



Office of the City Auditor
Audit of Police Property and Evidence Unit
Cash Handling

Report Date: February 1, 2011



Office of the City Auditor

"Promoting Accountability and Integrity in City Operations"

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Office of the City Auditor
Transmittal Letter



Date: February 1, 2011
To: James K. Spore, City Manager
Subject: Police Property and Evidence Unit Cash
Handling Audit Report

I am pleased to present the report of our review of the City's Police Property and Evidence Unit Cash Handling. The results of this review will be provided to City Council through the City's Audit Committee.

We have performed the procedures agreed to by Police to review the Police Property and Evidence Unit cash handling processes. This agreed-upon procedures engagement was conducted in accordance with Government Auditing Standards. Government Auditing Standards incorporate financial and attestation standards established by the American Institute of Certified Public Accountants. These standards also provide guidance for performing and reporting the results of agreed-upon procedures.

The Office of the City Auditor reports to City Council through the City's Audit Committee and is organizationally independent of all other City Departments. The procedures we agreed to perform and the associated results are enclosed. Findings to be of insignificant risk were discussed with management. We completed the agreed-upon procedures on January 25, 2011.

This report is intended solely for the information and use of the Audit Committee, City Council, City Manager, and appropriate management including the Police Department. It is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited

We would like to commend the Police Property and Evidence Unit for the courtesy and cooperation extended to us during our review. If you have any questions about this report or any audit-related issue, I can be reached at 385-5872 or via email at lremias@vbgov.com.

Respectfully submitted,

Lyndon S. Remias, CPA, CIA
City Auditor

c: City Council Members
Audit Committee Members
J. A. Cervera, Chief of Police



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Office of the City Auditor Audit of Police Property and Evidence Unit Cash Handling

Purpose

To review the cash handling processes in the Police Property and Evidence Unit to ensure cash seized and/or found is appropriately recorded and inventoried.

Scope and Objectives

The objective of our audit was to conduct a physical inventory of cash in the Police Property and Evidence Unit vaults. We also reviewed the bank reconciliation to ensure the amount of cash in the bank was properly reconciled to the amount recorded in the check register. Additionally, we reviewed the current Police Evidence Collection and Handling Field Guide to ensure the guide was updated to incorporate recommendations from our prior audit. Our audit covered cash evidence on hand as of January 25, 2011. Our review concluded on January 25, 2011.

Methodology

To accomplish our objectives, we performed the following procedures:

- Reviewed internal controls through inquiry and examination of documents.
- Met with appropriate staff to discuss existing procedures.
- Obtained documentation related to current processing of cash property and cash evidence.
- Conducted a physical inventory of cash stored in the Property and Evidence Unit's vaults.
- Analyzed completed bank reconciliations for completeness, accuracy and oversight.
- Conducted follow-up procedures on prior audit report recommendations.

Standards

Our audit was conducted in accordance with generally accepted government auditing standards. The Office of the City Auditor reports to City Council through the Audit Committee and is organizationally independent of all City Departments. This report will be distributed to the City's Audit Committee, City Council, City Manager, and Police. This report will also be made available to the public.



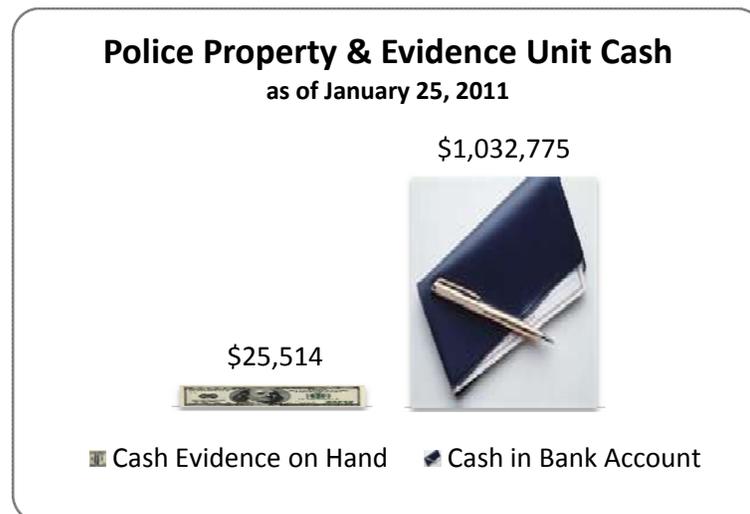
Office of the City Auditor Audit of Police Property and Evidence Unit Cash Handling

Background

The Virginia Beach Police Department's mission is to provide a safe community and improve the quality of life for all citizens. They accomplish this by delivering quality police services and enforcing laws with equity and impartiality. It is the policy of the Virginia Beach Police Department to maintain strict control over all evidence and property that comes into the possession of department personnel, including cash seized from drug raids, robberies, and cash found from lost wallets or turned in by private citizens. Procedures have been developed to ensure the integrity of physical evidence and the proper storage, return and disposal of property.

