



Office of the City Auditor

Audit of Police Property and Evidence Unit Cash Handling

Report Date: March 19, 2013



Office of the City Auditor

"Promoting Accountability and Integrity in City Operations"

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



Date: March 19, 2013

To: James K. Spore, City Manager

Subject: Police Property and Evidence Unit Cash
Handling Audit Report- 2013

Independent Auditor's Report

We have performed the agreed-upon procedures enumerated herein, which were agreed to by the Police Department solely to assist the City in evaluating the Police Property and Evidence Unit Cash Handling for 2013. 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 sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described herein either for the purpose for which this report has been requested or for any other purpose.

We were not engaged to perform and did not perform an audit, the objective of which would have been the expression of an opinion on the compliance of the Police Property and Evidence Unit with Department, City, State policies and procedures as well as accreditation standards. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters may have come to our attention that would have been reported to you. We completed the agreed-upon procedures on February 7, 2013.

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 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

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 and accounted for.

Scope and Objectives

The objective of our audit was to conduct a physical inventory of cash and jewelry 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 and that all cleared checks from January 1, 2012 to December 31, 2012 were supported by documentation. Additionally, we determined if recommendations from our prior audit were implemented. Our audit covered cash evidence on hand as of February 4, 2013. Our review concluded on February 7, 2013.

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 and jewelry stored in the Property and Evidence Unit's vaults.
- Analyzed completed bank reconciliations for completeness, accuracy and oversight.
- Reviewed supporting documentation for all cleared checks of past year.
- Conducted follow-up 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 Virginia Beach Police Department. This report will also be made available to the public.



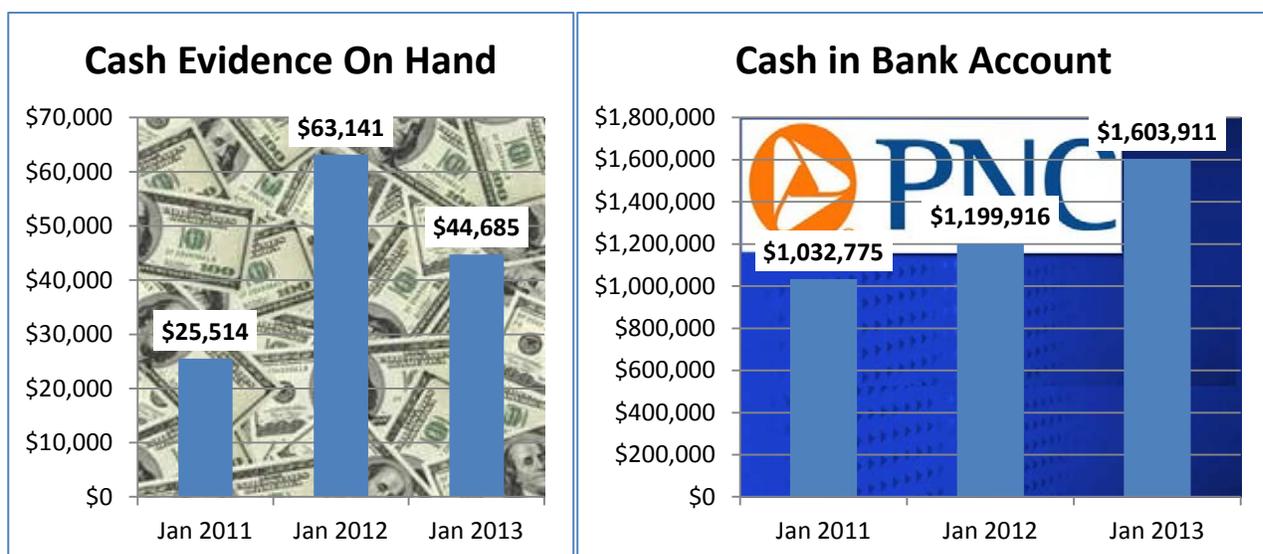
Background

The Virginia Beach Police Department's mission is to provide a safe community and improve the quality of life for all people. 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 B. Calhoun. 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 inventoried, vouchered and received by this unit; it 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 charts below.





