

POLICE PROPERTY EVIDENCE DIVISION:
Internal controls and physical security strong;
tracking system needs improvement

April 2011

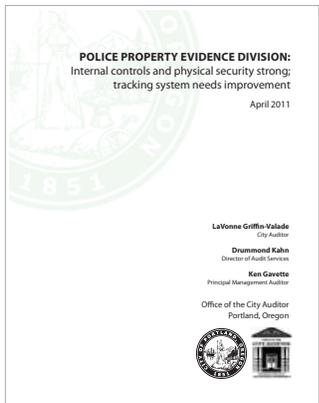
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CITY OF PORTLAND

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April 4, 2011

TO: Mayor Sam Adams
Commissioner Nick Fish
Commissioner Amanda Fritz
Commissioner Randy Leonard
Commissioner Dan Saltzman
Michael Reese, Chief of Police

SUBJECT: Audit Report – Police Property Evidence Division: Internal controls and physical security strong; tracking system needs improvement (Report #403)

The attached report contains the results of our audit of the Portland Police Bureau's Property Evidence Division (PED). We assessed the adequacy of PED's internal control procedures and physical security of the warehouse, and conducted a physical inventory of the warehouse contents.

Overall, we found that PED has a strong system of internal controls and very good physical security. Our inventory of over 600 items found very few items out of place and none missing. However, the Bureau should make a priority of implementing a fully supported database tracking system to help ensure the warehouse continues to operate effectively.

We ask the Portland Police Bureau to provide us with a status report in one year, through the Office of the Mayor, detailing steps taken to address the recommendations in this report.

We appreciate the cooperation and assistance we received from Portland Police Bureau staff as we conducted this audit.

LaVonne Griffin-Valade
City Auditor

Audit Team: Drummond Kahn
Ken Gavette

Attachment

POLICE PROPERTY EVIDENCE DIVISION:

Internal controls and physical security strong;
tracking system needs improvement

Summary Storing and preserving evidence collected by the Police Bureau is critical to solving crimes and prosecuting criminals. The Police Bureau's Property Evidence Division (PED) has the responsibility to receive, store, dispose, and retrieve thousands of pieces of evidence, prisoner property and items found by police officers. To do that, PED needs a strong internal control system, a secure physical environment, and a tracking system capable of performing at a high level.

Our audit found that PED has most of the elements of a strong internal control system in place. A detailed set of policies and procedures guides PED employees in performing their jobs and provides appropriate accountability. In addition, our inventory of over 600 items in the warehouse found very few items out of place and none missing.

The building's physical security is also very strong. We hired a professional security consultant to evaluate the building's vulnerabilities. The consultant found the need for only relatively minor improvements, most of which the Bureau addressed immediately.

In addition, following an incident in which several items were reported missing by PED staff, the Bureau and PED managers quickly took steps to significantly upgrade relevant policies and security measures.

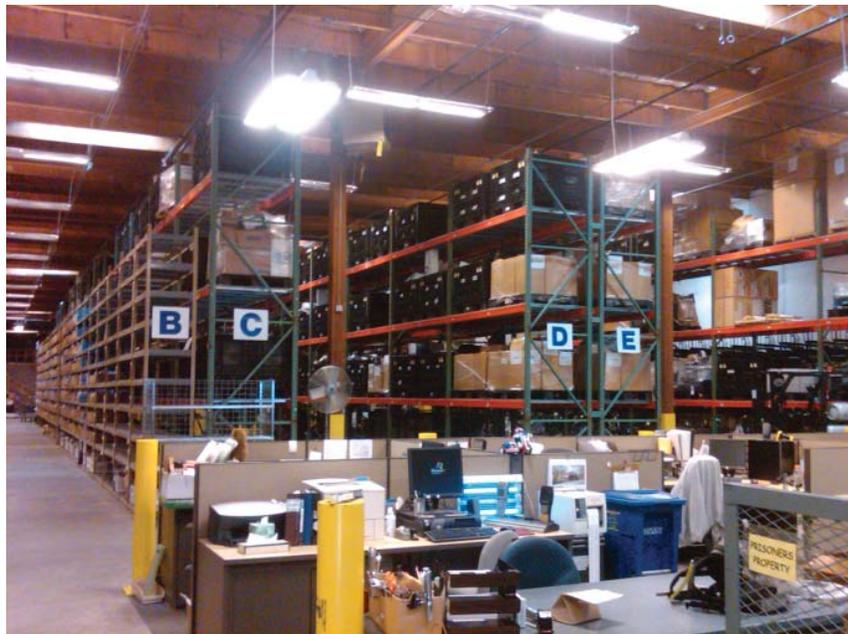
We make several recommendations to further improve PED operations:

