

ROCHESTER POLICE DEPARTMENT  
REVIEW OF AUTO POUND OPERATIONS

Office of Public Integrity  
Date: April 19, 2013

## 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. We noted significant improvements from our prior review of the Auto Pound including improved inventory control and improved controls over payments to tow contractors. However, we noted the following findings that require management attention to improve administrative controls and ensure compliance with City policy.

- ◆ The Office of Public Integrity noted that Auto Pound personnel do not always follow the cash deposit procedures outlined in the City's Cash Collection Policies. Auto Pound personnel deposited revenue collected on 14 of the 30 days in the test period beyond the period required by City policy.
- ◆ Public Integrity noted 14 vehicles on the Auto Pound lot that did not have a bar coded label attached to them, and 1 vehicle on the lot that had the wrong bar coded label attached to it. These bar coded labels include the lot number. Additionally, we noted 5 vehicles on the lot that were not in the location indicated on the computerized inventory system.

## 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 September 2008.

### 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, 2012, tow truck operators towed 3,979 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 10 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, 2011 through June 30, 2012, Auto Pound personnel deposited the following revenue:

**Rochester Police Department  
Auto Pound Revenue  
July 1, 2011 through June 30, 2012**

Redeemed vehicles	\$545,603
Auctioned vehicles	322,315
Salvaged vehicles	<u>2,379</u>
Total	<u>\$870,297</u>

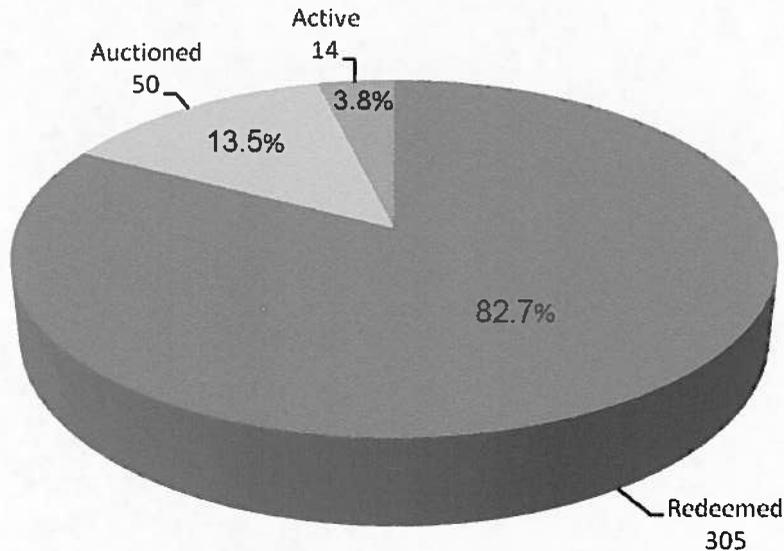
During this period of examination, the Police Department managed the Bar-coded Evidence Analysis Statistics and Tracking (BEAST) system. The BEAST system functions as an inventory database for all vehicles secured in the Auto Pound by providing immediate, on-screen details of vehicle information including lot number, location, tow information and vehicle status and by printing bar coded labels that attach to those vehicles and identify critical information about them.

**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 all vehicles towed to the Auto Pound during October 2012 and a 100% inventory of the vehicles on the lot on November 7, 2012. During October 2012, the Auto Pound received 369 impounded vehicles. The following chart summarizes the dispositions of these vehicles.

**Rochester Police Department Auto Pound  
Vehicles Impounded in October 2012  
Disposition as of November 8, 2012**

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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

The results of this review indicate that, in general, internal controls are adequate, and Auto Pound personnel adequately report revenue. We noted significant improvements from our prior review of the Auto Pound. However, we noted certain deficiencies that require management attention to improve administrative controls and ensure compliance with City policy.

#### A. Untimely Deposits of Auto Pound Revenue

City Cash Collection Policies require that City personnel deposit all cash within five days of receipt or immediately upon the accumulation of \$100, whichever occurs first. The Office of Public Integrity noted that Auto Pound personnel do not always deposit cash collections in accordance with these policies.

During the period October 1 to October 31, 2012, the Auto Pound reported cash collections of \$33,377.94. OPI noted that Auto Pound personnel delinquently deposited cash collected on 14 of the 30 days in this period. These 14 days account for \$15,405.04 or 46% of the total revenue collected in the test period. The following table summarizes these late deposits.

RPD Auto Pound  
Analysis of Delinquent Deposits  
For the Period October 1 to October 31, 2012

Frequency of Occurrence

<u>Days Deposited Late</u>	<u>Number</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Timely deposits	16	54%	\$17,972.90	54%
Deposited 1 day late	6	20	9,415.92	28
Deposited 2 days late	3	10	1,819.44	5
Deposited 3 days late	4	13	3,289.48	10
Deposited 4 days late	<u>1</u>	<u>3</u>	<u>880.20</u>	<u>3</u>
Totals	<u>30</u>	<u>100%</u>	<u>\$33,377.94</u>	<u>100%</u>

Timely deposits of cash are important because a delay in deposit results in a greater risk of theft or diversion. Additionally, personal checks received in payment may be good upon receipt, but not at a later point in time. Finally, undeposited cash is idle cash and does not contribute to the best possible utilization of City resources.

