

Fort Worth



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<sup>†</sup> Audit Committee Chair

<sup>††</sup> Audit Committee Member

**Police Unclaimed Funds  
Audit Report**

August 7, 2020



**City of Fort Worth  
Department of Internal Audit**

200 Texas Street  
Fort Worth, Texas 76102

**Audit Staff**

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**The Police Unclaimed Funds Audit was conducted as part of the Department of Internal Audit's Fiscal Year 2020 Annual Audit Plan.**

**Audit Objective**

The objective of this audit was to ensure that monies accounted for as a liability in the City's unclaimed funds account did not represent funds that could be recognized as City revenue and/or paid to another agency or individual.

**Audit Scope**

Our audit included a review of financial transactions supporting the Police Unclaimed/Known general ledger liability account balance at September 30, 2019. Activity beyond this period was reviewed as deemed necessary.

**Opportunities for Improvement**

Timely processing of unclaimed funds awarded to the City of Fort Worth

Discontinued escheatment of police unclaimed funds

Timely processing of unclaimed funds awarded to individuals and/or entities other than the City of Fort Worth

Conversion of money with no known owner to revenue, when appropriate

Additional automation of recordkeeping processes

Updated policies and procedures

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**Executive Summary**

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As part of the Fiscal Year 2020 Annual Audit Plan, the Department of Internal Audit conducted a Police Unclaimed Funds Audit. Based on our audit test results, the process by which the Fort Worth Police Department tracked and monitored funds within the Police Unclaimed/Known general ledger liability account did not ensure timely recognition of revenue or timely distribution to other agencies and/or individuals.

We concluded that \$768,352.86, awarded to the City of Fort Worth, had not been transferred from the Police Unclaimed/Known general ledger liability account to City revenue. However, journal entries were processed to transfer a total of \$418,394.50 during the audit. In addition to the \$768,352.86, court orders specified payments (for three cases, totaling \$10,336.50) to Tarrant County and to one individual. However, the \$10,336.50 remained in the Police Unclaimed/Known general ledger liability account balance at September 30, 2019.

Our review of state law, and consultation with the City Attorney's Office, resulted in our conclusion that police unclaimed funds are exempt from escheatment requirements. However, the City escheated \$390,802.09 to the Texas State Comptroller between FY2015 and FY2019.

We also identified 148 records (totaling \$17,076.58) on FWPD's unclaimed funds spreadsheet that were noted as "found" money with "no owner". Although, the FWPD's General Orders and Article 18.17 of the Texas Code of Criminal Procedure indicate that the funds may be kept by the City, the money remained in the unclaimed funds account.

Internal Audit concluded that the City's manually-intensive and time-consuming unclaimed funds review process contributed to delays in recognizing revenue, and other errors identified during this audit. We also concluded that the FWPD's written policies and procedures included outdated accounting information.

Our audit findings are discussed in further detail within the [Detailed Audit Findings](#) section of this report. In addition to these audit findings, Internal Audit was unable to determine the proper disposition of approximately \$378,000.00 in the Police Unclaimed/Known general ledger liability account. We, therefore, did not consider this an audit finding, but deemed it necessary to mention within the Audit Results section of this report.

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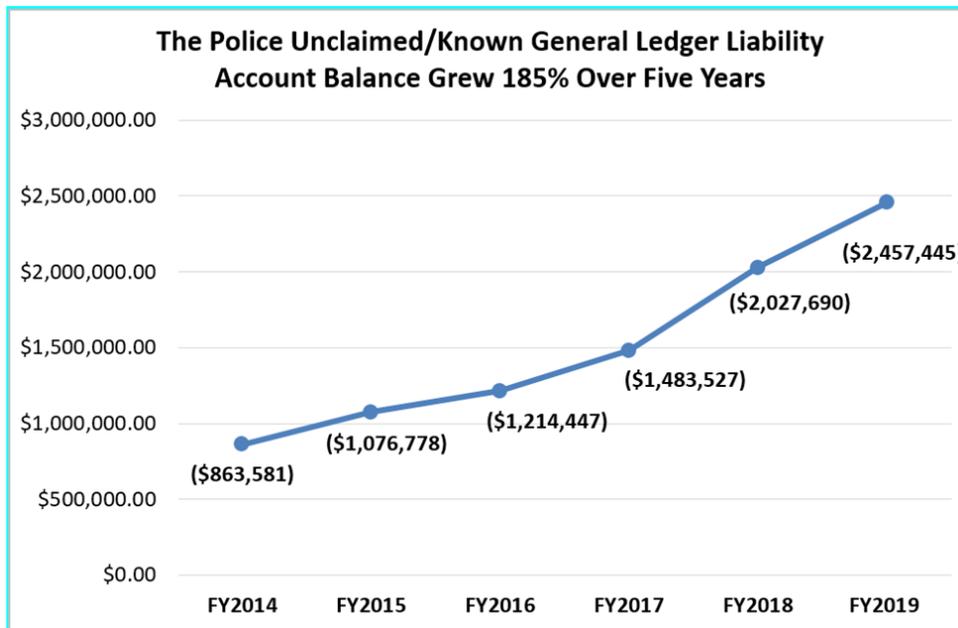
## Background

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The Fort Worth Police Department (FWPD) uses an Excel spreadsheet to track money that is obtained as the result of suspected criminal activity, or found. Officers and detectives typically deliver money to Police Property and Evidence (P&E) staff for deposit and recording.

