



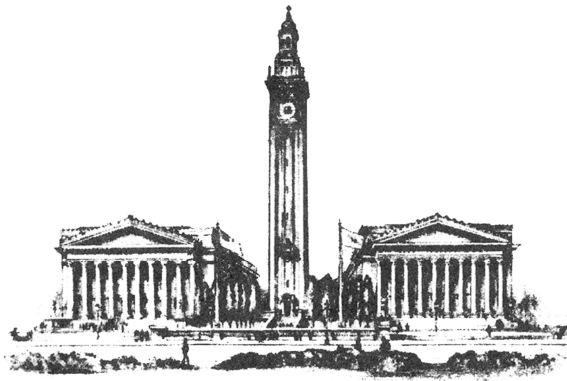
Review of the Springfield Police Department's Investigative Funds

September 2016

Office of Internal Audit

36 Court Street – Room 411
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THE CITY OF SPRINGFIELD, MASSACHUSETTS

September 26, 2016

Re: Review of the Springfield Police Department's Investigative Funds

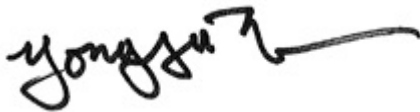
Honorable Audit Committee Members,

At the request of Police Commissioner Barbieri, the Office of Internal Audit conducted a review of the Springfield Police Department's (SPD) Investigative Funds. The accompanying report details findings and recommendations for improvement. The results of the review were discussed with SPD management who has taken numerous positive actions in response to these recommendations. SPD management's responses have been incorporated into the report.

This report is not intended to be an adverse reflection of the City or of its departments; rather it is intended to contribute to the improvement of the City's risk management, control, and governance processes.

We wish to personally acknowledge the support received throughout this process from the Springfield Police Department's management, their officers, the City's Law Department, and all others that helped to provide information during this review. We thank them for their cooperation and courtesies extended.

Respectfully submitted,



Yong Ju No, CPA

CC: Honorable Mayor Domenic J. Sarno
 Police Commissioner John Barbieri
 Deputy Commissioner Mark Anthony
 Captain Rupert Daniel
 Jennifer Winkler, Director of Business and Technology

 Springfield City Council
 T.J. Plante, CAFO
 Edward Pikula, City Solicitor
 Kathy Breck, Deputy City Solicitor
 Mike Nelligan, CPA, Powers & Sullivan

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(413) 886-5125 <http://www.springfield-ma.gov>*



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September 2016



Office of Internal Audit

Why We Did This Audit

Commissioner Barbieri requested that the OIA review the policies and procedures related to the SPD's investigative funds.

What We Recommend

We made the following recommendations:

- The Business Office assume the bookkeeping function from the Bureau, record the investigative fund activity in MUNIS, and periodically distribute activity reports to SPD management for review.
- Require the presence of another officer when disbursing funds to confidential informants.
- Restrict access to an Officer's safe drawer to authorized individuals, and change safe combination codes and drawer keys upon personnel changes.
- Establish a dollar threshold for a single transaction requiring a supervisor's approval prior to fund disbursement.
- Evaluate the appropriate amount of investigative funds to have on hand.
- Comply with operating procedures by having Compensation Forms approved by supervisors.

(Continued on page 2)

Review of the Springfield Police Department's Investigative Funds Highlights

Review Results

After reviewing documents provided by the Springfield Police Department (SPD), we found that the accounting records fairly and accurately reflect the activity of the investigative funds program. The majority of transactions were properly approved by SPD management and made in accordance with the requirements of the SPD with no anomalies noted. However, there are some areas where improvements are needed to ensure best practices are followed. Those areas are described on page 2 under the section "What We Found."

Also during our inventory/count of the investigative funds on March 31, 2016, we noted that all of the investigative funds in the officers' possession and in the safe were accounted for.

