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Missouri State Auditor

St. Louis Board of Police Commissioners



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Missouri State Auditor
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The following findings were included in our audit report on the St. Louis Board of Police Commissioners.

The St. Louis Board of Police Commissioners (SLBPC) controls the operations of the St. Louis Metropolitan Police Department (department). At June 30, 2008, the department held over \$4 million seized under the Criminal Activity Forfeiture Act (CAFA). It appears the department could dispose of these monies on a more timely basis, and the department had not properly identified the owners of approximately \$591,000. The department inappropriately spent over \$188,000 in seized CAFA monies for various operating expenses. The department subsequently reimbursed \$188,000 to the CAFA Account from the Board Secretary's Account. Over \$4,100 in prisoner cash and property became missing while in police department custody during the 2 years ended June 30, 2008. The department investigated the missing monies and concluded the police department was responsible for the loss.

The SLBPC failed to adequately monitor the vehicle towing operations of a contractor which allowed the contractor to underpay towing fees totaling \$453,509 to the police department and City of St. Louis. The department has filed a lawsuit to recover the amount underpaid and this matter is subject to ongoing criminal investigation. The department did not adequately monitor the status of towed vehicles or ensure complete and accurate information was recorded for all towed vehicles. Until 2008, the towing contract allowed the department to utilize up to five abandoned vehicles in the custody of the towing contractor. Limitations on the use of the vehicles were not included in the contracts and the lack of policies and procedures or specific contract stipulations give the appearance vehicles may have been available for inappropriate or personal use.

Improvements are needed in procedures and controls over evidentiary property stored in the Property Custody Unit (PCU). As of February 2009, cash of approximately \$24,000 in custody of the PCU was missing, mislabeled, or misplaced. The PCU currently has a large number of weapons and old evidence stored in its property room which the department determined has no value and should be destroyed. The PCU does not have adequate controls to track evidence released to other agencies.

Proceeds from Fitness Center memberships and merchandise sales totaling at least \$1,162 were received during the period July 1, 2007 through January 8, 2009, but were not transmitted to the City Treasurer. This amount included both cash and checks recorded as received by the Fitness Center but not transmitted.

Approximately \$133,000 in severance wages and benefits were approved for two department officials (Public Information Officer and Chief of Police). In addition, the

YELLOW SHEET

Board agreed to pay all legal fees for the former Chief of Police related to official duties performed during his employment. It is not clear whether the Board was obligated to provide compensation to the outgoing employees or whether severance payments were justified.

Department practices allowed terminated or retired employees to accrue unreasonable vacation and sick leave benefits during their final month of employment. If the last day of service was the first day of the month, the employee accrued an entire month of leave, and that leave was paid out as unused leave upon termination or retirement. In addition, employees are allowed to take leave on their last days of service, which could extend their term of service into a new month and allow additional leave accrual. The department's current and previous payroll and timekeeping systems allowed for employees to record and be compensated for unearned overtime. Since June 2008, it appears the department paid as much as \$16,000 for unearned overtime.

Based on a review of 38 purchasing card expenditures, several concerns were noted. Purchases totaling \$2,976, were made at clothing and department stores, local restaurants, and ticket venues. There was no documentation to indicate these purchases were business related, and these purchases appear to be personal in nature. The majority of the purchases were made by the former Police Chief. Neither the Board nor department employees reviewed supporting documentation for the former Police Chief's purchasing card expenditures. In addition, purchasing cards were used to purchase items available under existing SLBPC contracts or bids, thus circumventing normal purchasing procedures. Department employees incurred travel expenses to various conferences and events that did not appear reasonable and necessary. The department spent \$10,141 between June 2007 and May 2008 on food purchases from local restaurants and catering companies for various events and the business purpose was not documented. The department purchased two hand-crafted gold badges for the former Chief of Police at a cost of approximately \$6,000 each, and upon his retirement in July 2008, he kept one of the badges. In 2008, the department purchased 5 gold-plated hand crafted badges costing \$1,987 each, one for the current Chief of Police, two for lieutenant colonels, and two for assistant chiefs.

The department accepted season tickets from the St. Louis Cardinals baseball team in 2008 and previous years which may be a violation of state law. The season tickets were provided to the department for at least 7 years without payment to the baseball team. Based on the value of season tickets in a similar location in the stadium, the approximate value of the tickets in 2008 was \$19,000.

Other findings in the audit report relate to receipt accounting controls and procedures, purchasing and bidding policies, capital assets, vehicle usage, budgetary practices, bank accounts and investments, and traffic tickets.

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ST. LOUIS BOARD OF POLICE COMMISSIONERS

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STATE AUDITOR'S REPORT



SUSAN MONTEE, JD, CPA
Missouri State Auditor

Honorable Jeremiah W. (Jay) Nixon, Governor
and
Board of Police Commissioners of the
St. Louis Metropolitan Police Department
St. Louis, Missouri

The State Auditor was requested by former Governor Matt Blunt under Section 26.060, RSMo, to audit the St. Louis Board of Police Commissioners. The Board engaged KPMG LLP, Certified Public Accountants (CPAs), to audit the Board's financial statements for the year ended June 30, 2008. To minimize duplication of effort, we reviewed the CPA firm's audit report. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2008. The objectives of our audit were to:

1. Obtain an understanding of taxpayer concerns and perform various procedures to determine their validity and significance.
2. Evaluate the Board's internal controls over significant management and financial functions.
3. Evaluate the Board's compliance with certain legal provisions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the Board, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting

instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our 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 such a basis.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the Board's management and was not subjected to the procedures applied in our audit of the Board.