- Annual or biennial background checks for PED employees
- More frequent procedural reviews and inventories by independent reviewers and by upper Bureau management

- Implementation of a new and fully supported database tracking system
- The adoption of procedures requiring the deposit of more currency in bank accounts
- An annual risk assessment performed by PED staff
- Require officers to provide more descriptive information on evidence receipts
- The implementation of several recommendations by our security consultant which have not yet been addressed

Background The Portland Police Property Evidence Division (PED) is a division of the Police Bureau's Investigations Branch. Its mission is to secure and maintain the integrity of evidence and property for the Bureau and partnering agencies, including Multnomah County and the State of Oregon. PED receives over 50,000 property and evidence items each year and stores over 270,000 items.

Figure 1 A portion of the PED warehouse storage system



Source: Audit Services Division photo

These items include bicycles, electronic equipment, tools, drug paraphernalia, household furniture and appliances, weapons used in crimes, articles of clothing worn by crime victims, and almost anything else that can be related to a crime scene.

The primary storage facility is a large warehouse, but PED also has a separate vehicle storage facility. Staff provides access to the evidence for police officers and for prosecuting or defense attorneys. They also maintain and return items for prisoners incarcerated in Multnomah County jails.

Why good property control is important

Marijuana, cash missing from California police

500+ GUNS MISSING FROM TEXAS POLICE DEPT EVIDENCE ROOM

\$200,000 missing from New Orleans police evidence room

D.C. police missing evidence – a federal report says D.C. police are missing evidence in hundreds of cases

These are a few news headlines since 2009 that emphasize the importance of good internal controls over evidence storage. While the specific causes may be different in each case, they generally involve a lack of good policies and procedures, or good policies that were not followed.

Preserving evidence is critical in the prosecution of criminal cases. It is also a matter of fairness that prisoner property and property found by police officers is returned to the rightful owners. Without a thorough tracking and inventory system, a group of trained and dedicated staff, and a solid system of accountability, this process can be compromised.

How items are received, stored, retrieved and disposed

Police officers have several options for submitting items for PED storage. Some options depend on the size and value of the items. Items of relatively small value can be left in storage lockers at the precincts. These items are collected each business day by PED staff. If the items are over a certain value, they must be submitted directly to PED or to PED staff. If this is after normal work hours, officers can request PED staff to meet and receive the items. In any case, an officer must package the item (usually in a clear plastic bag), seal it, and fill out a Property/Evidence Receipt (receipt). The Officer must describe the item or items in the container, but there are few specific guidelines on exactly what level of description is necessary.

It is important to note that PED management's position is that PED has limited responsibility to confirm what is actually in the item containers. That is the responsibility of the submitting officer. In some cases, PED staff cannot determine precisely what is in a container because there may be too many items to count, it may contain a substance that is not readily identifiable, or because the items are packaged in a closed, sealed envelope. PED staff make a reasonable effort to determine what is in the container, usually without breaking the officer's seal. If they cannot make a reasonable determination that the item matches the description, the item is marked UTI, or "unable to inventory". The item is put away unless there appears to be something different than what the officer has described on the evidence receipt. If something is obviously different they call the submitting officer to reconcile the difference.

When PED staff receives an item, two barcodes are produced for each descriptive line on the request form. One barcode is placed on the corresponding receipt line, and the other is placed on the item container. There are as many barcodes on one container as there are descriptive lines filled out on the receipt by the officer.