The FWPD deposits this money into a City of Fort Worth (CFW) bank account. P&E staff prepare an electronic Receipt Distribution Document (eRDD) to record the funds within the City's Police Unclaimed/Known general ledger liability account (hereinafter referred to as the police unclaimed funds account). Funds may subsequently be released to the owner, seized/forfeited under provisions of state law, or retained for use by the FWPD.

The unclaimed funds account balance, at September 30, 2019, was \$2,457,444.85. This balance reflected a 185% growth in the liability account over the past five years. Since some cases may require several years to resolve, related money may remain in the unclaimed funds account for an extended period.



Source: CFW General Ledger

The process of managing and accounting for seized funds requires coordination between Police Officers/Detectives, P&E staff, Police Department fiscal staff and court (municipal and county) personnel.



## Roles and Functions Related to the Police Unclaimed/Known General Ledger Liability Account

Officers/Detectives	Property Control (Property Room)	County or Municipal Court	County Personnel	Police Fiscal Staff
<ul style="list-style-type: none"><li>• Deliver money to Property Room</li><li>• Provide case status updates</li><li>• Coordinate forfeitures/seizures (Coordinators)</li></ul>	<ul style="list-style-type: none"><li>• Prepare deposits</li><li>• Update FWPD police unclaimed funds spreadsheet</li><li>• Update systems &amp; documents for chain of custody</li><li>• Research cases and invoices</li><li>• Mail notices to owners</li><li>• Coordinate payments related to forfeitures</li><li>• Return money to owners after notification</li></ul>	<ul style="list-style-type: none"><li>• Prepare forfeiture judgments (County &amp; Municipal)</li><li>• Prepare disposal orders (Municipal)</li></ul>	<ul style="list-style-type: none"><li>• Request forfeiture holds</li><li>• Receive seized funds from CFW</li><li>• Send checks with CFW share if forfeiture granted</li></ul>	<ul style="list-style-type: none"><li>• Prepare journal entries for Municipal Court awarded funds</li><li>• Receive and deposit forfeited funds checks for County awards</li></ul>

Source: Auditor Generated



## Objective

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The objective of this audit was to ensure that monies accounted for as a liability in the City's unclaimed funds account did not represent funds that could be recognized as City revenue and/or paid to another agency or individual.

## Scope

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Our audit included a review of financial transactions supporting the Police Unclaimed/Known general ledger liability account balance at September 30, 2019. Activity beyond this period was reviewed as deemed necessary.

## Methodology

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To achieve the audit objective, the Department of Internal Audit performed the following:

- conducted interviews with P&E staff;
- reviewed FWPD General Orders and Standard Operating Procedures, the Texas Code of Criminal Procedure, Texas Statutes and CFW Finance Directives;
- reviewed general ledger transactions supporting the Police Unclaimed/Known general ledger liability account balance;
- obtained and analyzed the FWPD's police unclaimed funds spreadsheet; and,
- evaluated internal controls related to police unclaimed funds.

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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.



Chapter XXVIII of the Fort Worth City Charter established the CFW's Department of Internal Audit independent of management, reporting directly to the Fort Worth City Council. We utilized the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework when evaluating internal controls.

The following internal control components and corresponding principles were considered significant to the audit objective. COSO is dedicated to providing thought leadership through the development of frameworks and guidance on enterprise risk management, internal control and fraud deterrence.

<b>Internal Control Component</b>	<b>Principles</b>
Control Environment	Managerial oversight, integrity, ethics and responsibility; staff recruitment, development, retention, performance and accountability
Control Activities	Policies, procedures and systems
Risk Assessment	Clearly-defined objectives to identify risks, define risk tolerances, and implement necessary controls (e.g., written policies and procedures)
Information and Communication	Communication of necessary quality information
Monitoring	Monitoring and evaluating the effectiveness of internal controls



## Audit Results

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Police P&E staff deposited funds, and then recorded those deposits in the Police Unclaimed/Known general ledger liability (police unclaimed funds) account in the accounting system. Supporting documents, observed by Internal Audit, evidenced the FWPD's efforts to maintain records for each deposit. However, our audit testing identified weaknesses in the City's processes that resulted in funds not being promptly converted to City revenue, forwarded to other agencies or released to owners. Additionally, based on our review of state statutes, we concluded that the City unnecessarily escheated unclaimed funds to the State of Texas.

At September 30, 2019, the police unclaimed funds account had a general ledger balance of \$2,457,444.85. Based on our audit results, \$718,891.63 had been awarded to the CFW as of September 30, 2019, but had not been moved from the liability account to a revenue account. An additional \$49,461.23 was awarded to the CFW between October 1, 2019 and November 21, 2019, but also had not been converted to revenue. We identified an additional \$10,336.50 that was due to other entities, but remained in the unclaimed funds account.

General ledger records indicate that from FY2015 through FY2019, the City escheated \$390,802.09 to the State of Texas, although police unclaimed funds are exempt from escheatment requirements. Additionally, we identified over \$200,000.00 in funds that would have been escheated, provided owners were notified but did not claim the money. Based on the City's practice during our audit, the City escheated money that had been in its possession for three years after notifying the owner.

We noted 148 records (totaling \$17,076.58) within the FWPD's police unclaimed funds spreadsheet that were noted as "found" money with "no owner." The \$17,076.58 had not been converted to City revenue, although the FWPD's General Orders and the Texas Code of Criminal Procedure permit the funds to be used. The FWPD's police unclaimed funds spreadsheet indicated that the \$17,076.58 was deposited between February 2016 and September 2019, with deposit amounts ranging from \$0.01 to \$4,379.00.

