



Office of the City Auditor

Review of Police Property and Evidence Unit Inventory



Report Date: May 24, 2016

Office of the City Auditor
2401 Courthouse Drive, Room 344
Virginia Beach, Virginia 23456
757.385.5870

"Promoting Accountability and Integrity in City Operations"



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www.vbgov.com/cityauditor

Lyndon Remias, CPA, CIA, CRMA

Timothy Bell, CICA

Antonio Gonzalez, CPA, MBA

City Auditor

Senior Auditor

Senior Auditor

Office of the City Auditor

2401 Courthouse Drive, Room 344

Virginia Beach, VA 23456

Telephone: 757.385.5870

Fax: 757.385.5875

Fraud, Waste, and Abuse Hotline 757.468.3330



Office of the City Auditor
Transmittal Letter



Date: May 24, 2016
To: David Hansen, City Manager
Subject: Review of Police Property and Evidence Unit Inventory

Independent Auditor's Report

We have performed the agreed-upon procedures agreed to by the Police Department solely to assist in evaluating the inventory of the Police Property and Evidence Unit for the period of January 1, 2015 to May 17, 2016. This agreed-upon procedures engagement was conducted in accordance with Government Auditing Standards. Government Auditing Standards incorporate financial and attestation standards established by the American Institute of Certified Public Accountants. These standards also provide guidance for performing and reporting the results of agreed-upon procedures. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described herein either for the purpose for which this report has been requested or for any other purpose.

We were not engaged to perform and did not perform an audit, the objective of which would have been the expression of an opinion on the compliance of the Police Property and Evidence Unit with Department, City, and State policies and procedures as well as accreditation standards. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters may have come to our attention that would have been reported to you. We completed the agreed-upon procedures on May 17, 2016.

This report is intended solely for the information and use of the Audit Committee, City Council, City Manager, and appropriate management including the Police Department and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

We would like to commend the Police Property and Evidence Unit for the courtesy and cooperation extended to us during our review. If you have any questions about this report or any review-related issue, I can be reached at 385-5872 or via email at lremias@vbgov.com.

Respectfully submitted,

Lyndon S. Remias

Lyndon S. Remias, CPA, CIA, CRMA
City Auditor

c: City Council Members
Audit Committee Members
J. A. Cervera, Chief of Police



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Purpose

To review the handling processes of cash and evidence in the Police Property and Evidence Unit (PPE Unit) to ensure cash and evidence seized or found is appropriately recorded, inventoried, and accounted.

Scope and Objectives

The objective of our review was to conduct a physical inventory of cash, jewelry, and other categories of property and evidence, such as ammunition and handguns, in the PPE Unit vaults. We reviewed the bank reconciliations to ensure the amount of cash in the bank was properly reconciled to the check register. We also verified a sample of cleared checks from January 1, 2015 to December 31, 2015 had supporting documentation. Additionally, we determined if recommendations from our prior review were implemented. Our review covered cash and evidence on hand as of the dates listed in Table 1 below:

Table 1: Dates of Review by Evidence Category

Evidence Category	Building	
	11	Leroy Drive
Cash	4/25/2016	4/26/2016
Jewelry	4/25/2016	4/26/2016
Ammunition	4/27/2016	4/27/2016
Forensic Interview Docs	4/27/2016	4/27/2016
Gun Magazines	4/27/2016	4/27/2016
Handguns	4/27/2016	4/27/2016
Rifles/Shotguns	4/27/2016	4/27/2016
Physical Evidence Recovery Kits (PERK)	5/17/2016	5/17/2016
Miscellaneous Weapons	4/27/2016	4/27/2016

Our review was concluded on May 17, 2016.

Methodology

To accomplish our objectives, we performed the following procedures:

- Reviewed internal controls through inquiry and examination of documents.
- Met with appropriate staff to discuss existing procedures.
- Obtained documentation related to current processing of property and cash evidence.
- Conducted a physical inventory of all cash and jewelry stored in the PPE Unit's vaults at Building 11 (Police Headquarters) and Leroy Drive locations.
- Conducted a sampled inventory of gun ammunition, forensic interview documentation, fireworks and explosives, gun magazines, handguns, rifles and shotguns, Physical Evidence Recovery Kits (PERK), and miscellaneous weapons at Building 11 and Leroy Drive locations.