Each item container is taken to a shelf in the warehouse for storage. Each shelf has a bar-coded location designation. The PED staff completing the storage operation then uses a hand-held scanner to "scan" the item to the specific shelf location. That item number and location are transferred to the "Liberty Sentinel" data base system for tracking purposes. Receipts go to the PED office staff where item descriptions are input to the data base.

Figure 2 Property evidence receipt and corresponding container showing barcodes

PROPERTY EVIDENCE RECEIPT

PROPERTY NO. 1143651

DATE: 12-1-11

TIME: 10:30

LOCATION: 10111

OFFICER: [Signature]

PROPERTY TYPE: ONLY EVIDENCE FOUND PROPERTY PROBATIONER'S PROPERTY SURRENDERED

PROPERTY DESCRIPTION: [Handwritten details]

ITEM NO.	DESCRIPTION	QTY	UNIT	MARKS	BARCODE
1	Age of Conan - PC Game	2	CD	X 2	[Barcode]
2	The Club - PC Game	2	CD	X 2	[Barcode]
3	Guild Wars - PC Game	2	CD	X 2	[Barcode]
4	Guild Wars Factions	2	CD	X 2	[Barcode]
5	The Hulk - PC Game	2	CD	X 2	[Barcode]
6	Iron Man - PC Game	2	CD	X 2	[Barcode]
7	Dead Space - PC Game	2	CD	X 2	[Barcode]
8	Beijing 2008 - PC Game	2	CD	X 2	[Barcode]

DO NOT WRITE IN SPACE BELOW - FOR PED USE ONLY

SEARCHED BY: [Signature] INDEXED BY: [Signature]

DATE: 12-1-11

TIME: 10:30

LOCATION: 10111

OFFICER: [Signature]



Source: Police Property Evidence Division photo

Certain higher risk items are stored in segregated areas of the warehouse. For example, there are separate rooms for storing guns, currency and drugs. These areas have a higher level of restricted access. In addition, there is a freezer for storing biologic evidence such as blood samples.

Items may be retrieved for several reasons: they are sometimes viewed at the PED warehouse by officers or attorneys; items are sometimes taken to court; and narcotics are often taken to the State Crime Lab for analysis. Records must be kept on who checked out the items, what items were checked out, when they were returned, and to whom.

Evidence items are kept until they are no longer needed to prosecute a case. PED staff routinely produces reports of older items and sends inquiries to police officers asking whether to dispose of an item. Generally, items that have some value and which are not returned to an owner are sorted and tagged either for recycling or for sale through the State's auction process. Narcotics go through a rigorous review procedure to verify their destruction. Narcotics incineration is verified and witnessed by at least two PED staff members or officers.

PED staff perform ongoing inventories of the warehouse contents. As time allows during the workday, staff members print inventory check sheets for each shelf to be inventoried. The staff member takes the sheet to the location and verifies that the containers on the shelf match the inventory check sheet. The goal is to inventory the entire warehouse every twelve months. A monthly report of findings is forwarded to management with details of how many items were inventoried and what problems were encountered. The most frequent problem is that items are not in their correct location. In most instances these items are found, but in some cases, after an initial search, they may be labeled as UTL, or "unable to locate". Staff and management have a set of protocols used to gradually increase the intensity of the search for these UTLs until they are found.

Objectives, Scope and Methodology

Our objectives were to assess the adequacy of PED's internal control procedures and physical security of the warehouse, and to conduct a physical inventory of the warehouse contents. We concentrated our inventory efforts on the security of the highest risk items; guns, narcotics and currency, although we also conducted some verification of the general warehouse contents. Our audit only covers the warehouse facility. We did not review the physical security or specific controls over evidence lockers at precincts, medical facilities, or at the vehicle storage facility. These areas could be the subject of future audit work.

We reviewed the Police Bureau Manual of Policy and Procedure, PED Standard Operating Procedures, and the PED Employee Training Manual. For comparative purposes we primarily used property evidence standards developed by the Commission on the Accreditation of Law Enforcement Agencies (CALEA).