The Property and Evidence Unit coordinates the property and evidence function. The Property and Evidence Unit is organizationally under the Support Division and based in the Police Headquarters building. The unit maintains facilities for the storage of property and evidence in possession of Police personnel. The unit is staffed with two sworn police officers and three civilian evidence officers under the direction of Sergeant P. F. Harris. The unit handles and stores all evidence and property that is seized or found until it is needed for court, returned to its owner, or can be destroyed. Destruction, disposal, or return of property is determined by the Property and Evidence Unit in accordance with federal, state, and local laws.

All evidence, including cash, once vouchered and received by this unit, cannot be removed or even physically examined without an authorized person signing for it. The amount of the Police Property and Evidence Unit's cash is shown in the chart below.





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Results

Bank Reconciliations of the Property and Evidence Unit Checking Account

The Police Evidence Collection and Handling Field Guide require all cash that is not needed as evidence in court to be deposited into the Property and Evidence Unit's bank account. The monthly reconciliation of this bank account is performed by the Police Support Division Accountant. We determined that the accountant is properly segregated from the Property and Evidence Unit. We further determined that the monthly reconciliations are properly performed.

However, we noted there are 13 outstanding checks over a year old. The Property and Evidence Unit escheats outstanding checks over a year old every November but due to an oversight these checks were missed. Additionally, there is one large (\$8,800) outstanding check that has not been mailed to the payee because the case is still active. The bank reconciliation process can become more time consuming when accounting for numerous outstanding checks that don't get escheated or voided in a timely manner.

Outstanding Checks			
Check Number	Check Date	Reason for Exception	Value
4237	4/2/2009	Over 1 year old	\$ 750.00
4241	4/9/2009	Over 1 year old	\$ 4.07
4306	6/30/2009	Over 1 year old	\$ 10.00
4310	7/2/2009	Over 1 year old	\$ 2.00
4313	7/2/2009	Over 1 year old	\$ 1.00
4322	7/22/2009	Over 1 year old	\$ 3.00
4339	8/11/2009	Over 1 year old	\$ 1.00
4345	8/19/2009	Over 1 year old	\$ 34.00
4347	8/20/2009	Over 1 year old	\$ 42.00
4379	9/21/2009	Over 1 year old	\$ 3.00
4394	10/6/2009	Over 1 year old	\$ 10.00
4399	10/8/2009	Over 1 year old	\$ 0.59
4416	10/26/2009	Over 1 year old	\$ 0.22
4493	12/16/2009	Active case	\$ 8,800.00
Total			\$ 9,660.88



Recommendations

- 1.1 Ensure that all outstanding checks over 1 year old are promptly escheated to the Virginia Department of Treasury Unclaimed Property.
- 1.2 Review all outstanding checks that are held back due to the case still being opened (active) to determine whether to void them.

Management's Response

See Appendix for Management's Response.

Physical Inventory of Cash Items

At the request of Police Chief Cervera, we conducted a physical inventory of the cash in the vaults at the Police Property and Evidence Unit on January 25, 2011. Using inventory listings obtained from the Property and Evidence Unit's record management system, we located all 182 cash items. We also performed a reverse inventory of all cash in the locations and traced it back to the inventory listings and found no discrepancies. Upon further examination of the 90 new cash items since our last cash inventory, we noted no significant non-compliant items with the Police Evidence Collection and Handling Field Guide.

However, we do have a couple of observations to improve accountability and internal controls. We noted there were 33 cash items that are over 10 years old. Best practices indicate monies should be deposited into a bank account if it is not essential to keep it in the vault for an extended amount of time. This would reduce the risk of theft or loss of funds.

The table on next page details the 33 cash items that are over 10 years old with the total monetary value of \$1,773.65.



