



# CMPD Vice Imprest Fund 2021



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# CMPD Vice Imprest Fund 2021 Audit Executive Summary

## Purpose

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.

## Background

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

The Division is currently authorized to maintain \$49,000 cash in the Fund. CMPD's standard operating procedures call for initiating the audit process to replenish the Fund. After reviewing all vouchers and files and notifying the Division Commander, the shift Sergeant notifies Internal Audit and requests the audit. For FY 2022, the budget for replenishment is \$230,000.

## Conclusion

CMPD's Vice Imprest Fund controls are satisfactory and working effectively.

## Highlights

### **1. *Cash on hand agreed to records, transactions were properly documented, and property control was verified.***

- In calendar year 2021, seven audits were conducted; vault cash was accurately reconciled on each occasion.
- Replenishments during 2021 totaled \$238,260.

### **2. *Division officers submitted documentation timely in 94% of cases.***

- There were 595 cash advances and informant payments during the 2021 audit period; 44% of the advanced funds were returned unused.
- During the audit period, there were 34 cash advances over \$1,000 totaling \$72,060; all were returned on time.
- Advances under \$1,000 are more common and officers are given 30 days to return any unused funds and their required documentation; 94% of advances were returned timely.

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## Background

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The Vice Imprest Fund (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 authorized to maintain \$49,000 cash in the Fund. CMPD's standard operating procedures call for initiating the replenishment process when one-third of the funds have been expended.

The Fund cash is kept inside a locked safe in a secure location within the Division. 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 Fund with City or Federal travel funds.

Each Supervisor is responsible for ensuring:

- Vouchers accounting for fund use, 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.
- Appropriate case notes and documentation on all expenditures and informant payments are complete, accurate, and filed in the appropriate location within the safe room.
- 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). Property is sealed in evidence 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 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. If a Task Force Officer (assigned to work with a federal agency) uses Fund money to purchase narcotics from individuals, the property may be turned in at the federal agency.

Open cash advances and informant pays are reviewed during the audits. If officers are regularly late with their vouchers, they lose the privilege of using the Fund. Detectives assigned to the Special Investigations Bureau who are continually late with their vouchers are subject to disciplinary actions.

## Objective

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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.

## Scope, Methodology, and Compliance

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### Scope

Vice Imprest Fund activity for the 2021 calendar year.

### Methodology

Audit staff performed the following procedures during the seven site visits:

1. Selected all vouchers over \$1,000 to ensure proper handling and timely return to Imprest fund.
2. Judgmentally selected vouchers under \$1,000 consisting of at least one advance, one advance with returned funds, and one informant pay.
3. Physically counted cash on hand.
4. Traced, and physically observed, at least two items from judgmentally selected vouchers to the PCB.
5. Performed various analyses on the yearly data.

### Compliance

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.

Government auditing standards require that we determine which internal controls are material to the audit objective and obtain an understanding of those controls. To evaluate internal controls, the City Auditor's Office follows the Committee of Sponsoring Organizations of the Treadway Commission's Internal Control – Integrated Framework (COSO Framework) as included in Standards for Internal Control in the Federal Government (GAO Green Book).

In planning and performing the audit, auditors obtained an understanding of the processes and associated internal controls, assessed the internal control risks, and determined the following internal control components were significant:

- **Control Environment** – The set of standards, processes, and structures that provide the basis for carrying out internal control across the organization
- **Control Activities** – The actions management establishes through policies and procedures to achieve objectives and respond to risks

Internal control deficiencies that are significant within the context of this audit's objective(s) are stated in the Findings and Recommendations section of this report.

## Findings and Recommendations

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### ***1. Cash on hand agreed to records, transactions were properly documented, and property control was verified.***

During calendar year 2021, seven audits were conducted; the Fund records were accurately reconciled to vault cash each time. Replenishments for the year totaled \$238,260. The number of transactions per audit period ranged from 73 to 98. 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. Auditors visited the PCB to verify that at least two sampled items from each audit were on hand and packaged properly; there were no exceptions.

### ***2. Division officers submitted documentation timely in 94% of cases.***

There were 595 cash advances and informant payments totaling \$375,942 issued during calendar year 2021. Unused advances are common and expected. Officers make tentative plans for the use of funds, but often return without completing a transaction. In 2021, 44% 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 2021, 34 cash advances were over \$1,000. These advances totaled \$72,060 and all were returned on time.

Advances under \$1,000 are more common and are also subject 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 or documentation of expenses. During 2021, unused funds and/or expense documentation were submitted late for 24 advances and 12 informant payments, representing 6% of such transactions, similar to prior years.

Year	Rate of late returns
2021	6%
2020	5%
2019	6%
2018	7%

## Conclusion

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CMPD's Vice Imprest Fund controls are satisfactory and working effectively.

## Distribution of Report

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This report is intended for the use of the City Manager's Office, City Council, and the Charlotte-Mecklenburg Police Department. Following issuance, audit reports are sent to City Council via the Council Memo and subsequently posted to the [Internal Audit website](#).