



Inter-Departmental Correspondence

To: Robert J. Duffy, Mayor

From: Richard C. Vega, Director of the Office of Public Integrity 

Prepared by: Daniel J. Markese, Manager of Internal Audit 

Date: May 14, 2009

Subject: Review of Police Department Auto Pound Operations

Enclosed for your consideration is a report of our review of the Police Department's Auto Pound operations. In this review, we noted deficiencies in inventory record keeping practices, inadequate police officer authorization of tow reports, inadequate tow contractor billing and payment control and non-compliance with approved policy.

The Police Department reviewed an earlier draft of this report. Their comments regarding audit findings are attached.

We wish to acknowledge the support and cooperation that we received from the Police Department. Principal Field Auditor Daniel Mastrella conducted this project with support from Anthony Grugnale. We are available to discuss this report.

DJM:dc
Encls.

xc: David Moore, Chief of Police

ROCHESTER POLICE DEPARTMENT
REVIEW OF AUTO POUND OPERATIONS

Office of Public Integrity
Date: May 14, 2009
Contact: Daniel Mastrella
Phone: 428-6121

I. EXECUTIVE SUMMARY

The Office of Public Integrity (OPI) examined the adequacy and effectiveness of Police Department Auto Pound internal control procedures and compliance with approved policies and practices. The results of the review identify various record keeping discrepancies and instances of non-compliance with approved policies and procedures.

- ◆ Auto Pound perpetual inventory records are inaccurate. Public Integrity noted 37 vehicles in the perpetual inventory records that were previously removed from the Auto Pound lot. Additionally, eight vehicles physically present on the lot were not recorded in the perpetual inventory records.
- ◆ Public Integrity examined 515 tow reports related to September 2008. One hundred thirteen of these 515 tow reports included winches. We determined that 72 of these 113 tow reports included winches that did not document the start time, the finish time or both as required by contract. Additionally, the police officers on the scene did not document authorization by initialing next to the winch box on 24 of these 72 tow reports. Also, we determined an additional nine of the 113 tow reports included the start and finish times, however, the officers on the scene did not document authorization by initialing on the reports next to the extra service provided.
- ◆ Public Integrity noted exceptions in 81 of the 113 September 2008 tow reports that contained extra services. Although Rochester Police Department (RPD) management stated that officers forward their original copies of the tow reports to the manager of Police Property, Police Property was able to locate only 22 of these original tow reports. OPI compared these 22 tow reports to the corresponding copies submitted for payment by the towing contractors. OPI determined that for seven of the 22 tow reports located, the officer's copies did not agree to the copies that the tow contractors submitted to the Auto Pound for reimbursement. On six of these reports, extra services were listed on the copies submitted for payment by the contractors, however, were not on the original officer copies.
- ◆ When approving tow contractors' monthly bills for payment, the Manager of Police Property does not compare the original police officer copies of tow reports to the corresponding copies submitted for payment by the tow contractors. Comparing all of the contractor submitted tow reports to the original officer copies of the tow reports would help ensure that contractors do not add, after the fact, additional services to the invoiced tow reports.
- ◆ Public Integrity identified two vehicles that Auto Pound employees made notations of waived fees on the vehicle envelopes, and did not charge the

vehicle owners normally required fees. However, documentation that would support proper authorization of the waived fees does not exist.

- ♦ Public Integrity noted 15 vehicles on the Auto Pound lot that did not have any lot numbers recorded on them, and five vehicles on the lot that had the wrong lot numbers recorded on them.
- ♦ The Police Department erroneously authorized incorrect payment amounts to tow contractors for six of the 515 vehicle tow bills applicable to September 2008.

II. BACKGROUND, OBJECTIVES AND SCOPE

A. Assignment

The Office of Public Integrity routinely reviews operations of the Rochester Police Department Auto Pound. We performed this review because the City's Risk Assessment Model identified the Auto Pound as a potential high-risk area. We performed the last review of the Auto Pound in April 2003.

