MEMORANDUM

To:       Stuart C. Ed, City Manager

From:     Audrey Evins, City Auditor, CPA, CFE, CGPM, CGMA

Date:     Dec 5, 2017

Subject:  Audit Report of Confidential Informant Funds

The enclosed report presents the results of our audit on the use and control over confidential informant funds.

Encl: Audit Report of Confidential Informant Funds with LCPD comments.
Audit Report of Confidential Informant Funds

Report 15-008

EXECUTIVE SUMMARY

Overall, internal controls exist over the confidential informant funds and all cash on hand was accounted for. Recommendations were made to revise General Order (GO) 124 to align with current processes.

BACKGROUND

The Annual Audit Plan was revised to include an audit of the Confidential Informant Funds. The funds are used during investigations to obtain evidence or information to further a criminal investigation or establish the identity of a criminal. This GO also governs the use of flash funds.

AUDIT OBJECTIVES

Evaluate compliance with Police Department General Order (GO) 124 which governs the purpose and use of the funds including internal controls over the handling, safeguarding and processing of the funds.

SCOPE AND METHODOLOGY

The past three fiscal years reimbursements were reviewed to determine a level of risk involving the cash transactions. The GO was evaluated for adequacy of internal controls including on location interviews to determine compliance with the policy. Cash was counted to ensure all funds were accounted for.

GENERAL OBSERVATIONS AND RECOMMENDATIONS

The following observations were made during the field testing.

OBSERVATION #1:

NMAC 1.19.8.806 Confidential Source Informant Files states the financial information is to be maintained “until audit report is released”. Informant information can be kept “until no longer needed for reference”. GO 124.02, section C.6 states “purging of the contingency fund records in accordance with state records retention provisions”.

Financial information is kept with the confidential informants file indefinitely. The Police Department has had occasions in which they needed to look back at transaction history.

Recommendation:
Policy needs to be revised to reflect needs of the Department. As a home-ruled municipality, the City can authorize their own record retention policy.

Management Response:
Currently General Order 124.02 is in the process of being revised to comply with City of Las Cruces guidelines/retentions to reflect time limits on purging records concerning the destruction of records per New Mexico Administrative Code (NMAC): 1.19.8.806 Confidential Source (Informant)
files. Language will be added to the effect: “Purging of the contingency fund records will occur when the annual audit report is released and when all other additional information in file is no longer needed for reference. This will be in compliance with state records retention provisions 1.19.8.806 Confidential Source (Informant) files.”

OBSERVATION #2:

GO 124.3 requires the requesting officer to submit a memorandum to their immediate supervisor outlining the operation and the need for the funds. Once approved by the supervisor, the memorandum is forwarded to the unit commander for approval and then forwarded to the CIS Commander for dispersal of money from the fund.

Currently, the Officer and Supervisor meet with the CIS Commander to discuss the need for the funds. If approved, the CIS Commander has the Officer sign for the receipt of the funds and disburses the monies. All documentation relating to the expenditure of the funds by the Officer is returned to the CIS Commander.

Recommendation:
Policy needs to be revised to reflect current processes. The current process is more efficient and does not weaken the internal controls.

Management Response:
General Order 124.03 is in the process of being revised. It will streamline the communication process between the CIS Lieutenant or designee regarding the request of funds. No longer will it state that memorandums will be needed to request the funds, the request for funds will be accomplished with a face to face meeting with the requestor and the CIS Lieutenant.

OBSERVATION #3:

GO 124.04 A states flash money shall not be requested from the contingency fund”.

Currently, contingency cash is used for flash money since is it the only available source of cash.

Recommendation:
Modify the GO to include the use of flash money from the contingency fund. The internal controls are sufficient which include the tracking of serial numbers for all bills (GO 124.04 A 1).

The tracking of the serial numbers is a control needed for the flash cash, but should not be applied to all cash in the contingency fund as outlined in GO 124.02 C 2. Sufficient controls exist and it is recommended to remove the tracking of serial numbers for the cash on hand.

Management Response:
General Order 124.04 will be updated to state the following: “CIS does not keep large sums of money to utilize for “flash” in the Contingency Fund. Flash money should be reserved for large narcotic purchases through Metro Narcotics. Flash money is not authorized through CIS, CIS will work with Metro Narcotics if flash money is needed.”
CONCLUSION:
Strong internal controls exist over the confidential informant cash. Recommended policy updates will align the current processes with General Order 124.

Submitted by:

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Police Chief

Accepted by:

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Lt. Casey Mullins
CIS Commander

[Signature]
Stuart C. Ed
City Manager