

**REVIEW OF INTERNAL CONTROLS OF
CONFIDENTIAL CASH FUNDS AND EVIDENCE
GAINESVILLE POLICE DEPARTMENT
SPECIAL INVESTIGATIONS DIVISION**

MAY 2002



**CITY AUDITOR'S OFFICE
CITY OF GAINESVILLE, FLORIDA**

City of
Gainesville

Inter-Office Communication

May 29, 2002

TO: Audit and Finance Committee
FROM: Alan D. Ash, City Auditor *SM for AA*
SUBJECT: Review of Internal Controls - GPD Special Investigations Division (SID)

RECOMMENDATION

The Audit and Finance Committee recommend that the City Commission accept the City Auditor's report and management's response.

EXPLANATION

In accordance with our Annual Audit Plan, we have completed our review of the GPD Special Investigations Division. Our review was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Our report and the City Manager's response are attached for your review.

Based on our review, we believe that the system of internal controls in effect at SID are sufficient to ensure the proper processing, recording, storing and monitoring of confidential cash funds and sensitive evidence items such as narcotics and cash. Several suggestions for improving administrative procedures have been implemented by management, and no further action is necessary.

We request the Committee recommend that the City Commission accept our report and management's response.

City of
Gainesville

Inter-Office Communication

April 9, 2002

TO: Wayne Bowers, City Manager

FROM: Alan D. Ash, City Auditor *AD*

SUBJECT: Review of Internal Controls of GPD Special Investigations Division

In accordance with our FY 2002 Annual Audit Plan, we performed a review of internal controls over confidential cash and evidence maintained at the GPD Special Investigations Division. The Commander of the unit initially requested our assistance and guidance to ensure the adequacy of oversight controls several months after appointment to the division.

We conducted our review in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. The primary objective of our review was to determine that controls over confidential cash and evidence are adequate and in accordance with stated policies and procedures. Our procedures generally consisted of reviewing cash, receipts and other records as necessary to determine whether confidential funds and evidence were properly secured, expended for appropriate law enforcement purposes, accounted for and in compliance with stated policies and procedures.

We have completed our review and submit the attached report. We concluded that the system of internal controls in effect at SID are sufficient to ensure the proper processing, recording, storing and monitoring of confidential cash funds and sensitive evidence items such as narcotics and cash. During our review, several suggestions for improving administrative procedures and controls were reviewed with the Commander. The Commander immediately addressed the suggestions as explained in the attached response. The improvements have been reviewed and approved by Captain Carrell and Chief Botsford.

Please take an opportunity to review the reports and let us know of your comments or questions. We believe the reports demonstrate the effectiveness of a division taking the initiative of requesting advice and developing solutions. We commend GPD for initiating the review and appreciate the cooperation and professional courtesies extended to us during the project. No further action is necessary unless you have any comments or questions. We plan to submit the reports to the Audit and Finance Committee for informational purposes.

cc: Chief Norman B. Botsford
Captain Richard W. Carrell
Lieutenant Ed Van Winkle, SID Commander

Scope, Methodology And Objectives

The primary scope of our review was to evaluate the system of internal control currently in effect over the GPD Special Investigations Division. Our review did not include cash or evidence handling at GPD headquarters. Management is responsible for establishing and maintaining effective management controls that in the broadest sense, include the plan of organization, methods and procedures to ensure that goals are met. Management controls contain the processes for planning, organizing, directing and controlling program operations, including systems for measuring, reporting and monitoring program performance.

Our objective was to review the adequacy of management controls over confidential cash and evidence. Our review was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. We evaluated internal controls over the processing and recording of confidential cash and evidence. We examined cash transactions and reimbursements, reviewed monthly monitoring reports, counted cash funds and evidence inventory and interviewed appropriate GPD personnel. The scope of our testing was generally for the eight-month period August 2001 through March 2002.

Summary And Background

The Special Investigations Division (SID) is a unit of GPD focusing on narcotics enforcement by investigating street-level drug dealers and major drug traffickers. The SID has a confidential cash fund of \$6,450 maintained on an imprest system. GPD regulations allow use of these investigative funds for purchasing confidential information, services and/or evidence and also require that proper internal controls be exercised and records maintained of all transactions. The Commander advances cash funds to undercover officers for facilitating investigations of illegal drug activity in the City. The advance is subject to prior approval by the Commander, and officers are required to provide written documentation the monies are a reasonable and necessary element of undercover operations. The Commander periodically reconciles and replenishes the fund as needed by submitting summary reports to GPD headquarters and Finance. Expenditures from this fund were \$40,300 for FYE 2001 and are estimated to be \$34,400 for FYE 2002.

Several months after appointment to the division, the SID Commander requested City Auditor assistance and guidance to ensure oversight controls were sufficient and determine if improvements could be made. Our procedures included reviewing and testing controls over cash funds, disbursements, informant files and evidence and property to ensure transactions were authorized and in accordance with stated GPD policy and procedures.

