

EXECUTIVE SUMMARY

The Office of Public Integrity (OPI) examined cash handling procedures, accountability for cash lots, and compliance with City and Police Department policies in the Police Department Property Clerk Office. The results of the review identify various record keeping discrepancies and instances of non-compliance with approved policies and procedures.

- ◆ Public Integrity completed an inventory of all cash lots on hand in the Property Clerk safe on April 1, 2009 and observed 1,211 cash lots totaling \$167,828. During the last inventory taken on January 23, 2004, we noted 425 cash lots on hand in the Property Clerk safe totaling \$67,084. Accordingly, the number of cash property lots and the corresponding dollar value has increased significantly since 2004.
- ◆ Property Clerk perpetual inventory system records (BEAST system) are inaccurate.
 - a) Seventy four cash lots physically present in the Property Clerk Office were not correctly coded as cash on the system and, as a result, did not appear as cash on the automated inventory system.
 - b) Three cash property lots that Property Clerk personnel returned to their owners using claim vouchers, were physically located at the facility because Property Clerk personnel did not deposit them.
 - c) Public Integrity noted 162 cash property lots in the perpetual inventory records that were not physically present in the Property Clerk Office.
 - 1) Property Clerk personnel previously deposited 27 of these lots but did not record the deposits in the system.
 - 2) BEAST system records indicate that Property Clerk personnel deposited 108 of these cash property lots; however, they could not locate deposit records to support the deposits.
 - 3) Property Clerk personnel could not account for the remaining 27 cash property lots.
- ◆ The results of this review indicate that Property Clerk is depositing current cash lots in accordance with departmental policy. However, Public Integrity observed older cash lots that the Property Clerk should deposit. Of the 1,211 cash property lots totaling \$167,828 observed during the audit, we

determined that the Property Clerk should have deposited 311 or 25.6% of them totaling \$28,353.

- ◆ Public Integrity noted five occurrences that Property Clerk personnel released cash lots in the form of currency in excess of \$50 directly from the Property Clerk Office. Police Department Administrative Order A-23 requires the Property Clerk to utilize claim vouchers in order to release cash lots in the form of currency in excess of \$50.

II. BACKGROUND, OBJECTIVES AND SCOPE

A. Assignment

The Office of Public Integrity routinely reviews cash handling procedures and accountability for cash property lots within the Rochester Police Department (RPD) Property Clerk Office. We performed this review because OPI identified the Property Clerk Office as a potential high-risk area.

B. Background

The Property Clerk Office receives, stores and disposes of all physical property and evidence obtained by the Police Department. The Property Clerk issues Property Custody Report (PCR) numbers in numerical sequence for each property lot received by the department. They also maintain an automated system that monitors the status of all property and PCRs. For the period January 1, 2009 through March 31, 2009, the Property Clerk Office acquired 2,867 property lots that included 233 cash property lots. On April 1, 2009, the Property Clerk Office had 1,211 cash lots representing confiscated currency with a total value of \$167,828.45. Each lot often includes various types of property. Accountability of all property secured in the Property Clerk area is a primary goal of that operation.

Public Integrity last reviewed the Property Clerk Office in January 2004. That review also concentrated on an examination of cash property lots and their corresponding records stored in the Property Clerk Office.

During this period of examination, the Police Department managed the Bar-coded Evidence Analysis Statistics and Tracking (BEAST) system that records the information documented on Property Custody Reports. The BEAST system functions as an inventory database for all property secured in the Property Clerk Office by providing immediate, on-screen details of property lot information and by printing self-sticking, bar coded labels that attach to those lots and identify critical information about them, including held, released, deposited and disposed property.