Results

Physical Inventory of Cash Items

At the request of Police Chief Cervera, we conducted a physical inventory of the cash and jewelry in the vaults at the Police Property and Evidence Unit on February 4, 2013. Using inventory listings obtained from BEAST, the Property and Evidence Unit's record management system, we located all 208 cash items totaling \$44,685 and 790 jewelry items. We also performed a reverse inventory of all cash in the locations and found two (2) discrepancies. Outside of the two (2) discrepancies, we conclude that all cash and jewelry items were recorded and inventoried. Upon further examination of the 122 new cash items since our cash inventory last year, we noted four issues of non-compliance with the Police Evidence Collection and Handling Field Guide as reported below

Findings and Recommendations

Finding 1:

There were six (6) items of currency from five (5) case numbers that did not have the value of the currency marked on the clear currency envelope or on the outside of the brown envelope. The Evidence Collection and Handling Field Guide states that currency should be listed by its denomination and totaled for notation on the currency bag. A ready determination of the amount of currency that should be inside the brown envelope/currency bag could not be made without inquiring into the BEAST system. There is marked improvement from the twenty-five (25) items found for this finding from last year's review.

Recommendation

- 1.1 Ensure that the value of cash items are marked either on the outside brown envelope or totaled on the pre-printed currency bag.

Finding 2:

A currency bag with pre-printed form was not used for four (4) items from three (3) case numbers. The Evidence Collection and Handling Field Guide states that all currency shall be submitted in a clear plastic currency bag and appropriately filled out. There is marked improvement from the twenty-eight (28) items reported last year's review for this finding.

Recommendation

- 2.1 Ensure that the currency bag with pre-printed form is used for all PPE items with currency. The use of the standard currency bag increases compliance for appropriate signatures and listing of currency by denomination.



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Finding 3:

One voucher of cash items did not have the required two signatures. While the evidence bag itself had one signature, the voucher itself did not have any signatures. The Evidence Collection and Handling Field Guide require that all vouchers have signatures of both the witness and preparer. Signatures provide accountability over the property and evidence. This is an improvement over last year's review where eight (8) vouchers did not have both signatures.

Recommendation

3.1 Ensure that all vouchers are signed or initialed by both the witness and preparer.

Finding 4:

There were two (2) cash items found in the money lockers that were not on the inventory list of cash items held as evidence for still-active cases. Management acknowledged and stated that these cash items, one for \$1,502.71 and the other for \$45.00, had been cleared for deposit but had not been taken to the bank. The Evidence Collection and Handling Field Guide states that unless the actual physical currency is needed as evidence, it will be deposited in the Property and Evidence bank account in order to keep the quantity of money in PPE to a minimum.

Recommendation

4.1 Ensure that all currency not needed as evidence is deposited in the Property and Evidence bank account in a timely manner as required.

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. When the money is released via court order, forfeiture or by authorization of the detective, a check for the amount is issued to the owner or agency in case of forfeiture. The monthly reconciliation of this bank account, consists of checks issued and cleared, is performed by the Police Support Division Accountant. This is audited for errors by the accountant in order to ensure there are no mistakes, omissions or mishandling of funds held in the possession of PPE. We verified that the accountant is properly segregated from the Property and Evidence Unit. We further determined that the monthly reconciliations are being properly performed. Additionally, we reviewed the internal controls over the issuance of checks from this account. From the period of January 1, 2012 to December 31, 2012 there were 437 checks issued and 410 cleared checks.

Finding 5:

We noted only one (1) cleared check that did not have the signature of the payee who picked up a check. The Evidence Collection and Handling Field Guide require the written signature of the owner upon release to the owner. Without the owner's signature the PPE does not have the proof required that the property has been released back to the owner per the court order.



Recommendation

- 5.1 Ensure all checks from the PPE bank account be signed for upon release to the payee/owner.

Follow-up on Prior Audit Recommendations

In our prior audit report dated March 15, 2012, we made seven recommendations. In our follow-up review in October 2012, Police management provided an updated status of each of our recommendations as follows

1. Ensure that the value of cash items are marked either on the outside brown envelope or totaled on the pre-printed currency bag.

Management Response: Values are now noted on all currency bags or envelope.

Note: There is marked improvement from prior year but still noted six (6) exceptions this year and we will continue to monitor.

