



City of New York

OFFICE OF THE COMPTROLLER

Scott M. Stringer
COMPTROLLER



MANAGEMENT AUDIT

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Deputy Comptroller for Audit

Audit Report on the New York City Police Department's Controls over Seized Property

MD20-078A

July 8, 2021



THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
SCOTT M. STRINGER

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To the Residents of the City of New York:

My office has audited the New York City Police Department (NYPD) to determine whether the agency has an adequate system in place to account for its collection, recording, and reporting of seized property. We perform audits such as this to increase accountability and to help ensure adequate controls over the receipt of revenue.

The audit concluded that the NYPD does not have adequate controls over the collection, recording, and reporting of seized property and related revenue. The computer system used by the NYPD during the audit scope period to track seized property—the Property Evidence Tracking System (PETS)—has significant weaknesses, including that: (1) it cannot be used to track seized property on an aggregate level; (2) it does not have adequate data input controls; and (3) it has unaccounted-for gaps in the invoice numbers, which could signify transactions that should have been recorded were not or were inappropriately deleted.

In addition, the audit also identified discrepancies in the figures the NYPD reported pursuant to the requirements of Local Law 131. Specifically, for four of the eight categories, the information reported was not adequately supported by documentation, and the cash receipts from federal sources that the NYPD recorded in FMS did not match the supporting documentation from those sources. The NYPD also does not maintain a source record for the cash receipts it received from the State DA. Further, the NYPD did not report the required data on seized and returned property timely. Finally, the NYPD did not perform a timely reconciliation of the vehicle auction sales.

To address these issues, the audit made 16 recommendations, including that the NYPD should: ensure that its new tracking system—PETS 2.0—is designed with adequate reporting capabilities; ensure that PETS 2.0 is designed with appropriate input controls; ensure that any unaccounted-for invoice numbers are investigated; ensure that adequate reconciliations are performed of revenues received before the Local Law 131 report is posted on its website; maintain a cash receipts record of the revenues it receives from the State DA; post the annual Local Law 131 report on its website timely; ensure adequate supervisory review over the tracking of seized and forfeited revenue; and develop a process for reconciling reviews of auction vendor revenues.

The results of the audit have been discussed with NYPD officials, and their comments have been considered in preparing this report. Their complete written response is attached to this report.

If you have any questions concerning this report, please e-mail my Audit Bureau at audit@comptroller.nyc.gov.

Sincerely,

A handwritten signature in black ink, appearing to read "Scott M. Stringer".

Scott M. Stringer

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CITY OF NEW YORK OFFICE OF THE COMPTROLLER MANAGEMENT AUDIT

Audit on the New York City Police Department's Controls over Seized Property

MD20-078A

EXECUTIVE SUMMARY

The New York City Police Department (NYPD) is responsible for maintaining a safe environment by performing a wide array of law enforcement, public safety, traffic management, counterterrorism, and emergency response roles.

The NYPD's Property Clerk Division (PCD) is charged with accepting, cataloging, safeguarding, storing, returning, or otherwise legally disposing of all property that comes into the custody of the NYPD. The NYPD acquires custody of two types of seized property: (1) property taken in connection with arrests or as investigatory evidence that will be forfeited if court proceedings result in a judgment or order that so directs; and (2) property retained for safekeeping purposes.

Approximately two-thirds of all property the NYPD takes in is evidence required for criminal cases. Other categories of NYPD-acquired property include found property, decedents' property, and property confiscated in connection with forfeiture proceedings. The NYPD's Civil Enforcement Unit (CEU) is legally authorized to pursue forfeiture under New York State (State) law of any property that was used to facilitate a crime or constitutes the proceeds of a crime. One of the CEU's main forfeiture initiatives focuses on vehicles used during crimes involving illegal firearms. The NYPD also holds property no longer needed as evidence or for further investigation pending its further disposition.

The types of property received by the PCD include cash, jewelry, weapons, vehicles, and other general property of every description. The NYPD returns property that is not subject to forfeiture proceedings and that can be legally returned to its rightful owner; destroys contraband; and disposes of any unclaimed property. The PCD works with outside auctioneers to auction off property and vehicles. Unclaimed property is disposed of through online public auctions once the retention period for it expires. The NYPD deposits unclaimed cash into the City's general fund. In August 2017, New York City enacted Local Law 131 of 2017, requiring the NYPD to release annual reports providing data on seized property and retained property.¹

¹ Seized property is defined as property over which the NYPD's property clerk has obtained custody, where the ownership has not been adjudicated, that is held for safekeeping, as arrest evidence, for forfeiture, or as investigatory evidence. Retained property is defined as property or U.S. currency in which the NYPD has obtained an ownership

Federal law authorizes the United States Departments of the Treasury (Treasury) and Justice (DOJ) to share revenue from federally forfeited property with participating state and local law enforcement agencies such as the NYPD through the Equitable Sharing Program. State forfeiture laws also enable the NYPD to receive revenues from State District Attorneys' (DAs') offices in each county of the State, including the five counties in New York City. Each DA determines whether property identified in an investigation or court proceeding involving the NYPD is subject to forfeiture and works in conjunction with the NYPD's Asset Forfeiture Unit (AFU) to pursue forfeiture of such property.

Audit Findings and Conclusion

The NYPD does not have adequate controls over the collection, recording, and reporting of seized property and related revenue. The NYPD's Property Evidence Tracking System (PETS)—the computer system used by the NYPD during our audit scope period to track seized property—has significant weaknesses, including that it cannot be used to track seized property on an aggregate level; and that it does not have adequate data input controls, which weakens its reliability. As a result of the inadequacy of its controls, the NYPD cannot efficiently and effectively determine whether the property in its custody is being properly maintained and disposed of. In addition, the audit also identified unaccounted-for gaps in the PETS invoice numbers, which could signify that transactions that should have been recorded were not or that transactions were inappropriately deleted. NYPD officials informed us that the PETS system is being updated with advanced functions for reporting and input controls and that they anticipate PETS 2.0 will be rolled out in June 2021.

We also identified discrepancies in the data concerning seized property and retained property that the NYPD reported to the public for Calendar Years 2017 and 2018 pursuant to the requirements of Local Law 131. Specifically, for four of the eight categories of information that the NYPD was mandated to report, the information reported was not supported by the backup documentation supplied by the NYPD for one or both years. In addition, the NYPD did not maintain supporting documentation for the amounts recorded in FMS that represented revenue received by the District Attorneys' Offices. Further, the NYPD did not report the required data on seized and returned property timely.

The audit also found that the cash receipts the NYPD recorded in FMS as revenue for Fiscal Years 2017, 2018, and 2019 did not match the supporting documentation for DOJ and Treasury receipts. Further, the NYPD incorrectly classified some entries in FMS. Finally, the NYPD did not perform a timely reconciliation of the vehicle auction sales and did not timely bill its vendors for its share of vehicle auction sales proceeds.

Audit Recommendations

Based on the audit, we make 16 recommendations, including the following:

- The NYPD should ensure that PETS 2.0 is designed with adequate reporting capabilities so that it can track and report on the location and disposition of seized property on an aggregate basis and utilize that capability to ensure that the property is being properly maintained and promptly disposed of.

interest and has been transferred to the general fund because ownership was waived or forfeited or because it remains unclaimed after the period for claiming.

- The NYPD should ensure PETS 2.0 is designed with appropriate input controls relating to edit checks and data validation.
- The NYPD should ensure that any unaccounted-for invoice numbers are appropriately investigated, documented, and approved and that adequate documentation is maintained for skipped invoices.
- The NYPD should ensure that adequate reconciliations are performed of revenues received and that information is checked for accuracy before the Local Law 131 report is posted on its website.
- The NYPD should maintain a cash receipts record of the revenues it receives from the State that includes all relevant information to adequately track receipts.
- The NYPD should post the annual Local Law 131 report on its website timely and comply with all the reporting requirements.
- The NYPD should ensure that there is adequate supervisory review over the tracking of seized and forfeited revenue to ensure that reconciliations and follow-ups on discrepancies are performed.
- The NYPD should ensure that there is adequate supervisory review over the entries made in FMS to ensure they are correctly classified and applied to the correct fiscal year.
- The NYPD should develop a process for reconciling reviews of auction vendor revenues and monitor its implementation.

Agency Response

In its response, the NYPD agreed with 14 of the audit's 16 recommendations. However, in contrast with the audit's findings, the NYPD stated in its response that it already is in compliance with 8 of the 14 recommendations. Of the remaining two recommendations, the NYPD stated that it disagreed with the need for one (#3) and will take the other under advisement (#8). The NYPD also took issue with the report's presentation of a number of the audit's findings. After carefully considering the NYPD's arguments, however, we find that none of them warrants a modification of any of those findings.

AUDIT REPORT

Background

The NYPD is responsible for maintaining a safe environment by performing a wide array of law enforcement, public safety, traffic management, counterterror, and emergency response roles. The stated mission of the NYPD is to enhance the quality of life within New York City (City) by working in partnership with the community to enforce the laws, preserve the peace, reduce fear, and provide for a safe environment.

The NYPD's PCD is charged with accepting, cataloging, safeguarding, storing, returning, or otherwise legally disposing of all property coming into the custody of the NYPD. The NYPD has custody of two types of seized property: (1) property taken in connection with arrests or as investigatory evidence that will be forfeited if court proceedings result in a judgment or order that so directs; and (2) property retained for safekeeping purposes.

Approximately two-thirds of all property the NYPD takes in is evidence required for criminal cases. Other categories of property the NYPD takes into custody and holds include: found property; decedents' property; prisoners' property; contraband; serological evidence; property confiscated for forfeiture proceedings; and property seized from peddlers pending release. The NYPD's CEU is legally authorized to pursue forfeiture under State law of any property that was used to facilitate a crime or constitutes the proceeds of a crime. One of the CEU's main forfeiture initiatives focuses on vehicles used during crimes involving illegal firearms. The CEU seeks forfeiture of vehicles used to transport illegal firearms to provide an economic disincentive for that activity and thereby reduce the number of illegal firearms on the streets. The CEU also takes an active role in deterring people from driving while intoxicated by pursuing forfeiture of the vehicles used by repeat offenders or in egregious circumstances.

