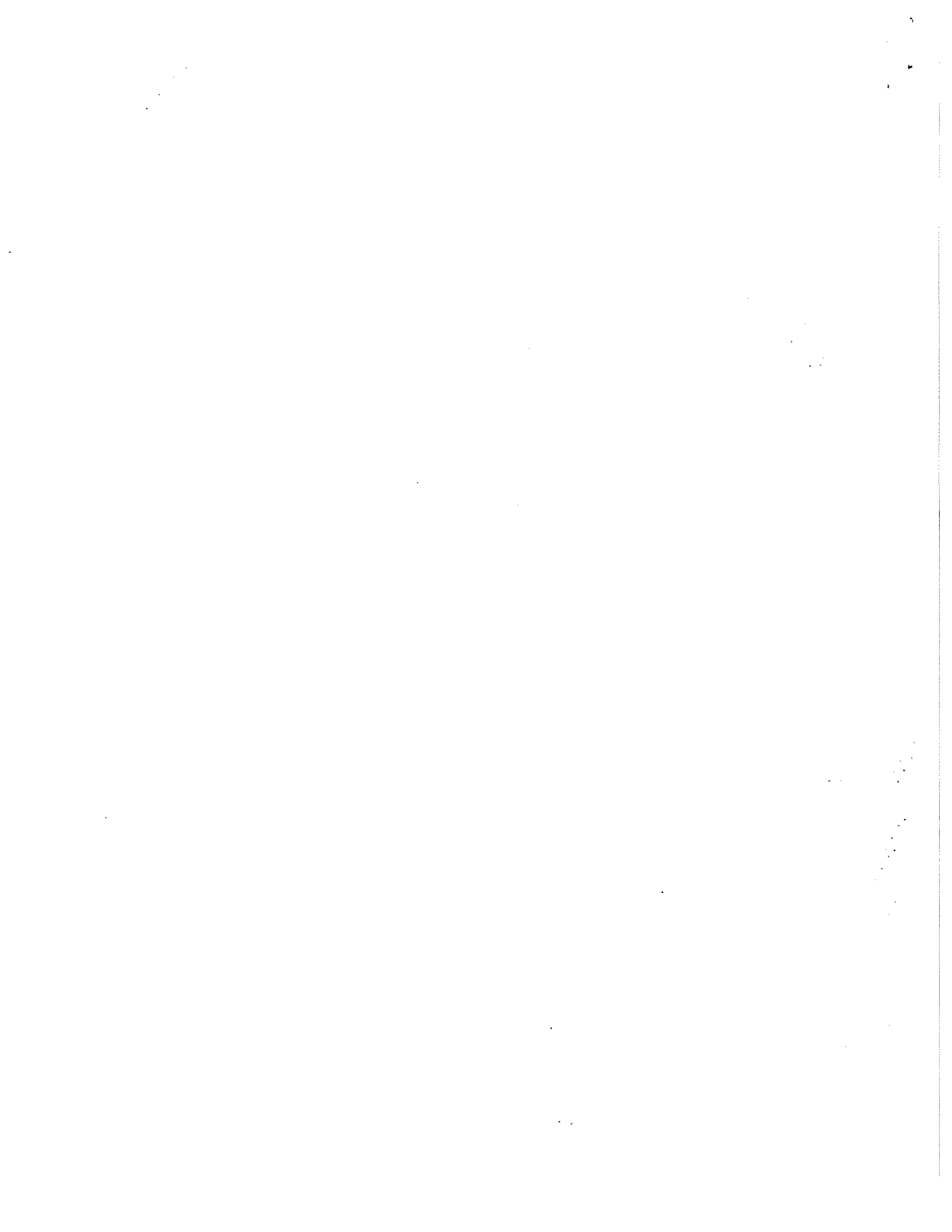


**Compliance Audit:
Cash Handling Procedures
Atlanta Police Department
Property Control Unit**

May 2002

Office of City Internal Auditor

City of Atlanta, Georgia





CITY OF ATLANTA

CITY OF ATLANTA
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Honorable Mayor and Members of the City Council:

