



PROCEDURES FOR HANDLING CASH TRANSACTIONS

*RELATED TO UNDERCOVER INVESTIGATIVE
OPERATIONS OF COUNTY, DRUG TASK FORCE AND
MUNICIPAL DRUG ENFORCEMENT PROGRAMS*

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**DIVISION OF
LOCAL GOVERNMENT AUDIT**

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OF COUNTY AND MUNICIPAL DRUG ENFORCEMENT PROGRAMS

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SECTION I
BACKGROUND

Local drug funds in county and municipal governments have been established pursuant to Section 53-11-415, *Tennessee Code Annotated (TCA)*. That statute provides for the county trustee or city recorder to set up a special revenue fund (or special account in any county having a metropolitan form of government and a population in excess of 500,000) for all funds received under provisions of Section 39-17-420, *TCA*. These funds include grants, donations, local appropriations, fines, any cash that is forfeited to the county or city, and proceeds from the sale of any forfeited property. 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.

Section 39-17-420(e), *TCA*, 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. The procedures and guidelines shall be applicable to the disbursement of proceeds from the drug enforcement program that 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

1. 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. 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. 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, 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 45 days.

A form titled "Report of Confidential Funds Requested or Returned" (Report R-1) 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. 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. 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 or insurance policy (TCA 8-19-101 allows an insurance policy to substitute for the individual bonds of public officials and employees) to protect the law enforcement agency.

6. 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. 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.

8. 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.

9. 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.

10. 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.

11. UNACCOUNTED CONFIDENTIAL FUNDS

Any confidential funds which are unaccounted 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, Division of Local Government Audit. The chief law enforcement official is responsible for initiating action to collect any unaccounted 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. These forms are available for audit.

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 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 Agent's Activity Log for Confidential Funds - 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. Every entry on Form A-3 should be supported by either a Form A-2 or a Form A-4.

Form A-4 Accountability of Confidential Funds - provides documentation of agent expenses. There should be a separate Form A-4 completed for every expenditure transaction number listed on the Agent's Activity Log (Form A-3). For instance, a drug purchase may include both a payment to an informant and a payment for drug evidence.

Form A-5 Receipt for Payment to Informant - is a receipt to be signed by the officer, a witness, and the informant acknowledging a payment to him or her by the agency. This form should be completed every time funds are provided to an informant, such as using the informant to purchase drug evidence or as a payment for services.

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 for Confidential Funds.

Form A-8 Seizure Fund Monthly Reconciliation Report - is used on a monthly basis to reconcile the fund's bank account with the seized funds held by the agency. This form is intended only for use by DTFs which have a seizure bank account. Counties and cities must deposit all seized funds with the county trustee or city recorder. Please note that seized funds should not be spent until awarded by the court or the Tennessee Department of Safety.

Form R-1 Report of Confidential Funds Requested or Returned - is used for each request or return of funds from the county trustee/city recorder.

TRANSACTION RECORD OF EACH
ADVANCE OR RETURN OF CONFIDENTIAL FUNDS

A. **ADVANCE** Transaction # _____

Agent's Name _____
Agent's ID # _____
Unit _____

Amount of Advance _____
Case or Reference # _____
Intended Purpose: Investigative Advance
 Use as a Flash Roll *

Advance Approved By _____
[signature of chief law enforcement official or designee]
Date Approved _____

Advance Received By _____
[agent's signature]
Date Received _____

Check # _____ Check Date _____

* Flash rolls shall be returned within 48 hours, unless extended for an additional 48 hours.

B. **RETURN** Transaction # _____

Agent's Name _____
Agent's ID # _____
Unit _____

Amount of Advance Returned _____
Case or Reference # _____

Advance Returned By _____
[agent's signature]
Date Returned _____

Advance Returned To _____
[signature of chief law enforcement official or designee]
Date Received _____

Receipt # _____ Receipt Date _____

Original Filed With Fund Custodian
Copy Retained By Agent

ACCOUNTABILITY OF CONFIDENTIAL FUNDS - FUNDS EXPENDED
(A new form is used for each new transaction)

Transaction # _____

Case File # _____

Date Opened _____

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 Spent _____
Explanation _____
_____ Date _____ Amount Spent _____
Explanation _____
_____ Date _____ Amount Spent _____
_____ Date _____ Amount Spent _____

Total Spent on Page _____

I certify that the above expenditures are true and correct.

Agent's Signature

Date

RECEIPT FOR PAYMENT TO INFORMANT

(Payment to informant for information/service and/or payment to informant for purchase of evidence)

Case or Reference # _____

Date _____

A. Payment to Informant for Information/Services

I hereby acknowledge receipt of \$_____ (words: _____) paid to me by _____ for consideration of [] information and/or [] services as follows: _____

B. Payment to Informant for Purchase of Evidence/Drugs

It is understood 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 (date: _____) (time: _____), I will forthwith refund the sum so furnished or the balance thereof, as the case may be, to the above-named officer of the (agency name: _____) at 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 (city/county _____) and that misuse or conversion of the same to my personal use will render me liable to prosecution.

C. Officer's Signature _____

Date _____

Payee (Code name or number) _____

Date/Time _____

Witness's Signature _____

Date _____

Original Filed with Fund Custodian
Copy Retained by Agent

CONFIDENTIAL FUND MONTHLY RECONCILIATION REPORT

A. RECONCILIATION

Date of Bank Statement		
Bank Balance per Statement		
Add:	Deposits in transit (from Section B) [Deposits recorded on Activity Log (Form A-1) but not appearing on the bank statement]	
Subtract:	Outstanding checks (from Section C) [Checks written and recorded on Activity Log (Form A-1) but not appearing on the bank statement]	
Balance per Activity Log		

B. DEPOSITS IN TRANSIT

C. OUTSTANDING CHECKS

Date	Amount
Total	

Check #	Amount
Total	

D. CONFIDENTIAL FUNDS WITH AGENTS

Name	Amount
Total	

* Parts A, B, and C are completed only if confidential funds are maintained in a separate bank account.

E. SUBMISSION AND APPROVAL

Prepared by		Approved by	
Date		Date	

SEIZURE FUND MONTHLY RECONCILIATION REPORT*

A. RECONCILIATION

Date of Bank Statement _____
 Bank Balance per Statement _____

Add: Deposits in transit (from Section B)
 [Seizures appearing in Section D below,
 but not appearing on the bank statement] _____

Subtract: Outstanding checks (from Section C)
 [Checks written to the trustee, but not
 appearing on the bank statement] _____

Balance per Seizure Account Log (From Section D) _____

B. DEPOSITS IN TRANSIT

C. OUTSTANDING CHECKS

<u>Date</u>	<u>Amount</u>	<u>Check #</u>	<u>Amount</u>
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
Total	=====	Total	=====

D. SEIZURE FUNDS HELD IN BANK ACCOUNT

<u>Name</u>	<u>Amount</u>	<u>Name</u>	<u>Amount</u>
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
Total	=====		

* This form is completed only if seized funds are maintained in a separate bank account before depositing them with the trustee.

E. SUBMISSION AND APPROVAL

Prepared by _____ Approved by _____
 Date _____ Date _____

REPORT OF CONFIDENTIAL FUNDS REQUESTED OR RETURNED

To:

(County trustee or city recorder)

I am requesting funds in the amount of \$ _____
for use in the drug enforcement program.

I am returning 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 _____
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