The NYPD also holds property no longer needed as evidence or for further investigation pending its further disposition. During Fiscal Years 2017 through 2020, the PCD operated the following locations, offices, and units under its jurisdiction:

- two Auto Pounds (Springfield Gardens in Queens and Erie Basin in Brooklyn), which safeguard, record, and legally dispose of vehicles in the NYPD's possession;
- five Borough Offices (one in each borough), which safeguard, record, and lawfully dispose of property (other than vehicles) that comes into the NYPD's possession;
- five warehouses (Pearson Place and Pearson Place Annex in Queens, Abbott Street in the Bronx, and Second Avenue and Kingsland Avenue in Brooklyn), which also safeguard property that comes into the NYPD's possession;²
- the Accounting Unit, which records transactions related to forfeited revenue and seized property;
- the Time Records/Payroll Unit, which handles payroll and scheduling; and
- the PCD Division office, which is the overhead command for all property clerk locations.

When the NYPD makes an arrest, any property seized is brought to the precinct. The precinct creates an invoice for the property in PETS, its computerized system of record for capturing,

² As of 2012, the Kingsland Avenue warehouse is no longer operational.

inventorying, and tracking the movement of property that comes into its possession. The precincts transfer the property to one of PCD's borough offices, auto pounds, or warehouses, depending on the size and type of the property. NYPD officials informed us that the PETS system is being updated with advanced functions for reporting and input controls and anticipate that PETS 2.0 will be rolled out in June 2021. However, there have been significant challenges with the planned rollout.

The types of property received by the PCD include cash, jewelry, weapons, vehicles, and other general property of every description. The NYPD returns property that is not subject to forfeiture proceedings and that can be legally returned to its rightful owner; destroys contraband, including weapons when no longer needed for a criminal case; and disposes of any unclaimed property, including jewelry and vehicles through online public auctions. The PCD works with outside auctioneers—a company called PropertyRoom for general property, and IAA for vehicles. Such unclaimed property is disposed of through online public auctions once the retention period for it expires. NYPD deposits unclaimed cash into the City's general fund.

Federal law authorizes the Treasury and DOJ to share revenue from federally forfeited property with participating state and local law enforcement agencies such as the NYPD through the Equitable Sharing Program. To facilitate the receipt of those funds, the NYPD receives revenues based on multiple Memorandums of Understanding (MOUs) with the Treasury and DOJ. The federal agencies transfer the MOU revenues into the NYPD's Trust and Agency account, and the NYPD's Revenue Task Force records them in the City's Financial Management System (FMS). The NYPD's Capital Budget and Analysis Division (CBAD) tracks those revenues.

State forfeiture laws, found in Article 13A of the Civil Practice Law and Rules (*Proceeds of a Crime-Forfeiture*), also enable the NYPD to receive revenues from State District Attorneys' (DAs') offices in each county of the State, including the five counties in New York City. Each DA determines whether property identified in an investigation or court proceeding involving the NYPD is subject to forfeiture and works in conjunction with the NYPD's AFU to pursue forfeiture of such property. The AFU also conducts long-term investigations of criminal enterprises in conjunction with federal, state, and local partners (e.g., the Mayor's Office of Criminal Justice) to recover illegally gained profits through forfeiture proceedings.

The NYPD's Audits and Accounts Unit receives checks and accompanying transmittal sheets from AFU (for DA receipts based on Article 13A forfeitures) and PCD (for CEU and IAA receipts), then deposits the funds into the City's General Funds Account and records the revenue in FMS, but the checks from PropertyRoom go directly to Audits and Accounts to be deposited.

The chart below provides a breakdown of the NYPD's sources of forfeiture funds.

Revenue Source	Revenue Description in FMS	NYPD Tracking Database or Tool
DOJ	Federal Asset Forfeiture Program - Justice	eShare Portal and FMS Fiduciary Fund Data
Treasury	Federal Asset Forfeiture Program - Treasury	Treasury PDF report and FMS Fiduciary Fund Data
State Equitable Share	State Forfeiture Program	FMS Fiduciary Fund Data
State Agencies	Miscellaneous Revenue	AFU Transmittal Log (DA forfeitures Article 13A)
Civil Settlements and Judgments	Miscellaneous Revenue	NYPD PCD tracking sheet

In August 2017, New York City enacted Local Law 131 of 2017, requiring the NYPD to release annual reports providing data on seized property and retained property. According to the NYPD's Local Law 131 Report for Calendar Year 2018, the NYPD received revenues pertaining to retained property totaling \$34,708,084. (The Local Law 131 reporting categories, descriptions, and figures reported by NYPD for 2017 and 2018 are presented in the Appendix.)

Objective

To determine whether the NYPD has an adequate system in place to account for the collection, recording, and reporting of seized property.

Scope and Methodology Statement

We conducted this performance 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. This audit was conducted in accordance with the audit responsibilities of the City Comptroller as set forth in Chapter 5, §93, of the New York City Charter.

The scope of this audit was Fiscal Year 2017 through Fiscal Year 2020.

Discussion of Audit Results with NYPD

The matters covered in this report were discussed with NYPD officials during and at the conclusion of this audit. A preliminary draft report was sent to the NYPD and discussed at an exit conference held April 27, 2021. On May 20, 2021 we submitted a draft report to the NYPD with a request for written comments. We received the NYPD's written response on June 4, 2021. In it, the NYPD agreed with 14 of the audit's 16 recommendations. However, in contrast with the audit's findings, the NYPD states that it already is in compliance with 8 of the 14 recommendations. Of the remaining two recommendations, the NYPD stated that it disagreed with the need for one (#3) and will take the other one under advisement (#8).

In particular, the NYPD stated that a number of the issues identified in this report have since been addressed after fieldwork and testing for this audit ended, which was also after the scope period of the audit. The NYPD stated, "the audit does not reflect a complete or accurate depiction of the process or work the department has done in this area. Many of the conditions noted in the Report were corrected prior to the issuance of the Report, and in all cases, NYPD has mechanisms in place to ensure ongoing compliance."

We are pleased that the NYPD has indicated that it has corrected many of the conditions cited in the report and has mechanisms in place to ensure ongoing compliance. However, as noted throughout the report, we did not find that this was the case during the audit scope period and we are unable to confirm the implementation of any corrective actions taken by the NYPD after we completed our audit testing.

The NYPD also took issue with the report's presentation of a number of the audit's findings. For example, regarding the tracking of seized property, the NYPD stated,

It was communicated on several occasions that New York City Police Department (NYPD) does "track" seized property information. However, due to the limitations of the Property and Evidence Tracking System (PETS), at the time of the request, the information requested by the Comptroller's Office could not be "aggregated" for a report. The section heading "Seized Property Is Not Tracked on an Aggregate Level" creates a false impression that seized property data is not being collected.

However, in fact, the report clearly states that the NYPD does track information on seized property but, as the section heading indicates and the NYPD acknowledged, for the audit scope period, *it could not do so on an aggregate level*. Instead, tracking is performed by relying on individual invoices only.

With regard to the finding that critical systems documentation was not maintained, the NYPD stated,

The Comptroller's Office acknowledged receiving a role matrix detailing levels of access by title and responsibility. However, the "Critical Systems Documentation is Not Maintained" section remained unchanged because the information provided was delayed. The notion that user roles and various levels of access were created and implemented subsequent to the audit in order to circumvent the finding is unfounded.

However, in making this claim, the NYPD does not and did not provide any explanation why it failed to provide this information when we originally requested it in September 2019 but instead provided it more than 19 months later in May 2021. Nowhere in this report do we state that the NYPD created these documents after we requested them. Nonetheless, in the absence of evidence to the contrary, we likewise have no assurance that the NYPD had these materials when we initially requested the information from the agency.

With regard to the finding of unaccounted-for gaps in invoice numbers, the NYPD stated,

The Comptroller's Office acknowledged a correspondence from IBM, the PETS vendor, which explained the presumed gaps in invoice numbers. These gaps were due to voided invoices without property information. Additionally, a line-listing containing the disposition of each invoice in question was also provided. However, the Comptroller's Office made no effort to remediate the "Unaccounted for Gaps in Invoice Numbers" section and Table I of the Report giving the impression of mismanagement and lack of oversight.

Contrary to the NYPD's claims, the audit fully describes the information provided by IBM that explains the gaps in invoice numbers. However, as is discussed in the audit report, the line listing that the NYPD refers to did not contain a disposition for each invoice in question. Rather, 21 of the 6,954 invoices remained unaccounted for. While this is a small number, we note that the existence of unaccounted-for invoice numbers in a sequential numbering system increases the risk that errors, including loss of property and fraud, can occur without detection. In addition, as indicated in the report, 2,153 invoices identified in the report provided by IBM as being voided by staff did not appear on the initial void report provided by the NYPD, and the agency provided no explanation during audit fieldwork or in its response for that discrepancy.

In response to the discrepancies identified with the Local Law 131 reporting, the NYPD stated,

NYPD has made numerous attempts to reconcile the discrepancies alleged in Table II - Local Law 131 Reporting Discrepancies under the "Settlement Agreement" section. It was explained to the Comptroller's Office that NYPD entered into a total of nine settlement agreements in 2017 and 2018, totaling \$1,726 and \$7,154.75 respectively. It was explained to the Comptroller's Office that the additional funds used to create the alleged discrepancy are not a part of those nine settlement agreements, and they therefore do not belong in this category. In the preliminary report, the Comptroller's Office acknowledged in a footnote, that they were unclear as to whether these additional funds belonged in "Settlement Agreement" or "Civil Forfeiture" and thus randomly included it under "Settlement Agreement".

The discrepancies to which the NYPD refers totaled \$261,034 for Calendar Year 2017 and \$31,838 for Calendar Year 2018. Those amounts reflect the differences between the NYPD's Local Law 131 reports and its *Property Clerk Division – FY Revenue Recapitulation* reports for 2017 and 2018. We followed up several times with the NYPD on this issue. Nevertheless, the NYPD has not provided support for certain revenues it recorded as "Division Forfeitures" in its *Property Clerk Division – FY Revenue Recapitulation*. In the absence of credible evidence, we were unable to confirm the NYPD's assertion that those monies were from unspecified activities other than settlement agreements. Therefore, we have no basis to alter our finding. Finally, we question the usefulness of the NYPD's reference to a footnote we included in the *preliminary* draft report, an informal working document intended to enable the NYPD to explain or clarify facts that pertain to potential audit findings. After the NYPD clarified the relevant facts, the footnote in question was removed and appropriately not included in the formal draft report. It is this draft report that contains the audit's findings and that has been submitted to the NYPD for comment. And as is clear from this draft report, certain discrepancies between different NYPD reports, in the amounts noted above, were not fully explained with supporting evidence by the NYPD, and thus they remain an issue in this report.

In regard to the accounting discrepancies identified in Tables III and IV, the NYPD responded,

Regarding Table III - Department of Justice, we disagree with the Comptroller's Office statement that documentation was not provided to substantiate the eight transactions detailing the variance. This information was provided but not incorporated into the Report.

Regarding Table III- Treasury, similar to item #5, information and an explanation was provided to account for the difference presented in the table.

