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February 17, 2015

Jeffrey E. Graham, Mayor
Members of the City Council
City of Watertown
245 Washington Street, Room 302A
Watertown, NY 13601

Report Number: S9-14-58

Dear Mr. Graham 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 Watertown (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 October 25, 2013.² 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 comment on an issue raised in the City's response. At

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.

² This includes property room items listed on the Department's current inventory or disposed of during the period January 1, 2012 through October 25, 2013.

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 account for property room inventory adequately due to inaccurate records.

Of the 386 high-risk property items held by the Department that we tested, 55 items (14 percent) were not in the correct location, and 37 items of these items (10 percent) were unaccounted for (missing from inventory) with no documentation to indicate their disposition. The missing items were comprised of 35 drug items and two vehicles.

The Department also did not maintain adequate documentation to support the disposal of items. Of 276 disposed items tested, 111 items (40 percent) did not contain proper documentation to support their final disposition as follows:

- Ninety-six drug items listed as destroyed did not contain all the proper supporting documentation, such as an approval for destruction or signatures from the destruction facility attesting to the destruction.
- Fifteen items (including ammunition, knives, BB guns, a cell phone and DNA samples) listed as destroyed did not contain all the proper supporting documentation, such as an approval for destruction or signatures attesting to the destruction. Specifically, Department policy requires knives to be photographed before and after destruction. No photographs were taken of the five knives we selected for testing.

City officials attributed the discrepancies to its manual record keeping system that has allowed for poor record keeping as well as missing documentation.

Positively, the Department has a person independent of the property room inventory conduct periodic inventory spot check audits every three months.

Background and Methodology

The City has a population of approximately 27,000 and is governed by a four-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 \$8.3 million of the City's \$41 million general fund budget.

The City's Chief of Police (Chief)³ is responsible for the general management of the Department, which includes overseeing property room inventory. The Chief is assisted by two evidence officers. The Department maintained a paper inventory system and we were unable to determine the total number of items in property room inventory. However, the Department is beginning to implement a computerized inventory system that is not yet fully operational.

³ The current Chief took over the Department in June 2014.

“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. 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 documenting⁴ 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 receiving the property record information about it on a property custody receipt (PCR). Once the officer packages the evidence, the Department requires it to be placed in large, locked temporary evidence lockers located onsite. The evidence officer then removes the items from the temporary lockers and updates the PCR with the property room location. A copy of the PCR is kept with the property in its storage location and another copy is filed in the Department logbook.

The Department policy also provides guidelines for transferring property to other agencies. Specifically, the policy states that when leaving evidence with the District Attorney, the officer will obtain a receipt indicating the transfer of evidence as well as obtain a signature, and the officer will immediately deliver this receipt to the evidence officer.

Positively, the Department has a person independent of the property room inventory conduct periodic inventory spot check audits every three months.

We reviewed the list of currently stored property room items and judgmentally selected a sample of 386 high-risk items⁵ (95 firearms, 200 drug items, 11 cash items, and 80 other items⁶). We examined the hard-copy records to determine whether the property was adequately described, intact and stored in the designated location. Of the 386 items tested, 55 (14 percent) were not accurately recorded, and of these, 37 items were unaccounted for (missing from their property room location) during our audit fieldwork. Specifically:

- Of the 95 firearms tested, two (2 percent) were not stored in the location indicated by the inventory records; however, they were found in different locations by the evidence officers. In addition, we noted one firearm was sealed but not signed or dated, and 10 firearms were recorded in the inventory records without their serial numbers noted despite the serial numbers being visible.
- Of the 200 drugs tested, 44 items were not stored in the location indicated in the inventory records. The Department was able to find nine of the 44 drugs, one of which was destroyed and eight were stored in a different location. However, the remaining 35 drug items were never found. In addition, 119 of the 200 controlled substances in inventory were not signed and dated by an officer.
- Of the 11 money items tested, one was not stored in the location indicated in the inventory records; however, it was found in a different location.
- Of the 80 other items reviewed, eight items were not stored in the location indicated in the inventory records. The Department was able to locate four vehicles, a mobile electronic device and a piece of jewelry in locations other than what was noted in the inventory

⁴ 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.

⁵ See Appendix C, Audit Methodology and Standards, for detail on our selection of test samples.

⁶ Other items include found items, vehicles, jewelry, electronics and biological items.

records. However, the remaining two items - a 1997 Ford Explorer and a 1999 Dodge Durango - were not found.

Department officials attributed the inaccurate records and missing inventory to its manual record keeping system that has allowed for poor record keeping and well as missing documentation.