◆ Recommendation

Auto Pound personnel should deposit cash collections in accordance with City policies.

B. No Lot Number or Incorrect Lot Number on Vehicles

Auto Pound policy requires that employees place a bar coded label on all impounded vehicles. These labels include a lot number. Lot numbers on all vehicles allow staff to readily locate and identify them and improve inventory control. Conversely, the absence of a lot number or the wrong lot number on a vehicle can make locating a vehicle difficult and diminishes overall inventory control.

Of the 276 vehicles inventoried on November 7, 2012, Public Integrity noted 14 vehicles on the Auto Pound lot that did not have a bar coded label on them and 1 vehicle that had an incorrect bar coded label on it. Additionally, we noted 5 vehicles on the lot that were not in the location indicated on BEAST inventory system. In the event that staff had to locate these vehicles, the task could become very difficult and time consuming.

◆ Recommendation

Auto Pound personnel should attach bar coded labels 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 bar coded labels attached and that the vehicle locations on the BEAST system are correct.

V. DEPARTMENTAL RESPONSE

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

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CITY OF ROCHESTER - POLICE DEPARTMENT APR 16 2013

INTER-DEPARTMENTAL CORRESPONDENCE CITY OF ROCHESTER  
OFFICE OF PUBLIC INTEGRITY

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TO: George Markert, Director, Office of Public Integrity

FROM: James M. Sheppard, Chief of Police

DATE: April 15, 2013

SUBJECT: Auto Pound Operations

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We have reviewed the results of the OPI audit of Auto Pound operations. We respond below to the two points raised in the audit.

**Auto Pound Audit**

The audit showed that several cash deposits were not made within the 24-hour period required by City policy. Our review showed that some of these late deposits occurred on days when the employee assigned bank deposit duty was not working (e.g., called in sick). There were no arrangements in place to cover the bank deposit in the absence of the regularly assigned employee.

However, some late deposits were over the weekend, when bank deposits cannot readily be made within the 24-hour period required by City policy. The current City policy requires that all cash deposits be made within 24 hours without any provision for City departments like RPD that operate on weekends and holidays.

Finally, in our review we noted that it was difficult on some occasions to determine whether the deposit was actually made within the 24-hour period because the bank statement sometimes credited the account the next day. We learned that M&T Bank does not process deposits made after 1400 hours until the next business day. This results in the bank statements showing some deposits that were in fact made on timely basis to appear to have been made late.

In order to remedy this situation, RPD has established a "hierarchy of assignment" to ensure that deposits are made on a timely basis when the primary employee is not available:

1. Auto Pound Sr. Property Clerk
2. PSB Police Property Manager
3. Quartermaster Sr. Property Clerk
4. Direction of the TSS Commanding Officer

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In the event Auto Pound Senior Property Clerk is not available, the assignment will revert to the next available person as shown on the list above.

Also, we are now requiring the employee making the deposit to wait for the bank to count the cash deposit, obtain a dated deposit receipt from the bank. This will provide documentary proof of when the deposit was actually made, even when shown later on the bank statement.

Finally, we considered options for weekends and holidays. We have decided we will not utilize night drop deposits on weekends and holidays. There are limited employees who can perform the MUNIS reconciliation process required before deposit. The mere transfer of monies from the Auto Pound safe to the bank on Saturday and Sunday would not achieve compliance. There would be minimal or no supervision over the cash-handling process. There would be safety concerns for the unarmed civilian employees making the night drop deposits. There would be no bank count and confirmation of amount deposited. Finally, deposits would not be credited on the bank statement until the next business day, so they would still appear to be outside the required 24-hour period.

Accordingly, we recommend that the City consider modifying the current policy to require that deposits/reconciliation must be done within 24 hours of the close of business, or the next business day for those City departments conducting business on weekends and/or holidays.

#### **No Lot Number or Incorrect Lot Number on Vehicles**

The audit showed that 14 of the 276 vehicles inventoried did not have barcode labels/lot numbers on them. A review of the BEAST tracking system shows the assignment of lot numbers during intake. Our review showed that contributing factors for the absence of labels were weather conditions, duration of time the vehicles remained on the lot, and employee error.

Accordingly, the five Lot Attendants will be re-trained in vehicle intake and labeling procedures. In addition, the use of a checklist—originally designed to assist new employees—will be reintroduced as a standard practice. Finally, the quality of the tags used to barcode the vehicles is being reviewed, and the purchase of a higher-grade material that will better withstand the elements may result.

cc: Michael Ciminelli, Deputy Chief of Administration