

Internal Audit Report



**Aurora Police Department –  
Property and Evidence Audit**





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# Auditor's Opinion

July 27, 2022

Internal Audit has completed the Aurora Police Department – Property and Evidence Audit. We conducted this engagement as part of our 2022 Annual Audit Plan.

The audit objectives were to:

- Ensure compliance with CALEA Standard 84 – Property and Evidence Control.
  - An annual audit of property and evidence, in compliance with Appendix K, is conducted by a supervisor not routinely or directly connected with control of property and evidence.
- Ensure the reliability and integrity of internal controls that ensure the chain of custody for property and evidence is not broken.

Internal controls consist of all the measures taken by management to:

- Protect its resources against accidental loss, waste, fraud, and inefficiency;
- Ensure the completeness, accuracy, timeliness, and reliability of accounting and operating data
- Ensure compliance with federal, state, and local laws; regulations; and internal policies and procedures;
- Promote efficient and effective operations; and,
- Monitor the achievement of management's goals and objectives.

Internal Audit conducted the procedures for each engagement objective, as stated below. Internal Audit issued separate conclusions on each objective, as stated below.

## **Objective 1: Ensure compliance with CALEA Standard 84 – Property and Evidence Control.**

- Internal Audit tested a sample of items from the inventory system and items held in storage. The testing ensured that items were properly submitted, documented, packaged, stored, moved, secured, purged, and disposed of in accordance with the prevailing standards, directives, policies, and procedures.

*Per CALEA Standard 84.1.6, (t)he annual audit should be a significant representative sampling of property including high risk items (defined as money, precious metals, jewelry, firearms, and drugs.) CALEA standards (per newly issued guidance) require a two-tailed random sampling method to be applied to high risk items. If the agency has 100 or more high risk items, then the annual audit should review a representative sample of 100 risk items (Appendix K).*

It is our opinion, based upon the results of our engagement procedures, that the City of Aurora Police Department Business Services Division – Property and Evidence Unit (P&E) has complied with CALEA standard 84.1.6 and Appendix K.

**Objective 2: Ensure the reliability and integrity of internal controls that ensure the chain of custody for property and evidence is not broken.**

- Internal Audit obtained, reviewed, and evaluated CALEA Property and Evidence Standards, City of Aurora Police Policies and Procedure Directives and Manuals, and other materials related to best practices in property and evidence management.
- We documented the chain of custody process to ensure that sufficient internal controls are present to deter fraud, misuse, and abuse.
- We observed the state of the physical facilities and the practices of the property and evidence staff to ensure compliance with stated policies and procedures.

It is our opinion, based upon the results of our engagement procedures, that the chain of custody for property and evidence is intact.

P&E continues to operate efficiently and effectively. The improvements to the facilities at headquarters and the addition of the incinerator in 2021 have increased operational effectiveness and efficiency.

We have detailed our issues and recommendations in the Issue Details section of this report.

*Wayne Sommer*

Wayne C. Sommer, CPA, CGMA  
Internal Audit Manager

## Audit Profile

### **Audit Team**

Wayne Sommer, CPA, CGMA – Manager  
Sheree VanBuren, CIA – Supervising Auditor  
Laiba Saqib, MPAcc – Lead Auditor

### **Background**

Internal Audit conducts this annual engagement to review controls that ensure the chain of custody is unbroken. It is a requirement for the Commission on Accreditation for Law Enforcement Agencies (CALEA) accreditation. As of March 24th, 2022, Aurora Police Department is no longer accredited by CALEA.

### **Scope**

The scope of our work covered January 1 - December 31, 2021.

### **Milestone Reports**

Milestone 1 Entrance Conference Memo Letter  
Milestone 2 Client Evaluation  
Milestone 3 Process Controls and Efficiency  
Milestone 4 Risks  
Fieldwork

### **Issued Date**

February 10, 2022  
July 27, 2022  
July 27, 2022  
July 27, 2022  
July 27, 2022



**Milestone 2 Report**  
APD - Property and Evidence Audit

**Operating Environment**

In Milestone 2, we gain a deeper understanding of the client's operating environment, and client issues that may affect the engagement objectives and influence subsequent engagement procedures. We accomplish this by reviewing policies and procedures, performance measures, statistics, and administering a culture survey.