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- Analyzed completed bank reconciliations for completeness, accuracy, and oversight.
- Reviewed supporting documentation of sampled cleared checks of the past year.
- Conducted follow-up on prior review recommendations.

Standards

Our agreed-upon procedures review was conducted in accordance with generally accepted government auditing standards. The Office of the City Auditor reports to City Council through the Audit Committee and is organizationally independent of all City Departments. This report will be distributed to the City's Audit Committee, City Council, City Manager, and Virginia Beach Police Department. This report will also be made available to the public.



Background

The Virginia Beach Police Department's mission is to provide a safe community and improve the quality of life for all people. They accomplish this by delivering quality police services and enforcing laws with equity and impartiality. It is the policy of the Virginia Beach Police Department to maintain strict control over all evidence and property that comes into the possession of department personnel, including cash seized from drug raids, robberies, and cash found from lost wallets and turned in by private citizens, and DNA evidence. Procedures have been developed to ensure the integrity of physical evidence and the proper storage, return, and disposal of property.



PPE Unit Window at Building 11

The PPE Unit is organizationally under the Support Division and based in two locations: the lower level of Building 11 and a new facility on Leroy Drive. PPE Unit maintains the facilities for the storage of property and evidence in possession of the Police department. The unit is staffed with two sworn police officers and three non-sworn officers under the supervision of Sgt. K. Lokey. The unit handles and stores all evidence and property that is seized or found until it is needed for court, returned to its owner, or can be destroyed. Destruction, disposal, or return of property is determined by the PPE Unit in accordance with federal, state, and local laws.

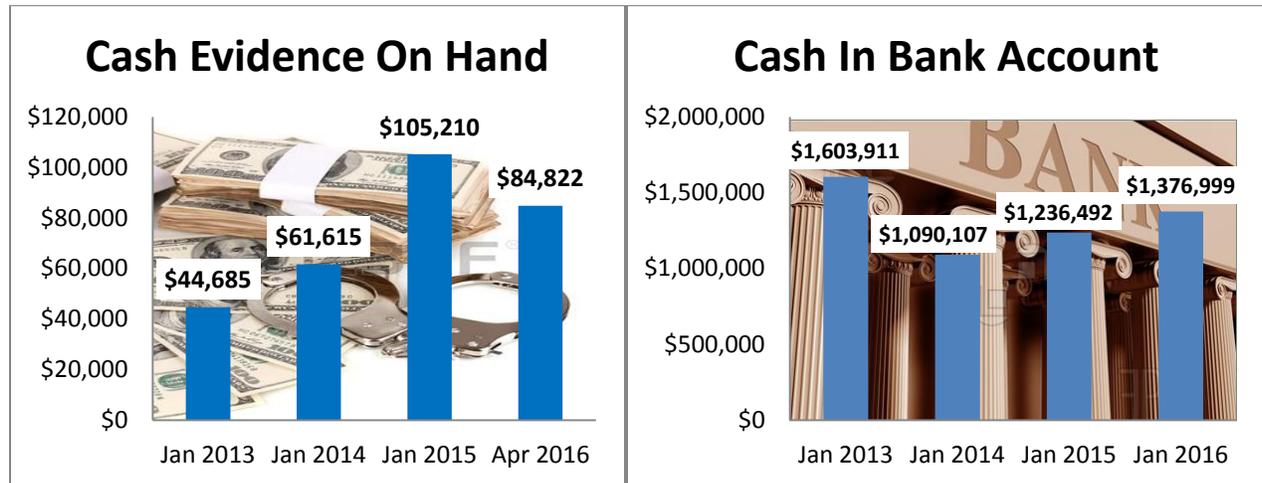
The new Police Special Operations, Forensics, and Property and Evidence building on Leroy Drive opened on November 14, 2013 and PPE started moving items to the new site on May 31, 2014. The Leroy Drive location provides approximately 10,000 square feet to store property and evidence that need to be maintained for many years. It includes separate vaults for cash, jewelry, guns, and drugs. It also includes a state-of-the-art shelving system and expanded refrigeration units. Currently, Building 11 stores current (past two or three years) evidence items while the Leroy Drive location stores all the older items.



PPE Unit Inventory facility at Leroy Drive



Once inventoried, vouchered, and received by PPE Unit, evidence cannot be removed or even physically examined without an authorized person signing for it. The amount of the PPE Unit's cash is shown in the charts below.



