees for May, June and July) and these invoices will continue to be sent on the 20th of every month.</p> <p>A vacant position has been identified for an in lieu to an accountant. This position will report to Fiscal staff but will work in the Alarm Office and be dedicated solely to handle Alarm fiscal operations.</p> <p>In addition the Department will analyze staffing needs and make the necessary proposal for the Fiscal Year 2017 budget.</p>				
C	<p>Monitoring of Outstanding Credits</p> <p>The Chief of Police should implement procedures and controls to ensure all outstanding credits are actively monitored and cleared in accordance with AD 8.4 "Financial Management of Accounts Receivable".</p>	4		Steve Baum, Assistant Police Director	December 31, 2015
	<p>Action plan: Currently there are 753 accounts that show a credit. Alarm Office staff time will be committed daily to process credits. In addition, a list of credits will be submitted, on a weekly basis, to the Fiscal office. A completion date of December 31, 2015 has been established to eliminate the backlog of credits.</p> <p>Once the backlog is eliminated, credits will be processed and submitted on a weekly basis to the Fiscal office. Alarm Supervisor will monitor the credits to ensure that credits are processed within 30 days in order to comply with A.D 8.4. In addition, customer refunds returned to the City due to being undeliverable will be monitored. Due diligence will be performed to contact and obtain remittance information in writing from the customer in order to process the credit.</p>				

Recommendation					
#	Description	Audit Report Page	Accept, Decline	Responsible Person's Name/Title	Completion Date
D	<p>Unresolved Potential False Alarms</p> <p>The Chief of Police should assign necessary staff to monitor and clear unmatched alarm notifications to determine if alarm fees should be billed and collected to the extent possible. Additionally, analyze staffing levels to determine actual staffing needs to work the potential false alarms on a timely basis.</p>	4		Steve Baum, Assistant Police Director	FAMS upgrade completion December 2015. Reduce the backlog of the unassociated log by October 2015.
<p>Action plan: The Alarm Office has been operating with limited staffing and constraints of the current software. Staffing issues and software upgrade have been addressed. FAMS software will be upgraded to enhance the ability of the program to match false alarm calls with existing permits reducing the number of false alarm calls being placed in the unassociated log by better matching addresses. Because of statute of limitations and to have a realistic projected outcome SAPD will instruct Orion to purge all log entries of the unassociated log prior to October 1, 2015. SAPD has hired two (2) temporary employees that will be dedicated to clear the backlog in the unassociated log. These employees will be expected to match 200 alarm calls per day, producing 48,000 matches within one year. As workload permits additional personnel will be assigned to work the unassociated log. Once the backlog is eliminated Alarm's staff will maintain the unassociated log and carry no more than a 30 day inventory. In addition the Department will analyze staffing needs and make the necessary proposal for the Fiscal Year 2017 budget.</p>					
E	<p>FAMS Access</p> <p>The Chief of Police should implement monitoring procedures in accordance with AD 7.8D to ensure the correct access is maintained in FAMS.</p>	5		Steve Baum, Assistant Police Director	July 2015
<p>Action plan: Any separated employee's access will be terminated on their last work day. Administration and Records (the Alarm Office is a subordinate office) has implemented a monthly audit of employee access and the audit results will be published in the Administration and Records monthly report.</p>					

Recommendation					
#	Description	Audit Report Page	Accept, Decline	Responsible Person's Name/Title	Completion Date
F	No Online Point-of-Sale System SAPD should coordinate with the Finance Department and ITSD to discuss the implementation of an online point-of-sale system.	5		Steve Baum, Assistant Police Director	FY2019
<p>Action plan: The Finance Department, in collaboration with Parks and Recreation and ITSD, is undertaking the Customer First San Antonio (C1SA) Project to implement enterprise point-of-sale (POS) and reservation-registration (RRS) systems. On June 18, 2015, Council approved a contract with Active Network for both systems; the project will officially kick-off in August 2015. Project goals include: driving transactions online to make it easier for citizens and other customers doing business with the City; establishing a consistent look and feel for transactions across departments; modernizing and standardizing tools and processes used for transactions; and meeting current and future Payment Card Industry (PCI) standards. The POS will use Active's Payment Manager software that will enable integration between SAP financials and SAP Accounts Receivable and stand-alone systems used in departments. Project scope includes integration with FAMS used by SAPD to manage alarm permits and false alarm fees. The POS system will also integrate with Acela, should alarm permit functions be handled by that system in the future. C1SA is a multi-phase project, governed by an Executive Steering Committee, and will take 2-3 years to fully implement.</p> <p>In addition, FAMS will be integrated with POS as funds are identified and SAPD will make the necessary proposal as part the Fiscal Year 2017 budget process.</p>					

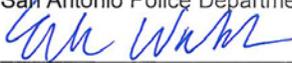
We are committed to addressing the recommendations in the audit report and the plan of actions presented above.

Sincerely,


Anthony L. Treviño
 Interim Chief of Police
 San Antonio Police Department

9/30/15

 Date



Erik Walsh
 Deputy City Manager
 City Manager's Office

9/30/15

 Date