

AUDIT REPORT



CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
BUREAU OF MANAGEMENT AUDIT
WILLIAM C. THOMPSON, JR., COMPTROLLER

Audit Report on the Internal Controls Of the Police Department over Handgun Licensing

MH03-159A

June 28, 2004



THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
1 CENTRE STREET
NEW YORK, N.Y. 10007-2341

WILLIAM C. THOMPSON, JR.
COMPTROLLER

To the Citizens of the City of New York

Ladies and Gentlemen:

In accordance with the Comptroller's responsibilities contained in Chapter 5, §93, of the New York City Charter, my office has examined the internal controls over the collection of handgun fees and the issuance of handgun licenses by the Police Department's License Division.

The results of our audit, which are presented in this report, have been discussed with NYPD officials, and their comments have been considered in the preparation of this report.

Audits such as this provide a means of ensuring that the New York City Police Department handles handgun licensing in the proper manner, as set forth by City rules.

I trust that this report contains information that is of interest to you. If you have any questions concerning this report, please e-mail my audit bureau at audit@comptroller.nyc.gov or telephone my office at 212-669-3747.

Very truly yours,

A handwritten signature in cursive script that reads 'William C. Thompson, Jr.'.

William C. Thompson, Jr.

WCT/fh

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*The City of New York
Office of the Comptroller
Bureau of Management Audit*

**Audit Report on the
Internal Controls of the Police Department
Over Handgun Licensing**

MH03-159A

AUDIT REPORT IN BRIEF

This audit of the New York City Police Department (NYPD) License Division determined whether the NYPD maintains adequate controls over the collection of handgun licensing fees. It also determined whether the NYPD maintains adequate controls over the issuance, renewal, and cancellation of handgun licenses.

Audit Findings and Conclusion

The License Division's internal controls over the issuance of new handgun licenses and the renewal of handgun licenses are adequate, despite a lack of written policies and procedures. In addition, the controls over safeguarding, issuing, and accounting for blank licenses are adequate.

The internal controls over the collection of handgun licensing fees are generally adequate. However, there is a lack of segregation of duties in the Cashier's Unit of the License Division that needs to be addressed to prevent the possibility of misappropriation of fees collected.

Although controls over the issuance of handgun licenses are adequate, they are inadequate and inconsistent over the cancellation of those licenses. In addition, we found 160 individuals on the Social Security Administration (SSA) deceased list who remained listed in the Automated License Processing System (ALPS) as having an active license.

Overall, the License Division has no written policies and procedures. In their absence, some tasks may not be properly communicated and consistently followed. Also, there is no assurance that new personnel will have adequate guidance in carrying out their assigned tasks.

Audit Recommendations

To address these issues, we make 12 recommendations, namely, that the NYPD License Division should:

- Develop a comprehensive policies and procedures manual that addresses all internal processes and functions throughout the License Division, and distribute the manual to appropriate departments and personnel.
- Include in its written policies and procedures all steps necessary to cancel and finalize licenses. Those procedures and policies should be distributed among the appropriate staff.
- Continue its efforts to ensure that all handguns associated with previous and current canceled licenses are accounted for in a timely manner and the information is entered in ALPS.
- Ensure that the appropriate staff performs all necessary tasks involved with canceling and finalizing licenses.
- Assign personnel to clear up the backlog of canceled license information by entering and recording all necessary information in ALPS and the logbooks.
- Include in its written procedures specific steps for handling surrender notices to help employees record and track surrender notice information in a consistent and standardized manner.
- Ensure that surrender notices are issued for all canceled licenses that require them.
- Establish and implement a system to track and follow up on surrender notices on a regular basis.
- Consider computerizing the surrender notice logbooks, which would eliminate the need to maintain two logbooks.
- Contact the SSA and establish a procedure that periodically compares death records to the NYPD listing of active licensees.
- Segregate the duties of collecting, recording, and reconciling the handgun licensing fees among several employees.
- Contact the program vendor and explore the possibility of making changes in ALPS so that the system: (1) can avoid cancellations made in error by either removing the mass cancellation function or by making it inoperable; (2) can print letters that include accurate information and; (3) has specific fields within the cancellation screen to enhance the surrender notice process by capturing pertinent information.

INTRODUCTION

Background

The New York City Police Department (NYPD) License Division is responsible for issuing and maintaining handgun licenses in the City.¹ The mission of the License Division is “to ensure that the requirements set forth in local, state and federal law are uniformly applied to the process of licensing firearms . . . in a courteous, expeditious, and professional manner.”² As of August 31, 2003, there were 40,009 active handgun licenses issued by the NYPD. During 2003, the License Division collected \$3,199,186.

Title 38, Chapter 5, of the Rules of the City of New York (Rules) sets the mandates that must be followed when issuing and renewing handgun licenses in New York City. These rules establish the types of handgun licenses, license approval requirements, and licensee responsibilities. The License Division issues the following seven types of handgun licenses:

- Premise Residence License—issued for a specific residence location.
- Premise Business License—issued for a specific business location.
- Carry Business License—allows the licensee to carry a concealed handgun on the person.
- Limited Carry Business License—permits the licensee to carry a concealed handgun to and from specific locations on specific days and at times set forth on the license.
- Carry Guard/Gun Custodian License—carry license that is valid when the holder is actually engaged in a work assignment as a security guard or gun custodian.
- Special Licenses—licenses for individuals residing outside New York City. One type allows the licensee to carry a concealed handgun on the person while in New York City. The second type is a carry license that is valid when the holder is actually engaged in a work assignment as a security guard or gun custodian while in the City.
- Retiree License—allows a retired Peace or Police Officer to carry a handgun.

