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March 26, 2007

The Honorable Paul Ostrow, Chair
Ways & Means Committee
City of Minneapolis
307 City Hall
Minneapolis, MN 55415

Dear Council Member Ostrow:

The enclosed report, "Minneapolis Police Department - Review of Confidential Funds, Chief's Contingency Fund, and Property and Evidence Room Cash", was presented to the Board of Estimate and Taxation (BET) on March 14, 2007, and is transmitted to you for your review.

Because of the inherent limitations in any system of internal accounting controls, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Mr. Bjorklund, the Director of Internal Audit, will be available upon notice, telephone 673-2863, to respond to your questions concerning the audit.

Sincerely,

Carol Becker
President – Board of Estimate & Taxation

**MINNEAPOLIS POLICE DEPARTMENT –
REVIEW OF CONFIDENTIAL FUNDS, CHIEF’S CONTINGENCY FUND, AND
PROPERTY AND EVIDENCE ROOM CASH**

FEBRUARY 2007

**INTERNAL AUDIT
CITY OF MINNEAPOLIS
ROBERT BJORKLUND, DIRECTOR OF INTERNAL AUDIT**

**A REVIEW OF MPD CONFIDENTIAL FUNDS, CHIEF'S CONTINGENCY
FUND, AND THE PROPERTY & EVIDENCE ROOM CASH**

PURPOSE:

This review was requested by new Minneapolis Police Chief Tim Dolan as part of the transitional process to his taking off earlier this year. The purpose of this review was to identify the location of cash and related funds, verification of the amounts to documented records, and the on-site security of these funds.

SCOPE:

All counts and reviews were conducted during the January-February 2007 time frame.

METHODOLOGY:

Internal Audit: a) obtained a listing of custodial funds from Lily Job in of the MPD, contacted and visited each location conducting counts of cash on hand, tracing these totals to manual or electronic spreadsheet ledgers, as well as reviewing the location of where the funds were maintained and who had access to these funds. Internal Audit did not conduct detailed reviews or samplings of the activity within these funds as that is done by Tim Meidinger of the MPD on a random basis; b) visited the Property & Evidence room and reviewed procedures and internal controls as they relate to the disposition of cash with Kerstin Hammarberg; reviewed the procedures and controls for the Chief's Contingency Fund with the fund's custodian. Again no detail review of activity was conducted.

CONCLUSIONS & RECOMMENDATIONS:

- Master Listing of cash funds needs to be kept and updated on a timely basis by matching against the transfer list as sent out by MPD-HR ,
- The \$153 of unknown origin at the second precinct needs to be addressed by MPD administration,
- Chief Dolan's name to be removed from the signature card for the Chief's Contingency Fund at City County Credit Union and Assistant Chief Sharon Lubinski's name be added

REVIEW OF MPD CUSTODIAL FUNDS

Internal Audit reviewed and counted the cash custodial funds at all five precincts, Narcotics, Homicide, Housing, Administration, and Licensing.

The 1st and 2nd precincts have only one federal forfeiture fund; precincts 3, 4 and 5 each have two such funds (a.m. and p.m. shift). These federal forfeiture funds at the precincts ranged in size from \$500 to \$3,317 – not counting the zero balance at the 5th which was awaiting replenishing funds. All funds were kept in combination safes/lock boxes. No more than two individuals, and in most cases one – knew the combinations or had access to the lock box key.

A ledger is maintained (either manual or electronic spreadsheet format) to document the activity of the individual funds as well as receipt forms to document the individual cash outlays as well as funds returned. Internal Audit then verified the amount of cash on hand and matched to the amount recorded in the ledger. All precinct federal forfeiture funds were found to be in balance.

The Narcotics Unit had four custodial funds (flash/buy, task force, federal forfeiture, and chiefs contingency fund). Individual ledgers were maintained for each and each was counted and verified with no exceptions noted. Likewise the Violent Offender Task Force Fund (VOTF) was counted at this location and tied out to their spreadsheet with no exceptions.

Other funds reconciled without exception were Homicide, Violent Crime Apprehension Team (VCAT), Licensing, and Housing. The chief's Contingency Fund in Administration, which had numerous reconciliation problems and sporadic documentation issues the last time this count was conducted in 2004, was much improved with an electronic spreadsheet ledger now in place. The count for this fund showed a small overage of \$1.08.

Numerous transfers, position changes, reassignments etc. have occurred recently with the MPD resulting in changes of fund custodians. A good deal of time was spent by Internal Audit determining who the current custodian was for a given fund. Adding to this problem was the fact there was no master listing of funds (page 5, prepared by Internal Audit) as had been furnished to Internal Audit in the past by Mary Dunning (see page 6 for an example).

Internal Audit recommends the MPD (Tim Meidinger – MPD Licenses) establish and maintain a master listing of all cash funds and respective custodians.

Also, when a change in position occurs (transfers, new hires, etc) an email announcement of the change is sent out from Irene Ghatt in MPD-HR to all MPD employees. These position changes should then be matched against the master listing of cash funds (again by Tim Meidinger) to ensure there is a count/reconciliation of the fund when there is a “handoff” between fund custodians.