<b>PROCEDURES</b>	<b>CONCLUSIONS</b>
<ul style="list-style-type: none"> <li>• Review policies and procedures</li> </ul>	<p>Based on our review of relevant policies and procedures, we have identified the following as potential areas on which to focus:</p> <ul style="list-style-type: none"> <li>• Security and access</li> <li>• High value property</li> <li>• Check in/out procedures</li> <li>• Accuracy of data within Versadex and physical inventory items</li> <li>• Disposition of property and evidence</li> </ul>
<ul style="list-style-type: none"> <li>• Review performance measures</li> </ul>	<p>Property and Evidence (P&amp;E) has relevant performance measures in place. No further testwork necessary in this milestone. No changes to the objective fieldwork testing.</p>
<ul style="list-style-type: none"> <li>• Issue culture survey</li> </ul>	<p>No need for a separate survey. APD will be included in city-wide culture survey.</p>



**Milestone 3 Report**  
APD - Property and Evidence Audit

**Internal Controls**

In Milestone 3, we determine whether appropriate process controls exist for key processes and whether processes are efficient. We accomplish this by flowcharting and performing walkthroughs of key processes, identifying missing controls, and process inefficiencies.

<b>PROCEDURES</b>	<b>CONCLUSIONS</b>
<ul style="list-style-type: none"> <li>• Flowchart key processes. Evaluate key processes for missing or weak internal controls, efficiency issues, and IT-related issues.</li> <li>• We flowcharted and evaluated the processes related to the following activities:               <ul style="list-style-type: none"> <li>• Evidence drop-off</li> <li>• Intake and storage</li> <li>• Release and return to courts</li> <li>• Officer check in/out</li> <li>• Release to owner</li> <li>• Disposal and interdepartmental transfers</li> <li>• Inventory process</li> </ul> </li> </ul>	<p>We did not identify missing or weak internal controls or inefficient processes.</p>
<ul style="list-style-type: none"> <li>• Determine any impact on fieldwork procedures.</li> </ul>	<p>There is no impact on the planned fieldwork procedures.</p>





**Milestone 4 Report**  
APD - Property and Evidence Audit

**Risk**

In Milestone 4, we assess the impact of identified risks on the engagement objectives, scope, and planned test work procedures. We accomplish this by discussing risk in critical areas with the client and comparing it to leading practices.

<b>PROCEDURES</b>	<b>CONCLUSIONS</b>
<ul style="list-style-type: none"><li>• Assess IT Risk</li></ul>	We did not identify any additional IT-related risks that would impact the engagement plan.
<ul style="list-style-type: none"><li>• Assess Governance Risk</li></ul>	The governance processes are comprehensive and operating effectively. We have included a recommendation from a prior year for more Chain of Command meetings.
<ul style="list-style-type: none"><li>• Assess Fraud Risk</li></ul>	We did not identify any additional fraud risks or general risks that would impact the planned audit objectives or fieldwork procedures. We did include a recommendation to formally track error rate percentages as a performance measure.

## Internal Audit Recommendation

Issues (ISS.X) 2 and 3 are included in the fieldwork section.

### *ISS.1 – Lack of Next Level of Management Communication*

The Property and Evidence Unit Lieutenant meets with the APD Business Services Manager on a monthly basis. These meetings do not include the Property Custodian, Property Supervisor, or staff. This recommendation is a carry-forward from the prior year as the recommendation for quarterly meetings was not completely implemented.

During the Internal Audit governance assessment, it was determined that there is an open line of communication from the Property and Evidence Unit up to the Division Chief. However, it is only on an as-needed basis. The Property Custodian and Supervisor desire regularly scheduled meetings with the Business Manager.

Conversations with the Property Custodian and Supervisor revealed that a meeting has not been held between the Supervisors and the Business Services Manager in the past six months at least.

Regularly scheduled meetings with the next level of management increase real time communication, aid in camaraderie which builds trust (a necessary element of high performing teams) and make it easier to discuss and resolve issues when they arise. These meetings are a useful tool for building, maintaining, and strengthening relationships along the chain of command. It also provides a time for managers to offer informal feedback on a regular basis.

According to the *International Standards for the Professional Practice of Internal Audit*<sup>1</sup>, an organization should have formal processes to communicate risk and control information to appropriate areas of the organization.

### **Recommendation**

We recommend regularly scheduled meetings (at least quarterly) with the APD Business Manager that include the Property Custodian, Supervisor, and staff.

### **Management Response**

We implemented meetings with all members of the P&E leadership in 2021. We had meetings on April 20<sup>th</sup> and July 14<sup>th</sup>. So far in 2022 we have instituted quarterly meetings for the leadership team on February 24<sup>th</sup>, May 9<sup>th</sup> and have scheduled meetings for August 3<sup>rd</sup> and November 9<sup>th</sup>. BSM Schneebeck has attended several of the regular meetings with staff during 2021 and 2022 as well. There are also spur of the moment meetings that don't make it onto the calendar with BSM Schneebeck. We continue to work on strengthening the leadership team as a whole.<sup>2</sup>

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<sup>1</sup> <https://www.theiia.org/en/content/guidance/mandatory/standards/international-standards-for-the-professional-practice-of-internal-auditing/>

*Estimated Implementation Date:* Implemented  
*Issue Owner:* Property Custodian  
*Issue Final Approver:* APD Business Service Manager

## ***ISS.4 –Data Utilization to Measure and Manage Performance Quality***

During the Internal Audit fraud risk assessment, it was determined that the Property and Evidence Unit has an expected error rate of 3.5%. However, this is not formally tracked as a performance measure. Instead, the Property Custodian and Supervisor run reports on each technician to check error rates individually as needed. The data on error rates is available, but not being utilized to monitor for trends and to make operational adjustments.

