



**AU19-001 Corpus Christi Police Department –
Narcotics Vice Investigative Division
Law Enforcement Special Revenue Account**

City Auditor's Office
Kimberly L. Houston
Interim City Auditor

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Executive Summary

In accordance with the 2019 Annual Audit Plan, we conducted an audit of the Law Enforcement Special Revenue Account (LESA) managed by the Corpus Christi Police Department (CCPD) – Narcotics Vice Investigation Division (NVID).

Chapter 59 of the Texas Code of Criminal Procedures governs civil contraband forfeiture seized by CCPD whether it be cash deposited into the City’s Law Enforcement Special Revenue Account (LESA) bank account or stored in a designated CCPD storage area such as the property room or impound lot. Contraband, also known as seized assets, is property taken by law enforcement when there is a preponderance of evidence the assets are associated with illegal activities.

Seized cash is deposited into the LESA bank account and is held until court judgement. NVID is responsible for the management and accountability of LESA funds. This bank account is a non-budgetary account and cannot be used for the procurement of goods or services. This audit reviews three major functions performed by NVID in its management of seized assets: depositing of funds to the bank, accounting for financial activity, and distributing forfeited seized assets in accordance with court orders.

Nueces County District Courts (Courts) determine how cash and property obtained through seizures deemed forfeited are distributed. The Courts can rule the funds be: returned to the original owner, disbursed to the City, Nueces County District Attorney, or attorney representing the defendant or property. NVID ensures forfeited assets are distributed in accordance with court orders.

The objective for this audit is:

Are sufficient controls in place to ensure adequate management and accountability of funding?

In general, we conclude CCPD ensures seized cash and property are properly accounted for. However, we note opportunities for improvement in management of seizure records, increased oversight of accounting for seizure funds, capitalizing seized assets placed into service, establishing processes to allow for greater segregation of duties, and creation of a succession plan.

CCPD management and Financial Services both agree with this report. See management’s responses following each issue. Management’s response can be seen in its entirety in Appendices B and C for CCPD and Financial Services, respectively.

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Background

In accordance with the 2019 Annual Audit Plan, we conducted an audit of the Law Enforcement Special Revenue Account (LESA) managed by the Corpus Christi Police Department (CCPD) – Narcotics Vice Investigation Division (NVID).

Texas Code of Criminal Procedures Chapter 59, Forfeiture of Contraband, governs civil contraband forfeiture seized by CCPD whether it be cash deposited into the City’s Law Enforcement Special Revenue Account (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 “when there is a preponderance of evidence the assets are associated with illegal activities.”

The Nueces County District Attorney’s Office (DA) determines which case to pursue based off evidence obtained by CCPD and represents the State on all cases related to Chapter 59. A local agreement between CCPD and the DA’s Office splits forfeited assets under Chapter 59 by 80% and 20%, respectively.

Nueces County District Courts (Courts) determine how cash and property obtained through forfeiture are distributed. The Courts can rule the funds be returned to the original owner, be disbursed to the City and the attorney representing the State (DA), attorney representing the defendant or property, or any combination thereof.

Until court judgement is disseminated, NVID is responsible for the storage and accountability of seized items. The monies deposited into the LESA bank account are non-budgetary funds and cannot be used for the procurement of goods or services. Seized property is generally maintained by the CCPD Property Room or vehicle impound lot.

On an annual basis, CCPD reports to the Texas Attorney General’s Office Chapter 59 activities. Exhibit 1 displays five years of reported seizure and forfeiture fund activity for the period of FY2014 – FY2018.

Exhibit 1 Seized Assets Fund Activity for FY2014 – FY2018

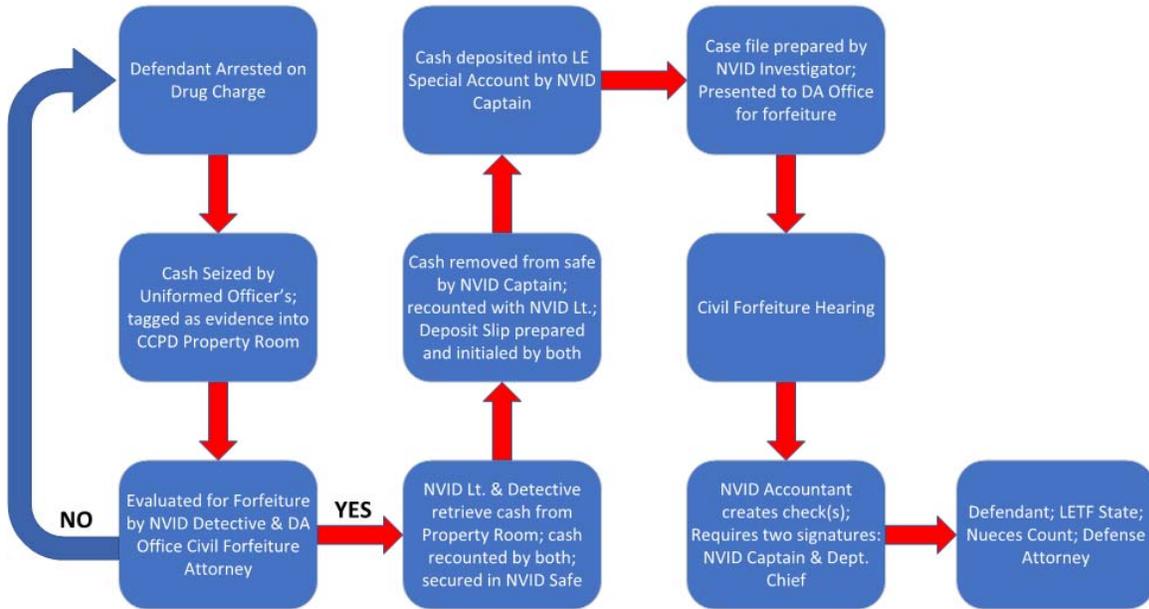
Asset Forfeiture Report					
Seized Funds	FY2014	FY2015	FY2016	FY2017	FY2018
Beginning balance	\$ 258,167.00	\$ 231,150.00	\$ 324,089.00	\$ 226,371.00	\$ 282,465.00
Amount seized	\$ 351,450.00	\$ 589,136.00	\$ 197,358.00	\$ 280,548.00	\$ 355,634.08
Interest	\$ 37.00	\$ 41.00	\$ -	\$ 1,046.00	\$ 3,799.68
Amount returned	\$ (16,261.00)	\$ (37,362.00)	\$ (22,224.00)	\$ (12,915.00)	\$ (26,134.00)
Transf to Forfeiture Acct	\$ (362,243.00)	\$ (458,876.00)	\$ (272,852.00)	\$ (212,585.00)	\$ (335,116.37)
Ending Balance	<u>\$ 231,150.00</u>	<u>\$ 324,089.00</u>	<u>\$ 226,371.00</u>	<u>\$ 282,465.00</u>	<u>\$ 280,648.39</u>