Regarding Table IV - Discrepancies between Federal Amounts in Certification Reports and FMS, similar to items #4 and #5, information and an explanation was provided to account for the variance. The Comptroller's Office did not account for all lien information provided.

While the NYPD provided explanations regarding the discrepancies represented in these tables, the agency did not provide, as we requested, supporting documentation (e.g., lien records) to corroborate those explanations. In the absence of such evidence, we are unable to substantiate the validity of the NYPD's explanations and, consequently, have no basis to modify our findings.

In response to the finding that reconciliations of vehicle auction sales were not performed, the NYPD stated,

On several instances it was explained to the Comptroller's Office that vehicle auction sales are reconciled monthly. During the audit period, NYPD switched vehicle auction vendors which resulted in delays in the reconciliation process. This was a unique occurrence and not a reflection of the overall practice. NYPD has rectified the transitional requirements of switching vendors and is currently in compliance with a monthly billing schedule.

The NYPD claims that the switching of vendors was a unique occurrence and does not reflect its overall practice. However, the NYPD does not identify the specific stages of the reconciliation process that were impacted by the switching of vendors. Additionally, the NYPD did not provide any evidence that it reconciled sales receipts reported by the NYPD's Auto Pound Unit with the auction sales reported by its vendor, the process that it states was merely delayed. Consequently, we have no basis to modify our finding.

With regard to the finding that the reporting of seized and retained property was not timely, the NYPD responded,

[I]t was communicated to the Comptroller's Office that there was a large amount of groundwork that needed to be established that involved internal and external parties. Additionally, there was a change in NYPD's vehicle auction vendor and changes needed to be made to the department's database (PETS) which required coordination with an external party (IBM). Therefore, the initial report was delayed. Since the foundations of the reports have been established, there have been no additional delays and NYPD does not anticipate delays in the future.

The NYPD's contract with the vehicle auction vendor was finalized in February 2018, so it is unclear why this affected the NYPD's reporting for Calendar Year 2019 and does not explain why the agency did not meet the July 1, 2019 and March 1, 2020 reporting deadlines. Nevertheless, we are pleased that the NYPD does not anticipate any delays with the reporting going forward.

In conclusion, after carefully considering the NYPD's response, we find that it does not contain or refer to evidence that would warrant modification of any of the report's findings.

The full text of the NYPD's response is included as an addendum to this report.

FINDINGS AND RECOMMENDATIONS

The NYPD does not have adequate controls over the collection, recording, and reporting of seized property and related revenue. The PETS computer system used by the NYPD to track seized property during our audit scope period has significant weaknesses, including that: (1) it cannot be used to track seized property on an aggregate level; and (2) it does not have adequate data input controls, which weakens its reliability. As a result, the NYPD cannot efficiently and most effectively determine whether the property in its custody is being properly maintained and disposed of. The audit also identified unaccounted-for gaps in the PETS invoice numbers, which could signify that transactions that should have been recorded were not or that transactions were inappropriately deleted.

We also identified discrepancies in the figures the NYPD reported for Calendar Years 2017 and 2018 pursuant to the requirements of Local Law 131. Specifically, for four of the eight categories of information that the NYPD was mandated to report, the information reported was not supported by the backup documentation supplied by the NYPD for one or both years. In addition, the NYPD did not maintain any supporting documentation for one category, the amounts recorded in FMS of revenue received by the District Attorneys' Offices. Further, the NYPD did not report the required data on seized and returned property timely.

We also found that the cash receipts NYPD recorded in FMS as revenue for Fiscal Years 2017, 2018, and 2019 did not match the supporting documentation for DOJ eShare receipts, and Treasury receipts. Further, the NYPD incorrectly classified some entries in FMS. Finally, the NYPD did not perform a timely reconciliation of the vehicle auction sales and did not timely bill its vendors for its share of vehicle auction sales proceeds.

The details of our findings are discussed in the following sections of this report.

PETS Deficiencies

Seized Property Is Not Tracked on an Aggregate Level

The NYPD does not track seized property on an aggregate level throughout the various locations and units where it is held and managed. Absent aggregate tracking of seized property, the NYPD is less able to effectively determine whether the property in its custody is being properly maintained and disposed of.

According to Comptroller's Directive #1, *Principles of Internal Control*, Section 4.4, *Information and Communications*, for an agency to successfully manage its fiscal operations, it must have a reliable communications system that provides information relating to events that can affect the unit's performance. Management requires both operational and financial data to determine whether the agency is meeting its strategic and annual performance plans in an effective and efficient manner. Section 4.4 of Directive #1 also states that operating information is needed to determine whether the agency is in compliance with pertinent laws and regulations.

Contrary to these requirements, the NYPD does not have a reliable system that provides pertinent aggregate information relating to seized assets. Although the NYPD updates its PETS records of *individual* invoices to track both the location and disposition of the seized property they list, the NYPD does not track that information on an *aggregate* level. Such aggregate tracking, including of the location of seized property (including borough location, property storage number, and shelf

ID) and of the disposition of seized property (e.g., on hand, returned to owner, auctioned, destroyed, etc.), would enable the NYPD to monitor the efficiency and effectiveness of its seized property operations.

A significant reason that the NYPD did not track data on seized property on an aggregate level, however, is because PETS was designed with limited reporting capabilities that inhibit such aggregate reporting. Although the NYPD has informed us that upgrades are in the process of being made to PETS, we have not been informed that they have been put into effect yet and could not determine whether the enhancements directly affect the reporting limitations of the system. Specifically, according to the NYPD, the disposition and disposition date cannot be reviewed for multiple items simultaneously. To obtain that information, a user must select one invoice at a time and review the disposition column and/or remarks section to determine the disposition. In addition, with regard to the property's location, the NYPD is unable to use PETS to generate a listing of all seized items being kept at a particular location. According to officials, the storage number is located in the lower right-hand corner of the invoice and contains the Year/Warehouse location and the shelf location. However, this information can be obtained only by reviewing each invoice individually.

Without a means to review aggregate information regarding the disposition of seized property, the NYPD cannot efficiently and most effectively determine whether the property in its custody is being properly maintained and disposed of. Accordingly, the NYPD cannot easily: (1) determine whether it is effectively managing seized property, and efficiently using resources; (2) identify the total amount of seized property on hand, destroyed, auctioned, and returned to owner; (3) determine the property that has met its retention period and can be auctioned or disposed of; (4) perform meaningful inventory counts; and (5) generate the information needed to comply with the Local Law 131 reporting requirements relating to property in its possession.

PETS Has Inadequate Input Controls

The NYPD has not developed adequate input controls in PETS for data validation and edit checks of the information NYPD users enter into the system. As a result, the agency and the auditors cannot be reasonably assured that the NYPD's system of record for seized property completely and accurately identifies information about that property.

According to the United States Government Accountability Office's (GAO's) *Federal Information System Controls Audit Manual (FISCAM)*, the objectives of input controls are to check for accuracy, completeness, validity, and authenticity of information as it is being entered into a record. Such controls include rules for checking the validity of the syntax of information inputs (e.g., character set, length, numerical range, acceptable values) to verify that inputs match specified definitions for format and content. Further, according to the PETS Student Guide manual, the following fields are mandatory: property type and the invoicing officer's tax ID. The PETS manual also states that "all mandatory fields must be complete in order to proceed."

However, weaknesses in the system's input controls and edit checks prevent the NYPD from ensuring the accuracy and completeness of the data. Contrary to the PETS manual's statement that certain mandatory fields must be completed to process information concerning invoiced property in PETS, the 2017 and 2018 seized property data contained 30 blanks in the property type description field and two blanks in the invoicing officer tax number field.

These errors occurred and were incorporated into the NYPD's records because PETS has inadequate input controls. According to the PETS manual, if a mandatory field is incomplete an

error message will appear when one attempts to proceed. However, we found this not to be the case. Although the percentage of blanks we identified is immaterial in relation to the total number of records (1,302,329 and 1,284,900 in 2017 and 2018, respectively), their existence is evidence of an inherent flaw in PETS. Had the system controls been operating as intended, the records would not have contained any blanks in mandatory fields. On August 14, 2020, we requested clarification from the NYPD on these noncompliant records. At a meeting held on February 24, 2021, the NYPD officials said that the invoices with blank mandatory fields may have been legacy invoices, which are invoices generated prior to the creation of PETS that were later loaded into it and for which some fields were not applicable. However, we checked and none of the invoices in question were legacy invoices.

Inadequate input controls increase the risk that data in an agency's system of record will be incomplete and inaccurate. If the NYPD does not capture important information related to seized property in PETS, it will have little assurance that it can properly account for and track that property. In addition, this deficiency in PETS, if left uncorrected, could pose larger problems, for example, if the percentage of blanks grows over time to a material level.

Unaccounted-for Gaps in Invoice Numbers

The NYPD records all property it seizes or otherwise receives in PETS, identified in each instance by a numbered property invoice. The system is supposed to automatically generate the invoice numbers in sequential order by borough with the first number identifying the borough (i.e., 1 for Manhattan, 2 for Bronx, 3 for Brooklyn, 4 for Queens, and 5 for Staten Island). According to the GAO's *Internal Control Management Evaluation Tool*, agencies should employ control activities for information processing, such as accounting for transactions in numerical sequence, to ensure the accuracy and completeness of their records.

However, we found many significant gaps in the sequential numbering of the NYPD's property invoices and determined that the data generated from PETS related to seized property was not complete. Specifically, we identified 35,295 gaps in the invoice numbers ranging from 1 missing invoice number to 80 in one gap, as shown in Table I.

Table IMissing Invoice Numbers from PETS

Summary of GAPS			
Number of Missing Invoice Numbers	Number of Instances Identified in FY 2017 Data	Number of Instances Identified in FY 2018 Data	Number of Instances Identified in FY 2019 Data
1	10,662	11,183	10,782
2	630	556	421
3 to 10	345	458	58
11 to 20	35	91	6
21 to 30	7	32	0
31 to 40	0	10	0
41 to 50	2	8	0
51 to 60	0	4	0
61 to 70	0	2	0
71 to 80	0	3	0
Total	11,681	12,347	11,267

When we followed up with the NYPD for an explanation for the gaps, NYPD officials responded that the gaps were due to staff's voiding of invoices in instances where invoices were prepared in error or contained an error, such as the use of an incorrect category of property. To illustrate their claim, from the 35,295 gaps that resulted in 44,084 unaccounted invoice numbers, the NYPD officials looked up six invoice numbers that were missing and provided evidence that those invoices were voided. However, we do not find the NYPD's explanation sufficient to account for the gaps identified, especially for 80 consecutive missing invoice numbers. Additionally, six invoices is not a sufficient sample size to support the NYPD's explanation. Moreover, following our request, the NYPD provided "void reports" from PETS which included only 37,130 of the 44,084 unaccounted-for invoice numbers. Thus, the NYPD's own reports of voided invoices do not account for the remaining 6,954 (16 percent) invoice numbers. We selected a sample that included 17 of the 6,954 unaccounted-for numbers and asked NYPD for details on December 10, 2020 and on February 24, 2021 relating to their disposition.