Results

Physical Inventory of Cash, Jewelry, and Other Categories of Property and Evidence Items

At the request of Police Chief Cervera, we conducted a physical inventory of cash and jewelry in the vaults at both locations of the PPE Unit from April 25, 2016 to May 17, 2016. Using inventory listings obtained from Bar Coded Evidence Analysis Statistical Tracking (BEAST), the PPE Unit's record management system, we examined 100% of the cash and jewelry items and tested samples in other evidence categories. We located all 367 cash items totaling \$84,822, 307 jewelry items, and the selected samples. Additionally, we performed a reverse inventory of other evidence categories. Table 2 below shows the number of evidence items by category at each PPE Unit location that we inventoried:

Table 2: High-Risk Categories of Evidence by PPE Unit Location

Category	Police HQ		Leroy Drive		Total Both Locations		
	# of Items	Sample	# of Items	Sample	# of Items	Sample	% Coverage
Cash	202	202	165	165	367	367	100%
Jewelry	98	98	209	209	307	307	100%
Ammunition	341	22	427	26	768	48	6%
Forensic Interview Docs	-	-	694	32	694	32	5%
Gun Magazines	20	5	42	7	62	12	19%
Handguns	435	58	1,059	80	1,494	138	9%
Rifle/Shotguns (Long Guns)	68	21	213	25	281	46	16%
PERK	22	13	756	73	778	86	11%
Misc Weapons	11	11	18	6	29	17	59%
Totals	1,197	430	3,583	623	4,780	1,053	



Review of Bank Reconciliations of the PPE Unit Checking Account

The Police Evidence Collection and Handling Field Guide requires that all cash not currently needed as court evidence be deposited to the PPE Unit's bank account. A check is issued to the assigned agency in case of forfeiture or to the owner and is supported by a court order, forfeiture, or authorization of the responsible detective.

The Police Support Division's accountant performs bank reconciliation on a monthly basis to ensure that there are no mistakes, omissions, or mishandling of funds held by the PPE Unit. We determined that 1) the accountant is properly segregated from the PPE Unit and 2) monthly reconciliations are properly performed. We identified below the need for a detection control to further strengthen the process.

We also reviewed the internal controls over the issuance of checks from this account, including supporting documentation and required signatures. Of the 333 checks issued during the period January 1, 2015 to December 31, 2015:

- We performed 100% verification of the required two signatures.
- We selected a sample of 44 (13%) to further verify: 1) for properly authorized supporting documentation; 2) that the check amount matches the supporting documentation, and 3) that the correct voucher number is written on the check.

Findings and Recommendations

Finding 1: Exceptions in the Property and Evidence Receipts Process

The PPE Unit has significantly improved their accountability processes and procedures over the past year and implemented changes to their facilities layout to better promote tracking of evidence and property inventory. Considering that they track and manage over 70,000 pieces of inventory, we noted the following exceptions in our testing:

1.1 The Required Second Signature Upon Receipt Of Evidence Has Not Been Obtained

One (1) cash item had only one signature on both the evidence bag and the voucher. The Evidence Collection & Handling Field Guide requires that all vouchers be signed by both the witness and the preparer. Dual signatures promote accountability and improve accuracy.



1.2 Cash Item Not Consistently Recorded

One (1) cash item's amount written on the currency envelope does not agree to the amount in BEAST system by \$1.00. Accountability over the handling of evidence and property is impaired when amounts are not exact.

1.3 Jewelry Item Not Placed In A Sealed Bag

One (1) jewelry item was not packaged in a sealed evidence bag. Per the Evidence Collection and Handling Field Guide, all jewelry items are required to be packaged and sealed in clear plastic evidence bags. We did verify the content against the voucher and determined that nothing was missing.



1.4 Incorrect Classification Of Evidence Type

Five items were incorrectly classified as Physical Evidence Recovery Kit (PERK):

- Two should have been classified as Clothing
- Three should have been classified as Compact Disks (CD).

Recommendations:

Management should continue to ensure that all:

- 1.1 Vouchers are signed or initialed by both the witness and the preparer.
- 1.2 Cash item amounts are exactly and consistently recorded on the envelope and in BEAST system.
- 1.3 Jewelry items are packaged in sealed clear plastic evidence bags in accordance with the Evidence Collection & Handling Field Guide.
- 1.4 Items are properly classified in BEAST system.