Formally tracking this error rate as a performance measure will allow for the timely identification of trends that may indicate areas for improvement by measuring progress against the Unit goal of 3.5%. It will also allow the Unit to use the performance measure data as the necessary proof needed to reallocate resources, or change processes as needed.

### ***Recommendation***

We recommend that tracking the error percentage become a regular performance measure for the purpose of improving individual performance.

### ***Management Response***

Both Supervisors Camp and Johnson are working on implementing a measurement system to quantify the Technicians' work. We have reimagined the entire task list for the Technicians and set up a new manner of staffing for all tasks. In the past not all Technicians were completing all tasks, so it was hard to quantify their work as many areas were null. Going forward we will be able to run the numbers for each Technician and have more comprehensive statistics to review. Stats will be run bi-annually for the CORE4 evaluations at a minimum.

*Estimated Implementation Date:* August 2022  
*Issue Owner:* Property Custodian  
*Issue Final Approver:* Property Lieutenant

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<sup>2</sup>Auditor's Note: While Internal Audit received conflicting comments from the Property Supervisors, we will defer to the Lt.'s comments and consider this recommendation implemented.



**Objectives Testwork Report**  
APD - Property and Evidence Audit

**Objectives Testwork**

In this Milestone, we seek to obtain sufficient competent evidential matter to afford a reasonable basis for conclusions on the engagement objectives. We accomplish this by performing tests, data analysis, and applying other means as necessary.

<b>OBJECTIVES</b>	<b>CONCLUSIONS</b>
<ul style="list-style-type: none"><li>• Ensure compliance with CALEA Standard 84 – Property and Evidence Control.<ul style="list-style-type: none"><li>○ An annual audit of property and evidence, in compliance with Appendix K, is conducted by a supervisor not routinely or directly connected with control of property and evidence.</li></ul></li></ul>	Total exceptions within acceptable ranges, therefore we conclude that the chain of custody is intact.
<ul style="list-style-type: none"><li>• Ensure the reliability and integrity of internal controls that ensure the chain of custody for property and evidence is not broken.</li></ul>	A significant control weakness over checked-out property was identified (ISS.2 below); however, this finding was resolved before the audit closed.

## Internal Audit Recommendation

Issues 1 and 4 were included in previous milestones.

### *ISS.2 – Property Check-out Monitoring Procedures*

The P&E Unit needs to institute adequate processes to monitor checked-out property and evidence in accordance with its policy.

The P&E manual, section II E states, "*The Property and Evidence Unit shall track evidence checked out for court and its return. After 10 days, notification shall be given to the officer who has not returned the property and his/her supervisor.*"

After a prior recommendation, the P&E unit worked with IT to generate an *Un-Returned Item Statistics* report and an automated notification email, which was sent to officers after 5 days of the property being checked out. The P&E Custodian and Supervisor used this report to track the Officer check in/out performance measures. It provided an accurate and complete view of property and evidence that Officers had not returned.

We confirmed with the P&E Custodian that the unit was unable to run the *Un-Returned Item Statistics* report following a software upgrade. Additionally, the automatic emails letting officers know that they had checked out items had not been generated since March 2021. Per the Property Custodian, these functions had not been operable since the Versadex 8.1 upgrade in March 2021. After the upgrade, the software was unable to automatically notify Property and Evidence that an item was checked out for a defined period. Without this function, staff had to review items on a case-by-case basis. The Property Custodian stated this was the only non-functioning item after the Upgrade to Versadex 8.1 that the Unit has experienced thus far.

Further conversation with the Property Custodian and the Business Solutions Architect for the P&E Unit revealed that the program was difficult to test. The Business Solutions Architect tested each procedure call and query against RMS directly to ensure the program would still receive data, which is all he could do to ensure the product would still work after the upgrade, due to constraints within the software. The Business Solutions Architect also stated that the P&E unit could not have assisted in testing, as the test system could not be connected directly to RMS to test.

We believe this is a significant control weakness. Insufficient control over checked out property increases the risk of lost or stolen property and evidence. For example, an APD staff member could check out an item knowing that no one will follow up and keep the item for personal gain. Such a situation could impact crime prosecution and negatively impact the Department's reputation. The inability to generate this report and notify officers could impact the chain of custody as well.

The Property Custodian stated that P&E had been in contact with IT to find a solution to this issue, and as a result, was able to get this functionality running as of May 2022. Therefore, this finding was resolved before the audit closed, and internal audit was able to perform the control test for this procedure.