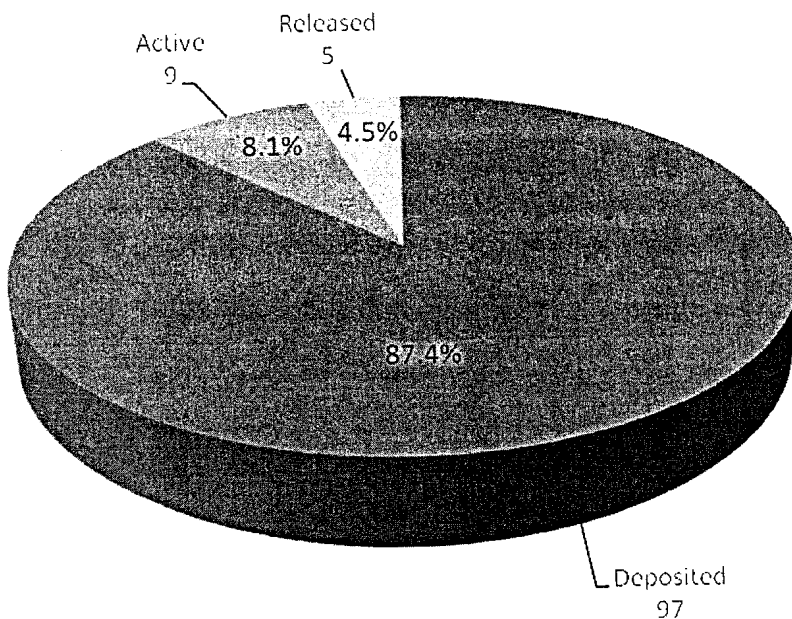
Objective and Scope

The objectives of the review were to determine accountability of cash property lots, the amount of cash held in the Property Clerk Office and to determine compliance with existing cash deposit policies. The review included evaluation of the internal control procedures applicable to cash lots and Property Clerk compliance with its own procedural manual, City Cash Collection Policies, Police General Order 450 (Property Custody Report), and Administrative Orders A-19 (Evidence Purging) and A-23 (Release of Money).

Public Integrity completed an inventory of all cash lots held in the Property Clerk Office on April 1, 2009 and compared the results of this inventory to Property Custody Reports and information recorded in the automated system.

Additionally, we examined cash property records processed in the Property Clerk Office during the three-month period of January 2009 through March 2009. Property Clerk records indicate that they received 233 cash property lots in that period. Public Integrity randomly selected 111 of these cash lots for detail testing. The following chart summarizes the disposition of cash lots selected for detail testing.

Rochester Police Department Property Clerk Unit
Cash Property Lots in Sample Selection
Disposition as of April 4, 2009



Management is responsible for establishing and maintaining a system of internal accounting and administrative control. Fulfilling this responsibility requires estimates and judgments by management to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of accurate, informative reports that are fairly stated.

Because of inherent limitations in any system of internal accounting and administrative control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any system evaluation to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with procedures may deteriorate.

The recommendations presented in this report include the more significant areas of potential improvement that came to our attention during the course

of the examination, but do not include all possible improvements that a more extensive review might develop.

III. RESULTS OF REVIEW

Public Integrity noted several findings that require management attention to improve internal and administrative controls, and to assure compliance with City and departmental policies. We identified non-compliance with departmental policy, clerical record maintenance errors, weaknesses in internal control, and an inaccurate perpetual inventory system.

Opportunities for improvement of operations within the Property Clerk Office may require modifications to the BEAST system. These modifications may promote more efficient management of evidential property. This includes improvements in information retrieval and computer report output of available PCR records. For instance, when a request for specific information is desired, the available reports are limited and may include unnecessary information or may not include all desired information.

A. Perpetual Inventory Records Are Inaccurate

The Property Clerk controls and monitors all property submitted by the Police Department by maintaining PCRs and an automated perpetual inventory system (BEAST system). When police officers deliver property to the facility they complete a PCR and Property Clerk personnel input the information from that document into the BEAST system. The PCRs and the BEAST system are the main mechanisms for tracking anything stored in the Property Clerk Office because employees record all activity applicable to held property in the BEAST system and record property dispositions on the PCRs. For example, if the Property Clerk releases cash to an owner, they will record the transaction in the BEAST system thereby documenting the release of the cash and eliminating it from the current inventory. Additionally, the Clerk will write the disposition information on the PCR. As a result, PCRs and the automated system should support all related property activity. The BEAST perpetual inventory system should provide a current record of everything in the Property Clerk Office and should reflect the results of an actual physical inventory count at any particular time.