REVIEW OF MPD CHIEF'S CONTINGENCY FUND

The Chief's Contingency Fund, funded through the General Fund, is handled via a check book account through the City County Credit Union. The fund/checkbook is currently handled by Doris French – Finance.

By ordinance the balance in the checking account cannot exceed \$5,000 and, also by City ordinance, funds can only be used for police investigative purposes. According to Ms. French, funds are primarily used to cover investigative travel expenses for Homicide. (Airline expenses, however, are charged directly to the City's MPD credit card account).

A form is used to request money from the account. The request must be signed by the respective Supervisor and Commander. The request then goes to the Chief for his signature and then forwarded on to Ms. French who will cut the check. The Chief's Contingency Funds at other locations are also replenished in this manner.

Checks require only one signature, however, the current co-signer on the account is Chief Tim Dolan – who was Deputy Chief when he was added. In order to enhance separation of potential duties Internal Audit recommends that Chief Dolan's name be removed as cosigner on this account and Assistant Chief Sharon Lubinski's name be added.

PROPERTY & EVIDENCE (P&E) ROOM CASH

Kerstin Hammarberg is the supervisor of the P&E unit. When cash is received in the P&E unit, it is recorded on a separate P1 form. Additionally, a cash record envelope is used to hold the funds with the number and denomination of the bills listed. This envelope also contains related pertinent information such as the date, name of the individual from whom the money was recovered, case number, officers initials, etc. A manually prepared log is kept to record when cash is received and when it is released, however, this log does not maintain an ongoing balance for cash on hand.

Funds are deposited (based on a case by case basis) once the determination has been made they are not needed in connection with that case, (in court for example). There are currently nearly 8,200 cash related cases in the P&E vault. One of the concerns here continues to be the definition of cash as evidence versus cash as property. Initially, the officer on a case will determine if it is evidence or not and the cash will be held in the P&E Unit for a six month evidentiary period. However, if the investigator on the case has not yet released the money at the end of six months, (the money remains in the cash vault until the six month mark) at which time it is earmarked for deposit. Prior to the deposit, a manual count of the funds to be deposited is made by the unit supervisor and a second individual. Because of the number of cases and staff limitations Ms. Hammarberg estimated there were 11 months worth of dollars in the P&E vault.

Deposits are made monthly through the Treasury Division of Finance, by Ms. Hammarberg. Funds deposited can go into one of two accounts. Account #5, the P&E account (coordinated through Doris French) and Account #1 (Lily Job) the Narcotics Unit account.

Occasionally funds are paid to the DEA; in this situation, the funds are deposited per the usual procedure via Treasury, and a check to the DEA is cut by P&E to provide an audit trail for those funds.

For 2005, total combined deposits were \$672,436.78. This represents \$284,758.84 (13 deposits) into Account #5; and \$387,677.94 (8 deposits) into Account #1. For 2006, total combined deposits were \$803,828.29 this represents \$364,916.34 (10 deposits) into Account #5; and \$438,911.95 (7 deposits) into Account #1.

MASTER LIST
MPD CASH FUNDS (2/07)

1 st Precinct: \$ 3,173.00	Dan Pomerence
2 nd Precinct: \$ 500.00	Gary Nordeen
2 nd Precinct: \$ 153.00	Gary Nordeen (unknown origin)
3 rd Precinct: \$ 3,065.00	Jeff Miller
3 rd Precinct: \$ 3,317.00	Don Smulski
4 th Precinct: \$ 2,837.32	Steve Mosey
4 th Precinct: \$ 521.34	Grant Snyder
5 th Precinct: \$ -0- on hand	Michael Heyer
5 th Precinct: \$ 2,108.21	Holly Keegel

CH Room 130: Chief's Contingency Fund: \$1,131.00 Carole Schendel
MPD-Homicide Room 108: \$2,122.93 David Hayhoe
City of Lakes: Violent Crimes Apprehension Team (VCAT) \$2,252.07 Al Kramer

217 South Third Street:
Violent Offender Task Force: \$14,930.00 Pat King/Jeff Waite

Narcotics:

Buy Fund -	\$35,000.00	Chris Benson/Tom Peterson
Task Force -	\$ 6,000.00	Chris Benson/Tom Peterson
Federal Forfeiture -	\$12,609.00	Chris Benson/Tom Peterson
Chief's Fund -	\$ 1,955.00	Chris Benson/Tom Peterson

Licensing, CH Room 1 \$ 846.76 Steve Kincade

Public Housing, 2123 16th Ave so \$ 1,442.00 Chris Nichols

Grand Total: \$93,963.63

	Flash	Fed For.	Chief Cont	Task Frce Grant	Asset Forf.	Custodian	Phone
1st Pct							
2nd Pct							
3rd Pct							
3rd Pct							
4th Pct							
4th Pct							
5th Pct							
5th Pct							
Narcotics							
OCU							
Homicide							
Housing							
Admin							
Licenses							

1st Pct
2nd Pct
3rd Pct
3rd Pct
4th Pct
4th Pct
5th Pct
5th Pct
Narcotics
OCU
Homicide
Housing
Admin
Licenses