Background

The Narcotics Bureau is a component of the Strategic Impact Unit of the Springfield Police Department. It includes narcotics, liquor violations, licensing for transient vendors, street hawkers, and sex crimes. To support the Bureau's narcotics related investigations, investigative funds, which the Narcotics Bureau refers to as "buy money," are used to purchase illegal narcotics, alcohol, and to compensate confidential informants. Uses of such funds are reported on a "Compensation Form." Buy money is funded by the Springfield Police Department's share of forfeited seized cash, which is accounted for in a separate fund in MUNIS, the City's accounting system.

Objectives and Scope

This report represents Phase III (Review of Investigative Funds) and the last phase of our review of the policies and procedures related to the Springfield Police Department's Seized Cash and Investigative Funds. Phase I (Understanding and Inventory/Count of Seized Cash) of our review was covered under a separate report which was issued in February 2016. Phase II (Transactional Testing of Seized Cash) of our review was suspended upon the SPD's discovery of discrepancies related to seized cash in the narcotics evidence room on which the Massachusetts Attorney General's investigation resulted in several indictments of a former SPD employee.

(Continued on page 2)

What We Recommend (continued)

- Update the SPD's Investigative Funds policy to reflect current operating practices, including the remediation of the findings discussed in this report.

For more information, contact Yong Ju No at (413)784-4844 or yno@springfieldcityhall.com

Objectives and Scope (continued)

The objectives of this review were as follows:

- To determine the adequacy and effectiveness of internal controls over investigative funds.
- To evaluate compliance with departmental procedures.
- To verify the cash in the possession of the Narcotics Bureau in regards to investigative funds.

Our review covered the period from July 1, 2014 through December 31, 2015.

What We Found

The areas that need improvement include the following:

- Custody and recording of the investigative funds are performed by the same individual.
- Disbursements are made to confidential informants without the presence of another officer to witness the transaction.
- Officers' safe drawers in which investigative funds are kept are accessible by other officers.
- Investigative fund activity is not recorded in MUNIS, the City's accounting system.
- The SPD lacks a mechanism to monitor investigative fund activity.
- A dollar threshold for a single transaction requiring a supervisor's approval is unestablished.
- The appropriate amount of investigative funds to have on hand is unknown.
- Some Compensation Forms were incomplete.
- The SPD's Investigative Funds Policy is outdated.



INTRODUCTION

Chapter 468 of the Acts of 2008 authorizes the Director of Internal Audit to examine the records of the City and its departments to prevent and detect waste, fraud and abuse and to improve the efficiency, effectiveness and quality of public services provided in and by the City. In accordance with this legislation, all offices and employees of officers, boards, commissions, agencies and other units of City government are required to comply with requests for information or access to systems and records by the Office of Internal Audit (OIA). The following review aligns the authority and goals of the OIA with those of the City. Specifically, this audit addresses the City's values related to accountability such as integrity, fiscal responsibility and transparent practices. The audit also supports the City's strategic priorities ensuring operational excellence, fiscal health and sustainability in all divisions, departments, programs and activities.

This report is not intended to be an adverse reflection of the City or of its department. The intent is for City management to utilize these findings and recommendations to help in making future well-informed strategic decisions while ultimately meeting City objectives.

BACKGROUND

In 2014, Commissioner Barbieri asked the Office of Internal Audit to review the policies and procedures related the Springfield Police Department's (SPD) investigative funds in conjunction with our review of the policies and procedures in the Springfield Police Department's evidence rooms as related to cash in the custody of the SPD. Our review of these policies and procedures was designed to be performed in three phases: Phase I – Understanding and Inventory/Count of Seized Cash; Phase II: Transactional Testing of Seized Cash; and Phase III: Review of Investigative Funds. Phase II was suspended upon the SPD's discovery of discrepancies related to seized cash in the narcotics evidence room on which the Massachusetts Attorney General's investigation resulted in several indictments of a former SPD employee. In February 2016, the OIA issued the report on the review of the SPD's seized cash related to Phase I. As such, this report covers Phase III of our review.

The Narcotics Bureau (Bureau) is a component of the Strategic Impact Unit of the Springfield Police Department. It includes narcotics, liquor violations, licensing for transient vendors, street hawkers, and sex crimes. To support the Bureau's narcotics related investigations, investigative funds, which the Narcotics Bureau refers to as "buy money," are used to purchase illegal narcotics, alcohol, and to compensate confidential informants. Uses of such funds are reported on a "Compensation Form." Buy money is funded by the Springfield Police Department's share of forfeited seized cash, which is accounted for in a separate fund in MUNIS, the City's accounting system.