As previously stated, the FWPD uses an Excel spreadsheet to account for and manage police unclaimed funds. However, the volume of records within the spreadsheet, combined with manual monitoring, made the spreadsheet vulnerable to human error, and contributed to the findings in this report. We also concluded that Standard Operating Procedures for the P&E Section contained outdated financial accounting information.

In addition to the findings noted within this report, Internal Audit was unable to determine whether the FWPD had taken necessary/required action to properly resolve the following cases.

### *Gambling Seizure Cases*

The FWPD's police unclaimed funds spreadsheet indicated that between FY2015 and FY2019, a total of \$366,759.91 was seized from 473 "gambling" cases. The spreadsheet did not indicate, and Internal Audit was unable to determine, whether the cases were filed for forfeiture or resolved.



### Gambling Cases

Invoice Date	Amount
FY2015	\$34,320.00
FY2016	128,376.00
FY2017	81,247.09
FY2018	52,529.82
FY2019	70,287.00
<b>Total</b>	<b>\$366,759.91</b>

Source: FWPD Unclaimed Funds Spreadsheet

#### *Balances Remaining After Court Rulings*

Although forfeiture hearings were held to resolve nine cases totaling \$37,068.90, Court rulings only addressed the disposition of \$33,654.00 of the \$37,068.90. Disposition of the remaining \$3,414.90 could not be determined.

#### *City Ordinance-Related Cases*

Balances, totaling \$1,468.50, for closed City Ordinance violation cases remained in the police unclaimed funds account at September 30, 2019. The following table categorizes these funds, based on the fiscal year in which the money was submitted to the Police Property Room, per notes within the FWPD police unclaimed funds spreadsheet. It should be noted that we identified an additional \$1,668.37 in City Ordinance violation records for which the case statuses (e.g., closed, warrant, etc.) were not determined.

### City Ordinance Cases - Closed

Invoice Date	Amount
FY2013	\$89.05
FY2014	520.98
FY2015	329.95
FY2016	522.14
FY2017	6.38
<b>Total</b>	<b>\$1,468.50</b>

Source: FWPD Unclaimed Funds Spreadsheet

#### *Deceased Owners*

According to the FWPD's police unclaimed funds spreadsheet, a total of \$4,626.14 belonged to deceased owners. Although section 403.3 of the Property and Evidence SOPs requires that P&E staff notify the executor of the estate of the owner via certified mail, the police unclaimed funds spreadsheet showed no evidence that the executors were notified. The following table categorizes the \$4,626.14, based on deposit dates noted within the police unclaimed funds spreadsheet.



**Deceased Owner**

<b>Invoice Date</b>	<b>Amount</b>
FY2013	\$577.44
FY2014	24.31
FY2015	522.00
FY2018	3,502.39
<b>Total</b>	<b>\$4,626.14</b>

Source: FWPD Unclaimed Funds Spreadsheet



## Overall Risk Evaluation

High	Medium	Low
<a href="#"><u>Amounts awarded to the CFW not transferred to City revenue</u></a>		
<a href="#"><u>Unnecessarily escheating unclaimed funds to the State of Texas</u></a>		
<a href="#"><u>Found money, with unknown owners, not converted to revenue timely</u></a>		
<a href="#"><u>Seized currency not distributed to entities, as specified within court orders</u></a>		
<a href="#"><u>Manually-intensive and time-consuming recording and monitoring process</u></a>		
	<a href="#"><u>Outdated financial accounting information within written policies and procedures</u></a>	



