



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
Records Management System

Audit Report

Office of Internal Audit

Louisville Metro Police Department

Property Room Records Management System

October 2009



Louisville Metro Police
Department

Property Room
Records Management System

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



OFFICE OF INTERNAL AUDIT
LOUISVILLE, KENTUCKY

JERRY E. ABRAMSON
MAYOR

MICHAEL S. NORMAN, CIA, CFE, CGAP
CHIEF AUDIT EXECUTIVE

DAVID W. TANDY
PRESIDENT METRO COUNCIL

Transmittal Letter

October 21, 2009

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

Subject: Audit of LMPD's Property Room Records Management System (I-Leads)

Introduction

An audit of the Louisville Metro Police Department's records management system (I-Leads) was conducted. The primary focus was assessing the effectiveness of the I-Leads system in managing Property Room records. This included gaining an understanding of how the system is used to process, record, and monitor Property Room items. 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 I-Leads records management system used by the Louisville Metro Police Department (LMPD) Property Room was reviewed. This included interviewing key personnel to gain an understanding of how the system is used to process, record, and monitor Property Room items. Testing of activity was also performed to determine the effectiveness of the controls, such as completeness of data transferred from the old to the new system, accuracy of data, and accessibility of data for verification, reconciliation, and reporting purposes. A judgmental sample of fifty property items was selected for review, while respecting the chain of custody (i.e., items were not opened to verify contents). The sample included twenty-five property items chosen from system records and twenty-five items chosen from storage locations. All items were verified to ensure system records and physical property agreed.

The review included assessing the effectiveness of the system in managing Property Room records. The details of the scope and methodology of the review are 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 data.

Opinion

It is our opinion that the internal control structure for the I-Leads records management system used by the LMPD Property Room needs improvement. The internal control rating is on page 5 of this report. This rating quantifies the opinion regarding the internal controls, and identifies areas requiring corrective action. Opportunities to strengthen the internal control structure were noted. Examples include the following.

- **Data Integrity.** Property information is not easily identifiable or may not be accurate in the I-Leads records management system. This appears to be a result of data conversions from prior Property Room systems into I-Leads. A comprehensive reconciliation of system data and physical property was not performed as part of the conversion to the I-Leads system.
- **System Reports.** There are no I-Leads system reports to provide a listing of items stored in the Property Room, such as property by storage location. This hinders the ability to reconcile physical property and system data, and weakens accountability.
- **Property Disposals.** Property disposals have not been routinely conducted according to LMPD Standard Operating Procedures. This makes it difficult to effectively manage the volume of physical property and associated data records.
- **Property Verification.** Discrepancies were noted during the physical verification of Property Room items.

The implementation of the recommendations in this report will help improve the internal control structure and effectiveness of the records management system used by LMPD's Property Room personnel.

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.