B. Background

The RPD Technical Services Section operates the Auto Pound with responsibilities that include receipt, inventory maintenance, and disposition of all impounded vehicles. In the fiscal year ended June 30, 2008, tow truck operators towed 6,475 vehicles to the Auto Pound. Vehicle owners may redeem their vehicles by paying the appropriate towing, storage, record research, and notification fees. If owners do not redeem their vehicles within ten days following proper notification, current regulations permit the City to auction the vehicles or sell them as salvage to a state-licensed vehicle dismantler. For the period July 1, 2007 through June 30, 2008, Auto Pound personnel deposited the following revenue:

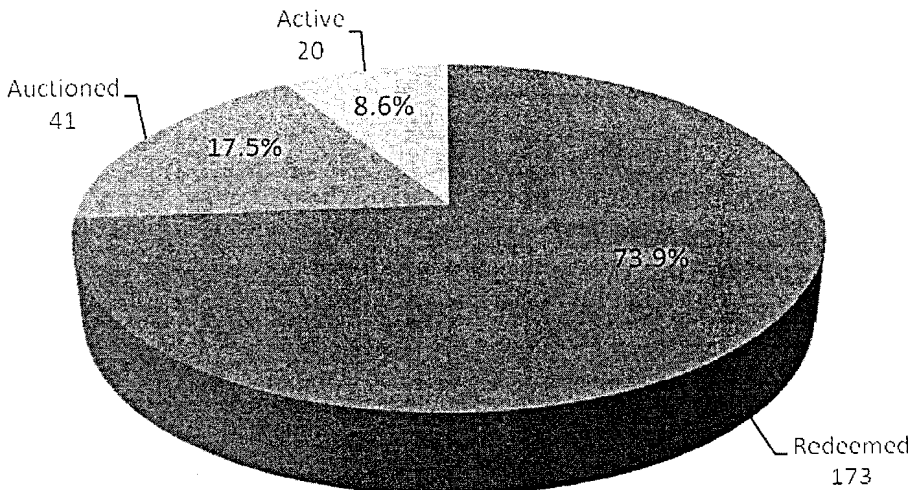
Rochester Police Department
Auto Pound Revenue
July 1, 2007 through June 30, 2008

Redeemed vehicles	\$ 898,407
Auctioned vehicles	605,457
Salvaged vehicles	<u>1,821</u>
Total	<u>\$1,505,685</u>

C. Objective and Scope

The objectives of the review are to assess the adequacy and effectiveness of internal control procedures and compliance with approved policies and practices. The review included statistical sampling of vehicles towed to the Auto Pound during September 2008 and a 100% inventory of the vehicles on the lot on November 5, 2008. During September 2008, the Auto Pound received 496 impounded vehicles. Public Integrity randomly selected 234 of these vehicles for detail testing. The following chart summarizes the dispositions of vehicles selected for detail testing.

**Rochester Police Department Auto Pound
Vehicles in Sample Selection
Disposition as of November 19, 2008**



Management is responsible for establishing and maintaining a system of internal accounting and administrative control. Fulfilling this responsibility requires estimates and judgments by management to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of accurate, informative reports that are fairly stated.

Because of inherent limitations in any system of internal accounting and administrative control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any system evaluation to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with procedures may deteriorate.

The recommendations presented in this report include the more significant areas of potential improvement that came to our attention during the course of the examination, but do not include all possible improvements that a more extensive review might develop.

III. RESULTS OF REVIEW

Public Integrity noted several findings that require management attention to improve internal and administrative controls, and to assure compliance with City and departmental policies. We identified non-compliance with departmental policy, clerical record maintenance errors, weaknesses in internal control, and an inaccurate perpetual inventory system.