Subsequent to the exit conference held on April 27, 2021, the NYPD provided an email dated April 29, 2021, from IBM (the PETS vendor) indicating that IBM created a function in PETS in 2017 to automatically void invoices that do not have any property associated with them. The NYPD also provided spreadsheets generated by IBM from PETS that contained lists of voided invoice numbers.

Our review of those spreadsheets found that 6,736 (97 percent) of the 6,954 invoices were indicated as being voided—4,583 were auto-voided and 2,153 were voided by the staff. While 197 invoices were indicated as being either open or closed, they did not appear on the original

list of invoices provided by the NYPD. The remaining 21 invoices are still unaccounted for. Additionally, it is unclear why the 2,153 invoices indicated as being voided by staff did not appear on the original “void report” provided by the NYPD and we are unable to ascertain whether these invoices were voided subsequent to our bringing them to the NYPD’s attention.

Missing invoice numbers could signify that transactions that should have been recorded were not or were deleted inappropriately. The existence of unaccounted-for invoice numbers in a system such as this—which is designed to issue sequential invoice numbers—increases the risk that errors, including loss of property and fraud, can occur, or has occurred, without detection.

Critical Systems Documentation Is Not Maintained

DoITT’s *Identity Management Security Policy* states that each agency is responsible for the management of its user identities.³ This responsibility includes identity validation and registration, authentication, authorization, provisioning/de-provisioning and management of users’ identities. The policy also states that access permissions must be defined in accordance with a user’s actual functional work requirements.

In addition, Comptroller’s Directive #1, *Principles of Internal Control*, states that “transactions and other significant events should be authorized and executed only by persons acting within the scope of their authority.” Accordingly, the NYPD should ensure that users’ access levels to PETS are defined, documented, and in line with employees’ job responsibilities.

However, while an NYPD official stated that the agency maintained a record identifying the PETS users and their assigned user roles and privileges, the NYPD did not provide any evidence when requested during the course of audit fieldwork to support this claim. We initially requested such records on September 11, 2019 and on several occasions thereafter. However, the NYPD did not provide the material until May 3, 2021, after the exit conference held on April 27, 2021.

The materials provided by the NYPD in May 2021 consist of an Excel spreadsheet with a user role matrix that included the levels for various NYPD positions (e.g., uniformed police officer, sergeant, or above) and units (e.g., PCD, CEU), as well as role mapping for the various groups. However, we have no assurance that the NYPD had these materials a year and a half ago when we initially requested the information from the agency and that the documents were not generated subsequent to our request. In addition, neither document identifies all of the specific PETS users and their specific user roles.

Without establishing and maintaining records of users’ roles and levels of access, the NYPD would be unable to ensure that persons are not granted inappropriate access to PETS relative to their responsibilities, which in turn increases the risk that they may be allowed to perform unauthorized actions.

Recommendations

1. The NYPD should ensure that PETS 2.0 is designed with adequate reporting capabilities so that it can track and report on the location and disposition of seized property on an aggregate basis and utilize that capability to ensure that the property is being properly maintained and promptly disposed of.

³ DoITT is responsible for ensuring the overall security of the City’s data and information technology assets through the oversight and management of citywide security infrastructure.

NYPD Response: “PETS 2.0 has all of the functionality and capabilities to track and report seized property information on an aggregate level. The recommendations in this audit have been implemented to ensure that seized property is tracked, reportable, maintained and disposed of properly.”

2. The NYPD should ensure PETS 2.0 is designed with appropriate input controls relating to edit checks and data validation.

NYPD Response: “In an effort to reduce errors, NYPD has implemented more stringent coding and input controls within PETS 2.0 that includes edit checks and data validation.”

3. The NYPD should ensure that any unaccounted-for invoice numbers are appropriately investigated, documented, and approved and that adequate documentation is maintained for skipped invoices.

NYPD Response: The NYPD disagreed with the need for this recommendation, stating, “There were no unaccounted-for invoice numbers. Gaps in invoice numbers that the Comptroller’s Office identified were all accounted for and explained. In many of these instances, ‘unaccounted-for’ invoices were reconciled as ‘voided’ due to data entry errors.”

Auditor Comment: Contrary to the NYPD’s contention, the audit found that 21 invoices remained unaccounted for. Further, the fact that 2,153 invoices reportedly voided by staff did not appear on the initial void report that the NYPD provided to us indicates that the NYPD did not regularly investigate and maintain documentation for skipped invoices. Therefore, we urge the NYPD to implement this recommendation.

4. The NYPD should define PETS users’ access permissions, create and document PETS user roles for all individuals with access to the system, and ensure that the roles are in accordance with the user’s actual functional work requirements.

NYPD Response: The NYPD asserts that it is already in compliance with this recommendation, stating, “NYPD maintains adequate user input controls and management as per NYC Department of Information Technology & Telecommunications – Internet Message Support Protocol. NYPD has established and maintained the role matrix that includes user levels based on role and titles since the inception of the PETS system in 2011. NYPD has provided a detailed report that crosswalks access / privileges granted for the various types of users based off their title, responsibilities and work functions.”

Auditor Comment: Prior to and including in its response, the NYPD has not explained why it took the agency more than 19 months to provide a role matrix that should have been in its possession when we initially requested this information from the agency in September 2019. In the absence of a viable explanation, we have no assurance that the NYPD had the matrix when we initially requested the information from the agency and did not generate it subsequent to our request. Nonetheless, we are pleased that the NYPD has indicated that it has implemented this recommendation and urge the agency to ensure that this information is kept up to date.

Issues with Local Law 131 Reporting

Inadequate Support for Revenues Reported in Local Law 131 Report

Local Law 131 requires the NYPD to annually post a report on the department's website that provides data on seized property and retained property, by no later than September 1 of each year. (Please refer to the Appendix to this report entitled NYPD Seized Property for the specific Local Law 131 reporting categories.)

In addition, Comptroller's Directive #27, *Requesting, Controlling and Monitoring Designated Funds*⁴ (which includes equitable sharing funds received from the State DAs), requires agencies to maintain supporting documentation for all cash receipts and disbursements and states that complete files are essential to ensure proper audit trails and must be reconciled to the information maintained within FMS.

Although the NYPD complied with the Local Law 131 requirement that it annually post the report on its website, the amounts reported for Calendar Years 2017 and 2018 for four of the eight required categories were not supported for one or in some instances both years. Of the 16 individual amounts (two per category) reported for the two years, six of them did not agree with the supporting documentation. In three instances, the supporting documentation provided to us in connection with this audit showed that the NYPD collected more revenue than it reported; in two instances, the NYPD over-reported the revenue; and in the remaining instance, the NYPD over-reported by two the number of vehicles it retained. In addition, for the category pertaining to funds received from the DAs' Offices, the NYPD did not maintain any supporting documentation with which to verify the accuracy of the amounts reported, so we cannot be assured that all receipts were reported. The discrepancies identified with the Local Law reporting are shown in Table II below.

⁴ Designated funds refer to financial resources maintained for a specific purpose that must not be commingled with funds appropriated through the City's normal budgetary process.

Table IILocal Law 131 Reporting Discrepancies

#	Reporting Category	2017 Report		2018 Report	
		Amount Reported by NYPD	Discrepancy	Amount Reported by NYPD	Discrepancy
1.	Settlement Agreement	\$1,726	Under-reported by \$261,034	\$10,088	Under-reported by \$31,838
2.	Civil Forfeiture	\$0	N/A	\$0	N/A
3.	Dismissal, Settlement of Judgment	\$0	N/A	\$0	N/A
4.	Motor Vehicles Retained after Civil Forfeiture	89 vehicles	0	77 vehicles	Over-reported by 2 vehicles
5.	Liquidation of Registered Motor Vehicles	\$407,769	0	\$467,352	0
6.	Retained Property	\$203,234	0	\$354,078	Under-reported by \$11,714
7.	District Attorneys' Offices	\$7,549,764	0	\$26,418,753	0
8.	Department of Justice	\$4,538,253	Over-reported by \$2,480	\$7,457,813	Over-reported by \$10,494

The settlement agreement discrepancies do not include \$686,350 and \$664,825 in revenues, respectively, for 2017 and 2018 that the NYPD collected from settlements with the owners of seized vehicles for the return of their vehicles in lieu of their forfeiture. NYPD officials stated that the Local Law does not require the agency to report these amounts. The law, which amended Section 14-169 of the NYC Administrative Code, states the report should include: "The dollar amount of U.S. currency that has become property retained by the department after a settlement agreement entered into between the department and claimants for such currency." The NYPD's position is that its collections of money from the owners of seized vehicles in lieu of the forfeiture of those vehicles is not U.S. currency that it has retained after a settlement agreement with "claimants for such currency." Consequently, the agency maintains that it is not required to report revenues collected through vehicle forfeiture settlements, and based on that interpretation of the law the NYPD does not publicly account for that portion of the revenues it collects that is derived from its activities related to seized and retained property.

The discrepancies listed in the table above occurred because the NYPD lacks adequate oversight of the Local Law 131 reporting process. The NYPD does not maintain a source record for the cash receipts it received from the State, so we were unable to corroborate the State revenues recorded in FMS. In contrast, the NYPD maintains eShare records for the revenues received from DOJ. Our comparison of revenues recorded in eShare with those recorded in FMS revealed some discrepancies. For Calendar Years 2017 and 2018, the NYPD's FMS records included eight entries totaling \$2,480 and one entry of \$10,494, respectively that were not listed in the eShare records. We questioned the NYPD regarding these discrepancies and officials indicated that the eight entries were offsets against NYPD payments from DOJ based on debts owed by the NYPD to DOJ. However, the NYPD did not provide any supporting documentation to substantiate these claims. NYPD officials indicated that the entry for \$10,494 was not a DOJ share and agreed it over-reported the 2018 DOJ amount.

In addition, the agency did not properly reconcile its billings and receipts. The NYPD claimed that some of the discrepancies in its Local Law 131 reports were due to calculation errors in the amounts it reported. However, had the NYPD adequately performed reconciliations of revenues received during the two-year period the above-mentioned reports covered, it should have been able to identify and timely correct the errors before their inclusion in the final reports.

