

Police Evidence Funds

December 1998



Office of the City Auditor
Portland, Oregon



CITY OF
PORTLAND, OREGON

OFFICE OF THE CITY AUDITOR
Audit Services Division

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December 18, 1998

TO: Vera Katz, Mayor
Jim Francesconi, Commissioner
Charlie Hales, Commissioner
Gretchen Miller Kafoury, Commissioner
Erik Sten, Commissioner
Charles Moose, Chief of Police

SUBJECT: Audit of Police Bureau Evidence Funds, Report #248

Attached is Audit Report #248 on the Police Bureau Evidence Funds. The audit was conducted at the request of the Chief of Police.

Mayor Katz and Chief Moose and their staffs have reviewed drafts of this report, and they are in general agreement with the report's findings and recommendations. Their written responses are included at the back of the report.

We ask that the Chief of Police prepare a written status report in six months on the progress made by the Bureau to implement the report's recommendations. Distribution of the status report should also include the Audit Services Division and the Mayor.

We appreciate the cooperation and assistance we received from Police Bureau personnel during the course of the audit and report preparation.

Barbara Clark

Barbara Clark, CPA
City Auditor

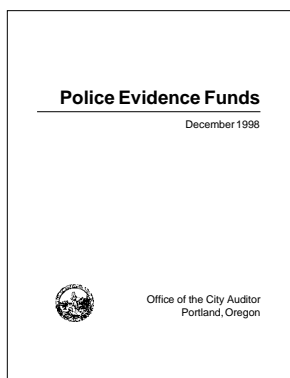
Audit Team: Richard Tracy
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Police Evidence Funds

December 1998

A Report by the Audit Services Division
Report #248

Office of the City Auditor
Portland, Oregon



Production/Design

This report was produced in-house using desktop publishing software on Pentium Pro personal computers, and a Hewlett Packard Laserjet PCL/Postscript laser printer. It was printed at the Printing and Distribution Division of the City's Bureau of General Services. Adobe PageMaker 6.5 was used to design and layout the finished product. Tables were created and drawn manually using PageMaker. Other graphs and charts in this report were produced with Quattro Pro for Windows or PageMaker. Text was initially written in Wordperfect for Windows then imported into PageMaker.

Desktop Publishing: Robert Cowan

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Chapter 1 Introduction

This report covers our audit of the evidence funds used by the City of Portland's Bureau of Police. Although evidence funds represents less than 1/2 percent of the Bureau's operating costs, the nature of its use and the large amount of cash kept on hand represents a significant risk. This audit was requested by the Chief of Police to provide an independent assessment of Bureau procedures for using and controlling funds. We conducted a previous audit of evidence funds in 1992 in response to recommendations made by the Institute of Law and Justice in their 1989 study of the Bureau.

The audit was approved by the City Auditor and conducted in accordance with generally accepted government auditing standards. We limited our work to those areas specified in the Audit Scope and Methodology section of this report.

Background The Bureau of Police is authorized by City Code 5.40.080 to use funds for the purchase of evidence against the illegal sale of liquor, gambling, or other violations of laws. In order to help prevent crime and arrest drug and other offenders, the Bureau of Police budgeted \$371,700 in FY 1997-98 to obtain evidence and information. Funds are

used for a variety of purposes, such as payment for surveillance and search warrant photos, information from informants, and narcotics purchases. The FY 1997-98 budget for evidence funds represents an increase of 38 percent over the prior fiscal year.

Bureau of Police General Order Section 660.30 outlines the Bureau's policies and procedures governing the use and accounting of its evidence funds. The procedures define allowable and non-allowable uses, and define methods for obtaining, disbursing, maintaining, accounting and reporting evidence funds.

Evidence Fund Process We reviewed the evidence funds at nine Bureau locations. These nine locations expended 61 percent of all the evidence funds budgeted by the Bureau in FY 1997-98. The locations reviewed and the fund amounts are listed in Table 1.