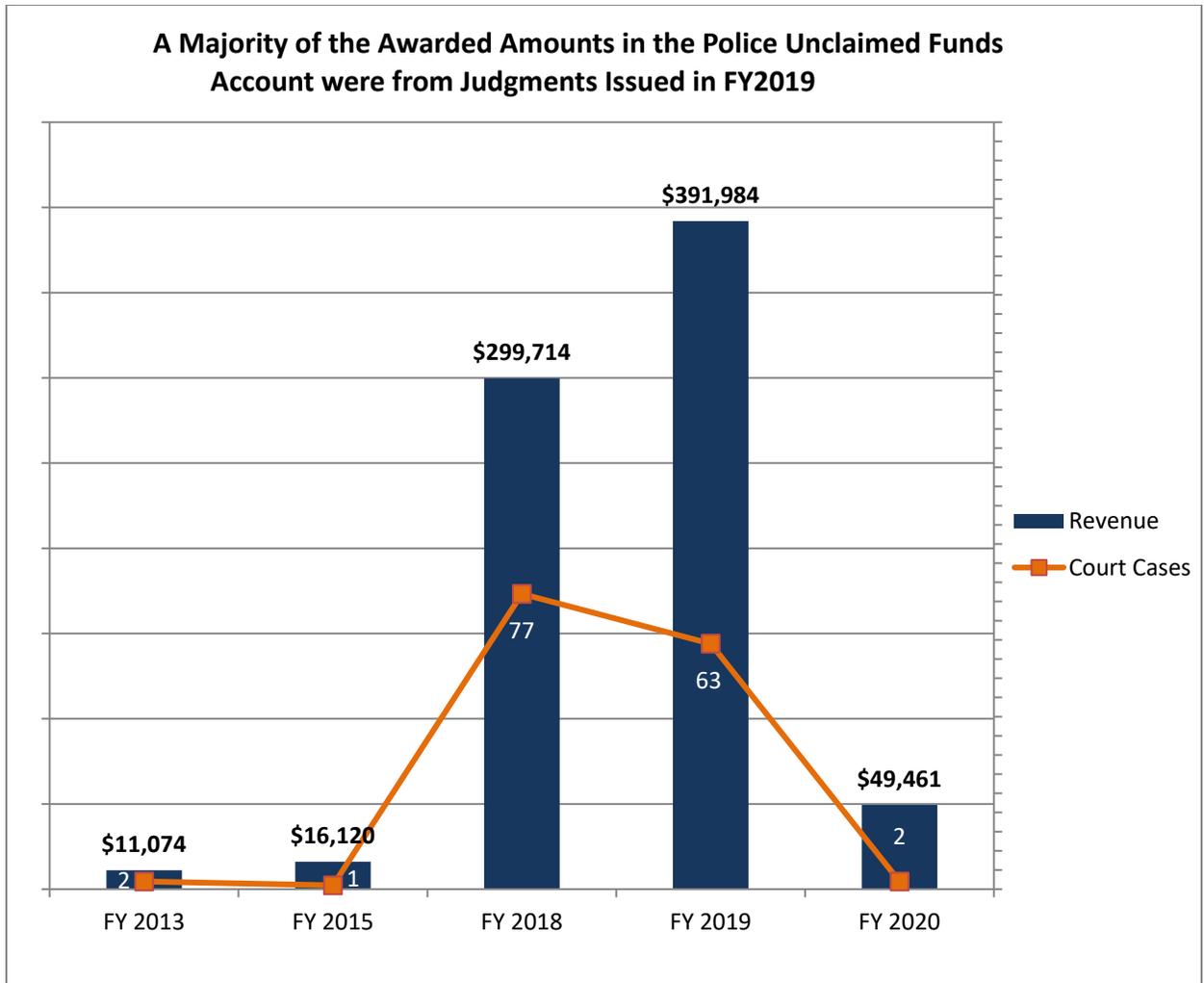
## Detailed Audit Findings

### 1. Unclaimed funds, awarded to the City of Fort Worth, were not recorded as revenue.

Internal Audit identified approximately 145 judgment cases (totaling \$768,352.86) awarded to the CFW, but not recorded as revenue. Presiding courts (e.g., the City of Fort Worth Municipal Court, the Tarrant County Courts and the Dallas County Courts) awarded money to the City of Fort Worth. However, FWPD staff did not move the awarded funds from the police unclaimed funds account to revenue, as noted below.

- The Fort Worth Municipal Court awarded civil forfeiture cases totaling \$739,942.13 to the City of Fort Worth, from February 2018 through November 2019.
- In August 2013, a Tarrant County court split a \$12,547.00 award between Tarrant County and the City of Fort Worth. The City of Fort Worth and Tarrant County were each awarded \$6,273.50.
- Dallas County courts awarded a total of \$22,137.23 to the City of Fort Worth. For each case, 25% of the amount awarded was required to be paid to the Dallas County District Attorney's Office. In one case, the court ordered a payment to a defendant (e.g., split award).
  - In April 2013, a Dallas County Court awarded \$6,400.00, of which \$4,800.00 was due to the FWPD after paying the \$1,600.00 (25% share) due to the Dallas County District Attorney. The \$4,800.00 balance remained in the unclaimed funds account.
  - In December 2014, a Dallas County Court awarded \$21,915.00, of which \$16,436.25 was due to the FWPD after paying the \$5,478.75 (25% share) that was due to the Dallas County District Attorney. The FWPD spreadsheet listed a \$16,120.00 balance instead of \$16,436.25, a \$316.25 difference. Internal Audit was informed that the remaining \$316.25 was transferred to the City's abandoned money account. However, Internal Audit was unable to verify the \$316.25 transfer.
  - In October 2019, a Dallas County Court awarded \$1,217.23, of which \$912.93 was due to the FWPD after paying the \$304.30 (25% share) due to the Dallas County District Attorney. The FWPD spreadsheet listed both \$1,217.23 and \$304.30, along with another \$1,217.23 ordered paid to the defendant. Dallas County was paid \$304.30 in January 2020. However, the City's portion was not moved to revenue upon judgment/award.

The \$768,352.86 is depicted in the following chart, by the year of the court judgment. It should be noted that there were no court judgments that had not been converted to revenue in FY2014, FY2016 or FY2017.



Source: FWPD and City Attorney's Office

Once informed of this finding, FWPD staff began transferring awarded funds to City revenue. As of March 25, 2020, two journal entries had been processed to transfer a total of \$418,394.50 from the unclaimed liability account to revenue.

Chapter 18, Article 18.183 of the Texas Code of Criminal Procedure states that if a final judgment is rendered concerning a violation of Chapter 47, Penal Code, money seized in connection with the violation shall be distributed accordingly. Since money awarded to the CFW was not distributed according to court judgments/awards, approximately \$768,352.86 available for City operations remained in a liability account.

The resolution of unclaimed funds requires coordination within the FWPD, the City Attorney's Office and the Municipal Court. Based on our audit results, there appeared to have been a communication weakness within FWPD (e.g., detectives, FWPD's Accounting Division and P&E staff). Staffing changes and/or vacancies also appear to have been a contributing factor.

In addition to money that had been awarded to the CFW, Internal Audit noted that the FWPD recovered \$32.77 from a stolen parking meter in May 2013. Although FWPD indicated that the funds should be transferred to the City's parking fund, the Transportation and Public Works Department was not contacted and the \$32.77 remained in the police unclaimed funds account at September 30, 2019.



