



**AU21-F02 Narcotics Vice Investigative Division
Law Enforcement Special Revenue
Account Follow-Up Report
Corpus Christi Police Department**

**City Auditor's Office
George H. Holland
City Auditor**

September 12, 2023

Executive Summary

Background:

In accordance with the FY2023 Annual Audit Plan, the City Auditor’s Office (CAO) conducted a follow-up of the AU19-001 Corpus Christi Police Department (CCPD), Narcotics Vice Investigative Division (NVID) Law Enforcement Special Revenue Account (LESA) audit dated December 10, 2019. The objective of the initial audit report was to determine if sufficient controls were in place to maintain adequate management and accountability of funding. The initial audit report concluded that CCPD ensured that seized cash and property were properly cataloged but made 22 management agreed recommendations for improvements over four (4) areas to City executive and department management. The scope period for the follow-up audit report was from October 1, 2021 through May 31, 2023.

The four areas include: Management Over Seized Assets Records, Capitalizing Forfeited Assets Revenue, Segregation of Duties and Succession Planning, and Completeness of Records.

Texas Code of Criminal Procedures Chapter 59, Forfeiture of Contraband, governs civil contraband forfeiture seized by CCPD, whether it be cash deposited into the LESA bank account or stored in a designated CCPD facility, such as the property room or impound lot. Contraband, also known as seized assets, is property taken by law enforcement. Nueces County District Courts (Courts) determine how cash and property obtained through forfeiture are distributed and until court judgement is disseminated, NVID is responsible for the storage and accountability of seized items.

Exhibit 1 displays four (4) years of reported seizures and forfeiture fund activity for the period of FY2019 – FY2022.

Exhibit 1 Seized Assets Fund Activity for FY2019 – FY2022

Seized Funds	FY 2019	FY 2020	FY 2021	FY 2022
Beginning balance	\$280,648.39	\$267,099.90	\$160,471.53	\$179,561.66
Amount seized	\$214,636.00	\$160,871.23	\$173,756.80	\$301,298.96
Interest	\$5,224.27	\$1,626.39	\$14.04	\$43.96
Amount returned	(\$19,630.00)	(\$21,680.00)	(\$22,168.00)	(\$35,008.10)
Transf to Forfeiture Acct	(\$213,778.76)	(\$247,445.99)	(\$132,512.71)	(\$389,625.51)
Ending Balance	\$267,099.90	\$160,471.53	\$179,561.66	\$56,270.97

Source: Corpus Christi Police Department

Audit Conclusion:

The CAO concluded that CCPD NVID ensures seized case and property are properly accounted for. Management indicated 21 of 22 prior audit report recommendations had been implemented, and one (1) has not been implemented. We reviewed information submitted and concluded that 17 prior audit recommendations were implemented, four were in progress; and one was not implemented.

Management Responses:

See Appendix B for Management Responses. The CAO would like to commend CCPD Management and the Finance Department for their assistance during this process.

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AU21-F02 Police Department, Narcotics Vice Investigative Division, Law Enforcement Special Revenue Account Follow-Up Report

Issue No.	Recommendation/Corrective Action Plan	Management Assertion	Status
A. Management Over Seized Asset Records			
1	CCPD management should evaluate existing methods for tracking seized assets to improve the processes, remove redundancies, and develop a method to track the disposition of all assets, including decommissioned assets.	Implemented	Implemented
	CCPD management should develop and document detailed procedures and processes surrounding management of seized assets for the entire lifecycle including, but not limited to processing owner roles and responsibilities, tracking all seized assets from inception to decommission, and incorporate or refer to City financial policies.	Implemented	Implemented
	CCPD management should replace the current Access database with a system that allows for managing and tracking seized and forfeited assets with reporting capabilities by exploring software options designed to track law enforcement activities.	Not Implemented	Not Implemented
2	CCPD management should work with the Finance Department to code the seized assets to the appropriate accounting string to represent seized assets in the City's financial system. This will ensure all the City's assets and responsibilities are properly coded for informational and tracking purposes that will be documented in the City financial records system.	Implemented	Implemented
	CCPD management should submit Cash Receipt Reports to Cash Management or another appropriate report with supporting documentation to the CCPD Accountant in the Finance Department to record seized money and assets.	Implemented	Implemented
3	CCPD management should transition check printing to Cash Management.	Implemented	Implemented
	CCPD management should create a spreadsheet template to calculate interest payable on individual seized funds.	Implemented	Implemented