Table 1 Evidence Fund Budgets

Location	Amount
Detectives Division	\$ 47,687
Drugs & Vice Division	134,536
Criminal Investigation Unit	3,000
North Precinct	5,500
Northeast Precinct	10,253
East Precinct	7,000
Southeast Precinct	4,740
Gang Enforcement Unit	4,262
Central Precinct	9,196
TOTAL	\$ 226,174

SOURCE: Portland Police Bureau, Fiscal Division.

Evidence funds at each location are administered by a designated superior officer who issues cash, maintains accounts, and receives monies that are turned in. The division commander may designate other key personnel to issue and receive funds. The sections below discuss the various steps in using and accounting for evidence funds.

To establish an evidence fund or to replenish depleted funds, commanders at evidence fund locations submit a written request to the Chief of Police or a designated Assistant Chief. If the request is approved, the Bureau's Fiscal Services Division allocates cash to the requesting location. Funds are secured in a precinct or division safe and access is controlled by the commanding officer or designated key officers. Officers may use evidence funds for the following purposes:

1. Paying agents or undercover informants for information.
2. Purchasing items which will be used as evidence, to further an investigation, or lead to an arrest.
3. Out-of-pocket, job-related expenses incurred when conducting an investigation.
4. Out-of-town investigations which will not be reimbursed by the state or the district attorney's office.
5. Rental of a vehicle or other equipment for a limited period of time.

Disbursing and Recording

Supervising officers must review and approve requests for funds before funds are disbursed. Supervisors determine if the use is allowable, if informants are reliable and effective, the legality of the operation, the amount of funds requested, and the projected return on investment. When the funds are disbursed, the officer and issuer must sign a master ledger indicating officer names and identification numbers and the purpose of the disbursement. The officer receiving funds records receipt of the evidence funds in a monthly expense report, which the issuer also initials.

Informant Receipts

Officers are required to obtain signed receipts from informants when funds are paid to them for evidence or information. These receipts are reviewed by superior officers for completeness, accuracy, reliability of information, and comparison of the informant's signature to master signature cards. A minimum of 60 percent of all payments to informants are required to be witnessed by another officer, with at least 25 percent witnessed by a supervisor.

Carryover of Unused Funds and Unexpected Return of Funds

All officers are required to return unused funds prior to the end of the month. However, funds used in on-going investigations may be carried over to the next month. Officers must submit a memo describing the justification for the carryover. When funds which were previously written off are received unexpectedly, they are returned to the Bureau's Fiscal Services Division. If, however, the unexpected funds are from an agent or informant who did not use the monies as directed, the funds are returned to the evidence funds.

Maintenance of the Evidence Funds

Each month officers must account for all evidence funds on an evidence fund expense report accompanied by documentation. The expense reports are reviewed and approved by a sergeant, lieutenant, and captain for proper documentation, accuracy, and completeness. A monthly accounting packet consisting of approved expense reports, requests for funds and unexpected return of funds is then forwarded to the division commander and Assistant Chief for review and approval. These monthly accounting packets are retained for five years.

Audit Scope, Objectives, and Methodology

The objective of our review was to examine and evaluate the use of evidence funds at nine locations and to check compliance with control policies and procedures as stated in Police Bureau General Orders 660.30. We reviewed the following nine sites: Detectives Division, Drugs & Vice Division, Criminal Investigation Unit, North Precinct, Northeast Precinct, East Precinct, Southeast Precinct, Central Precinct, and the Gang Enforcement Unit. At each site, we:

- counted the evidence fund cash on hand and compared the cash with the ending balance in the master ledger.
- reviewed all transactions in the master ledger from July 1996 through March 1998 to determine if all transactions were posted completely and accurately and in accordance with the Bureau's General Orders.
- reviewed a sample of expense reports and supporting documentation to determine compli-

ance with Bureau policies and to confirm whether evidence funds were used for allowable purposes.

