



City of New York

OFFICE OF THE COMPTROLLER

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COMPTROLLER



MANAGEMENT AUDIT

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Deputy Comptroller for Audit

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

MD22-057A

June 28, 2022

<http://comptroller.nyc.gov>



THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
BRAD LANDER

June 28, 2022

To the Residents of the City of New York:

My office has audited the New York City Police Department (NYPD) to determine whether NYPD has adequate inventory controls over seized property managed by its Property Clerk Division (PCD). We perform audits such as this to ensure that agencies have adequate controls over the resources entrusted to them.

NYPD was generally able to account for property related to sampled invoices and generally met the minimum retention periods before disposing of held property. However, NYPD did not ensure that periodic counts and inspections of property were regularly conducted, and auditors found significant variances in the methodologies of those that were performed. The audit also found that NYPD held many items well beyond their retention periods. Finally, the audit found that NYPD should improve its documenting of claimants' identification when property is returned and its notification process for found property.

The audit makes six recommendations that NYPD agreed to implement. We appreciate NYPD's efforts to improve its internal controls and to strengthen oversight over its seized property inventory.

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 "B. Lander".

Brad Lander

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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 Inventory

MD22-057A

EXECUTIVE SUMMARY

This audit was conducted to determine whether the New York Police Department (NYPD) has adequate controls over the seized property managed by its Property Clerk Division (PCD). NYPD 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. NYPD also holds property no longer needed as evidence or for further investigation pending disposition. PCD, under the administration of the Support Services Bureau, is responsible for overseeing all property coming into the NYPD's custody.

Property categorized as contraband is destroyed when it is no longer needed for a criminal case. Property that is not subject to forfeiture proceedings, property being held for safekeeping, and found property can be returned to its rightful owner. Property not claimed by the owner or returned to the finder is to be either auctioned off (if it has value) or discarded. Seized property is recorded and tracked in FORMS – Property, NYPD's computerized system for inventorying and tracking the movement of property in its possession.

As of January 2021, according to the *New York Police Department Property Clerk Division- 2021 Monthly Summary*, the total number of seized property invoices in its possession was 2.9 million.

Audit Findings and Conclusion

NYPD was generally able to account for property related to the sampled invoices recorded in its property tracking systems. However, the audit found that NYPD did not consistently conduct required inventory counts of property on hand. While NYPD generally met the minimum retention periods before disposing of held property, many items are held well beyond their retention periods. Finally, the audit found that NYPD should improve its documenting of claimants' identification information when property is returned.

Audit Recommendations

The audit makes several recommendations that aim to improve NYPD's controls over its inventory of property. These appear in the body of this report.

Agency Response

In its response, NYPD agreed to implement the audit's recommendations.

AUDIT REPORT

Background

The mission of NYPD is to enhance the quality of life within New York City (the City) by working in partnership with the community and in accordance with constitutional rights to enforce the laws, preserve the peace, reduce fear, and provide for a safe environment.

NYPD 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. As stated on NYPD's website, approximately two-thirds of all property NYPD takes in is evidence related to criminal cases. Other categories of property NYPD takes into custody and holds include found property; decedents' property; prisoners' property; contraband; serological evidence; property confiscated pursuant to forfeiture proceedings; and property seized from peddlers pending release. NYPD also holds property no longer needed as evidence or for further investigation pending disposition. The types of property seized by NYPD include cash, jewelry, weapons, vehicles, and other general property of every description. NYPD's PCD, under the administration of the Support Services Bureau, is charged with accepting, cataloging, safeguarding, storing, returning, or otherwise legally disposing of all property coming into the custody of NYPD. The PCD has a Property Guide that contains the procedures that govern the intake, storage, and disposal of property and that PCD staff are expected to follow.

During Fiscal Years 2017 through 2021, the PCD operated 11 locations:

- Two Auto Pounds (Springfield Gardens in Queens and Erie Basin in Brooklyn), which are responsible for safeguarding, recording, and legally disposing of vehicles in NYPD's possession;
- Five Borough Offices (one in each borough), which are responsible for safeguarding, recording, and lawfully disposing of property (other than vehicles) that comes into NYPD's possession; and
- Four warehouses (Pearson Place and Pearson Place Annex in Queens, Abbott Street in the Bronx, and Second Avenue in Brooklyn), which are responsible for safeguarding property that comes into NYPD's possession.