Source: Corpus Christi Police Department

Forfeited cash is dispersed by check. The City’s 80% allocation is deposited into the Law Enforcement Trust Fund (LETF). A grant accountant in Finance assists CCPD in accounting and reporting on this fund. The LETF fund will not be reviewed during this audit.

Forfeited property is either placed into service by CCPD or auctioned where the proceeds are split in accordance with the local agreement. Property placed into service that has reached its useful life is later auctioned and funds received are distributed as agreed upon in the local agreement. Seized items such as weapons, narcotics, and miscellaneous property are destroyed. Exhibit 2 displays a walkthrough of the seizure process.

Exhibit 2 Process Flowchart of Asset Seizure to Forfeiture



Source: Corpus Christi Police Department Narcotics Vice Investigative Division

Audit Objective

Are sufficient controls in place to ensure adequate management and accountability of funding?

This audit reviews three major functions performed by NVID in its management of seized assets: depositing of funds to the bank, accounting for activity in financial records, and distributing forfeited seized assets in accordance with court orders.

Audit Conclusion

In general, we conclude CCPD NVID ensures seized cash and property are properly accounted for. However, we note opportunities for improvement in management of seizure records, increased oversight of accounting for seizure funds, capitalizing seized assets placed into service, establishing processes to allow for greater segregation of duties, and creation of a succession plan.

Management and Auditor Responsibility

City management is responsible for establishing and maintaining a system of internal controls to ensure assets are safeguarded, financial and non-financial activity is accurately reported and reliable, and management and employees are in compliance with laws, regulations, and agreements with other entities.

This audit report provides independent, objective analysis, recommendations, and information concerning the activities reviewed. The report is a tool to help management discern and implement specific improvements. The report is not an appraisal or rating of management.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Audit steps were developed to provide sufficient evidence to answer the objectives of this audit. Our methodology can be found in Appendix A - Audit Scope and Methodology.

Audit Results and Recommendations

A. Management of Seized Asset Records

A.01 Process Management Over Seized Assets Activity

Condition: The existing workflow of managing seized assets has been in place for over 14-years and needs updating. The current processes consist of workarounds to track and account for seized assets (cash and property) and does not fully meet the needs of managing the entire seizure lifecycle.

Audit's review of Narcotics Vice Investigative Division's (NVID) seized money and vehicle/property procedures under development show a need for:

- greater detail outlining process owner roles and responsibilities,
- more specified steps in carrying out seizure administrative duties,
- addition of procedures for formally tracking seized assets from initial possession through to disposition, and
- including a reference to or incorporating City accounting and cash management procedures into processes.

NVID records and tracks activity for seized assets (cash and property) using seven different methods: two Excel spreadsheets, an Access database, QuickBooks, iLeads software, physical files and electronic documents (Laserfiche). iLeads is a public safety record management system that serves as a repository for law enforcement information such as crime reports, arrests, warrants, evidence, and property.

One Excel workbook is used to aid in tracking filed and unfiled seizures. A second workbook tracks seizure activity for State reporting. Similar case information is entered into an Access database in greater detail plus stored in physical and electronic files.

Records for the disposition of all forfeited property is not maintained within NVID's forfeiture records and procedures in development are silent on how dispositions should be tracked. Generally, the disposition of large ticket items such as vehicles are noted in the Access database. To find disposition of all property seized and forfeited additional search is required.

Of 207 adjudicated seized cases in the audit scope, we selected a sample of 36 closed cases to review. The accompanying seizing officer affidavit for the sample cases note 109 individual pieces of seized property.

Initial audit work revealed 43% of the 109 pieces of seized property were traceable to disposition using NVID's Access database and assistance from Property Room staff.

Additional research had to be performed by the NVID Accountant to identify the remaining records in CCPD's iLeads system. Property Room staff validated existence of these items

in the property room warehouse. These additional steps taken to identify all seized items further supports the need to revise current methods of tracking.

The Access database as the primary system for tracking seizure cases and forfeitures (state and federal) contain fields that are outdated, does not allow for tracking of multiple items from the same case, lacks reporting options, and would require extensive programming to modify.

The database does not have options to track the disposition of seized assets that are placed into service until use of life is concluded. Multiple physical files are maintained to document cash deposits and auction of forfeited property.