- compared the results of our review with the results of prior audits.

We also reviewed the City Code and ordinances governing evidence funds, and examined the Bureau's General Order for clarity and completeness. We met with the Chief and Assistant Chief of Police, captains or commanders of audited units, fund custodians, and other Bureau personnel. We also conducted an assessment of risk exposure and adequacy of internal controls.

To complement our review, the Bureau asked the Division of Drugs & Vice to review confidential informant and intelligence files for compliance with evidence fund policies and procedures. The review was conducted and a report was prepared. Findings from that report will be addressed and corrected by the individual precincts.

Chapter 2 Audit Results

Summary The Bureau has developed adequate internal controls over its evidence funds. We found that funds were well secured and used for appropriate purposes. We also found no misappropriation of evidence funds at the sites we reviewed. However, we found the Bureau has not consistently complied with internal policies and procedures established to ensure proper approval, use, accounting and reporting for evidence funds. While some Bureau units have faithfully complied with control requirements, we found that other units have not. Failure to comply with established internal controls increases the risk that funds could be lost or used inappropriately. Although we found overall improvement since our last audit, more action is needed to ensure consistent compliance with established General Orders and better control of evidence funds at all locations.

The following sections describe the results of our audit at nine locations. We have identified specific areas of non-compliance with General Order provisions and make specific recommendations for each location in order to assist the Bureau to improve compliance with these controls. We also make some general recommendations on page 19 to improve overall compliance with the Bureau's procedures for handling evidence funds.

**Drugs and Vice
Division**

Our review of evidence fund transactions at Drugs and Vice Division showed that funds were used for appropriate and allowable purposes consistent with Bureau rules and regulations. Nothing came to our attention that indicated misuse or abuse of funds. In addition, our count of cash on hand reconciled with the master ledger. On the whole, the Drugs and Vice Division complied with most of the procedures for disbursing, recording and reporting evidence funds. Although the division has improved since the last audit, we found some non-compliance with procedures in the areas listed below.

- Some officers and key persons issuing or receiving funds failed to include their identification numbers when signing the master ledger.
- Some officers failed to include the reason or purpose for the withdrawal and intended use of the evidence funds.
- Key personnel exceeded their authorized dollar limit when disbursing evidence funds to other officers. Although the General Order limits the amount of evidence funds that can be authorized by a lieutenant to \$2,500, we found one occasion of a disbursement of \$30,000 to an officer. Procedures require high command approval of amounts of this magnitude.
- Expense reports were not signed by all levels of authority as required by the General Order.
- Memos justifying carryovers of monies outstanding included unacceptable reasons for the carryover.

Recommendations to the Drugs and Vice Division

1. Record the name, rank and identification number of officers receiving funds. Also, record the purpose of the fund use and limit amount to authorized levels.
2. Officers returning evidence funds should always sign their rank, name and identification number in the master ledger.
3. Limit the carryover of funds to approved and allowable purposes.

Central Precinct

Our review of evidence fund transactions at Central Precinct showed that funds were used for appropriate and allowable purposes consistent with Bureau rules and regulations. Nothing came to our attention to indicate misuse or misappropriation of funds. On the whole, the precinct complied with procedures for disbursing, recording and reporting evidence funds. However we found some minor non-compliance with procedures in the areas listed below.

- On four occasions officers failed to sign the master ledger attesting to the return of funds.
- On six occasions the identification number of officers accepting returned funds were not listed in the master ledger. Identification of officers returning funds were also not always listed in the master ledger.
- On two occasions, officers did not return unused evidence funds at the end of the

month. Officers retained the funds until the end of the next month because key personnel were not available to accept and record unused funds.

Other Observations

The evidence fund at the Central Precinct may not be large enough to meet ongoing needs and demands. On two occasions the fund was almost depleted and on one occasion had a negative balance. In addition, the Central Precinct had to borrow funds from the Detectives Division in order to meet fund requests.

