

Receipt, Deposit & Disbursing Confidential Funds

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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Reference Number:
MTAS-352

Receipt and Deposit of Confidential Funds

As with any municipal cash transaction, pre-numbered receipts should be issued to record the distribution and return of cash for undercover operations. If the city recorder makes a cash advance to the police chief or designee for an undercover investigation activity (such as a drug buy), a receipt shall be issued to record the amount of the advance. Once the investigation activity has been completed and the cash is returned to the city recorder, another receipt shall be issued for the returned amount.

The returned cash shall be deposited into the Drug Fund checking account in a timely manner.

Disbursing Confidential Funds

As mentioned previously regarding confidential funds, the law enforcement agency may use a second Drug Fund checking account as a confidential funds account under the control of the police chief or his or her designee. MTAS recommends use of a separate checking account as a "best practice." Disbursements are to be made either to the police chief or other employee(s) through the use of pre-numbered checks. A separate checking account simplifies the recording procedure. All checks issued from this account are to be signed by the chief of police or designee and shall be made payable to the person receiving the funds.

All employees who participate in cash transactions in any capacity shall have a fidelity bond to protect the law enforcement agency and the municipality. The annual employee bond should be issued in an amount that would equal at least the largest single cash transaction in which the employee would normally participate over the course of the year.

Before purchasing bonds on your employees, it is a good idea to check with your liability insurance carrier. It's possible that automatic coverage may already be in effect or may be available to insure the activities of employees who handle cash.

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.

Source URL (retrieved on 01/26/2021 - 11:33am): <https://www.mtas.tennessee.edu/reference/receipt-deposit-disbursing-confidential-funds>

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