



# CITY OF ATLANTA

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**Ex-Officio:** Mayor Kasim Reed

**TO:** Honorable Mayor and Members of the City Council

**FROM:** Leslie Ward, City Auditor

**DATE:** June 29, 2012

**SUBJECT:** Implementation of Audit Recommendations: Atlanta Police Department

We undertook this audit to assess the extent to which city officials have taken timely, appropriate corrective action in response to audit findings and recommendations. The city charter requires my office to report on completed audits, major findings, management's corrective actions, and significant findings that have not been fully addressed.

We followed up on three recommendations related to the Atlanta Police Department from two audits: *Atlanta Police Department: Property and Evidence Cash Funds* (December 2005) and *Police Department Sworn Staffing* (July 2008). The recommendations range in age from four to seven years old. Management agreed with all of the recommendations. We conducted this audit in accordance with generally accepted government auditing standards. Our audit methods included:

- compiling and analyzing open audit recommendations
- interviewing management to understand department responses and obtain further clarification on recommendations as needed
- obtaining management's assessment of whether each recommendation has been implemented, partially implemented, or not implemented
- reviewing departments' responses and data submissions to understand how management addressed each audit recommendation
- reviewing bank statements provided by police staff and the financial institution to assess account balances
- examining attrition and retention data for sworn APD employees

City staff implemented one open recommendation and partially implemented another. During the course of our work, we identified ongoing risk associated with a third recommendation, which we had previously closed, and make a new recommendation to address it. Attachment A lists the one recommendation that we will continue to hold open and management's updated response. Attachment B summarizes our assessment of the recommendation we are closing. Appendix C and D list the new recommendation we are issuing along with management's response.

### **Bank Accounts Outside of Finance Control Pose Risk to the City**

In the 2005 *Atlanta Police Department: Property and Evidence Cash Funds* audit, Banks, Finley, White & Company recommended the Atlanta Police Department advise the Department of Finance of all cash accounts under the police department's control to facilitate recording all cash accounts in the city's general ledger. In our initial follow-up work in 2010, we documented that the police department advised finance of all accounts under the police department's control and closed the recommendation. However, during the course of our current follow-up work, we discovered the police department continues to control two accounts that are not recorded on the city's books.

**Atlanta Police Department maintains accounts separate from the city's books.** As of February 2012, the police department controls two bank accounts - prisoner and evidence - totaling \$2.9 million with little oversight from finance. Finance policies and procedures state strong internal controls for cash collection are necessary to prevent misappropriation of city funds; cash should be promptly deposited into a City of Atlanta authorized bank account. Failure to follow established policies increases the risk of fraud. Finance management said police staff should record cash into a city controlled account because the city is liable for the money. We recommend finance have oversight of these accounts to properly record and reconcile revenue and ensure the city's financials are stated accurately.

### **The Police Department Should Release Cash to the General Fund in a Timely Manner**

In the 2005 *Atlanta Police Department: Property and Evidence Cash Funds* audit, Banks, Finley, White & Company recommended the department release unclaimed cash to the city's general fund after 90 days. While the department transfers some unclaimed cash, the magnitude of the bank account balance - over \$1.3 million in April 2012 - suggests police staff may not be making timely deposits into the city's general fund.

**Department acknowledged a backlog of unclaimed property without identified ownership.** The Fiscal Investigations Unit and Property Control Unit work cooperatively to get unclaimed funds - funds no one has claimed after 90 days - released by a judge. Once the funds are released, the Fiscal Management Unit sends the unclaimed funds to the Department of Finance for deposit into the city's general fund. However as of April 2012, the police department's prisoner account with Wells Fargo had a balance of \$1.3 million, compared to the \$9,492 recorded in the city's financial system. Staff attributed the disparity to technical issues arising from the migration of Evidence 2000 to the

FileonQ system - an automated tracking system for property and evidence - resulting in a backlog of unclaimed property. Specifically, some property logged prior to 2008 has not been released to the owner or the general fund. Police staff said the department cannot release the unclaimed funds until they have identified and attempted to notify the proper owner. We recommend the Atlanta Police Department work with the Department of Information Technology to resolve its system issues to ensure unclaimed money is identified in a timely manner and transferred by court order to the city's general fund.