One license may cover numerous handguns. The applications for a handgun license must be picked up in person at the License Division at One Police Plaza in Manhattan. The applicant is required to submit the following items: two color photographs taken within the past 30 days; proof of birth; proof of citizenship, if born outside the United States; proof of residency; military discharge, if applicable; any arrest information; proof of business ownership (if relevant); and a letter of necessity³ (except for premise residence applications). All applicants must submit an application fee of \$255 (for new and

¹ Rifle licensing takes place at the License Division’s Kew Gardens office in Queens. This division was not included in our audit.

² Criminal Procedure Law 1.20 exempts NYPD Police Officers from obtaining handgun licenses from the NYPD.

³ A notarized letter signed by a corporate officer, partner, or owner of a business explaining the need for the license.

renewal applications) and a fingerprinting fee of \$99 (for first time applicants), both in the form of money orders.

Each application is entered in the License Division Automated License Processing System (ALPS). ALPS assigns the application a unique application number. A License Division supervisor assigns the application to an investigator, who ensures that the proper information has been submitted and the required reviews (mental health status, domestic violence, and criminal history) have been performed. Once all the reviews are completed and approved, a unique license number is assigned. The applicant is notified by mail to come in and pick up the license. If the application is not approved, the applicant is sent a rejection notice with a reason for the rejection.

Every three years the License Division mails out a renewal notice notifying the licensee that it is time to renew the license. The license expires on the licensee's birthday, and failure to renew the license on time is cause for cancellation. License renewals are sent out to the licensees by mail 60 days prior to the expiration date. The licensee is required to fill out the renewal form and submit all necessary documentation to the License Division. Once received, the information is entered and updated in ALPS, and a renewed license is issued. If the licensee does not renew the license or fails to send back the renewal form in a timely fashion, the license is canceled. If the individual still wishes to have a license, he or she must re-apply as a new applicant.

To complete the cancellation process, the Cancellation Unit of the License Division must obtain evidence that the handgun(s) attached to the canceled license is either sold, returned to the business, or surrendered to a police precinct. If the handgun has not been accounted for, a surrender notice is issued to the licensee's police precinct. The precinct is responsible to account for all handguns listed on the surrender notice. Once all the above steps are completed, the Cancellation Unit changes the status of the license in ALPS to "finalized."

Objectives

The objectives of this audit were to determine whether the NYPD's License Division maintains adequate controls over the collection of handgun licensing fees and maintains adequate controls over the issuance of handgun licenses.

Scope and Methodology

The audit scope covered Fiscal Years 2001, 2002, and 2003. We conducted our audit fieldwork from September 2003 to January 2004. We interviewed License Division officials to gain an understanding of the overall processes involved in the processing and issuing of handgun licenses. We requested the License Division's written policies and procedures and were provided with Title 38, Chapter 5, of the Rules of the City of New York. We also reviewed Penal Law 265.20, Criminal Procedure Laws 1.20 and 2.10, and other relevant information.

To assess the License Division's internal controls over the issuance of handgun licenses, our review included on-site interviews with administrative personnel and observations of the administrative

site to assess the manual and automated processes involved, as well as the controls and procedures in place.

We evaluated the controls over the collection of handgun fees by observing the collection processes from the acceptance of payment at the Cashier's Unit of the License Division through the daily reconciliation and transfer of cash. We randomly selected the month of August 2002 for review. We reviewed records of the fees collected for new applications and renewals by the License Division for this month. We compared the fees collected and recorded in the daily, weekly, and monthly logs maintained by the Cashier's Unit. We then compared the amounts of the daily log with the dollar amounts on the transmittal sheets that are brought to the NYPD Department of Audits and Accounting for deposit. We did not review the actual deposits of fees since deposits are handled by another division within the NYPD, and would be outside the scope of this audit.

We requested a listing of all active handgun licenses as of June 2003. The Management Information Systems Division (MISD) of the NYPD provided us with a disk containing 41,491 active licenses with the licensee name, license number, and license type. To determine the reliability of the computer-processed data, we randomly selected 50 licensee folders from the License Division's file room and compared the licensees' names and license numbers to those listed on the disk. We also randomly selected 50 licensees from the disk and determined whether a folder existed for each individual in the License Division's file room.

In addition, we judgmentally selected the period of July 1, 2002, through January 31, 2003, and obtained a list of all new licenses issued during this period. This period was chosen to evaluate the most current license folders. We obtained a list of 1,929 new licenses from the MISD. To determine the reliability of this list, we randomly selected 30 licenses and checked to see whether they appeared on the June 2003 file containing a list of 41,491 list of active licenses. From the list of 1,929 new licenses, we then randomly selected 50 licenses and reviewed each license folder for the presence of all required documentation.

We also obtained a list from the NYPD's MISD of the 15,425 renewals performed during Fiscal Year 2002. This period was selected to evaluate the most current complete fiscal year of renewals. We randomly selected 30 renewed licenses to determine the reliability of this computer-processed data and to see whether they appeared on the June 2003 file containing a list of 41,491 list of active licenses. We also randomly selected 50 licenses and evaluated each licensee folder for the presence of all documentation required for license renewal. Based on this sample, we found licenses that appeared not to have been renewed. We, therefore, expanded our sample to obtain a reasonable confidence and precision level. We randomly selected an additional 216 licenses for a total of 266 licensee folders.

