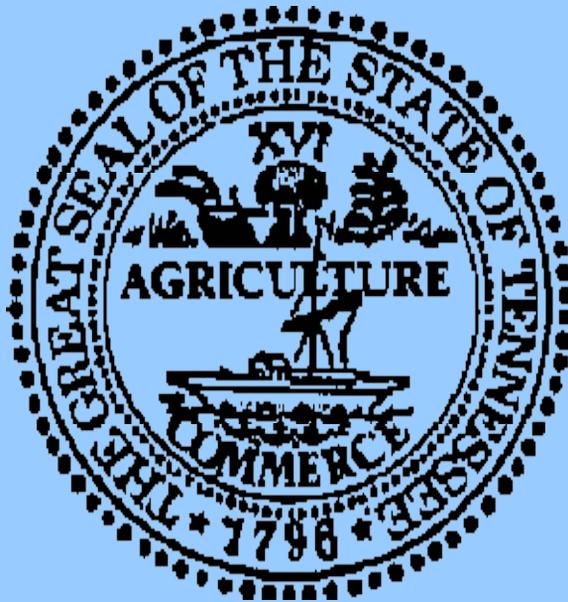


**Procedures for Handling Cash Transactions
Related to Undercover Investigative Operations
of County and Municipal Drug
Enforcement Programs**



**State of Tennessee
Comptroller of the Treasury
January 1991**

PROCEDURES FOR HANDLING CASH TRANSACTIONS
RELATED TO UNDERCOVER INVESTIGATIVE OPERATIONS
OF COUNTY AND MUNICIPAL DRUG ENFORCEMENT PROGRAMS

CONTENTS

<u>Section</u>	<u>Page</u>
I. BACKGROUND	1
II. PROCEDURES FOR HANDLING CASH TRANSACTIONS	2-6
 <u>Appendix</u>	
A. INTERNAL ACCOUNTING FORMS:	
Explanation of Internal Accounting Forms	
Custodian's Activity Log (Form A-1)	
Transaction Record of Each Advance or Return of Confidential Funds (Form A-2)	
Agent's Activity Log (Form A-3)	
Accountability of Confidential Funds (Form A-4)	
Receipt for Payment to Informant (Form A-5)	
Summary Informant Payment Record (Form A-6)	
Confidential Fund Monthly Reconciliation Report (Form A-7)	
B. REPORTS TO OTHER OFFICES AND AGENCIES:	
Report of Confidential Funds Requested or Returned (Report R-1)	
Quarterly Report of Confidential Funds (Report R-2)	
Annual Report of County or Municipal Drug Fund Activities (Report R-3)	

SECTION I

BACKGROUND

Local drug funds in county and municipal governments have been established pursuant to Section 53-11-415, T.C.A. That statute provides for the county trustee or city recorder to set up a special account for fines and forfeitures received under provisions of Section 39-17-420, T.C.A. The trustee or recorder will, upon demand from the chief executive of the arresting law enforcement agency, pay to that agency such demanded funds for use in the drug enforcement program. The law enforcement agency will make an accounting to the county trustee or city recorder of all expenditures from such funds.

Additional legislation governing the administration of local drug control funds includes Chapter 968, Public Acts of 1990 codified as Section 39-17-420(c), T.C.A. This legislation provides that:

"The Comptroller of the Treasury and the Department of Finance and Administration, in consultation with the Tennessee Bureau of Investigation, the Tennessee Sheriff's Association and the Tennessee Association of Chiefs of Police shall develop procedures and guidelines for handling cash transactions related to undercover investigative operations of county or municipal drug enforcement programs. Such procedures and guidelines shall be applicable to the disbursement of proceeds from the drug enforcement programs which are acquired on and after January 1, 1991, or such earlier date as may be adopted."

These procedures were prepared in compliance with directives of the aforementioned statute.

SECTION II

PROCEDURES FOR HANDLING CASH TRANSACTIONS RELATED TO UNDERCOVER INVESTIGATIVE OPERATIONS OF COUNTY AND MUNICIPAL DRUG ENFORCEMENT PROGRAMS

1.0 GENERAL APPLICABILITY

The following guidelines shall apply only to those transactions which for confidentiality reasons must be disbursed in cash for undercover drug investigations by the law enforcement agency. Payments from local drug funds for all nonconfidential expenses should be made consistent with statutes, policies and procedures governing the payment of normal operating expenses of the sheriff or police department. These are minimum guidelines. The chief law enforcement official may require additional guidelines.