	CCPD should prepare a reconciliation of active seizure cases to general ledger LESA bank account balance, investigate, and resolve any unusual activity such as outstanding items within an established timeframe.	Implemented	In Progress
	CCPD should make daily bank deposits. If deposits cannot be made daily, then a written exception from the Director of the Finance Department is required.	Implemented	Implemented
	CCPD should prepare all deposits under dual control and store any deposits that cannot be made daily in a locked bank bag or tamper evident bank deposit bag. The deposit must be documented on the safe log before securing in department vault.	Implemented	Implemented
	CCPD should receive approval from the Director of the Finance Department for the type of vault and the location.	Implemented	Implemented
	CCPD should prepare a desk procedure manual that includes step-by-step procedures and revise the manual as the procedures are added, implemented, or removed.	Implemented	Implemented
4	The Finance Department should revise the City's financial policies to include cash receipts reporting procedures. The Finance Department should include cash handling policies, cashier functions, and training that will be provided to the staff.	Implemented	Implemented
	The Finance Department should develop a City policy designating the role of the City's banker, establishing responsibilities and authorities to include, but not limited to authorized designee(s) to open City bank accounts, issue and sign City checks, and responsible for reconciling City bank accounts.	Implemented	Implemented
	The Finance Department should provide the interest rate earned on the LESA bank account to the NVID Accountant by the 5th business day of the following month.	Implemented	Implemented
5	The Finance Department should develop cash handling training program to ensure all City employees that are handling City monies are trained upon entering their position or by an established timeframe. Receipt of City financial policies, procedures, and annual cash handling training will be required.	Implemented	In Progress
	The Finance Department should transition LESA check printing to Cash Management.	Implemented	Implemented

	The Finance Department should reconcile the LESA bank statement and provide the bank reconciliation to the NVID Accountant and Supervisor.	Implemented	In Progress
B. Capitalizing Forfeited Assets Revenue			
1	CCPD management should ensure all forfeited property placed into service is reported to the Finance Department as additional capital assets. CCPD should initiate communications with the Finance Department to discuss all decisions concerning forfeited assets inventory and provide documentation of all decommissioned and/or auctioned items that need to be removed from the City's financial accounts.	Implemented	In Progress
C. Segregation of Duties and Succession Planning			
1	CCPD management should develop and document procedures for the NVID Accountant and develop procedures to segregate conflicting duties with other personnel in CCPD. CCPD management should invest in training a secondary accountant to perform all same duties unassisted as the primary accountant.	Implemented	Implemented
2	CCPD management should develop and training succession plan for the NVID Captain and Deputy Chief role in managing seized fund activity. The Deputy Chief's role should incorporate transferring custody of seized assets.	Implemented	Implemented
D. Completeness of Records			
1	CCPD management should ensure all pertinent documentation for seized assets that are forfeited are maintained by creating a coversheet that lists all the required documentation that must be included in the files. The list should incorporate signature lines for the preparer and all reviewers.	Implemented	Implemented
E. Maintenance of CCPD NVID equipment – Maximo (maintenance tracking software)			
1	CCPD management should use Maximo to track equipment maintenance status.	N/A	N/A

Appendix A- Additional Follow up Information

A01. Management Over Seized Assets Records

During the initial audit, NVID used an Access database as its primary system for tracking seizure cases and forfeitures (state and federal). The Access database contained fields that were outdated, did not allow for tracking multiple items from the same case, lacked reporting options, and would require extensive programming to modify. During audit follow-up, the CCPD indicated they have been unable to locate software to replace the Access database but are continuing to search for a replacement.

Recommendation:

A.01-3 CCPD management needs to replace the current Access database with a system that allows for managing and tracking seized and forfeited assets with reporting capabilities by exploring software options designed to track law enforcement activities.

Management Assertion: Not Implemented

Audit Status: Not Implemented

A03. Management Over Seized Assets Records

The City Auditor's Office identified the LESA bank reconciliation was not prepared using a three-way tie to compare the Access database case records to the journal entries made in QuickBooks, and to the LESA bank account. During the follow-up period, the NVID performed reconciliations of seized assets to the general ledger and discovered discrepancies when comparing outstanding checks listed on NVID's reconciliation of seized assets to outstanding checks listed on the Finance Department's bank reconciliations.

Recommendation:

A.03-3 CCPD management should prepare a reconciliation of active seizure cases to general ledger LESA bank account balance to investigate and resolve any unusual activity such as outstanding items by an established timeframe.