In addition, we judgmentally selected the period of July 1, 2002, through August 19, 2003, and obtained a list of all licenses canceled or expired during this period from MISD. This period was selected because it included the most recent complete fiscal year up to the date for which our request was made for canceled or expired licenses. For our analysis of this data, the License Division provided us read-only access to ALPS. We randomly selected 50 licenses from this list of 9,684 canceled or expired licenses and checked whether those licenses had actually been canceled and had been "finalized"—meaning that the handguns on the licenses had been accounted for and the license termed "finalized" in ALPS.

We requested an additional listing of all canceled, but not finalized, licenses from Fiscal Years 2001, 2002, and 2003, since 21 of the above-mentioned 50 licenses were not finalized. From this listing of 11,865 canceled but not finalized licenses, we randomly selected 50 licenses to determine the reason they were not finalized in ALPS and whether the NYPD could account for the associated handguns. To obtain a reasonable precision and confidence level, based on the results of the 50 licenses, we expanded our sample, by 550 and reviewed a total of 600 of the 11,865 licenses. We could not confirm the completeness of the above-mentioned lists (9,684 and 11,865) since when licenses are canceled, their hardcopy files are removed from the file room and periodically destroyed.

After we reviewed the 600 licenses in ALPS, NYPD officials informed us that there were two large cabinet drawers of canceled license information that had not yet been entered in ALPS. We reviewed all the information stored in the two drawers to determine whether there was any information for the licenses in our sample. Of the 600 licenses canceled but not finalized, we found no problems with 32 licenses for the following reasons:

- One of the 32 licenses is still an active license that was canceled in error and reactivated.
- Eight of the 32 licenses were finalized by the License Division during our fieldwork stage.
- Twenty-three of the 32 licenses were canceled as part of a mass cancellation function. We excluded those licenses because we were unable to determine whether they should have been canceled or were canceled in error.

To determine how surrender notices are handled, we visited the Chief of Patrols Office, Manhattan Patrol Borough North, and the 19th, 63rd, and 109th police precincts. We selected these three precincts because in our sample they had the greatest number of canceled licenses with outstanding handguns. To determine whether surrender notices were actually issued, we reviewed the two surrender notice logbooks maintained by the Cancellation Unit of the License Division and reviewed information entered in ALPS. We compared surrender notice information from the License Division to the surrender notice information recorded at the precincts.

Our Electronic Data Processing (EDP) Audit Group obtained a listing of deceased individuals from the Social Security Administration (SSA). This listing contained a record for each known SSA cardholder who died between January 1, 2000, and August 31, 2003. The EDP Audit Group compared this listing with the listing of active licensees as of August 31, 2003, from the License Division's MISD to determine whether the police files contained any active licensees who were deceased.

To evaluate the controls over the safeguarding of blank licenses, we spoke to the individuals at the License Division who handle the distribution of blank licenses and reviewed the logbooks and safeguards over blank licenses.

This audit was conducted in accordance with generally accepted government auditing standards (GAGAS) and included tests of records and other auditing procedures considered necessary. This audit was performed in accordance with the audit responsibilities of the City Comptroller as set forth in Chapter 5, §93, of the New York City Charter.

Discussion of Audit Results

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 officials on April 22, 2004, and was discussed at an exit conference held on May 12, 2004. On May 25, 2004, we submitted a draft report to NYPD officials with a request for comments. We received a written response from NYPD officials on June 11, 2004. In their response, NYPD officials agreed to implement the 12 recommendations made in the audit report, stating:

“All of the findings and recommendations indicated in the report have been reviewed and the Police Department is in agreement with the recommendations listed.”

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

FINDINGS AND RECOMMENDATIONS

The License Division's internal controls over the issuance of new handgun licenses and the renewal of handgun licenses are adequate, despite the lack of written policies and procedures. All new licenses in our sample had the proper documentation and contained evidence that all necessary background checks were performed. All renewed licenses in our sample had the proper documentation and were performed within the time allotted. The controls over safeguarding, issuing, and accounting for blank licenses are adequate. Blank licenses are kept in a locked closet. Each license has a preprinted control number and is recorded in a logbook. In addition, all voided licenses are accounted for in the logbook, and the originals are maintained.

The internal controls over the collection of handgun licensing fees are generally adequate. We reconciled the handgun license fees collected in August 2002 to the accompanying daily, weekly, and monthly records and found no material errors. However, there is a lack of segregation of duties in the Cashier's Unit of the License Division that needs to be addressed to prevent the possibility of misappropriation of fees collected.

Although controls over the issuance of handgun licenses are adequate, they are inadequate and inconsistent over the cancellation of those licenses. In our preliminary draft report, we initially stated that handguns attached to 275 licenses from our sample of 600 licenses were not accounted for. After the preliminary draft report was issued, the License Division performed a review and was able to provide us documentation showing that handguns for a majority of these licenses were accounted for. In addition, we found 160 individuals on the SSA deceased list who remained listed in ALPS as having an active license.

Overall, the License Division has no written policies and procedures. In their absence, some tasks may not be properly communicated and consistently followed. Also, there is no assurance that new personnel will have adequate guidance in carrying out their assigned tasks.

The following sections of this report discuss our findings in more detail.

Lack of Written Policies and Procedures

We requested copies of License Division policies and procedures for handgun licensing. The License Division provided us with the Rules of the City of New York that applied to handgun licensing. The Rules of the City of New York set the mandates that must be followed when issuing and renewing handgun licenses in New York City. However, they do not give detailed instructions on how employees should carry out the Rules. Therefore, we had to ascertain the procedures of the License Division through interviews of various License Division officials and personnel, because the License Division lacked written policies and procedures to address these functions.

