



Jerry E. Abramson  
Mayor  
Louisville Metro Council

The Office of Internal Audit provides independent, objective assurance and consulting services that adds value to and improves Louisville Metro Government.



# Office of Internal Audit

Louisville Metro Police  
Department

Property Room - Operating  
Procedures

# Audit Report

Office of Internal Audit

## Louisville Metro Police Department

### Property Room - Operating Procedures

August 2008



Louisville Metro Police  
Department

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Property Room - Operating  
Procedures

**Table of Contents**

**Transmittal Letter ..... 2**

    Introduction..... 2

    Scope..... 3

    Opinion ..... 3

    Corrective Action Plan..... 4

    Internal Control Rating ..... 5

    Background..... 6

    Summary of Audit Results..... 6

**Observations and Recommendations ..... 8**

    LMPD Corrective Action Plan ..... 9



OFFICE OF INTERNAL AUDIT  
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**Transmittal Letter**

August 26, 2008

The Honorable Jerry E. Abramson  
Mayor of Louisville Metro  
Louisville Metro Hall  
Louisville, KY 40202

**Subject: LMPD Property Room – Operating Procedures Review**

**Introduction**

An audit of the Louisville Metro Police Department's property room was performed. The property room is responsible for the storage and disposition of seized, found, or recovered property and evidence. The primary focus of the audit was the operational administration of activity. This included how activity is processed, recorded, and monitored. The objective was to obtain assurance that the risks are adequately mitigated through the internal control structure.

The audit was conducted in accordance with Government Auditing Standards issued by the Comptroller General of the United States and with the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

As a part of the review, the internal control structure was evaluated. The objective of internal control is to provide reasonable, but not absolute, assurance regarding the achievement of objectives in the following categories:

- Achievement of business objectives and goals
- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable laws and regulations
- Safeguarding of assets

There are inherent limitations in any system of internal control. Errors may result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personnel factors. Some controls may be circumvented by collusion. Similarly, management may circumvent control procedures by administrative oversight.

### Scope

The procedures for administering property room activity were reviewed through interviews with key personnel. The focus of the review was the operational administration of activity, to include the initial logging, storing, retrieval, and disposition of property. A sample of 10 physical items and 10 evidence records was judgmentally selected for review to ensure records and the physical evidence agreed.

The review included assessing whether activity was processed, recorded, and monitored accurately and appropriately, while ensuring the chain of custody of evidence was not broken (i.e., items were not opened to verify contents). The details of the scope and methodology of the review will be addressed in the Observations and Recommendations section of this report. The audit would not identify all issues because it was based on selective review of procedures and data.

### Opinion

It is our opinion that the internal control structure of LMPD's property room is satisfactory. The internal control rating is on page 5 of this report. This rating quantifies the opinion regarding the internal controls. While the overall rating is satisfactory, some opportunities to strengthen the internal control structure were noted. Examples include the following.

- **Policies and Procedures.** Though the Property Room has a comprehensive policies and procedures manual, it does not address all significant processing areas (e.g., the deposit processes for currency). This increases the risk of non-compliance with intended procedures and requirements. This can also lead to inconsistencies and inefficiencies with processing and monitoring of activity.
- **Evidence Inspection.** For one of twenty evidence items reviewed, the evidence label did not agree with the physical evidence. This appeared to be a case where multiple items were presented to the property room at one time and labels were mismatched between two pieces of evidence.

The implementation of the recommendations in this report will help improve the internal control structure and effectiveness of the administration of LMPD's property room activity.

**Corrective Action Plan**

Representatives from the Louisville Metro Police Department have reviewed the results and are committed to addressing the issues noted. LMPD's corrective action plans are included in this report. We will continue to work with LMPD to ensure the actions taken are effective to address the issues noted.

Sincerely,



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Michael S. Norman, CIA, CFE, CGAP  
Chief Audit Executive

cc: Louisville Metro Council Government Accountability and Audit Committee  
Louisville Metro Police Chief  
Louisville Metro External Auditors

**Internal Control Rating**



<u>Legend</u>			
<u>Criteria Issues</u>	<u>Satisfactory</u> Not likely to impact operations.	<u>Needs Improvement</u> Impact on operations likely contained.	<u>Inadequate</u> Impact on operations likely widespread or compounding.
<i>Controls</i>	Effective.	Opportunity exists to improve effectiveness.	Do not exist or are not reliable.
<i>Policy Compliance</i>	Non-compliance issues are minor.	Non-compliance issues may be systemic.	Non-compliance issues are pervasive, significant, or have severe consequences.
<i>Image</i>	No, or low, level of risk.	Potential for damage.	Severe risk of damage.
<i>Corrective Action</i>	May be necessary.	Prompt.	Immediate.

## **Background**

The Louisville Metro Police Department (LMPD) operates a property room to provide security and control of seized, found, and recovered property and evidence. Proper management of these items is essential in supporting investigations and facilitating the timely return of property to its rightful owners. The property room is responsible for the accurate and safe receipt, security, and disposition of property.