Recommendations for the Central Precinct

4. Increase the total dollar amount of evidence funds authorized at the precinct to discourage non-emergency loans from other precincts.
5. Return unused carryover funds at the earliest convenient time or next working shift. Precinct commanders should arrange to have more access of key personnel to officers for purposes of returning evidence funds at month end.
6. Ensure that custodians and officers sign the master ledger when funds are returned.

Southeast Precinct Our review of evidence fund transactions at Southeast Precinct showed that funds were used for appropriate and allowable purposes consistent with Bureau rules and regulations. Nothing came to our attention to indicate misuse

or misappropriation of funds. Generally, the precinct complied with most procedures for disbursing, recording and reporting all evidence funds. However, the precinct continues to have problems complying with certain procedures that were also identified in a prior audit.

- The monthly summary report contained a \$20 error on February 1, 1997.
- For a seven month period from October 1997 to April 1998, the monthly summary was not reviewed by the captain or commander.
- The custodian and key officers do not always ensure that the purposes and use of the evidence funds are clearly recorded before disbursing funds.

Other Observations

The Southeast Precinct may have more evidence funds than it needs. Although the precinct increased the fund by \$8,000 in June 1997, the level of activity over the following nine months did not exceed \$800 in any one month. High amounts of unused cash held at precincts represent an unnecessary risk and an opportunity cost to the Bureau because funds are not used for a more useful purpose.

Recommendations for Southeast Precinct

7. The monthly summaries recorded in the master ledger should be reviewed and approved on a timely basis by the captain or commander of the precinct.
8. All key personnel should be required to record the reason or purpose for the withdrawal of evidence funds.

9. Unless the size of the evidence fund at this location can be justified, it should be reduced to a level commensurate with current or projected need.

East Precinct Our review of evidence fund transactions at East Precinct showed that funds were used for appropriate and allowable purposes consistent with Bureau rules and regulations. Nothing came to our attention to indicate misuse or misappropriation of funds. The count of the cash on hand agreed with the balance in the master ledger. Although we found that the monthly summary was not prepared for three months, on the whole, the precinct complied with procedures for disbursing, recording and reporting evidence funds.

Gang Enforcement Team Our review of evidence funds transactions at the Gang Enforcement Team (GET) shows that the account was without a custodian and consequently was not properly managed for several months. The count of cash on hand reconciled with the master ledger, but transactions were not properly documented and recorded during the period the fund was without a custodian. Although nothing came to our attention to indicate misuse or misappropriation of funds, our review indicated frequent and significant non-compliance with General Orders intended to control the handling of evidence funds.

We determined that during the four months when no custodian was assigned to the fund, evidence funds were withdrawn or used for both investigative and travel purposes. Expense reports for those months were either misplaced or lost, and a travel advance of \$272 was not

reimbursed for over eight months until it was brought to management's attention and resolved during our audit. We believe that frequent turnover of supervisory staff and fund custodians contributed to inadequate monitoring and internal control of the fund. We identified the following areas of non-compliance during the audit.

- During five of the months reviewed, several key personnel issuing evidence funds failed to include the purpose for which the evidence funds were being withdrawn.
- For six months, no monthly summaries were completed. In addition, no cash counts or verifications of funds and transactions were made. We found that although the monthly summary was prepared for May 1998, there is no indication that the cash was counted and/or verified by a superior officer.
- On four occasions, officers with authorized limits of \$500 exceeded their authorization when issuing evidence funds to other officers. One such issue was to the commander of the precinct. On two other occasions, we found that officers issued evidence funds to themselves.
- Evidence funds were often disbursed without the identification number of the issuer or receiver. We also found that expense reports of two officers were not signed by a sergeant or lieutenant. In addition during another month, six expense reports lack the required signature of the captain.
- Documentation of expense fund use was sometimes inadequate. For example, xerox copies in

place of original invoices were used, telephone expenses were supported by a pharmacy receipt and one rental payment was documented by a deposit slip.