**Recommendation 1A:** *The Chief of Police should require that journal entries be processed to move remaining unclaimed funds (which have already been awarded to the City of Fort Worth) from the police unclaimed funds account to a revenue account.*

**Auditee’s Response:** Concur. This would be completed by the Police Fiscal Unit. Property Room personnel will provide PD Fiscal with spreadsheets listing all unclaimed funds that need to be transferred. FMS may require deposit numbers/information on each of these line items to transfer – if so, this will be a time and labor intensive project for the Property Room staff, projecting 6 months for completion.

**Target Implementation Date:** January 4, 2021

**Responsibility:** Christianne Kellett / Betty Rogers

**Applicable Department Head:** Edwin Kraus, Police Chief

**Applicable Deputy City Manager:** Jay Chapa

**Recommendation 1B:** *The Chief of Police should require that a process and accompanying written policies and procedures are developed to ensure that unclaimed funds are processed (e.g., transferred from police unclaimed funds to revenue) in a timely manner.*

**Auditee’s Response:** Concur. The Property Units Standard Operating Procedures is being updated to include this information and define roles and responsibilities for both the Property Room personnel and the Police Fiscal Unit in regards to processing unclaimed funds.

**Target Implementation Date:** October 1, 2020

**Responsibility:** Chastity Roberts / Betty Rogers

**Applicable Department Head:** Edwin Kraus, Police Chief

**Applicable Deputy City Manager:** Jay Chapa

**2. Unclaimed funds were escheated to the Texas State Comptroller, although not required.**

Based on our audit results, and as noted in the following table, the CFW escheated \$390,802.09 in police unclaimed funds to the Texas State Comptroller for the five-year period ending September 30, 2019. However, we concluded that police unclaimed funds are exempt from escheatment requirements. The City, therefore, escheated \$390,802.09 that could have been used for City operations.

**Escheated Funds**

<b>Fiscal Year</b>	<b>Amount Escheated</b>
FY2015	\$105,910.39
FY2016	94,656.54
FY2017	43,092.01
FY2018	64,626.17
FY2019	82,516.98
<b>Total:</b>	<b>\$ 390,802.09</b>

Source: CFW General Ledger

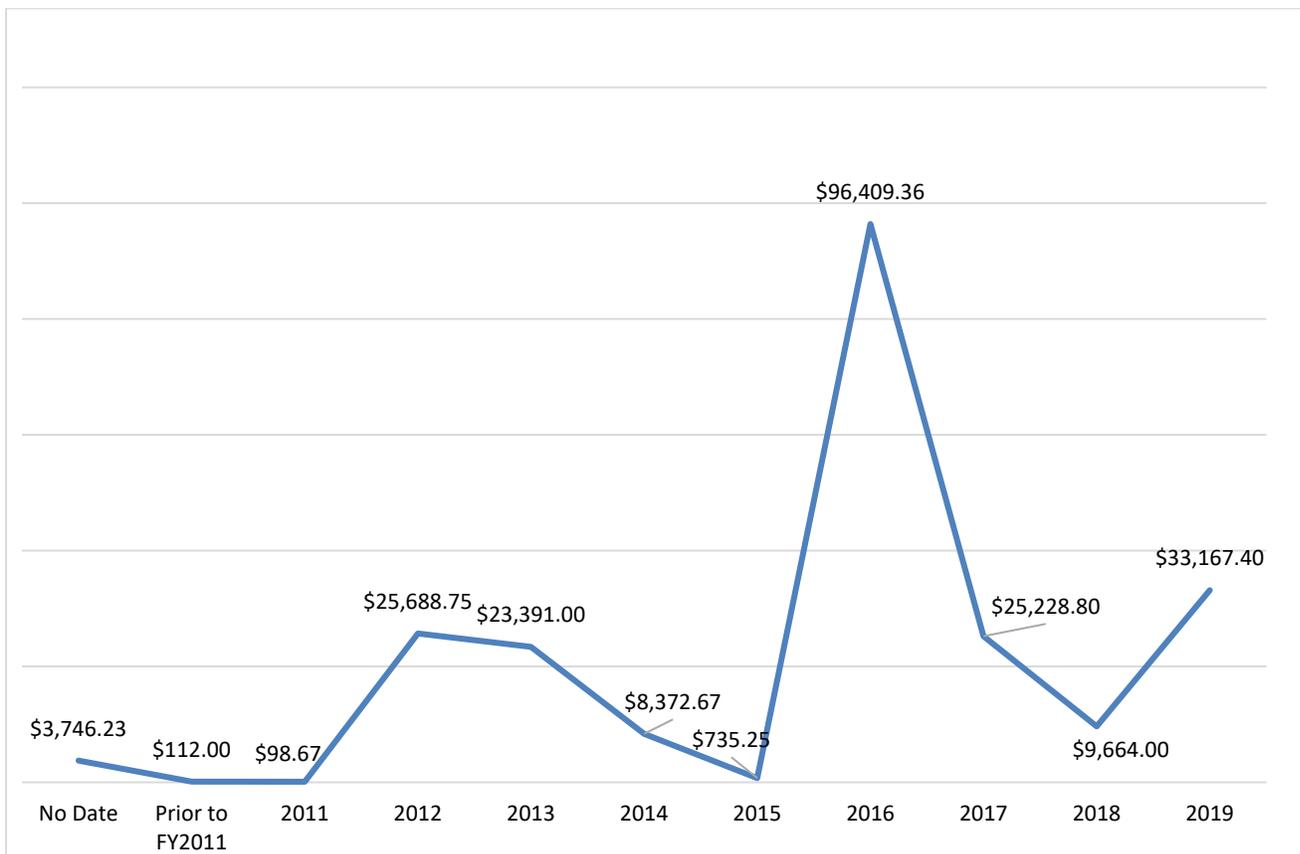


Since the City’s understanding was that the escheatment of unclaimed funds was required, P&E staff escheated police unclaimed funds that, reportedly, remained unclaimed three years after the City notified the owner.

