



**Report of Internal Audit
Charlotte-Mecklenburg Police Department
Vice Imprest Fund 2015
March 24, 2016**

**City Auditor's Office
Gregory L. McDowell, CPA, CIA**

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Purpose and Scope

Internal Audit performs periodic audits of the Charlotte-Mecklenburg Police Department (CMPD) Vice Imprest Fund. During calendar year 2015, we performed six audits and this report summarizes our results. The purpose of each audit 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.

The intent of this report is for the information and use of the City Manager's Office, City Council and the Charlotte-Mecklenburg Police Department.

Conclusion and Summary Results

CMPD's Vice Imprest Fund controls are working effectively. Vault cash agreed to records; transactions were properly documented; and evidence property control was verified. Supervisors have worked with officers to reduce late return of unused advances and expense documentation from 12% in 2014 to 3% in 2015. We are satisfied with CMPD's efforts and the level of controls in place.

Background

The Vice Imprest Fund was established by the 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 \$49,000 cash in the Imprest Fund. The amount was increased from \$40,000 to \$49,000 in March 2015. CMPD's standard operating procedures call for initiating the process to replenish the Imprest Fund when one-third of the fund has been expended. After reviewing all vouchers and files and notifying the Division Commander, the shift sergeant notifies Internal Audit and requests the audit. The replenishments totaled \$194,922 during 2015. For FY16, the budget for replenishment is \$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. Imprest Fund vault cash agreed to records; transactions were properly documented; and property control was verified.

During calendar year 2015, six audits were conducted, and the vice fund records were accurately reconciled to vault cash on each occasion. Replenishments for the year totaled \$194,922. The number of transactions per audit period ranged from 122 to 169. 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. Division officers submitted documentation timely in 97% of cases.

There were 933 cash advances and informant pays totaling \$314,019 issued during calendar year 2015. As noted in the Background section, the Division has a detailed procedure for handling cash advances.

Unused advances are common and expected. Officers make tentative plans for the use of funds, but many times return the funds without completing a transaction. In 2015, 38% of the funds advanced were returned unused.

Division supervisors have acted to reduce the amount of time unused funds are held by officers. Advances with \$1,000 or more unspent require return of unused funds during the shift the funds were obtained. During 2015, 24 cash advances were over \$1,000 each, totaling \$48,550. One such advance was returned late.

Advances under \$1,000 are more common and also have been subjected to ongoing supervisory attention. Supervisors enforce Division policies to ensure advanced funds are accounted for, including a 30-day time limit for the return of unused funds and documentation in support of expenses. During 2015, unused funds and expense documentation was submitted late for 17 advances and 12 informant pays. This represented 3% of such transactions, a significant reduction to the 19% and 12% rates of late submission in 2013 and 2014, respectively.

Actions Taken: CMPD's Vice and Narcotics Division supervisors implemented a Vice Policy which tracks late vouchers and imposes penalties for non-compliance. During 2015, 90 officers initiated vice transactions; of those, 15 received verbal warnings and one officer was suspended from receiving fund advances for 180 days.

Recommendation: Division supervisors should continue enforcing Imprest Fund policies to minimize non-compliance penalties.

CMPD Response: Division supervisors will continue enforcing Imprest Fund policies to minimize non-compliance. The recent installation of evidence lockers will only serve to continue our “no exception” submission rate of evidence obtained using these funds in the next fiscal year. We are pleased with the progress this unit has made over the last year. (See Appendix A for full response)

POLICE**CHARLOTTE-MECKLENBURG POLICE DEPARTMENT**

March 16, 2016

Gregory L. McDowell, CPA, CIA
City Auditor' Office
Charlotte, NC

RE: Internal Audit, CMPD Vice Imprest Fund 2015

Dear Mr. McDowell,

Your audit showed marked compliance improvement in 2015 over 2014.

The late return of unused advances and expense documentation has fallen from 12% in 2014 to 3% in 2015. Our Vice Unit continues to work toward the 30 day limit for transaction completion of every voucher.

The recent installation of evidence lockers at our facility, will only serve to continue our "no exception" submission rate of evidence obtained using these funds in the next fiscal year.

Division supervisors will continue enforcing Imprest Fund policies to minimize non-compliance penalties.

I am pleased with the progress this Unit has made over the last year.

Sincerely,

A handwritten signature in black ink, appearing to read "KPS", written over a white background.

Kerr Putney
Chief of Police
Charlotte-Mecklenburg Police Department

Building Partnerships To Prevent The Next Crime.

Police Department • 601 East Trade Street • Charlotte, N.C. 28202-2940