Total buy money expenditures amounted to approximately \$41,000 for the fiscal year ended June 30, 2015. For the six month period ended December 31, 2015, total buy money expenditures amounted to approximately \$25,000 (or \$50,000 annualized).



OBJECTIVES, SCOPE, AND METHODOLOGY

Objectives

The objectives of this review were as follows:

- To determine the adequacy and effectiveness of internal controls over investigative funds.
- To evaluate compliance with departmental procedures.
- To verify the cash in the possession of the Narcotics Bureau in regards to investigative funds.

Scope

The scope of the review covered the period from July 1, 2014 through December 31, 2015, and as of March 31, 2016.

Methodology

The following methodology was used in completing the review:

- Obtained an understanding of process and procedures, performed counts of buy money in the possession of authorized officers, reviewed written policies,
- Interviewed appropriate officers, observed work functions,
- Sampled and tested buy money expenditures , and
- Counted buy money in the possession of the Narcotics Bureau as of March 31, 2016.

THE RESULT OF THE INVESTIGATIVE FUNDS INVENTORY/COUNT

During our inventory/count of the investigative funds on March 31, 2016, we noted that all of the investigative funds in the officers' possession and in the safe were accounted for.

After reviewing documents provided by the SPD, we found that the accounting records fairly and accurately reflect the activity of the investigative funds program. The majority of transactions were properly approved by SPD management and made in accordance with the requirements of the SPD with no anomalies noted. However, there are some areas where improvements are needed to ensure best practices are followed.

Our findings and related recommendations are in the following sections of the report . The Springfield Police Department was given the opportunity to respond to the findings. The departmental responses are incorporated into the report following each finding and recommendation.



FINDINGS AND RECOMMENDATIONS

Finding 1: Same Individual Has Access to Investigative Funds and Maintains the Records

Custody and recording of the investigative funds were performed by the same individual. Sound internal controls require that the individual who has access to cash should not also record the cash transactions. S/he should be separate from the person who controls the books where the cash transactions are recorded. The purpose is to ensure that all additions to and withdrawals from cash are properly recorded and accounted for, thus preventing or deterring theft or other irregularities. Without a proper separation of duties, the investigative fund records can be altered to agree with cash on hand, resulting in missing funds going undetected.

Recommendation

The investigative fund records should be maintained by an individual other than the fund custodian. We recommend that the records be kept by the Business Office who should provide periodic reports to the Captain in charge of the Bureau and SPD management for review (see Finding 5).

Management Response

Agree. The Director of Business and Technology will develop procedures for maintaining all confidential funds and this will be included in an updated policy and procedure.

Finding 2: Protocols for Disbursing Funds to Confidential Informants Are Not Followed

Based on our interviews with officers involved in the buy money process, we noted that an officer disburses funds to confidential informants without the presence of another officer to witness the transaction. According to Item 7, Section 5 of the Springfield Police Department's Operating Procedures regarding Confidential Informants, an officer should be accompanied by another officer when meeting with a confidential informant. Transactions involving only one officer with a confidential informant may lead to discrepancies in amounts disbursed, such as theft. Also, the confidential informant may communicate false discrepancies when only one officer is involved. The presence of another officer during a transaction with the confidential informant mitigates the risk of such discrepancies as s/he is able to confirm amounts disbursed.

Recommendation

The Bureau should comply with its operating policy by having another officer present when disbursing funds to a confidential informant.

Management Response

Agree. SPD policy will be updated and enforced.

**Finding 3: Physical Security of Investigative Funds Needs Improvement**

During the review, we noted that investigative funds are maintained by authorized officers within their individual locked drawers inside a locked safe that is locked in one of the senior officer's office. The safe itself is secure, however, each officer's drawer is accessible by other officers having access to the safe. Without restricting access to individual officer's drawers, there is an opportunity for misappropriation of funds without the ability to easily identify the person committing the theft.