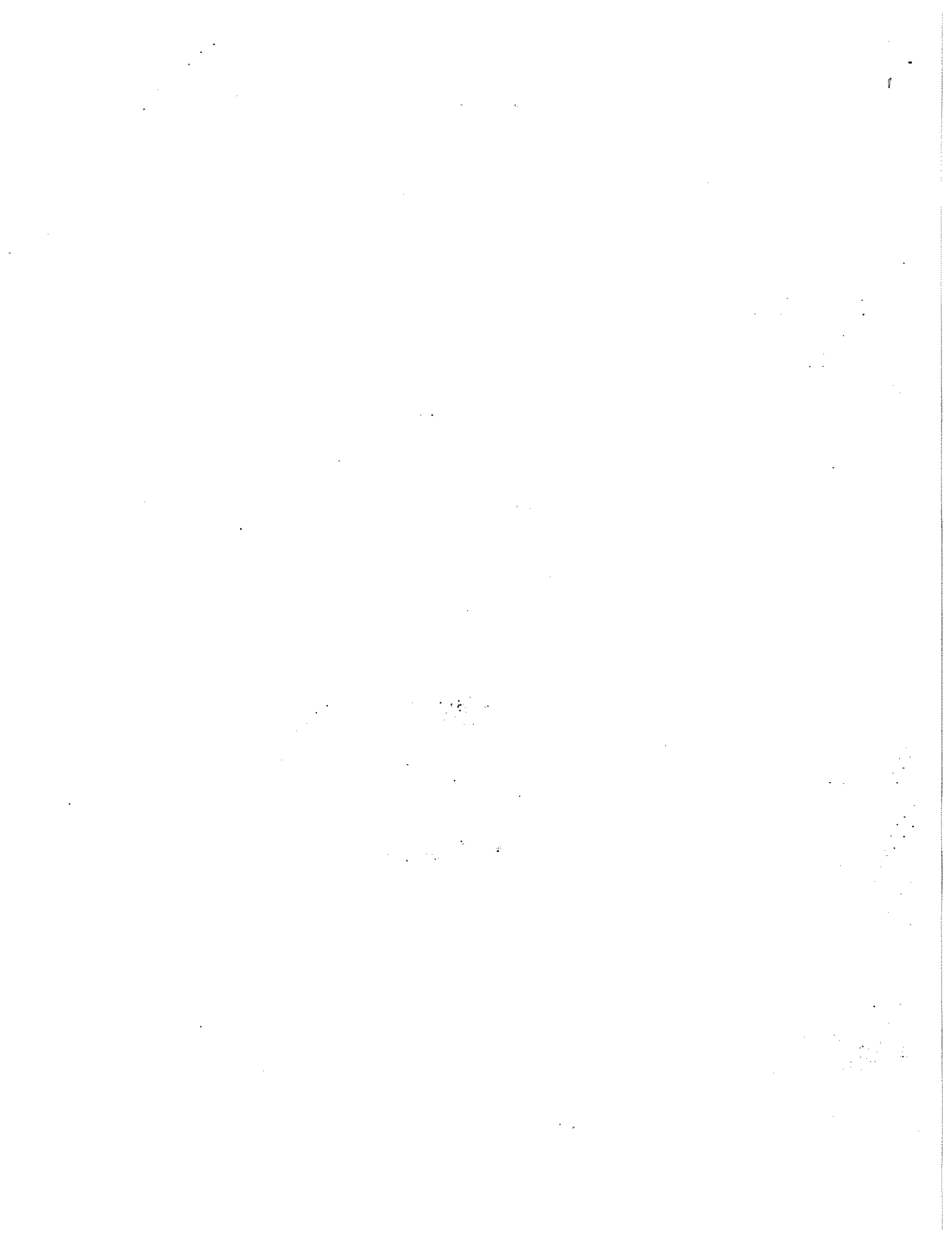
The enclosed report provides results of an audit of cash handling procedures in the property control unit of the Atlanta Police Department. The audit was begun as part of the 2001 annual audit plan of the Internal Audit Division, Department of Finance. This report was completed after transfer of the division to the Office of City Internal Auditor. The City of Atlanta Audit Committee has reviewed the report and now releases it to the Mayor, City Council, and the public, in accordance with Article 2, Chapter 6 of the City Charter.

The focus of the audit was on the property control unit's internal controls and compliance with department procedures for receiving, safekeeping, disposing of and accounting for cash property and evidence. Results of the audit indicate several areas in which the unit's controls and procedures could be improved, and recommendations included in the report address each of these issues. The findings and recommendations are summarized on page 5 of the report and described in more detail on pages 5-10.

We appreciate the courtesy and cooperation of the property control unit, administrative services division, and other staff of the Atlanta Police Department during the audit. A written response to the recommendations from the Chief of Police is included as an appendix. The audit team included George E. Wright and Robert J. Harper.

