

Confidential Fund Requirements

Dear Reader:

The following document was created from the MTAS website ([mtas.tennessee.edu](https://www.mtas.tennessee.edu)). This website is maintained daily by MTAS staff and seeks to represent the most current information regarding issues relative to Tennessee municipal government.

We hope this information will be useful to you; reference to it will assist you with many of the questions that will arise in your tenure with municipal government. However, the *Tennessee Code Annotated* and other relevant laws or regulations should always be consulted before any action is taken based upon the contents of this document.

Please feel free to contact us if you have questions or comments regarding this information or any other MTAS website material.

Sincerely,

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Confidential Fund Requirements

Reference Number: MTAS-350

In January 1991, the Comptroller of the Treasury for the State of Tennessee issued *required* cash handling procedures related to undercover investigative operations for county and municipal drug enforcement programs. The comptroller worked with the Tennessee Bureau of Investigation, the Tennessee Sheriff's Association, and the Tennessee Association of Chiefs of Police to develop routine cash handling procedures for undercover drug operations that would be applicable to all local government jurisdictions. The establishment of these standards also enables the independent auditor of the local government to perform a thorough audit of the operations activity without compromising the undercover officers, their informants, or their investigations.

Local Drug Funds are to have been established in accordance with T.C.A. § 53-11-415. In order to comply with this statute, the city recorder or finance officer of the municipality is to set up a separate fund to record the financial activity related to drug operations. Entitled "Drug Fund," this special revenue fund will be used to record all proceeds and expenditures related to drug enforcement for the local government in compliance with T.C.A. § 39-17-420.

In summary, these procedures require the fund to remain under the control of the city recorder or finance officer. However, upon the demand of the chief executive of the arresting law enforcement agency, the finance officer will distribute funds to pay for the drug enforcement program. The law enforcement agency will provide an accounting of these Drug Fund expenditures to the municipal finance officer.

General Applicability

It is important to emphasize that the following transaction guidelines are unique to *confidential* cash disbursements related to undercover drug investigations by the law enforcement agency. These guidelines do not pertain to normal, nonconfidential Drug Fund expenditures. Nonconfidential purchases and other disbursements from the Drug Fund are to be handled in the same manner as any other purchase or disbursement of the city in accordance with generally accepted accounting principals, the municipal charter, the Municipal Budget Law, the Municipal Purchasing Law of 1983, and any applicable municipal purchasing ordinance(s).

Of course, the procedures that follow are the *minimum* guidelines for Drug Fund confidential cash transactions. The chief law enforcement officer may require additional local procedures as deemed necessary.

Training

It is the responsibility of all chiefs of police and their agents involved in the handling of confidential Drug Funds to be familiar with these guidelines. Documentation affirming this fact is to be maintained in the law enforcement agency's office. Law enforcement officials are expected to be familiar with the guidelines concerning confidential Drug Fund cash transactions established by the state and to operate in compliance with these guidelines. Noncompliance may be itemized in audit findings by your internal auditor, which may initiate further action by the Department of Municipal Audit.

DISCLAIMER: The letters and publications written by the MTAS consultants were written based upon the law at the time and/or a specific sets of facts. The laws referenced in the letters and publications may have changed and/or the technical advice provided may not be applicable to your city or circumstances. Always consult with your city attorney or an MTAS consultant before taking any action based on information contained in this website.

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