February 17, 2015

Lou Rosamilia, Mayor
Members of the City Council
City of Troy
433 River Street
Troy, NY 12180

Report Number: S9-14-57

Dear Mr. Rosamilia and Members of the City Council:

The Office of the State Comptroller works to help local government officials manage their resources efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support operations. The Comptroller oversees the fiscal affairs of local governments statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations and governance. Audits also can identify strategies to reduce costs and to strengthen controls intended to safeguard assets.

In accordance with these goals, we conducted an audit of 10 municipalities (two counties, four cities, three towns and one village) throughout New York State. The objective of our audit was to determine if municipalities accounted for all property room inventory.[1] We included the City of Troy (City) Police Department (Department) in this audit. Within the scope of this audit, we examined the procedures of the City and various property records for the period January 1, 2012 through August 29, 2013. Following is a report of our audit of the City. This audit was conducted pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law.

This report of examination letter contains our findings and recommendations specific to the City. We discussed the findings and recommendations with City officials and considered their comments, which appear in Appendix A, in preparing this report. Except as specified in Appendix A, City officials generally agreed with our recommendations and indicated that they plan to initiate corrective action. Appendix B includes our comments on issues raised in the City's response. At

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[1] Property room inventory can include items the Department receives or seizes, such as criminal case evidence, found property, property for safekeeping from a decedent or prisoner, property no longer needed as evidence for investigation, contraband, property pending release and property confiscated for forfeiture proceedings.

the completion of our audit of the 10 municipalities, we prepared a global report that summarizes the significant issues we identified at all the municipalities audited.

Summary of Findings

We found that the Department did not always account for property room inventory adequately due to inaccurate records.

Of the 508 high-risk property items held by the Department that we tested, 17 items (3 percent) were not in the correct location, and 10 of these items (2 percent) were unaccounted for (missing from inventory) with no documentation to indicate their disposition. The missing items were comprised of three drug items, a digital camera, five license plates and a dirt bike.

The Department also did not maintain adequate documentation to support the disposal of items. Of 1,204 disposed items tested, 1,064 items (88 percent) did not contain sufficient documentation to support their final disposition, as follows:

- None of the 1,059 drugs and firearms destroyed could be sufficiently traced back to the evidence of destruction provided by the Department.

- Three items (a plasma television, two-dollar bills and a shopping bag containing multiple full pill bottles) listed as returned to their owner lacked adequate documentation that they were properly returned to their owner.

- One money item totaling $287 was not transferred to City Hall as indicated by Department records.

- One item (plastic bags) was indicated as destroyed; however, it was still in inventory.

City officials attributed the discrepancies to changing from a manual system to a computerized property tracking system (system) that tracks all item movement and a lack of initial training on the system.

In addition, the Department could improve other control procedures to safeguard property room inventory. The Department granted administrative access rights to its system to four individuals who also have access to property room inventory. No one monitored user activity on the system. Further, although the Department performs physical inventory testing twice a year, the individual who performed the testing was not independent of property evidence custody, and the method used for inventory testing was not adequate to determine whether items were missing. In addition, the system allows property labels to be reprinted without being identified as a duplicate.

Background and Methodology

The City has a population of approximately 50,000 and is governed by a nine-member City Council and a Mayor. The City provides services to residents through municipal operations, including the Department. The Department's 2013 budgeted operating appropriations were $17.4 million of the City's $65.9 million general fund budget.

The City's Chief of Police (Chief) and Police Commissioner are responsible for the general management of the Department, which includes overseeing property room inventory. They are assisted by a property room coordinator (Coordinator). In August 2013, the property room inventory contained about 15,000 items.[2] The term "property room inventory" encompasses items in all locations used by the Department to hold and store non-Department property. This can include both on- and off-site areas such as storage sheds, garages and vehicle lots. Property includes seized items, found items or property held for safekeeping. For example, items include criminal case evidence, found property, property from a decedent or prisoner kept for safekeeping, property no longer needed as evidence for investigation, contraband, property pending release and property confiscated for forfeiture proceedings. Typical property found in the property room can include biohazard materials, drugs, firearms, jewelry, money, weapons, vehicles and other miscellaneous items. The Department should secure and maintain the integrity of police evidence and other property until disposition.