A. Perpetual Inventory Records Are Unreliable

The Auto Pound controls and monitors vehicle activity by maintaining vehicle envelopes and an automated perpetual inventory system. When a tow truck operator delivers a vehicle to the Auto Pound gate, a lot attendant normally assigns a lot number and records the vehicle information on a log, and on the next consecutively pre-numbered envelope. These envelopes are the main mechanism for tracking vehicles towed to the Auto Pound because employees record all vehicle activity on the envelopes. For example, if an owner redeems their vehicle, a lot attendant will record on the envelope the date redeemed, amount paid, a breakdown of the fees charged (i.e., storage, towing, etc.) and the name and address of the person redeeming the vehicle. Additionally, the attendant will put copies of the cash receipt and of the redeemer's identification inside the envelope. As a result, the outside of a vehicle envelope will indicate the disposition of a vehicle and the revenue collected. The information inside the envelope should include documentation supporting all related activity.

The Auto Pound updates the automated inventory system from information recorded on the envelopes to reflect the current vehicle inventory on the lot. As a result, the perpetual inventory system should provide a current record, listing all vehicles in the pound at any time and should duplicate an actual physical inventory count of vehicles on the lot.

Public Integrity conducted a physical inventory of impounded vehicles on November 5, 2008. We compared the vehicles physically counted to the vehicles listed on the automated perpetual inventory system on that same date. Numerous discrepancies between the two records indicate inaccurate perpetual records. We identified vehicles physically located in the pound that were not recorded in the perpetual inventory and, we could not locate vehicles in the pound that were recorded in the perpetual inventory. These discrepancies are indicative of a system that RPD management cannot depend upon to provide reliable information to both employees and the public inquiring about their vehicles. We noted the following conditions:

1. During our physical inventory, we counted eight vehicles located on the Auto Pound lot that Auto Pound personnel did not have recorded in the perpetual inventory.
2. Conversely, Public Integrity also identified 37 vehicles recorded in the perpetual inventory, however, not physically present on the pound lot. That is, the automated inventory system listed 37 vehicles that should have been present on the pound, that were not on the lot. Public Integrity examined vehicle envelopes and determined that vehicle owners redeemed 33 of these vehicles, Auto Pound personnel auctioned two vehicles, salvaged an additional vehicle, and a vehicle owner illegally removed one vehicle from the Auto Pound lot.

The general reasons for these discrepancies include bookkeeping and clerical errors, unposted and prematurely posted transactions for vehicles removed from the pound, incompletely and inaccurately prepared source documents such as tow reports, Auto Pound management removing vehicles from the perpetual inventory without adequately investigating the disposition of the vehicles, and various other deviations from established procedures. Also, pound personnel do not regularly conduct periodic physical inventories of impounded vehicles and reconcile the results of physical inventories to the perpetual records.

The Auto Pound's accountability over impounded vehicles is compromised if vehicle records are unavailable, or those vehicles are not properly recorded in the perpetual inventory system. Because RPD relies extensively on the perpetual records to locate vehicles on the premises, exclusion from these records represents a loss of control. Also, with inaccurate perpetual records individuals have the ability to remove vehicles from the pound without any record of the final dispositions.

◆ Recommendations

1. RPD should ensure that Auto Pound personnel properly record the eight vehicles located in the pound that are not recorded in the perpetual inventory.
2. Auto Pound management should periodically conduct a physical inventory count of impounded vehicles, at least annually and preferably quarterly.
3. Auto Pound management should reconcile each physical inventory count against the perpetual inventory records and resolve all discrepancies.
4. RPD should require Auto Pound personnel to update vehicle information in the perpetual records in a timely manner, subsequent to changes occurring.
5. Auto Pound personnel should not remove any vehicles from the active perpetual records without thoroughly investigating the final disposition of those vehicles.

B. Incomplete And Altered Tow Truck Reports

Five towing contractors are currently under contract with the City to deliver vehicles to the Auto Pound and to perform in-pound towing. The applicable contracts outline the fees the City is to pay the tow contractors for the different types of towing services. Extra services, in addition to a normal tow, cost additional fees.