The NYPD receives equitable sharing revenues from the DOJ and Treasury. In addition, the NYPD receives forfeiture funds from the State District Attorneys, which are accounted for separately. (Please refer to the chart on page 3 of this report for the revenue sources.) To obtain the federal forfeiture revenues to which it is entitled, the NYPD must bill the DOJ and Treasury individually, based on which is the source of the funds. These bills are recorded in FMS as billed revenues. When the NYPD receives payments from the federal agencies, it records the payments in FMS as cash receipts. To track its revenue accurately and ensure that it receives what it is owed, the NYPD must reconcile its billings with its cash receipts.

The NYPD did not detect and correct the errors described above because it did not perform proper reconciliations and did not adequately oversee its revenue reporting functions. These deficiencies resulted in the NYPD's reporting inaccurate information to the public and the failure to reconcile the payments increased risk that funds could be misappropriated without detection.

In addition, the NYPD did not report the Treasury forfeiture revenue it received in the Local Law 131 reports. NYPD officials stated that this information was not included in its reports because the law does not require its inclusion. However, while the law does not expressly require the NYPD to report the amount of currency it obtains from Treasury pursuant to federal forfeiture laws, as it does for currency obtained from DOJ through forfeiture, nothing in the law precludes the NYPD from including the Treasury forfeiture revenue in its reports for purposes of completeness and transparency.

Reporting of Seized and Retained Property Not Timely

In addition to the requirement for reporting data on seized property and retained property mentioned in the prior section, Local Law 131 also requires the NYPD to post additional information concerning seized and retained property as of July 1, 2019 for the preceding six months and, beginning on March 1, 2020 and every March 1 thereafter, for the preceding calendar year.

The additional reporting requirements include data related to currency and various items of property, including vehicles, cellular phones, and identification documents, among other items the

NYPD takes into its custody and retains through forfeitures, judgments, and settlements of court proceedings. Further, the law requires the NYPD to report the dollar amount of the currency and the numbers of items it returned to claimants. The report must also include the total number of motor vehicles the NYPD seized and the numbers held for safekeeping, arrest evidence, forfeiture, and investigatory evidence, as well as other items of seized property, disaggregated by borough, police precinct and month in which such property was vouchered, noting the numbers of such vehicles and seized property items returned to claimants.

However, the NYPD did not post the required information regarding seized property and retained property, including but not limited to information related to vehicles, on its website by the July 1, 2019 and March 1, 2020 reporting deadlines. The NYPD did not report the data for the preceding six months by July 1, 2019, as the law required. Instead, in June 2020, the NYPD posted the Local Law 131 Report for Calendar Year 2019, which included the categories of information identified in the preceding section of this report. However, the 2019 report posted in June 2020 did not include certain information the NYPD was required to report beginning on March 1, 2020, including the amount of currency and number of property items held for safekeeping, disaggregated by borough, police precinct and month vouchered, and property that was returned to claimants. This information was not reported by the NYPD on its website until December 27, 2020.

According to the transcript of the minutes of the City Council Committee on Public Safety hearing held September 15, 2016 regarding the bill that the Council later enacted as Local Law 131, an NYPD official stated that the “property and evidence tracking system known as PETS software used by the Department to invoice property was not designed to run the type of large searches and reports that would be required.” During the audit, NYPD officials informed us that PETS was not designed with accounting features that would allow it to provide information such as the amount of currency the NYPD seized and the auction revenue it received from the liquidation of seized property as required for the Local Law 131 report. Officials stated that the PETS vendor required significant time for report creation and testing, which delayed the reporting. Officials added that this issue will be addressed with the release of PETS 2.0.

Local Law 131 requires the NYPD to publicly report specific types of information concerning currency and other property that the NYPD seizes, retains, liquidates, and returns to claimants for specified time periods. To the extent that NYPD delays such reports or omits or misreports required information, the transparency the law was intended to provide is diminished, the NYPD’s accountability for the property it seizes and otherwise acquires through its law enforcement activity decreases, and the risk that cash and other types of seized and retained property could be lost or misappropriated without detection is increased.

Recommendations

5. The NYPD should ensure that adequate reconciliations are performed of revenues received and that information is checked for accuracy before the Local Law 131 report is posted on its website.

NYPD Response: The NYPD asserts that it is already in compliance with this recommendation, stating, “The discrepancies reported under Local Law 131 for Settlement Agreements (Table II – Local Law 131 Reporting Discrepancies) were incorrect. NYPD is of the opinion that adequate reconciliations are in place and will continue to work on improving processes.”

Auditor Comment: Unfortunately, the NYPD provides no evidence to support its opinion. The NYPD has been unable to reconcile the discrepancies in Table II with regard to Settlement Agreements or provide supporting documentation for the total amounts of “Division Forfeitures” recorded in its *Property Clerk Division – FY Revenue Recapitulation* reports for 2017 and 2018. In the absence of such evidence, we are unable to confirm the NYPD’s assertion that these monies were not from settlement agreements.

In addition, the NYPD fails to acknowledge in its response that it agreed that three of the discrepancies the audit found in the Local Law 131 reporting, identified in Table II, exist. Had the NYPD performed adequate reconciliations of the figures included in its reports, these discrepancies would not have existed. Accordingly, we urge the NYPD to reconsider its opinion and implement this recommendation.

6. The NYPD should ensure that all amounts included in the Local Law 131 report are adequately supported and substantiated.

NYPD Response: The NYPD asserts that it is already in compliance with this recommendation, stating, “NYPD is of the opinion that all amounts included in Local Law 131 report are adequately supported and will make improvements to the substantiation process.”

Auditor Comment: The findings of this report conflict with the NYPD’s opinion. Among other things, the NYPD did not provide a source record for the cash receipts it received from the State so we were therefore unable to corroborate the State revenues recorded in FMS and reported in the Local Law 131 report. The NYPD also did not provide documentation for some FMS entries that were not listed in the eShare records. Accordingly, we urge the NYPD to reconsider its opinion and implement this recommendation.

7. The NYPD should maintain a cash receipts record of the revenues it receives from the State that includes all relevant information to adequately track receipts.

NYPD Response: The NYPD asserts that it is already in compliance with this recommendation, stating, “NYPD works with each of the state’s District Attorney’s offices and tracks all receipts.”

Auditor Comment: Unfortunately, the NYPD provided no evidence to support its assertion. Though requested, the agency did not provide us with a source record where it recorded receipts from the State so we were unable to corroborate the State revenue amounts recorded in FMS and reported in the Local Law 131 report. Accordingly, we urge the NYPD to implement this recommendation.

8. The NYPD should consider reporting the Treasury revenues it receives through the Equitable Sharing Program in the Local Law 131 report.

NYPD Response: “While NYPD will take this under advisement, it is not required under Local Law 131. NYPD reports Treasury revenues each fiscal year within its mandated Equitable Sharing Agreement and Certification Form filing.”

Auditor Comment: We acknowledge in the report that the NYPD was not required under Local Law 131 to report the Treasury revenues it receives. However, for the purposes of completeness and transparency, we believe that the NYPD should report the amount of currency it obtains from Treasury through the Equitable Sharing Program, as it does for currency obtained from DOJ.

9. The NYPD should ensure that PETS 2.0 has the capability to generate the information and reports necessary to comply with the Local Law 131 reporting requirements.

NYPD Response: “PETS 2.0 will have the capabilities to generate the information and reports necessary.”

10. The NYPD should post the annual Local Law 131 report on its website timely and comply with all the reporting requirements.

NYPD Response: “NYPD currently complies with the reporting requirements as per Administrative Code section 14-169. An annual report providing data on seized and retained property is posted to NYPD’s public website by September 1st and March 1st, where applicable for the preceding calendar year.”

Auditor Comment: While we did not find this to be the case for the period covered by our audit, we are pleased that the NYPD intends to post the Local Law 131 report to its website in a timely manner.

Accounting Discrepancies

Discrepancies in the NYPD’s Records of Revenue Received

According to Comptroller’s Directive #11, *Cash Accountability and Control*, cash receipts include currency and electronic fund transfers. The Directive also states that agencies must exercise care in handling and accounting for cash because it is susceptible to misappropriation and loss. It further states, “All of the City’s accounts must be reconciled on a monthly basis in order to ensure that City’s revenues and expenditures are properly accounted for.”

As noted previously, the NYPD receives equitable sharing revenues from two federal agencies and from the State through several mechanisms that are described in the chart on page 3. However, with regard to federal funds, the cash receipts the NYPD recorded in FMS do not match the DOJ eShare receipts and the Treasury PDF reports. Further, the DOJ eShare receipts and the Treasury PDF reports did not reconcile with the amounts the NYPD recorded in FMS for the revenues it received from these agencies for Fiscal Years 2017, 2018, and 2019, as shown in Table III.

Table III

Federal Forfeiture Revenue Discrepancies

Type of Funds	Period	Amount Recorded in FMS Trust and Agency Accounts	Amounts Recorded in DOJ eShare Records or Treasury PDF Reports with Adjustments for Liens	Difference
DOJ*	FY 17	\$2,961,932	\$2,959,447	(\$2,485)
DOJ	FYs 18 & 19	\$16,138,526	\$16,124,897	(\$13,629)
Treasury	FYs 17, 18 & 19	\$3,185,247	\$3,243,511	\$58,264**

*Our comparison for DOJ FY 2017 only included the second half of the fiscal year (January 2017 – June 2017) because we did not have eShare records for the first half of the fiscal year (July 2016 – December 2016).

**We excluded from this amount the \$20,391,864 in Treasury forfeiture receipts the NYPD received from the Queens District Attorney and recorded in the Treasury Trust and Agency account.

The NYPD indicated that the discrepancies identified were due to liens which offset some payments. We adjusted our figures for liens in all instances in which the NYPD provided supporting documentation to support the existence of liens.

We also reviewed the NYPD's Annual Certification Reports which contain summaries of the NYPD's equitable sharing activity that include all sums it received from DOJ and Treasury, for the three fiscal years. While these reports provide information about the sums received by the City, our review disclosed discrepancies between the amounts recorded in the certification reports and the amounts recorded in the FMS Trust and Agency accounts for the three years the audit covered. The total amount of the discrepancies between the Annual Certification Reports and FMS for the two agencies is \$54,885, \$5,619, and \$9,192 for Fiscal Years 2017, 2018, and 2019, respectively, as shown in Table IV, below.