On arrival at the storage location, the seized property is processed and recorded in NYPD's computerized system for inventorying and tracking the movement of property in its possession. Prior to July 2021, that system was PETS. According to NYPD officials, in July 2021, NYPD replaced PETS with FORMS, which has advanced functions for reporting and input controls. The data from PETS was migrated to FORMS.

All property categorized as contraband, including weapons and narcotics, is destroyed when it is no longer needed for a criminal case. Property that is not subject to forfeiture proceedings, property being held for safekeeping, and found property can be returned to its rightful owner. Each category of property has a retention period. For example, items held for safekeeping have a retention period of 120 days, and items held for investigations have a retention period of one year. Found property not claimed by the owner at the end of the retention period can be returned to the finder of that property. All property not claimed by the owner or returned to the finder is to be either auctioned off (if it has value) or discarded. When property is removed from inventory—whether it

is returned, auctioned off, or discarded—the corresponding invoice is to be closed in the property tracking system.¹

In July 2021, the Comptroller's Office issued an audit on NYPD's controls over the reporting, collection, and recording of seized property.² That audit found that NYPD did not have adequate controls over the collection, recording, and reporting of seized property or over related revenue. The audit identified discrepancies in the data held by NYPD for seized property.

As of January 2021, according to the *New York Police Department Property Clerk Division- 2021 Monthly Summary*, the total number of seized property invoices in its possession was 2.9 million. With the exception of cash, NYPD does not record the value of seized property.

Objective

To determine whether NYPD has adequate inventory controls over seized property managed by PCD.

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 July 1, 2016 to December 31, 2021. This audit did not determine whether all seized property was reported and included in inventory, nor did it assess the process by which claimants obtained their property.

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 NYPD on May 11, 2022, and discussed with NYPD officials at an exit conference held June 1, 2022. On June 6, 2022, we submitted a draft report to NYPD with a request for written comments. We received a written response from NYPD on June 17, 2022. In its response, NYPD agreed with all six recommendations.

Where relevant, footnotes have been added to provide additional information. The full text of NYPD's response is included as an addendum to this report.

¹ Multiple items can be listed on an invoice.

² Audit Report on the New York City Police Department's Controls over Seized Property (MD20-078A), issued on July 8, 2021.

FINDINGS AND RECOMMENDATIONS

NYPD was generally able to account for property related to the sampled invoices recorded in its property tracking systems. However, the audit found that NYPD did not consistently conduct counts of the property recorded on those invoices. While NYPD generally met the minimum retention periods before disposing of held property, many items are held well beyond their retention periods. Finally, the audit found that NYPD should improve its documenting of claimants' identification when property is returned.

NYPD Generally Accounted for Property Related to Sampled Invoices

With two exceptions, auditors were able to locate the items pertaining to sampled invoices recorded in NYPD's property tracking system.

As stated in DCAS' *Citywide Inventory Management Policy*, Section 2.1.3, "Agencies must designate all storage areas and provide proper security to safeguard stored inventory. Agencies must maintain records on inventory being held at each storage area."

Auditors selected a random sample of invoices that were open (meaning that the property was still in NYPD's possession) in the property tracking system at some point between July 1, 2016 and June 30, 2020. Of the 98 sample invoices reviewed, 43 (relating to 116 items) were open as of October 05, 2021.³ The status of the 98 invoices as of that date is shown in Table I below.

Table I

Disposition of Sampled Items
as of October 5, 2021

Category	No. of Invoices
Returned to Owner/Claimant	37
Destroyed	17
Auctioned	1
Open	43
Total	98

Auditors conducted physical inspections at five Property Clerk locations and two warehouses and were able to locate all but the following items pertaining to the open invoices:

- One invoice included seven different jewelry items, including necklaces, bracelets, and pendants, and it was indicated in the system as "Open, Staged for disposition." The invoice was still open in the system and indicated that the jewelry was sent to PropertyRoom (one of NYPD's auction vendors) almost two years prior. NYPD later stated that the items were

³ The auditors selected a sample of 100 invoices but two invoices for Laboratory storage were outside the purview of the PCD and in the custody of the Detective Bureau and therefore excluded from the sample.

sold at auction on January 21 and 22, 2020. However, NYPD did not provide the sales statement from the vendor, so this could not be confirmed.