We interviewed Department staff and officials, examined physical inventory and disposal records and reviewed monitoring procedures to determine whether Department staff accounted for all property. We also traced Department inventory and disposal reports to source documents and physical inventory, as appropriate, to ensure the accuracy of current inventory and disposals.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). Such standards require that we plan and conduct our audit to adequately assess those operations within our audit scope. Further, those standards require that we understand the management controls and those laws, rules and regulations that are relevant to the operations included in our scope. We believe that our audit provides a reasonable basis for the findings, conclusions and recommendations contained in this report. More information on such standards and the methodology used in performing this audit is included in Appendix C of this report.

Audit Results

Police departments should ensure that items held in the property room are properly accounted for by establishing good internal controls and maintaining accurate records. Good internal controls include written policies and detailed procedures that task designated personnel with executing specific actions consistently. Good property room management practices require documentation of when property came in, who checked it in, where it was located, when it was moved, where it was stored and by whom, when it was signed out, when it came back and how it was disposed of. Additional security measures in the property room may include the use of a safe, a chain to secure firearms and the installation of a floor-to-ceiling chain link fence. Lastly, police departments should conduct routine and unannounced inspections of the property room ensuring adherence to appropriate policies and procedures along with annual audits of the property room to compare physical inventory counts to the records of items maintained.

We found that, while the Department has established policy guidelines and procedures, they are deficient. For example, administrative access rights to the system were not granted to officials based on their job duties and responsibilities. In addition, no one in the Department monitored user

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[2] The inventory report does not reflect all inventory physically located in the property room. Department officials indicated that the City implemented the use of tracking software in mid-2008. Physical inventory associated with cases prior to this time are not included on the report, unless the item had previously been included in a Department internal audit.

activity on the system. Four software application administrators with access to the items in the property room also had administrative rights to the system, allowing for the potential to change the inventory records. In addition, the Department's inventory records were inaccurate. Because of the deficient procedures and inaccurate records, the Department could not account for items missing from its property room.

Property Evidence

The Department can hold property in the property room for extended periods. Officials should accurately track and record the movement of property items to safeguard them and preserve the chain of custody. Typically, an item is received in the property room; stored in location; moved to and from the laboratory, the court and for investigative review; and moved to disposal. Policy guidance should be established and implemented to protect items from the loss of evidentiary value by outlining methods of documenting[3] and packaging items based on the needs and storage requirements of the laboratory used. Officials should also establish physical inventory procedures to identify missing or misplaced items.

The Department's established procedures have the officer taking in the property recording it into the Department's system. Once the officer packages the evidence, the system generates a label, with a unique bar code, which is placed on a sealed evidence bag with the property inside. Once the bag is sealed, the officer initials the seal. When handling cash, two officers count and package the cash evidence. Once the property is packaged, officers turn it over to the Coordinator or place the property in secured lockers until the Coordinator collects it. When collecting the seized property from the locker, the Coordinator scans the bar code label and enters information in the system that the item was removed from the locker and placed in the property room. After logging the items, the Coordinator places the item in a designated location in the property room. By using a bar code system to track the seized property, the Department reduces the possibility of missing or misplaced paperwork.

The Department policy also provides guidelines for transferring property to City Hall and the New York State Police Laboratory as well as guidelines for unclaimed and found property. Specifically, the policy states that evidence leaving the property/evidence facility will be logged using the barcoded tracking system.

A deficient Department procedure resulted in four software application administrators having access to items in the property room as well as administrative rights to the system, allowing for the potential to change the inventory records. An individual with access to both the property room and administrative rights to the system could create an opportunity for property to be misused, misplaced or stolen without detection. In addition, the system allows labels to be reprinted without being identified as a duplicate. An individual with both physical inventory access and system administrative rights could create an opportunity for property or evidence to be misused, misplaced or stolen without detection.

We reviewed the list of currently stored property room items and judgmentally selected a sample of 508 high-risk items[4] (92 firearms, 233 drug items, 86 money items and 97 other items[5]). We

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[3] Each item should have an identifier (tracking number), which corresponds to item descriptions, the individuals involved in the case and the location/movement information necessary to track the chain of custody.
[4] See Appendix C, Audit Methodology and Standards, for detail on our selection of test samples.
[5] Other items include found items, vehicles, jewelry, electronics and biological items.

examined the system records to determine whether the property was adequately described, intact and stored in the designated location. Of the 508 items tested, 17 (3 percent) were not accurately recorded, and of these, 10 items were unaccounted for (missing from their property room location) during our fieldwork. Specifically:

- Of the 92 firearms tested, two (2 percent) were not stored in the location indicated by inventory records. The Coordinator provided paperwork indicating the return of one firearm to the owner, and one firearm was found in the property room the next day (the description and serial number matched the record).