At the conclusion of a forfeiture case, all records are subsequently scanned into Laserfiche. However, unlike Infor, records scanned into Laserfiche do not link electronically to the Access database.

Effect: The current process for tracking is highly manual, cumbersome, requires the NVID Accountant to key information in triplicate, and perform research using seven methods to trace a seizures entire lifecycle. Manual processes are more prone to errors and omissions.

The NVID Captain generally rotates every two years. Without written procedures, those charged with oversight may not fully understand their role or know the appropriate steps required to appropriately manage the seized asset activities.

Cause: A formal review of the seizure lifecycle processes has not been conducted to evaluate if the existing procedures adequately address all processes. There is no documented process in place to track the disposition of assets whether they are released into service or destroyed. Current procedures are in development and CCPD management are awaiting conclusion of this audit project to update them.

Recommendation(s):

CCPD management needs to:

- 1) evaluate existing methods for tracking seizures to greater streamline the processes, remove redundancies and develop a method to track disposition of all assets, including those destroyed;
- 2) develop and document detailed procedures over processes surrounding management of seized assets for the entire lifecycle to include, but not limited to including process owner roles and responsibilities, tracking of all seized assets from inception to disposition, and incorporate or refer to City financial policies; and
- 3) replace 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 such law enforcement activities.

Management’s Response:

<i>Agree/Disagree</i>	<i>Responsible Party, Title</i>	<i>Completion Date</i>
1. Agree	Todd Green, NVID Deputy Chief	December 31, 2019
2. Agree	Edward Shannon, NVID Captain	October 1, 2020
3. Agree	NVID Deputy Chief Eduard Shannon, NVID Captain	March 1, 2021
<p><i>Action Plan: 1. NVID personnel will conduct a comprehensive examination of current procedures for tracking seized currency, vehicles and real property in order to identify and implement improvements in these processes.</i></p> <p><i>2. NVID personnel will develop a more detailed procedure manual outlining the process of tracking seized and forfeited assets from acquisition to final disposition, specifically identifying process owners’ roles and responsibilities, as well as incorporating pertinent city financial policies.</i></p> <p><i>3. NVID Deputy Chief and Captain Shannon will work closely with City IT Department to identify, evaluate, select, purchase and implement a software database package that will enable NVID personnel to efficiently track seized and forfeited asset from acquisition to final disposition.</i></p>		

A.02 Accounting for Seized Funds

Condition: QuickBooks is the financial system used to record transactions for Chapter 59 seized monies and write checks. The Law Enforcement Special Revenue Account (LESA), the bank account where seized funds are deposited into, is solely managed by CCPD. A bank reconciliation of these funds is performed using QuickBooks information only and is not reviewed by NVID management. Interest paid on forfeited funds is not calculated based on current rates.

Financial Records

Although entries for seized monies are entered into QuickBooks, no corresponding entries are recorded in the City’s financial system, Infor, on a regular basis. However, a year-end entry is made by the Grant Accountant to true-up the Infor general ledger to QuickBooks. Since CCPD manages the LESA bank account, all checks are generated onsite and are signed by the authorized CCPD individuals. Cash Management prints the checks for the following bank accounts: Vouchers Payable, Corpus Christ Community Improvement Corporation (CCCIC), CCCIC Home and CCCIC Collection. The Accountant for Accounting Operations reconciles all accounts except for the LESA bank account.

The LESA bank reconciliation is not prepared using a three-way tie comparing the Access database case records, to the journal entries made in QuickBooks, and thirdly to the LESA bank account. Doing this would ensure all dollars in the LESA bank account are traceable to an actual case record. The bank reconciliation prepared by the NVID Accountant is not

signed by the preparer or reviewed, with signature confirmation, by NVID management. Bank reconciliation review keeps management apprised of fund activity and alerts them of any unusual or stagnate activity.

Compliance with Financial Policies

Of 212 cases in our audit scope, we sampled 36 seizure cases to review for compliance with City Financial Polices. Thirty-one of those cases included seized cash. We noted:

- 23% (7/31) of deposits were made daily (within 4 days, consideration was made for weekends and holidays),
- no deposits were accompanied with a Cash Receipt Report, and
- 3% (1/31) of deposits were prepared under dual control.

When a daily deposit cannot be made, deposits are recorded onto a safe log and stored in a vault. We found 61% of the deposits stored in the vault were recorded on the safe log. Although deposits are stored in a sealed tamper evident bag, the vault location is not approved by the Director of Financial Services and Business Analysis.

Interest Rate

The interest rate calculated and paid on forfeited funds is not periodically adjusted over time. The current rate (0.01%) being used was derived with assistance of the former City Treasurer prior to 2014.

Cause: CCPD is the sole manager of the LESA bank account. The LESA bank account was opened July 1997 and current signature cards reflects the signatures to be the Chief of Police, an Assistant Chief, a Commander, and a Captain. The Frost Bank signature card provides the authorized signatures for the LESA account.

There is no City policy that assigns the role of City Banker and their responsibilities, such as authority to assign bank account custodians and bank reconciliation preparers.

City Financial Polices Policies do not require those who handle City money to undergo cash handling training prior to entering this role or within a reasonable time period nor does it require periodic refresher training. Procedures provided in an October 2014 memo were not incorporated into City Financial Policies.

Criteria: City Financials Polices require:

- deposit to be made daily;
- deposits including cash to be balanced to a Cash Receipts Report;
- deposits to be prepared under dual control (prepared by one person and verified by another with each person initialing and dating all receipts); and
- vaults or safes to be kept in a secure area on the premises and approved by the Director of Financial Services.