- The other invoice pertained to a handbag and luggage recorded in the system as “Waiting for User Action.” The items could not be located during a visit to the Pearson Place warehouse. NYPD officials later indicated that the items were destroyed. However, NYPD did not have any evidence of the destruction, so this could not be confirmed.

NYPD attributed these discrepancies to recordkeeping issues with PETS, which had issues with updating invoice dispositions once property was sold and when scanning invoices for destruction. NYPD also stated that it is not currently possible to update invoices with a final disposition once the property is sold at auction. NYPD expects this functionality will be added to FORMS.

Regarding the second invoice, NYPD stated that a glitch within PETS sometimes resulted in invoices being scanned for destruction to be flagged as “waiting for user action.” This required that the invoice be manually updated in the system with the correct designation. Officials stated that warehouse personnel are aware of the issue and working through the backlog of invoices to be updated.

Recommendation

1. NYPD should work with the vendor of its property tracking system to ensure that the issues with updating invoices and scanning invoices for destruction are corrected so that invoice statuses are appropriately updated and recorded in the system. Until the issues are resolved, NYPD should retain paper records outside of the system.

NYPD Response: NYPD agreed with this recommendation but noted that it “intends to continue using the ITB ticketing system in lieu of paper based records.”

Auditor Comment: If the ITB ticketing system allows NYPD to adequately track the status of invoices, then this is a suitable alternative for maintaining paper records.

Inventory Counts Not Consistently Conducted

NYPD did not ensure that periodic counts and inspections of property were regularly conducted, and when they were conducted, there did not appear to be a standard established for the number of invoices to be reviewed. The auditors found significant variations in the number of invoices reviewed during each inspection.

According to NYPD officials, the Support Services Bureau (SSB) Inspections Unit conducts yearly full counts (audits) of large weight narcotics and periodic inspections of firearms, jewelry, currency, and vehicle operations at the PCD Borough Offices, the warehouses, and the auto pounds. In addition, PCD Integrity Control Officers (ICOs) conduct periodic counts and reconciliations—known as *I.C.O./Inspections Unit Random Integrity Inspections* (integrity inspections)—for general property, firearms, and jewelry twice a year at the PCD Borough locations, auto pounds, and warehouses.

During the period of Calendar Years 2017 through 2021, NYPD conducted a total of 45 counts, including 39 integrity inspections and 6 narcotics audits (self-initiated anti-corruption investigations of large weight narcotics). A review of the integrity inspections conducted by ICOs

revealed significant variances among the locations. Table II below shows a breakdown of the integrity inspections conducted during that five-year period, by location.

Table II

ICO Integrity Inspections Conducted
by Location During Calendar Years
2017 - 2021

PCD Location	2017		2018		2019		2020		2021		Totals	
	# of Insp.	# of Inv.	# of Insp.	# of Inv.	# of Insp.	# of Inv.	# of Insp.	# of Inv.	# of Insp.	# of Inv.	Total # of Inspections Conducted	Total # of Invoices Inspected
Manhattan Property Clerk Office	2	50	2	135	0	0	1	15	0	0	5	200
Queens Property Clerk Office	1	47	4	155	3	40	1	10	1	5	10	257
Bronx Property Clerk Office	2	146	1	15	0	0	0	0	1	5	4	166
Brooklyn Property Clerk Office	4	125	1	1	1	15	1	5	1	5	8	151
Staten Island Property Clerk Office	3	82	3	25	1	15	1	15	0	0	8	137
Pearson Place Warehouse	1	45	0	0	0	0	0	0	0	0	1	45
Pearson Place Annex Warehouse	0	0	0	0	0	0	0	0	0	0	0	0
Abbott Warehouse	1	5	0	0	0	0	1	8	1	5	3	18
2 nd Avenue Warehouse	0	0	0	0	0	0	0	0	0	0	0	0
Erie Basin Auto Pound	0	0	0	0	0	0	0	0	0	0	0	0
Springfield Gardens Auto Pound	0	0	0	0	0	0	0	0	0	0	0	0
Total # Of Insp/Inv	14	500	11	331	5	70	5	53	4	20	39	974