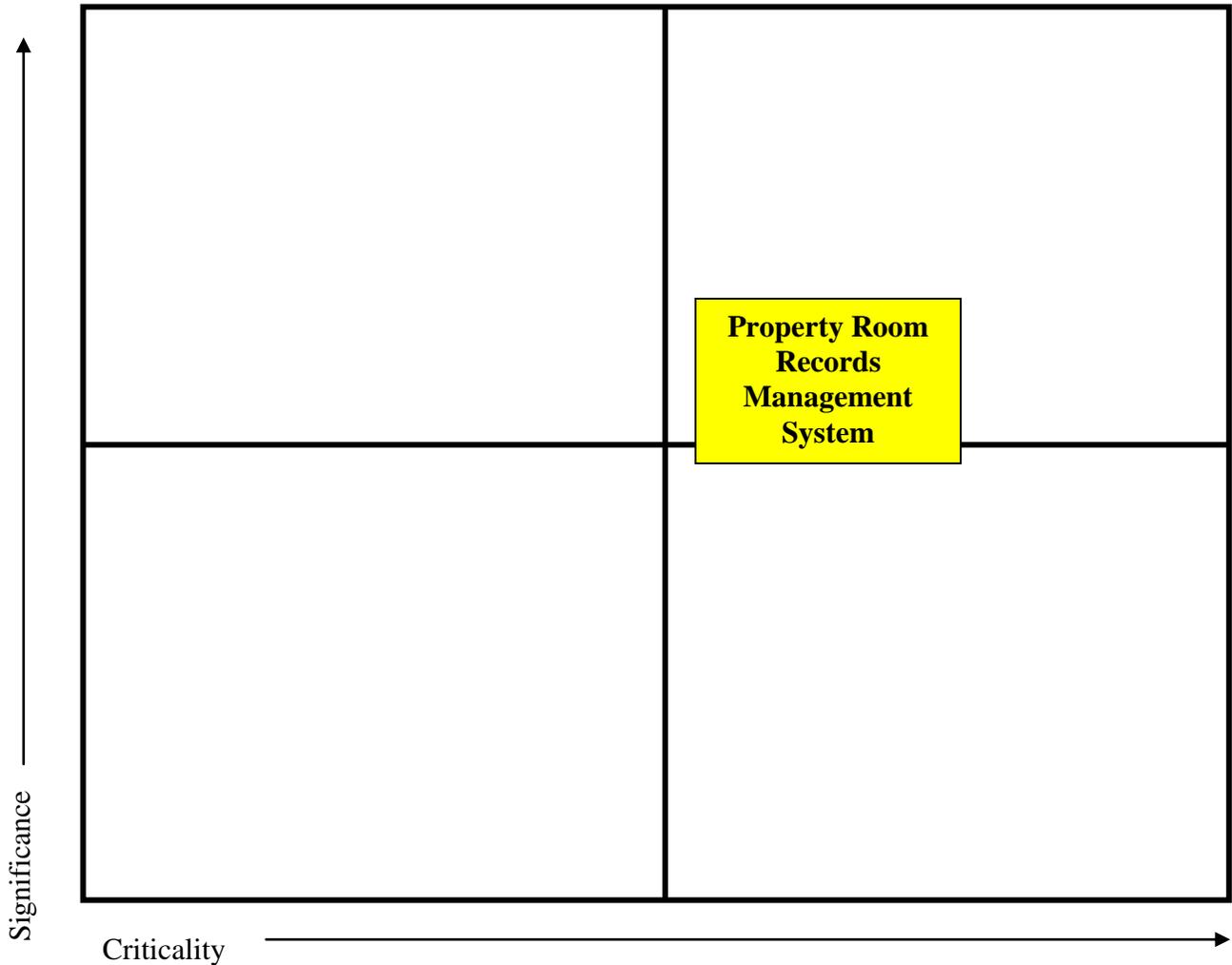
Sincerely,



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

cc: Louisville Metro Council Government Accountability and Oversight Committee
Louisville Chief of Police
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 began using the I-Leads records management system in June 2008. Property data records maintained in prior systems were converted into I-Leads to provide one primary system for records management. The system provides LMPD with a means to track property from intake through release or disposal of items, in a manner that properly notes a chain of custody. There are approximately 1,600 users of I-Leads, with the majority being LMPD Officers.

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 conducted a review of the LMPD Property Room in August 2008. The I-Leads records management system was not reviewed at that time since it had just been implemented.

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 review did not disclose any instances of irregularities, any indications of illegal acts, and nothing was detected during the review 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 the Louisville Metro Police Department on September 25, 2009. An exit conference was held at LMPD's headquarters on October 14, 2009. Attending were Lieutenant Colonel Robison, Major Gentry, Major Kraeszig, Lieutenant Davis, Lieutenant Jackman, and Yvonne Stutesman representing LMPD; Mike Norman, Mary Ann Wheatley and Catina Hourigan representing Internal Audit. Final audit results were discussed.

The views of LMPD officials were received on October 20, 2009 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.”*

LMPD's response was provided within this required timeframe.

Observations and Recommendations

Scope

The records management system (I-Leads) used by the Louisville Metro Police Department's (LMPD) Property Room was reviewed. The primary focus was assessing the effectiveness of the I-Leads system in managing Property Room records. This included gaining an understanding of how the system is used to process, record, and monitor Property Room items. The objective was to obtain assurance that the risks are adequately mitigated through the internal control structure.

Key personnel were interviewed in order to gain a thorough understanding of how the I-Leads system is used. Testing of activity was also performed to determine the effectiveness of the controls. This included completeness of data transferred from the old to the new system, accuracy of data, and accessibility of data for verification, reconciliation, and reporting purposes. A judgmental sample of fifty property items was selected for review, while respecting the chain of custody (i.e., items were not opened to verify contents). The sample included twenty-five property items chosen from system records and twenty-five items chosen from storage locations. All items were verified to ensure system records and physical property agreed. The review would not reveal all weaknesses because it was based on selective review of data.