- Of the 233 drug items tested, three items (1 percent) were not stored in the location indicated by inventory records. These cases originated b 2001 and 2003.

- Of the 86 money items tested, no discrepancies were found.

- Of the 97 other items tested, seven could not be located: one digital camera,[6] five license plates and one dirt bike. These seven cases originated between 2002 and 2012.

Department officials attributed the inaccurate records and missing inventory to changing from a manual system to a computerized system that tracks all item movement and a lack of initial training on the system. Department officials told us that they perform sample physical inventory checks twice a year by selecting 10 items from the property room and tracing them back to the system records to determine accuracy of the records. However, without tracing items from the inventory list to the physical inventory, officials would not know if items are missing or misplaced. Also, the individual who performed the sample inventory checks had physical access to the inventory as well as administrative rights to the system and, therefore, could potentially move or take property items and alter the record to conceal it.

Inadequate controls and inaccurate inventory records over items in the property room increase the risk that property could be misplaced, misused or stolen without timely detection.

Property Disposal

The disposition of property should be documented in written policies and procedures to guide the operation of item handling. Items returned to the owner, transferred or destroyed are all considered property room disposals. Recycling, burning or any other method to make an item unusable could be used to destroy an item properly. High profile items, such as drugs, firearms and money, require extra internal controls. The disposal of items should be documented with a clear trail in Department records. Further, good business practice requires that items should be removed from the property room after being held for the required length of time. If the Department has identified an owner or determined that the item has no evidentiary value, then it should be disposed of properly and promptly. It is in the Department's best interest to remove items from the property room as quickly as possible to free up space and remove the risk of theft or misuse. Records should indicate the details about the case, individuals involved, authorization for disposal, who destroyed the item (if it was destroyed), who witnessed the item being destroyed and other details required by the Department.

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[6] This item was not located during our on-site audit testing nor after several meetings with Department officials to discuss our audit findings. However, in December 2014, Department officials informed us that the item had been located after a recent "purge" and provided photographs of the item.

The Department has various procedures for disposing of property, depending on the type of item. For example, items returned to the owner require that the owner provide a signature and proof of identification for the Department's records, while transfer of items (usually money) to City Hall requires two individuals, one each from the Department and City Hall, to count and sign for the items transferred. While the Department has these procedures in place for the disposal of property evidence, controls can be improved.

We reviewed a list of disposed inventory, totaling 5,097 items, and judgmentally selected a sample of 1,204 high-risk items, including money, biohazard items, drug items, firearms and electronics. These items were disposed of by being destroyed, returned to their owner, transferred to City Hall or retained for Department use. We reviewed the computer records to determine whether the items' disposal was documented adequately. Of the 1,204 items tested, only 140 items (12 percent) had sufficient documentation.

Destruction – Our test of 1,204 items included 76 firearms and 983 drug items. Two private vendors completed the destruction of firearms and drugs.

- Firearms – The Department policy states that firearms surrendered for safekeeping shall be held for up to one year prior to being destroyed. Lawfully surrendered firearms shall be immediately scheduled for destruction and firearms in custody of evidence shall be scheduled for destruction as soon as the evidentiary value has ceased. The Coordinator prepared the firearms to be destroyed, a sworn Police Captain verified the items and another sworn Department officer accompanied them, along with the firearms, to the vendor's site. The destruction was captured on a recording showing the place of destruction and the weapons destroyed. However, the recording did not show the Department personnel, and we were unable to verify that the firearms destroyed were the same as the records indicated because there were no serial numbers visible or close-up pictures of the items. As support to the recording, there was a list of firearms destroyed, signed by the Coordinator and Police Captain, indicating that the items listed were destroyed. However, there is no paperwork from the vendor indicating specific items that were destroyed. In addition, the Department's policy does not outline the method or procedures for destruction.

- Drugs – The Department policy does not outline a method or procedure for the destruction of drugs. The Department hired a vendor for drug destruction. Drugs to be destroyed are selected and boxed by the Coordinator and Police Captain. Prior to the drugs being transported, the Coordinator and Police Captain seal the box of drugs to be destroyed and sign or initial the seal. Three Department staff accompany the drugs to the vendor location for destruction and, upon arrival and before destruction, the box will be checked to ensure it was not tampered with. The Police Captain told us that he witnesses the incineration. The vendor provided a receipt showing total weight of drugs destroyed. However, we were unable to reconcile the proof of destruction to the items indicated as destroyed, as the 983 drug items often did not contain documentation of the weight. However, three Department employees were present and signed records that indicated those items were destroyed.