Insp = Inspection

Inv = Invoices

As shown in the table, NYPD conducted no integrity inspections at 4 of the PCD's 11 locations—Pearson Place Annex Warehouse, 2nd Avenue Warehouse, Erie Basin Auto Pound, and Springfield Gardens Auto Pound. According to NYPD, the 2nd Avenue Warehouse contains mostly biological evidence (e.g., buccal swabs and clothing with serological evidence) that are

sealed and cannot be opened. However, other items are also stored at that location including bicycles, motorcycles, and scooters. Additionally, none of the counts conducted included vehicles and only one included jewelry.

During this period, none of the PCD Borough locations were inspected twice a year as required by NYPD protocols. At the Pearson Place Warehouse, the largest warehouse, only one inspection was conducted in 2017; no inspections were conducted between 2018 and 2021. Three locations—Queens Property Clerk Office, Brooklyn Property Clerk Office, and Staten Island Property Clerk Office—underwent 26 inspections in total (accounting for approximately 67% of the 39 inspections performed) during the five-year period. NYPD officials identified limited personnel resources as a primary factor in the conduct of inspections. Officials stated that more staff is needed to enable PCD to conduct inspections more regularly.

There were also variances in the number of invoices reviewed during the inspections. According to NYPD, prior to visiting a facility, the ICO logs into the property tracking system, runs a “Row/Bin Check Report” for a randomly chosen shelf, and then randomly selects several invoices to be reviewed. For three of the five years (2017, 2018, and 2019), an average of 30 invoices were reviewed per inspection, while for the other two years (2020 and 2021), an average of 8 invoices were reviewed. According to NYPD, there is no minimum or maximum number of invoices to be selected and there is no documentation on the selection process, so auditors were unable to determine whether the methodology was followed.

Regarding counts conducted by the SSB — which, as noted above, should include yearly full audits of large weight narcotics and periodic inspections of firearms, jewelry, currency, and vehicle operations at the PCD locations — NYPD provided no evidence of counts for Calendar Years 2017 through 2019. Table III shows a breakdown of the SSB counts—all pertaining to large weight narcotics—conducted during Calendar Years 2020 and 2021.

Table III

SSB Counts Conducted by Location
During Calendar Years 2020 – 2021

PCD Location	2020	2021	Total
Manhattan Property Clerk Office	0	1	1
Queens Property Clerk Office	0	2	2
Bronx Property Clerk Office	0	0	0
Brooklyn Property Clerk Office	0	0	0
Staten Island Property Clerk Office	0	1	1
Pearson Place Warehouse	2	0	2
Pearson Place Annex Warehouse	0	0	0
Abbott Warehouse	0	0	0
2 nd Avenue Warehouse	0	0	0
Erie Basin Auto Pound	0	0	0
Springfield Gardens Auto Pound	0	0	0
Total # Of Inspections	2	4	6

Only six counts were conducted within the audit scope period (none before December 2020) — two at the Pearson Place warehouse⁴, two at the Queens Property Clerk Office and one each at the Manhattan and Staten Island Property Clerk offices.⁵ All six counts related to narcotics. NYPD provided no evidence of any other counts performed by the SSB relating to the other property types—jewelry, firearms, currency, and vehicles.

While NYPD’s Property Guide does include instructions relating to the storage of property, it does not include instructions outlining the methodology (e.g., selection of locations, items to be included, frequency of inspections, sample selection, required documentation) to be used in conducting the integrity inspections and SSB audits and inspections.

Property Type Not Recorded in Integrity Inspection Reports

NYPD uses an *I.C.O./Inspections Unit Random Integrity Inspection Sheet* (integrity inspection report) to record the results of the integrity inspections. The form contains fields to record identifying information such as the property type, the invoice number, and the storage number for the invoices selected as part of those inspections, as well as the date, time, and location of the inspection.

A review of the sampled integrity inspection reports revealed that the property type was not consistently recorded. Of the 39 inspection reports reviewed by the auditors, 26 were missing the

⁴ In its response, NYPD stated that nine invoiced property inspections conducted during 2020 and 2021 at the Pearson Place Warehouse were not included in Table III. These nine inspections were not included in the table because they were conducted in connection with the destruction of property and were not property counts.