With the October 2014 implementation of Infor, a procedure memo from Financial Services communicated to all City departments the utilization of an electronic template (Excel spreadsheet) to capture daily deposits. This template, referred to as Cash Receipt

Report, is used to record transactions made at the department level into the City’s financial system Infor. This memo also included procedures and examples on how to prepare a Cash Receipt Report and fill out a deposit slip plus who to submit this information to.

Recommendation(s):

CCPD management should:

- 1) work with Financial Services in the creation of an appropriate accounting string to represent seized assets in the City’s financial system to ensure all assets the City is the responsible for are properly accounted for and reported in the City financial records.
- 2) submit Cash Receipt Reports to Cash Management or another appropriate report with supporting documentation to the Police Dept. Accountant in Finance for the recording of seized money and assets;
- 3) transition check printing to Cash Management;
- 4) create a spreadsheet template to calculate interest payable on individual seized funds;
- 5) prepare a reconciliation of active seizure cases to general ledger LESA bank account balance plus timely investigate and resolve any unusual activity such as outstanding items;
- 6) ensure deposits are made daily. If deposits cannot be made daily, obtain a written exception from the Director of Financial Services;
- 7) 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 and document on a safe log before securing in department vault;
- 8) ensure the vault and its location is approved by the Director of Financial Services; and
- 9) prepare a desk procedure manual that includes step by step procedures and make changes to the manual as the procedures change over time.

Management’s Response:

<i>Agree/Disagree</i>	<i>Responsible Party, Title</i>	<i>Completion Date</i>
1. Agree	Frances Morales, NVID Accountant/Finance Department	Dec. 1, 2019
2. Agree	Frances Morales, NVID Accountant	Dec. 1, 2019
3. Agree	Frances Morales, NVID Accountant	Dec. 1, 2019
4. Agree	Frances Morales, NVID Accountant	October 15, 2019
5. Agree	Frances Morales, NVID Accountant/Finance Department	Jan. 1, 2020
6. Agree	Todd Green, NVID Deputy Chief	June 18 th , 2019
7. Agree	Edward Shannon, NVID Captain	January 31 st , 2019

8. Agree	Todd Green, NVID Deputy Chief	November 19 th , 2019
9. Agree	NVID Deputy Chief	October 1, 2020
<p><i>Action Plan: 1, 2, & 3. Complete. NVID met with Finance Department to finalize the creation of LESA accounting stream (Fund 1074, account 203245-110960) in the City’s Financial System. NVID transitioned check printing to Cash management and begin submitting Cash Receipt Reports to Cash Management for all transactions beginning Dec. 1, 2019. 4. Complete. NVID has already begun using the spreadsheet template, provided by Finance, to calculate interest payable. 5. NVID Accountant Frances Morales will coordinate with Finance to prepare a reconciliation of active seizure cases to general ledger LESA bank account balance as soon as Finance has created the LESA accounting stream. 6. Completed. NVID obtained waiver of daily cash deposits from Director of Finance on June 18th, 2019. 7. Complete. NVID personnel prepare all deposits under dual control and store any deposits that cannot be made daily in a tamper proof evidence bag and document on a safe log before securing in department vault; 8. Complete: NVID obtained approval from Director of Financial Services for the use of its vault to temporarily store currency. 9. NVID personnel will prepare a desk procedure manual that includes step by step procedures and make changes to the manual as the procedures change over time.</i></p>		

Financial Services should:

- 1) revise City Financial Policies to include cash receipts reporting procedures. Include in the policy that supervisors of cash handling employees or cashier functions will be required to provide City Financial Policies to staff and allow for attendance of Cash Handling training sessions.;
- 2) develop a City policy designating the role of the City’s banker, establishing responsibilities and authorities to include, but not limited to who can open City bank accounts, who can issue and be signors on City checks, and who is responsible for reconciling City bank accounts;
- 3) provide the interest rate earned on the LESA bank account to the Narcotics/Vice Investigations Accountant by the 5th business day of the following month;
- 4) develop cash handling training program to ensure all City employees who handle City monies are trained upon entry into their position or a reasonable time thereafter on City financial policies and procedures plus require periodic refresher training;
- 5) transition LESA check printing to Cash Management;
- 6) reconcile the LESA bank statement and provide the bank reconciliation to the NVID Accountant and Supervisor.

Management’s Response:

<i>Agree/Disagree</i>	<i>Responsible Party, Title</i>	<i>Completion Date</i>
1. Agree	Judy Villalon, City Treasurer	September 30, 2020
<p><i>Action Plan:</i> <i>The City Financial Policy will be revised to include cash receipts reporting procedures. Additionally, supervisors of cash handling employees will provide the Cash Handling Policy to cash handling employees and require attendance at Cash Handling Training sessions.</i></p>		
2. Agree	Judy Villalon, City Treasurer	September 30, 2020
<p><i>Action Plan:</i> <i>A City Financial Policy will be established to provide for the positions responsible for receiving and disbursing funds, who can open City bank accounts, who can issue checks, who can be signors on City checks and who is responsible for reconciling City bank accounts. The term City’s banker can be confused with the City’s depository banker which is an individual at a financial institution. Therefore, we would prefer not to use City’s banker in describing a position at the City but our City Financial Policy will define all roles and positions involved with City bank accounts.</i></p>		
3. Agree	Judy Villalon, City Treasurer	October 4, 2019
<p><i>Action Plan:</i> <i>The Investment Analyst will provide the Law Enforcement Special Account (LESA) interest rate to the Narcotics/Vise Investigations (NVI) Accountant by the 5th day of the following month.</i></p>		
4. Agree	Judy Villalon, City Treasurer	November 6, 2019
<p><i>Action Plan:</i> <i>Two Cash Handling Training sessions will be held on November 6, 2019 for all City employees who handle City funds. This training session is planned to occur on an annual basis. A request has been submitted to Kim Womack to record the training session for viewing by newly hired employees. Supervisors of cash handling employees will document attendance of Cash Handling training sessions.</i></p>		
5. Agree	Judy Villalon, City Treasurer	December 31, 2019
<p><i>Action Plan:</i> <i>Cash Management will begin printing checks on the LESA after December 1, 2019.</i></p>		
6. Agree	Judy Villalon, City Treasurer	February 28, 2020
<p><i>Action Plan:</i> <i>Teddi Giggy, Accountant for Accounting Operations will reconcile the LESA bank statement and provide the bank reconciliation to the NVI Accountant and Supervisor beginning with the December 2019 bank statement.</i></p>		