W. Wayne Woody
Chair, Audit Committee

Leslie Ward
City Internal Auditor



Compliance Audit: Cash Handling Procedures

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Introduction

Audit Objectives

This report on cash handling procedures in the property control unit of the Atlanta Police Department addresses two objectives:

- Does the property control unit comply with department procedures for receiving, safekeeping, disposing of and accounting for cash property and evidence?
- Are the property control unit's internal controls adequate to safeguard cash property and evidence from loss, theft, and misuse?

Scope and Methods

The audit covered cash property and evidence received from January through June 2001. Audit work was conducted from April through November 2001. Audit methods included:

- Reviewing the department's standard operating procedures for property and evidence.
- Interviewing property control unit and police department management staff.
- Observing the property control unit's cash handling operations.
- Completing a control assessment questionnaire to assess adequacy of separation of duties, authorization of transactions, supervisory review of transactions, control of access to the vault and to records.
- Conducting a physical count of all cash property and evidence held in the vault and comparing it to the computer tracking system.
- Reviewing the bank deposits for cash received from January through April 2001.
- Reviewing the recording and processing of suspected counterfeit currency.

Background

The property control unit of the Atlanta Police Department is responsible for cash that is seized and held as evidence in criminal proceedings, as well as for cash property of prisoners and detainees. The unit also is responsible for safekeeping and storing all contraband, impounded vehicles, weapons, drugs, illegal alcoholic beverages, and police department service materials and supplies.

Staffing and Workload

The property control unit processed more than \$2.7 million in cash the first six months of 2001. The unit operates continuously 24 hours a day, seven days a week and is staffed in three eight-hour shifts. The staff of 38 employees includes 10 sworn officers and 28 civilians. Ten employees are primarily involved in cash handling: the unit commander (lieutenant), two supervisors (sergeants), a civilian accounting technician and six civilian property management technicians.

Cash Handling Process

The property control unit handles cash property and evidence from the time it is received until it is returned to its owner, deposited in a bank, or otherwise disposed of by court order. The unit's procedures cover intake, recording and reporting, safekeeping, releasing, and depositing of seized cash and other property and evidence.

Cash is received and counted. When the unit receives cash from a police officer, the officer counts it in view of the property management technician. The technician independently verifies the amount by counting it again through the jetscan machine (money counting machine).

Cash is analyzed to determine whether it is counterfeit. The technician uses manual methods and the jetscan machine to determine whether any of the cash is counterfeit. Counterfeit currency is placed in a separate bag, clearly labeled counterfeit, and stored for pickup by the Secret Service.

Cash is bagged, recorded, and stored for safekeeping. Cash property is placed in a bag, labeled with a bar code sticker and incident number, and placed in the property intake safe. The technician logs the cash property in the manual property ledger by the complaint number and bar

code, and also enters it in the department's computer tracking system for property and evidence, Evidence 2000.

Cash is deposited at regular intervals. Department procedures call for frequent deposits of cash property that is not being held for evidence. State law generally requires that evidence money be held 90 days or until a court orders disposition. To prepare deposits, a unit supervisor and another employee remove cash property bags from the safe, open them and count the contents, and compare the amount to a report from the Evidence 2000 system. When release of deposited cash to its owner or other disposition is authorized, the supervisor issues a check after proof of ownership and identity are presented.

Findings and Recommendations

Summary

The property control unit could reduce risk of loss, theft and misuse of cash by following department procedures for more frequent bank deposits. Controls also would be strengthened by assigning staff outside the unit to handle bank deposits and by making more effective use of the department's automated tracking system for property and evidence.

The property control unit typically prepares deposits about once a month, rather than weekly as required by department procedures. Cash is deposited after being held about three months in the vault, including property items that could be deposited sooner. The department should clarify its procedures for frequency of bank deposits and ensure that deposits are made as frequently as required. Deposits should include all items that do not have to be held in the vault.

Because the property control unit receives cash and is responsible for its custody and recording, the unit should not also prepare the bank deposits as it currently does. This arrangement concentrates too much authority over the cash handling process in one place. To separate these duties and therefore strengthen controls, preparation of bank deposits should be reassigned to the fiscal unit.

The Atlanta Police Department has implemented the Evidence 2000 system to track all property and evidence items received by the property control unit. We found no examples of cash items not recorded in the system. Adding a report that management can use to monitor amounts of cash handled by the unit would make the system more useful. Consistently using system reports to identify items for bank deposits would also make Evidence 2000 a more effective tool for internal control.

