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February 17, 2015

Greg Deemie, Mayor  
Members of the Village Board  
Village of Johnson City  
243 Main Street  
Johnson City, NY 13790

Report Number: S9-14-54

Dear Mr. Deemie and Members of the Village Board:

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 Village of Johnson City (Village) Police Department (Department) in this audit. Within the scope of this audit, we examined the procedures of the Village and various property records for the period January 1, 2012 through September 4, 2013.<sup>2</sup> Following is a report of our audit of the Village. 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 Village. We discussed the findings and recommendations with Village officials and considered their comments, which appear in Appendix A, in preparing this report. Except as specified in Appendix A, Village officials generally agreed with our recommendations and indicated that they

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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.

<sup>2</sup> This includes property room items that were listed on the Department's current inventory or disposed of during the period January 1, 2012 through September 4, 2013. However, this also includes items that are still listed in current inventory that pre-dated the appointment of the Chief of Police in Office at the time of our audit.

plan to initiate corrective action. Appendix B includes our comments on issues raised in the Village'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.

## **Summary of Findings**

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

Of the 417 high-risk property items held by the Department that we tested, 128 items (31 percent) were not in the correct location, and 26 of these items (6 percent) were unaccounted for (missing from inventory) with no documentation to indicate their disposition. The majority of the 26 missing property room items were listed on the current inventory but taken into custody dating as far back as 2004. The missing items were comprised of a firearm, 15 drug items, a vehicle, assorted jewelry items and seven counterfeit \$100 bills. The missing firearm had a serial number different from the serial number listed in the Department's inventory report; therefore, we could not conclude that the firearm found in location was the same firearm listed in the inventory report. The 15 drug items did not have proper documentation supporting their disposition.

The Department did adequately account for all disposed items tested.

Village officials attributed the discrepancies to older items that were listed on the current inventory that pre-dated the current updated policies and procedures. Village officials were aware of previous property room concerns and, as a result, in 2010 sought out the assistance of a neighboring police agency to conduct a property room inventory which the audit team reviewed.

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 three individuals who also have access to property room inventory. No one monitored user activity on the system.

## **Background and Methodology**

The Village has a population of approximately 15,000 and is governed by a four-member Village Board and a Mayor. The Village provides services to residents through municipal operations, including the Department. The Department's 2013 budgeted operating appropriations were \$3.3 million of the Village's \$16.8 million general fund budget.

The Village's Chief of Police<sup>3</sup> (Chief) is responsible for the general management of the Department, which includes overseeing property room inventory. The Chief is assisted by a property room coordinator. In August 2013, the property room inventory contained about 7,000 items. 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

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<sup>3</sup> The Village Department and the City of Binghamton Police Department shared a Chief of Police, during our audit; this arrangement ceased subsequent to the completion of our audit.

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, the 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. 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<sup>4</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.

The Department's established procedures have the officer receiving the property record information about it in the 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 over the seal. When handling cash, two officers count and package the cash evidence. Once packaged, the Department requires that property be turned over to the property room coordinator (Coordinator) or placed in locked temporary evidence lockers located on-site. The Coordinator then scans the bar code label into the Department's system. After logging the items, the Coordinator places the item 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 the evidence officer is responsible for documentation involving the release of property or evidence from the property room, including temporary removal (e.g., court purposes and laboratory examinations) utilizing a record of evidence property form. In addition, the policy provides that the evidence officer will be responsible for obtaining a signed receipt for any property or evidence returned to its owner. The Department policy is deficient in that it does not address the changes of bar coding as a result of the system.

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. In addition, the system allows labels to be reprinted without being identified as a duplicate. Potentially, a sealed bag could be opened, the items inside altered, a label reprinted and a new bag used. An individual with both access to the property room and administrative rights to the system could create an opportunity for property to be misused, misplaced or stolen without detection.

We reviewed the list of currently stored property room items and judgmentally selected a sample of 417 high-risk items<sup>5</sup> (69 firearms, 200 drug items, 59 money items and 89 other items<sup>6</sup>). We examined the computer records to determine whether the property was adequately described, intact and stored in the designated location. Of the 417 items tested, 128 (31 percent) were not accurately recorded, and of these, 26 items were unaccounted for (missing from their property room location) during our audit fieldwork. Specifically:

- Of the 69 firearms tested, one firearm had a serial number different from the serial number listed in the Department's inventory report. As such, we could not conclude that the weapon found in location was the same weapon listed in the inventory report.

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<sup>4</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.

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

<sup>6</sup> Other items include electronics, vehicles, jewelry, miscellaneous and auction items.

- Of the 200 drug items tested, 66 items were not stored in the location indicated by inventory records. Of these, 14 items had no documentation or proof that they were destroyed and one item (a crack pipe) was found in a destruction bin. However, the pipe did not have a property label, and, therefore, we could not determine if the item was the same item listed in the Department's inventory. The remaining 51 items had supporting documentation that they were destroyed.
- Of the 59 money items tested, 44 (75 percent) were not found in the safe as indicated on the current inventory. Upon further review we determined the cash had been turned over to the Village Clerk's office; however, the inventory records had not been updated.
- Of the 89 other items reviewed, 17 items could not be located (19 percent): 12 counterfeit \$100 bills, three vehicles and two miscellaneous jewelry items. Department officials were able to provide adequate documentation for seven of the missing items. Five counterfeit bills were found in a different location than the inventory records indicated, one vehicle was returned to the owner and the other vehicle was scrapped. Department officials, however, were unable to locate a vehicle that was listed as being at a local garage. Upon visiting the garage, we confirmed the vehicle was not there. In addition, officials were unable to locate the remaining seven counterfeit \$100 bills and jewelry items (two rings, one pearl earring and a silver earring).