Observations

Issues were noted with the I-Leads records management system. As a result, the effectiveness of the internal control structure is impaired and needs improvement. Opportunities to strengthen the controls include the following.

- **Data Integrity.** Property Room personnel indicated that some property information is not easily identifiable within the I-Leads system and may not be accurate. This appears to be a result of data conversions from prior Property Room systems into I-Leads. Some data didn't exist in the old systems, or data didn't convert appropriately. A comprehensive reconciliation of system data and physical property was not performed as part of the conversion to the I-Leads system.
 - Older cases may not have always been assigned a case number. If a case number does not exist or is not recognized by I-Leads, property has to be searched via other data fields, such as searching for a case number in a different field, or searching by property number, defendant name, and such. This makes locating these items very cumbersome.
 - Some property items may have inaccurate data fields such as a location of Headquarters (no longer a valid storage location), non-disposed items indicating a status of disposed and vice versa, and items having no storage location noted because records indicate it has been out to court for several years.
 - Some property information may not be found within I-Leads no matter the field searched. In these cases, Property Room personnel use the prior records management system to locate property information.

- **System Reports.** There are no I-Leads system reports that provide a complete property inventory listing, such as property by storage location. Without property inventory reports, it would be impossible to conduct a physical property and system data reconciliation. Accountability is also weakened since Property Room staff can not be certain of the actual inventory without the system reports.

- **Property Disposals.** Though LMPD has standard operating procedures to address the disposal of Property Room items, disposals have not been routinely conducted in the past. As a result, property has accumulated in the Property Room, some of which may no longer be needed or required for evidentiary purposes. This makes it difficult to effectively manage property, both the physical items and the associated data records.
 - Disposal periods vary depending on the property item and its associated statute of limitations requirement. The Property Room must receive authorizing documentation in order to dispose of most property / evidence. It was stated that Officers have not been adequately following disposal procedures, and Property Room staff have not had the resources needed to follow-up appropriately.
 - Standard operating procedures note that the I-Leads system has a statute of limitations feature to facilitate the proper and timely release or disposal of property from the Property Room. However, Property Room staff stated this feature has not been activated since a reconciliation of system data issues has not been performed.

It should be noted that in an attempt to dispose of property items no longer needed, Property Room personnel have created disposition reports for all property items and distributed them to Officers. The disposition reports note specifics about each piece of property. Officers are being asked to sign the reports and indicate whether the property can be disposed of or not. This endeavor could eventually result in several pieces of property being removed from the Property Room.

- **Property Verification.** Some discrepancies were noted during the physical verification of Property Room items.
 - During a review of property items, several cases were noted where property data was not easily identifiable.
 - For 19 of 50 items reviewed, the I-Leads property ID number was not noted on the physical item because it was an older case. A new I-Leads label had not been printed and attached to the property.

It should be noted that in an effort to update old property with I-Leads system data, Property Room staff print and attach new labels for the items whenever they are moved (e.g., checked out for court) within the facility.
 - For 7 of 50 items, the I-Leads system did not note a case ID number for the property. LMPD staff explained that old cases did not have case numbers assigned to them in the same manner as new cases. Therefore, the field was left blank during system conversions. This has created inefficiencies with how Property Room staff search to identify / locate the property.
 - In order to identify the items within the storage locations indicated, Property Room staff had to search the I-Leads system by the current property ID numbers to obtain old system property ID numbers. Old ID numbers were needed since this is the data noted on the physical property.

- In 2 of these cases, the old property ID number was not noted within the system field designated for old property ID numbers. Property Room staff had to search other system screens and select additional page options in order to locate the old property ID number.
- There was one case where an item was physically located in the Property Room. However, the property was recorded as disposed in the I-Leads system.
- In another case, the property item could not be found or verified. The property did not have a case number assigned to it, the property ID number did not follow the normal numbering format, and the property description and location did not make sense to Property Room staff (i.e., deli meat would not be placed on an open shelf). The property could not be searched for based on the location noted in the system since it was too large of an area (open shelf) holding several property items. Property Room staff was not certain what the system record was trying to document.
- Two items could not be found or verified in the storage location that was noted in I-Leads.
 - For one item, it was discovered that the item was released to an LMPD detective, and the location should have been updated to reflect 'out to investigation', not 'temporary storage'. This conclusion was based on data recorded in the notes field within I-Leads.
 - The other item was eventually located by Property Room staff during the review, within the proper area but a different bin.

