May 31, 2013

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Councilwoman, District 9

Carlton Soules  
Councilman, District 10

SUBJECT: Audit Report for the San Antonio Police Department Confidential Informant Funds

Mayor and Council Members:

We are pleased to send you the audit report of San Antonio Police Department Confidential Informant Funds. This audit began in February 2013 and concluded with an exit meeting with department management in May 2013. Management’s verbatim response is included in Appendix B of the report. The San Antonio Police Department management and staff should be commended for their cooperation and assistance during this audit.

The Office of the City Auditor is available to discuss this report with you individually at your convenience.

Respectfully Submitted,

Kevin W. Barthold, CPA, CIA, CISA  
City Auditor  
City of San Antonio
Distribution:

Sheryl L. Sculley, City Manager
Erik Walsh, Deputy City Manager
William McManus, Chief of Police
Steven Baum, Assistant Police Director
Dennis Rosenberry, Administrative Services Officer
Ben Gorzell, Chief Financial Officer
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Edward Benavides, Chief of Staff, Office of the City Manager
Donald Crews, Audit Committee Member
Stephen S. Penley, Audit Committee Member
Executive Summary

As part of our annual Audit Plan, we conducted an audit of the San Antonio Police Department’s (SAPD) confidential informant funds. The audit objective, conclusion, and recommendations follow:

Are SAPD funds used for the confidential informant program properly managed?

Yes, since the implementation of new controls in the spring of 2012, the SAPD has had adequate controls to ensure confidential informant fund payments are approved by appropriate personnel and adequately documented. Additionally, the SAPD developed monitoring controls to ensure that confidential informant cash funds assigned to various units were reviewed by supervisors and counted by Fiscal Operations staff each month. However, we found opportunities to improve some monitoring controls. Specifically, we identified instances in which monthly surprise counts or monthly supervisor reviews were not conducted or documented as required by SAPD policies and standards.

The Chief of Police should:

- ensure all assigned and reassigned funds are counted at least once per quarter by Fiscal Operations staff.
- reinforce policies requiring monthly spot audits by unit supervisors and ensure that each supervisor knows how to properly document those audits.
- ensure that all documentation of audits and surprise counts is completed prior to filing.

SAPD management’s verbatim response is provided at Appendix B on page 6.
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Background

The mission of the San Antonio Police Department (SAPD) is to improve citizens’ quality of life by creating a safe environment in partnership with the people they serve. To facilitate this mission, SAPD performs undercover or covert operations that utilize confidential informants in order to obtain information needed to curb crime and solve criminal cases. Covert units require quick access to cash in order to pay informants for information or purchase evidence (e.g. drugs, counterfeit goods, etc.). An SAPD fiscal operations manager is the primary petty cash custodian for the department and is responsible for the department’s $78,125 confidential informant cash fund. The program is structured such that the Fiscal Operations Manager retains $29,125 to replenish unit funds as needed, with the remainder assigned to various unit commanders. These cash custodians have the option of reassigning portions of their funds to secondary cash custodians within their respective units, to ensure cash is readily available for detectives during any shift.

Audit Scope and Methodology

The audit scope includes confidential informant fund transactions and supporting documentation dated between March 2012 and February 2013. In some instances, auditors expanded the scope to also include March 2013.

To obtain an understanding of the confidential informant program, we interviewed uniformed SAPD personnel who work in or oversee undercover units. We also interviewed Fiscal Operations personnel whose daily responsibilities include the management, monitoring, and/or accounting of confidential informant funds.

To establish criteria for testing, we reviewed City Administrative Directives 8.1 Cash Handling and 8.5 Petty Cash, as well as unit policies and procedures. We also reviewed standards from the Commission on Accreditation for Law Enforcement Agencies (CALEA)\(^1\) related to confidential informant funds. Finally, we interviewed SAPD management to understand their expectations relating to the management of funds.