⁵ NYPD provided reports of nine inspections conducted by the SSB; however, three were conducted during 2022 after the audit scope period.

property type (22 had the category listed instead and 4 were blank). Three were also missing the invoice number and/or storage number.

In the property type field, reviewers generally recorded the property category (e.g., arrest evidence, safekeeping, found property, etc.) instead of the property type (e.g., general property, currency, jewelry, etc.).

NYPD officials stated that it is more useful to record the property category because it is used to determine the retention period for the property and will vary for invoices of the same type. They added that the integrity inspection report will be updated to reflect the property category.

Recording the property type on the integrity inspection reports would help facilitate an independent review of the inspections to monitor whether any property types are being repeatedly omitted (either inadvertently or intentionally) from the counts.

At the exit conference, NYPD's Director of Fiscal Accountability stated that the agency is working on a sampling memo to establish a system for integrity counts going forward. Officials do not have an estimated timeframe but the memo is expected to include a more robust method for reviewing invoices. Officials also stated they will be updating the ICO inspection sheet.

Recommendations

2. NYPD should strive to ensure that agency protocols are followed with regard to Integrity Inspections and SSB Counts. To the extent that staffing levels permit, NYPD should make an effort to ensure that all property types are counted periodically and that the counts are appropriately documented.

NYPD Response: NYPD agreed with this recommendation.

3. NYPD should update its Property Guide to include procedures for the conduct of integrity inspections and SSB audits and inspections.

NYPD Response: NYPD agreed with this recommendation.

Minimum Retention Periods Met for Sampled Invoices

While NYPD complied with minimum retention guidelines for the sampled seized property invoices, all items that were auctioned off or destroyed were kept well past their retention dates.

NYPD's *Property Retention Guidelines* defines the minimum retention periods for the various types of property. For example, safekeeping items must be held for 120 days and investigatory evidence items must be held for one year. According to a PCD official, PCD personnel will utilize the Office of Court Administration (OCA) database, the OMNI database (for vehicles), and its property tracking system to identify items for which the minimum retention periods have been met and determine whether they can be disposed of (e.g., not needed for a pending case, criminal proceedings have terminated). NYPD's *Property Guide, Procedure # 603-6, Query of Invoices for Destruction/Disposal*, Section 8, states that the supervisor in charge at a facility will designate personnel to perform routine queries of PETS (now FORMS) to determine length of time property has been on hand and ensure that a system is in place to facilitate appropriate disposal/destruction. The purpose of this procedure is to "expedite the disposal of property."

The audit found that NYPD complied with the minimum retention guidelines for the sampled seized property invoices. Of 98 sampled invoices, 49 were for property that was eligible for auction or destruction.⁶ As of October 05, 2021, 17 were closed because the property had been destroyed but 32 remained open. Of these, 25 were eligible for auctions/disposal. The minimum retention period had passed for all invoices at the time of the properties' disposal.

Property Retained by NYPD Well Past the Retention Periods

On average, the above-mentioned property was kept 280 days past their retention dates before disposal. In eight cases the property was kept at least 148 days past the retention dates. Approximately 50% had been kept at least 725 days past the retention dates.

NYPD officials indicated that property disposals occur on a rolling basis continually throughout the year for general property and vehicles but not for other types of property. NYPD also stated that the retention period for property was not automatically calculated and flagged in PETS or in FORMS.

Delays in disposal of goods that are eligible for auction delays the availability of related revenue. According to PCD's Monthly Summary for January 2021, \$520,656 in revenue was realized through auctions of general property items between January 2020 and January 2021.⁷

Officials stated that additional personnel and an increased operational budget would allow the PCD to dispose of an increased amount of invoiced property.

Recommendation

4. NYPD should establish protocols for the timely disposal of seized property that has exceeded its retention period and consider requesting additional resources, as needed, to comply with such protocols.

NYPD Response: NYPD agreed with this recommendation.

