



CITY OF TAMPA

Pam Iorio, Mayor

Internal Audit Department

Wayne Boytim, Acting Internal Audit Director

January 5, 2005

Honorable Pam Iorio
Mayor, City of Tampa
1 City Hall Plaza
Tampa, Florida

RE: Police Athletic League & Law Enforcement Aftercare Program, Audit 05-04

Dear Mayor Iorio:

Attached is the Internal Audit Department's report on the Police Athletic League & Law Enforcement Aftercare Program.

The Police Athletic League and the LEAP Director have already taken positive actions in response to our recommendations. We thank the management and staff of the Police Athletic League, the LEAP Director and the Tampa Police Department's Fiscal Bureau for their cooperation and assistance during this audit.

Sincerely,

Wayne Boytim
Acting Internal Audit Director

cc: Darrell Smith, Chief of Staff
Bonnie Wise, Revenue & Finance Director
Steve Hogue, Chief of Police

**TAMPA POLICE DEPARTMENT
POLICE ATHLETIC LEAGUE & LAW
ENFORCEMENT AFTERCARE PROGRAM
AUDIT 05-04
NOVEMBER 18, 2004**

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Auditor

Audit Supervisor

Audit Director

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INTRODUCTION

PAL (Police Athletic League of Tampa, Inc.) was organized as a crime prevention enterprise dealing with juvenile crime and violence through education. PAL serves over 400 students in an after-school program and other activities. PAL provides daily after-school care with pickup from nearby elementary schools and various sporting programs. During the summer, PAL operates a summer care program, which targets “at risk” inner-city children.

LEAP (Law Enforcement Aftercare Program) is a day treatment and conditional release program for at risk youths who have graduated from a residential program. The Florida Department of Juvenile Justice (DJJ) funds LEAP through a contractual services agreement with TPD, which acts in the capacity of “Provider.” The agreement is in its second 3-year period, which runs from November 1, 2002, to October 31, 2005. The “fixed price” contract is in the amount of \$1,724,625 (35 slots x \$45 per diem x 365 days x 3 years).

STATEMENT OF OBJECTIVES

This audit was conducted in accordance with the Internal Audit Department's FY2005 Audit Agenda. The objectives of this audit were to ensure that:

1. The Police Athletic League’s use of the Law Enforcement Trust Funds annual donation complies with their Request for Support;
2. LEAP expenses meet program requirements and that any related party transactions are reasonable and proper; and
3. Internal controls over LEAP expenses are adequate, in place and working.

STATEMENT OF SCOPE

The audit period covered the Law Enforcement Trust Fund’s FY2003 and FY2004 donation to the Police Athletic League and Law Enforcement Aftercare Program activity that occurred from January 1, 2004, to October 15, 2004. Source documentation was obtained from Police Athletic League and the Tampa Police Department’s Fiscal Bureau files. Original records as well as copies were used as evidence and verified through physical examination.

STATEMENT OF METHODOLOGY

The sample size and selection were statistically generated using a desired confidence level of 90%, expected error rate of 5% and a desired precision of +/- 5%. Statistical sampling was used in order to infer the conclusions of test work performed on a sample to the population from which it was drawn and to obtain estimates of sampling error involved. When appropriate, judgmental sampling was used to improve the overall efficiency of the audit.

To achieve the audit's objectives, reliance was placed on computer-processed data contained in the financial application maintained by the Police Athletic League. We assessed the reliability of the data contained in the database including relevant general and application controls and found them to be adequate. We also conducted sufficient tests of the data. Based on these tests and assessments, we concluded the data was sufficiently reliable to be used in meeting the audit's objectives.

STATEMENT OF AUDITING STANDARDS

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to afford a reasonable basis for our judgments and conclusions regarding the organization, program, activity or function under audit. An audit also includes assessments of applicable internal controls and compliance with requirements of laws and regulations when necessary to satisfy the audit objectives. We believe that our audit provides a reasonable basis for our conclusions.