To verify that payments from and replenishments to cash funds were adequately supported and properly authorized, we tied a number of payments and replenishments to supporting documentation, including itemized lists of payments

\(^1\) CALEA is an accreditation program that provides public safety agencies an opportunity to voluntarily demonstrate that they meet an established set of professional standards. Such standards help strengthen the agency’s accountability to the community by clearly defining authority, performance and responsibilities. Per SAPD management, the department received Advanced Accreditation status in July 2011 and will be reviewed every three years for reaccreditation.
Audit of the San Antonio Police Department – Confidential Informant Funds

and petty cash vouchers that were reviewed and signed by authorized personnel before being submitted for replenishment. Specifically, we tested a judgmental sample of 66 out of a combined total of 609 entries from cash custodians’ ledger books\(^2\) between April 2012 and March 2013. Additionally, we tested a random sample of 14 out of 85 confidential informant fund expenses\(^3\) posted to SAP between March 2012 and February 2013. Finally, we tested a random sample of 2 out of 10 payments made by the Finance Department to the Fiscal Operations Manager to replenish SAPD’s petty cash and confidential informant funds.

To determine whether management was effectively monitoring funds, we observed Fiscal Operations personnel conduct surprise cash counts at several unit locations and reviewed documentation for all monthly surprise cash counts conducted between June 2012 and February 2013. We also performed several independent cash counts while meeting with and interviewing cash custodians. Finally, we interviewed and reviewed supporting documentation provided by Fiscal Operations personnel and uniformed supervisors who are responsible for conducting quarterly cash handling audits and monthly spot audits\(^4\) respectively.

We examined controls over the review of confidential informant fund expenses to determine their effectiveness in providing reasonable assurance that the expenses were appropriate. To do this, we interviewed supervisors regarding their reviews of documentation submitted by cash custodians in order to authorize replenishment of spent funds. In conjunction with test work described above, we reviewed case reports and interviewed cash custodians regarding selected payments to ensure they were in line with the units’ respective missions. Upon determining that supervisors were conducting effective reviews and appropriate personnel were authorizing replenishments, we tied total payments per ledger books to total confidential informant fund expenses posted to SAP and total replenishments to funds between April 2012 and February 2013. To verify that funds were properly secured, we observed that cash custodians kept funds in locked cabinets or safes. We noted that access was typically limited to only the cash custodian, or to the custodian and his/her immediate supervisor.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives.

\(^2\) Since March 2012, ledger books have been issued to cash custodians to track payments, or “IOUs”, issued to detectives to pay informants. Ledger book entries include the date, amount, and purpose of each IOU, as well as the associated case number and/or the date and amount of any cash returned to the cash custodian.

\(^3\) Expense amounts posted to SAP corresponded to petty cash vouchers submitted to Fiscal Operations for replenishment of confidential informant funds. Each of these amounts included multiple payments made by detectives over a period of time.

\(^4\) Per unit policy, supervisors are required to conduct monthly spot audits, whereby they review cash custodian ledger books, select at least one outstanding “IOU”, and follow up with the detective to whom the IOU was issued to verify legitimacy.
Audit Results and Recommendations

A. Monitoring Controls

Although SAPD has developed effective monitoring controls over confidential informant funds, the controls are not being carried out as originally designed. Funds reassigned by primary cash custodians to members of their respective units were not being monitored as frequently as required by unit policies and SAPD standards. Also, supporting documents for some monitoring actions were incomplete in several instances.

In 2012, SAPD management implemented policies requiring Fiscal Operations staff to conduct weekly counts of the Fiscal Operations Manager's fund, plus quarterly cash handling audits and monthly surprise cash counts of confidential informant funds assigned to covert units. Also, according to unit policies, primary and secondary cash custodian supervisors are required to conduct monthly spot audits of outstanding "IOUs" recorded in ledger books to ensure cash is appropriately disbursed to undercover detectives. These policies and procedures support CALEA standards, which require a quarterly accounting of agency cash activities, enabling supervisors to closely monitor all cash accounts.

We determined that Fiscal Operations staff missed cash counts due to unavailability of unit cash custodians at the time fiscal staff attempted to conduct the counts. Counts are typically done during staff's normal working hours, which do not always correspond to cash custodian working hours. Consequently, cash custodians who usually work night shifts or other odd hours were not audited at times.