B. Capitalizing Forfeited Assets

Condition: Forfeited property, such as vehicles and trailers, placed into service are not capitalized in the City’s financial records. We noted, twenty-two vehicles, three trailers, and one box truck that were forfeited under Chapter 59 were placed into service by CCPD were not capitalized.

Criteria: 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 and 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.

Cause: CCPD were not aware that forfeited vehicles placed into service needed to be reported to Financial Services for capitalization. Generally, Financial services learns of additions to capital assets through purchases and capital asset inventory reports certified by department directors.

Effect: By not capitalizing the forfeited vehicles in the City’s financials, City assets are undervalued, not depreciated, and underreported.

Recommendation(s): CCPD management should ensure all forfeited property, not only vehicles and large equipment, placed into service is reported to Financial Services as additions to capital assets. To do this, CCPD should work with Financial Services to develop a method in which to communicate changes to forfeited assets inventory and ensure any items decommissioned and/or auctioned are removed from the City’s accounts.

Management’s Response:

<i>Agree/Disagree</i>	<i>Responsible Party, Title</i>	<i>Completion Date</i>
Agree	Frances Morales, NVID Accountant Edward Shannon, NVID Captain	March 4 th , 2019
<i>Action Plan: Completed. Effective March 4th, 2019 all forfeited property worth \$5,000 or above (City Policy F-15) is reported to Finance Department for Capitalization.</i>		

C. Segregation of Duties and Secession Planning

Condition: The NVID Accountant is responsible for all aspects of accounting for NVID seizure and forfeiture activity and does not have a fully trained back-up to perform these duties. When the accountant is out of office, work is placed on hold until their return.

Duties for this position includes initiating and authorizing transactions, executing transactions, recording transactions, reconciliation and issues and voiding checks. All these functions demonstrate an absence of segregation of duties for this position. When one position owns multiple steps in the same process, it increases the likelihood of misstatements and errors, intentional and not, occurring and going undetected.

The NVID Captain who is responsible for overseeing the accounting of the seizure and forfeiture funds, does not have a procedure that outlines their role and responsibilities in ensuring proper oversight of seizure activity. This position generally, is rotated on a biennial basis and having established procedures helps ensure business continuity.

The NVID Deputy Chief is the highest level of oversight in NVID over internal controls related to seizure and forfeiture activity. Just as the NVID Captain, there are no procedures outlining this position’s role and responsibilities nor does it have a succession plan in place to transfer custody of seizure funds to the incoming replacement.

Recommendation(s):

CCPD management should:

- 1) develop and document procedures for the NVID Accountant. Those procedures should include segregating conflicting duties with other personnel in CCPD and providing for a fully trained back-up. This back-up should periodically perform all duties of the Accountant unassisted from start to finish.
- 2) develop and document a succession plan for the NVID Captain and Deputy Chief role in managing seizure fund activity. The Deputy Chief’s role should incorporate transferring custody of seizure funds to a successor attesting the ending balance at end of duty assignment.

Management’s Response:

<i>Agree/Disagree</i>	<i>Responsible Party, Title</i>	<i>Completion Date</i>
1. Agree	NVID Deputy Chief	Jan 1, 2021
2. Agree	NVID Deputy Chief	October 1, 2020

Action Plan: NVID agrees with the concept of cross-training another employee to assume the duties of the NVID Accountant in her absence; in fact, NVID submitted a “decision package” for FY 2019/2020 budget requesting the creation of a Civilian Investigator FTE. In addition to filing misdemeanor drug cases, the duties of this position would include assisting with and enhancing the asset forfeiture process, as well as cross-training with the NVID Accountant. NVID will continue to make this request during future budget cycles and if unable to obtain additional

personnel, will assign this task to a sworn position. 2. NVID Deputy Chief will develop a procedure to transfer the custody of seized assets to his/her successor and/or NVID Captain during the transfer of command process.

D. Completeness of Records

Condition: A verification method is not in place, such as a checklist, to ensure forfeiture files contained all documents related to forfeited property. We reviewed case records for completeness and found:

- 100% included seizing officer's affidavit;
- 100% included court rulings; however, 31% were obtained during the course of the audit, did not have a certification stamp, or the stamp was illegible;
- 75% included arresting officer's currency count;
This form is used to verify field currency count matches recount prior to deposit to the bank.
- 17% included signed District Attorney's Office signed acknowledgement of affidavit receipt;
The use of this form is contingent on the management in place. Current management reimplemented this practice and requires this document for all cases.
- 61% of cases with seized cash were recorded on safe log.
- 21% of the data base records matched the court ruling. Errors such as case numbers and inclusion of all property seized were noted. This is largely due to the Assess database issues noted in A.01.