Returned to Owner – Of the 28 items reviewed, Department officials had adequate documentation for 25 items returned to their owners. Two items did not have any documentation. However, the records noted that one return was done in the presence of the Chief, a disabled individual who was known to the Department picked up the other item, and the Department was unable to get a

signature. The final item did not have any name or identification, but the case investigator identified the owner of the property.

Transfers to City Hall – Department records indicated transfers of 82 items to City Hall totaling $22,788; however, only 81 items, totaling $22,501, were actually transferred to City Hall.[7] The remaining item, totaling $287, was not part of the total dollar amount signed for by City Hall staff when the transfer took place. Further, the documentation indicated this item was disposed of during our scope period.

Retained for Department Use, Transferred to Other Agency and Vehicles Released to Tow Agency – Of the 35 items reviewed, the Department had adequate documentation for all but one item (plastic bags) retained for Department use or transferred.

Good policies and procedures for the acquisition, storage and disposition of property items promote efficient use of property room space for easier access and keep handling to a minimum. Conversely, poor procedures (including a lack of oversight and monitoring) and inaccurate records of the items stored in a property room increase the risk that property could potentially be unavailable for legal proceedings, or that firearms, drugs and highly valuable items could be lost, stolen, misused or could pose a danger to public safety.

Recommendations

Department officials should:

1. Review and update property room policies and procedures annually.

2. Monitor the activity in the property room, including the assignment of physical inventory testing to an individual who does not retain item custody.

3. Conduct routine and unannounced inspections of the property room ensuring adherence to appropriate policies and procedures along with annual audits of the property room to compare physical inventory counts to the records of items maintained.

4. Assign software user access based on job duties and responsibilities. In addition, if the Department cannot appropriately segregate the duties of custody and recordkeeping, someone without physical access to the inventory items should monitor user activity and the changes made on the system.

5. Review and update the drug and firearm destruction policy to ensure that the Coordinator prepares and retains detailed records identifying the items being destroyed. This documentation should include either the signature of the command level officer present during destruction or the signature of an independent third party who can attest to the destruction.

6. Continue to improve the inventory tracking and disposal process by clearly documenting property movement to provide an audit trail.

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[7] The 81 items had proper documentation (a list of each item with case number, description and sign-off of a second Police Department employee involved in process) and proper authorizations for transfer of money to City Hall as well as the signature of the City Hall accounting staff who received the transfer.

The City Council has the responsibility to initiate corrective action. A written corrective action plan (CAP) that addresses the findings and recommendations in this report should be prepared and forwarded to our office within 90 days, pursuant to Section 35 of the General Municipal Law. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report,* which you received with the draft audit report. The City Council should make the CAP available for public review in the Clerk's office.

We thank the officials and staff of the City of Troy for the courtesies and cooperation extended to our auditors during this audit.

Sincerely,

Gabriel F. Deyo

APPENDIX A

RESPONSE FROM CITY OFFICIALS

The City officials' response to this audit can be found on the following pages.

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August 22, 2014

Ann Singer
Chief Examiner
Statewide Audit
State Office Building
Suite 102
44 Holley Street
Binghamton, New York 13901

Re: Report Number S9-14-57

Dear Mrs. Singer:

City of Troy representatives have reviewed and discussed the findings of the auditors' examination of the Troy Police Department Property Room. Our response to the draft report is provided below:

Summary of Findings:

1. Missing/ Unaccounted for Items – post audit, police department representatives were provided with the case numbers of the items contained in this category. Of the 10 items classified as unaccounted for, six have been recovered. Four license plates remain unaccounted for.

   | See
   | Note 1
   | Page 12 |

2. Documentation – the report cites 1885 items lacking adequate documentation. As stated, this deficiency is attributable to the conversion of an automated inventory system ▆▆▆▆

3. Transfer of $287.00 to City Hall – the report notes that the money's were not transferred to City Hall as indicated. A post audit review provided that the funds were transferred to City Hall in a subsequent transaction.

   | See
   | Note 2
   | Page 12 |

4. Plastic Bag – remained in inventory although classified as destroyed.

5. Control and Access Procedures – the report delineates measures that should be instituted to enhance monitoring, access, and auditing features.

John F. Tedesco
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As to the Summary of Findings, City of Troy disagrees, in part, as illustrated by the partial recovery of items. The City of Troy agrees with the report's recommendation for enhanced internal controls to lessen or eliminate the procedural errors leading to the loss or misplacement of items.

