June 24, 2014

Honorable Members of the City Commission  
City of Miami  
3500 Pan American Drive  
Coconut Grove, FL 33133-5504

Re: Audit of Police Training Unit  
Audit No. 14-014

Executive Summary

We have completed an audit of selected Police Training Unit expenditures for the period primarily from October 1, 2011 through September 30, 2013. The audit was performed at the request of an Assistant City Manager due to a change in command/directorship of the Police Training Unit.

The audit was performed to determine whether: 1). Expenditures recorded in the Training Entrepreneurial Fund (TEF) were allowable, and in accordance/compliance with the City Code; and, whether such expenditures were adequately supported and approved. 2). Expenditures recorded in the General Fund (GF) for the Miami Police College (specifically, expenditures that were not shared with the Miami Dade County Public Schools [MDCPS] under an inter-local development agreement) were allowable, adequately supported and approved.

Based on our testing of a randomly selected sample of 70 TEF expenditures totaling $17,768, we noted that four (4) expenditures totaling $1,461 (or 8.2% of expenditures tested) were not allowable. The expenditures were incurred for conducting background checks of police academy applicants. We also noted that background check fees collected from applicants totaling $14,568, were properly recorded in the City’s General Fund but were incorrectly expensed in the TEF.

We wish to express our appreciation for the cooperation and courtesies extended to us by the staff of Miami Police College and Miami Police Department while conducting the audit.

Sincerely,

Theodore P. Guba, CPA, CIA, CFE  
Independent Auditor General  
Office of the Independent Auditor General
Cc: The Honorable Mayor Tomas Regalado
    Daniel J. Alfonso, City Manager
    Todd Hannon, City Clerk
    Victoria Mendez, City Attorney
    Alice Bravo, Deputy City Manager/Chief of Infrastructure
    Fernando Casamayor, Chief Financial Officer/Assistant City Manager
    Dr. Nzeribe Ihekwaba, Assistant City Manager/Chief of Operations
    Jose M. Fernandez, Director, Finance Department
    Christopher Rose, Director, Office of Management and Budget
    Manuel Orosa, Chief of Police
    Luis Cabrera, Deputy Chief of Police
    Jorge Gomez, Assistant Chief of Police
    Anita M. Najiy, Assistant Chief of Police
    Rodolfo Llanes, Assistant Chief of Police
    Jose A. Perez, Major, Police Training Unit
    Members of the Audit Advisory Committee
    Audit Documentation File

Audit conducted by: Mala Khilnani, CPA, CISA, Senior Staff Auditor

Audit reviewed by: Lewis R. Blake, CPA, CIA, Audit Manager
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SCOPE, OBJECTIVES, AND METHODOLOGY

The audit was performed at the request of an Assistant City Manager due to a change in command/directorship of the Police Training Unit, and primarily covered the period October 1, 2011 through September 30, 2013, and selected transactions prior and subsequent to this period. In general, our audit of the Police Training Unit focused on the following audit objectives:

- To determine whether expenditures recorded in the Training Entrepreneurial Fund (TEF) were allowable, and in accordance/compliance with the City Code.
- To determine whether expenditures recorded in the General Fund (GF) for the Miami Police College (specifically expenditures that were not shared with the Miami Dade County Public Schools [MDCPS] under an inter-local development agreement) were allowable.
- To determine whether the expenditures recorded to the TEF and GF were adequately supported and approved
- To assess the effectiveness of the internal control system relative to processing of expenditures to the TEF and GF.

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 and appropriate evidence in order 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 methodology included the following:

- Reviewed applicable City resolutions, ordinances and City policies and procedures in order to gain an understanding of the internal controls, assess control risk, and plan audit procedures.
- Interviewed and made inquiries of appropriate City personnel and Miami Police College personnel.
- Performed substantive testing consistent with the audit objectives, including, but not limited to, the examination (on a test basis) of applicable transactions and records.
- Drew conclusions based on the results of the testing, made corresponding recommendations, and obtained auditee responses and corrective action plans.
- Performed other audit procedures as deemed necessary.
BACKGROUND

The Miami Police College (College) is a police training academy which is fully certified by the Florida Department of Law Enforcement (FDLE). It houses the “Miami Police Academy” where new police officers are trained to become eligible for employment with local and state-wide law enforcement agencies. It also houses “The International Policing Institute”, which offers training to national and international law enforcement professionals in various law enforcement concepts.

