
MEMORANDUM FROM THE INTERNAL AUDITOR

TO: Larry Klein, Colonel Spike Jones
Cc: Audit Committee, Bryan Carter, Greg Jones, Lisa Goetz

FROM: Greg Crump, Internal Auditor

DATE: March 4, 2015

RE: Verification of Police Funds

At the request of the Police Department, a review of their Informant Fund and Records Department Cashier Fund was completed and included a reconciliation of cash and checks on hand, as well as, a review of the procedures associated with these funds. Details of the review are as follows:

Informant and Special Investigative Fund

The Special Investigative Fund is funded by seized and forfeited property. Per KRS, 218A.420, coin, currency, or the proceeds from the sale of property forfeited shall be distributed as follows:

- Eight-five percent shall be paid to the law enforcement or agencies which seized the property, to be used for direct law enforcement purposes; and,
- Fifteen percent shall be paid to the Office of the Attorney General or, in the alternative, the fifteen percent shall be paid to the Prosecutors Advisory Council for deposit on behalf of the Commonwealth's attorney or county attorney who has participated in the forfeiture proceeding, as determined by the court pursuant to subsection (9) of this section. Notwithstanding KRS Chapter 48, these funds shall be exempt from any state budget reduction acts.

At the City and departmental level, the Special Investigative Fund is governed by General Order 42.1 (policy) and written operating procedures dated January 30, 2015. See email attachment for copies of policies and procedures. Details of the review are as follows:

- \$8,504.64 in cash was reconciled without exception to the Informant Fund Balance Sheet maintained by the Police Department as of the February 2, 2015 entry date.

- The General Order and operating procedures appear well thought out and contain good controls with respect to handling cash. Some of the controls include the following:
 - ✓ Locked physical security with access restricted to Unit Captain and Sergeant,
 - ✓ established authorization limits for fund disbursements,
 - ✓ listing of allowable and unallowable expenditures,
 - ✓ require documented dual signatures when cash changes hands for disbursements and returns,
 - ✓ proper segregation of the disbursements and the recording of the disbursements,
 - ✓ require regular internal reconciliation of the cash on hand, and
 - ✓ Require formal documented receipts for all disbursements and returns.

Records Fund

The Records Department maintains a \$30.20 cashier's fund for the purpose of making change for the purchase of accident records and other documents. A handwritten receipt is given to the customer for each purchase and the cash and checks are forwarded, along with a copy of the receipts, to the Finance Department periodically for deposit.

Records personnel also have written guidelines to follow with respect to handling cash and checks in their department. See email attachment for a copy of the guidelines and cash/check transfer forms used by the Records Department. Details of the review are as follows:

- The \$30.20 cashier fund was verified on site and \$146.10 in cash and check receipts on file as of February 3, 2015, were traced and reconciled to the Finance Department's Check Log dated February 11, 2015. The Check Log is a log of all cash and checks turned in to Finance for deposit.
- The check/cash transfer forms are good documents that are used to record the transfer of funds between various Police personnel and Finance. Also, the guidelines require reconciliations of the funds in the morning and again at the end of the day. This is a good practice to identify if the cash box was accessed after hours.
- The guidelines could be enhanced to address when funds should be transferred to Finance, such as weekly, or when cash and check amounts reach a certain limit (\$500), whichever is first.

- The guidelines should reference the use of receipts and how they are maintained (i.e. one copy given to customer, one copy maintained in Records Dept., one copy turned in to Finance along with checks and cash).
- The \$30.20 cashier fund is not on file with the Finance Department. I believe the \$30.20 was originally funded out of department receipts. It should be on record in the Finance Department with an assigned custodian.

I appreciate the opportunity to work with Police Department personnel concerning the management of their cash accounts. If I can be of further assistance please feel free to contact me.