When a police officer requests a tow for a vehicle, the Office of Emergency Communications (OEC) contacts the towing contractor next on the rotation to dispatch a tow truck. RPD General Order 511 (GO511) requires an officer to complete a three-part tow report. The tow report includes various information including the vehicle description, the reason for the tow, the time the tow truck driver arrives and departs, and the type of tow and services provided by the driver. GO511 states that the officer is to enter the time the tow truck is to leave the scene before having the tow truck driver sign the tow report. Additionally, police management has informed officers to authorize, by initialing on the tow report, any extra services (i.e. winches, extra trucks, extra manpower, etc.) that a tow truck driver provides. This procedure provides written documentation that supports the necessity of any extra services. The officer gives the first two copies of the tow report to the tow truck driver and retains the third copy. The tow truck driver gives the original copy to Auto Pound personnel when

he delivers the vehicle to the Auto Pound and retains the second copy for the tow contractor records.

On a monthly basis, each of the towing contractors submits an invoice, and copies of their tow reports, to Auto Pound management for payment. The manager of Police Property reviews the invoices and approves them for payment.

Public Integrity examined tow invoices and tow reports submitted by all contractors for September 2008. For September 2008, the City paid these contractors \$59,240 for 515 towed vehicles and in-pound towing. One hundred thirteen of these 515 tow reports include the normal tow plus extra services requiring winching. The standard tow fee is \$110. The extra fee for winching is \$50 for each 30-minute interval.

We determined the following conditions:

- 1) The City's contract with the tow contractors requires those contractors to specify the time period that they winch a vehicle. The contract also states that the City will not pay them unless they specify the start and end times of the winching on the tow report. Police management has informed officers to authorize all required extra tow services by initialing the tow reports next to the type of extra services performed.

OPI determined that of the 113 tow reports that had winches in September 2008, 72 did not have recorded on them the start time, the finish time, or both. This is an exception rate of 64%. Additionally, the officers did not authorize the extra services by initialing next to the winch box, on 24 of these 72 tow reports. Also, of the 113 tow reports that had winches, 41 had the start time and finish time recorded; however, the police officer did not initial his authorization next to the extra service on nine of the reports.

The absence of either the start or finish times, or both, is a violation of contract terms. It also prevents the proper verification of the amount billed for the tow in the event that the required amount of time goes beyond the initial 30-minute interval.

Without police officer authorization documented on the tow report, tow contractors have the ability to bill the City for services they did not perform.

2. The Manager of Police Property has the responsibility of approving for payment tow contractor monthly bills to the City. The manager stated that the normal methods of verifying tow contractor monthly

bills is to compare some, but not all, of the contractor submitted tow reports, to the copies that the tow truck drivers initially delivered to the Auto Pound when they originally towed the vehicles.

This method of verification has an inherent control weakness because, prior to delivery of a towed vehicle to the Auto Pound, the tow truck driver has custody of both copies of the tow reports. (The police officer at the tow scene retains the original copy.) As a result, the tow truck driver has the ability to alter, by adding extra services not performed, both copies of the tow report in his possession.

When the Manager of Police Property compares the Auto Pound copy of the tow report to the contractor copy of the report submitted with the monthly bill, they will probably be identical and the comparison procedure has little value.

As a result, OPI attempted to obtain and compare the original copies of the tow reports retained by the police officers, for the 81 exceptions noted in B.1. above. RPD management stated that officers forward these tow reports to the Manager of Police Property.

The Manager of Police Property located only 22 of the original police officer copies of the reports of the 81 requested. Of those 22 reports, OPI determined that seven have exceptions. That is, for seven of the 22 tow reports, the officer's copy does not agree to the copy of the tow report that the tow contractor submitted to the Auto Pound for payment. This condition is indicative of changes made to the tow reports after the police officers left the tow scene with their copies of the tow report. This is an error rate of 32%. It includes two occurrences in which a winch was listed on the tow operator's copy but not the officer's copy, four occurrences in which a winch and a flatbed were listed on the tow operator's copy but not on the officer's copy, and one occurrence in which a winch was initialed, presumably by an officer, on the tow contractor's copy but not the officer's copy.

