



MEMORANDUM

City of Fort Smith
Internal Audit

TO: Board of Directors

FROM: Tracey Shockley

DATE: April 2, 2018

SUBJECT: Executive Summary – Police Department-Narcotics Unit

Background:

Internal Audit (IA) received a special request by the Chief of Police, Nathaniel Clark and approved by the Board of Directors to audit the divisions within the Police Department (PD). Chief Clark began employment with the City of Fort Smith, as the Police Chief in January 2017 and felt it was important that an internal audit be conducted in order to better assess the needs of his department. The audit was to help identify areas of risk, strengthen internal controls, enhance command policies and operating procedures, and reduce the potential for fraud and/or misuse of City assets, grants, asset forfeitures, etc...

IA identified three high-risk areas within the PD, Narcotics, Evidence, and Grants. A process walk-through was conducted with two of those areas, the Narcotics Unit and Evidence Room Division, as well as a review of their policies. The review of the Grants area will be performed at a later date.

The Narcotics Unit Buy Money budget is allocated from part of the General Fund that comes from taxpayer dollars (not grant or dedicated revenue funding). These budgeted funds are used to buy narcotics, make payments, and used in different types of narcotic operations. The Unit also receives money used in operations back from the courts after a case is complete. This money goes back into the buy money funds. If the money was seized and not identified as the original money used in the buy, the Unit only receives 40% from the courts. If the money was identified as the funds used in the buy, the Unit receives 100% back from the courts. Not all buys end in an immediate arrest or even an arrest after several buys; therefore, the money used at those times is usually not recovered.

The following table provides a review for the budgeted buy money amounts for years 2012 – 2017 and money that was used from the State Asset Forfeiture Funds (SAFF) and Federally Seized Forfeiture Property Funds (FSFF) for the buy money account. The table also provides a review of money received from the Prosecutor's office for restitution and released buy money that was returned to the Narcotic Unit.

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Buy Money Budget for Years 2012 - 2017 ¹

Year	Budget Amount	Actual \$ Spent	Over/Under Budget \$	SAFF/FSFF Amount	Restitution Amount	Returned Buy Money	Total Spent	Over Budget
2012	\$52,000	\$53,495	\$1,495	\$35,500	\$2,530	No review	** (1)	** (1)
2013	\$52,000 [^]	\$13,480	\$(38,520)	\$24,600	\$1,165	No review	** (2)	** (2)
2014	\$12,450	\$14,980	\$2,530	\$28,370	\$2,810	No review	** (3)	** (3)
2015	\$12,500	\$16,374	\$3,874	\$2,000	\$3,874	\$2,041 %	\$24,289	\$11,789
2016	\$15,000	\$18,671	\$3,671	\$23,000	\$3,756	\$636 %	\$46,063	\$31,063
2017	\$30,000	\$36,000	\$6,000	\$0 #	\$3,100	\$3,100 %	\$43,350	\$13,350

Note: SAFF/FSFF is seized money, and a check is received by the City and deposited into the SAFF/FSFF account. There are set guidelines on how the money can be used and with the Chiefs approval, the money can be used in the Narcotics Unit as buy money. The Total Spent Amount = Actual Spent + SAFF/FSFF + Restitution Amount + Returned Buy Money.

Scope of Work:

- The buy money was tested and tied to the case system, and tracked to the evidence room.
- Analysis on the data to provide the division information around the use of informants, amounts used for buy money, officer buy money utilization, etc....
- The buy money receipt forms were tied to the safe log.
- The Emergency Fund was tested for proper accountability.
- Buy Money not used was tested as to whether it was returned and documented.
- Segregation of Duties.
- Policies and Procedures.
- Reviewed years 2015, 2016, and 2017.

Conclusion

The Narcotics Unit has the responsibility for managing all “buy and emergency fund money”, evidence, supporting documentation, entering the cases in the system timely, and obtaining the proper approvals. Effective management of all buy and emergency fund money requires that reliable and accurate information be maintained for all narcotic buys and payments, including tracking and notating the final disposition, segregation of duties, and ensuring that all funds can be accounted for at all times.

