



CMPD Vice Imprest Fund 2023



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January 29, 2024

CMPD Vice Imprest Fund 2023 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 2024, the budget for replenishment is \$230,000.

Conclusion

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

Highlights

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

- In calendar year 2023, five audits were conducted; vault cash was accurately reconciled on each occasion.
- Replenishments during 2023 totaled \$202,695.

2. *Division officers submitted documentation timely in 92% of cases.*

- There were 467 cash advances and informant payments during the 2023 audit period; 54% of the advanced funds were returned unused.
- During the audit period, there were 66 cash advances over \$1,000 totaling \$121,666; 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; 92% of advances were returned timely.

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Objective

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 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.

Findings and Recommendations

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

During calendar year 2023, five audits were conducted; the Fund records were accurately reconciled to vault cash each time. Replenishments for the year totaled \$202,695. The number of transactions per audit period ranged from 73 to 104. For 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 Property Control Bureau (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 92% of cases.

There were 467 cash advances and informant payments totaling \$398,773 issued during calendar year 2023. Unused advances are common and expected. Officers make tentative plans for the use of funds, but often return without completing a transaction. In 2023, 54% of the funds advanced were returned unused.

Advances with \$1,000 or more unspent require return of unused funds during the shift the funds were obtained. During 2023, 66 cash advances were over \$1,000. These advances totaled \$121,666 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 2023, unused funds and/or expense documentation were submitted late for 25 advances and 8 informant payments, representing 8% of such transactions, an increase from prior years.

Year	Rate of late returns
2023	8%
2022	6%
2021	6%
2020	5%
2019	6%
2018	7%

Of the 33 late vouchers, 17 were returned within one day of their due date (52%).

Conclusion

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

Distribution of Report

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

Scope, Methodology, and Compliance

Scope

Vice Imprest Fund activity for the 2023 calendar year.

Methodology

To achieve the audit objectives, auditors performed the following procedures during the five site visits:

1. Selected all vouchers over \$1,000 to ensure proper handling and timely return.
2. Judgmentally selected vouchers under \$1,000 consisting of at least two advances, two advances with returned funds, and two informant payments.
3. Counted cash on hand.
4. Physically traced at least two items of evidence from the 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(s) 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

For additional information regarding internal control components and the related principles of internal control, please see **Appendix A** – The Five Components and 17 Principles of Internal Control.

Appendix A – The Five Components and 17 Principles of Internal Control

Control Environment

1. The oversight body and management should demonstrate a commitment to integrity and ethical values.
2. The oversight body should oversee the entity's internal control system.
3. Management should establish an organizational structure, assign responsibility, and delegate authority to achieve the entity's objectives.
4. Management should demonstrate a commitment to recruit, develop, and retain competent individuals.
5. Management should evaluate performance and hold individuals accountable for their internal control responsibilities.

Risk Assessment

6. Management should define objectives clearly to enable the identification of risks and define risk tolerances.
7. Management should identify, analyze, and respond to risks related to achieving the defined objectives.
8. Management should consider the potential for fraud when identifying, analyzing, and responding to risks.
9. Management should identify, analyze, and respond to significant changes that could impact the internal control system.

Control Activities

10. Management should design control activities to achieve objectives and respond to risks.
11. Management should design the entity's information system and related control activities to achieve objectives and respond to risks.
12. Management should implement control activities through policies.

Information & Communication

13. Management should use quality information to achieve the entity's objectives.
14. Management should internally communicate the necessary quality information to achieve the entity's objectives.
15. Management should externally communicate the necessary quality information to achieve the entity's objectives.

Monitoring

16. Management should establish and operate a monitoring mechanism that monitors both internal and external activities that impact the control system and evaluate the results.
17. Management should remediate identified internal control deficiencies on a timely basis.