Department officials attributed the inaccurate records and missing inventory to older items that were listed on the current inventory that pre-dated the current updated policies and procedures. Village officials were aware of previous property room concerns and, as a result, in 2010 sought out the assistance of a neighboring police agency to conduct a property room inventory, which the audit team reviewed. Positively, we found that Department officials assign an individual who is independent of the inventory function to conduct property control audits twice a year by selecting various items for review, including narcotics, firearms, cash, weapons other than firearms, lost-and-found property, safekeeping property and destroyed property.

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 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 300 items, and judgmentally selected a sample of 40 high-risk items, including ammunition, electronics and jewelry. These items were disposed of by being destroyed, returned to their owner or transferred to the District Attorney. We reviewed the computer records to determine whether the items' disposals were documented adequately. Of the 40 items tested, all were documented adequately.

Destruction – Our test of 40 items included 17 electronics, seven miscellaneous items, five ammunition items and one drug item that were indicated as disposed by destruction. All of these destroyed items were properly supported. Ammunition items to be disposed were listed and submitted to the Chief for approval and turned over to a neighboring police department's bomb squad for disposal. A chain of custody form was completed by the Coordinator and the recipient receiving the ammunition. The drug item was sent to the Chief for approval, then removed from the property room and taken to a third-party incinerator with two officers who witnessed the destruction and signed off by an independent third party from the facility. The destruction of all other items required approval from the District Attorney and were sent to an incinerator with two officers present to witness the destruction.

The Department's last gun destruction occurred in 2010, which fell outside our audit period. Therefore, our testing did not include the destruction of guns.

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

Transfers to the District Attorney – Of the five items reviewed, we found that the Department adequately documented the disposition of all items transferred to the District Attorney.

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. 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.

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

The Village Board 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 Clerk's office.

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

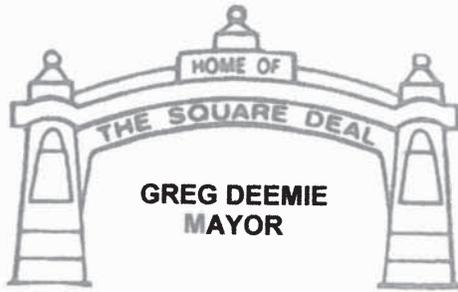
Sincerely,

Gabriel F. Deyo

## **APPENDIX A**

### **RESPONSE FROM VILLAGE OFFICIALS**

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



POLICE DEPARTMENT

**JOSEPH T. ZIKUSKI**  
CHIEF OF POLICE

**VILLAGE OF JOHNSON CITY**

Police Department  
31 Avenue C, Johnson City, New York 13790

PHONE (607) 729-9321  
FAX (607) 729-1883

August 25, 2014

Office Of The State Comptroller  
110 State Street  
Albany, NY 12236

RE: Report Number: S9-14-54

Dear Sir or Madam,

This letter constitutes the Johnson City Police Department's response to the New York State Comptrollers (NYSOSC) Draft Audit Report (DAR) dated 7/18/2014. On page one, the report states that you examined property records from the period of January 1, 2012 through September 4, 2013. However, all but 2 of the items you listed on the property room audit sheet were from cases prior to 2010, with the majority of them being from 2004 to 2008.

See  
Note 1  
Page 11

The current police department administration took control of the department in 2010. At that time, they recognized that the evidence room and evidence policy was in need of corrective action and overdue to be addressed. Therefore, they appointed the Binghamton Police identification supervisor to come in and conduct a comprehensive audit. The Binghamton auditor employed a random sampling technique, similar to the method employed by your auditors. Of the 572 items tested, none were found to be missing or out of place.

See  
Note 2  
Page 11

In response to the summary findings located on page 2 of the report, auditors indicated that 31% of items tested were not in the correct location. This was a result of items brought in prior to 2010 initially being logged into the computer system, and then subsequently being tracked from then on by written records. The items deemed to not be in the correct location were accurately tracked according to written records, but the electronic record was not updated to match.

With respect to the 6% of items that were unaccounted for, only two of those are from cases after 2010, and those two items can likely be attributed to clerical errors, as they are of no significant value and could be easily legally purchased by anyone.

The other issues raised in the report are all regarding policy issues, which are currently being reviewed and revised as needed.

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Gregory Deemie, Mayor  
Village of Johnson City

## **APPENDIX B**

### **OSC COMMENTS ON THE VILLAGE'S RESPONSE**

#### Note 1

The audit scope identified in the report includes all items recorded in the Department's inventory or disposed of during the period January 1, 2012 through September 4, 2013. Property items selected for testing included items with the potential for higher risk of theft or misuse, such as firearms, electronics, drug items, money, jewelry, vehicles and miscellaneous items.

#### Note 2

Our audit used a judgmental sampling methodology, not random sampling. We selected items for testing because they had a higher risk of being stolen or misused.

## 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 eight categories to test from, comprising firearms, electronics, drug items, money, jewelry, miscellaneous, auction items 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 Coordinator, 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 Coordinator 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.