

City of



CITY MANAGER'S OFFICE – INTERNAL AUDIT

DATE: November 20, 2014

TO: JERRY DYER, Chief of Police, Police Department

THROUGH: RENENA SMITH, Assistant City Manager 

FROM: BOB KOURY, Principal Internal Auditor 
Budget and Management Studies - Internal Audit

SUBJECT: FOLLOW-UP REVIEW - CASH COUNTS AUDIT – POLICE DEPARTMENT
INVESTIGATIVE, BUY AND “FLASH” FUNDS

Attached is the Final Follow-Up Review Report of the Cash Count Audit performed of the Police Departments' Investigative, Buy and “Flash” Funds, report issued on May 9, 2014. This Follow-Up review was performed in accordance with AO 1-10 and Governmental Auditing Standards.

Of the two audit recommendations included in the May 9, 2014 audit report, one was implemented and the second was not implemented, as addressed in this report.

We wish to thank the Police Chief and his staff for their assistance and cooperation during the course of this follow-up review. If we can be of further assistance to you or your staff regarding this review, please contact Bob Koury, Principal Internal Auditor, at 621-7072.

cc: Ashley Swearengin, Mayor
Council Members
Bruce Rudd, City Manager
Georgianne White, Chief of Staff, Mayor's Office
Michael Lima, City Controller/Finance Director, Finance Department
Robert Nevarez, Deputy Police Chief, Police Department
Rene Watahira, Administrative Manager, Police Department
Mike Getty, Principal Accountant, Finance Department

Policies and Procedures

AO 1-2 “Petty Cash and Change Fund Procedures” is not applicable to the Police Department “Special Funds” nor does it address these Funds. The Police Department Administration has “In-House” formal policies and procedures which address their various investigative, buy and “flash funds”. They appear to be adequate and appropriate for the control and accountability of these City monies in the possession of the Police Department as of the audit date.

Audit Findings

- ▶ Some Departmental “Buy Funds” appeared to be excessive based on the infrequent and minimal usage of such funds for the specific Police Station activities, e.g. NE, NW and SE Stations.
- ▶ The \$145,000 in “Special Funds” located throughout the Department are secured in either a locked cabinet/box and/or a secured safe with a key or safe combination to access said monies. This is good internal control; however, it was unknown by all Departmental “Custodians” when the various “Special Fund” locks, keys or safe combinations had been changed by Department Management.

Original Audit Recommendation #1

1. All Departmental Investigative, Buy, and “Flash Funds” should be evaluated by appropriate Department staff as to the amount and necessity of such amounts in relation to the Divisional or Police Station’s activities/uses of such funds to minimize any unnecessary risk/exposure to these City assets. If a decrease for any of these “special funds” is considered appropriate, the Finance Department should be contacted to assist your staff in the proper disposition of said monies.

Current Status of Recommendation #1 – Implemented

Police Department’s 11/14/14 Response: The Investigative, Buy and Flash Funds have been evaluated by the appropriate staff and, effective July 15, 2014; each Patrol District was directed to have a \$2,000 buy fund. The intent is that these funds will be used by detectives and VCIT (Violent Crime Impact Teams) for neighborhood drug houses and other district crime issues.

Original Audit Recommendation #2

2. Appropriate Department Management and the applicable Bureau Commanders should immediately have all safe/vault combinations changed for improved internal controls over the \$145,000 in “Special Funds” located throughout the Department. The new safe/vault combinations should only be provided to a limited number of employees for further internal control and accountability over these cash funds. In addition, locks/keys to all “special funds” should be changed whenever security may have been compromised and/or when an employee leaves the Department/Division. This recommendation should be adequately documented for future reference and audit purposes.

Current Status of Recommendation #2 – Not Implemented

Police Department's 11/14/14 Response: Due to the constant loan or rotation of employees to various units, plus the high turnover within our Department, it is not practical for Commanders to change safe/vault combinations when an employee leaves the Department/Division. The Department loans officers to other units on a daily basis to meet minimum staffing requirements, and there are bi-annual matrix assignment changes Department-wide. Changing combinations or keys this frequently would be expensive and difficult to manage.

We find that the internal controls in place at this time are adequate and manageable. Currently, each Commander controls the distribution of special fund keys/combinations. Distribution is to a limited number of employees and the Commander ensures the keys are returned to him/her when a custodian permanently leaves the unit. The Department has been able to maintain control over the special funds, and has never had a theft using this process; however, locks/combinations would be changed if security were compromised or if compromise were determined to be highly probable.