Chapter 18, Article 18.17 of the Texas Code of Criminal Procedure addresses the disposition of abandoned or unclaimed property, including money seized by any peace officer in the state of Texas.

- Paragraph (b) of Article 18.17 requires the municipality to notify the owner by sending a certified letter to the last known address of the owner.
- Paragraph (h) of the Article states that the person designated by the municipality may, after giving notice of the abandoned or unclaimed money, deposit the money into its treasury.
- However, paragraph (j) states that Chapters 72, 74, 75 and 76 of the Texas Property Code do not apply to unclaimed or abandoned property. Chapters 72, 74 and 76 specifically govern the escheatment of unclaimed and abandoned funds to the Texas State Comptroller.

The FWPD’s police unclaimed funds spreadsheet indicated that unclaimed funds (for which the spreadsheet indicated owners had been notified (in some instances) that the City was holding money and had reason to believe the money belonged to the person being notified) totaled \$226,614.13 at September 30, 2019. The following chart depicts those unclaimed funds, according to when the FWPD spreadsheet indicated the property was submitted to the Police Property Room. It should be noted that in FY2020, \$23,424.51 of the \$226,614.13 was paid to owners who responded to the City’s notifications. Based on the City’s practice at the time of our audit, money that remained unclaimed three years after the City notified the owners would have been escheated.



Source: FWPD Unclaimed Funds Spreadsheet



**Recommendation 2A:** *The Chief of Police should instruct Police staff to discontinue escheating unclaimed funds to the Texas State Comptroller.*

**Auditee's Response:** Concur. The previous process was implemented in 2009 at the direction of City Finance, Frank Kile, with the approval of City Legal at that time. Currently, at the recommendation of the City Auditors and with the approval of City Legal, this process will cease immediately and all unclaimed funds will be transferred to the city revenue account after required legal notification has been made to the rightful owner.

**Target Implementation Date:** Completed

**Responsibility:** Chastity Roberts / Betty Rogers

**Applicable Department Head:** Edwin Kraus, Police Chief

**Applicable Deputy City Manager:** Jay Chapa

**Recommendation 2B:** *The Chief of Police, in conjunction with the City Attorney's Office, should determine whether any unclaimed funds, previously escheated to the State of Texas, can be recouped from the Texas State Comptroller.*

**Auditee's Response:** Concur. In Progress

**Target Implementation Date:** October 1, 2020

**Responsibility:** Edwin Kraus, Dennis McElroy

**Applicable Department Head:** Edwin Kraus, Police Chief

**Applicable Deputy City Manager:** Jay Chapa

**Recommendation 2C:** *The Chief of Police, in conjunction with the City Attorney's Office, should determine whether (and when) the City can transfer unclaimed monies to City revenue, after no response has been received from notified owners.*

**Auditee's Response:** Concur. Per City Legal, unclaimed funds fall under Texas Code of Criminal Procedure Art. 18.17 Disposition of Abandoned or Unclaimed Property, which states the law enforcement agency shall notify the rightful owner by certified mail and if not claimed within 90 days, it is considered abandoned/unclaimed. After the expiration of the 90 days, the funds would then be considered abandoned/unclaimed and be transferred to city revenue.

**Target Implementation Date:** Completed.

**Responsibility:** Chastity Roberts / Betty Rogers

**Applicable Department Head:** Edwin Kraus, Police Chief

**Applicable Deputy City Manager:** Jay Chapa



**Recommendation 2D:** *The Chief of Police should require a review of unclaimed funds for which owners have been notified, but have not responded within the allotted timeframe; identify money that can be legally converted to City revenue; then initiate the necessary journal entry.*

**Auditee's Response:** Concur. A list of unclaimed/abandoned monies has been sent to Police Fiscal Unit to be transferred to the city's revenue account. The Property Room staff will continue to research and reviews monies to identify any additional funds that are eligible for transfer to the city revenue account. The Property Unit's Standard Operating Procedures is being updated to include this review of unclaimed monies on a quarterly basis, a list generated and sent to Police Fiscal Unit to be transferred to the city's revenue account. FMS may require deposit numbers/information on each of these line items to transfer – if so, this will be a time and labor intensive project for the Property Room staff, projecting 6 months for completion.

**Target Implementation Date:** January 4, 2021

**Responsibility:** Chastity Roberts / Betty Rogers / Christianne Kellett

**Applicable Department Head:** Edwin Kraus, Police Chief

**Applicable Deputy City Manager:** Jay Chapa

### **3. Unclaimed funds listed with unknown owners were not recorded as revenue.**

FWPD's police unclaimed funds spreadsheet included 148 records (totaling \$17,076.58) that were noted as "found" money with "no owner." Section 302.4 of the P&E Standard Operating Procedures states that funds should be transferred to the Abandoned Money revenue account if no ownership can be determined by the investigating detective, and that a property hearing may be set for assistance in determining ownership.

Although the police unclaimed funds spreadsheet indicated there were no known owners for the \$17,076.58 that was deposited between February 2016 and September 2019 (with deposit amounts ranging from \$0.01 to \$4,379.00), the money remained in the police unclaimed funds account as of the end of our audit fieldwork. The \$17,076.58 was not converted to revenue for City use.

