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February 17, 2015

Susan J. Skidmore, Mayor  
Members of the City Council  
City of Elmira  
317 East Church Street  
Elmira, NY 14901

Report Number: S9-14-60

Dear Ms. Skidmore 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.<sup>1</sup> We included the City of Elmira (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 November 15, 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. 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 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.

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<sup>1</sup> 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.

## **Summary of Findings**

We found that the Department did not account for property room inventory adequately due to inaccurate records. However, all property tested was found or accounted for.

Of the 430 high-risk property items held by the Department that we tested, 70 items (16 percent) were not in the correct location, and of these, all items were found in different locations or had sufficient supporting documentation.

The Department also did not maintain adequate documentation to support the disposal of items. Of 205 disposed items tested, six items (3 percent) did not contain proper documentation to support its final disposition. These included a global positioning system, two jewelry items, two portable electronic devices (i.e., DVD players) and a bicycle.

City officials attributed the discrepancies to a lack of oversight along with the need to relocate the property room three times in eight years, one of which included a building collapse.

In addition, the Department could improve other control procedures to safeguard property room inventory. The Department granted administrative access rights to its computerized property tracking system (system) to four individuals, three of whom have access to property room inventory. No one monitored user activity on the system. Further, although the Department performed a physical inventory testing of six items twice a year, one of the individuals 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.

## **Background and Methodology**

The City has a population of approximately 29,000 and is governed by a six-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 \$6.8 million of the City's \$31.3 million general fund budget.

The City's Chief of Police (Chief) is responsible for the general management of the Department, which includes overseeing property room inventory. The Chief is assisted by a property clerk. In November 2013, the property room inventory contained about 50,000 bar-coded items and an additional 50,000 items<sup>2</sup> that pre-dated the bar-coding system. 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.

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<sup>2</sup> The property clerk provided this estimate, as an exact figure was not obtainable.

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 activity on the system. Three 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.

## **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<sup>3</sup> 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.

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<sup>3</sup> 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.

The Department's established procedures have the officer receiving the property enter the information into the system. The system generates a label, with a unique bar code, which is placed on a sealed evidence bag with the property inside. Once the officer packages the evidence, the Department requires it to be turned over to the property clerk or placed in large, locked temporary-evidence lockers located onsite. The property clerk then removes the items from the temporary lockers, and enters information in the system indicating it was moved from the locker and placed in a designated location in the property room.

The Department policy also provides guidelines for transfers to laboratories and to court. Specifically, the policy states that when personnel return, release or dispose of any property they shall complete the appropriate entries for each item. The removing officer's name, employee number, date, time and reason for removal must be documented by scanning the property label to maintain a record for chain of custody.

A deficient Department procedure resulted in three 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 Department does not review or monitor an audit log of the computer application.

We reviewed the list of currently stored property room items and judgmentally selected a sample of 430 high-risk items<sup>4</sup> (100 firearms, 200 drug items, 46 money items, nine vehicles and 75 others items<sup>5</sup>). We examined the computer records to determine whether the property was adequately described, intact and stored in the designated location. Of the 430 items tested, 70 (16 percent) were not accurately recorded, and, of these, all items were found in different locations or had sufficient supporting documentation. Specifically:

- Of the 100 firearms tested, 10 (10 percent) were not stored in the location indicated by inventory records. The property room clerk was able to provide documentation for nine firearms that indicated they were returned to their owners or were transferred to other agencies. The remaining firearm was found in the property room the day after our testing.
- Of the 200 drug items tested, 38 items were not stored in the location indicated by inventory records. However, all 38 items were found – four items were found after the property clerk researched the cases, 23 items were destroyed, eight items were sent out to labs and three items were signed out to the District Attorney's office.
- Of the 46 money items tested, 12 (26 percent) were not stored in the location indicated by inventory records. However, proper supporting documentation was provided that indicated the items were signed out and returned to owners.
- Of the 84 other items reviewed, 10 items (three jewelry items, two vehicles and five biohazard items) were not stored in the location indicated by inventory records. However, all items were found. Two jewelry items were found in a different location and the third jewelry item was transferred to a different agency. The two vehicles were returned to their

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<sup>4</sup> See Appendix C, Audit Methodology and Standards, for detail on our selection of test samples.