2.0 TRAINING

All sheriffs, chiefs of police and their agents who will be involved in the handling of confidential funds shall review and be familiar with these guidelines. Documentation of this review shall be maintained in the law enforcement agency's office.

3.0 REQUEST FOR FUNDS FOR CONFIDENTIAL OPERATIONS

The chief law enforcement official shall account for confidential funds in a separate column of the Cash Journal. As an alternative ~~to~~ the confidential funds may be handled through a separate bank account. The chief law enforcement official for cities shall account for these funds in accordance with provisions of the city charter. An initial advance should be requested from the county trustee/city recorder to establish the account. The amount at which the account is established will be determined by the chief law enforcement official but should not exceed the amount of funds expected to be used within forty-five days.

3.1 A form titled "Report of Confidential Funds Requested or Returned" (report R-1 in Appendix B) has been provided with these procedures and must be submitted with each request for funds from the county trustee/city recorder. This report shall be signed by the chief law enforcement official.

4.0 RECEIPT AND DEPOSIT OF CONFIDENTIAL FUNDS

Prenumbered receipts shall be issued for all funds received for undercover investigations (funds transferred from the county trustee/city recorder and funds returned on settlement of cash advances made for undercover investigations). Also, these funds shall be deposited to the bank account.

5.0 DISBURSEMENT OF CONFIDENTIAL FUNDS

Disbursements of confidential funds must be made by official prenumbered checks. All checks shall be signed by the chief law enforcement official or his designated employee and shall be made payable to the person receiving the funds, either the chief law enforcement official or an employee. All employees handling cash transactions in any capacity shall have a fidelity bond to protect the law enforcement agency.

6.0 INTERNAL ACCOUNTING FORMS

Several internal accounting forms for use in confidential operations are provided with these procedures. Copies of the accounting forms and explanations of the forms are presented in Appendix A of this document. All applicable forms must be used to account for confidential funds transactions.

7.0 QUARTERLY REPORT TO COUNTY TRUSTEE / CITY RECORDER

The chief law enforcement official shall certify a quarterly report to the county trustee/city recorder on the use of confidential funds. Reports should reflect the beginning balance of confidential funds maintained by the law enforcement agency, funds received, funds disbursed and the ending balance of confidential funds. A form for this quarterly report (report R-2) is presented in Appendix B of this document. The county trustee/city recorder and chief law enforcement official shall keep a copy of this report on file.

8.0 PURCHASE OF EQUIPMENT AND SUPPLIES FROM CONFIDENTIAL FUNDS

The purchase of equipment and supplies should normally be made through the county/city purchasing process. However, if confidentiality is necessary for such purchase, then documentation shall be filed in support of the disbursement. Documentation shall include invoices and price quotes. A memorandum explaining the justification for making the purchase from confidential funds shall be prepared. This memorandum shall be signed by the chief law enforcement officer.

9.0 MAINTENANCE OF INFORMANT FILES

A separate file shall be established for each informant. A summary Informant Payment Record (See form A-6 in Appendix A) shall be kept in the file and made available for audit. Other information in the file is normally confidential.

10.0 USE OF FUNDS BY SECONDARY AGENCY

Contracts or other written acknowledgment of receipt of funds and acceptance of responsibility shall be obtained by the law enforcement agency for any drug control funds remitted to another agency. These agreements shall be signed by the chief law enforcement official (or their designees) of both the agency receiving the funds and the agency providing the funds. Copies of all such agreements shall be retained for audit.

11.0 ANNUAL REPORT OF DRUG RELATED INVESTIGATIONS AND CASES DEVELOPED FROM USE OF LOCAL DRUG FUNDS

Each law enforcement agency using local drug funds shall prepare an annual report indicating the number of persons involved in the drug enforcement program, the amount expended by category and the amount of money realized from assets seized or forfeited during the period. (See report R-3 in Appendix B). This report shall be filed with the District Attorney General and a copy retained for audit purposes. The report will cover the fiscal year beginning July 1 and ending June 30th and must be filed with the District Attorney within 45 days after the end of the fiscal year.