## ***Recommendation***

We recommend that the P&E Unit continue collaborating with IT to ensure the *Un-returned Items Stats* report and automatic notification emails continue to function, especially following any software changes.

## **Management Response**

We contacted IT many times regarding the trouble with the “Un-returned Items Report” and IT did not complete the fixing of said report until recently. IT does not fall under our control and as such we are at their mercy when it comes to their workload. We will continue to communicate with IT when issues arise with any of our necessary reports.

*Estimated Implementation Date:* Implemented

*Issue Owner:* Property Custodian

*Issue Final Approver:* Property Lieutenant

## ***ISS.3 – Property Inaccessible***

Internal Audit observed during fieldwork at the Impound Lot that property was disorganized and difficult to access. For one item in the *Articles* testwork, we noted that it was buried underneath other items in the Impound Lot garage. After attempting to remove the surrounding items unsuccessfully, the Property Supervisors called in the Property Technicians to clear the area and search for the item in question. The item was located, and the articles were re-stacked.

The garage in which the item was located contained articles of different shapes and sizes. They were not organized in an efficient manner. This made accessing the item not only difficult but also time consuming. Organized and accessible storage locations make property items easy to locate.

## ***Recommendation***

We recommend the P&E unit use its storage locations efficiently and in a well-organized manner.

## **Management Response**

The organization of the Impound area has been moved to a priority for the Unit. Supervisors will visit all locations quarterly to check the status of organization. With the restructuring of the unit we hope it will regularly allow for Technicians to maintain order in the lesser used locations.

*Estimated Implementation Date:* Implemented

*Issue Owner:* Property Custodian

*Issue Final Approver:* Property Lieutenant

## Appendix—Additional Engagement Details

In accordance with CALEA sampling standards, we employed a two-tailed random sampling method. Appendix K, "Sample Size Determination for Annual Property and Evidence Audits", states that "if the agency has 100 or more high-risk items, then the annual audit should review a representative sample of 100 high risk-items".

For 2021, the Property and Evidence Unit had 31,523 items classified as high-risk. Using our audit software, we randomly selected 100 high-risk and 23 non-high-risk items from Versadex (inventory system) for our testing. During the testing, we randomly selected an additional 120 high-risk and 23 non-high-risk items from Property and Evidence storage areas. This method led to Internal Audit testing a grand total of 200 high-risk and 46 non-high-risk items.

Although there is no CALEA requirement to audit non-high-risk inventory, Internal Audit included an additional sample of non-high-risk articles as a part of our testwork to ensure that the chain of custody is intact regardless of property type. These items would not affect the Unit's appendix K compliance.

In the two-tailed test of high-risk items, an error rate exceeding 4% would require a 100% inventory on all high-risk items and additional sampling of other items.

The two conditions we tested for were:

1. Items in the system are also physically in inventory; and,
2. Items on the inventory shelves are accurately reflected in the system, including data adjustments we discover as part of our test work.

**For purposes of our test work, an exception was any item in our sample which could not be located on the inventory shelves within the fieldwork period or any item physically located on the inventory shelves but not accurately reflected in Versadex.** Additionally, errors were determined as such to reflect that the system should be updated, either due to clerical or typing errors, lab corrections, or quality control issues. Errors do not count against the 4% exception rate.

We pulled a sample of items for testing condition (1) above; while testing an item for condition (1) we randomly selected a corresponding physical item from the inventory location and traced it back into the system.

**2021 Inventory Data:**

\*\*Classified as high-risk items.

<b>Item Type</b>	<b>Number of Items in Versadex</b>
<b>Articles</b>	360,560
<b>Securities**</b>	3,535
<b>Bikes</b>	72
<b>Alcohol</b>	119
<b>Miscellaneous</b>	5
<b>Jewelry**</b>	2,349
<b>Firearms**</b>	4,346
<b>Drugs**</b>	<u>21,293</u>
<b>Total Property</b>	<u><u>392,279</u></u>
<b>High-Risk Property**</b>	<u><u>31,523</u></u>

**2021 Error Rate Calculation:**

<b># of High-risk items tested</b>	<b>200</b>
<b># of Acceptable Exceptions (4%)</b>	<b>8</b>
<b># of Exceptions found in testing</b>	<b>3</b>
<b>Exceptions below acceptable rate. Test passes.</b>	

Internal Audit identified three exceptions during the inventory procedures for high-risk property. However, the total exceptions are below the acceptable error rate, therefore, we conclude that:

- the chain of custody is intact, and
- the Property and Evidence Unit complies with CALEA Standard 84.

Internal Audit also identified one exception for non high-risk property; however, this does not affect the CALEA requirements.

Internal Audit provided Property and Evidence Management with recommendations relating to the controls over checked out property and inaccessible property locations.