Cash Should Be Deposited More Often

Although weekly deposits of some cash have been required since April 2001, the property control unit typically prepares deposits about once a month. Cash is deposited after being held about three months in the vault, including cash property items that could be deposited sooner. To

reduce the amount of cash on hand and therefore the risk of loss or theft, the department should clarify its procedures for frequency of bank deposits. The department should ensure that deposits are made as frequently as required and include all items that do not have to be held in the vault.

Department Procedures Call for Weekly Deposits

Department procedures require deposit of cash property not being held as evidence at least weekly, and more frequently if cash on hand exceeds \$50,000. This policy has been in effect since April 2001. Cash held as evidence is required by state law to be held at least 90 days, unless a court orders disposition sooner or requires that it be held longer.¹

Cash Is Not Deposited Weekly

The property control unit did not make weekly deposits during the first four months after the requirement went into effect. During April through July, the unit removed and deposited cash about once a month, usually dividing one month's cash intake into two deposits. Each month's deposits included cash that was received two to four months previously. (See Exhibit 1.)

Exhibit 1. Deposit of Cash Received January - April 2001.

Dates Cash Received	Amount	Date of Deposit
January 1-15	\$ 28,752	April 24
January 16-31	38,635	April 25
February 1-14	42,548	May 16
February 15-28	50,709	May 18
March 1-17	76,228	July 9
March 18-31	147,666	July 5
April 1-30	65,509	July 11
4-month total	\$450,047	

Source: Atlanta Police Department, property control unit deposit reports.

Since August, the property control unit has prepared deposits in ten-day batches but has continued to do this about once a month, depositing items received about three months before. In addition to evidence items, these deposits include property items that could have been deposited sooner.

¹ O.C.G.A. Sec. 17-5-54.

Large Amounts of Cash Increase Risk of Loss or Theft

Holding large amounts of cash in the vault for long periods of time increases opportunities for it to be obtained without authorization and used for unlawful purposes. With cash intake of \$2.7 million in six months, the property control unit averages about \$100,000 per week. Although most of it is evidence and therefore must be held longer, depositing property items more quickly would contribute to reducing the volume of cash on hand.

Department Should Clarify Policy and Make Deposits More Often

The unit commander and department management stated that weekly deposits are not feasible, that most of their cash intake is evidence that cannot be deposited quickly, and that the intake of non-evidence cash is not enough to warrant depositing it separately. They believed their current practice of dividing deposits into ten-day batches was meeting the intent of departmental procedures.

The written procedure is confusing. It refers to both a weekly interval for pulling cash for deposit, and a ten-day limit for how long non-evidence cash should remain in the vault:

At least once a week and on any weekday when cash property on hand exceeds \$50,000, a day watch PCU supervisor will run an Evidence 2000 printout of all non-evidence money that has been in the vault more than ten days; pull the money bags; and mark on Evidence 2000 that it has been pulled.²

We recommend the department clarify its procedures to establish clearly how often deposits should be made, either weekly or every ten days. We also recommend that the department ensure that deposits are made as frequently as the procedures require. Using the department's automated tracking system to identify all items that can be removed and deposited would assure that only cash items that need to be kept on hand remain in the vault.

² Atlanta Police Department, Property Control Unit, Standard Operating Procedures, 4. ACTION, Section, 4.5

Separate Handling of Deposits Would Strengthen Controls

Because the property control unit receives cash and is responsible for its custody and recording, the unit should not also prepare the bank deposits as it currently does. To separate these duties and therefore reduce the risk of loss, theft, and misuse of cash, preparation of bank deposits should be reassigned to the fiscal unit.

Unit Staff Who Maintain Custody of Cash Also Prepare Deposits

Good cash handling controls require that authority over different parts of the process be separated. Specifically, good controls call for separation of cash receipt and bank deposit activities. However, the property control unit's day watch supervisor is responsible for both of these functions. The day watch supervisor directly participates in or supervises the following:

- Property and cash property intake,
- Recording and record keeping for cash property,
- Classification and transfer of cash property,
- Safekeeping of cash property,
- Release of cash property and issuing checks for the release,
- Selects cash property from the safe for deposit,
- Calculates and prepares the deposits.

Deposits Prepared by Other Staff Would Strengthen Accountability

Concentration of authority over the entire cash handling process increases risk of loss, theft, and misuse. The department's practice of videotaping the deposit preparation or having another unit employee present compensates somewhat for this risk. However, assigning responsibility for the bank deposit function to other personnel, such as the fiscal unit, would reduce the risk before a problem occurs.