Results and Conclusion

Overall, we believe internal controls in effect at SID for the processing, recording and securing of confidential cash funds and evidence are adequate to meet stated audit objectives. The following suggestions to improve administrative controls were discussed and accepted by the Commander.

Confidential Cash

We concluded that internal controls in effect at SID for processing, recording and securing investigative cash funds and transactions are adequate and meet stated audit objectives. Confidential cash funds were fully secured and accounted for. Voucher packets, underlying receipts and informant files were neat, orderly and maintained in a locked file. Disbursements were properly approved and in accordance with GPD policy and procedures. The following suggestions were discussed:

- The Commander's original request included obtaining assistance and guidance on draft procedures over confidential cash. We believe existing procedures adequately address internal controls and are ready for final approval. We compared SID procedures to similar procedures developed by the US Department of Justice and the City of Orlando and find GPD's procedures contain the essential elements included by these two benchmark agencies.
- During discussions, the Commander believed an efficiency improvement could be made in confidential fund accounting if the current "chit" (used for cash advances) and the "receipt" (used when funds and documentation are returned) were combined into one document. We concurred since the receipt is generic and used primarily for the numbering system. The other information included on the receipt is redundant to that already provided on the chit. The Commander will implement a consecutive numbering system for assigning numbers on the combined chit/receipt upon full completion by SID officers.
- During our discussions of the combined advance/receipt form, we suggested that the newly created form include a certification statement whereby officers certify that their final accounting is true, accurate and in accordance with GPD policy and procedures. The Commander agreed to include certification language.
- We found voucher packets and underlying receipts in good order, but suggested a minor administrative improvement to the monthly reporting process. Due to the confidentiality of the information contained on the receipts, all original documents are maintained and secured at the SID and do not leave the premises. Fund expenses and receipt numbers are tracked on a spreadsheet. The Commander periodically prepares an Expense Statement to replenish the fund and summarizes expense totals from the spreadsheet. To enhance reporting and tracking, we suggested the Commander attach a copy of the entire spreadsheet with the Expense Statement when submitted to the Captain for approval and eventual reimbursement from Finance. The spreadsheet references actual receipt numbers but contains no confidential information. The Commander agrees and will implement as soon as possible.

Evidence and Property

The SID maintains its own storage area for undercover evidence and property. Based on procedures, we concluded that internal controls in effect at SID are sufficient to ensure the proper processing, recording, storing and monitoring of sensitive evidence items such as narcotics and cash. Internal controls include periodic "spot audits" by SID staff that are reported to the Commander. To enhance informational reporting, we believe it beneficial that the results of these audits be included in the Commander's monthly report to the Captain. The Commander agrees and will implement as soon as possible.

Summary of Administrative Improvements

The following improvements are scheduled for implementation:

1. Submitting procedures for confidential funds for final approval.
2. Redesigning the advance/receipt forms into one document and adding a certification statement indicating that officers have read, understand and agree to abide by all provisions of confidential funds as set forth in GPD regulations. The signed certifications should be submitted at the time of cash advances and reconciliation and final reporting.
3. Attaching the expense log to the periodic Expense Statement and replenishment form.
4. Including results of "spot audits" in the monthly division report.

MANAGEMENT'S RESPONSE

City of Gainesville

Inter-Office Communication
Office of the City Manager
Mail Station 6
334-5010

TO: Alan D. Ash
City Auditor

DATE: May 15, 2002

FROM: Wayne Bowers
City Manager

SUBJECT: Review of Internal Controls of GPD Special Investigations Division

Thank you for reviewing the system of internal controls employed by the Gainesville Police Department's Special Investigations Division. Your report of April 9, 2002 contained several helpful recommendations to improve the division's internal control system. The memorandum to you from SID Commander Ed Van Winkle of April 9, 2002 indicates the actions taken by management in response to your recommendations.

Please submit this management response along with your report to the Audit and Finance Committee for informational purposes.




Wayne Bowers
City Manager

WB/jh
Cc: Police Chief Norm Botsford

Gainesville Police Department

Inter-Office Communication

Chief Norman B. Botsford

To: Alan D. Ash, City Auditor **Date:** 4-9-02
From: Lt. Ed Van Winkle, SID Commander 
Subject: Audit of GPD Special Investigations Division

Pursuant to the recent audit of the GPD Special Investigations Division (SID), I have implemented the following improvements that I discussed with Eileen Marzak:

- The SID manual has been forwarded to the GPD Professional Standards Unit for final review and approval.
- The "chit" and "receipt" forms have been combined into one card. The "chit/receipt" card has been modified to include certification statements that the detectives are receiving and spending the funds according to City and GPD policies. These cards will be consecutively numbered and filed when complete.
- All future fund replenishment requests will include a copy of the spreadsheet listing the itemized expenses for that specific request.
- A section has been added to my monthly report to the Investigations Bureau Commander to include monthly evidence spot checks.

Chief Botsford has reviewed the draft report to the City Manager and my response to the report recommendations.

I believe that this audit has assisted in maintaining the accuracy and ease of accounting for the SID confidential funds and evidence.

Thank you for your assistance, and please contact me with any questions.