See
Note 1
Page 12

Recommendations:

The City of Troy agrees with recommendations 1-6, the implementation of which shall be fully explained in the Corrective Action Report.

The City of Troy appreciates the assistance provided through the audit process.

Yours truly,

John F. Tedesco
Chief of Police

APPENDIX B

OSC COMMENTS ON THE CITY'S RESPONSE

Note 1

The Coordinator was present with Office of the State Comptroller (OSC) examiners during audit testing and was provided with case numbers and relevant information. In addition, case details were shared with Department personnel upon the completion of fieldwork and were also discussed at the exit conference. No additional supporting documentation was provided to OSC examiners regarding the unaccounted for or missing items at that time. In addition, we followed up on the Department's response letter, which indicated six of the 10 items reported as unaccounted for had been recovered. Department officials told us, "…there was obviously a miscommunication. I have only one item from the list that I can physically show you." We have amended the report to include the subsequent discovery of the one item.

Note 2

OSC examiners shared the case details regarding the $287 with Department personnel during audit fieldwork. The matter was also discussed at the exit conference. OSC examiners were provided no additional supporting documentation regarding the disposition of the $287 at those times. Upon receipt of the Department's response, we inquired again and the Department has since provided a "Department Case Report" in which the Coordinator has attached a note stating, "this item was scanned as having been transferred to City Hall on 03-08-12 but was located in the vault during an audit in the Summer of 2013 (Human error). The cash was transferred to City Hall on 10-03-13." In addition, a custody report was provided indicating the currency was transferred to the City Hall Accounting Department on 10-03-13 along with a "deposit of moneys with the City Treasurer" form stamped and dated by the City Treasurer's Office on 10-03-13. Our Office cannot determine the funds subsequently deposited were the $287 we identified as missing/unaccounted for.

APPENDIX C

AUDIT METHODOLOGY AND STANDARDS

We interviewed Department personnel to determine if processes existed to account for all property room inventory, if property inventory records were up-to-date and accurate and if internal controls were in place to safeguard all money, firearms, drugs and high-value items in the property room.

We reviewed the Department's physical inventory records and disposal records as well as monitoring procedures. We also traced Department inventory and disposal reports to source documents and physical inventory, as appropriate, to ensure the accuracy of records related to current inventory and disposals. Our audit included the following steps:

- We conducted a walk-through of the Department's facilities to determine what controls were in place over inventory.

- We judgmentally selected a sample of 30 items from a property item list. Our selection was based on a random assortment of cases from various years. Each item was pulled from location to verify that it was present, that the seal was intact, that there were no apparent signs of tampering and that the property label on the item matched the Department records.

- We then judgmentally selected a sample of 30 items from the physical location. Our selection was based on a random selection of items from various locations. The items were pulled from location to verify that the seal was intact, that there were no apparent signs of tampering and that the property label on the item matched the Department records.

- We used the Department's inventory report to judgmentally select eight categories to test from, comprising firearms, found property, vehicles and related items, jewelry, fingerprint and biological evidence and other evidence labeled as electronics, money and drugs. We selected these categories because of the potential for higher risk of theft or misuse. Based on the volume of the evidence category, we tested the entire population, 10 percent of the population or a combination of percentage, availability and the risk and sensitivity factor. With the assistance of the Coordinator, we tested physical inventory.

- For property room money, we conducted three tests:

  o We selected all bags of currency over $500 and traced each bag from the current evidence inventory report to its location in the property room.

  o We then verified the amount of money in the bag for the sample selected to the amount listed on the report. An OSC examiner and the Department's Coordinator conducted a physical inventory, going to each location to verify the item was in the correct location and that the label information on the bag matched report information, and observing if the evidence bag seal was intact, noting the date on the seal and documenting any discrepancies.

- o For a judgmentally selected sample of bags, Department employees unsealed the bags, counted the money inside and resealed the bag in the presence of OSC examiners. At the time of the count, all individuals had to be in agreement to proceed.

- We used the Department's disposal records to judgmentally select items disposed by the Department during our scope period and tested for compliance with Department policy.

- We selected a sample of Department incident reports prepared by officers at the time of collection and reviewed the narrative on the incident report to determine if the evidence noted as collected matched what was in the evidence bag.

- We also traced access rights to the Department's computer system and, for a selection of users, tested the ability of to add, edit and delete records.

We conducted this performance audit in accordance with GAGAS. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.