

LOS ANGELES POLICE COMMISSION

***REVIEW OF DEPARTMENT'S CASH
MANAGEMENT AND CONTROL – UNCLAIMED
MONIES SEIZED ACCOUNT AUDIT
(Fiscal Year 2009/2010)***



Conducted by the

OFFICE OF THE INSPECTOR GENERAL

NICOLE C. BERSHON
Inspector General

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PURPOSE

The Office of the Inspector General (OIG), pursuant to its Annual Audit and Review Plan, reviewed the Los Angeles Police Department's (Department) Cash Management and Control – Unclaimed Monies Seized Account Audit that was conducted by Internal Audits and Inspections Division (IAID). This Audit was completed by IAID in the First Quarter, Fiscal Year 2009/2010 and received by the OIG on November 19, 2009. This review assessed the completeness, quality and findings of the Department's Audit.

BACKGROUND

The Cash Management and Control - Unclaimed Monies Seized Account Audit (Audit) is the first IAID Fiscal Audit Section audit that the OIG has reviewed. The scope of IAID's Audit covered cash that was seized as evidence of a crime.

The Department is responsible for tracking and safeguarding cash seized as evidence of a crime, as well as adhering to State and local regulations to escheat, or take ownership of, unclaimed cash. When an arrest is made, cash seized is transferred to Property Division (PD), who books the cash and enters the amount into the Automated Property Information Management System (APIMS). Cash seized as evidence may later be released to the rightful owner in the following situations: (1) the case was not presented to the City Attorney/District Attorney for filing, (2) the case was rejected, or (3) the court ordered release of the cash. PD requires a court order or authorization from the investigating officer before releasing the cash. Once authorization is obtained, PD notifies the rightful owner.

According to Department guidelines, PD maintains unclaimed cash for 60 days from the date it is seized before transferring the cash into the Department's Unclaimed Monies Seized Account (Checking Account), where it is commingled with cash seized from other criminal investigations. Fiscal Operations Division (FOD) has the accounting responsibility for this Checking Account. Based on Department guidelines and unless claimed by the owner, cash remains in this Checking Account for 180 days before being eligible for transfer to the Unclaimed Monies Seized Incidental Arrest Trust Fund (Trust Fund).

IAID's Audit examined cash handled and processed through the Checking Account from January through September of 2008, to assess the adequacy of cash controls. Additionally, bank and APIMS account reconciliations were reviewed to determine whether adequate accounting and monitoring existed.

IAID concluded that the Department generally followed established control procedures over cash processed through the Checking Account. Seized cash was accurately recorded in APIMS,

releases and transfers of cash were authorized and in compliance with the City guidelines, and seized cash was physically secured.¹

Results of IAID’s audit objectives/sub-objectives are as follows:

IAID’s Audit Objectives /Sub-objectives		Met the Standards?
Objective No. 1 – Completeness and Accuracy		
a.	Seized cash was recorded accurately in APIMS.	Yes (100% 23/23)
Objective No. 2 – Authorization		
a.	Releases of cash were authorized.	Yes (100% 21/21)
b.	Transfers of cash were authorized.	Yes (100% 4/4)
Objective No. 3 – Compliance with Policies		
a.	Transfers to the Trust Fund occurred at least 180 days after the cash was seized.	Yes (100% 1213/1213)
Objective No. 4 – Safeguarding of Assets		Yes
Objective No. 5 – Accounting and Monitoring		
a.	Bank Reconciliations were prepared accurately and timely.	No (56% 5/9)
b.	Reconciliations between APIMS and the Department’s accounting records were prepared accurately and timely.	No (0% 0/4)
c.	Reconciliations were reviewed and approved by FOD supervisors.	No ²

METHODOLOGY

The OIG tested IAID’s objectives/sub-objectives and utilized IAID’s entire sample group. The samples tested by IAID and reviewed by the OIG included:

- Cash seized from 23 arrests. The 23 arrests represent all arrests with cash seized as evidence that occurred from January 2008 through September 2008.³
- A random sample of 21 disbursements from the Checking Account to the rightful owners that occurred from July 2008 through September 2008.
- All four transfers from the Checking Account and to the Trust Fund which occurred from July 2008 through September 2008.⁴

¹ The City of Los Angeles Administrative Code, section 5.112(c), requires the Department to transfer funds from the Checking Account to the Trust Fund to initiate escheatment when: (1) the rightful owner of the cash is not known to the Department, (2) the Department has first held the cash in custody for 180 days, and (3) it has been determined that the cash is not going to be used in any criminal prosecution.

