

## Post-Audit Review 19-02: Police Confidential Funds

October 2020

**City Auditor**

Stan Sewell, CPA, CGFM, CFE

**Senior Auditor**

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# OFFICE OF INTERNAL AUDIT

## Stan Sewell, City Auditor

October 5, 2020

To: Mayor Andy Berke  
City Council Members

**Subject: Post-Audit Review of Confidential Funds (Audit Report #19-02)**

Dear Mayor Berke and City Council Members:

Attached is a summary report on the status of audit recommendations in our 2019 Confidential Funds audit report. The purpose of this report is to confirm whether, and to what degree, the Chattanooga Police Department (CPD) has implemented the recommendations made in the original audit.

Our audit concluded that the CPD's administration of confidential funds substantially complied with all applicable laws, regulations, and procedures. However, we recommended actions to: a) enhance policies and procedures governing confidential funds; and b) reduce the risk of misuse or misappropriation of confidential funds. The CPD has fully implemented all audit recommendations.

Our Post-Audit Review consisted primarily of interviews with CPD personnel and examination of supporting documentation. The evidence we obtained provided a reasonable basis for our conclusions. However, the issues discussed in this report are not the result of an audit performed in accordance with generally accepted government auditing standards. Had we performed such an audit, additional issues might have been reported.

Sincerely,

Stan Sewell, CPA, CGFM, CFE  
City Auditor

Attachment

cc: Audit Committee Members  
David Roddy, Police Chief  
Kerry Hayes, Chief of Staff  
Maura Sullivan, COO  
Daisy Madison, CFO  
Zach McCullough, Asst. Police Chief, Investigations Bureau  
Scott Crider, Lieutenant, Organized Crime Unit  
Brian "Waldo" Russell, Sergeant, Narcotics/Vice  
Traci May, Sergeant, Narcotics/Vice  
Jim Arnette, Tennessee Local Government Audit

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## RECOMMENDATIONS FULLY IMPLEMENTED (2)

### *Recommendation*

1) We recommended the CPD Policy Manual be amended to include procedures for: (1) purchases of equipment and supplies using confidential funds; (2) reporting missing or unaccounted for confidential funds to the district attorney general and Tennessee Comptroller; and (3) formalized training for officers and other individuals involved in the handling of confidential funds.

2) We recommended the CPD implement the following additional controls to safeguard the integrity of confidential fund disbursements: (1) develop a centralized case file management system for all CPD divisions handling confidential funds; (2) implement procedures to be followed when officers without confidential fund accounts are provided confidential funds; (3) discontinue the use of confidential cash funds for general drug enforcement activities; and (4) formalize departmental guidelines for determining the amount of informant payments and incorporate the same in the CPD Policy Manual.

### *Actions Taken*

The CPD revised SOP-1 (Fiscal Procedures) of the CPD Policy Manual to add procedures for: (1) purchases of equipment and supplies using confidential funds; and (2) reporting missing or unaccounted for confidential funds to the district attorney general and Tennessee Comptroller. The CPD also revised SOP-1 to require all officers involved in handling of confidential funds to review and be familiar with the Tennessee Comptroller Guidelines.

The CPD implemented the following additional controls to manage confidential fund expenditures: (1) SOP-1 VII, E.1.e. was modified, and all confidential informant files have been consolidated under the oversight of the Narcotics/Vice supervisor; (2) SOP-1 VII, E.1.d. was added, which requires that "any officer using confidential funds should conduct that investigation at the direction of the investigative supervisor supplying the funds"; (3) the practice of paying certain bills with cash, and the use of the PO Box were discontinued; and (4) the Confidential Informant Payment Schedule was added as an appendix to SOP-3.

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