Table IVDiscrepancies between Federal Amounts in Certification Reports and FMS

Agency	Adjusted Equitable Sharing Funds Amount Certification Report	FMS Trust and Agency Accounts (7056)	Variance	Total Variance for Treasury and DOJ
2017				
Department of Justice	\$4,803,479	\$4,799,920	(\$3,559)	(\$54,885)*
Department of Treasury	\$261,233	\$209,907*	(\$51,326)	
2018				
Department of Justice	\$7,904,499	\$7,904,499	0	(\$5,619)
Department of Treasury	\$2,026,976	\$2,021,357	(\$5,619)	
2019				
Department of Justice	\$8,223,516	\$8,234,028	\$10,512	\$9,192
Department of Treasury	\$955,303	\$953,983	(\$1,320)	

*We excluded from this amount \$20,391,864 the NYPD received in Treasury Funds from the Queens District Attorney which it deposited in the Treasury FMS Trust and Agency account. The NYPD reported this amount as Treasury "Equitable Sharing Funds Received from Other Agencies" in the Certification Report.

In addition, the amounts recorded in the NYPD's annual certification reports did not reconcile with the DOJ eShare receipts or the Treasury PDF reports.

Further, we found that the NYPD's list of MOU and non-MOU revenues, which the NYPD maintains to track funds spent using State as well its federal equitable sharing revenues, did not reconcile with the entries recorded by the NYPD in FMS of the State equitable sharing revenues it spent. Specifically, the NYPD did not record \$758,661 reported in FMS as cash receipts in Fiscal Year 2017 and \$1,853,433 reported in FMS as accrued revenue in Fiscal Years 2017 and 2018 in the MOU and non-MOU listing. The latter amount includes an NYPD claim for reimbursement for correctional services to New York City Health + Hospitals totaling \$143,113. After we requested clarification of the total \$1.85 million in FMS but not recorded in the MOU and non-MOU tracker, the NYPD claimed that the \$143,113 FMS entry was a receivable they were unable to collect so it was decreased to zero. The NYPD recorded the remaining \$1,710,320 in FMS as accrued revenue on July 27, 2018 but did not record a receivable in this amount until July 29, 2020. After we brought the discrepancies between the MOU and non-MOU tracker and FMS to the attention of NYPD officials, the agency made adjustments to FMS to correct all of the entries.

The NYPD Did Not Pursue Uncollected Sharing Requests

In addition to the aforementioned recordkeeping discrepancies, we also found that the NYPD did not systematically identify or pursue uncollected sharing requests. We found that the amounts that the NYPD requested from DOJ under the Equitable Sharing Program did not match with the amounts it received. At the same time, the NYPD does not reconcile the revenues it received from DOJ with the amounts it requested. Rather, the NYPD bases its requests to DOJ on its calculation of its share of the forfeited assets under the program and does not follow up with DOJ regarding

the amounts that the NYPD requested from DOJ but did not receive.⁵ The total \$18.99 million in payments the NYPD received from DOJ for 2017, 2018, and 2019 was almost \$4.4 million less than the \$23.39 million that the NYPD requested from DOJ for that period, as reported in DOJ's eShare records. The NYPD did not provide an adequate explanation for its failure to reconcile its billings and receipts with respect to the discrepancies we identified.

The NYPD stated that the asset value on the eShare spreadsheet is the original estimated value at the beginning of the process. However, the actual value can be different from the original estimated value for a variety of reasons (e.g., cash found may not be directly linked to investigation, value of asset at auction is determined to be lower, etc.). Nonetheless, the NYPD does not follow up with DOJ when the payments it receives do not match amounts it requested. The NYPD provided only one example of adjustments made by DOJ, in which the total income of \$10,000 collected by DOJ was reduced to \$9,652.27 (reductions consisted of \$100.24 for "investigatory agency expenses" and \$247.49 for an "eCost deduction"), of which \$3,021.16 was paid to NYPD. In this instance, however, we did not take issue with this specific transaction because the amount the NYPD billed matched the amount it received from DOJ. In contrast, the NYPD did not provide any support for the 243 payments in Calendar Year 2017 where we identified discrepancies between the NYPD's calculated share of the forfeiture and its receipts.

Without adequate reconciliations of the revenues it bills and receives, the NYPD is hindered in determining whether it received the revenues that it is entitled to, and the risk that revenues could be forgone, lost, misdirected, or misappropriated without detection is increased. The shortfalls between billed revenue and the revenue the NYPD receives may also impact expenditures planned by the NYPD and funds available in the NYPD's budget. The City's Office of Management and Budget takes into account the forfeiture revenues the NYPD receives when preparing the NYPD's budget for each fiscal year.

Recommendations

11. The NYPD should ensure that there is adequate supervisory review over the tracking of seized and forfeited revenue to ensure that reconciliations and follow-ups on discrepancies are performed.

NYPD Response: The NYPD asserts that it is already in compliance with this recommendation, stating, "There is sufficient supervisory review and this process was explained and demonstrated to the Comptroller's Office. Reconciliations and follow-ups are performed on a monthly basis."

Auditor Comment: The NYPD's assertions that there is sufficient supervisory review and that reconciliations and follow-ups are performed on a monthly basis are contradicted by the findings of this audit. The NYPD was unable to provide supporting documentation to refute the discrepancies we identified in Tables III and IV. Had the reconciliations been conducted and undergone sufficient supervisory reviews, as the NYPD stated, the discrepancies we identified in those tables would not have existed. Accordingly, we urge the NYPD to implement this recommendation.

⁵ DOJ provides the NYPD with a transmittal sheet that lists the asset values, the amounts disbursed, and the decided shares, which support the amounts the NYPD received via eShare, but the NYPD does not reconcile those amounts with its corresponding billings to DOJ.

12. The NYPD should ensure that it records the billing of revenues and the receipt of those revenues in FMS in a timely manner.

NYPD Response: The NYPD asserts that it is already in compliance with this recommendation, stating, “NYPD agrees that the billing of revenues and the receipt of those revenues in FMS should be completed in a timely manner and will continue to do so. Additionally, NYPD has adequate supervisory review over the entries made to FMS and will continue to ensure the supervisory process.”

Auditor Comment: The NYPD’s claim that it records the billing and receipt of revenues in a timely manner is not supported by the evidence provided by the agency. As stated in this report, we found that the NYPD’s list of MOU and non-MOU revenues, which the NYPD maintains to track funds spent using State as well its federal equitable sharing revenues, did not reconcile with the entries recorded by the NYPD in FMS of the State equitable sharing revenues it spent. After we brought the discrepancies between the MOU and non-MOU tracker and FMS to the attention of NYPD officials, the agency made adjustments to FMS to correct all of the entries. Thus, we urge the NYPD reconsider its response and implement this recommendation.

Auction and Other Forfeiture Revenue Deficiencies

Entries for Forfeited Revenue Misclassified in FMS

According to Local Law 131, currency held for forfeiture that has become NYPD property after a settlement agreement or a judgment in a civil forfeiture proceeding must be reported as separate items from other funds received by the NYPD. Unclaimed cash, by contrast, is currency in which the NYPD has obtained an ownership interest either because the ownership interest of others has been waived or because it remained unclaimed after the applicable legal period for claiming. For FMS reporting purposes, cash obtained as a result of settlement agreements and judgments in civil forfeiture proceedings (categorized by PCD as “division forfeitures”) and unclaimed cash should be classified separately under different accounting codes.

However, we found that the NYPD misclassified 22 transactions in which it received forfeiture revenues (i.e., division forfeitures) totaling \$1,768,175 in FMS as unclaimed cash. Even though the NYPD reported the amounts for forfeitures and unclaimed cash separately on the PCD Revenue Reports, it recorded both types of revenue, incorrectly, as unclaimed cash in FMS.

The NYPD provided no evidence of a control process (e.g., supervisory review) to help ensure that its entries in FMS are appropriate. At the exit conference, NYPD officials indicated that the NYPD records forfeiture revenues as unclaimed cash because it has limited options for revenue streams in FMS. However, within FMS, under the Miscellaneous Revenue (revenue code 00859) stream, the NYPD established separate sub-revenue codes to distinguish the various types of revenues (e.g., PropertyRoom auctions, vehicle auctions, unclaimed cash, etc.) and could therefore have established a sub-revenue code for forfeiture revenues.

Misclassifying revenue in such entries may result in material misstatements in the financial statements relating to the NYPD and inaccurate amounts reported in the Local Law 131 report, as well as a lack of transparency regarding the money obtained from civil forfeitures.

Reconciliation of Vehicle Auction Sales Not Performed

According to Comptroller's Directive #11, *Cash Accountability and Control*, "All of the City's accounts must be reconciled on a monthly basis in order to ensure that City's revenues and expenditures are properly accounted for." However, the NYPD does not reconcile its vehicle auction sale account on a monthly basis as required. We identified discrepancies between IAA's reported vehicle auction sales and the receipts reported by the NYPD's Auto Pound Unit, as shown in Table V below.

Table V

Discrepancies between Vehicle Auction Sales
and Amounts Reported by the NYPD

Calendar Year	Gross Sales per Auto Pound Records	IAA Gross Sale Amount per Check	Net Discrepancy	Percentage	Total Value of Vehicle Sales That Were Overstated by IAA	Total Value of Vehicle Sales That Were Understated by IAA
2018	\$2,494,630	\$2,584,030	(\$89,400)	3.46%	(\$98,690)	\$9,290
2019	\$2,953,115	\$2,961,616	(\$8,501)	.29%	(\$23,990)	\$15,489

When reconciliations are not performed, there is an increased risk that revenues owed to the NYPD will not be received and it creates an environment where the misappropriation of funds can occur and go undetected.

Vehicle Auction Sales Not Billed Timely

The NYPD's contract with IAA states that IAA will complete calculations of the full amount of money owed to the NYPD from the previous calendar month by the 15th day of the following month and forward a corresponding check to the NYPD within 7 calendar days thereafter. It also states that each month's check must be accompanied by a detailed report of all sales activity for the preceding calendar month.

However, the NYPD did not enforce the requirement that IAA submit payments monthly. IAA combined several months of vehicle auction sales in one payment—which was late. In Calendar Year 2018, all the sales from July through November, totaling \$1,046,540, were combined and remitted to the NYPD in a check dated December 27, 2018. In Calendar Year 2019, IAA issued a sales statement for each month separately; however, 3 of the 12 payments remitted to the NYPD were not timely. For example, the sales proceeds for the month of January were remitted in March and sales proceeds for May were remitted in August.

According to NYPD officials, IAA was a new vendor and the synchronization of the IAA's and the NYPD's computer systems took longer than expected, causing a delay in payments. However, when multiple months of payments are remitted at one time, the NYPD's reconciliation process will be more difficult and take longer, and there is an increased risk that discrepancies due to loss

or misappropriation of funds may not be detected. In addition, if IAA does not remit payments timely, the NYPD may be delayed in recovering any underpayments.