Criteria: The current practice include two levels of review before forfeited money can be released. However, this process does not include a checklist to document though signature who prepared the records and who review the records for accuracy. Current review is concluded by checks signature.

Cause: Current procedures under development do not specify what records should be considered part of the official forfeiture record nor does it require review authentication by signature.

Recommendation(s):

CCPD management should ensure all key documents needed to account for seized assets that are forfeited are fully accounted for by creating a coversheet that lists all documents to be included in files. The list should incorporate signature lines for the preparer and all reviewers.

Management’s Response:

<i>Agree/Disagree</i>	<i>Responsible Party, Title</i>	<i>Completion Date</i>
Agree	Frances Morales, NVID Accountant	October 18 th , 2019
<i>Action Plan: Complete. NVID Accountant Frances Morales created a check list coversheet that incorporates all potential documents required for inclusion in any NVID asset forfeiture file. The checklist will be the first page in all asset forfeiture files from this point forward, allowing the reviewer to quickly ascertain whether all necessary documents are included in the file.</i>		

Appendix A – Audit Scope, Methodology, and Staffing

This audit scope included a review of Corpus Christ Police Department - Narcotics Vice Investigative Division's (NVID) Chapter 59 seized asset cases. The scope included cases that have been adjudicated during the period of October 1, 2015 through January 31, 2019 and include forfeited property. We conducted this audit between February and July 2019.

Our methodology included staff inquiries, observation of seizure processes, analysis and test of transactions on cases with forfeited property. The audit program included detail steps to obtain sufficient understanding of internal controls designed to provide assurance that controls over seized property subject to forfeiture and distribution of forfeited property are appropriate.

We relied on data from NVID's system of record, an Access database, which is used to track Chapter 59 seizure cases, forfeited monies, and auctioned property. Data from QuickBooks was examined to review seized money records, auction revenue, bank reconciliations and issued checks. We did not perform general or application control tests on the Access database or QuickBooks; instead, we performed direct tests on the data. We do not believe our lack of testing system controls affected the outcomes of this report.

To determine compliance with Code of Criminal Procedures Chapter 59.04(a), *Notification of Forfeiture Proceedings*, we examined the seizure dates and affidavits submissions.

To determine compliance with City capital asset procedures, we made inquiries on the capitalization of forfeited vehicles placed into service and their recognition into the City's financial records. To determine compliance with City Financial policies and procedures related to cash handling, and depositing we examined deposit slips, a vault, safe logs, check stubs, and bank reconciliations. To determine compliance with seized currency/property procedures in development, we reviewed Access database records and documents for closed seizure cases.

To access completeness of seizure case records, we examined electronic and physical case documentation from a sample selection of 36 closed cases, which represented 109 pieces of seized property, from a population of 207 cases closed during our audit scope.

To determine if adequate segregation of duties exists across keys positions responsible for handling or accounting for seized property and NVID succession planning, we reviewed procedures in development, leadership assignments, and observed staff perform seizure activities.

In conducting our audit, we relied on the following authoritative guidelines to serve as criteria:

- Texas Code of Criminal Procedures, Ch. 59
- Local Agreement with Nueces County District Attorney
- City Financial Policies
- Excerpts from Narcotics Vice Investigations Divisional Manual
- Auctioneer contracts and sale records
- Revenue controls best practices from Government Finance Officers Association
- U.S. Government Accountability Office's *Standards for Internal Control in the Federal Government*

We believe this testwork provides sufficient and appropriate evidence for our audit conclusions and findings.

Staff Acknowledgement

Kimberly L. Houston, Auditor-in-Charge
Denise Parks, Auditor – Temporary

Appendix B – CCPD NVID’s Management Response



CCPD MEMORANDUM

December 3, 2019

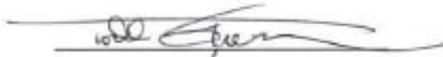
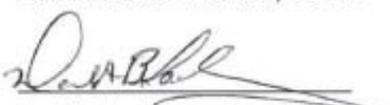
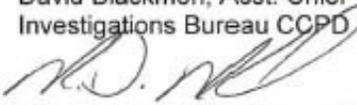
Kimberly L. Houston
City Auditor - Interim
Corpus Christi, Texas

Re: AU19-001CCPD NVID Law Enforcement Special Account

We have carefully reviewed the issues presented in the audit report referenced above, and our plans to correct the issues are described on the following pages.

We are committed to correcting the issues in the audit report by implementing the action plans in a timely fashion.

Sincerely,

 Todd Green, Asst. Chief Administration Bureau, CCPD	<u>Dec 3, 2019</u> Date
 David Blackmon, Asst. Chief Investigations Bureau CCPD	<u>12-3-19</u> Date
 Mike Markle, Chief of Police	<u>12/3/19</u> Date
 Peter Zanoni, City Manager	<u>12.15/19</u> Date

A. Management of Seized Asset Records

A.01 Process Management Over Seized Activity

Recommendation:

CCPD management needs to:

- 1) evaluate existing methods for tracking seizures to greater streamline the processes, remove redundancies and develop a method to track disposition of all assets, including those destroyed;
- 2) develop and document detailed procedures over processes surrounding management of seized assets for the entire lifecycle to include, but not limited to including process owner roles and responsibilities, tracking of all seized assets from inception to disposition, and incorporate or refer to City financial policies; and
- 3) replace 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 such law enforcement activities.