We recommend the department revise its procedures to assign responsibility for preparing bank deposits of property and evidence cash to the fiscal unit.

Automated Tracking System Could Be More Effective

The Atlanta Police Department has implemented the Evidence 2000 system to track all property and evidence items received by the property control unit. Audit results indicate that all cash items are recorded in the system. Adding a report that management can use to monitor amounts of cash handled by the unit would make the system more useful.

Consistently using system reports to identify items for bank deposits would also make Evidence 2000 a more effective tool for internal control.

Automated System Is Important Part of Effective Control

The Evidence 2000 system should be major tool for unit supervisors and department managers to monitor property control unit operations. Department procedures call for specific reports from the system to be used in various parts of the cash handling process. For example, procedures require a weekly report to identify cash items that can be deposited, and a monthly report to identify counterfeit items that can be turned over to the U.S. Secret Service. Other reports can be created as needed.

All Cash Items Are Recorded in the System

We conducted an inventory and inspection of all cash held in the property control unit's vault on August 23, 2001. We compared the vault's contents with the records in the Evidence 2000 system. Based on the comparison, we found no examples of cash items not recorded in the automated system.

Reconciling Report Would Assist Management

Current reports generated from the Evidence 2000 system do not compute totals and subtotals. Totals and subtotals for types of cash (property or evidence) and types of transactions would allow management to more easily monitor the amount of cash received and reconcile the disposition of items.

We recommend that a report be designed and prepared periodically for the unit commander and higher department managers that shows the number and dollar amount of cash items received, held, released, and

deposited. We also recommend that the unit consistently generate the weekly and monthly reports needed to implement department procedures for timely bank deposits of cash and disposition of counterfeit currency.

Recommendations

1. The Chief of Police should clarify the department's standard operating procedures to clearly require deposit of cash weekly or every ten days, and ensure compliance.
2. The Chief of Police should assign to the fiscal unit the responsibility for preparing and making bank deposits for the property control unit.
3. The property control unit should request design of a report from the Evidence 2000 system that include totals and subtotals for cash items received, held, released, and deposited.
4. The property control unit should regularly generate the weekly and monthly reports from Evidence 2000 needed to monitor amounts of cash and counterfeit currency and to implement department procedures for their deposit and disposition.

Appendix

Police Chief's Response



CITY OF ATLANTA

Shirley Franklin
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Atlanta Police Department
Beverly J. Harvard
Chief of Police

April 3, 2002

Ms. Leslie Ward
City Internal Auditor
69 Mitchell Street, S.W.
Suite 12100
Atlanta, Ga. 30335

Dear Ms. Ward:

I have received your draft audit report on the Property Control Unit's cash handling procedures. I appreciate the opportunity to review the report with you, both in discussion last month and now with the revised draft. The earlier draft that had been released prematurely contained too many errors and misinterpretations as to be counterproductive. It is a pleasure to be back on track with you in the audit process.

In response to each of the recommendations on page ten, I provide the following:

1. RECOMMENDATION: The Chief of Police should clarify the department's standard operating procedures to clearly require deposit of non-evidence property weekly, or every ten days, and ensure compliance.

RESPONSE: The department has clarified the division command memorandum more clearly, stating that deposits will be made weekly. I have directed the division commander to establish a mechanism for compliance.

2. RECOMMENDATION: The Chief of Police should assign to the Fiscal Unit the responsibility of preparing and making bank deposits of cash, property and evidence.

RESPONSE: The department agrees with this recommendation and is changing our procedures accordingly.

3. RECOMMENDATION: The Property Control Unit should request design of a report from the Evidence 2000 System that includes totals and subtotals for cash items received, held, released and deposited.

RESPONSE: The department is reviewing the Evidence 2000 reports and expects the totals and subtotals to be in the reports by the end of April, 2002.

4. RECOMMENDATION: The Property Control Unit should regularly generate the weekly and monthly reports from Evidence 2000 needed to monitor amounts of non-evidence cash and counterfeit currency, and to implement departmental procedures for their deposit and disposition.

RESPONSE: The department agrees with this recommendation and will change our procedure accordingly.

Again, I thank you for the opportunity to review the draft audit report, for the positive feedback on our operations, and the constructive recommendations for improvements.

Sincerely,



Beverly J. Harvard
Chief of Police

BJH:cm