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Evidence Cases Over 10 Years Old			
Case Number	Item Number	Offense Date	Value
90-031093	90-1300:1	2/28/1990	\$ 43.00
91-028039	91-1231:7	2/20/1991	\$ 73.00
"	91-1275:3	"	\$ 70.00
93-081894	93-4205:2	6/19/1993	\$ 23.36
94-023006	94-3013:2	5/25/1994	\$ 0.23
"	94-3895:4	"	\$ 0.53
96-035388	96-5362:4	7/6/1996	\$ 30.00
"	96-5392:10	"	\$ 40.00
"	96-5392:11	"	\$ 10.00
"	96-5392:9	"	\$ 50.00
"	96-5413:7	"	\$ 40.00
"	96-5413:8	"	\$ 10.00
"	96-5413:9	"	\$ 2.00
"	96-5360:23	"	\$.19
"	96-5360:24	"	\$ 41.00
97-009450	97-1795:41	2/25/1997	\$ 340.24
97-016917	98-0852:3	4/10/1997	\$ 245.51
97-018391	97-2772:3	10/1/1997	\$ 119.06
98-045047	98-1789:1	2/18/1998	\$ 20.00
"	98-1790:1	"	\$ 20.00
98-045432	98-1365:1	2/18/1998	\$ 26.00
"	98-1372:1	"	\$ 20.00
"	98-1372:2	"	\$ 4.00
"	98-1372:3	"	\$ 0.13
"	98-1372:4	"	\$ 80.00
98-045132	98-1601:1	3/6/1998	\$ 5.00
"	98-1648:1	"	\$ 100.00
"	98-1648:2	"	\$ 20.00
"	98-1648:3	"	\$ 1.00
"	98-1791:1	"	\$ 2.00
99-008305	99-1135:13	3/17/1999	\$ 306.40
83-039822	83-1978:6	1/19/2000	\$ 20.00
92-173007	92-5400:17	1/20/2000	\$ 7.00
Total			\$ 1,773.65

Our second observation is that many cash items had the outer brown envelope(s) sealed with postal or 'Evidence' tape. This doesn't allow access to verify cash on hand within the envelope. Only the clear currency envelope *within* the brown envelope should be sealed.



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Recommendations

- 2.1 Evaluate cases over 10 years old to determine whether to deposit the cash into the Property and Evidence Unit bank account or keep it in the vault.
- 2.2 Seal only the inside clear currency envelope, not the outside brown envelope, to ensure straightforward verification of cash on hand within the envelope on new cash items.

Management's Response

See Attachment for Management's Response.

Follow-up on Prior Audit Recommendations

In our prior audit report dated November 18, 2009, we made three recommendations. We determined the status of each recommendation as follows:

1. Ensure all Property and Evidence Vouchers (Form PD-78-3) are properly completed prior to submitting to the Property and Evidence Unit.
The Property and Evidence Unit now reviews each voucher when it is submitted for accuracy and completeness. If there is an error, the submitting officer is responsible to correct the error before acceptance by the Property and Evidence Unit. The implementation of this requirement closes this recommendation.
2. Ensure all amounts recorded in the records management inventory system agrees to the amount on the Property and Evidence Vouchers and the amount written on the storage envelopes.
Property and Evidence employees are now instructed to record the exact value of the currency listed on the clear currency envelope into the BEAST evidence management system. Any discrepancy between the voucher and what is written on the currency envelope must be corrected by the submitting officer. This requirement closes this recommendation.
3. Incorporate into the Police Collection and Handling Field Guide a requirement that a monthly reconciliation of the bank account is performed by the Support Division Accountant.
Based upon our review, the updated Field Guide incorporates this requirement and closes our prior recommendation. Also, we verified that the reconciliation is being regularly performed.



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Conclusion

Based upon our examination of the cash handling processes in the Police Property and Evidence Unit, we determined that the cash seized and/or found is appropriately recorded and inventoried. All prior audit report recommendations have been implemented and considered closed.

Acknowledgements

We would like to thank the Police Property and Evidence Unit's management and staff for their responsiveness to our requests during the audit and their receptiveness to questions and comments. We thank all involved in the process for their help and offer our assistance should future concerns regarding this or other audit issues arise.



APPENDIX

City of Virginia Beach

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INTER-OFFICE MEMORANDUM

DATE: February 2, 2011
TO: Mr. Lyndon Remias, City Auditor
FROM: James A. Cervera, Police *JAC*
SUBJECT: Property and Evidence Unit Cash Audit Report

I appreciate the efforts of you and your staff in conducting, at my request, the second annual audit of the Police Property and Evidence Unit's cash handling processes. The results of the audit again confirmed the confidence I have in our processes and the earned trust I have with staff.

We agree with your findings and recommendations. We will take extra effort to assure that all outstanding checks over 1 year old are escheated to the Virginia Department of Treasury Unclaimed Property and will perform a more comprehensive review of outstanding checks.

We have already initiated a review of cases over 10 years old to determine whether to deposit the cash into the Property and Evidence Unit bank account or maintain in the vault. We currently do seal only the inside clear currency envelope, but will not disturb the older cases in which both the clear inside and brown outside envelopes were sealed.

As discussed in the exit conference, we may ask that your staff include additional audit tasks during your future annual audits.

I appreciate your assistance and the professionalism demonstrated by your staff during the audit and look forward to again working with you.

JAC:ctm