- 4) Of the 515 towed vehicles in September 2008, Public Integrity calculated one overpayment to a contractor amounting to \$1.00 and five underpayments to contractors amounting to \$357.00. This represents a 1.2% error rate of towed vehicle reports. These incorrect payments apparently resulted from clerical errors when the Manager of Police Property reviewed the tow bills submitted for payment.

The following chart summarizes the results of examining tow truck reports for September 2008.

**Rochester Police Department Auto Pound
Summary of Findings
For Tow Reports In September 2008**

<u>Tow Company</u>	<u>Tow Reports Billed to City for September 2008</u>	<u>Tow Reports with Extra Services</u>	<u>Tow Reports with Winches that did not Include Start Time, Finish Time or Both</u>		<u>Tow Reports with Start & Finish Time, but No Officer Initials</u>		<u>Officer's Copy of Tow Reports Located in Police Property</u>	<u>Tow Reports Submitted for Payment by Contractors that do not Agree to Officer Copies</u>	
			<u>Freq.</u>	<u>Percent</u>	<u>Freq.</u>	<u>Percent</u>		<u>Freq.</u>	<u>Percent</u>
Alliance Garage	124	20	16	14.1%	2	1.8%	2	0	0.0%
Mr Tow	123	30	19	16.8%	4	3.5%	6	3	13.6%
East Avenue Auto	134	26	9	8.0%	3	2.7%	5	1	4.6%
John & Son	130	35	28	24.8%	0	0.0%	9	3	13.6%
Joe Benson's	<u>4</u>	<u>2</u>	<u>0</u>	<u>0.0%</u>	<u>0</u>	<u>0.0%</u>	<u>0</u>	<u>0</u>	<u>0.0%</u>
Total	<u>515</u>	<u>113</u>	<u>72*</u>	<u>63.7%</u>	<u>9</u>	<u>8.0%</u>	<u>22</u>	<u>7</u>	<u>31.8%</u>

* Twenty four of these 72 tow reports (33%) were not initialed by an officer.

♦ Recommendations

1. RPD management should enforce the departmental policy that all officers must enter the start and finish times on all tow reports and that all officers must initial authorization for any extra services that tow truck drivers provide, as stated in GO511.
2. RPD should require all officers to forward their copies of tow reports to the Manager of Police Property. The manager of Police Property should compare the officer copies of the tow reports to the copies submitted with the monthly billing from the tow contractors and vigorously question any differences.
3. Although the overpayment and underpayment discrepancies noted in the tow bills are immaterial, Auto Pound personnel and the Manager of Police Property should ensure that tow bills submitted

for payment by the contractors are accurate and reflect the schedule of fees documented in the contract.

C. Undocumented Fee Waivers

RPD Auto Pound policy states that fee waivers for vehicles must be granted by the Deputy Chief of Administration. In the tested sample of impounded vehicles, Public Integrity identified two vehicles that Auto Pound employees made notations of waived fees on the vehicle envelopes and did not charge the vehicle owners normally required fees. However, no documentation that would support proper authorization of the waived fees exists.

The absence of documentation that supports proper fee waiver authorization raises the possibility of unauthorized fee waivers. Without this information and the involvement of the appropriate level of management, it is possible for any employee to make a notation of waived fees on the outside of vehicle envelopes. A lack of supervisory review and documentation of appropriate approvals of fee waivers can potentially lead to abuse.

◆ Recommendation

RPD should require compliance with Auto Pound policy and document proper authorization for all fee waivers.

D. No Lot Number Or Incorrect Lot Number On Vehicles

Auto Pound policy requires that employees place a lot number on all impounded vehicles. Lot numbers on all vehicles allow staff to readily locate and identify them and improve inventory control. Conversely, no lot number or the wrong lot number on a vehicle can make locating a vehicle difficult and diminishes overall inventory control.