Public Integrity conducted a physical inventory on April 1, 2009 noting 1,211 cash property lots totaling \$167,828. We compared the cash lots physically located to the cash lots listed on the automated perpetual inventory system on that same date. Numerous discrepancies between the two records indicate inaccurate BEAST system perpetual records. We identified cash lots physically located in the Property Clerk Office that were not recorded in the

perpetual inventory and, we could not locate cash lots in the Property Clerk Office that were recorded in the perpetual inventory. These discrepancies are indicative of a system that RPD management cannot depend upon to provide reliable information to both employees and the public inquiring about their property. We noted the following conditions:

1. During our physical inventory, we counted 77 cash property lots located in the Property Clerk Office that their personnel did not record in the perpetual inventory or did not code correctly as cash in the perpetual inventory records.
 - a) Property Clerk personnel returned the cash associated with three of these lots to the owners using claim vouchers, however, did not deposit the corresponding cash lots as is required when returning cash using claim vouchers. The BEAST system automatically removes a property lot from the inventory after Property Clerk personnel issue a voucher and record the transaction in the system.
 - b) Additionally, Property Clerk personnel coded 74 of these cash property lots incorrectly as jewelry or miscellaneous and, as a result, they did not appear on the perpetual inventory of cash lots in the BEAST system.
2. The BEAST system also identified 162 cash property lots recorded as present in the BEAST perpetual inventory, however, they were not physically present in the Property Clerk Office. That is, the automated inventory system listed 162 cash lots that should have been present in the Property Clerk Office, that were not.
 - a) Public Integrity examined the BEAST system entries, PCRs and supporting documentation, and determined that Property Clerk personnel previously deposited 27 of these lots but did not record the deposits in the system.
 - b) Additionally, system records indicate that Property Clerk personnel deposited an additional 108 of these cash lots; however, they could not locate deposit records to positively confirm this.
 - c) Property Clerk personnel could not account for the remaining 27 lots. That is, the BEAST System listed these lots as held by the Property Clerk, however, they could not locate them and they could not locate any documentation that indicated any disposition for them. The following table summarizes the lots that they could not account for:

Police Property Clerk
Lots Not Accounted For

<u>Number</u>	<u>Crime Report</u>	<u>Year</u>	<u>PCR Number</u>	<u>Description</u>
1	1992344635	1992	01440	42,350 Brazilian Cruzados
2	1992344635	1992	01440	2,425,000 Peruvian Intis
3	1993353789	1993	11846	\$0.25
4	1993309481	1993	10160	\$98.00
5	1993088793	1993	02712	\$110.00
6	1994131432	1994	04297	\$125.00
7	1994359236	1994	11784	\$6.00
8	1995026827	1995	00982	\$20.00
9	1995331052	1995	10824	\$40 Food Stamps
10	1995181183	1995	05958	Assorted Foreign Coins
11	1996427879	1996	14377	\$0.20
12	1996004444	1996	00134	\$102.00
13	1996207032	1996	07060	\$10.00
14	1996275584	1996	09244	\$64.00 Food Stamps
15	1996153725	1996	05430	Collector Coins
16	1997017215	1997	00584	\$10.00 Seizure Funds
17	1997034421	1997	01194	\$4.09
18	1998377615	1998	12061	\$4.00
19	1998306662	1998	09863	\$111.00 Food Stamps
20	1998201368	1998	06482	\$20.00 (Possible Counterfeit)
21	1998142873	1998	04637	Two \$50.00 Bills (Possible Counterfeit)
22	1999201357	1999	06749	\$20 (Possible counterfeit)
23	1999021608	1999	00551	Passport and Wallet
24	2000369306	2000	12697	\$10.00 (Possible Counterfeit)
25	2004268367	2004	09894	\$10.00
26	1989511127	2005	03332	\$4.21
27	1985604841	2005	03838	\$6.00

These discrepancies are due to bookkeeping and clerical errors, unposted and prematurely posted transactions, incompletely and inaccurately prepared source documents such as PCRs, Property Clerk personnel retaining cash lots without adequately investigating the dispositions of the lots, and various other deviations from established and required procedures. Also, RPD does not require Property Clerk personnel to regularly conduct periodic physical

inventories of held lots, especially cash, and reconcile the results of physical inventories to the perpetual records.

The Property Clerk's accountability over cash property lots is compromised if PCRs are unavailable or those lots are not properly recorded in the perpetual inventory system. Because RPD relies extensively on the perpetual records in the BEAST system, to locate cash lots on the premises, exclusion from these records represents a loss of control. Also, with inaccurate perpetual records individuals have the ability to remove cash lots from the Property Clerk Office without any record of the final dispositions.

◆ Recommendations

1. RPD should ensure that Property Clerk personnel properly record in the BEAST system the 74 lots located in the safe that are not recorded in the perpetual inventory as cash lots.
2. RPD should require the Property Clerk to periodically conduct a physical inventory count of active cash lots, at least annually and preferably quarterly.
3. Property Clerk management should reconcile each physical inventory count against the perpetual inventory records and resolve all discrepancies.
4. RPD should require Property Clerk personnel to update property lot information in the perpetual records in a timely manner, subsequent to changes occurring.
5. Property Clerk personnel should accurately update all property lots in the perpetual records when final dispositions are complete.