There were area processes identified during the audit with control weaknesses and deficiencies, and policy violations that need to be immediately addressed. Specifically, those included:

- Emergency fund money was used to supplement periodic shortages of buy money, which is a violation of PD written policy.
- Support to show approvals were not obtained for purchases or payments over the allowable amounts.
- Narcotic funds were used to purchase prepaid credit cards and support was not maintained for purchases made with the credit cards. The prepaid credit cards were put in the officers name and

¹ ** (1) The Units’ records were not reviewed and therefore only an approximate amount of total spent (\$91,525) and over budget amount (\$39,525) is provided. ** (2) The Units’ records were not reviewed and therefore only an approximate amount of total spent (\$39,245) and over budget amount (33,710) is provided. ** (3) The Units’ records were not reviewed and therefore only an approximate amount of total spent (\$46,160) and over budget amount (\$11,789) is provided. [^] The budgeted amount for 2013 is currently being reviewed because the following years budgeted amount was drastically reduced and \$24,600 was transferred from the SAFF/FSFF account into the buy money account. % The Buy Money returned amount is based upon the documents retained by the Unit and the difference between the restitution amounts received from Prosecutor’s Office that were coded to the 4703-219 account. For example, 2015 Unit records (included returned buy money) \$5,915 minus Prosecutor’s Restitution \$3,874 equals \$2,041. It was noted that a number of the returned buy money was also from prior years. # New Chief did not allow for the use of SAFF/FSFF money.

some were put in their home address. The prepaid credit cards were not tracked by management and only three cards could be located. Additionally, at least one card was assessed monthly maintenance fees totaling almost \$100 for a 12 month period.

- Purchase and payment amounts could not be tied to the system or to the Evidence Room. Additionally, some forms had differences in the amount that should have been returned and the amount actually returned.
- Supervisor had control over the receipt forms, the safe log, the safe where money is kept, returned money, and entries into the Intel system. Not only did these pose a high risk for theft or loss, it also made the officers vulnerable to accusations of theft or loss.
- Unused money not returned by the officers immediately, which is a violation of PD written policy.
- Request for Payment changes were not authorized by the Chief.
- Not all officer names on the safe log who received the buy money agreed to the officer name on the receipt form.
- The Unit does not have a Narcotic Buy Software to track, monitor, and document the buy money.
- The monthly report provided to the Chief does not include adequate information for usage of narcotic money.
- Money maintained in the evidence room, provided to the courts and restitution money is not monitored or reconciled.

During the testing phase, as deficiencies were brought to their attention, and after personnel changes within the Unit, upper management immediately made corrections, implemented new procedures, and were proactive with recommendations. Specifically the following:

- A camera was installed above the narcotic safe
- The money counter was moved next to the narcotic safe.
- The money is now counted by the Captain and Major at a minimum bi-weekly and documented.
- The Lt. will issue all funds from the narcotic safe and the Captain will be used as the back-up.
- The receipt forms are now electronic and will be completed with all required information and proper signatures. A database was built to store the information and the IT Dept. is working on making some fields on the receipt form mandatory before it can be printed.
- One form is provided to the Sgt. for entry into the Intel system and a copy is provided to the Captain. Both forms are reconciled to the narcotic safe log and the report from the database.
- Unit policies were reviewed, changes made, and a training class was held with the officers within the Unit. Those officers signed off that they attended the training.
- Prepaid credit cards will no longer be purchased.
- The receipt forms had fields added for the officers to sign, print, and date their names.
- The receipt forms had fields added for all required approvals above the allowable limits.
- The receipt forms had fields added for the officer returning unused money to sign, print, and date their name.
- The electronic door access privileges were adjusted to the criminal investigations storage area, and the narcotics equipment/safe room. All officers assigned to investigations were granted access into the criminal investigations storage area, but only management has access to the narcotics equipment/safe room.
- Monthly log reports of door swipes for the criminal investigations storage room and narcotics equipment/safe room are maintained in an electronic folder which only the Captain and Lt. have access.
- If the Lt. or Captain is not available to receive unused money, it is put in a sealed envelope and dropped into the narcotic safe. The Sgt. will send an email advising them of how much was dropped and the reason for the return. The Lt. or Captain and with a witness will count it and document it on the narcotic safe log.
- An inventory is currently being conducted by the Sgt. and training will be provided to the Unit officers. Once complete documentation will be maintained and a copy sent to IA.