Other Issues

Notification Letters to Owners of Found Property Are Not Sent or Not Sent Timely

Chapter 12-09 of the Rules of the City of New York (RCNY) states that property is returned to owners upon demand or upon presentation of a letter of notification from Stolen Property Inquiry Section or the Property Clerk, informing them that their property has been found.

The Chapter further provides that the Property Clerk notifies finders by mail that property is ready for release. The finder should produce the pink copy of the voucher and letter from the Property Clerk to obtain property.

The auditors reviewed 12 found property invoices from the original sample of 98 invoices. An additional 25 invoices of found property were also randomly selected. Of the 37 invoices reviewed 31 invoices should have resulted in issuance of notification letters. The auditors found no

⁶ Of the remaining 49 invoices, the items were returned to the owners in 37 instances, were auctioned in 1 instance, and were not eligible to be returned in 11 instances.

⁷ None of the items in the auditors' sample were included in these auctions.

evidence—in the system or hard copy records—that NYPD sent notification letters to the owners or finders for 30 of them.⁸ In one case the notification letter was sent but it was not timely. According to NYPD's retention guidelines, the letter should have been sent after the property had been retained for 180 days, but it was sent after the property had been in NYPD's possession for 273 days.

NYPD officials stated that the intent was to modify PETS so that it could generate notification letters, but this never occurred, and PCD did not institute an alternative method for issuing notification letters. Officials stated that FORMS has the functionality to generate these letters and PCD is working with the vendor to implement this feature.

Notification letters that are not sent or not sent timely to the owners of found property increases the risk that the rightful owners do not become aware their property has been located and increases the time during which owners are deprived of their property.

No Requirement That Evidence Presented to Claim Property Be Documented

RCNY Section 12-01 states that proper identification (licenses, credit cards, passports, etc.) is required to claim property. In cases where the owner of property sends another person to pick up that property, a notarized letter authorizing them to do so is required.

Of the 98 sampled invoices, the property was returned to claimants in 37 instances. In 7 cases, NYPD provided copies of the identification documents and district attorney releases. In the remaining 30 instances returns were made at precincts, where NYPD does not require documents presented by claimants to be retained. NYPD officials stated the Patrol Guide Procedure 218-02 only requires that claimant ID be verified, not that the verification be documented. The claimant's name and the ID number of the document provided was recorded on 3 of the 30 invoices.

At the exit conference, PCD officials stated that the precincts are outside of the PCD's purview. The precincts fall under the Chief of the Department, whereas the PCD falls under the First Deputy. Requiring that claimants' identification information be recorded on invoices at the precinct level would require the implementation of a policy change, a lengthy process in which any proposed changes would be subject to review and recommendations.

Maintaining a record of the ID presented would serve as evidence that items were appropriately returned to the correct owner and would also facilitate independent reviews to verify compliance with the regulation.

Recommendations

5. NYPD should ensure that the capability needed to generate notification letters is added in FORMS and that the letters are sent timely to the owners/finders of property as required. Until such capability is functional, NYPD should develop an alternate process for sending timely notification letters for found property.

NYPD Response: NYPD agreed with this recommendation.

⁸ Of the 37 invoices reviewed, notification letters were not warranted for 6 of them; for 3 invoices the property included contraband or narcotics and for the other 3 invoices the finder did not provide complete contact information.

6. NYPD should consider a change in its policy at the precinct level to require that a claimant's identification information be recorded on invoices to document the return of property at precincts.

NYPD Response: NYPD agreed with this recommendation.

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 was July 1, 2016 through December 31, 2021.

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

To obtain an understanding of the operations and the staff responsibilities related to tracking of inventory of seized property, the auditors reviewed memoranda of interviews conducted during the previous Comptroller's audit #MD20-078A. These included interviews with NYPD officials and staff from PCD Warehouse Systems; Auto Pound Unit; Auctions, Vehicle Documentations, Claims Unit; and PCD Borough Offices (Manhattan and Brooklyn). The auditors also reviewed the memoranda from the observations of 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.