12.0 AVAILABILITY OF RECORDS AND REPORTS FOR AUDIT

All books and records involving confidential funds, with the exception of informant files, tapes involving undercover operations and evidence, shall be subject to inspection and audit by the Comptroller of the Treasury or his authorized representative. This right to inspection and audit of all books and records is applicable to an independent public accountant performing an audit under a contract approved by the Comptroller of the Treasury.

13.0 UNACCOUNTED FOR CONFIDENTIAL FUNDS

Any confidential funds which are unaccounted for must be immediately reported in writing to the district attorney general by the chief law enforcement official. A copy of the report should also be filed with the Comptroller of the Treasury (County: Division of County Audit; Municipal: Division of Municipal Audit). The chief law enforcement official is responsible for initiating action to collect any unaccounted for funds.

APPENDIX A

INTERNAL ACCOUNTING FORMS

Explanation of Internal Accounting Forms

Internal accounting forms to document controls, procedures and informant transactions are included in appendix A and are discussed below. The administration and day-to-day operation of the confidential fund involve the use of several forms. Precisely how many forms are used will be determined by whether officers receive advances from the fund, whether informants are used and other factors.

Form A-1, Custodian's Activity Log for Confidential Funds, is the custodian's key administrative tool. It is used for every transaction. The custodian uses the form to record payments into and out of the fund, to note the type of transaction, to provide key details about the transaction, and to maintain a running balance.

Form A-2 The Transaction Record of Each Advance or Return of Confidential Funds records the details about fund advances to Agents and the return of advances by the agents to the fund custodian.

Form A-3 The Agent's Activity Log is the agent's primary administrative tool. It is used for every transaction. The agent uses the form to record the date and amount of every disbursement, the case it relates to and the purpose. The agent also enters all funds received, which enables the agent to keep a running balance. This form should be turned in to the fund custodian at least monthly.

Form A-4 Accountability of Confidential Funds provides documentation of Agent expenses. This form is available for audit once the case is closed.

Form A-5 Receipt for Payments to Informants is a receipt to be signed by an informant acknowledging a payment to him or her by the agency.

Form A-6 Summary Informant Payment Record is a record listing all payments to an informant. This record should be placed on top of the applicable informant file.

Form A-7 Confidential Fund Monthly Reconciliation Report is used on a monthly basis to reconcile the fund's bank account or cash journal with the Custodian's Activity Log.

TRANSACTION RECORD OF EACH
ADVANCE OR RETURN OF CONFIDENTIAL FUNDS

A. Advance Transaction Number _____

Agent's Name _____ ID Number _____

Unit _____

Amount of Advance \$ _____ Case or Ref. No. _____

Intended Purpose Investigative Advance
* Use as a flash roll

Advance approved by _____ Date _____
Signature of chief law enforcement official or Designee

Advance received by _____ Date _____
Agent's signature

Check # _____ Date _____

* Flash rolls shall be returned within 48 hours, unless extended for an additional 48-hour period

B. Return Transaction Number _____

Agent's Name _____ ID Number _____

Unit _____

Amount of Advance Returned \$ _____ Case or Ref. No. _____

Advance returned by _____ Date _____
Agent's Signature

Advance returned to _____ Date _____
Signature of chief law enforcement official or Designee

Receipt # _____ Date _____

ACCOUNTABILITY OF CONFIDENTIAL FUNDS

Trans. No. _____

CASE FILE # _____ DATE OPENED: _____

FUNDS EXPENDED:

=====

EVIDENCE:

Type and Quantity _____

Date: _____ Amount Spent: _____

UNDERCOVER MOTOR VEHICLE:

Gasoline and Oil:

Date: _____ Amount Spent: _____

Station: _____

Date: _____ Amount Spent: _____

Station: _____

Date: _____ Amount Spent: _____

Station: _____

INFORMANT EXPENSES:

Code Name: _____ CI# _____

Date _____ Receipt: Yes _____ No _____ Amount: \$ _____

MISCELLANEOUS:

Explanation: _____ Date: _____ Amount: \$ _____

Explanation: _____ Date: _____ Amount: \$ _____

Explanation: _____ Date: _____ Amount: \$ _____

TOTAL THIS PAGE \$ _____

I certify that the above expenditures are true and correct.