2. Ensure that the currency bag with pre-printed form is used for all PPE Unit items with currency. Use of the standard currency bag increases compliance for appropriate signatures and listing of currency by denomination.

Management Response: Currency bag is used for submissions. Exceptions could occur on a rare occasion where the amount of money would not fit in a currency bag and is needed to be kept in its bulk state for court purposes, or collectable coins in protective cases. These have a designated face value but the true value is far different and the detective has opted to keep them as pristine condition as possible. Both in the interest of the defendant in case returned or in case a court ordered auction occurs. In either occurrence the face value would be reflected on the voucher.

Note: There is marked improvement from prior year but still noted four (4) exceptions this year and we will continue to monitor.

3. Ensure that all currency bags are sealed.

Management Response: Bags are sealed.

Note: Recommendation implemented, all currency bags in our review were sealed.



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4. Ensure that all vouchers are signed or initialed by both the witness and preparer.

Management Response: Vouchers are examined by property and evidence staff at submission for the needed initials/ signatures.

Note: There is marked improvement from prior year but still noted one (1) exception this year and we will continue to monitor.

5. Ensure that all currency evidence is marked as evidence by properly filling out the currency bag and affixing a red evidence tag to the currency bag/brown envelope as required.

Management Response: The currency bag is filled out. The field guide no longer requires a red evidence tag to be affixed to currency envelopes or bags.

Note: Recommendation has been implemented.

6. Ensure all checks written from the PPE Unit bank account be supported by some form of a written check request.

Management Response: Staff had been instructed to obtain some sort of written authorization.

Note: Recommendation has been implemented.

7. Ensure the Evidence Collection and Handling Field Guide is changed to require supporting documentation for checks written against the PPE Unit bank account.

Management Response: Updated- Verbal release solely is not allowed. Written release must follow. Property and evidence staff may release after verbal approval by investigation officer. When done the approving officer must provide written documentation authorizing this release to property and evidence upon their next tour of duty (this release is done in the best interest of owners so that they are not unduly delayed by the return or rightfully owned currency.)

Note: Recommendation has been implemented.



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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.



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INTER-OFFICE MEMORANDUM

DATE: March 20, 2013
TO: Lyndon Remias, City Auditor
FROM: Chief James A. Cervera *JAC*
SUBJECT: Police Property and Evidence Unit Cash Audit Report

I appreciate the efforts of you and your staff in conducting, at my request, the fourth 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 and offer the following responses.

Recommendation 1.1 - Ensure that the value of cash items are marked either on the outside of the brown envelope or totaled on the pre-printed currency bag.

Response: While there was marked improvement from the 2012 audit, the Property and Evidence supervisor will continue to remind his staff to ensure this information is captured on the currency bag.

Recommendation 2.1 – Ensure that the currency bag with pre-printed form is used for all Police Property and Evidence Unit items with currency. The use of the standard currency bag increases compliance for appropriate signatures and listing of currency by denomination.

Response: The Property and Evidence supervisor has addressed this issue with the staff member who handled three of the four items noted in this section, as well as reminded the rest of his staff. He will also send a notice to the Police Department to remind them of the requirements for the use of the standard currency bag.

Recommendation 3.1- Ensure that all vouchers are signed or initialed by both the witness and the preparer.

Response: The Property and Evidence supervisor will continue to remind his staff that this information is required. In instances where the signatures are not provided, staff will contact the submitting officer to respond to the Property and Evidence facility to correct the oversight.

Recommendation 4.1 – Ensure that all currency not needed as evidence is deposited in the Property and Evidence bank account in a timely manner as required.

Response: The Property and Evidence supervisor will remind staff that a deposit needs to be made as soon as possible once an item has been cleared for deposit. Additionally, a quarterly physical inventory will be conducted to ensure that there is not currency located in the vault that is reflected in BEAST (the Property and Evidence records system) as being cleared for deposit.

Recommendation 5.1 – Ensure all checks written from the Property and Evidence Unit bank account be signed for upon release to the payee/owner.

Response: The Property and Evidence supervisor will remind his staff of the requirement that the checks be signed for upon release to the payee/owner.

I appreciate your assistance and the professionalism demonstrated by your staff during the audit and look forward to again working with you. Your recommendations will serve to further improve our processes.