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.

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 for the Department's records. 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 276 items, including money, biohazard items, drug items, firearms and electronics. These items were disposed of by being destroyed, returned to their owner, transferred to the District Attorney or auctioned. We reviewed the manual records to determine whether the items' disposal was documented adequately. Of the 276 items tested, 165 items (60 percent) were documented adequately.

Destruction – Our test of 276 items included 146 drug items and 130 electronic and miscellaneous items.

- Firearms – The Department did not destroy firearms during our scope period; the last gun destruction was conducted in 2008. According to State law, firearms that are declared a nuisance should be destroyed annually.
- Drugs – The Department hires a third-party vendor for drug destruction. When drugs are to be destroyed, they are selected and boxed by the evidence officers. The evidence officers will then accompany these drugs to the vendor location for destruction and will witness the items being incinerated, signing a list attesting that all items were destroyed.

Of the 146 drugs disposed of, 50 had proper approval and a signature of the destruction while the remaining 96 lacked approval or a signature of the destruction. A signature of an independent third-party witness attesting to the destruction was not obtained.

- **Electronics and Miscellaneous** – We reviewed 27 electronic and miscellaneous items that were destroyed and found that 13 items had adequate documentation regarding the destruction, including approval and signatures from Department officials of the destruction. Fourteen items, including ammunition and knives, lacked adequate documentation.

Returned to Owner – Of the 89 items reviewed, Department officials had adequate documentation for all but one item. The Department obtained approval for release as well as signatures of the owners except for one item, a mobile phone, that had a signature of “owner” and was also missing the owner’s address.

Transfers to the District Attorney – Department records indicated transfers of seven items to the District Attorney. The Department adequately documented the disposition of all items by obtaining a signature from the District Attorney.

Auctioned Items – Of the seven items auctioned, the Department adequately documented these items with a receipt of sale and an approval of sale. However, while the Department has an unwritten procedure for auctioned items, the policy does not address the approval process for the auction of items.

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. Review and update the drug and firearm destruction policy to ensure that the evidence officer 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.
3. Department officials should destroy firearms that are declared a nuisance at least once every year as outlined by law.
4. Continue to improve the inventory tracking and disposal process by clearly documenting property movement to provide an audit trail.

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 Watertown 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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Charles P. Donoghue
Chief of Police

September 5, 2014

Ann C. Singer, Chief Examiner
Office of the State Comptroller
State Office Building, Suite 1702
44 Hawley Street
Binghamton, NY 13901-4417

Dear Ann,

I have been designated by the Watertown City Council and the Watertown City Manager to respond to this audit (Report #S9-14-58), since the Property/Evidence Office falls within my responsibilities as Chief of Police.

The Watertown Police Department is in a period of transition, both in staffing and in technology. Since June 28th, 2014, the department has seen the retirement of the Police Chief, the Captain, and several other supervisors. Out of 13 supervisory positions, all but two are occupied by officers who are new to their posts. The administration division is now made up of a new Chief, a new Captain, and a new Administrative Sergeant, none of whom were in the administrative chain of command during your inspection of our property/evidence office. In fact, none of us were aware of the inspection at the time it was being conducted in the fall of 2013, as we were all patrol supervisors at that time. Our Property/Evidence Office is part of the Criminal Investigation Division (CID) and is manned by two patrol officers, who report to the CID Sergeant and the CID Lieutenant. Both CID supervisors are also new in their positions since the end of June 2014.

In August 2012, we began transitioning to computerized evidence tracking. Where we once depended solely on hand-written and hand-filed "Property Custody Reports" (PCRs), we now have the ability to scan barcodes on evidence items and track the evidence electronically. This greatly reduces the risk of the loss of evidence or documentation due to human error. If a PCR is misfiled or lost, the chain of custody is still maintained by the computer records. Additionally, it is often necessary for an evidence officer to move an evidence item from one location to another within the evidence vault. In the past, the officer would have to make a note as to where the item was moved and then enter the information on the PCR when they were back in the office. If the

officer was tasked with another duty prior to making the entry in the PCR, there was a chance that they would forget to make the entry of the location change, making it difficult to locate the evidence item later.

As with any new technology, there is a learning curve. We made minor changes to the procedures with the new system, trying to increase efficiency and security of our evidence and property as well as the associated records. We are in the process of obtaining a new computer and a new scanner which will link the evidence/property office to the evidence/property vault. This should complete the transition to computerized records.

