

MUNICIPAL AUDITING REPORT

CITY OF ROANOKE

POLICE CASH FUNDS

Report Number: 10014

Audit Plan Number: 10101

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BACKGROUND

The Commission on Accreditation for Law Enforcement Agencies (CALEA) requires police departments to establish written directives governing the maintenance of all cash fund accounts. CALEA standards require, at a minimum, that the written directives include the following components:

- A ledger system that identifies initial balances, cash received and disbursed, and ending balances.
- Records or documentation for cash received.
- Authorization for disbursements.
- Documentation requirements for expenditures.
- Designation of positions authorized to disburse or accept cash.
- Quarterly accounting of agency cash activities.
- Independent audits of fiscal activities.

In the City of Roanoke, the Police Department maintains four cash funds that are essential to administrative and operational activities:

1. **Emergency Fund Checking Account** – bank account administered by the office of the Chief of Police that provides ready access to cash needed for unanticipated expenses such as air travel expenses for prisoner extradition. Cash is replenished through the City’s normal payment voucher process and requires approval by the City Manager. The balance in this checking account is typically maintained at \$2,000.
2. **Federal Drug Funds Checking Account** – bank account administered by the office of the Chief of Police that provides ready access to cash needed for Vice operations. The account balance is maintained at approximately \$10,000. Cash is issued to the Vice unit periodically during the year for operations. The account is replenished through the City’s normal payment voucher process with funds derived from the Forfeited Asset Sharing Program administered by federal law enforcement agencies.
3. **Flash and Buy Fund** – established by court order, cash totaling \$2,660 is held in a Police Department safe and used for drug buys in which an arrest will be made

at the time of the buy. Receipts and disbursements reported for this account represent money released for drug buys and then returned after an arrest.

4. **Petty Cash Fund** – approximately \$200 in cash held in a locked cabinet within the Police Department for small administrative expenses such as postage. This fund is replenished through the City’s normal payment voucher process from operational funds.

The City of Roanoke Police Department assesses fees for the following services:

- Verifications of police reports.
- Subpoena Duces Tecums—this is a legal term meaning “a command to a witness to produce documents.” The officers involved in an arrest may be subpoenaed to produce documents. The Police Department assesses reasonable charges related to producing documents which are then billed to the requesting attorney.
- Background checks on persons dealing in second-hand gems and precious metals.
- Background checks on persons applying for designation as Conservators of the Peace. These are individuals who serve on private police forces for individual businesses. They are appointed by the Circuit Court and must be re-appointed every 4 years. The Conservators must meet the same Department of Criminal Justice Services guidelines as City Police officers.
- Transporting and boarding lost animals.
- Towing and storing illegally parked, abandoned, and seized vehicles.
- False alarm registrations and penalties for violations.

Fees are generally established by City ordinance and are specified in the City’s fee compendium maintained by the Department of Finance.

OBJECTIVES, SCOPE, AND METHODOLOGY

Objectives:

The objective of the audit was to evaluate the design and operation of the system of internal controls related to administering cash funds, fees, and other cash proceeds within the Police Department.

Scope:

We audited the system of controls in place as of December 31, 2009. We audited transactions occurring during the period from July 1, 2008, through December 31, 2009. The audit encompassed four cash funds maintained by the Police Department and selected City fees assessed by the Police Department.

Methodology

The following summarizes our audit procedures:

- Reviewed control processes through observations, document review, and interviews with responsible staff.
- Analyzed potential risks associated with cash funds and fees.
- Prepared proofs of cash for the Chief's Emergency Fund and the Federal Drug Fund to ensure withdrawal and deposit activity reported by the bank agreed to Police Department records.
- Prepared a reconciliation of the Federal Drug Fund cash held and disbursed for VICE operations.
- Determined Federal Forfeiture Program Fund cash disbursements adhered to U. S. Department of Treasury's use of equitable shared property guidelines and City procurement policy.
- Determined proceeds remitted by the Drug Enforcement Agency were properly accounted for by tracing money reported to the associated revenue account.
- Determined that the drugs purchased using federal drug funds were remitted to the property room intact and in a timely manner by reviewing detective and property room records.
- Determined that undercover purchases using federal drug funds had adequate documentation, were accurately listed on a VICE monthly expenditure report, and were approved.
- Determined that accurate cash records were maintained by the Vice unit and individual detectives.
- Determined balances in the Petty Cash, Flash/Buy, and VICE funds through observation of the cash on hand.
- Determined appropriate use of Petty Cash by reviewing payment vouchers, petty cash ledgers, invoices and receipts.
- Verified fees for report verifications were correctly assessed by selecting a sample of 30 verification reports and verifying that an invoice was issued for the correct amount for each report.