To evaluate NYPD's internal controls related to inventory of seized property, the auditors reviewed policies and procedures related to the disposition and retention of different categories of seized property. The auditors obtained and reviewed the following: 1) NYPD Operations Guide; 2) NYPD Patrol Guides related to inventory of seized property; 3) NYPD's *Property Guides - Property Clerk Division* manual; 4) NYPD's *Property Retention* Guidelines; 5) the Rules of the City of New York Chapter 12; 6) Comptroller's Directive #1, *Principles of Internal Control*; 7) the Comptroller's *Financial Integrity Statement Checklist*; 8) Government Accountability Office's *Best Practices in Achieving Consistent Accurate Physical Count of Inventory and Related Property*; 9) DCAS *Citywide Inventory Management Policy*; 10) the GAO's *Federal Information System Controls Audit Manual*; 11) the *PETS Student Guide Ver.P3*; 12) the *New York Police Department Property Clerk Division- 2021 Monthly Summary*; and 13) NYPD's *I.C./Inspections Unit Random Integrity Inspection Sheet*. The auditors also reviewed the Current Storage Location Invoices report and the Property Index report to get an understanding of the seized property tracking tools. The auditors also reviewed any relevant background documentation and memoranda from the Comptroller's Audit # MD20-078A related to the inventory of seized property.

To evaluate NYPD's controls over the seized property and determine whether property is properly disposed of and can be accounted for, the auditors randomly selected one month from each of four fiscal years (2017, 2018, 2019 and 2020). The months selected were October 2016, April 2018, February 2019, and May 2020. The auditors stratified the property seized during each of the sampled months by property type and randomly selected 25 invoices based on the proportion of the property type to the population. The auditors performed a detailed testing for a total of 98 invoices because two of the invoices were related to NYPD Lab, and were not under the purview of the PCD, so they were excluded from the sample. To determine whether the items for the 98

sampled invoices could be accounted for, the auditors conducted site visits to all five PCD Borough locations and two warehouses (Pearson Place and 2nd Avenue). When the items were returned to the owners or destroyed, the auditors requested for review the supporting documentation. The auditors also determined whether procedures were followed during the disposition of the property. To determine whether items for open sampled invoices were on hand, the auditors located and observed the items. To assess NYPD's compliance with the found property procedures, the auditors randomly selected a sample of 25 invoices processed for found property during Fiscal Years 2020 and 2021. The auditors determined whether notification letters were sent to the owners or finders whenever possible.

Furthermore, to determine whether NYPD disposed of property in a timely manner, the auditors calculated the number of days NYPD kept the sampled property it destroyed or auctioned in its possession after the retention period ended. For sampled items still in NYPD's possession, the auditors calculated the number of days between when the retention period ended and October 5, 2021, the start date of our site visits.

To assess the reliability of the new computer system, FORMS-Property, the auditors determined whether all invoices were transferred from the old computer system, PETS. The auditors obtained the listing of all invoices for the four sampled months generated from the FORMS-Property system and compared it to the list of invoices for the same periods generated previously from the PETS system. A list of all missing invoices was obtained from the FORMS-Property system. To determine whether those missing invoices were included in the Voided Invoices Report previously generated from PETS, the auditors used Excel VLOOKUP function and analyzed the results.

To evaluate the adequacy of NYPD's controls over the inventory management of seized property and to determine whether the agency performed annual inventory counts of seized property in its custody, the auditors obtained the I.C.O./Inspections Unit *Random Integrity Inspection Sheets* which represent the periodic inventory counts conducted for all locations during calendar years 2017 through 2021. The auditors reviewed these reports to determine the frequency of the inspections, whether all locations were inspected, and to determine the number of invoices and types of property inspected. The auditors also reviewed the reports to ensure they were complete and included the required information.

Although the results of the auditors' sampling tests were not statistically projected to their respective populations, the results of the audit's tests and procedures provide a reasonable basis for the auditors to determine whether NYPD has an adequate system of controls in place over its inventory of seized property.



POLICE DEPARTMENT
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June 17, 2022

Maura Hayes-Chaffe
Deputy Comptroller for Audits
Office of New York City Comptroller Brad Lander
1 Centre Street Room 1100
New York, NY 10007

Dear Deputy Comptroller Hayes-Chaffe,

I am writing in response to your correspondence seeking comments on the draft report issued by the Office of the Comptroller entitled *Audit on the New York City Police Department's Controls over Seized Property Inventory*, encompassing the audit period of Fiscal Year 2017 through Fiscal Year 2021. Our response to the recommendations are as follows:

1. Response to recommendation #1

NYPD should work with the vendor of its property tracking system to ensure that the issues with updating invoices and scanning invoices for destruction are corrected so that invoice statuses are appropriately updated and recorded in the system. Until the issues are resolved, NYPD should retain paper records outside of the system.

