

**MUNICIPAL AUDITING REPORT**  
**CITY OF ROANOKE**  
**POLICE CASH FUNDS**

**April 15, 2015**

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*Municipal Auditing Department  
Chartered 1974*

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Phone 540.853.5235  
Fraud, Waste, and Abuse Hotline 888.235.1725

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## BACKGROUND

The Commission on Accreditation for Law Enforcement Agencies [CALEA] requires police departments to establish written directives governing the maintenance of all cash fund accounts. CALEA standards require, at a minimum, that the written directives include the following components:

- A balance sheet, ledger, or other system that identifies initial balances, credits (cash income received), debits (cash disbursed), and the balance on hand.
- Receipts or documentation for cash received.
- Authorization for cash disbursement, including chief executive officer authorization for expenses in excess of a given amount.
- Records, documentation, or invoice requirements for cash expenditures.
- Persons or positions authorized to disburse or accept cash.
- Quarterly accounting of agency cash activities.
- An independent audit of the agency's fiscal activities.

The Roanoke Police Department has established the required written directives and utilizes the City's Advantage accounting system and QuickBooks to administer its cash funds. The Police Department maintains four [4] cash funds that are essential to the Department's administrative and operational activities:

1. **Emergency Fund Checking Account** – The Office of the Chief of Police maintains an emergency fund that provides ready access to cash for unanticipated expenses that arise on short notice and outside of normal business hours. The Chief's Office replenishes this fund through the City's normal payment voucher process, which requires appropriate supporting documentation. The balance in this checking account is typically maintained at \$2,000.
2. **Petty Cash Fund** – The Police Department maintains \$200 in cash for small administrative expenses such as postage. These funds are replenished through the City's normal payment voucher process.
3. **Flash and Buy Fund** – Established by court order, the flash and buy fund contains \$2,660 in cash that is secured in a Police Department safe. These funds are only used in operations when an arrest is anticipated and the funds are expected to be recovered immediately at the scene.
4. **Federal Drug Funds Checking Account** – The Office of the Chief of Police maintains \$10,000 in this checking account for Narcotics and Organized Crime Squad and Community Response Team operations. These funds derive from the Federal Forfeited Asset Sharing Program.

## SCOPE

We evaluated the system of internal controls in place as of December 31, 2014, over cash funds maintained by the Police Department.

We tested transactions occurring between January 1, 2014 and December 31, 2014.

### OBJECTIVE 1 – EMERGENCY FUND CHECKING ACCOUNT

Was the system of internal controls over deposits and expenditures from the emergency fund checking account operating effectively in accordance with applicable Roanoke Police Department Operational Directives?

#### Yes

1. We reviewed the deposit and withdrawal activity reported on the monthly bank statements for the account.

*There were no deposits or withdrawals to the bank account. The Police Department transferred the \$2,000 balance from Wells Fargo to a new account at Valley Bank in November.*

2. We reviewed the checkbook for missing or voided checks.

*There were no missing or voided checks. Management shredded the unused checks from the closed account on January 21, 2015, which we witnessed.*

3. We reviewed the monthly reconciliations to verify that each one was completed timely, reviewed by the Deputy Police Chief, and that the reasons for any differences were appropriately documented.

*All reconciliations were completed and reviewed no later than the 14<sup>th</sup> of the following month. No differences between the bank and checkbook were noted.*

## OBJECTIVE 2 – PETTY CASH FUND

Was the system of internal controls over expenditures from the petty cash account operating effectively in accordance with applicable Roanoke Police Department Operational Directives?

### Yes

1. We reviewed the receipts and cash on hand in the petty cash fund as of January 21, 2015, to determine if receipts and cash totaled \$200.

*Cash totaling \$53.06 was on hand with five receipts documenting expenditures of \$146.94. The combined cash and expenditure receipts totaled \$200 consistent with the amount authorized for the petty cash fund.*

2. We reviewed the Purchase Request Form for each receipt to ensure the form was completed and the purchase approved by management.

*All receipts were accompanied by a properly completed and approved Purchase Request Form.*

## OBJECTIVE 3 – FLASH AND BUY FUND

Was the system of internal controls over flash and buy funds operating effectively in accordance with applicable Roanoke Police Department Operational Directives?

### Yes

1. We observed that the flash and buy funds were stored in a locked safe in the designated Sergeant's office. The Sergeant confirmed that the combination to the safe is known only to him and a designated Lieutenant.

*No exceptions noted.*

2. We counted the cash in the safe to confirm that \$2,660 was on hand as specified in the operational directive.

*There was \$2,660 cash in the safe.*

## OBJECTIVE 4 – FEDERAL DRUG FUND

Was the system of internal controls over deposits and expenditures from the federal drug funds account and associated operational accounts effectively operating as specified by applicable Roanoke Police Department Operational Directives?

### Yes

1. We prepared a cash proof of the Federal Drug Fund Account to verify withdrawal and deposit activity reported by the bank agreed to Police Department records.

*The deposit and withdrawal activity reported in the ledger was consistent with the activity reported by the bank. The balance in the account on December 31, 2014 was \$10,012.27*

2. We reviewed the monthly reconciliations of the Federal Drug Fund Account to verify that they were completed timely and that explanations for any differences were appropriately documented.

*All 12 monthly reconciliations were completed by no later than the 14<sup>th</sup> of the following month and no differences were noted.*

3. We reviewed the monthly reconciliations of the Federal Drug Fund Account to verify that the Deputy Police Chief or his designee reviewed and approved each month's reconciliation.

*Each monthly reconciliation was initialed and dated by the Deputy Police Chief or his designee, indicating each was reviewed and approved.*

4. We reviewed all payments from the Federal Forfeiture Grant Account that were requested to be remitted to the Federal Drug Fund Account to fund undercover, decoy and raid operations.

*The Police Department deposited all payments into the Federal Drug Fund Account and appropriately recorded each in the Department's QuickBooks system. Payments totaled \$36,000 for the 12 months ending December 31, 2014.*

5. We reviewed the QuickBooks monthly expenditure reports detailing the use of operational funds for undercover, decoy and raid operations, along with the memos confirming management's review of the reports.

*Management reviewed each monthly expenditure report on a timely basis.*

6. The Police Department withdraws cash funds from the Federal Drug Fund Account and issues them to Detectives to use in undercover operations. Detectives record the use of cash on money slips that detail the specifics of the transaction. Management reviews each money slip and posts the transaction in QuickBooks. We reviewed all 111 expenditures of cash made by Detectives

during January, May and September 2014. We reviewed the associated money slips for each expenditure to verify the required information was documented and the money slips were reviewed by management. We also randomly selected 20 of the expenditures involving drug purchases and verified the drugs were in the Police Property Room.

*All 111 expenditures tested were supported by a properly completed money slip that had been reviewed by management.*

*We verified that all of the drugs involved in the 20 drug buys selected for testing were appropriately submitted to the Police Property Room.*

### **ACKNOWLEDGEMENTS**

We want to thank the Police Department Services Unit for their cooperation and assistance during the audit.



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Drew Harmon, CPA, CIA  
Municipal Auditor