<i>Agree/Disagree</i>	<i>Responsible Party, Title</i>	<i>Completion Date</i>
1. Agree	Todd Green, NVID Deputy Chief	December 31, 2019
2. Agree	Edward Shannon, NVID Captain	October 1, 2020
3. Agree	NVID Deputy Chief Eduard Shannon, NVID Captain	March 1, 2021
<p><i>Action Plan: 1. NVID personnel will conduct a comprehensive examination of current procedures for tracking seized currency, vehicles and real property in order to identify and implement improvements in these processes.</i></p> <p><i>2. NVID personnel will develop a more detailed procedure manual outlining the process of tracking seized and forfeited assets from acquisition to final disposition, specifically identifying process owners' roles and responsibilities, as well as incorporating pertinent city financial policies.</i></p> <p><i>3. NVID Deputy Chief and Captain Shannon will work closely with City IT Department to identify, evaluate, select, purchase and implement a software database package that will enable NVID personnel to efficiently track seized and forfeited asset from acquisition to final disposition.</i></p>		

A.02 Accounting for Seized Funds

Recommendation:

CCPD management should:

- 1) work with Financial Services on the creation of an appropriate accounting string to represent seized assets in the City's financial system to ensure all assets the City is responsible for are properly accounted for and reported in the City financial records.
- 2) submit Cash Receipt Reports to Cash Management or another appropriate report with supporting documentation to the Police Dept. Accountant in Finance for the recording of seized money and assets;
- 3) transition check printing to Cash Management;
- 4) create a spreadsheet template to calculate interest payable on individual seized funds;

- 5) prepare a reconciliation of active seizure cases to general ledger LESA bank account balance plus timely investigate and resolve any unusual activity such as outstanding items;
- 6) ensure deposits are made daily. If deposits cannot be made daily, obtain a written exception from the Director of Financial Services;
- 7) 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 and document on a safe log before securing in department vault;
- 8) ensure the vault and its location is approved by the Director of Financial Services; and
- 9) prepare a desk procedure manual that includes step by step procedures and make changes to the manual as the procedures change over time.

<i>Agree/Disagree</i>	<i>Responsible Party, Title</i>	<i>Completion Date</i>
1. Agree	Frances Morales, NVID Accountant/Finance Department	Dec. 1, 2019
2. Agree	Frances Morales, NVID Accountant	Dec. 1, 2019
3. Agree	Frances Morales, NVID Accountant	Dec. 1, 2019
4. Agree	Frances Morales, NVID Accountant	October 15, 2019
5. Agree	Frances Morales, NVID Accountant/Finance Department	Jan. 1, 2020
6. Agree	Todd Green, NVID Deputy Chief	June 18 th , 2019
7. Agree	Edward Shannon, NVID Captain	January 31 st , 2019
8. Agree	Todd Green, NVID Deputy Chief	November 19 th , 2019
9. Agree	NVID Deputy Chief	October 1, 2020

Action Plan: 1, 2, & 3. Complete. NVID met with Finance Department to finalize the creation of LESA accounting stream (Fund 1074, account 203245-110960) in the City's Financial System. NVID transitioned check printing to Cash management and begin submitting Cash Receipt Reports to Cash Management for all transactions beginning Dec. 1, 2019. 4. Complete. NVID has already begun using the spreadsheet template, provided by Finance, to calculate interest payable. 5. NVID Accountant Frances Morales will coordinate with Finance to prepare a reconciliation of active seizure cases to general ledger LESA bank account balance as soon as Finance has created the LESA accounting stream. 6. Completed. NVID obtained waiver of daily cash deposits from Director of Finance on June 18th, 2019. 7. Complete. NVID personnel prepare all deposits under dual control and store any deposits that cannot be made daily in a tamper proof evidence bag and document on a safe log before securing in department vault; 8. Complete: NVID obtained approval from Director of Financial Services for the use of its vault to temporarily store currency. 9. NVID personnel will prepare a desk procedure manual that includes step by step procedures and make changes to the manual as the procedures change over time.

B. Capitalizing Forfeited Assets

Recommendation: CCPD management should ensure all forfeited property, not only vehicles and large equipment, placed into service is reported to Financial Services as additions to capital assets. To do this, CCPD should work with Financial Services to develop a method in which to communicate changes to forfeited assets inventory and ensure any items decommissioned and/or auctioned are removed from the City’s accounts.

<i>Agree/Disagree</i>	<i>Responsible Party, Title</i>	<i>Completion Date</i>
Agree	Frances Morales, NVID Accountant Edward Shannon, NVID Captain	March 4 th , 2019
<i>Action Plan: Completed. Effective March 4th, 2019 all forfeited property worth \$5,000 or above (City Policy F-15) is reported to Finance Department for Capitalization.</i>		

C. Segregation of Duties and Secession Planning

Recommendation:

CCPD management should:

- 1) develop and document procedures for the NVID Accountant. Those procedures should include segregating conflicting duties with other personnel in CCPD and providing for a fully trained back-up. This back-up should periodically perform all duties of the Accountant unassisted from start to finish.
- 2) develop and document a succession plan for the NVID Captain and Deputy Chief role in managing seizure fund activity. The Deputy Chief’s role should incorporate transferring custody of seizure funds to a successor attesting the ending balance at end of duty assignment.

<i>Agree/Disagree</i>	<i>Responsible Party, Title</i>	<i>Completion Date</i>
1. Agree	NVID Deputy Chief	Jan 1, 2021
2. Agree	NVID Deputy Chief	October 1, 2020
<i>Action Plan: NVID agrees with the concept of cross-training another employee to assume the duties of the NVID Accountant in her absence; in fact, NVID submitted a “decision package” for FY 2019/2020 budget requesting the creation of a Civilian Investigator FTE. In addition to filing misdemeanor drug cases, the duties of this position would include assisting with and enhancing the asset forfeiture process, as well as cross-training with the NVID Accountant. NVID will continue to make this request during future budget cycles and if unable to obtain additional personnel, will assign this task to a sworn position. 2. NVID Deputy Chief will develop a procedure to transfer the custody of seized assets to his/her successor and/or NVID Captain during the transfer of command process.</i>		

D. Completeness of Records

Recommendation:

CCPD management should ensure all key documents needed to account for seized assets that are forfeited are fully accounted for by creating a coversheet that lists all documents to be included in files. The list should incorporate signature lines for the preparer and all reviewers.