The Department's Information Technology Bureau (ITB) is continuing to oversee the work of the FORMS – Property vendor, IBI. This includes ensuring that issues with invoiced property records are corrected in a timely manner.

The Property Clerk Division (PCD) is continuing to monitor issues with the FORMS – Property system as they arise. PCD serves as an intermediary between ITB, IBI, and Department's end users. As end user issues arise, the ITB service desk enters the issue into its ticketing system. These tickets are then forwarded to PCD personnel for resolution.

For issues that cannot be resolved, such as an inability to update or close an invoice, the issue is then forwarded by PCD personnel to IBI. Upon resolution by IBI, the ticket will be closed. The ticketing system is a separate electronic database from FORMS – Property and serves as a record of all known outstanding issues with invoices in the FORMS – Property system.

Therefore, the Department intends to continue using the ITB ticketing system in lieu of paper based records. The ticketing system is an efficient method of collaboration between stakeholders and is more robust when compared to paper records.

2. Responses to recommendation #2

NYPD should strive to ensure that agency protocols are followed with regard to Integrity Inspections and SSB Counts. To the extent that staffing levels permit, NYPD should make an effort to ensure that all property types are counted periodically and that the counts are appropriately documented.

The PCD's Integrity Control Officers (ICOs) will continue to conduct random inspections of invoiced property to ensure the accuracy of Department records.

In order to ensure all PCD facilities are in compliance, going forward random inspections will be conducted at least twice a calendar year at each facility. If multiple property types are stored at a given facility, a different property type will be chosen for each inspection. The Property Types are controlled substance, currency, evidence collection, firearm, general property, jewelry, and vehicle/boat. To ensure uniformity, 15 invoices will be selected for each inspection.

A revised ICO/Inspections Unit Random Integrity Inspection Sheet has been provided to the auditors.

Furthermore, 9 invoiced property inspections by the SSB Investigations Unit at the Pearson Place Warehouse were not included in the chart on page 7 of the audit report. These inspections were conducted during 2020 and 2021 prior to their removal for destruction from the warehouse. The inspection reports were provided to the Comptroller in April 2022.

3. Responses to recommendation #3

NYPD should update its Property Guide to include procedures for the conduct of integrity inspections and SSB audits and inspections.

The PCD will update the property guide to include the procedure outlined in our response to recommendation #2.

4. Responses to recommendation #4

NYPD should establish protocols for the timely disposal of seized property that has exceeded its retention period and consider requesting additional resources, as needed, to comply with such protocols.

The PCD will continue to dispose of seized property as resources permit. A robust disposal plan is being discussed within the Department. Further, PCD continues to submit requests for additional personnel to all relevant stakeholders in order to fill numerous uniform and civilian vacancies.

5. Responses to recommendation #5

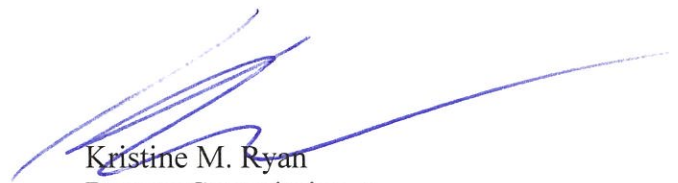
NYPD should ensure that the capability needed to generate notification letters is added in FORMS and that the letters are sent timely to the owners/finders of property as required. Until such capability is functional, NYPD should develop an alternate process for sending timely notification letters for found property.

PCD is working with ITB to automatically generate letters in FORMS – Property. This function is near completion.

6. Responses to recommendation #6

NYPD should consider a change in its policy at the precinct level to require that a claimant's identification information be recorded on invoices to document the return of property at precincts.

A recommendation has been made to our internal stakeholders to this policy change.



Kristine M. Ryan
Deputy Commissioner
Management and Budget

cc: Keechant Sewell, Police Commissioner
Kristina Milano, Director Fiscal Accountability Unit