



# AUDIT HIGHLIGHTS

## Police Special Revenues

January 16, 2020

Audit Report No. 1907

### WHY WE DID THIS AUDIT

An audit of *Police Special Revenues* was included on the City Council-approved fiscal year (FY) 2019/20 Audit Plan. The audit objective was to evaluate management controls over sources and uses of special revenues, such as RICO, donations, 30-Day Tow, etc.

### BACKGROUND

Special program funds are used to account for dedicated funding sources and donations earmarked for specific purposes. For example, federal and state laws dictate how RICO (Racketeer Influenced and Corrupt Organizations) revenues may be spent.

The Police Department has 10 special programs, including RICO, donations, court surcharges for crime labs and safety equipment, a service agreement for crime lab services, and revenues from the Pawn and 30-Day Tow programs.

In FY 2018/19, the Police Department's special programs had approximately \$1.2 million in revenue and \$1.4 million in expenditures.

### City Auditor's Office

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### WHAT WE FOUND

#### **RICO community grants appear to be donations, and other program aspects could be better managed.**

RICO funds spent as community grants instead seem to be given as donations, which are an unallowable expense. Further, the annual RICO budget does not include all available monies and other RICO program controls can also be improved.

#### **A department bank account exists outside the City Treasurer's Office, these moneys are not budgeted, and internal controls can be improved.**

The Cadet program maintained a bank account outside the City treasury, program moneys were not budgeted, and controls over program revenues, expenses and records retention were lacking.

#### **Management controls over donations can be improved.**

The Police Department does not have transparent, public procedures for donations and seldom retained signed copies of donation acknowledgement letters. Further, it retained unredacted donor check copies and can improve donation oversight, monitoring and recordkeeping.

#### **Management controls over cash handling and expenditure approval can be improved.**

The 30-Day Tow program's cash handling did not comply with administrative regulation, and the program has limited service hours for individuals to retrieve their vehicles. As well, some individuals approving expenditures do not have operational knowledge or signature authority.

### WHAT WE RECOMMEND

We recommend the Police Department:

- Ensure appropriate processes for RICO community grants, provide RICO balance information to the City Manager and/or Budget office, and improve program controls.
- Transfer the Cadet program account balance to the City treasury and ensure internal controls and records retention.
- Establish appropriate internal controls over donations and the 30-Day Tow program's cash handling.

### MANAGEMENT RESPONSE

The department agreed with the audit recommendations, reporting that some have already been implemented and others will be completed during 2020.