



Compliance Audit 2022-05 Police Department Confidential Funds

October 2022

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OUR MISSION

Provide independent, objective assurance and consulting services designed to add value and improve the City of Fayetteville’s operations.

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Police Department Confidential Funds Highlights

Objectives:

To determine if:

- Confidential funds were sufficiently administered;
- Proper internal controls were in place to safeguard confidential funds;
- Use of the funds were properly authorized, approved and recorded;
- Complete and accurate records were maintained; and
- Sufficient corrective actions were taken by management to address the recommendations detailed in prior fiscal year audit reports.

Scope:

July 1, 2021 through May 31, 2022

Background:

- The Vice Investigations Division administered and controlled the cash fund;
- The annual budget was \$100,000;
- Enabled the unit to operate by concealing their identity; and
- Cash was safeguarded and monitored for authorized use within the division.

Highlights:

- During the audit scope, **23** personnel maintained or used confidential funds;
- The sample size was **6** officers that maintained or used funds; and
- Expenditures audited totaled **\$24,570.00**.

Conclusion:

Based on the work performed, the Office of Internal Audit concluded the Division was:

1. Generally in compliance with the applicable policies, procedures and guidelines; and
2. Adequate internal controls existed for the Police Department's confidential funds.

There were no significant exceptions noted.

In addition, findings from prior years were implemented through updates to operating procedures.

BACKGROUND

The Fayetteville Police Department's Vice Investigations Division administered and controlled an informant/expenditure cash fund. The units within this Division conducted covert operations and had a budget of \$100,000 for each fiscal year. The Narcotics Unit Lieutenant was the primary cash custodian with the responsibility of safeguarding the physical cash and ensuring authorized use of the funds. In addition, cash ledgers were maintained and receipts were completed each time funds were spent by personnel who received or used cash. By using these funds, the units were able to conceal their identity from criminals, vendors and the public. This fund had the following allowable uses:

1. Pay informants or citizen sources;
2. Purchase contraband; or
3. Expenses incurred while working undercover or investigative operations.

AUDIT OBJECTIVES

The objectives of the audit were to determine if:

- Confidential funds were sufficiently administered in accordance with established laws, regulations, guidelines, policies and procedures;
- Proper internal controls existed and were working as intended to safeguard confidential funds from loss, theft or fraud;
- Expenditures and withdrawals from the funds were properly authorized, approved and recorded;
- Complete and accurate manual records were maintained for all deposits, withdrawals and other transactions affecting the confidential fund accounts; and
- Sufficient corrective actions were taken by management to address the recommendations detailed in prior fiscal year audit reports.

AUDIT SCOPE

The scope of the audit covered the fund activity from July 1, 2021 through May 31, 2022 with the following limitation:

- When officer's partner with outside agencies, the information available, to include validating the existence of purchased contraband, is limited due to the sensitive nature of the work performed.

The sample of expenditures reviewed during the audit scope included 85 transactions for a total of \$24,570.00.

AUDIT METHODOLOGY

To review compliance and determine the adequacy of internal controls, Internal Audit:

- Reviewed applicable written policies, procedures, and guidelines;
- Interviewed Police Department personnel involved in the administration, maintenance and use of confidential funds;
- Reviewed the accounting records and documents pertaining to confidential funds to include training provided through PowerDMS; and
- Traced contraband seized during operations to the Property and Evidence Room.

***FINDINGS, RECOMMENDATIONS,
AND MANAGEMENT'S RESPONSES***

Based on the audit work performed, the Office of Internal Audit concluded the Police Department's Vice Investigations Division was generally in compliance with applicable policies, procedures and guidelines; and adequate internal controls existed for the Police Department's confidential funds. There were no significant exceptions noted.

FOLLOW-UP AUDIT RESULTS

The Police Department had two outstanding audit recommendations which have been implemented:

	Original Recommendation	Observation	Status
A2016-01: Recommendation 4	RMS disposal records did not provide adequate documentation to account for transfers from the Evidence Room to the Narcotics Unit.	<i>Operating Procedure 6.2 Evidence and Property Management</i> was updated establishing the required transfer documentation. For transfers during the audit scope, this documentation was signed by both the releasing and receiving personnel.	Implemented
A2018-03: Recommendation 1	Documentation of review and timely reporting were lacking.	<i>Operating Procedure 5.8 Confidential Funds & Use of Informants</i> was updated to establish a timeliness measure of 60 days. During the audit scope, the average number of days for the documentation to be reviewed by the Assistant Police Chief was 46 days.	Implemented

CONCLUSION

Internal Audit has concluded work on the audit of Police Department Confidential Funds. Based upon test work performed, Internal Audit concluded the Department is in compliance.

Internal Audit would like to thank Department personnel for their assistance and numerous courtesies extended during the completion of this audit.