AUDIT CONCLUSIONS

Based upon the test work performed and the audit findings noted below, we conclude that:

1. The Police Athletic League's use of the Law Enforcement Trust Funds annual donation complied with their Request for Support;
2. LEAP expenses met program requirements and any related party transactions appeared reasonable and proper; and
3. Internal controls over LEAP expenses were adequate, but should be strengthened, documented and consistently applied.

While the findings discussed below may not, individually or in the aggregate, significantly impair the operations of the Police Athletic League and the Law Enforcement Aftercare Program, they do present risks that can be more effectively controlled. Before we completed our audit, the Police Athletic League and the LEAP Director began implementing some of the Internal Audit Department's recommendations.

INTERNAL ACCOUNTING CONTROLS

Major changes have taken place with the Police Athletic League (PAL) organization and the way it conducts business over the past year. PAL management improved its level of cooperation with the Tampa Police Department's Fiscal Bureau by implementing an open book policy with respect to the Law Enforcement Aftercare Program (LEAP).

Documentation supporting LEAP financial activity is forwarded to the Fiscal Bureau for their review and reconciliation every month. Additional accounting controls were implemented to ensure program expenses complied with guidelines and were reasonable and proper prior to payment. Given these accomplishments, audit test work revealed the need to enhance documentation, strengthen certain controls and improve their implementation.

EXPENSE AUTHORIZATION

The process for authorizing LEAP expenses was not documented and exceptions to the described process were discovered during testing. While the LEAP Director agreed to various "related party" agreements (see discussion below), he was not required to review or approve PAL's invoices supporting program payments for these transactions.

RECOMMENDATION 1

The process for authorizing LEAP expenses should be documented. The LEAP Director should approve all payments made with program funds. Compliance with the authorization process should improve by implementing these recommendations.

POLICE ATHLETIC LEAGUE RESPONSE

We concur. A written policy has been developed outlining the process that must take place prior to approval of payments made with LEAP program funds. The LEAP Program Director will authorize all expenses related to the program.

DOCUMENTATION SUPPORTING PROGRAM EXPENSES

LEAP is a program administered by PAL. It is not a legal entity unto itself even though it has a separate staff which is responsible for its day-to-day operations. This unique relationship creates what is referred to as "related-party" transactions. The concern with these transactions is that the controlling party (PAL) does not exert undue influence over the controlled party (LEAP) and that costs are reasonable given current market conditions.

To ensure these transactions were at "arms-length," PAL's management conducted market analyses to ensure costs charged to the LEAP were appropriate. Bases of allocation were developed for any shared costs. After a determination of the costs, Memorandums of

Understanding were drafted to ensure all parties knew and accepted the costs. While the costs appeared reasonable given the limited documentation supporting the market analyses and bases of allocation, the Memorandums of Understanding remain in draft form.

Three contractors provide training and counseling services to LEAP clients. The agreements with the contractors do not appear legally sufficient. While the contractors acknowledge several legal issues in the agreements, the documents do not specify the services they are to provide, the duration of the agreements, any cancellation provisions or the amount of their compensation. The LEAP Director executed the agreement on behalf of the program.

RECOMMENDATION 2

The Memorandums of Understanding should be finalized and any supporting market analyses and bases of allocation should be documented and retained.

POLICE ATHLETIC LEAGUE RESPONSE

We concur. All “related parties” transactions will have a Memorandum of Understanding (MOU) signed by all effective parties for their approval. We will have signed copies of these memoranda by end of 2nd quarter of FY05.

RECOMMENDATION 3

Because the contractors providing services to LEAP are not related-parties, more formal agreements should be executed with them. The Tampa Police Department’s legal staff should be requested to assist in developing the agreements and ensuring their legal sufficiency. Because PAL is the administrator of the program, its representative should execute the agreement.

POLICE ATHLETIC LEAGUE RESPONSE

We concur. All contractors providing services to LEAP will be approved by Florida Department of Juvenile Justice (FDJJ) and the Tampa Police Department.

TAMPA POLICE DEPARTMENT RESPONSE

TPD has a standard contract for “Professional Services” which will be utilized in the future. All contracts will be forward to The Tampa Police Department’s legal staff for review. Tampa Police Department concurs with this recommendation and will review all contracts related to LEAP.