- Although informant receipts were generally well prepared, we found a missing informant number, and an undated receipt.
- All officer expense reports for one month could not be found.

Recommendations for the Gang Enforcement Team (GET)

In order to improve compliance and strengthen controls over the evidence fund, we recommend the following:

10. Designate and assign a trained fund custodian to the unit to provide strong oversight of fund. Minimize transfer of custodian duties.
11. Record the purpose of all evidence fund withdrawals in the master ledger.
12. Prepare and record a summary of all transactions in the master ledger at the end of each month.
13. Ensure that key personnel do not exceed their authorized disbursement limit.
14. Expense reports should be prepared and turned in by each individual withdrawing and/or returning funds. Supporting documentation should clearly relate to the associated expenditure and all documentation submitted should be in original form. Reports should be signed by all appropriate superiors.

15. Amend the General Order to prohibit commanders from approving their own expense reports. Their reports should be reviewed and approved by the Chief or Assistant Chief.

**Criminal Intelligence
Unit (CIU)**

Our review of evidence fund transactions at CIU showed that the funds were used for appropriate and allowable purposes consistent with Bureau rules and regulations. However, our count of the cash on hand disclosed a shortage of \$100. Although there was only one withdrawal of funds after the Unit's last cash count, we were unable to determine when or how the funds were lost. In reviewing the fund, we found that several control procedures over disbursements were not adhered to. The following is a list of non-compliance issues encountered during our review.

- On 10 occasions, officers issuing or receiving evidence funds did not include their identification numbers as required by the General Orders.
- On several occasions the sergeant of CIU was issued funds by officers who were not authorized to issue funds.
- During a seven month period, monthly summaries of master ledger transactions were not prepared. Of the summaries that were prepared, two were not verified by a captain or commander as required by the General Order.
- At least 15 expense reports were not approved by a lieutenant and/or captain as required by General Orders.

Recommendations for the Central Intelligence Unit

16. At the end of each month, the monthly summary should always be prepared, and verified by a captain or commander.
17. All issuers of evidence funds should be either the custodian of the funds or authorized key personnel.
18. Issuers and receivers of evidence funds are required to sign the master ledger and include their name, rank and identification number.
19. Perform monthly cash counts.

Detective Division

Our review of evidence fund transactions at the Detective Division showed that funds were used for appropriate and allowable purposes consistent with Bureau rules and regulations. Nothing came to our attention to indicate misuse or misappropriation of funds. Our cash count and audit of the expense reports disclosed no reportable exceptions. On the whole, the Detective Division complied with all procedures for disbursing, recording and reporting evidence funds, except for the monthly review of summaries by the division commander.

Northeast Precinct

Our review of evidence fund transactions at the Northeast Precinct showed that funds were used for appropriate and allowable purposes consistent with Bureau rules and regulations. Nothing came to our attention to indicate misuse or misappropriation of funds. Our count of cash on hand

reconciled with the balance reported in the master ledger. While the precinct complied with most procedures for disbursing, recording, and reporting, evidence compliance could be improved in a few areas. We found non-compliance with procedures in the areas listed below.

- Monthly reports on fund use were not consistently prepared by the custodian and reviewed and approved by the captain and/or commander.
- For several months, the cash on hand was not counted at month end and verified by the Division's captain or commander. While cash counts were made during the month by the captain or commander, the Bureau's General Orders require cash counting and verifying the cash on hand at the end of the month.
- On one occasion funds were issued to a sergeant by an officer who was not authorized to issue funds.