<sup>5</sup> Other items include jewelry, electronics and biological items.

owners. Lastly, four of the biohazard items were found in different locations while another was transferred to another agency.

Department officials attributed the inaccurate records to lack of oversight along with the need to relocate the property room three times in eight years, one of which included a building collapse. Department officials told us that they perform sample physical inventory checks twice a year by selecting six items from the property room and tracing them back to system records to determine accuracy of records. However, one of the individuals who performed the sample inventory checks had physical access to the inventory as well as administrative rights to the system.

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 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, controls can be improved.

We reviewed a list of disposed inventory and judgmentally selected a sample of 205 high-risk items to test, 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 other agencies, such as the New York State Police, or auctioned. We reviewed the computer records to determine whether the items' disposal was documented adequately. Of the 205 items tested, 199 items (97 percent) were documented adequately.

Destruction – Our test of 205 items included 110 drug items.

- The Department policy provides that drugs are destroyed at the City Crematorium and are witnessed by the property clerk, an officer and an investigator from the District Attorney's office who will list out and verify all drugs to be destroyed. Of the 110 drug items reviewed, all were destroyed as outlined by the policy.

- No firearms were destroyed during our scope period, as the last firearm destruction was conducted in 2010. State law provides that any firearm declared a nuisance shall be destroyed on an annual basis.

Auction – Of the 11 items reviewed, six items lacked adequate supporting documentation to support that they were properly auctioned while the remaining five were properly supported.

Returned to Owner – Of the 17 items reviewed, Department officials had adequate documentation for all items returned to their owners.

Transfers to the District Attorney and State Police – Of the 67 items reviewed, all items were disposed of according to policy.

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 system.
5. 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 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 Board should make the CAP available for public review in the City Clerk's office.

We thank the officials and staff of the City of Elmira 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 page.



CITY OF ELMIRA, NEW YORK  
**POLICE DEPARTMENT**

**MICHAEL F. ROBERTSON**  
*CHIEF OF POLICE*

**JOSEPH C. KAIN**  
*DEPUTY CHIEF*

07/18/14

Gabriel F. Deyo, NYS Deputy Comptroller  
110 State Street  
Albany, NY 12236

Re: OSC Audit Response

Dear Mr. Deyo,

Please consider this the response of the City of Elmira, and the City of Elmira Police Department, to draft report #S9-14-60 prepared relative to a recent OSC audit of our property handling procedures. We are in agreement with the draft as written (including initial changes made in our exit discussion held on 07/15/14) with one small exception that is mentioned in two places in the report. We currently have only 2 individuals that have both administrative rights to our property database and access to the property room. It is incorrectly noted on pages 3 and 4 of the draft report as being 3 individuals having such rights and access. Again, this is a minor change, and is the only item noted on which we disagree.

We appreciate and respect the methodology and reasoning for conducting such an audit. Although the process did pose a slight inconvenience at times, we are grateful to your staff for making it as streamlined and undisruptive as possible.

See  
Note 1  
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*Sincerely,*

Michael F. Robertson  
Chief of Police



**A New York State Accredited Law Enforcement Agency**  
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Web Page: <http://www.cityofelmira.net>

## **APPENDIX B**

### **OSC COMMENT ON THE CITY'S RESPONSE**

#### Note 1

During fieldwork, the evidence room clerk, the evidence/records bureau coordinator and the identification officer had administrative rights to the system and access to the property room. The removal of the access rights for one of these individuals subsequent to our fieldwork is a positive step towards securing the items held in the custody of the Department.

## 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 inventory report to judgmentally select five categories to test from, comprising firearms, drug items, money items, miscellaneous items (jewelry and 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 property room clerk, we tested physical inventory.
- For property room money, we conducted three tests:
  - 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.
  - We then verified the amount of money in the bag for the sample selected to the amount listed on the report. An Office of the State Comptroller (OSC) examiner and the Department's property room clerk 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 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.