Comptroller's Directive #1, Internal Control Checklist, states: "Control objectives are the objectives that management has set for various functions of the operating entity. Often these objectives are written in manuals and procedures, are required by laws and regulations or are just recognized as good operating practices necessary to accomplish the mission of the organization."

The lack of written policies and procedures caused several of the conditions found during our review. Written procedures provide an organization with assurance that every person involved in a process within the organization understands the tasks that are to be accomplished and the acceptable methods to be used in performing those tasks. They also provide an effective mechanism for training and evaluating the performance of staff members. Because it does not maintain written policies and procedures, the License Division cannot be sure that policies and procedures are properly communicated and consistently followed. Also, there is no assurance that new personnel have adequate guidance in carrying out their assigned duties.

Recommendation

1. The NYPD License Division should develop a comprehensive policies and procedures manual that addresses all internal processes and functions throughout the License Division, and distribute the manual to appropriate departments and personnel.

NYPD Response: The NYPD agreed, stating: “The License Division’s executive staff and the unit supervisors have prepared a draft manual to serve as a guide for employees in performing their duties. This manual will include a database (‘ALPS’) user manual and will set general guidelines for individual tasks and assignments performed within the Command. The draft manual is currently being reviewed for appropriateness of content and the manual will be distributed within 30 days of completion. The target date for distribution is mid-July.”

Canceled Licenses Are Not Finalized

We randomly selected a sample of 600 licenses from the total population of 11,865 licenses that were canceled but not finalized in ALPS in Fiscal Years 2001, 2002, and 2003. Based on our review of these 600 licenses, we determined that the NYPD does not finalize all canceled licenses.

Handguns Are Not Always Accounted For

During our fieldwork, we found that the License Division could not account for the handguns in 275 (46%) of our sample of 600 licenses that were canceled but not finalized. These 275 canceled licenses had a total of 474 attached handguns that appeared to be unaccounted for. Our review of various sources, such as ALPS and surrender notice logbooks, showed no evidence of the legal disposition of the handguns associated with the 275 canceled licenses.

Subsequent to the release of the preliminary draft report on April 22, 2004, the License Division began its own review of the 275 licenses. The review included searching the License Division’s previous database, querying the Department of Motor Vehicles (DMV), contacting the licensees, contacting police precincts, and looking through the backlog of unfiled documents. After the License Division completed the review, it was able to provide us documentation to account for the associated handguns on 186 (68%) of the licenses. The following is a breakdown of the information found as a result of that review:

- 96 licensees moved out of New York City
- 12 licensees legally sold their handguns
- 41 licensees submitted their handguns to NYPD for safekeeping (vouchered)
- 16 licensees had their handguns transferred to other active New York City licenses
- 13 licensees returned their handguns to the gun custodian
- 8 licensees had handguns that were accounted for in various other ways

Our review of the documentation showed that some of the handguns had in fact been accounted for a number of years ago by other NYPD units; but there is no evidence that the License Division had knowledge of the whereabouts of the handguns prior to its review. For instance, the handguns for 12 of the 186 licenses were vouchered at various police precincts in May 2004, apparently as a result of our audit. In another example, the License Division provided us a voucher showing that a handgun had been accounted for on July 25, 2000, at the Property Clerk's Office; however, a copy of this voucher was faxed to the License Division on May 18, 2004, during our audit. Since the License Division does not always record the status of handguns, we could not determine whether the May 18, 2004, fax confirmed a status previously reported to the License Division that it should have documented but did not; or whether the fax was the first notification the License Division received to account for the handgun.

The License Division was unable to provide us the necessary documentation to account for 171 handguns associated with the remaining 89 licenses. Accordingly, the License Division should continue its efforts to obtain the necessary documentation to ensure that all handguns are accounted for. The 171 handguns are of concern since they still may pose a safety risk.

Recommendations

The NYPD License Division should:

2. Include in its written policies and procedures all steps necessary to cancel and finalize licenses. Those procedures and policies should be distributed among the appropriate staff.

NYPD Response: The NYPD agreed, stating: "This recommendation will be addressed in detail by the License Division manual discussed in audit recommendation number 1."

3. Continue its efforts to ensure that all handguns associated with previous and current canceled licenses are accounted for in a timely manner and the information is entered in ALPS.

NYPD Response: The NYPD agreed, stating: "The License Division is working with MISD to develop a new computer-based system that includes a function to prepare and track surrender notices."

Entries to Finalize Canceled Licenses In ALPS Are Not Made

The License Division does not update information in ALPS to reflect the most current information on canceled licenses. Based on our testing, we found 293 (49%) of the 600 canceled licenses in our sample were never finalized in ALPS, but could have been finalized since all that was needed was an entry in ALPS. Under the Rules of the City of New York, canceling a handgun license includes the submission of documentation verifying the disposition of the handgun(s). Once all documentation is received by the License Division, the information should be updated in ALPS to reflect the current status of the license.

From our sample of 600 licenses, we found that 293 (49%) licenses were indeed canceled and the handguns were accounted for by the NYPD; therefore, these licenses could have been finalized in ALPS. Officials of the License Division told us that their main objective is to cancel licenses that need to be canceled—that finalizing the licenses are not a priority. Nevertheless, we believe that without clearly written policies and procedures, the staff may not always be aware of the steps needed to finalize a canceled license.