Finding 2: Exceptions in the PPE Unit Bank Account Disbursements Process

For 333 checks issued out of the PPE bank account during 2015, our testing noted the following exceptions:

2.1 The Required Second Signature on the Check Has Not Been Obtained

One (1) check issued for \$123.00 had only one signature. Current undocumented procedures require that all PPE checks be signed by two staff members from the PPE Unit.



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Dual signatures over check disbursements ensure that payments are accurate and are properly supported.

2.2 Check Amount Did Not Agree to the Court Order Amount

One (1) check's amount did not agree to the amount in the court order. The check was issued for \$21,347.16, which is less by \$9.97. Review of court order by both check signers must be made to ensure compliance. PPE Unit has started to process another check to correct the discrepancy.

Recommendations:

Management should continue to ensure that:

- 2.1 All checks are signed by two PPE Unit staff members.
- 2.2 Evidence Collection & Handling Field Guide is updated to reflect requirement that all checks issued out of the PPE bank account be signed by two PPE Unit staff members authorized to signed checks. We do note that the PPE Unit Supervisor has begun process to update the guide.
- 2.3 Both PPE Unit staff members properly review supporting document before signing checks.

Finding 3: Supervisory Review of Bank Reconciliation

While we did not find any exceptions relating to independence, accuracy, and timeliness, we noted that there was no evidence that the accountant's supervisor has reviewed the reconciliations. Supervisory review of reconciliations is an important internal control component to ensuring timely performance and detection of errors or fraud.

Recommendation:

- 3.1 The accountant's supervisor should review the monthly reconciliation, and demonstrate the review by putting his or her initials and the date on the reconciliation.

BANK STATEMENT - CLEARED TRANSACTIONS		
Previous Balance		1,406,624.19
Checks and Payments	11 Items	-9,248.71
Deposits and Other Credits	11 Items	14,574.99
Service Charge	1 Item	-125.82
Interest Earned	0 Items	0.00
Ending Balance of Bank Statement		1,406,712.82
YOUR RECORDS - UNCLEARED TRANSACTIONS		
Current Balance		1,406,712.82
Checks and Payments	39 Items	-11,887.88
Deposits and Other Credits	46 Items	84,275.98
Register Balance as of 2/16/2016		1,317,870.72
Checks and Payments	0 Items	0.00
Deposits and Other Credits	0 Items	0.00
Register Ending Balance		1,317,870.72

Follow-up on Prior Review Recommendations

In our prior review report dated May 8, 2015, we made five (5) recommendations. In our follow-up review in July 2015, Police management provided an updated status of each of our recommendations as follows:



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1. Continue to ensure that all vouchers are signed or initialed by both the witness and preparer.

Management Response: PPE Unit started having the precincts deliver all drugs, evidence, and property to PPE Unit the week of July 13, 2015. Items having deficiencies in packaging or paperwork will remain in PPE Unit until they are corrected. This should reduce the number of deficient items submitted to PPE Unit.

Auditor Note: We noted 1 exception (Finding 1.1) this year. We will continue to monitor.

2. Revise the Evidence Collection and Handling Field Guide to reflect current evidence handling processes and delete the requirement to affix red evidence tape or an evidence tag to each item of evidence.

Management Response: PPE Unit has been planning to revise changes to the Policy 15.01 Property & Evidence and the Evidence Collection and Handling Field Guide for some time. Currently, we are noting changes that need to be made. We will revise the Guide once we have finalized the solutions. [Auditor note: Our review noted the changes in regards to the red evidence tape and tag in the field guide.]

Auditor Note: This recommendation is closed.

3. Ensure that all jewelry items are sealed within clear plastic evidence bags inside the unsealed outer envelope for verification purposes.
4. Ensure that all jewelry items are placed inside clear plastic evidence bags in accordance with the Evidence Collection and Handling Field Guide.
5. Ensure that all evidence items are processed to completion within BEAST system to reflect final disposition of the items.

Management Response for above recommendation #s 3, 4, and 5: We developed a PowerPoint lesson plan for the Recruit Academy and will be teaching it on August 19th. I am also trying to teach in the Police Training Officer School (Aug. 18-21). After those are completed, we will ask Professional Development to adopt our new lesson plan for training all officers in the department through PowerDMS (i.e., online). We will require them to sign a document attesting that they have read the material. We expect that this will reduce errors or deficiencies.