The LMPD property room incurred approximately \$835,000 in operating expenses during fiscal year 2008. LMPD also incurred approximately \$200,000 in capital expenditures to fund the purchase of personal computers and related software pertaining to the implementation of a record management system. It is anticipated that the new system will be reviewed once it is fully implemented and operational.

This was a scheduled audit.

## **Summary of Audit Results**

### **I. Current Audit Results**

See Observations and Recommendations section of this report.

### **II. Prior Audit Issues**

The Office of Internal Audit has not performed a previous review of the Louisville Metro Police Department property room. However, a prior review of the City of Louisville's Police Department property room was performed in May 2002. Unless otherwise noted, all prior issues have been satisfactorily addressed.

### **III. Statement of Auditing Standards**

The audit was performed in accordance with Government Auditing Standards issued by the Comptroller General of the United States and with the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

### **IV. Statement of Internal Control**

An understanding of the internal control structure was obtained in order to support the final opinion.

### **V. Statement of Irregularities, Illegal Acts, and Other Noncompliance**

The audit did not disclose any instances of irregularities, any indications of illegal acts, and nothing was detected during the examination that would indicate evidence of such. Any significant instances of noncompliance with laws and regulations are reported in the Observations and Recommendations section of this report.

## **VI. Views of Responsible Officials / Action Plan**

A draft report was issued to Louisville Metro Police Department on August 13, 2008. It was determined that a formal exit conference was not necessary.

The views of Louisville Metro Police Department officials were received on August 25, 2008 and are included as corrective action plans in the Observations and Recommendations section of the report. The plans indicate a commitment to addressing the issues noted.

LMCO §30.36(B) requires Louisville Metro Agencies to respond to draft audit reports in a timely manner. It specifically states that

*“The response must be forwarded to the Office of Internal Audit within 15 days of the exit conference, or no longer than 30 days of receipt of the draft report.”*

The Louisville Metro Police Department’s response was provided within this required timeframe.

## Observations and Recommendations

### Scope

The procedures for administering the Louisville Metro Police Department's (LMPD) property room were reviewed. The focus was an operational review of how activity is processed, recorded, and monitored. This included how evidence and property is logged, stored, retrieved, and ultimately disposed. It should be noted that the LMPD records management system was not reviewed as part of this audit since a new system was being implemented at the time of this review. It is anticipated that the new system will be reviewed once it is fully implemented and operational.

Key personnel were interviewed in order to gain a thorough understanding of property room processes and to ensure the risks are adequately mitigated through the internal controls. A judgmental sample of items was selected for review. Ten evidence records and ten physical items were verified, while respecting the chain of custody of evidence (i.e., items were not opened to verify contents). The review would not reveal all weaknesses because it was based on selective review of data.

### Observations

While the overall opinion is satisfactory, some opportunities to strengthen the internal control structure for the administration of LMPD's property room were noted. Examples include the following.

- **Policies and Procedures.** Though the Property Room has a comprehensive policies and procedures manual, it does not address all significant processing areas (e.g., the deposit processes for currency). This increases the risk of non-compliance with intended procedures and requirements. This can also lead to inconsistencies and inefficiencies with processing of activity.
- **Evidence Inspection.** For one of twenty evidence items reviewed, the evidence label did not agree with the physical evidence. This appeared to be a case where multiple items were presented to the property room at one time and labels were mismatched between two pieces of evidence.

### Recommendations

Appropriate personnel should take corrective action to address the issues noted. Specific recommendations include the following.

- ✓ Property Room management is currently reviewing their policies and procedures manual. They should ensure the policies and procedures address all pertinent areas related to the processing, recording, and monitoring of activity (e.g., deposit processes). The manual should include sufficient detail for each job duty performed and copies of forms used. It should be distributed to all applicable personnel and may be used as a training manual for new staff. In addition, key personnel should be trained to help ensure consistent adherence to the requirements. The internal policy

and procedures should reflect the most current information and be updated periodically.

- ✓ Care should be taken by Police personnel when processing items in and out of the property room. This will help ensure that items are properly accounted for and are readily accessible as needed.

#### **LMPD Corrective Action Plan**

- Policies and Procedures. The LMPD Property Room's Standard Operating Procedure (SOP) is currently being re-written and updated. It is in the final review process and should be released within the next month. It will be distributed to all applicable personnel and may be used as a training manual for new staff.
- Evidence Inspection. In this particular case, there were two labels printed for items belonging to the same case. One of the labels was for drug paraphernalia and the other label was for a long gun. The clerk who did the initial intake on the items inadvertently placed the label for the drug paraphernalia on the gun and the label for the gun on the drug paraphernalia. This was a simple case of human error, which has been addressed with the Property Room Personnel.



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**Name of Report** LMPD Property Room – Operating Procedures

<b>How do you rate this report?</b>			
	<b>Beneficial</b>	<b>Somewhat Helpful</b>	<b>Needs Improvement</b>
Background Information	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Details	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Length of Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Clarity of Writing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Potential Impact	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Suggestions, comments, ideas, thoughts: \_\_\_\_\_

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