**Recommendation 3:** *The Chief of Police should require routine reviews (e.g., monthly) to determine whether unknown owners of found property can be identified. Based on results achieved, necessary action should be taken to ensure timely disposition of found property with no known owner in accordance with General Orders, SOPs and applicable law.*

**Auditee's Response:** Concur. With the volume of property that is submitted to the Property Room each month, on top of what is already in their custody versus the number of staff assigned to the unit, it would be unrealistic to require a monthly review of all monies turned in as found or unknown owner. This is time and labor intensive. It requires case research, input from the assigned case detectives and well as the criminal prosecutor, it could also involve the Municipal Court for rulings on Property Hearings, which could take a year or more. Requiring a quarterly audit of these items would be more realistic.

**Target Implementation Date:** October 1, 2020

**Responsibility:** Chastity Roberts / Betty Rogers



**Applicable Department Head:** Edwin Kraus, Police Chief

**Applicable Deputy City Manager:** Jay Chapa

#### 4. Currency was not distributed to entities, as specified within court orders.

Internal Audit identified three cases (totaling \$10,336.50) where money was seized from gambling raids. Although court orders specified that the monies be submitted to an entity other than the CFW, the funds remained in the police unclaimed funds account at September 30, 2019.

- In August 2013, \$6,273.50 was forfeited to Tarrant County via a plea agreement between the State of Texas and the suspect. Based on our review of CFW accounts payable files, the CFW processed checks payable to Tarrant County. Two checks payable to Tarrant County were issued in 2014. However, the Financial Management Services Department indicated the two checks were voided. In both instances, the checks were voided after they remained uncashed beyond a reasonable amount of time. Notations on FWPD's police unclaimed funds spreadsheet indicate a check was requested in August 2015. However, we saw no evidence that a check was processed.
- Internal Audit was provided a corrected court order that forfeited \$3,223.00 to the "State of Texas" as gambling proceeds. We could not locate records indicating that the funds were distributed.
- In November 2018, the Fort Worth Municipal Court ordered \$840.00 to be returned to the owner. However, the \$840.00 remained in the unclaimed funds account. FWPD's unclaimed funds spreadsheet did not note that a check had been requested or that the case had been adjudicated, nor were there notations that a certified letter(s) was sent to notify the owner.

The resolution of unclaimed funds requires coordination within the FWPD, as well as with other City departments such as the Financial Management Services Department, the City Attorney's Office and the Municipal Court. Based on our audit results, there appeared to have been a communication weakness within FWPD (e.g., detectives, FWPD's Accounting Division and P&E staff). Staffing changes and/or vacancies also appear to have been a contributing factor. For example, FWPD indicated that three Property Room staff (responsible for managing money and seizures) retired around the same time.

Chapter 18, Article 18.183 of the Texas Code of Criminal Procedure states that if a final judgment is rendered concerning a violation of Chapter 47 of the Penal Code, money seized in connection with the violation shall be distributed accordingly. Failure to properly dispose of currency deprives owners of the property that is rightfully theirs, and could result in legal action.

**Recommendation 4:** *The Chief of Police should require that awarded funds be distributed to the rightful owner, as outlined in the respective court judgments.*

**Auditee's Response:** Partially Concur. There were only 3 cases this recommendation refers to out of several thousand handled and promptly distributed per court order. These 3 cases all had extenuating circumstances, and/or had multiple divisions/agencies involved with the distribution of the funds.

- 1) This was actually paid out by the city to Tarrant County check #020946 for the amount of \$6,273.50 in 2014 as ordered by the court. In 2017 during an audit, City Finance found the check had never been cashed by Tarrant County so it was voided out of the system. PD Fiscal was notified but not



the Property Room, so the check was not reissued. **(Property Room personnel will work with the FWPD Seizure Officer to get these funds transferred over to Tarrant County)**

- 2) This was a court order awarding \$46,146.00 be returned to the owner which it was check #032164, there was a remaining balance of \$3,223.00 awarded to the State of Texas. The Property Room was not notified of the amounts awarded to each agency so the funds were not disbursed. This money would have been subject to the inter-agency agreement and would have been handled between the FWPD Seizure Officer and Tarrant County District Attorney's Office. **(Property Room personnel will work with the FWPD Seizure Officer to get the amounts owed to FWPD & Tarrant County, so the funds can be disbursed)**
- 3) The Police Property Room did not receive the court order awarding the \$840.00 to ATM Depot, nor did a representative from ATM Depot make a request to have the monies returned after the court ruling. Without the original order nor the owner information, the required legal notification could not be made by the Property Room personnel, which in turn means the monies could not be disbursed. The other court order awarding the additional \$8,499.00 on this same case was received and monies disbursed as ordered. **(Property Room personnel will work the Municipal Court to get a copy of the original court order along with the mailing address for ATM Depot so the legal notification can be sent to start the required 90 days)**

**Target Implementation Date:** October 1, 2020

**Responsibility:** Chastity Roberts / Betty Rogers

**Applicable Department Head:** Edwin Kraus, Police Chief

**Applicable Deputy City Manager:** Jay Chapa

##### **5. FWPD's unclaimed funds review process is manually-intensive and time-consuming.**

The FWPD enters and maintains the status of police unclaimed funds in an Excel spreadsheet. The spreadsheet contained over 3,000 currency records at September 30, 2019. The volume of records, combined with manual monitoring, made the spreadsheet vulnerable to human error, and resulted in the untimely and/or non-disposition of unclaimed funds.

FWPD's unclaimed funds spreadsheet was not reflective of the currency in the police unclaimed account at September 30, 2019. The spreadsheet was sometimes not updated to reflect distributions from the police unclaimed funds account. For example, \$2,863.00 was disbursed in December 2017. However, \$1,000.00 of the \$2,863.00 remained in the police unclaimed funds spreadsheet balance at September 30, 2019.