Management Assertion: Implemented

Audit Status: In Progress

A05. Management Over Seized Asset Records

The City Auditor's Office discovered City employees were not required to undergo cash handling training, prior to entering their role or within an established timeframe, nor was annual training required. The Finance Department indicated they planned to provide cash handling training sessions to applicable City employees on an annual basis; however, COVID occurred. The Finance Department implemented a recorded cash handling training session available to accommodate employees. The Finance Department is currently in the process of updating cash handling training materials and plans to provide in-person training to individual areas within City departments.

Recommendation:

A.05-1 The Financial Department should develop a cash handling training program to ensure all City employees handling City monies are trained upon entry into their position or within an established timeframe on City financial policies, procedures, and annual cash handling training.

Management Assertion: Implemented
Audit Status: In Progress

A05. Management Over Seized Asset Records

During the initial audit, a bank reconciliation of seized funds was performed by the Finance Department but was not reviewed by NVID management. Bank reconciliations were performed during the follow-up period, however NVID management did not review the reconciliation. The reconciliation is reviewed and signed by the Chief Accountant. Discrepancies were discovered when outstanding checks listed on the Finance Department's bank reconciliation were compared to outstanding checks listed on NVID's reconciliation of seized assets.

Recommendation:

A.05-3 Finance Department should reconcile the LESA bank statement and provide the bank reconciliation to the NVID Accountant and Supervisor.

Management Assertion: Implemented
Audit Status: In Progress

B01. Capitalizing Forfeited Assets Revenue

During the initial audit, forfeited property such as vehicles and trailers, placed into service were not capitalized in the City's financial records. In accordance with generally accepted accounting principles, general capital assets, or property acquired and used by the general fund, should be recorded at historical costs or fair value at the time of receipt. Once capitalized these vehicles and equipment are depreciated over their useful life or until CCPD removes them from service such as through auction.

With exception to land improvements, City Capital Assets Procedures F-15.0 requires capitalization of all assets, not only vehicles, with a useful life of three year or more and a value of \$5,000 or greater.

Subsequent to the draft audit report, CCPD added policies and procedures to the Asset Forfeiture Accountant handbook on capitalizing forfeited assets. This procedure will include direct communication between the finance accountant overseeing grants and assets and the NVID accountant on the forfeited assets over \$5,000 that need to be added or removed from to the asset listing.

Recommendation:

B.01-1 CCPD management should ensure all forfeited property placed into service is reported to the Financial Department as additional capital assets. CCPD should initiate communications with the Finance Department to discuss all decisions concerning forfeited assets inventory and provide documentation of all decommissioned and/or auctioned items that need to be removed from the City's accounts.

Management Assertion: Implemented
Audit Status: In Progress

Staff Acknowledgement:

Gina Hohmann, Senior Auditor

Joseph Lopez, Auditor

Divina Escobar, Audit Services Associate

Appendix B – Management Response



August 17, 2023

George H. Holland
City Auditor
Corpus Christi, Texas

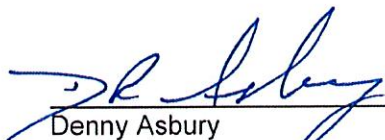
Re: AU21-F02 Corpus Christi Police Department- LESA, Follow-up Report

The Corpus Christi Police Department has reviewed the follow-up report and provided its comments below. As there are no recommendations for management, no responses are required.


Fully Agree

Do Not Agree

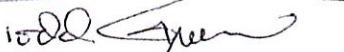
Sincerely,


Denny Asbury
Police Captain, CCPD

8/24/23
Date


Mike Markle
Police Chief, CCPD


8/23/23
Date


Todd Green
Assistant Police Chief, CCPD

8.23.2023
Date


Peter Zanoni
City Manager

8.28.23
Date


Hollis Bowers
Deputy Police Chief, CCPD

4820
8/24/23
Date


Michael Rodriguez
Deputy City Manager

8.28.23
Date

Appendix B – Management Response



August 17, 2023

George H. Holland
City Auditor
Corpus Christi, Texas

Re: AU21-F02 Corpus Christi Police Department- LESA, Follow-up Report

The Finance Department has reviewed the follow-up report and provided its comments below. As there are no recommendations for management, no responses are required.

Fully Agree

Do Not Agree

Sincerely,

Alma Iris Casas *8/29/2023*
Alma Iris Casas Date
Assistant Director of Finance

Constance P. Sanchez *8-29-2023*
Constance Sanchez Date
Chief Financial Officer