Audit Services Division staff inventoried over 600 items throughout the warehouse. That included 539 items in the high risk areas of guns, narcotics, and currency. In addition, we randomly selected 20 criminal cases to ensure all evidence items associated with those cases could be found in the warehouse. Those twenty cases yielded an additional 100 inventoried items. Managers at the State Crime Lab agreed as a courtesy, to analyze 17 randomly selected samples of narcotics for package tampering and content evaluation. This analysis was not completed at the time of publication. We will report separately on this matter when the results are complete.

We hired a private security consultant to conduct a physical vulnerability assessment of the warehouse. The resulting report covered security measures and operating procedures to deter, detect, or prevent attempts at unauthorized access to the building and its contents. The consultant made recommendations for several corrective actions.

We conducted this audit in accordance with generally accepted government auditing standards. 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.

Audit Results

Recent management actions

PED management has taken many substantive actions recently to improve its procedures and physical security. During the course of ongoing, monthly inventories, staff routinely finds a few items out of place and occasionally must designate some items as “Unable to Locate (UTL).” In rare circumstances, these staff audits have not been able to locate items. Recently, as part of a routine inventory, PED staff found several items were missing. The Bureau’s Detective Division initiated an internal investigation. A subsequent review by the District Attorney’s Office called the investigation by the Detective Division exhaustive. The investigation did not determine a definite cause for the missing items, but the Bureau and PED management changed procedures and substantially upgraded its building security. Among the changes were:

- Installed 24 hour video and audio surveillance system
- Added two-person entry and simultaneous magnetic card entry to high risk areas
- Increased restrictions to high-risk areas during off-hours
- Adopted a procedure for notifying PED Manager and Bureau Managers immediately when a high risk item is designated UTL
- Developed procedures to deposit currency to a bank account, keeping more currency out of the warehouse

In addition, PED management has addressed several of the recommendations of the consultant we hired to assess building security.

Internal controls

Good internal controls are policies, procedures and activities used to safeguard assets and assist an organization in meeting its goals and objectives. While the best internal controls cannot guarantee prevention of fraud, waste and abuse, an organization with good internal controls stands a much better chance of preventing and detecting problems. The Commission on the Accreditation of Law Enforcement Agencies (CALEA) recommends that agencies maintain strict measures for the receipt, handling, security and disposition of property; that access to property be restricted; and that inventories be conducted on a regular basis.

Policies and procedures mostly in place

As shown in Figure 3, we found PED has many of the policies and procedures in place that are recommended by CALEA. In particular, PED and the Bureau have a series of directives and procedures detailing how property is to be received, packaged, stored, retrieved and disposed. Policies also describe how access and storage areas are restricted.

Figure 3 Recommended internal control process and procedures, and Bureau compliance

Recommended written procedures for:	Compliance
All property logged in & placed under control of PED	✓
Description of each item	✓
Guidelines for packaging, labeling	✓
Extra measures for handling high risk items	✓
Procedures for releasing, disposing of property	✓
Inspections/audits:	
Semi-annual audit/inspection by Manager	NO
Whenever Manager changes	✓
Annual audit by someone not connected to PED	NO
Unannounced inspection by agency head once per year	NO
Access to storage areas should be limited to authorized personnel	✓
Records should be accurate	✓

Source: Audit Services Division interpretation of Commission on the Accreditation of Law Enforcement (CALEA) recommended internal controls.

No procedure for independent reviews

PED does not, however, have procedures calling for routine independent inventories or in-depth management reviews of its warehouse or policies. These management reviews (called audits by CALEA) generally examine all aspects of a warehouse operation including policies and procedures, while an inventory checks warehouse contents for accuracy.

While PED staff conducts ongoing inventories of warehouse contents, independent reviews or inventories are not routinely done. Reviews and inventories should be conducted on both a routine and random basis by Police Bureau managers who are not directly associated with the facility, and by independent reviewers outside the Police Bureau's organization. Without independent checks, the Bureau has a diminished chance to detect fraud and to be assured its internal controls are working as intended.