Of the 375 vehicles inventoried on November 5, 2008, Public Integrity noted 15 vehicles on the Auto Pound lot that did not have any lot numbers on them and five vehicles that had incorrect lot numbers on them. In the event that staff had to locate these vehicles, the task could become very difficult and time consuming.

◆ Recommendation

Auto Pound personnel should record the correct lot numbers on all vehicles when the vehicles are impounded and delivered to the pound. Additionally, when they physically inventory vehicles in the pound, Auto

Pound staff should be certain that all vehicles have correct, clearly visible lot numbers assigned.

V. DEPARTMENTAL RESPONSE

The Police Department response to this report begins on the next page.



City of Rochester

Police Department
185 Exchange Blvd.
Rochester, New York 14614

May 7, 2009

Richard Vega
Officer of Public Integrity
85 Allen Street
Rochester, New York 14604

Dear Mr. Vega:

This correspondence is an official response to the most recent audit conducted at the Rochester Police Department auto pound.

I was pleased to hear the audit was an improvement over those conducted in previous years. The Command Staff at the Rochester Police Department continuously strive to improve systems and processes to meet the City's expectations with respect to providing exceptional customer service to the community.

Specific findings in the audit are addressed below:

The audit found that there were discrepancies between the perpetual inventory and the vehicles that were actually present. The perpetual and actual inventories were reconciled. The error is attributed to an antiquated inventory system and human error. In March of this year a new Point of Sale Inventory System was implemented, which will do much to enhance the inventory process. In addition, physical inventories will be conducted on a quarterly basis as opposed to the former twice a year practice.

Additionally, it was found that in some instances officers neglected documenting the time that tow contractors were at the scene, and failed to initial tow slips when additional services were provided. To address this, officers were reminded of the proper procedures via the daily department information update. A PowerPoint presentation on the issues was provided at all roll calls as well. Commanders will also be notified when officers are not in compliance. Correspondence was also sent to tow contractors informing them that payment may not be received, should they leave the scene with an incomplete tow slip.



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The audit also found that some officers are not submitting a copy of the tow slip to the Property Clerk's Office. The Manager of Police Property will check the incoming vehicles daily and insure that the Property Clerk's copy of the tow slip is received within 48 hours. If the tow slip is not received or is incomplete, the officer's Commanding Officer will be notified to insure that the matter is rectified.

It was found that not all invoices were compared to the officer's copy of the tow slip. The Manager of Police Property will compare all Property Clerk copies of tow slips to the contractor's monthly invoices. When discrepancies are found, the officer will be contacted to ascertain which party is responsible.

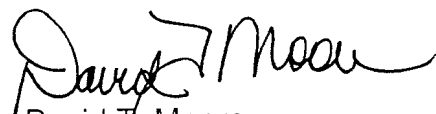
In two instances, there was no documentation of fee waivers. In both instances it appears that the waiver policy was not followed due to unique circumstances. It was determined that no misconduct occurred. The Manager of Police Property will submit a written policy/procedure for waving fees and submit it to the DCA for approval. The new policy will be completed by May 12, 2009.

Vehicles in the lot were also found without lot numbers or had incorrect numbers assigned. These incorrect lot numbers can be attributed to human error and an outdated marking procedure. According to our past policies, the lot numbers were marked on vehicles with a marking pencil, which over a protracted length of time were no longer easily visible. The new Point of Sale System that has been implemented will address these issues through the use of bar codes to identify and locate vehicles. The quarterly inventory will do much to address this issue, as well.

In several instances incorrect payments were rendered to tow contractors. The Manager of Police Property will have the Sr. Property Clerk conduct a second review of fees and calculations on the monthly invoices to insure that proper payments are rendered.

Please do not hesitate to contact me should you have questions or concerns.

Sincerely,


David T. Moore
Chief of Police



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