Auditor Note:

#3: Our review noted all new jewelry items were now verifiable. This recommendation is closed.

#4: There was one exception (Finding 1.3) this year. We will continue to monitor.

#5: There were no exceptions this year. This recommendation is closed.



Acknowledgements

We would like to thank the Police Property and Evidence Unit's management and staff for their responsiveness to our requests during the review and their receptiveness to questions and comments. We thank all those involved in the process for their help and offer our assistance should future concerns regarding this or other review-related issues arise.



City of Virginia Beach

POLICE DEPARTMENT
OFFICE OF THE CHIEF OF POLICE
(757) 385-4141
FAX (757) 427-9163

VBgov.com
MUNICIPAL CENTER
BUILDING 11
2509 PRINCESS ANNE ROAD
VIRGINIA BEACH, VA 23456

INTER-OFFICE MEMORANDUM

DATE: May 20, 2016
TO: Lyndon Remias, City Auditor
FROM: Chief James A. Cervera *JAC*
SUBJECT: Police Property and Evidence Unit Audit Report

I again appreciate the efforts of the Office of the City Auditor in conducting, at my request, the seventh annual inventory of the Police Property and Evidence Unit's cash handling processes and inventory.

We agree with your findings and recommendations and offer the following responses:

Recommendation 1.1 – Continue to ensure that all vouchers are signed or initialed by both the witness and preparer.

Response: To address your recommendation in last year's audit, Property and Evidence implemented a new procedure requiring Precinct Property and Evidence Custodians to ensure all property, evidence, drugs, and money are properly packaged and documented per the Evidence Collection and Handling Field Guide prior to delivery to Property and Evidence. Items determined deficient (first line of quality control) by the Precinct Custodian will remain at the precinct until corrected by the vouchering or case officer. Items delivered to Property and Evidence that are subsequently determined deficient by Property and Evidence staff (second line of quality control) will be given back to the Precinct Custodian and returned to the precinct for correction by the vouchering or case officer.

Even with this procedure, one cash item only had one signature. We will continue to emphasize this procedure.

Recommendation 1.2 – Cash items are exactly and consistently recorded on the envelope and in the BEAST system.

Response: We will continue to monitor the amount written on the currency envelope and the amount entered into the BEAST for accuracy.

Recommendation 1.3 – Require that all jewelry items are placed inside clear plastic evidence bags in accordance with the Evidence Collection and Handling Field Guide.

Response: To address last year's recommendation, Property and Evidence staff designed an online training (PowerDMS) to reinforce procedures covered the Evidence Collection and Handling Field Guide. The training focused on, but was not exclusive to, properly vouchering and verifying money and properly packaging jewelry. We will continue to offer this training.

We feel this training has been beneficial in addressing the issue and will continue to verify that all jewelry items are placed in clear and sealed evidence bags.

Recommendation 1.4 – Items are properly classified in the BEAST System.

Response: The five items that were incorrectly classified as PERK kits were misclassified while preparing the 344 PERK kits for transport to BODE lab in March. These five items were packaged with the PERK kits and had to be separated from the kits and added to the BEAST system. The misclassification occurred during this process. All five items have been reclassified to an appropriate item type and other item types are being reviewed to ensure there are no additional misclassifications. To address this recommendation, Property and Evidence staff will pay close attention to item types when entering items into the BEAST system.

Recommendations 2.1– All checks are signed by two Property and Evidence Unit staff members; **2.2** – Evidence Collection and Handling Field Guide is updated to reflect the requirement that all checks issued out of the Property and Evidence bank account is signed by two Property and Evidence staff members authorized to sign checks; and **2.3** – Both Property and Evidence Unit staff members properly review supporting documentation prior to signing checks.

Response: The Property and Evidence Field Guide is being updated to require two signatures on all disbursed Property and Evidence checks. That procedure was

undocumented at the time of the audit. The procedure will also include that both staff members properly review the supporting document before signing the checks.

Recommendation 3.1 – The accountant's supervisor should review the monthly reconciliation and demonstrate the review by putting his or her initials and the date on the reconciliation.

Response: The department will implement that recommendation immediately.