



Office of Internal Audit

**Police Department Confidential Funds
Audit 2023-01**

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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; and
- Complete and accurate records were maintained.

Scope:

June 1, 2022 through May 31, 2023

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, **20** personnel maintained or used confidential funds;
- The sample size was **6** officers that maintained or used funds;
- The sample included **61** transactions excluding Administrative Transfer of Funds; and
- Expenditures audited totaled **\$25,295.00**.

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.

Although no significant exceptions were noted, areas to strengthen existing controls were provided to management.

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; and
- Complete and accurate manual records were maintained for all deposits, withdrawals and other transactions affecting the confidential fund accounts.

AUDIT SCOPE

The scope of the audit covered the fund activity from June 1, 2022 through May 31, 2023 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.

Internal Audit selected a sample of six officers to complete testing. The sample of expenditures reviewed during the audit scope included 61 transactions totaling \$25,295.00. The transactions represent 25% of the FY23 adopted budget for Confidential Funds and 34% of the funds received by the Division during the audit scope.

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;
- Completed an onsite cash count for each officer in the sample to reconcile with the ledger maintained by the officer;
- 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.

CONCLUSION

Although no significant exceptions were noted, Internal Audit made recommendations to Police Department management for areas that would strengthen existing internal controls.

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