<i>Agree/Disagree</i>	<i>Responsible Party, Title</i>	<i>Completion Date</i>
Agree	Frances Morales, NVID Accountant	October 18 th , 2019
<i>Action Plan: Complete. NVID Accountant Frances Morales created a check list coversheet that incorporates all potential documents required for inclusion in any NVID asset forfeiture file. The checklist will be the first page in all asset forfeiture files from this point forward, allowing the reviewer to quickly ascertain whether all necessary documents are included in the file.</i>		

Appendix C – Financial Services’ Management Response



October 29, 2019

Kimberly L. Houston
City Auditor - Interim
Corpus Christi, Texas

Peter Zaroni
CITY MANAGER

Re: AU19-001CCPD NVID Law Enforcement Special Account

PO Box 9277
Corpus Christi
Texas 78469-9277
Phone 361-826-3220
Fax 361-826-3839
Peterz@cctexas.com
www.cctexas.com

We have carefully reviewed the issues presented in the audit report referenced above, and our plans to correct the issues are described on the following pages.

We are committed to correcting the issues in the audit report by implementing the action plans in a timely fashion.

Sincerely,

for *Alma Iris Casas*
Alma Iris Casas
Interim Director of Finance and Business Analysis

12/05/2019
Date

Constance P. Sanchez
Constance P. Sanchez
Chief Financial Officer

12-5-2019
Date

Peter Zaroni
Peter Zaroni
City Manager

12/5/19
Date

A. Management of Seized Asset Records

A.02 Accounting for Seized Funds

Recommendation:

Financial Services should:

- 1) revise City Financial Policies to include cash receipts reporting procedures. Include in the policy that supervisors of cash handling employees or cashier functions will be required to provide City Financial Policies to staff and allow for attendance of Cash Handling training sessions;

<i>Agree/Disagree</i>	<i>Responsible Party, Title</i>	<i>Completion Date</i>
Agree	Judy Villalon, City Treasurer	September 30, 2020
<i>Action Plan:</i> <i>The City Financial Policy will be revised to include cash receipts reporting procedures. Additionally, supervisors of cash handling employees will provide the Cash Handling Policy to cash handling employees and require attendance at Cash Handling Training sessions.</i>		

- 2) develop a City policy designating the role of the City’s banker, establishing responsibilities and authorities to include, but not limited to who can open City bank accounts, who can issue and be signors on City checks, and who is responsible for reconciling City bank accounts;

<i>Agree/Disagree</i>	<i>Responsible Party, Title</i>	<i>Completion Date</i>
Agree	Judy Villalon, City Treasurer	September 30, 2020
<i>Action Plan:</i> <i>A City Financial Policy will be established to provide for the positions responsible for receiving and disbursing funds, who can open City bank accounts, who can issue checks, who can be signors on City checks and who is responsible for reconciling City bank accounts. The term City’s banker can be confused with the City’s depository banker which is an individual at a financial institution. Therefore, we would prefer not to use City’s banker in describing a position at the City but our City Financial Policy will define all roles and positions involved with City bank accounts.</i>		

- 3) provide the interest rate earned on the LESA bank account to the Narcotics/Vice Investigations Accountant by the 5th business day of the following month;

<i>Agree/Disagree</i>	<i>Responsible Party, Title</i>	<i>Completion Date</i>
Agree	Judy Villalon, City Treasurer	October 4, 2019
<i>Action Plan:</i> <i>The Investment Analyst will provide the Law Enforcement Special Account (LESA) interest rate to the Narcotics/Vise Investigations (NVI) Accountant by the 5th day of the following month.</i>		

- 4) develop cash handling training program to ensure all City employees who handle City monies are trained upon entry into their position or a reasonable time thereafter on City financial policies and procedures plus require periodic refresher training;

<i>Agree/Disagree</i>	<i>Responsible Party, Title</i>	<i>Completion Date</i>
Agree	Judy Villalon, City Treasurer	November 6, 2019
<p><i>Action Plan:</i> Two Cash Handling Training sessions will be held on November 6, 2019 for all City employees who handle City funds. This training session is planned to occur on an annual basis. A request has been submitted to Kim Womack to record the training session for viewing by newly hired employees. Supervisors of cash handling employees will document attendance of Cash Handling training sessions.</p>		

- 5) transition LESA check printing to Cash Management;

<i>Agree/Disagree</i>	<i>Responsible Party, Title</i>	<i>Completion Date</i>
Agree	Judy Villalon, City Treasurer	December 31, 2019
<p><i>Action Plan:</i> Cash Management will begin printing checks on the LESA after December 1, 2019.</p>		

- 6) reconcile the LESA bank statement and provide the bank reconciliation to the NVID Accountant and Supervisor.

<i>Agree/Disagree</i>	<i>Responsible Party, Title</i>	<i>Completion Date</i>
Agree	Judy Villalon, City Treasurer	February 28, 2020
<p><i>Action Plan:</i> Teddi Giggy, Accountant for Accounting Operations will reconcile the LESA bank statement and provide the bank reconciliation to the NVI Accountant and Supervisor beginning with the December 2019 bank statement.</p>		