B. Undeposited Cash

Rochester Police Department Administrative Order 23 (A-23) requires the Property Clerk Office to deposit all currency submitted to that office that does not have evidentiary value. The policy clearly outlines situations in which the Property Clerk should retain currency or when they should deposit it.

Public Integrity reviewed the 1,211 cash property lots present in the safe on April 1, 2009 to determine compliance with Administrative Order A-23 and City Cash Collection Policies. Public Integrity also selected a statistical sample of cash property lots received from January 1, 2009 to March 31, 2009. The sample selection of 111 from a population of 233 assures property

representation throughout the entire population of cash PCRs and allows an accurate projection of the results of the sample against that population. Public Integrity examined deposit records, release authorizations and other disposition documentation and noted cash property lots that remained in the Property Clerk Office.

Of the 1,211 cash lots totaling \$167,828 observed on April 1, 2009, Public Integrity determined that the Property Clerk should have deposited 311 or 25.6%, totaling \$28,353. Additionally, of the 111 cash property lots in the sample from January 1 to March 31, 2009, the Police Department improperly held 1 or .9%, valued at \$7 that, per the deposit guidelines stated in Administrative Order A-23, the Property Clerk should have deposited. As a point of comparison, the results of the previous examination indicated that the Property Clerk Office could immediately deposit between 14 and 56 lots valued between \$2,210 and \$8,839.

The results of this audit indicate that the Property Clerk Office is depositing currently received cash property lots in accordance with departmental policy, however, there are older cash lots that they should review and deposit to ensure compliance with departmental and City policy.

◆ Recommendation

The Property Clerk Office should continue to deposit cash when received. Additionally, they should review older cash property lots held and deposit any of those that are allowed per Administrative Order A-23.

C. Claim Vouchers Not Used To Release Currency

RPD Administrative Order A-23 requires Property Clerk personnel to use claim vouchers to release cash from the Property Clerk Office for all currency releases in excess of \$50. In our sample of cash property lots received in January through March 2009, the Property Clerk Office released 22 of the 111 cash lots selected for detail testing. All 22 of these currency releases were in excess of \$50.

OPI noted that Property Clerk personnel released five of the 22 cash lots in excess of \$50 directly from the Property Clerk Office in the form of currency, rather than completing a claim voucher as is required by Administrative Order A-23. Four of these went to the owners of the currency and were for amounts of \$520, \$180, \$56 and \$375. For the remaining cash property lot, Property Clerk personnel released \$7,040 in seized cash directly to the RPD officer who oversees federal forfeiture funds. This officer took the cash to a bank and had the bank issue a check payable to the US Marshal's Service.

Releasing currency in excess of \$50 is a violation of departmental policy and decreases the control that the policy is meant to provide.

♦ Recommendation

Property Clerk personnel should adhere to RPD Administrative Order A-23 and complete claim vouchers for all currency releases in excess of \$50. If RPD management deems it desirable for exceptions to exist, then they should modify A-23 to include these exceptions.

V. DEPARTMENTAL RESPONSE

The Police Department response to this report begins on the next page.



City of Rochester

Rochester Police Department
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Rochester, New York
14614-2124

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CITY OF ROCHESTER
OFFICE OF PUBLIC INTEGRITY



David T. Moore
Chief of Police

October 26, 2009

Mr. Richard Vega, Director
Office of Public Integrity
85 Allen Street
Rochester, New York 14604

Dear Mr. Vega:

This correspondence is an official response to the most recent audit conducted at the Rochester Police Department's Property Clerk Office [Appendix I].

The Rochester Police Department (RPD) makes every effort to improve systems and processes in an effort to provide exceptional customer service to the community. In November 2004, the RPD implemented the Bar-coded Evidence Analysis Statistics and Tracking (BEAST) system. As you are aware, the fundamental operation of the BEAST is a records system used for the proper recording, storage, classification, transfer, retrieval and disposition of all evidential items and items held under protective custody. The implementation of the BEAST system has greatly enhanced the inventory process.