- Verified fees for Conservators of the Peace applications were correctly assessed by recalculating fees based on supporting documentation and verifying each was invoiced through the billing system.
- Obtained a report of Conservator of the Peace orders issued from the Clerk of the Circuit Court Office and verified each order was invoiced by the Police Department through the billing system.
- Verified gold permits listed in the Police Department's electronic file were invoiced through the billing system and paid in full.
- Verified the fees for subpoena duces tecums were correctly assessed by selecting a sample of 15 subpoenas, recalculating the charges based on supporting documents, and verifying each was invoiced through the billing system.
- Verified that the fees assessed for vehicle towings agreed to the amount paid by the City to the towing company and that a DMV check was completed prior to releasing the vehicle to the owner.
- Verified, on a sample basis, that non-evidence cash property remitted to the property room was entered into the Property Room system and deposited timely to the Treasurer's office.
- Verified cash released by the property room had adequate supporting documentation.
- Verified that the Department of Finance is reconciling the City's financial system data to the cash inventory reported in the property room system.
- Verified auction revenues were remitted in accordance with the contract by obtaining the auction company's summary reports and recalculating proceeds paid to the City.
- Verified auction proceeds were credited to the proper account.
- Verified false alarm fees were correctly assessed by selecting a sample of 36 accounts, identifying all reported false alarms for those locations, and recalculating the associated fee.
- Verified that funds recorded in the Grant and Donations account on the City's financial system had adequate supporting documentation and appeared proper.

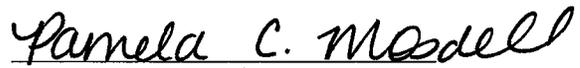
CONCLUSION

We conclude that the system of internal controls related to administering cash funds, fees, and other cash proceeds within the Police Department were, in general, appropriately designed and effectively operating over the period of July 1, 2008, through December 31, 2009.

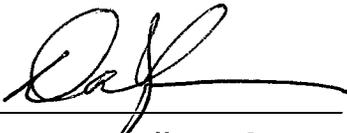
We noted some minor exceptions in our test work that were communicated to management in a separate letter. We would like to thank the officers and staff in the Police Department for their assistance and cooperation during the audit process.



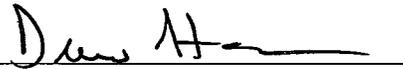
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Exhibit 1
POLICE CASH FUNDS
Statement of Cash Receipts and Disbursements
Eighteen Months Ended
December 31, 2009

<u>Fund</u>	<u>Beginning Balance</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Ending Balance</u>
Flash and Buy	\$2,660	\$0	\$0	\$2,660
Federal Drug Fund*	\$7,012	\$54,008	\$51,012	\$10,008
Chief's Emergency Fund	\$2,000	\$53	\$53	\$2,000
Petty Cash Fund	<u>\$36</u>	<u>\$197</u>	<u>\$150</u>	<u>\$83</u>
Totals	<u>\$11,708</u>	<u>\$54,258</u>	<u>\$51,215</u>	<u>\$14,751</u>

* Federal Drug Fund beginning and ending balances include cash held in the bank account administered by the Office of the Chief of Police, as well as cash held by the Vice Lieutenant and Vice Detectives. The receipts represent the funds drawn from the proceeds of the Forfeited Asset Sharing Program that are held in the City's consolidated account. The disbursements represent funds actually expended to conduct Vice operations.

Exhibit 2
POLICE CASH FUNDS
Unaudited Schedule of Fees Billed
Eighteen Months Ended
December 31, 2009

Fee:	(\$) Billed:
Conservators of the Peace Investigations	597
Duces Tecum Requests	1,495
Gold Permits	10,000
Report Verifications	24,058
False Alarm Registrations*	55,075
False Alarm Fees*	81,500
Total:	172,725

*Only represents fees assessed by Police Department (does not include billings assessed by Fire Department).