

**Report of Internal Audit
Charlotte-Mecklenburg Police Department
Vice Imprest Fund – 2013
April 30, 2014**

**City of Charlotte
City Auditor's Office
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Purpose and Scope

Internal Audit performs periodic reviews of the Charlotte-Mecklenburg Police Department Vice Imprest Fund. We performed six reviews during calendar year 2013, and this report summarizes our results. The purpose of the reviews was to verify the cash on hand and to determine whether the officers in the Vice and Narcotics Division adhered to the established policies and procedures for replenishment of funds.

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, appropriate evidence 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.

This report is intended for the use of the City Manager's Office, City Departments, and the City Council's Governance and Accountability Committee.

Conclusion and Summary Results

The overall accounting controls in place related to the Vice Imprest Fund are adequate and operating satisfactorily. The accounting for the Imprest Fund and the related case documentation are detailed and complete. However, CMPD supervisory staff have been unable to obtain compliance with important administrative controls (timely completion of documentation), with about 19% of vice transactions classified by CMPD as non-compliant. While auditors noted that adequate procedures exist to resolve these issues, we recommended that CMPD should take additional steps to achieve a higher initial compliance level. We are satisfied with their response, including plans to implement a procedural change which will be strictly enforced.

Background

The Vice Imprest Fund was established by the Charlotte-Mecklenburg Police Department (CMPD), Special Investigations Bureau, Vice and Narcotics Division (Division), for use in ongoing investigations related to controlled substances, prostitution, gambling and other criminal activities.

The Division is currently authorized to maintain \$40,000 in cash in the Imprest Fund. CMPD's standard operating procedures call for the replenishment of Imprest Funds when two-thirds of the fund has been expended, or when approximately \$13,000 is remaining in the fund. The shift sergeant notifies Internal Audit when the fund reaches that level

and requests the audit. Over the past several years, annual expenditures have ranged from \$150,000 to \$200,000.

The Imprest Fund cash is kept inside a locked safe in a secure location within the Division. Physical access to the safe is tightly controlled. The Division Commander and Division supervisors are authorized to advance funds – using numbered vouchers for accounting control – to Sergeants, Lieutenants, and Special Investigative Bureau detectives for specific purposes, including the following:

- For officers to purchase controlled substances during an undercover investigation.
- For informants to purchase controlled substances, when establishing their reliability, or when needed to establish probable cause to obtain a search warrant.
- For payment of admission, when required, to enter business establishments while conducting authorized investigations, or to pay for drinks and tips that are reasonable and necessary during the investigation.
- For emergency travel that will be reimbursed to the Imprest Fund with City or Federal travel funds.

Each Supervisor is responsible for ensuring that:

- Vouchers accounting for the use of Imprest Funds, along with any remaining unspent funds, are returned within the prescribed time limits – 30 days for most advances, seven days for informant payments, and by the end of the current shift for large advances with an unused balance of \$1,000 or more.
- The appropriate case notes and documentation on all expenditures and informant payments are complete, accurate and filed in the appropriate location within the safe room.
- The returned vouchers are complete and accurate, and all signatures are legible.

All property purchased by the Vice and Narcotics officers must be submitted to the CMPD Property Control Bureau (PCB). The evidence is sealed in bags and initialed by the impounding officers. Items too large or bulky for packaging are tagged. The responsibility of the PCB begins when the evidence and paperwork are presented for processing and storage at the PCB receiving counter. PCB personnel ensure that the accompanying evidence information sheets are accurately completed and that the items are appropriately packaged or tagged.

Open cash advances and informant pays are reviewed during the audits. As mentioned above, vouchers advancing Imprest Funds are to be returned within the prescribed time limits. Cash advances with a balance of \$1,000 or more remaining unused are to be returned to the vault by the end of the shift. The Division has notified all sergeants that the policy will be strictly followed. If officers are regularly late with their vouchers, they will lose the privilege of utilizing the Imprest Fund. The detectives assigned to the

Special Investigations Bureau who are continually late with their vouchers are subject to disciplinary actions.

Results of Audit

1. The vice funds were reconciled and property control was verified.

During calendar year 2013, six audits were conducted, and the vice fund was accurately reconciled on each occasion. Reimbursements for the year totaled \$197,803. The number of transactions per audit period ranged from 111 to 174. For randomly selected items tested, Division personnel pulled the official documentation related to the case. Auditors reviewed each file to determine that the departmental policies and procedures had been followed. In addition, random property reports were selected for testing. Auditors visited the Property Control Bureau to verify that each selected item was on hand and packaged properly. There were no exceptions.

2. While CMPD achieves full resolution, 19% of transactions are initially non-complaint due to late documentation submittals.

There were 998 cash advances or informant pays totaling \$339,494 issued during calendar year 2013. As noted in the Background section, CMPD has a detailed procedure for handling cash advances.

Unused funds are common and expected. Officers make tentative plans for the use of funds, but many times return the funds without completing a transaction. In 2013, more than 40% of the funds advanced were returned unused.

Over the past several years, CMPD has taken actions to reduce the amount of time unused funds are held by officers. Particular attention has been given to large advances that are not used as planned during a detective's shift, and that result in unused advance funds of \$1,000 or more. Advances with \$1,000 or more unspent require return of unused funds during the shift the funds were obtained. During the year, 20 cash advances were over \$1,000 each, totaling \$33,510. All advances were completed (transaction, report and/or return), as required.

More common advances under \$1,000 have also received considerable attention. The enforcement of Department policies ensure that unused funds are accounted for. However, 133 late vouchers and 61 late informant pay documentation instances result in an overall initial non-compliance level of about 19%.

Actions Taken: In 2012, a Vice Policy was implemented to track lack vouchers and impose penalties for non-compliance. As a result in 2013, 11 officers received verbal warnings and four officers were suspended from using Vice funds a period of 90 days each. The 15 officers impacted by the Policy represent 19% of the 79 officers initiating vice transactions in 2013.

Recommendation: CMPD should develop a plan to reduce the non-compliance penalties.

CMPD Response: Vice and Narcotics has inserted into the Imprest Fund Procedure a series of penalties for returning a late voucher. These penalties will be strictly adhered to by Vice and Narcotics Supervisors. Any Supervisor failing to comply with the current procedures will immediately lose their Imprest Fund privileges for a predetermined period based on their prior voucher history.