Recommendations

13. The NYPD should create a separate sub-revenue code in FMS to record the forfeiture revenues it incorrectly records as unclaimed cash and ensure that there is adequate supervisory review over the entries made in FMS to ensure they are correctly classified.

NYPD Response: “NYPD will work with the New York City Office of Management and Budget (OMB) on this issue, as it is the entity that creates all new revenue streams.”

14. The NYPD should develop a process for reconciling reviews of auction vendor revenues and monitor its implementation.

NYPD Response: The NYPD asserts that it is already in compliance with this recommendation, stating, “NYPD has always had in place a system to reconcile and review auction vendor revenues. The processes were provided and demonstrated to the Comptroller’s Office on several instances during the audit.”

Auditor Comment: Contrary to the NYPD’s claims, the agency did not demonstrate that it had a process for reconciling auction revenues. We had one meeting at the Auto Pound where certain processes were explained to us. However, the NYPD provided no evidence of any actual reconciliations at that meeting or at any other time. Accordingly, we urge the NYPD to implement this recommendation.

15. The NYPD should review the vehicle auction sales for the audited period and recover any amounts owed to the department.

NYPD Response: The NYPD asserts that it is already in compliance with this recommendation, stating, “As previously mentioned within item 14, NYPD has a series of systems and processes that reconciles auction vendor revenues, which includes recovering amounts owed to the department.”

Auditor Comment: Contrary to the NYPD’s claims, the agency did not demonstrate that it reviewed the vehicle auction sales for the audited period. After we brought the vehicle auction sale issues to the NYPD’s attention, it responded on May 3, 2021, that “the NYPD has completed a review of the vehicle auction sales during this period. The single check consolidating several months of revenue in 2018 was part of this process. To date, the vendor has remitted all amounts owed to NYPD.” However, the NYPD provided no evidence of its review. In the absence of such evidence, we have no basis upon which to confirm the NYPD’s assertion.

16. The NYPD should ensure that the synchronization between its and IAA’s computer systems is improved or come up with an alternative method to identify payments due to the NYPD and ensure that they are made monthly as required.

NYPD Response: “NYPD was able to successfully integrate the vendor’s data systems with PETS. With the implementation of PETS 2.0, NYPD will continue to work with the vendor to identify and improve the reconciliation process,”

DETAILED SCOPE AND METHODOLOGY

We conducted this performance 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 objective. This audit was conducted in accordance with the audit responsibilities of the City Comptroller as set forth in Chapter 5, §93, of the New York City Charter.

The audit scope for the NYPD's control over seized property was Fiscal Year 2017 through Fiscal Year 2020.

To obtain an understanding of the organizational structure and operations related to seized property, we requested and reviewed an organization chart identifying employees involved with all aspects of the seized property, including but not limited to the collection, storage, disposal, and tracking of seized property.

To obtain an understanding of the operations related to seized property processing, including how property is tracked in PETS, we conducted interviews with NYPD officials and staff from the PCD Warehouse Systems, Auto Pound Unit, Auction, Claims, & Documentation Unit and Property Borough Clerk Borough Offices (Manhattan and Brooklyn). In addition, we observed the process of the collection, storage, disposal, and tracking of seized property done by the Commanding Officers, Supervisors, Property Control Specialists, Police Officers, Intake Officers, and Window Person. These observations took place at the Manhattan and Brooklyn Property Clerk Borough Offices, the Springfield Garden Auto Pound, and the Central Warehouse in Long Island City.

To obtain an understanding of the process of recording revenue from seized property by the NYPD, we interviewed the accountants from the PCD Accounting Unit and Property Borough Offices (Manhattan and Brooklyn).

To obtain an understanding of the forfeiture proceedings for seized property, we interviewed Sergeants and Detectives from the Asset Forfeiture Unit (AFU) and Attorneys from the Civil Enforcement Unit. To obtain an understanding of how revenue related to seized property was recorded in FMS, we interviewed the Senior Director from the Audits and Accounts Unit and the Assistant Commissioner, Director, and Supervisor from CBAD.

In addition, to obtain an understanding of the reporting process and requirements of the Local Law 131 Report, we interviewed the relevant units and officials responsible for compiling and reporting the information. We also interviewed officials from the Office of Management Analysis and Planning (OMAP) Unit, to gain an understanding of the policies created by the NYPD relating to seized property. In addition, we obtained an understanding of OMAP's involvement with PETS. We also interviewed the staff responsible for processing the claims from owners of vehicles that were already auctioned to assess controls over the claiming process.

To obtain an understanding of the seized property rules and regulations, we obtained and reviewed the following: (1) the NYPD Operations Guide; (2) the NYPD Patrol Guide; (3) the NYPD Organization Guide; (4) the NYC Administrative Code Title 14 Subchapters 14-169 and 14-140; (5) Comptroller's Directives #1, #11, #21, and #27; (6) the *Guide To Equitable Sharing for State, Local, and Tribal Law Enforcement Agencies* of July 2018 from the Department of Justice; (7) the *Rules of the City of New York, Chapter 12: Return of Property from Property Clerk Division*; (8)

the *Local Law of the City of New York for the Year 2017, # 131*; (9) the Financial Management System (FMS) *Revenue Procedures Version 1.5 of July 20, 2018*; (10) the GAO's FISCAM manual; (11) the GAO's *Internal Control Management Evaluation Tool*; (12) DoITT's Identity Management Security Policy; and (13) *2014 New York Laws – Civil Practice Law & Rules Article 13 A*; and any relevant information obtained from the NYPD's website or the units related to seized property.

To determine whether the data relating to seized property generated from PETS included all relevant information, we examined a detailed listing of all seized property for Fiscal Years 2017, 2018, and 2019. We assessed the integrity of data generated from the PETS system for these three fiscal years by identifying the critical fields and checking the field layouts, the field descriptions, and the consistency of the data contained in the fields. By using the Audit Command Language (ACL) program, we evaluated the accuracy and completeness of the data received, by checking for gaps, duplicate records and blank information in these critical fields.

To assess the reliability of PETS data, we used ACL to identify gaps in the sequential invoice numbers for Fiscal Years 2017, 2018, and 2019. Based on the gaps, we generated all missing invoice numbers from the PETS data. To verify whether the missing invoice numbers were from voided invoices, we requested a report of all voided invoices for Fiscal Years 2017, 2018, and 2019. We then determined whether the missing invoice numbers were included in the voided invoice report. Additionally, we selected a sample of 100 missing invoice numbers and requested copies of the invoices for review.

To assess the reliability of the revenue recorded by the PCD Accounting Unit in its tracking sheets related to sales of seized property, we reviewed the summary and detailed revenue report from the PCD Accounting Unit for accuracy. We also reviewed the sales records of the auction vendors including the *PropertyRoom Summary Activity Report* and the *IAA TOWS with sales price* that lists the sales of seized property for Calendar Years 2018 and 2019. We compared the amounts recorded on the vendor reports to the amounts recorded on the *PCD Revenue Reports* and in FMS. Additionally, we judgmentally selected two months (June 2018 because it had the largest amount of Division Forfeitures and January 2019 because it had the largest amount of auction revenues) from the *PCD Revenue Reports* and reviewed all supporting documentation for Division Forfeitures, Internet Vehicle Sales by IAA, the PropertyRoom Sales, and the Towing and Storage Fees for the two months. We reconciled all supporting documentation to information recorded in the *PCD Revenue Reports* and in FMS.

To assess the reliability of data recorded in FMS by the Audits and Accounts Unit for revenue generated from seized property including Unclaimed Cash, Division Forfeitures, IAA Sales, PropertyRoom Sales, and Towing and Storage Fees, we generated and reviewed a report from FMS, *FMS NYPD CWA-DLREVN-001 Revenue Accounting Detail Listing* for revenue code 00859 (Budget Code 1630) for Fiscal Years 2017, 2018, and 2019. We compared the amounts recorded in FMS to what was recorded in the *PCD Revenue Reports* created by the PCD Accounting Unit. Additionally, we compared the revenue reported on the tracking sheet maintained by the AFU titled *2019 Comptroller Audit State check Deposits (13A)*, which are the checks received by AFU from the DA offices, to the Division Forfeitures on the *PCD Revenue Reports* and Division Forfeitures in *FMS NYPD CWA-DLREVN-001 Revenue Accounting Detail Listing* for Calendar Years 2017, 2018, and 2019.

To evaluate controls over vehicle auction sales, we obtained and reviewed the listings of vehicles sold at auction in Calendar Years 2018 and 2019 that are maintained by the Auto Pounds. We reconciled the Auto Pounds vehicle auction records with the payment records from IAA.

Additionally, we determined whether the gross sales revenue recorded in the IAA transmittal sheets reconcile with the IAA detail payments records and the vehicle tow listing data provided by auto pounds.

To assess the reliability of data recorded in FMS by CBAD for funds received from the DOJ, Treasury, and DA related to MOU's, we generated from FMS and reviewed a report titled *CWA-DLREVN-001 Revenue Accounting Detail Listing* of revenue codes 03204 (Treasury), 04283 (DOJ), and 19929 (DA). We compared the revenue recorded in FMS to the amounts on CBAD's tracking sheet titled *FY17-FY19 REs for Funding Sources with Active MOU's* listing for calendar years 2017, 2018, and 2019. Furthermore, we reviewed the *DOJ payments* and *Payments to NY City PD*, which were the E-share payments to the NYPD from DOJ and Treasury, for calendar years 2017, 2018, and 2019 and compared the amounts reported by the agencies to the amounts recorded in FMS and the NYPD tracking sheets.

To assess the NYPD's compliance with the Local Law 131 reporting requirements, as well as the reliability of amounts recorded on the reports, we reviewed the *Local Law 131 Report* amounts for Calendar Years 2017 and 2018. We compared the amounts reported on the Local Law 131 Reports to the amounts recorded on reports generated from FMS, amounts recorded on the *PCD Revenue Reports*, on the *FY17-FY19 REs for Funding Sources with Active MOU's*, *DOJ payments listings* and amounts on the *Payments to NY City PD* listings from Treasury.

These results provide a reasonable basis for us to determine whether the NYPD has an adequate system in place to account for the collection, recording, and reporting of seized property.