P&E staff indicated that they manually research police unclaimed funds information on a continuous basis, and update the police unclaimed funds spreadsheet with information such as owner name and address, dates on which certified letter notifications were sent to property owners, etc. P&E staff also manually add unclaimed funds currency records to their spreadsheet when money is deposited into the police unclaimed funds bank account. Accordingly, P&E staff remove unclaimed funds records from the spreadsheet when currency has been disposed.

The International Association for Property and Evidence recommends various strategies to help property room staff track and manage unclaimed funds with greater efficiency and accuracy. Several key recommendations they suggest to ensure timely disposal of property include:



- the use of computer systems to track and manage inventory with greater efficiency and accuracy;
- automatic/systematic notification when property exceeds the typical time it is expected to remain in custody; and,
- an annual assessment of all property to determine whether the case has been adjudicated or pertinent to the investigation.

P&E staff's use of an Excel spreadsheet to track funds may be more susceptible to human error and/or inconsistencies (i.e., the Excel spreadsheet has no data input controls). System ticklers or other reports would ease the sorting and queries for key information that is considered necessary for the proper identification of unclaimed funds that are eligible for disposal. Additionally, the lack of system ticklers and/or supporting reports does not lend itself to efficient monitoring.

**Recommendation 5:** *The Chief of Police should consider the feasibility of using automation that provides better management and analysis of police unclaimed funds data.*

**Auditee's Response:** Partially Concur. The Property Room staff currently uses an Excel spreadsheet to inventory and track all of the required information, along with the current Police RMS system (Tritech). As explained, there's not an "automated" system that can do the required physical research of each case to determine the status of the criminal cases; automatically determine ownership; review companion or related cases; know if the case suspect has a current warrant and/or probation revocation; if the case is on appeal or has a civil forfeiture hold; is pending a property hearing; is using an alias name, etc. The current process of staff reading reports, working with the assigned case detectives, and the courts, is the only way feasible with so many variables that has to be reviewed before ownership can be determined or the funds disbursed. Yes, it is manually intensive and time consuming for staff, but the handling/disposal of any case evidence can determine even change the outcome of a criminal case. It's critical that it is handled and disposed of by following policy, procedures and local/state laws. Maintaining the chain of custody of evidence is critical – not optional in criminal cases. Most monies submitted to the Property Room start out as evidence before it is dispositioned out and changed to personal property, then to abandoned/unclaimed – rarely does the Property Room received truly found or unknown owner monies.

With the current Police RMS system, the Property Room personnel are now able to filter monies brought in as personal/found/abandoned for quicker review; they are able to print and track the required certified letters; set follow-up review dates, and export data out into spreadsheets to send to PD Fiscal for transfer into city revenue account.

\*The Property Room could use an automatic system to track the funds from deposit to disposition but it would have to be customizable for them to add/track the information that is required to have before disposing of evidence. (Court Orders, Detective Dispositions, Property Hearing Notifications, Civil Forfeitures, Certified Letter Notifications, etc.). Research will have to be done to see if there is such a system.

**Target Implementation Date:** January 4, 2021

**Responsibility:** Betty Rogers / Christianne Kellett / Michael Munday

**Applicable Department Head:** Edwin Kraus, Police Chief

**Applicable Deputy City Manager:** Jay Chapa



**6. Standard operating procedures contained outdated financial information.**

While interviewing P&E staff, and reviewing Sections 302 through 406 of the FWPD’s P&E Unit standard operation procedures (SOPs), Internal Audit concluded that written procedures were not updated. Staffing vacancies may have contributed to the outdated policies.

- As noted in the following table, Section 302 of the SOPs did not reflect current funds and accounts, and did not reference current software/systems.

Category	SOP Reference		Current/Correct Reference	
Accounts	Abandoned Money	444953	Abandoned Funds	4800103
	Known Owner	240204	Police Unclaimed/Known	2055016
	N/A		State Awarded Assets	4303502
Funds	General Fund	GG01	General Fund	10100
	N/A		State Asset Forfeiture Fund	26004
Software/ Systems	MARS		PeopleSoft Financial System	
	Tiburon		TriTech	

Source: FWPD SOPs and CFW General Ledger

- The SOPs did not fully address the disposal process for gambling cases filed under Article 18.18 of the Texas Code of Criminal Procedure. Instead, a description of the disposal process was limited to Chapter 59 cases (e.g., forfeitures subject to seizures processed in coordination with Tarrant County).

Outdated policies and procedures weaken internal controls, increase the risk that property will not be properly processed (e.g., noncompliant with new laws and regulations) and fail to offer proper guidance for personnel. Section 201.02 of the General Orders requires that policies be reviewed annually by the affected unit, section, division or bureau. The P&E SOPs were last revised in January 2018.

**Recommendation 6:** *The Chief of Police should require that written procedures be updated as required, and that the revised procedures properly address responsibilities, duties and tasks that help ensure proper and timely disposition of police unclaimed funds.*

**Auditee’s Response:** Partially Concur. The handling and disposal process for general property is up-to-date but the handling of monies after being deposited needs to be more defined. The Property Unit SOP is being revised to include the duties, responsibilities, and timeframe of moving unclaimed funds to the city revenue account.

**Target Implementation Date:** October 1, 2020

**Responsibility:** Chastity Roberts / Betty Rogers

**Applicable Department Head:** Edwin Kraus, Police Chief

**Applicable Deputy City Manager:** Jay Chapa



## Acknowledgements

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