The result of the audit was very concerning to me and the entire chain of command within the CID and Administration Divisions. It is unacceptable that we were unable to find items of property or evidence, and we are committed to make sure that all property and evidence is properly documented and secured.

After our exit interview, I had the evidence officers search the evidence vault and evidence records for the 37 items that your audit revealed to be missing. Of the 37 items, 27 items were either found or accounted for through documentation. Three of those 27 items were actually located exactly where they were supposed to be. This must have been due to an error in transcribing information during the audit. 18 of the 27 items were drug items which were documented to have been destroyed on medical waste tracking forms. These items should have had dispositions noted on the PCRs, but did not. Four of the 26 items had been moved to another location within the evidence vault without the change being noted on the PCR. The two missing vehicles were found to have been disposed of to the Jefferson County District Attorney's Office. Both vehicle PCRs had officer errors which failed to note the transfer. Of the 10 remaining missing items, none of them are from open cases and all but one are from non-criminal cases (violations). The one criminal case was for a misdemeanor level case from 2003. Due to the nature of the still unaccounted for items and the time passage since their seizure, it is highly likely that they were destroyed and the destruction was not properly documented on the PCRs.

See Note 1 Page 12

On a positive note, I was happy to see that all cash evidence and all firearms evidence was accounted for. Also, subsequent to the audit, we did destroy 350 nuisance firearms, which had not been done since 2008, and was a result of the auditor's recommendation to destroy nuisance weapons annually. The auditors made four recommendations:

1. Review and update property-room policies and procedures annually.
2. Review and update the drug and firearm destruction policy to ensure that the evidence officers prepare and retain detailed records identifying the items being destroyed, including the signature of a command level officer present during the destruction.
3. Destroy nuisance firearms at least annually.
4. Continue to improve the inventory tracking and disposal process by clearly documenting property movement to provide an audit trail.

These recommendations make sense and our intent is to implement all them within the next year. As stated above, we have already destroyed the eligible nuisance firearms (recommendation #3) that were in our custody as of July 2014. We will continue to do this

annually. We have ordered the new evidence vault computer and scanner through the City of Watertown's IT department and anticipate the receipt of the new equipment shortly (recommendation #4). We will also conduct reviews and updates to the drug and firearm destruction policies and the Property/Evidence Office policies. This will be a longer process, but I anticipate that it will be completed within a year.

Although the present administration was not in a position to effect policy and procedure prior to the audit, we recognize that the responsibility is now ours, and we take that responsibility seriously. We will make the necessary changes to insure that the property/evidence taken in by the Watertown Police Department will have a solid chain of custody which is properly documented and secure.

Sincerely,

Charles P. Donoghue
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APPENDIX B

OSC COMMENT ON THE CITY'S RESPONSE

Note 1

The 37 items identified in the report as missing or unaccounted for included 35 drug items and two vehicles. During the audit, Office of the State Comptroller (OSC) examiners were escorted by an evidence officer to the location noted in the inventory logbook to locate these items, but the items were not found. OSC examiners provided the evidence officer an opportunity to locate the items. In addition, prior to completing fieldwork, the OSC examiners reviewed the list of missing items with the two evidence officers and the Chief and no additional supporting documentation was provided regarding the disposition of the missing items.

The City's audit response letter does not provide any additional supporting documentation for the disposition of the missing items. The response letter further asserts that 24 missing items were, in fact, disposed of but the disposition was not properly documented. Without evidence to support the disposition of these items, they remain classified as missing inventory items in our report.

After receiving the response letter, we went on-site to inspect the three items the Department had found. Officials explained they had been unable to locate one of the items during our on-site testing, while the other two had been listed with incorrect blotter numbers. We inspected the three items and found that one, containing two small bags of cocaine, was indeed under a different blotter number. However, this item was held in inventory, in an unsealed zip-lock bag with no date, initials or signatures on the bag. The other two items, a glass pipe with marijuana and a small amount of marijuana, were both found in vacuum-sealed bags. However, neither of these inventory items were initialed, dated or signed on the seals either. Consequently, we could not verify when these items had been received or placed into inventory.

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 10 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 10 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 manual property custody reports to judgmentally select seven categories to test from, comprising firearms, drug items, jewelry, money, miscellaneous items, electronics and vehicles. 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 evidence officers, we tested physical inventory.
- For property room money, we conducted three tests:
 - We selected all bags of currency \$500 and traced each bag from the current evidence inventory report to its location in the property room.
 - 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 evidence officer conducted a physical inventory, going to each location to verify the item was in 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.
 - For a sample of judgmentally selected 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.