Recommendation

Each officer who maintains investigative funds should lock their drawer with access restricted to only the higher ranking official and themselves. Also, the SPD should change combinations and keys upon any change in key personnel who had access to investigative funds.

Management Response

Agree. All locks will be changed and this procedure will be added to SPD policy.

Finding 4: Investigative Fund Activity Is Not Recorded in MUNIS

Currently, the investigative fund activity is recorded by the Captain and certain officers who are custodians of such funds on either ledger paper or notebooks. Under these procedures, investigative funds are essentially maintained "off the books." There is no control-account total posted to the City's general ledger, MUNIS, against which funds activity can be reconciled and/or against which the fund custodians can be held accountable. The lack of recording transactions on the City's ledger places these funds at an elevated risk of theft.

Recommendation

The Business Office should record the investigative fund activity in MUNIS and work with the City Comptroller to establish corresponding control account(s) and totals against which cash on hand and associated activity can be regularly reconciled.

Management Response

Agree. The Director of Business and Technology will develop procedures to record all transaction in MUNIS.

**Finding 5: The SPD Lacks a Mechanism to Monitor Investigative Funds**

We noted that there was no reporting of investigative fund activity to SPD management. The lack of monitoring of activities by management may lead to theft/ irregularities going undetected.

Recommendation

The Bureau should establish reporting protocols, develop, and implement an elemental level of reporting that would provide SPD management with basic fund information necessary to allow for high level of monitoring.

Management Response

Agree. SPD will develop reporting and oversight into a policy.

Finding 6: Transaction Dollar Threshold Requiring a Supervisor's Approval Is Unestablished

During the review, we noted that there was no established limit which required a supervisor's approval to compensate a confidential informant for a single transaction. We did note that there is often a verbal approval obtained from a supervisor for large transactions. The lack of supervisor's approval may lead to unauthorized transactions.

Recommendation

We recommend that the Bureau establish transaction thresholds requiring a supervisor's approval prior to compensating a confidential informant.

Management Response

Supervisors will approve all compensation amounts. This will be part of the SPD policy.

Finding 7: The Appropriate Amount of Investigative Funds to Have on Hand is Unknown

There was no evaluation of the appropriate amount and the necessity of amounts in relation to the Narcotics Bureau's activities /uses of such funds. Excess cash on hand exposes the SPD to the risk of theft.

Recommendation

The Bureau should perform an evaluation of how much cash on hand is needed based on its operations. Any excess funds should be kept on deposit with the City's bank.

Management Response

Agreed. SPD will work with Strategic Impact Unit Commander and supervisors to identify appropriate amount of cash to be on hand and incorporate that into a policy.

**Finding 8: Some Compensation Forms Were Inconsistent**

During our review of a sample of 778 Compensation Forms, we noted that there were some inconsistencies and/or a lack of completeness including:

- 6 missing the supervisor's approval, and
- 2 missing the requesting officer's name and signature.

The Bureau's operating procedures requires the completion and approval of all Compensation Forms. Incomplete forms may lead to unauthorized transactions and are not in compliance with the Bureau's operating procedures.

Recommendation

The supervising officer should review and approve Compensation Forms to ensure completeness and compliance with the SPD's operating procedures.

Management Response

Agreed. A supervisor will approve all compensation forms and this will be put into SPD policy.

Finding 9: The SPD's Investigative Funds Policy is Outdated

The SPD's Investigative Funds Policy does not reflect its current operating procedures. An essential element of internal control is a formalized system of documentation and authorization, which can be achieved through the establishment of written policies and procedures. Formal policies and procedures communicate management's expectations and intentions, and provide employees with guidance to carry out tasks in an effective and efficient manner. A lack of formal, updated written policies and procedures can lead to individual interpretation creating a risk of inconsistent job performance or reduced efficiency.

Recommendation

The SPD should update its policies and procedures to reflect its current practices, including the remediation to address the findings discussed in this report.

Management Response

Agreed. SPD Investigative Fund policy will be completely updated to include all the audit findings.