When canceled licenses that have all handguns accounted for are not finalized in ALPS, the reports and information generated by ALPS are misleading and inaccurate. These reports give the impression that handguns are still outstanding when in fact many are not. If NYPD officials were interested in determining the number of licenses with outstanding handguns the License Division would have to review each case to determine whether the handguns had actually been accounted for, a time-consuming review. However, had these licenses been finalized when the handguns had first been accounted for, this additional work would not be necessary. By applying our sample results to the NYPD listing of 11,865 licenses that were canceled but not finalized, we project that 5,795 licenses could have been finalized in ALPS.⁴

Recommendations

The NYPD License Division should:

4. Ensure that the appropriate staff performs all necessary tasks involved with canceling and finalizing licenses.

NYPD Response: The NYPD agreed, stating: “A uniformed supervisor will oversee this area and ensure that all cancelled licenses are finalized in an expeditious manner.”

5. Assign personnel to clear up the backlog of canceled license information by entering and recording all necessary information in ALPS and the logbooks.

NYPD Response: The NYPD agreed, stating: “The License Division has devoted additional resources to a project to clear up the backlog of cancelled licenses and update ALPS to reflect the disposition of handguns attached to those licenses. A total of 7,759 of the identified 11,865

⁴ We are 95% confident (+/- 3.90% precision) that the status of between 5,331 licenses and 6,256 licenses is not accurately reflected in ALPS.

cancelled license records have been updated and marked ‘finalized’ to accurately reflect the proper disposition of attached handguns. The project is to be completed shortly.”

**Recording of Surrender Notices Is Inconsistent
And Tracking of Notices Is Nonexistent**

When handgun licenses are canceled, the Cancellation Unit must obtain evidence that the handguns attached to canceled licenses are sold, returned to the business, or surrendered to a police precinct. If the handgun has not been accounted for by the Cancellation Unit, a “surrender notice” is issued and sent to the licensee’s police precinct. The police precincts are responsible for finding and accounting for the handguns within 30 days of receipt of the surrender notice. Once all the above steps are completed, the Cancellation Unit changes the status of the license in ALPS to “finalized.”

The License Division has inadequate controls over the recording of surrender notices and none over the tracking of notices. A surrender notice is issued from the License Division and recorded in two logbooks. One logbook is organized numerically by surrender notice number. The second logbook is organized by police precinct. Various License Division employees record information in these two logbooks. Although there is no designated field in ALPS for surrender notice information, this information is sometimes entered into a general comments field in ALPS. Surrender notices are then sent to the office of the Chief of Patrols, which forwards them to the appropriate Patrol Borough offices. The Patrol Borough offices then send the surrender notices to the appropriate precinct. When we attempted to track specific surrender notices, we found that the License Division does not track surrender notices after they are issued.

Of the 600 canceled licenses in our sample, we reviewed 332 that appeared to have no handgun dispositions so as to determine whether surrender notices had been issued. Of the 332 canceled licenses, we found 96 that had evidence that a surrender notice had been issued. Of the 96 licenses, 25 had surrender notice information recorded in both License Division logbooks and ALPS. However, the remaining 71 licenses had inconsistencies in the recording of surrender notice information at the License Division.

- 50 licenses had surrender notice information recorded in both License Division logbooks, but not in ALPS.
- 13 licenses had surrender notice information recorded in ALPS, but not in the License Divisions logbooks.
- 5 licenses had surrender notice information recorded in one of the two License Division logbooks and in ALPS.
- 3 licenses had surrender notice information recorded in only one of the two License Division logbooks.

In addition, when surrender notice information was recorded in both logbooks, there were discrepancies between the information recorded. For example, when handgun dispositions were

received, sometimes the information was only recorded in one of the two logbooks. Another discrepancy found was that the surrender notice number recorded differed between the two logbooks.

We found inconsistencies between surrender notice information in the License Division logbooks and records maintained at the two police precincts we visited. In some instances, information was recorded in one of the logbooks at the License Division, but in the police precinct there was no record of the surrender notices having been received. In other instances, the precinct had a record of receiving surrender notices, but the License Division had no record of issuing the surrender notices.

Moreover, ALPS has no designated fields regarding surrender notice information. Since there are no procedures or any standard method for entering surrender notice information in ALPS, the information is entered in a comments box at the discretion of the employee making the entry. Therefore, surrender notice information may never be entered in ALPS.

Recommendations

The NYPD License Division should:

6. Include in its written procedures specific steps for handling surrender notices to help employees record and track surrender notice information in a consistent and standardized manner.

NYPD Response: The NYPD agreed, stating: “This recommendation will be addressed in detail by the License Division manual discussed in audit recommendation number 1.”

7. Ensure that surrender notices are issued for all canceled licenses that require them.

NYPD Response: The NYPD agreed, stating: “The License Division will create an Access database to track surrender notices on an interim basis until a more comprehensive system can be developed by MISD programmers. MISD will enhance the ALPS application to allow automatic triggering and creation of follow-up letters for delinquent renewals.”

8. Establish and implement a system to track and follow up on surrender notices on a regular basis.

NYPD Response: The NYPD agreed, stating: “The License Division will create an Access database to track surrender notices on an interim basis until a more comprehensive system can be developed by MISD programmers. MISD will enhance the ALPS application to allow automatic triggering and creation of surrender notices for forwarding to precincts for non-responses to follow-up letters. MISD will create a precinct tracking record for surrender notice responses and invoicing of guns.”

9. Consider computerizing the surrender notice logbooks, which would eliminate the need to maintain two logbooks.

NYPD Response: The NYPD agreed, stating: “We agree with the recommendation and believe that the response from recommendation #8 applies.”

Problems with Deceased Licensees

The NYPD handgun application requires that an applicant submit the address, relationship, and telephone number of the person who will safeguard the handgun(s) in case of the applicant’s death or disability. That individual is supposed to notify the License Division if the licensee dies, and is responsible for legally disposing of the handgun(s). When we compared the License Division list of active licenses as of August 31, 2003, to the death records of SSA card holders that died between January 1, 2000 and August 31, 2003, we found that 160 of the 40,009 active licensees were deceased.