Recommendations

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

- ✓ LMPD personnel are ultimately accountable for managing Property Room items and data records. Though it appears the I-Leads system is working effectively to manage records for new property items brought in, it is essential that LMPD personnel take actions to address data integrity issues within the I-Leads system. Ideally, all physical property should be reconciled to system records and any required edits made (i.e., system records should be updated to reflect appropriate data, and physical items should be properly labeled with corresponding I-Leads data). A comprehensive reconciliation will help provide assurance that system records are accurate and physical inventory is properly accounted for.
- ✓ Due to the volume of items currently in the Property Room, it is anticipated that a comprehensive reconciliation could require a great deal of resources. An action plan should be developed to help guide a complete and thorough reconciliation of the Property Room, while limiting disruptions to routine processing activities.
- ✓ LMPD personnel should consult with Metro Technology staff regarding system reporting needs. It is essential that system reports be developed to assist Property Room staff with identifying property as needed (by location, by status, etc.) for accountability and reconciliation purposes. The reports will also assist LMPD with meeting accreditation standards regarding inspections, inventory and audits that should be conducted.

- ✓ Property Room staff should continue with their efforts to dispose of older property items that may no longer be needed or required for evidentiary purposes.
- ✓ Continuous efforts should be made by LMPD personnel to adhere to the Standard Operating Procedure that addresses property disposals. Ideally, system features should be activated to assist with flagging items that have exceeded their statute of limitations requirements. Applicable Officers should be notified of these items accordingly so that disposal processes may begin (i.e., disposal requests can be made). All determinations made on disposal requests should be noted within the I-Leads system. Conducting routine disposals will help keep the physical inventory and system records at a more manageable level.
- ✓ Property Room staff should continue with their efforts to update property with appropriate labeling as opportunities arise.

LMPD's Corrective Action Plan

Background Information

Between 2003 and 2005, there were four systems in use in the Property Room – the County's system, the City's current system at the time, the City's previous system and the newly implemented Vision system. The data from these older systems was not converted into the Vision system until 2005. All information contained in the Vision system was converted into I/Leads in June of 2008. Also during June 2006 LMPD moved all contents of the former Louisville and Jefferson County police departments' property rooms into the newly renovated location. An estimated 500,000 items were securely moved and re-shelved.

Property information is easily identifiable in I/Leads on any records added since the system's implementation in June of 2008. Discrepancies noted during the physical verification of property items could be explained. These situations pertained to property that was brought into the property room prior to the Vision system data conversion in 2005, which included approximately 300,000 of the 600,000 items currently stored within the Property Room. A large number of these older items are being removed as part of a continuing disposal effort. Clarification for each of the discrepancies noted in the report was provided to the auditors.

Response to the Recommendations

- ✓ The I/Leads system is working effectively to manage records for property within the Property Room. Operating procedures should be followed to ensure the integrity of the data within the system. A review of these procedures with property room staff will be conducted to ensure all personnel are maintaining the property records according to these procedures. These procedures include replacing the old bar code labels with the new ones generated from I/Leads as the property is handled in an ongoing effort to label all property with the I/Leads property IDs. To ensure the validity of the data, periodic reviews will be conducted by personnel external to the property room (e.g., Inspections and Compliance Unit) to assess the data and compliance with the operating procedures.
- ✓ Officers will continue to be notified of property pending disposal to obtain the appropriate documentation for either disposal or retention of the property items. Upon completion of the disposal efforts currently underway, all property remaining in

the property room will have been entered into the I/Leads system, labeled with the associated I/Leads property ID number, and placed in its storage location. To expedite this effort, light duty personnel will be assigned, as available, to assist the property room personnel. In the interim, officers will be notified of property pending disposal to obtain the appropriate documentation for either disposal or retention of the property items. Once this effort has been completed, the statute of limitations monitoring feature will be enabled within I/Leads to ensure the ongoing management of the property items and integrity of the data.

- ✓ Existing I/Leads reports will be reviewed with the property room personnel to facilitate the management of property. These reports, as well as the periodic reviews mentioned above, will assist LMPD with meeting accreditation standards.
- ✓ Property Room staff will continue to follow the process of updating property with appropriate labeling as part of the operating procedure.

Office of Internal Audit
Phone: 502.574.3291
www.louisvilleky.gov/InternalAudit/