In addition, PED does not conduct periodic background checks of its employees. The three most common characteristics of fraud are incentive (usually financial), opportunity and rationalization. These can all change for an employee over time. Currently, employee backgrounds are checked by the Police Bureau's Personnel Division when they are hired, but not afterward. We were told that some employees have worked at PED for over two decades. Because of the high-risk nature of the facility, and because personal circumstances and motivations change over time, employees of PED should be subjected to more frequent background investigations.

Data system at risk

Locating items for retrieval, disposal and inventory purposes requires a database tracking system that can produce accurate reports of item locations and disposition. The Liberty Sentinel database system, purchased in the 1990s, contains location and descriptive information for over 270,000 items. Although all PED employees have access to the system, the capability to make changes to the information in the database is restricted to staff based on their job position. Only four employees have the highest level access and can archive or delete items, or reconfigure the bar code printer.

According to the Bureau of Technology Services (BTS), the system's developer no longer provides support for the product, leaving PED vulnerable to a catastrophic data crash that could possibly compromise the entire system. BTS backs up the data each day, but according to BTS staff that may not provide complete protection because a software crash could corrupt the data and prevent access to it. This would severely compromise PED's ability to locate items in a timely manner, potentially hampering criminal investigations and court cases.

**Physical inventory
found few issues**

Items checked against database

Our inventory of over 600 mostly high-risk items stored in the warehouse found very few items out of place or not matching the records contained in the PED data base, and no items were missing. Auditors checked 338 narcotics items, 107 cash items, and 94 gun items. To do this, we printed inventory check sheets from the database showing items and their corresponding locations on the warehouse shelves. We matched the items on the inventory check sheets to what we observed in the item containers and also checked each item container for evidence of package tampering.

In the currency vault, we opened and counted cash containers with a combined value totaling almost \$50,000. One cash container, valued at \$110, was not found. We traced the paperwork on this item and found it had been removed from the room and deposited in a City account, but the database was not properly updated.

The value of the 338 narcotics items is unknown, but the specific room we inventoried is reserved for items valued at over \$2,000 each. Auditors did not open narcotics containers because of the likelihood that auditors would not be able to make any more meaningful identification of contents by opening the containers. With the assistance of PED staff, auditors verified that what was in the packages appeared to match what was listed on the reports.

As a courtesy, the State Crime Lab agreed to check container contents. Their analysis was not completed at the time of publication. We will report their findings separately when results are complete.

In addition, our random selection of 20 case files (which yielded 100 individual items to inventory), tracing items from the paper receipts to the location shelves, showed only two items out of place. Both items were located with minimal investigation.

Auditors identified potential weakness in evidence labeling

Some auditors noted a lack of specific item descriptions as a potential accountability weakness. Our auditors felt that more generic descriptions of container contents on the evidence receipts and in the database makes it more difficult for staff, or others conducting audits, to verify that contents match what was originally submitted by an officer.

In particular, auditors pointed to a lack of more specific information on the contents of narcotics containers. PED management agreed that more detailed descriptions of weight, volume and color would help PED staff identify contents. In fact, Police Directive 660.10 requires that officers include weights in the item description.

Building security is tight, but minor improvements recommended

We hired a security services consultant to perform a vulnerability assessment of the PED warehouse. We asked the consultant to assess the vulnerabilities of the warehouse and its assets to physical threats and to recommend appropriate security measures. His assessment included on-site visits, interviews with key personnel, review of documents and observation of key security processes.

Our consultant found that the physical security of the warehouse is strong: access is restricted and secure, and video and audio surveillance is in place and appropriately monitored. The Bureau's "3 car" response protocol to the warehouse in case of any incident is also appropriate.

Because of the sensitive nature of this information, we will not include specific recommendations here. However, our consultant segmented his recommendations into three categories: Essential, Important and Desirable. PED management has generally agreed with these and has already implemented, or submitted Facilities service requests to implement, several recommendations.

Recommendations

PED has a detailed set of policies and procedures to prevent and detect fraud and abuse. However, our review found several areas where enhancements should be made. Specifically, we recommend:

1. Conducting annual or biennial background checks on PED employees who are now subject only to pre-employment background checks.

Employee motivation and opportunity can change over time, putting the organization at risk of fraud.