APPENDIX

NYPD's Local Law 131 Reports for Calendar Years 2017 and 2018

Item #	Reporting Category	Local Law 131 Description	2017	2018
1	Settlement Agreement	The dollar amount of U.S. currency that has become property retained by the NYPD after entering into a settlement agreement;	\$1,726	\$10,088
2	Civil Forfeiture	The amount of U.S. currency that has become property retained by the NYPD after a judgment in a civil forfeiture proceeding;	\$0	\$0
3	Dismissal, Settlement of Judgment	The dollar amount of U.S. currency returned by the NYPD to claimant following a dismissal, judgement or settlement in a civil forfeiture proceeding;	\$0	\$0
4	Motor Vehicles Retained after Civil Forfeiture	The number of registered motor vehicles that have been property retained by the NYPD after a settlement or judgement in a civil forfeiture proceeding;	89	77
5	Liquidation of Registered Motor Vehicles	The revenue generated by liquidation of registered motor vehicles that have become retained property;	\$407,769	\$467,352
6	Retained Property	The revenue generated by liquidation of retained property, other than registered vehicles and U.S. currency, and the entity contracted to liquidate such property;	\$203,234	\$354,078
7	District Attorney	The amount of U.S. currency obtained by the NYPD through disbursement from the district attorney pursuant to state forfeiture laws;	\$7,549,764	\$26,418,753 (\$23,230,032 from MOUs)
8	Department of Justice	The amount of U.S. currency obtained by the NYPD through disbursement from the Department of Justice pursuant to federal forfeiture laws.	\$4,538,253	\$7,457,813



POLICE DEPARTMENT

June 3, 2021

Marjorie Landa
Deputy Comptroller for Audit
Office of New York City Comptroller Scott M. Stringer
1 Centre Street, Room 1100
New York, NY 10007

Re: Audit Report on the New York City Police Department's Controls over Seized Property MD20-078A

Dear Deputy Comptroller Landa,

This is a response to the draft report on the New York City Police Department's Controls over Seized Property (Report) issued by the Office of the Comptroller encompassing the audit period of Fiscal Year 2017 through Fiscal Year 2020. As discussed in greater detail below, we disagree with many of the findings presented in the Report. We are also concerned that the Report neglects to include all of the information provided to the Comptroller's Office during the course of the review, specifically:

1. It was communicated on several occasions that New York City Police Department (NYPD) does "track" seized property information. However, due to the limitations of the Property and Evidence Tracking System (PETS), at the time of the request, the information requested by the Comptroller's Office could not be "aggregated" for a report. The section heading "Seized Property Is Not Tracked on an Aggregate Level" creates a false impression that seized property data is not being collected.
2. The Comptroller's Office acknowledged receiving a role matrix detailing levels of access by title and responsibility. However, the "Critical Systems Documentation is Not Maintained" section remained unchanged because the information provided was delayed. The notion that user roles and various levels of access were created and implemented subsequent to the audit in order to circumvent the finding is unfounded.
3. The Comptroller's Office acknowledged a correspondence from IBM, the PETS vendor, which explained the presumed gaps in invoice numbers. These gaps were due to voided invoices without property information. Additionally, a line-listing containing the disposition of each invoice in question was also provided. However, the Comptroller's Office made no effort to remediate the "Unaccounted for Gaps in Invoice Numbers" section and Table I of the Report giving the impression of mismanagement and lack of oversight.

4. NYPD has made numerous attempts to reconcile the discrepancies alleged in Table II - Local Law 131 Reporting Discrepancies under the “Settlement Agreement” section. It was explained to the Comptroller’s Office that NYPD entered into a total of nine settlement agreements in 2017 and 2018, totaling \$1,726 and \$7,154.75 respectively. It was explained to the Comptroller’s Office that the additional funds used to create the alleged discrepancy are not a part of those nine settlement agreements, and they therefore do not belong in this category. In the preliminary report, the Comptroller’s Office acknowledged in a footnote, that they were unclear as to whether these additional funds belonged in “Settlement Agreement” or “Civil Forfeiture” and thus randomly included it under “Settlement Agreement”.
5. Regarding Table III - Department of Justice, we disagree with the Comptroller’s Office statement that documentation was not provided to substantiate the eight transactions detailing the variance. This information was provided but not incorporated into the Report.
6. Regarding Table III – Treasury, similar to item #5, information and an explanation was provided to account for the difference presented in the table.
7. Regarding Table IV - Discrepancies between Federal Amounts in Certification Reports and FMS, similar to items #4 and #5, information and an explanation was provided to account for the variance. The Comptroller’s Office did not account for all lien information provided.
8. On several instances it was explained to the Comptroller’s Office that vehicle auction sales are reconciled monthly. During the audit period, NYPD switched vehicle auction vendors which resulted in delays in the reconciliation process. This was a unique occurrence and not a reflection of the overall practice. NYPD has rectified the transitional requirements of switching vendors and is currently in compliance with a monthly billing schedule.
9. In regards to the “Reporting of Seized and Retained Property Not Timely” section, it was communicated to the Comptroller’s Office that there was a large amount of groundwork that needed to be established that involved internal and external parties. Additionally, there was a change in NYPD’s vehicle auction vendor and changes needed to be made to the department’s database (PETS) which required coordination with an external party (IBM). Therefore, the initial report was delayed. Since the foundations of the reports have been established, there have been no additional delays and NYPD does not anticipate delays in the future.

Consequently, the audit does not reflect a complete or accurate depiction of the process or work the department has done in this area. Many of the conditions noted in the Report were corrected prior to the issuance of the Report, and in all cases, NYPD has mechanisms in place to ensure ongoing compliance. Accordingly, NYPD anticipates that future audits will see these observations corrected.

1. **Responses to recommendation #1**

The NYPD should ensure that PETS 2.0 is designed with adequate reporting capabilities so that it can track and report on the location and disposition of seized property on an

aggregate basis and utilize that capability to ensure that the property is being properly maintained and promptly disposed of.

PETS 2.0 has all of the functionality and capabilities to track and report seized property information on an aggregate level. The recommendations in this audit have been implemented to ensure that seized property is tracked, reportable, maintained and disposed of properly.

2. Responses to recommendation #2

The NYPD should ensure PETS 2.0 is designed with appropriate input controls relating to edit checks and data validation.

In an effort to reduce errors, NYPD has implemented more stringent coding and input controls within PETS 2.0 that includes edit checks and data validation.

3. Responses to recommendation #3

The NYPD should ensure that any unaccounted-for invoice numbers are appropriately investigated, documented, and approved and that adequate documentation is maintained for skipped invoices.

There were no unaccounted-for invoice numbers. Gaps in invoice numbers that the Comptroller's Office identified were all accounted for and explained. In many of these instances, "unaccounted-for" invoices were reconciled as "voided" due to data entry errors.

4. Responses to recommendation #4

The NYPD should define PETS users' access permissions, create and document PETS user roles for all individuals with access to the system, and ensure that the roles are in accordance with the user's actual functional work requirements.

NYPD maintains adequate user input controls and management as per NYC Department of Information Technology & Telecommunications - Internet Message Support Protocol. NYPD has established and maintained the role matrix that includes user levels based on roles and titles since the inception of the PETS system in 2011. NYPD has provided a detailed report that crosswalks access / privileges granted for the various types of users based off their title, responsibilities and work functions.

5. Responses to recommendation #5

The NYPD should ensure that adequate reconciliations are performed of revenues received and that information is checked for accuracy before the Local Law 131 report is posted on its website.

The discrepancies reported under Local Law 131 for Settlement Agreements (Table II – Local Law 131 Reporting Discrepancies) were incorrect. NYPD is of the opinion that adequate reconciliations are in place and will continue to work on improving processes.

6. Responses to recommendation #6

The NYPD should ensure that all amounts included in the Local Law 131 report are adequately supported and substantiated.

NYPD is of the opinion that all amounts included in the Local Law 131 report are adequately supported and will make improvements to the substantiation process.

7. Responses to recommendation #7

The NYPD should maintain a cash receipts record of the revenues it receives from the State that includes all relevant information to adequately track receipts.

NYPD works with each of the state's District Attorney's offices and tracks all receipts.

8. Responses to recommendation #8

The NYPD should consider reporting the Treasury revenues it receives through the Equitable Sharing Program in the Local Law 131 report.

While NYPD will take this under advisement, it is not required under Local Law 131. NYPD reports Treasury revenues each fiscal year within its mandated Equitable Sharing Agreement and Certification Form filing.

9. Responses to recommendation #9

The NYPD should ensure that PETS 2.0 has the capability to generate the information and reports necessary to comply with the Local Law 131 reporting requirements.

PETS 2.0 will have the capabilities to generate the information and reports necessary.

10. Responses to recommendation #10

The NYPD should post the annual Local Law 131 report on its website timely and comply with all the reporting requirements.

NYPD currently complies with the reporting requirements as per Administrative Code section 14-169. An annual report providing data on seized and retained property is posted to NYPD's public website by September 1st and March 1st, where applicable for the preceding calendar year.

11. Responses to recommendation #11

The NYPD should ensure that there is adequate supervisory review over the tracking of seized and forfeited revenue to ensure that reconciliations and follow-ups on discrepancies are performed.

There is sufficient supervisory review and this process was explained and demonstrated to the Comptroller's Office. Reconciliations and follow-ups are performed on a monthly basis.

12. Responses to recommendation #12

The NYPD should ensure that it records the billing of revenues and the receipt of those revenues in FMS in a timely manner.

NYPD agrees that the billing of revenues and the receipt of those revenues in FMS should be completed in a timely manner and will continue to do so. Additionally, NYPD has adequate supervisory review over the entries made to FMS and will continue to ensure the supervisory process.

13. Responses to recommendation #13

The NYPD should create a separate sub-revenue code in FMS to record the forfeiture revenues it incorrectly records as unclaimed cash and ensure that there is adequate supervisory review over the entries made in FMS to ensure they are correctly classified.

NYPD will work with the New York City Office of Management and Budget (OMB) on this issue, as it is the entity that creates all new revenue streams.

14. Responses to recommendation #14

The NYPD should develop a process for reconciling reviews of auction vendor revenues and monitor its implementation.

NYPD has always had in place a system to reconcile and review auction vendor revenues. The processes were provided and demonstrated to the Comptroller's Office on several instances during the audit.

15. Responses to recommendation #15

The NYPD should review the vehicle auction sales for the audited period and recover any amounts owed to the department.

As previously mentioned within item 14, NYPD has a series of systems and processes that reconciles auction vendor revenues, which includes recovering amounts owed to the department.

16. Responses to recommendation #16

The NYPD should ensure that the synchronization between its and IAA's computer systems is improved or come up with an alternative method to identify payments due to the NYPD and ensure that they are made monthly as required.

NYPD was able to successfully integrate the vendor's data systems with PETS. With the implementation of PETS 2.0, NYPD will continue to work with the vendor to identify and improve the reconciliation process.

Very truly yours,



Matthew V. Pontillo
Chief of Risk Management

cc: Dermot Shea, Police Commissioner
Henry Wang, Director, Quality Assurance Division