Agent's Signature

Date

RECEIPT FOR
PAYMENT TO INFORMANT

A. Case or Reference No. _____ Date _____

I hereby acknowledge receipt of \$ _____ (_____)
Figures (Words)
paid to me by _____ for consideration of
Agent/Agency Name

[] Information and/or [] Services described as follows: _____

(Section B is to be filled out when funds are advanced for a future purchase)

B. It is understood and agreed that this money is to be expended by me only for the purchase, as evidence, of controlled substances. If no such purchase is made, or if such a purchase is made for less than the total sum furnished to me, before _____, I will forthwith
Date and Time
refund the sum so furnished or the balance thereof, as the case may be, to the above-named officer of the _____. In any event,
Agency name
upon demand by the above-named officer of the _____ at
Agency name
any time, I will forthwith refund to him or her the total amount of any sum thus furnished to me that has not yet been expended by me for the purchase, as evidence, of controlled substances.

Furthermore, it is understood that this money is the property of _____ and that misuse or conversion of the same to my
City, County
personal use will render me liable to prosecution.

C. _____ Payee _____
Officer's Signature Date Code name or number

Witness's Signature Date Date/Time _____

APPENDIX B

REPORTS TO OTHER OFFICES AND AGENCIES

REPORT OF CONFIDENTIAL FUNDS REQUESTED OR RETURNED

TO: _____
(County Trustee/City Recorder)

- I am requesting funds in the amount of \$ _____ for use in the drug enforcement program.
- I am returning excess funds of \$ _____ which have accumulated in the drug control account.

=====

LAW ENFORCEMENT AGENCY'S CERTIFICATION:

Submitted by: _____
(Chief Law Enforcement Official)

Title: _____

Date: _____

=====

COUNTY TRUSTEE'S/CITY RECORDER'S CERTIFICATION OF RECEIPT OR PAYMENT:

Amount Received \$ _____; Receipt # _____

Amount Paid \$ _____; Warrant/Check # _____

By: _____ Title: _____ Date: _____

=====

Original filed with the County Trustee/City Recorder each time confidential funds are requested or returned.
Copy filed with law enforcement agency.

QUARTERLY REPORT OF CONFIDENTIAL FUNDS
FOR THE QUARTER ENDING _____, 19__

TO: _____
(County Trustee/City Recorder)

The following represents a true and accurate accounting of confidential funds held by the office of _____ for the quarter stated above:

Balance of Confidential Funds, First of Quarter	\$ _____
Add: Funds Received from County Trustee / City Recorder	_____
Less: Expenditures from Confidential Funds	< _____ >
Less: Funds Returned to County Trustee/City Recorder	< _____ >
Balance of Confidential Funds, End of Quarter	\$ _____ =====

=====

Submitted by: _____
(Chief Law Enforcement Official)

Title: _____

Date: _____

This report must be filed with the County Trustee/City Recorder within 30 days after the end of the months of September, December, March and June each year.

Original filed with County Trustee/City Recorder.
Copy retained by the law enforcement agency.

ANNUAL REPORT OF COUNTY OR MUNICIPAL DRUG FUND ACTIVITIES

Name of Agency: _____

For the Fiscal Year Ended June 30, 19 _____

1. How many full-time staff persons are assigned to drug fund operations? _____
2. Indicate the amount expended for all applicable categories of the drug fund.

Personnel (w/fringes)	\$ _____
Travel	_____
Equipment	_____
Confidential Funds:	
Purchase of Services	_____
Purchase of Evidence	_____
Purchase of Information	_____
Supplies	_____
Contractual	_____
Other (describe)	_____
_____	_____
_____	_____
Total	\$ _____ =====

3. Indicate the dollar amount of the proceeds realized from assets seized or forfeited for this reporting period. \$ _____. How were these proceeds distributed?

To the best of our knowledge and belief, the information contained in this report accurately reflects activities of the drug control fund for the report period.

Submitted by: _____
(Chief Law Enforcement Official)

Title: _____

Date: _____

This report must be filed with the District Attorney General by August 15th of each year.
Copy retained by the law enforcement agency.