OVERSIGHT OF PURCHASING DECISIONS

In most organizations, purchasing decisions are set up to allow efficient day-to-day activity, but require additional oversight for major purchases. This is accomplished by establishing thresholds for purchasing approvals. The LEAP Director may incur any costs on behalf of the program without the approval of PAL, which is charged with administering the program. There is no threshold for requiring dual signatures on bank checks.

RECOMMENDATION 4

PAL should establish a limit on the amount the LEAP Director may commit to without additional oversight and approval. Any payments exceeding this amount should require dual signatures on the bank checks.

POLICE ATHLETIC LEAGUE RESPONSE

We concur. A policy has been developed stating that any purchase over \$200.00 must have prior approval from PAL.

PETTY CASH CONTROLS

LEAP operates a petty cash fund of \$1,000. The fund is used to pay for client lunches and other non-recurring costs. While controls were improved to ensure its proper use, the fund appeared \$27 short during a surprise cash count. The majority of this was due to officers not documenting the cash in their possession. Petty cash procedures do not require officers to sign a voucher when taking money to cover anticipated costs (draws). All officers have access to the petty cash fund.

RECOMMENDATION 5

Petty cash draws should be documented and retained with the petty cash fund. Access to the fund should be restricted to one or two officers.

POLICE ATHLETIC LEAGUE RESPONSE

There have been several new controls/procedures implemented in the handling of LEAP'S petty cash account. The current policy has been changed to add greater control over the officer's accountability and availability to the fund.

LEAP BUDGET

The Department of Juvenile Justice (DJJ)/City agreement is “fixed cost,” meaning the DJJ is paying an amount certain for the City to provide specified services. It is not a grant agreement. No funds need be repaid to the DJJ unless overpayment occurs. With that noted, any unspent funds must still be spent on program costs. As of October 15, 2004, the LEAP had a bank balance of nearly \$50,000.

An annual budget is submitted to the DJJ; however, the line items contained in the budget are not mirrored in the financial application used to record LEAP expenses. Budget to actual expenses are not compared during the year.

Salary costs account for the majority of program costs. The City/PAL agreement set the salary costs to be reimbursed for the first three years of the program. After deducting salary costs from the reimbursement, the balance is remitted to PAL to cover their administrative fee and LEAP operating expenses.

During the first three years of the agreement, reimbursement exceeded actual salary costs. Due to unanticipated wage and pension cost increases, this has reversed. By the end of the agreement’s six-year term, the City will have incurred nearly \$170,000 in salary costs that will not be reimbursed by the program.

RECOMMENDATION 6

The financial application used to record LEAP expenses should be revised to mirror the categories and line items contained in the budget. Budget to actual expenses analysis should be used to monitor program expenses.

POLICE ATHLETIC LEAGUE RESPONSE

PAL will revise the financial application to mirror the categories and line items contain in the budget. This will be completed within the next few weeks. The Director of LEAP and PAL will present an annual LEAP budget to TPD for approval prior to submitting it to DJJ.

RECOMMENDATION 7

The City/PAL agreement should be renegotiated or any unspent program funds at the end of the contract term should revert to the City to cover salary costs that were not reimbursed by the program.

POLICE ATHLETIC LEAGUE RESPONSE

PAL does not have an issue with renegotiating with the City in reference to unspent funds at the end of the contract. We would recommend that DJJ be involved as this issue has arisen in the past and they are under the impression that all unused funds are to be returned to them.

TAMPA POLICE DEPARTMENT RESPONSE

The City of Tampa entered into a three-(3) year contract with DJJ in 1999 to provide aftercare services for participants released from Boot Camp. This contract was renewable for another three (3) year period based upon the same terms and conditions. The contract is a fixed price contract based upon the agreed upon amount of \$45 per slot per day for a maximum of 35 slots. The per diem costs covered the costs of 5 full time officers plus a corporal as well as aftercare services. The City was aware that the contract did not cover the cost of the salaries and benefits for the officers in the renewal period. In addition, there have been significant increases in the fringe benefits for sworn officers. Any overage from the aftercare portion would first be applied to the officer's salaries. Any remaining funds after all costs have been covered would be returned to DJJ.