For the most part, this lapse occurs because the License Division is unaware of a licensee’s death until they fail to renew their license, which must be done once every three years. This situation occurs because the License Division relies on the following methods to learn of a licensee’s death:

- Notification by the licensee’s family or the specified individual.
- The post office returns the renewal application stamped “ addressee deceased.”
- The licensee does not renew, and a follow-up investigation is conducted by the Cancellation Unit.

License Division procedures do not include a comparison of active licensees to SSA death records. This procedure would eliminate the need to wait until a license has expired or until another party notifies the License Division of the licensee’s death. The present practice creates a situation in which a licensed handgun cannot be accounted for and could potentially fall into the wrong hands.

Recommendation

10. The NYPD License Division should contact the SSA and establish a procedure that periodically compares death records to the NYPD listing of active licensees.

NYPD Response: The NYPD agreed, stating: “The Patrol Guide Procedure 216-04 ‘Dead Human Body General Procedures’ is being reviewed for a possible amendment requiring that the Precinct Desk Officer makes inquiries to determine if the decedent was a licensee and if so, to secure firearms possessed by the decedent. In addition, the License Division will arrange a protocol with the NYC Department of Health that will compare License Division records with the death records maintained by that department in order to identify any deceased licensees whose designee licenses are still listed as active in ALPS. In the interim, the License Division will monitor the daily obituaries to determine whether any named person is an active license holder.”

Inadequate Segregation of Duties within the Cashier's Unit

We found a lack of segregation of duties within the Cashier's Unit of the License Division. Currently, one employee is responsible for collecting the fees, issuing the receipts, recording the fees, reconciling the fees, and preparing and forwarding, to the NYPD Department of Audits and Accounting, the transmittal sheets with the totals collected. Although we did not come across any errors during our tests of the Cashier Unit, having one employee to handle these functions is contrary to good internal controls.

According to Comptroller's Directive #1, Internal Control Checklist, "To minimize the possibility of inefficiency, errors, and fraud, responsibility for a sequence of related operations should be divided among two or more persons." In addition, Directive #11, Cash Accountability and Control, § 6.1, states, "Reconciliations must be made monthly by persons other than those who . . . process Cash Receipts [and] have accounting functions, particularly when associated with recording in books of original entry."

From Fiscal Years 2001 through 2003, the Cashier's Unit collected a total of \$8.9 million. Having one person handle all related accounting functions exposes the NYPD to the risk of misappropriation of funds.

Recommendation

11. The NYPD License Division should segregate the duties of collecting, recording, and reconciling the handgun licensing fees among several employees.

NYPD Response: The NYPD agreed, stating: "The situation observed by the auditors was a result of a short-term (3 month) manpower shortage and has been remedied by the assignment of a civilian supervisor (SPAA) to the staff of the Cashier's Unit to oversee operations."

Changes in ALPS Needed

Mass Cancellation Function

The mass cancellation function in ALPS gives the user the ability to cancel multiple licenses using specific criteria, e.g., "blank fields." Our review of the sample of 600 canceled but not finalized licenses revealed that 23 licenses were canceled on November 15, 2000 through a mass cancellation function performed as part of the License Division's normal operations. Licenses that did not have a renewal fee recorded in ALPS were canceled during this mass cancellation function. Since retirees are not required to pay renewal fees, all retirees' licenses were automatically canceled in the exercise of this function; however, these licenses were canceled erroneously. License Division officials informed us that mass cancellations are now forbidden, although this function is still available and can be performed by a user either inadvertently or intentionally. Making this function inoperable will eliminate the risk of licenses being canceled in error.

Inaccurate Letters Generated by ALPS

ALPS generates 23 form letters used by the License Division for various purposes including application approval and disapproval, out-of-City license verification, and license cancellation. The letters that are generated by ALPS do not always contain accurate information; therefore, an employee must retype the entire letter to ensure that the proper information is included.

For example, we found that there are several reasons a license may be canceled, but ALPS does not have a selection of statements describing these reasons stored in its records. For instance, a license can be canceled when the License Division is alerted that an individual has moved without notifying them of the change of address within ten days. However, when ALPS generates the “cancellation letter” to inform the licensee of the cancellation, the only statement available in ALPS cites that the individual failed to renew the license, clearly a reason that does not explain all cancellations. Retyping letters is a time-consuming process and creates additional work for employees. Modifying ALPS to include all information needed in the preparation of these form letters will eliminate the additional work.

No Designated Field for Surrender Notice Information

As previously stated, ALPS has no designated fields regarding surrender notice information. Currently, surrender notice information is entered in a comments box at the discretion of the employee making the entry. Therefore, surrender notice information is not always entered in ALPS. This information is essential for locating handguns that are associated with canceled licenses. By not entering this information in a designated field, NYPD weakens their ability to track these notices and ultimately locate outstanding handguns.

Recommendation

12. The NYPD License Division should contact the program vendor and explore the possibility of making changes in ALPS so that the system: (1) can avoid cancellations made in error by either removing the mass cancellation function or by making it inoperable; (2) can print letters that include accurate information and; (3) has specific fields within the cancellation screen to enhance the surrender notice process by capturing pertinent information.

NYPD Response: The NYPD agreed, stating: “MISD will make necessary changes to the ALPS application such as incorporating an updated letter content, adding surrender notice tracking and follow-up letter tracking functions.”