**Although the Police Department Did Not Restructure Its Exit Interviews, Recruitment and Retention Efforts Have Improved Attrition**



In our 2008 *Police Department Sworn Staffing* report, we recommended the police chief focus retention efforts on personnel with five years or less experience through the use of information collected from restructured exit interviews. Police management stated they have not restructured exit interviews and use the Department of Human Resources' standard citywide exit interview. We performed additional analyses to determine if there were any changes in attrition and retention since our previous audit. The results indicate the department has improved attrition and retention rates. The police department also performed attrition and retention analyses, included in the Atlanta Police Foundation and ATLStat reports. In these reports, police staff identified initiatives to support recruitment and retention. Based on our findings and the department's initiatives, we concluded this recommendation is fully implemented.

**Attrition rates have declined since our 2008 audit.** In the 2008 audit and in this follow-up, we calculated the annual attrition rate as the number of officers leaving employment for reasons other than retirement as a percentage of the average number of officers on the force throughout the year. In our previous audit, the department's rate of non-retirement attrition rose from 4.6% in 2004 to 6.2% in 2007. In contrast, our current analysis reveals non-retirement attrition declined from 6.2% in 2008 to 4.2% in 2011 (See Exhibit 1).

**Exhibit 1 Atlanta Police Department Non-retirement Attrition Rates 2004-2011**

	Average Number of Employees by Year		Separated	Attrition Rate
Previous Audit	2004	1615	75	4.6%
	2005	1648	71	4.3%
	2006	1660	109	6.6%
	2007	1705	106	6.2%
Current Audit	2008	1750	108	6.2%
	2009	1707	98	5.7%
	2010	1746	83	4.8%
	2011	1853	77	4.2%

**Source:** Oracle database and *Police Department Sworn Staffing (July 2008) pg. 13*

The percentage of non-retirement separations with less than five years of service has decreased. We calculated the percentage of separations with less than five years of service and compared the results to previous audit work. The percentage of separations peaked in 2006 at 78.9% and has since decreased to 67.5% in 2011. Exhibit 2 indicates that while the percentage of non-retirement separations with less than five years of service increased  from 2004 to 2007, it declined  from 2008 to 2011 in our current audit.

**Exhibit 2 Percentage of Separated Employees with Less Than Five Years of Service**

	Year	Percentage less than 5 years
Previous Audit	2004	77.3%
	2005	67.6%
	2006	78.9%
	2007	78.3%
Current Audit	2008	78.0%
	2009	75.2%
	2010	74.7%
	2011	67.5%

**Source:** Oracle database and *Police Department Sworn Staffing (July 2008)* pg. 14

Of the recruits that separate from the city, most leave within the first five months. We also reviewed recruit separations from 2008 to 2011. Recruits that separate from the department generally leave within the first few months of service. While this trend continued throughout the period, the overall number of recruits separating from the city fluctuates from year to year.

**Exhibit 3 Number of Recruits Separated by Months of Service for 2008 to 2011**

Year	Recruit Separations by Months of Service						Total
	0-5	5-10	10-15	15-20	20-25	25+	
2008	20	13	5	0	0	0	38
2009	10	6	2	1	1	1	21
2010	22	4	2	1	0	1	30
2011	11	4	0	1	1	0	17

**Source:** Oracle database

In the 2008 audit, management stated that, due to the length of academy and field training, people who leave in the first year likely are not yet sworn officers; many recruits leave before completing academy. Recruits represent the majority of first year separations from 2008 to 2011.

**Exhibit 4 Recruit Separations as a Percentage of Overall First-Year Separations from 2008 to 2011**

First-Year Separations			
Year	Recruits	All	Recruit Percentage
2008	36	48	75.0%
2009	16	26	61.5%
2010	27	34	79.4%
2011	15	25	60.0%

**Source:** Oracle database

Generally accepted government auditing 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.

The Audit Committee has reviewed this report and is releasing it in accordance with Article 2, Chapter 6 of the City Charter. We appreciate the courtesy and cooperation of city staff throughout the audit. The team for this project was Damien Berahzer, Melissa Davis, and Christopher Armstead.