Specific findings in the audit are addressed below:

The audit found discrepancies in the coding of seventy four cash lots physically present in the Property Clerk Office, which did not appear as cash on the automated inventory system. The perpetual record has been updated to show these items with the proper code on October 1, 2009. This error is attributed to human error. The Property Clerk Office has drafted a daily procedure system, to be performed by the Senior Property Clerk and/or Manager of Police Property, that will alleviate this error by running a Status Report on a daily basis and reviewing the code listed for any money lots submitted [Appendix II].



The audit also found that there were three cash property lots physically located in the facility that the Property Clerk Office personnel returned to their owners using claim vouchers. These items should have been deposited according to the current procedure of verifying that monies have been deposited in the bank prior to processing any vouchers. Property Clerk Office personnel have been directed to become familiarized with this procedure. The three identified cash property lots have subsequently been deposited on June 19, 2009 and July 20, 2009 [Appendix II].

The audit also noted 162 cash property lots in the perpetual inventory records that were not physically present in the Property Clerk Office. It was determined that the Property Clerk Office personnel previously deposited 28 of these cash property lots but did not record them in the system. Of these previously deposited cash property lots 24 were deposited before 1998. Bank deposit records prior to the year 2000 have been purged and are no longer available. After consulting with Yvette Buri (Sr. Auditor), who confirmed through the records reviewed that these items were in fact deposited, the Property Clerk Office will update the perpetual records on BEAST to reflect this correction. If concurred, this correction will be made by entering a generic deposit date of October 21, 2009, which is the date Yvette confirmed to Kathy Katerle (Manager of Police Property) that the aforementioned cash property lots were in fact deposited. In addition, physical inventories of cash property lots will be conducted on a quarterly basis to ensure that both physical and perpetual records coincide. The Property Clerk Office will also be required to complete periodic inspectional reports to ensure compliance in this quarterly inventory inspection.

The audit indicated that 108 of the aforementioned 162 cash property lots were reflected on the BEAST system as being deposited, however no deposit records were able to be located. The unavailability of these records is due to 107 of the 108 being deposited prior to the year 2000. As mentioned above, bank deposit records prior to the year 2000 have been purged and are no longer available. The deposit record for the cash property lot listed for the year 2001 is attached and made a part of this response [Appendix II].

The error in the location of the 108 cash property lots in the perpetual system was caused by a delay in the downloading of inventory locations in an antique inventory tracking system. The previous inventory tracking system would time stamp the location of cash property lots based on the time of day the system upload was conducted. This process would cause a location error in the system as deposits were made in the morning and uploads were conducted in the afternoon. If concurred, the Property Clerk Manager will adjust the inventory times of the 108 lots, one hour prior to deposit. The BEAST system solves this error by its capabilities to upload inventory in real-time.

The audit also noted that an additional 27 of the abovementioned 162 cash property lots could not be accounted for. Dan Mastrella (Principle Field Auditor) has acknowledged that 24 of these items were not physically located during the January 2004 audit. Of the remaining 3 items, a deposit record for the year 2004 cash lot is attached and made a part of this response [Appendix II], the 2 other items were from the years 1985 and 1989 respectively. Deposit records for these two items, as well as the 24 items not located during the January 2004 audit, are unavailable as all bank deposit records prior to the year 2000 have been purged.

If all parties are in agreement, these 26 transactions were made prior to the arrival of the current Property Clerk Office personnel, and in accordance to good faith, should reflect deposited as no additional information is available.

The audit also found that the Property Clerk Office has older cash lots in inventory that should be deposited. Of the 1,211 cash property lots totaling \$167,828 observed during the audit, it was determined that the Property Clerk should have deposited 311 or 25.6% of them totaling \$28,353. The Property Clerk Office is currently investigating the status and actual offenses of each of the 311 case numbers to determine a final disposition so that these items can be appropriately deposited. The completion of this review should be done by early November 2009. In addition, the Property Clerk Office will run a quarterly report for all cash property lots over five years old to investigate the disposition status of the items in accordance with RPD Administrative Order A-19 [Appendix III].

The audit also found that Property Clerk Office personnel released cash lots in the form of currency in excess of \$50 directly from the Property Clerk Office. To address this issue, Property Clerk personnel were reminded during a staff meeting of the proper procedures and policies, and were directed to become re-familiarized with RPD Administrative Order A-23. In addition, all Property Clerk personnel were issued a copy of the current City of Rochester Cash Collection Policies [Appendix III].

Sincerely,

A handwritten signature in black ink, appearing to read "David T. Moore". The signature is fluid and cursive, with the first name "David" and last name "Moore" clearly distinguishable.

David T. Moore
Chief of Police