2. Conducting annual, independent, in-depth reviews and unannounced inventories.

In addition to the ongoing inventories conducted by PED staff, we recommend an annual management review, and at least one unannounced inventory conducted by someone not directly connected to PED.

3. Implementing a new and fully supported database tracking system.

The Liberty Sentinel system is no longer supported by its developer. BIT can only provide limited support and recommends a new system be implemented.

4. Adopting a procedure requiring the deposit of more currency in bank accounts.

The risk of fraud increases with the amount of cash on hand at the facility. A new procedure has been developed and is nearing final approval by Bureau management.

5. Conducting an annual risk assessment by PED staff.

This could be a formal brainstorming session where PED staff reviews issues they have identified and suggest ways to mitigate risk.

6. Requiring officers to provide more descriptive information on evidence receipts.

Our auditors noted that when item containers have a generic description of contents, it is more difficult to confirm that what is in a container is actually what was originally submitted by the officer.

7. Implementing several recommendations by our security consultant which have not yet been addressed.

For security reasons we will not detail these here. It has been reported to Bureau management.

RESPONSES TO THE AUDIT



OFFICE OF MAYOR SAM ADAMS
CITY OF PORTLAND

March 28, 2011

LaVonne Griffin-Valade,
City Auditor
1221 SW 4th Avenue Room 140
Portland, OR 97204

Dear Auditor Griffin-Valade:

I want to take this opportunity to thank you and your staff for the recent audit of the Portland Police Bureau's Property Evidence Division.

The Property Evidence Division fills a critical public safety role by ensuring the safety of people's property while also maintaining the proper chain of custody in regard to evidence. It is extremely important that this Division be thoroughly examined on a regular basis and I agree with the suggestions you made to continue to improve on this function.

The audit recognizes the importance of the Division's role and as noted in Chief Michael Reese's response, many of the recommendations will be implemented as soon as possible. Chief Reese's response also indicates that additional recommendations will be reviewed and considered for implementation.

As Police Commissioner, I am committed to transparency and accountability throughout the Portland Police Bureau; this useful audit will continue to help guide the audit efforts of the Property Evidence Division. On behalf of the citizens of Portland and the members of the Portland Police Bureau, I appreciate your examination of this issue and value the work that was done by you and your staff.

Sincerely,

Sam Adams
Mayor
City of Portland



CITY OF PORTLAND, OREGON



Bureau of Police

Sam Adams, Mayor

Michael Reese, Chief of Police

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March 24, 2011

LaVonne Griffin-Valade
City Auditor
1221 SW 4th Avenue Room 140
Portland, OR 97204

SUBJ: Portland Police Property Evidence Division Audit Response

Dear Auditor Griffin-Valade:

I appreciate the opportunity to review and respond to the City Auditor's audit report and recommendations for the Property Evidence Division. This audit acknowledged the division's strengths and the critical work done daily while also highlighting areas for improvement.

The Police Bureau is taking steps to implement a number of recommendations included in your findings. These actions include conducting a semi-annual audit and inspection performed by the property evidence manager, conducting a third-party audit; and scheduling an unannounced audit by the Chief's Office. Other recommendations contained in this audit will be reviewed and considered accordingly.

I want to recognize the collaborative approach by members of your staff when conducting this audit, especially the thorough efforts of the principal auditor, Ken Gavette. Please extend my thanks and appreciation to your staff. I look forward to working with your office in future reviews of the work we do for the City of Portland.

Sincerely,

MICHAEL REESE
Chief of Police

MWR/DB/mp

**Audit Services Division
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Police Property Evidence Division: Internal controls and physical security strong; tracking system needs improvement

Report #403, April 2011

Audit Team Members: Ken Gavette

LaVonne Griffin-Valade, City Auditor
Drummond Kahn, Director of Audit Services

Other recent audit reports:

Spending Utility Ratepayer Money: Not always linked to services, decision process inconsistent (#398, March 2011)

Percent for Art: Progress made, but consistency can be improved (#401, February 2011)

Sewer Maintenance: BES and PBOT maintain the system together, but should consider operational changes (#365, December 2010)

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