POLICE DEPARTMENT
Office of Management Analysis and Planning
One Police Plaza, Room 1403

June 8, 2004

Mr. Greg Brooks
Deputy Comptroller
The City of New York
Office of the Comptroller
1 Centre Street, Room 1100
New York, N.Y. 10007-2341

**Re: Audit Report on the Internal Controls of the
Police Department over Handgun Licensing
Audit Report #MH03-159A**

Dear Mr. Brooks:

This is in response to the draft report of the audit entitled "Internal Controls of the Police Department over Handgun Licensing." We wish to thank the Comptroller for the opportunity to review this report and comment upon the audit's findings and recommendations.

We are pleased with your conclusions that our internal controls over the issuance and renewal of handgun licenses as well as the collection of handgun licensing fees are adequate. In addition, we are pleased that the controls over safeguarding, issuing, and accounting for blank licenses are also adequate.

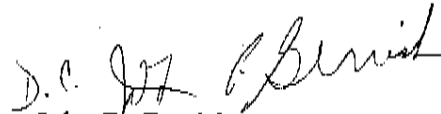
All of the findings and recommendations indicated in the audit have been reviewed and the Police Department is in agreement with the recommendations listed. Please find the attached Audit Implementation Plan indicating our response to each of these recommendations.

The License Division is in the process of making improvements to its current procedures which include but are not limited to the recommendations indicated in the audit. These improvements consist of: the creation of a manual to serve as a reference guide for employees; an internal review of all license cancellations to ensure that the appropriate disposition of handguns attached to cancelled licenses is included in the ALPS system; the inclusion of additional features to ALPS that will improve the tracking of surrender notices; and the capability to identify deceased licensees whose licenses are still actively listed with the Department through an arrangement with the Department of Health.

We appreciate the Comptroller's efforts to conduct the audit and prepare this report. We hope your office found that the Police Department demonstrated its policy of cooperation with the Comptroller's office during the course of the audit.

If you have any questions concerning this response, please call Administrative Staff Analyst Kenneth Wesley at 646-610-8366.

Sincerely,



John P. Gerrish
Deputy Chief
Commanding Officer
Office of Management Analysis
and Planning

ATTACHMENT

Copy: K. Wesley

Mayor's Office of Operations

NYPD AUDIT IMPLEMENTATION PLAN

Auditing Agency	NYC Comptroller
Audit Title/Subject	Internal Controls of the Police Department Over Handgun Licensing
Audit #	MH03-159A

AUDIT REPORT STATUS	Draft Report	Report Dated	5/25/2004
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PD EVALUATION OF RECOMMENDATIONS BY CATEGORY

Category	Recommendation Numbers	Total Recommendations
A	We agree with the recommendation and have implemented or will attempt to implement	1-12
B	We agree with the recommendation but are unable to implement	
C	We disagree with the recommendation and will not implement.	
D	The recommendation, while valid, is unnecessary because it calls for an action, policy or practice that was planned or existed independent of the audit.	
E	We must further analyze/evaluate the recommendation.	
TOTAL – All Recommendations Made		12

LIST OF RECOMMENDATIONS AND PD EVALUATION OF EACH						
#	Recommendation	Category				
		"A" Agree. Will Imple- Ment.	"B" Agree. Can't Imple- Ment.	"C" Disagree. Won't Imple- Ment.	"D" Not Necessary. A Planned or Existing Practice.	"E" Requires Study.
1.	Develop a comprehensive policy and procedures manual that addresses all internal processes and functions throughout the License Division, and distribute the manual to appropriate departments and personnel.	XXXX				
2.	Include in its written policies and procedures all steps necessary to cancel and finalize licenses. Those procedures and policies should be distributed among appropriate staff.	XXXX				
3.	The NYPD should continue its efforts to ensure that all handguns associated with previous and current canceled licenses are accounted for in a timely manner and the information is entered in ALPS.	XXXX				
4.	Ensure that the appropriate staff performs all necessary tasks involved with canceling and finalizing licenses.	XXXX				
5.	Assign personnel to clear up the backlog of canceled license information by entering and recording all necessary information in ALPS and the logbooks.	XXXX				
6.	The NYPD should include in its written procedures specific steps for handling surrender notices to help employees record and track surrender notice information in a consistent and standardized manner.	XXXX				
7.	Ensure that surrender notices are issued for all canceled licenses that	XXXX				

	require them.					
8.	Establish and implement a system to track and follow up on surrender notices on a regular basis.	XXXX				
9.	Consider computerizing the surrender notice logbooks, which would eliminate the need to maintain two logbooks.	XXXX				
10.	The License Division should contact the SSA and establish a procedure that periodically compares death records to the NYPD listing of active licensees.	XXXX				
11.	The License Division should segregate the duties of collecting, recording, and reconciling the handgun license fees among several employees	XXXX				
12.	Contact the program vendor and explore the possibility of making changes in ALPS so that the system: (1) can avoid cancellations made in error by either removing the mass cancellation function or by making it inoperable; (2) can print letters that include accurate information and; (3) has specific fields within the cancellation screen to enhance the surrender notice process by capturing pertinent information.	XXXX				

Category "A"	We agree with the recommendation and have implemented or will attempt to implement.		
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Recommendation #	1	Report Page #	10
Recommendation			
Develop a comprehensive policy and procedures manual that addresses all internal processes and functions throughout the License Division, and distribute the manual to appropriate departments and personnel.			
Implementation Methods/Procedures and Projected/Actual Implementation Date			
<ul style="list-style-type: none"> The License Division's executive staff and the unit supervisors have prepared a draft manual to serve as a guide for employees in performing their duties. This manual will include a database ("ALPS") user manual and will set general guidelines for individual tasks and assignments performed within the Command. The draft manual is currently being reviewed for appropriateness of content and the manual will be distributed within 30 days of completion. The target date for distribution is mid-July. 			