Other observations

Evidence funds at Northeast Precinct appear to be used for travel and education purposes not associated with investigation duties. While the General Orders permit use of funds for these purposes if approved by the unit captain or commander, Bureau management indicates that such use is allowed only if time does not permit travel advances through normal channels. Although we could not determine the degree to which travel was emergency in nature, we believe better planning could reduce the use of evidence funds for travel and education. In addition, more timely

reimbursement of travel advance to the evidence fund would reduce the risk of loss and ensure funds are available for purposes for which they were intended.

Recommendations for the Northeast Precinct

20. Summary reports should be prepared and approved on a monthly basis by the Division's captain or commander.
21. Minimize the use of evidence funds for travel and education. Ensure travel advances are returned to the fund promptly.
22. Conduct evidence funds case counts at the end of each month.

North Precinct

Our review of evidence fund transactions at the North Precinct showed that funds were used for appropriate and allowable purposes consistent with Bureau rules and regulations. Nothing came to our attention that would indicate misuse or misappropriation of funds. The cash on hand was counted and found to agree with the master ledger. The master ledger was reviewed and found to be in compliance with the General Orders. North Precinct complied with Bureau procedures for disbursing, recording and reporting evidence funds use.

General Recommendations

In order to assist Bureau management and personnel in achieving better compliance and more effective controls of evidence fund, we make the following general recommendations. The Bureau should:

23. Make the General Orders more readable and understandable, to commanders, custodians and officers. Preparation of a detailed flow chart of the approval, accounting and reporting steps would be helpful.
24. Implement training for all users of the police evidence funds. Training should include command officers, custodians, key personnel and officers. The training should cover the policies and procedures governing evidence funds. In addition, due to the frequent rotation and reassignment of Bureau personnel to new job assignments, the Bureau should hold training on a periodic basis.
25. Develop more complete and detailed explanations and justifications for evidence expenses. Receipts should more fully support the fund expenditure.
26. Evidence fund expense report packets should be monitored more carefully by the Chief of Police's Administrative Division. We recommend that a process be installed whereby the Administrative Division becomes aware when reports are not submitted on time. Unnecessary lag time in evidence fund expense reporting should be kept to a minimum.
27. The General Orders should be revised to require that prior authorization for travel advances from the evidence fund be in writing and signed by the captain or commander.

28. Evaluate the feasibility of reducing the amount of funds budgeted for evidence and information gathering activities. Over \$100,000 – approximately 27 percent of the total evidence funds – went unused in 1997-98. It is likely that opportunities exist to use these available dollars for a more useful purpose within the Bureau or other City functions.

Responses to the Audit



City of Portland
Vera Katz
Mayor

MEMORANDUM

December 14, 1998

To: Barbara Clark CPA

From: Mayor Vera Katz

RE: Police Evidence Funds Audit, Report #248

I have had an opportunity to review your audit of the Police Bureau's Evidence Fund, and am pleased to have this opportunity to comment on the document. Your report is comprehensive, and the recommendations you make will guide the Police Bureau as they strive for continuous improvement. An outside assessment of compliance with internal policies and procedures provides essential feedback for measuring accountability.

Thank you for your efforts and assistance.





CITY OF
PORTLAND, OREGON
BUREAU OF POLICE

VERA KATZ, MAYOR
Charles A. Moose, Chief of Police
1111 S.W. 2nd Avenue
Portland, Oregon 97204


December 8, 1998

To: Barbara Clark, CPA
City Auditor

Subject: Police Evidence Funds Audit , Report #248

I have received the Final Draft of the Police Evidence Funds Audit. Although you report improvements from the last audit, it is clear we have more work to do. One of the Police Bureau's core values is accountability, which promotes responsibility among Bureau management and employees for public safety resources. This audit provides necessary feedback regarding our processes and practices in administering evidence funds. All of the recommendations you make in the report will be addressed, including the revision of the general orders which outline the policy and procedures for each division.

We are appreciative of the professional and thorough work by your staff on this audit. We intend to both keep you informed, and to request your feedback, as we implement the recommendations for improvement.


Charles A. Moose, Ph.D.
Chief of Police

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