## Attachment A: Audit Recommendations Remaining Open

	Report Title and Date	Recommendation	City Auditor Analysis	Implementation Status
1	<p><b>Atlanta Police Department: Property and Evidence Cash Funds</b></p> <p>December 2005</p> <p>Management Agreed</p> <p>Expected Implementation</p>	<p>The Property Control Unit is responsible for notifying individuals that property is available for release and tracking the 90-day period until forfeiture. We recommend that the APD Property Control Unit determine when funds should be released to the general fund and make the appropriate disbursements on a regular basis. We recommend that the APD Property Control Unit work with the FIU to get holds released, where appropriate, on cash entered into the Evidence 2000 system prior to 2005 so that these funds can be released to the owner or to the City's general fund.</p> <p><b>Updated Management Response:</b></p> <ol style="list-style-type: none"> <li>1. The APD Property Control Unit will create a new "Current Location" designation in the Property Unit database to enable the program to distinguish which unclaimed Property cash funds have already been transferred to the COA General Fund from those items that remain on deposit in the APD Prisoner or Evidence accounts.</li> <li>2. The APD Property Control Unit will review court orders and each individual cash item in the database and will properly designate whether the item was transferred to the COA General Fund, transferred to the RICO Fund, or remains on deposit in the APD Prisoner or Evidence accounts.</li> <li>3. The APD Property Control Unit will identify cash items that are subject to release and ensure the owner has been notified when possible.</li> <li>4. On a regular weekly basis, the APD Fiscal Unit and Property Control Unit will determine the amount of money seized as Evidence and the amount of money held as personal or found property, and will make the appropriate transfer of funds between the Evidence and Prisoner accounts.</li> <li>5. On a regular monthly basis, the APD Financial Investigations Unit will secure court orders for unclaimed cash</li> </ol>	<p>The Property Control Unit is working with the Fiscal Investigation Unit to get holds released. However, due to migration issues from Evidence 2000 to FileonQ, some property logged prior to 2008 has not been released to the owner or the City's general fund. The police department does not have access to the prior system and is working with the Department of Information Technology to resolve the issue.</p>	<p><b>Partially Implemented</b></p>

	Report Title and Date	Recommendation	City Auditor Analysis	Implementation Status
		<p>funds, with goal of transferring unclaimed money to COA General Fund within 90 days of cash being declared unclaimed.</p> <p><b>Updated Implementation Date:</b> December 2012</p>	<p><b>Responsible Person:</b> Michael Richardson</p>	

## Attachment B: Audit Recommendations Closed

	Report Title and Date	Recommendation	City Auditor Analysis	Implementation Status
1	<p><b>Police Department Sworn Staffing</b></p> <p>July 2008</p> <p>Management Agreement No Response</p> <p>Expected Implementation Date: Not included</p>	<p>The Chief of Police should focus retention efforts on personnel with 5 years or less experience through the use of information collected from restructured exit interviews.</p>	<p>We reexamined the attrition from the previous audit and performed additional analyses in our follow-up. APD has focused several initiatives towards recruitment and retention and has seen steady improvement in both metrics.</p>	<p><b>Implemented</b></p>



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## **Attachment C: New and Reassigned Recommendations**

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1. In light of the amount held within the police department's outside accounts, we recommend that the police department grant Finance access to all outside accounts, so that Finance may record the amounts within the city's general ledger.

## Attachment D: Management Review and Response to Audit Recommendations

Report # 11.09A	<u>Report Title:</u> Implementation of Audit Recommendations: Atlanta Police Department	3/16/2012
Recommendation # 1		Degree of Agreement
<p>In light of the amount held within the police department’s outside accounts, we recommend that the police department turn over access to all outside accounts to Finance, so that Finance can record the amounts within the city’s general ledger and implement proper oversight over these accounts.</p>		Partially Agree
		Implementation Timeframe
		N/A
		Responsible Person
		COA DOF/APD
<p><b><u>Response:</u></b> Finance has been granted access to the accounts, since both the CFO and Deputy CFO are included on the signature cards. The City of Atlanta Department of Finance also has access to statement and transaction records via the Wells Fargo website. APD maintains these are not revenue accounts and should not be treated as such in the city’s general ledger. Except for rare cases where physical currency must be held for evidentiary purposes, APD policy requires all money seized or recovered by department personnel to be initially deposited in the APD Evidence or Prisoner Fund. When citizens come to the Property Unit to claim their personal property, it is important that their property be returned at that time and on demand so as to not further impede the customer to what is rightfully theirs. If their property includes money that was deposited into the Prisoner or Evidence Fund, then a supervisor in the Property Control Unit will write a check at that time to the individual drawn from the appropriate account. The Department maintains tight control and oversight for these accounts with audits and reconciliations being conducted regularly by the Fiscal Unit.</p>		
<b>Auditor’s Note:</b>		
<p>Upon discussion with the CPA on our staff and review of the original audit, we conclude the police department’s proposal fails to mitigate risks associated bank accounts not managed by the Department of Finance. We stand by our recommendation that finance should assume responsibility for the accounts and record them in the general ledger. We removed the reference in the <b>Atlanta Police Department maintains accounts separate from the city’s books</b> section to an “unapplied revenue account”. The accounting staff should determine how to classify the accounts and how the police department should handle deposits and refunds from the account.</p>		