An inter-local agreement between the City of Miami (City) and Miami-Dade County Public Schools (MDCPS) was signed on April 11, 2008 for the joint use of the College. According to the agreement, MDCPS shall reimburse the City for 41% of all operating and maintenance costs.

The Training & Personnel Development Section (TPDS) within the College is a full service training center which provides courses and training programs that enhance the skills, knowledge and abilities of the Miami Police Department’s (MPD) 1,100 sworn officers. Training courses offered by TPDS are funded through FDLE Region XIV programs, State and Federal grants, and the City’s “Training/Entrepreneurial Fund” (TEF) special revenue fund described below. The TPDS utilizes subject matter experts within MPD, other law enforcement agencies, and independent contractors to facilitate these courses.

On July 13, 1995, the TEF was established by Ordinance No. 11286 of the City Code “...authorizing the Police Department to accept monies from Police training activities to be deposited in said special revenue fund; further authorizing the Police Department to expend said monies for the production and development of law enforcement training seminars, courses and for related equipment.” Ordinance No. 11286 specifically states that “this Special Revenue Fund is necessary to efficiently develop programs, collect revenues and expend those funds exclusively for the furtherance of police training.”

The Police Budget Unit records expenditures for the College in the General Fund (GF) and the TPDS expenditures are recorded in the TEF. For fiscal years (FY) 2012 and FY 2013, total expenditures of $205,644 were recorded in the GF and $320,549 were recorded in the TEF.
AUDIT FINDINGS AND RECOMMENDATIONS

CONCLUSION:

Based on the results of our audit, we have concluded that internal control policies and procedures could be enhanced to ensure that expenditures processed via the TEF are allowable and are correctly recorded. During our testing of a randomly selected sample of TEF expenditures totaling $17,768, we noted that four (4) expenditures totaling $1,461 (or 8.2% of expenditures tested) were not allowable. The expenditures were incurred for conducting background checks of police academy applicants. We also noted that background check fees collected from applicants totaling $14,568 (during our scope period) were properly recorded in the City’s General Fund but were incorrectly expensed in the TEF.

Details of our findings and recommendations follow:

FINDING 1: EXPENDITURES WERE NOT ALLOWABLE AND WERE INCORRECTLY RECORDED

Ordinance No. 11286 of the City Code, which established a special revenue fund called the “Training/Entrepreneurial Fund” (TEF), authorizes the Miami Police Department (MPD) “…to accept monies from Police training Activities to be deposited in (the) said special revenue fund…” The ordinance further authorizes MPD to “…expend said monies for the production and development of law enforcement training seminars, courses and for related equipment.” In addition, the ordinance specifically states that the TEF is necessary to “…efficiently develop programs, collect revenues and expend those funds exclusively for the furtherance of police training.”

Expenditures Were Not Allowable

During our examination of 70 randomly selected expenditures recorded in the “Training/Entrepreneurial Fund” (TEF), we discovered that four (4) of the expenditures, which totaled $1,461 (or 8.2% of the expenditures tested), were not in accordance with Ordinance No. 11286 of the City Code (Code) and were therefore, not allowable. Instead of being incurred for “the production and development of law enforcement training seminars, courses and for related equipment,” each of the expenditures were incurred to pay the Florida Department of Law Enforcement (FDLE) for conducting background investigations (checks) of police academy applicants.

Expenditures Were Incorrectly Recorded

We noted that each applicant must pay a $90 background check fee and confirmed that all background check revenues are recorded in the City’s General Fund. However, instead of being recorded in the General Fund, corresponding background check expenditures/payments are incorrectly recorded in the TEF. Consequently, expenditures in the TEF and General Fund were over-reported and under-reported, respectively. During fiscal years (FY) 2012 and 2013, background check payments to FDLE totaled $14,568 or represented 4.5% of TEF expenditures totaling $320,549.
RECOMMENDATION 1: (POLICE BUDGET UNIT)

We recommend that management create and implement internal controls that would ensure that all Training/Entrepreneurial Fund expenditures are recorded correctly and are for allowable purposes in accordance with City Ordinance No. 11286.

- **Police Budget Unit Response:** We concur with the recommendations. We will train employees to use the proper expenditure accounts and for the allowable purpose in accordance with City Ordinance No. 11286.

- **Implementation Date:** July 15, 2014