² A meaningful compliance rate was not calculated by IAID as the test objective examined the review of both the monthly bank reconciliations (9) and the quarterly APIMs reconciliations (4).

³ Note that some tests conducted by IAID as part of their Audit covered the nine-month period of January through September of 2008 while other Audit tests covered the three-month period of July through September of 2008.

⁴ Although the sample included only four transfers for testing, this sample constituted 100 percent of transfers made during the three month sample period for the unclaimed money in the Checking Account that was authorized to be transferred to the Trust Fund. There is low risk for this objective since the money that is transferred from the Checking Account must be authorized by PD before FOD can transfer the money to the Trust Fund, both of which are controlled by FOD.

- Nine monthly Checking Account bank reconciliations for the period from January 2008 through September 2008.
- Four quarterly financial reconciliations that occurred from the fourth quarter of 2007 through the third quarter of 2008. The reconciliations balanced FOD's accounting records and APIMS accounting records.

The OIG conducted this review in accordance with generally accepted government auditing standards. These standards require that the review is adequately planned, performed and supervised, and that sufficient, appropriate evidence is examined to provide a reasonable basis for the results and conclusion.

OBJECTIVES

The OIG reviewed the Audit for three objectives: completeness, quality and findings. The primary sub-objectives are described below:

Completeness

- Determine if the Audit tested and reported compliance for all objectives/sub-objectives used to evaluate the handling of cash seizures processed through the Checking Account.
- Determine if the audit samples were selected from complete populations.

Quality

- Determine if appropriate sampling methodologies and testing questions were used.
- Determine if there was evidence of adequate supervisory review of the Audit.
- Determine if the Audit completely and accurately reported the Audit's purpose, methodology, objectives, results, and detailed findings.

Findings

- Determine if the reported findings correctly represented significant instances in which compliance was not achieved.
- Determine if there were any additional findings not reported that represented significant instances in which compliance was not achieved.

RESULTS

Completeness

The Audit tested and reported compliance for each objective/sub-objective used to evaluate the handling of cash seized as evidence, and IAID selected the Audit samples from complete populations. As such, the Audit met the OIG's standard for completeness.

Quality

Appropriate sampling methodologies and testing questions were used, and there was evidence that adequate supervisory review was provided. Furthermore, the Audit completely and accurately reported the Audit's purpose, methodology, objectives, results, and detailed findings. As such, the Audit met the OIG's standard for quality.

Findings

The findings that were reported were correctly and completely identified for instances in which compliance was not achieved. The OIG concurred with each finding reported by IAID. As such, the Audit met the OIG's standard for findings.

OTHER MATTERS

Investigative Hold of Cash Seizures

Cash seizures under investigative hold are not subject to transfer from the Checking Account to the Trust Fund without investigator authorization. As such, seized cash has been held in the Checking Account for up to 22 years awaiting authorized release. Currently, total funds held in the Account exceed 2.5 million dollars.

RECOMMENDATION

As escheatment of funds to the City of Los Angeles can only occur after cash is transferred from the Checking Account to the Trust Fund, it is fiscally responsible to transfer funds as they become available. As the cash in the Checking Account has been commingled with additional account funds and lost any critical evidentiary value that may have existed, holding cash in the Checking Account beyond the required 180 days may not have practical value. Therefore, the OIG recommends that the Department review the protocols for maintaining seized cash on investigative hold in the Checking Account to determine the necessity of the practice.

FISCAL OPERATION DIVISION MANAGEMENT'S REPOSE

FOD management expressed general agreement with the OIG Audit. FOD noted that they are currently addressing procedures to improve accounting and monitoring of bank reconciliations.

PROPERTY DIVISION MANAGEMENT'S RESPONSE

PD management expressed general agreement with the OIG Audit.

IAID MANAGEMENT'S RESPONSE

IAID management expressed general agreement with the OIG Audit.

CONCLUSION

The OIG's review of IAID's eight Audit objectives revealed that IAID appropriately identified and reported all significant findings. Overall, the OIG concluded that the Audit was complete, of good quality, and the findings were supported and appropriately reported.