Additionally, based on available documentation, we determined that unit supervisors had missed over 40 percent of the monthly ledger book spot audits they were required to perform according to unit policy. We found that some unit commanders were not aware of the requirement to conduct monthly audits until recently, or did not adequately document their reviews. However, as other monitoring controls (i.e. monthly surprise cash counts and quarterly cash handling audits) are fully implemented, they will help ensure cash funds are reviewed on a regular basis, thus mitigating risks resulting from missed spot audits.

We also identified two instances out of 44 where supporting documents for monthly cash counts were incomplete, but were accepted and filed by Fiscal Operations management.

Funds that are not regularly monitored are at greater risk of being misused, lost, or stolen.
Recommendation

The Chief of Police should:

- ensure all assigned and reassigned funds are counted at least once per quarter by Fiscal Operations staff.
- reinforce policies requiring monthly spot audits by unit supervisors and ensure that each supervisor knows how to properly document those audits.
- ensure that all documentation of audits and surprise counts is completed prior to filing.
Appendix A – Staff Acknowledgement

Mark Bigler, CPA-Utah, CISA, CFE, Audit Manager
Bruce Coleman, CIA, Auditor in Charge
Appendix B – Management Response

May 23, 2013

Kevin W. Barthold, CPA, CIA, CISA
City Auditor
San Antonio, Texas

RE: Management’s Corrective Action Plan for the Confidential Informant Funds Audit

The San Antonio Police Department (SAPD) has reviewed the audit report and has developed the Corrective Action Plans below corresponding to reported recommendations.

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Description</th>
<th>Audit Report Page</th>
<th>Accept, Decline</th>
<th>Responsible Person’s Name/Title</th>
<th>Completion Date</th>
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<tbody>
<tr>
<td>A</td>
<td>Monitoring Controls</td>
<td>4</td>
<td>Accept</td>
<td>Steven W. Baum, Assistant Police Director</td>
<td>06/14/2013</td>
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<td>The Chief of Police should:</td>
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<td>• Ensure all assigned and reassigned funds are counted at least once per quarter by Fiscal Operations staff.</td>
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<td>• Reinforce policies requiring monthly spot audits by unit supervisors and ensure that each supervisor knows how to properly document those audits.</td>
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<td>• Ensure that all documentation of audits and surprise cash counts is completed prior to filing.</td>
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<td>Action plan:</td>
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<td>Beginning Oct 1, 2012, the Department implemented a monthly audit for all funds. There were a total of fifty-three (53) audits performed on the total eighteen (18) funds in the department from the period of November 2012-April 2013. In addition, the Department recognizes a total of five (5) funds were not counted due to the cash custodian's schedule. We have amended the audit process to ensure all funds will be counted at least quarterly and scheduled, if necessary, to meet the once per quarter deadline.</td>
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<td>In order to prevent funds from going unaudited in the future, an audit spreadsheet has been prepared listing all funds, priority assignee and delegates with assigned cash amounts. The spreadsheet will be kept with the monthly audit documentation after audits are completed and also kept electronically for reference during the next quarter. If the Accountant is unable to audit a fund during the first two months of the quarter, an appointment will be scheduled with the Captain over the section to ensure compliance. The Accountant will also flex hours so there is the ability to audit all funds without impacting the unit operations. This process will ensure all funds are audited at least once per quarter as required for Accreditation and to reduce the potential for misuse.</td>
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<td>The Department will conduct refresher training with all supervisors who have been assigned a petty cash ledger book to ensure they fully understand the process of conducting and documenting spot audits. Additionally, the Department will ensure that section commanders and unit directors reinforce the policies requiring spot audits by tracking the audits on a spreadsheet to ensure that required spot audits have been conducted on a monthly basis.</td>
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<td>Lastly, the documentation for the surprise and cash handling audits will now be signed by the Department Fiscal Administrator after an audit is performed, in order to prevent audits from being filed prior to completion of all documentation.</td>
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<td>The Assistant Police Director will review and sign the monthly audit reports to assure compliance with policies and procedures.</td>
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We are committed to addressing the recommendations in the audit report and the plan of actions presented above.

Sincerely,

William McManus
Chief of Police
San Antonio Police Department

Erik Walsh
Deputy City Manager
City Manager's Office

23 May 13

5/23/13