

MUNICIPAL AUDITING REPORT
CITY OF ROANOKE
POLICE CASH FUNDS

April 16, 2014

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Chartered 1974*

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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 [4] cash funds that are essential to administrative and operational activities:

1. **Emergency Fund Checking Account** – The Office of the Chief of Police maintains an emergency fund that provides ready access to cash for unanticipated expenses that arise on short notice and outside of normal business hours. The Chief's Office replenishes this fund through the City's normal payment voucher process, which requires appropriate supporting documentation. The balance in this checking account is typically maintained at \$2,000.
2. **Federal Drug Funds Checking Account** – The Office of the Chief of Police maintains \$10,000 in this checking account for Vice and Organized Crime Unit field operations. These funds derive from the Federal Forfeited Asset Sharing Program. Every withdrawal from this account must be supported by a written authorization and a corresponding deposit entry in the Vice and Organized Crime Unit's accounting software. The operational protocols require a detailed accounting of all expenditures from these funds. The checking account is replenished through the City's normal payment voucher process.
3. **Flash and Buy Fund** – Established by court order, the flash and buy fund contains \$2,660 in cash that is secured in a Police Department safe. These funds are only used in operations when an arrest is anticipated and the funds are expected to be recovered immediately at the scene.
4. **Petty Cash Fund** – The Police Department maintains \$200 in cash secured in a locked cabinet that is used for small administrative expenses such as postage. These funds are replenished through the City's normal payment voucher process.

SCOPE

We evaluated the system of internal controls in place as of December 31, 2013, over cash funds maintained by the Police Department.

We tested transactions occurring between January 1, 2013 and December 31, 2013.

OBJECTIVE 1 – ADMINISTRATION OF CASH FUNDS

Are cash funds appropriately safeguarded and administered in accordance with Department Directives?

Yes

The following describes our methodology and results:

1. We reviewed operational directives, forms, and reports used to administer police cash funds; we interviewed staff and considered typical risks and controls associated with administering cash funds.

We concluded that the Police Department has established appropriate processes to help ensure cash funds are secure and managed properly.

2. We counted the cash on hand for the petty cash, flash and buy, and vice funds.
 - All cash funds were securely stored
 - Cash and receipts totaling \$199.90 were in the petty cash fund.
 - The cash balance for flash and buy fund was \$2,660.
 - The cash held by the Vice Unit was consistent with the cash balances reported in the Unit's accounting software.
3. We prepared a cash proof of the Federal Drug Fund checking account to verify withdrawal and deposit activity reported by the bank agreed to Police Department records.

No material exceptions noted.

4. We reviewed the monthly reconciliations of the Federal Drug Fund checking account to verify that reconciliations were completed timely and reviewed by management.

Monthly reconciliations were completed timely during 2013. However, the May through December reconciliations were not marked as reviewed by management, due to change in personnel and management being out of the office in training.

5. We reviewed the Chief's Emergency Fund checking account to determine if the bank statement ending balance tied to the checkbook ending balance and that no service charges were applied during 2013.

The ending bank balance and checkbook balance both were \$2,000. In addition, no transactions occurred on this account during 2013 that required further testing.

6. We reviewed the Chief's Emergency Fund checking account reconciliations to verify they were completed timely.

Ten of the twelve monthly bank statements were reconciled timely. The other two were completed the following month.

7. We reconciled disbursements from the Federal Drug Fund checking account to the deposits recorded in the Vice and Organized Crime Unit's accounting software.

Checks totaling \$51,000 were written from the Federal Drug Fund checking account to replenish funds for the Vice and Organized Crime Unit. The Vice and Organized Crime Unit's accounting software reported \$51,000 received.

8. We reconciled checks issued by the Department of Finance to the deposits in the Police Department's Federal Drug Fund checking account.

There were 18 checks, each written for \$3,000, posted on the Advantage expenditure report for the Asset Forfeiture account during the period 1/1/13 through 12/31/13. We verified all 18 checks were deposited to the Vice Unit's Federal Drug Fund checking account.

9. We reviewed the monthly expenditure reports for the Vice and Organized Crime Unit to determine if they were prepared, reviewed and approved by management in accordance with policy.

We determined that 11 of the 12 monthly expenditure reports during 2013 had been reviewed and approved by management.

10. We reviewed receipts and the petty cash ledger to verify expenditures from petty cash were appropriate and in accordance with policy.

No material exceptions noted.

OBJECTIVE 2 – VICE UNIT EXPENDITURES

Are Vice Unit expenditures permissible in accordance with the US Department of the Treasury's "Guide to Equitable Sharing for Foreign Countries and Federal, State, and Local Law Enforcement Agencies"?

Yes

The following describes our methodology and results:

1. We reviewed Operational Directives 43.1.1 "Vice, Organized Crime and Intelligence/Script Squads" and 42.1.8 "Use of Informants" for consistency with the US Department of the Treasury's "Guide to Equitable Sharing for Foreign Countries and Federal, State and Local Law Enforcement Agencies".

The Police Department's directives regarding allowable expenditures were consistent with this Guide.

2. We randomly selected three months of cash expenditures reported in the Vice and Organized Crime Unit's accounting system and verified each transaction had a corresponding written money slip. We reviewed each written money slip documenting the expenditure transaction to evaluate the appropriateness of the transaction as specified in the operational directives.

Money slips were located for all expenditures during the three months selected and the expenditure transactions were appropriate as specified in the directives.

3. We randomly selected three months of deposit and withdrawal activity for detectives in the Vice and Organized Crime Unit's accounting software system and reconciled each transaction to a corresponding written money slip. We reviewed each written money slip to verify consistency.

Money slips were located for all deposits and withdrawals during the three months selected and they were consistent and appeared reasonable.

4. We randomly selected 15 drug purchases reported in the Vice and Organized Crime Unit's accounting software. We traced each purchase to a corresponding entry in the Police Department's property room in order to verify purchases were accurately reported and properly recorded in the property room.

We confirmed that all 15 drug purchases were accurately reported and secured in the property room.

ACKNOWLEDGEMENTS

We noted some minor exceptions in our test work that were communicated to management. We want to thank the Police Department Services Unit for their cooperation and assistance during the audit.

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**Statement of Cash Receipts and Disbursements
for the Year Ended December 31, 2013**

<u>Fund</u>	<u>Beginning</u>			<u>Ending</u>
	<u>Balance</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance</u>
Flash and Buy	\$ 2,660	\$ 0	\$ 0	\$ 2,660
Federal Drug Fund	\$ 4,012	**\$ 57,000	*\$ 51,000	\$ 10,012
Chief's Emergency Fund	\$ 2,000	\$ 0	\$ 0	\$ 2,000
Totals	\$ 8,672	\$ 57,000	\$ 51,000	\$ 14,672

* Disbursements are monies transferred from the fund checking account to the Vice/Organize Crime Unit cash fund for operations.

** Receipts are monies received to replenish the fund checking account through the City of Roanoke's normal payment voucher process with funds derived from the Forfeited Asset Sharing Program.