Recommendation #	2	Report Page #	11
Recommendation			
Include in its written policies and procedures all steps necessary to cancel and finalize licenses. Those procedures and policies should be distributed among appropriate staff.			
Implementation Methods/Procedures and Projected/Actual Implementation Date			
<ul style="list-style-type: none"> This recommendation will be addressed in detail by the License Division manual discussed in audit recommendation number 1. 			

Recommendation #	3.	Report Page #	11
Recommendation			
The NYPD should continue its efforts to ensure that all handguns associated with previous and current canceled licenses are accounted for in a timely manner and the information is entered in ALPS.			
Implementation Methods/Procedures and Projected/Actual Implementation Date			
<ul style="list-style-type: none"> The License Division is working with MISD to develop a new computer-based system that includes a function to prepare and track surrender notices. 			

Recommendation #	4		Report Page #	12
Recommendation				
Ensure that the appropriate staff performs all necessary tasks involved with canceling and finalizing licenses.				
Implementation Methods/Procedures and Projected/Actual Implementation Date				
<ul style="list-style-type: none"> • A uniformed supervisor will oversee this area and ensure that all cancelled licenses are finalized in an expeditious manner. 				

Recommendation #	5		Report Page #	12
Recommendation				
Assign personnel to clear up the backlog of canceled license information by entering and recording all necessary information in ALPS and the logbooks.				
Implementation Methods/Procedures and Projected/Actual Implementation Date				
<ul style="list-style-type: none"> • The License Division has devoted additional resources to a project to clear up the backlog of cancelled licenses and update ALPS to reflect the disposition of handguns attached to those licenses • A total of 7,759 of the identified 11,865 cancelled license records have been updated and marked "finalized" to accurately reflect the proper disposition of attached handguns. The project is to be completed shortly. 				

Recommendation #	6	Report Page #	13
Recommendation			
The NYPD should include in its written procedures specific steps for handling surrender notices to help employees record and track surrender notice information in a consistent and standardized manner.			
Implementation Methods/Procedures and Projected/Actual Implementation Date			
<ul style="list-style-type: none"> This recommendation will be addressed in detail by the License Division manual discussed in audit recommendation number 1. 			

Recommendation #	7	Report Page #	14
Recommendation			
Ensure that surrender notices are issued for all canceled licenses that require them.			
Implementation Methods/Procedures and Projected/Actual Implementation Date			
<ul style="list-style-type: none"> The License Division will create an Access database to track surrender notices on an Interim basis until a more comprehensive system can be developed by MISD programmers. MISD will enhance the ALPS application to allow automatic triggering and creation of follow-up letters for delinquent renewals. 			

Recommendation #	8	Report Page #	14
Recommendation			
Establish and implement a system to track and follow up on surrender notices on a regular basis.			
Implementation Methods/Procedures and Projected/Actual Implementation Date			
<ul style="list-style-type: none"> The License Division will create an Access database to track surrender notices on an interim basis until a more comprehensive system can be developed by MISD programmers. MISD will enhance the ALPS application to allow automatic triggering and creation of surrender notices for forwarding to precincts for non-responses to follow-up letters. MISD will create a precinct tracking report for surrender notice responses and invoicing of guns. 			

Recommendation #	9	Report Page #	14
Recommendation			
Consider computerizing the surrender notice logbooks, which would eliminate the need to maintain two logbooks.			
Implementation Methods/Procedures and Projected/Actual Implementation Date			
<ul style="list-style-type: none"> We agree with the recommendation and believe that the response from Recommendation #8 applies. 			

Recommendation #	10	Report Page #	14
Recommendation			
The License Division should contact the SSA and establish a procedure that periodically compares death records to the NYPD listing of active licensees.			
Implementation Methods/Procedures and Projected/Actual Implementation Date			
<ul style="list-style-type: none"> The Patrol Guide Procedure 216-04 "Dead Human Body General Procedure" is being reviewed for a possible amendment requiring that the Precinct Desk Officer make inquiries to determine if the decedent was a licensee and if so, to secure firearms possessed by the decedent. In addition, the License Division will arrange a protocol with the NYC Department of Health that will compare License Division records with the death records maintained by that department in order to identify any deceased licensees whose designee licenses are still listed as active in ALPS. In the interim, the License Division will monitor the daily obituaries to determine whether any named person is an active license holder. 			

Recommendation #	11	Report Page #	15
Recommendation			
The License Division should segregate the duties of collecting, recording, and reconciling the handgun license fees among several employees.			
Implementation Methods/Procedures and Projected/Actual Implementation Date			
<ul style="list-style-type: none"> The situation observed by the auditors was the result of a short-term (3 month) manpower shortage, and has been remedied by the assignment of a civilian supervisor (SPAA) to the staff of the Cashier's Unit to oversee operations. 			

Recommendation #	12	Report Page #	16
Recommendation			
<p>Contact the program vendor and explore the possibility of making changes in ALPS so that the system: (1) can avoid cancellations made in error by either removing the mass cancellation function or by making it inoperable; (2) can print letters that include accurate information and; (3) has specific fields within the cancellation screen to enhance the surrender notice process by capturing pertinent information.</p>			
Implementation Methods/Procedures and Projected/Actual Implementation Date			
<ul style="list-style-type: none">• MISD will make necessary changes to the ALPS application such as incorporating an updated letter content, adding surrender notice tracking and follow-up letter tracking functions.			