The accompanying Management Advisory Report presents our findings arising from our audit of the St. Louis Board of Police Commissioners.



Susan Montee, JD, CPA
State Auditor

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MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

ST. LOUIS BOARD OF POLICE COMMISSIONERS
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1. Seized and Prisoner Property

Some seized monies were not properly identified or disposed in a timely manner, and \$188,000 of seized monies was improperly spent for operating expenses. Inadequate controls over prisoner assets resulted in over \$4,100 of stolen or missing property.

The St. Louis Board of Police Commissioners (SLBPC) controls the operations of the St. Louis Metropolitan Police Department (department). Our review of seized and prisoner property noted the following concerns:

- A. At June 30, 2008, the department held over \$4 million seized under Sections 513.600-513.645, RSMo, the Criminal Activity Forfeiture Act (CAFA).
- It appears the department could improve its procedures to dispose of CAFA monies on a more timely basis. The department seized the majority of monies between 2000 and 2008; however, some monies were seized prior to 2000.
 - The department had not properly identified the owners of the monies. Since June 30, 2008, the department has identified the owners and the appropriate disposition for \$3.7 million of the \$4.3 million held. However, the owners of approximately \$591,000 remain unidentified as of June 30, 2009.
 - The department spent over \$188,000 in seized CAFA monies for various operating expenses, including vehicle purchases, office supplies, and wireless phone bills. The SLBPC subsequently approved the reimbursement of these monies from the Board Secretary's Account for the full amount of CAFA monies that were used inappropriately for operating expenses.

The department's Asset Removal Unit (ARU) is responsible for custody of seized assets in accordance with CAFA requirements. Under state law, the department is not allowed to retain any seized assets unless the assets hold evidentiary value. When monies are seized, the department is required to notify the city Circuit Attorney's Office (CAO), which is responsible for determining if the monies will be accepted for forfeiture and beginning applicable forfeiture proceedings. The CAO is ultimately responsible for approving the disposition of assets upon the department's request. State law allows CAFA monies not sought for forfeiture to be returned to the individual, submitted to the Missouri Department of Child Support Enforcement for child support due, or sent to the State Unclaimed

Property Division if the owner cannot be located. Monies with a forfeiture order are paid to the Department of Elementary and Secondary Education in accordance with Article IX, Section 7, of the Missouri Constitution. There appears to be no statutory authorization to use these monies for operating expenses by the police department.

Until July 2007, adequate controls were not in place within the ARU to ensure monies seized and not accepted by the CAO for CAFA proceedings were returned to the owner or disposed in accordance with state law. Prior to July 2008, the ARU maintained a separate bank account for seized monies and was responsible for maintaining the accounting records and checkbook. There was no supervisory or independent review over the account activity until July 2007 when the ARU was placed under the authority of the Audit/Advisory Unit. In July 2008, the ARU was placed under the board's Division of Budget and Finance (B&F) which became responsible for the financial operations of the ARU. At that time, a new bank account was opened and additional oversight was implemented over monies seized and deposited. The inappropriate operating expenses were paid prior to July 2008.

The SLBPC should continue implementing controls to ensure CAFA monies are properly tracked and disposed, including the prohibition of paying operating expenditures from the asset removal account. In addition, the SLBPC and department should continue to research the appropriate disposition of the remaining \$591,000 or turn over these monies to the State Unclaimed Property Division.

- B. Over \$4,100 in prisoner cash and property became missing while in police department custody during the 2 years ended June 30, 2008. Our review of board minutes and department records noted the board reimbursed \$3,031 for cash and \$1,073 for other property that became missing while prisoners were in the custody of the department. The loss of the property was discovered when the prisoners were released from custody. The department investigated the missing monies and concluded the police department was responsible for the loss.

Department procedures required the property of a person arrested be placed in a clear evidence bag and sealed. Any currency was placed inside a small manila envelope, sealed, and placed in the clear evidence bag. Before the manila envelope was sealed, the currency was required to be counted by the arresting officer in the presence of the prisoner. The arresting officer and prisoner would then sign the envelope verifying the contents. Evidence bags were transferred to the city's Justice Center for storage while the prisoner was detained. Justice Center personnel signed the bags verifying receipt of the property, and were responsible for reviewing the bags for tampering; however, they were unable to verify the currency value because the currency envelopes were opaque and sealed.

Sound business practices dictate controls should be in place to allow independent verification of the type and value of property in police custody. In March 2009, the department began using clear envelopes for prisoner currency. To ensure all property in department custody is properly maintained and returned intact, the SLBPC should continue to improve procedures over prisoner property and implement controls to allow independent verification of items stored.

WE RECOMMEND the St. Louis Board of Police Commissioners:

- A. Continue to implement controls to track and account for all seized monies, including source and disposition, and prohibit paying operating expenditures from seized asset accounts. In addition, the Board should continue to research and identify recipients for remaining unidentified monies or turn over the monies to the State Unclaimed Property Division.
- B. Continue to implement controls to ensure prisoner cash and other property is safeguarded and require independent verification of property held.

AUDITEE'S RESPONSE

The St. Louis Board of Police Commissioners provided the following written response:

- A. *The Department began instituting change in control processes for seized money in the fall of 2007. Strict measures were applied to CAFA forfeiture cases and accounting of the CAFA money was undertaken to determine case status, property ownership and what property disposition might apply to the money currently in account. This process continues to this day as exacting procedures that apply to all seizures under CAFA. The audit noted the Department's control protocol and acknowledged that we had already instituted their findings. The Department is working with the CAO to develop more timeliness in the disposition of property in criminal cases.*
- B. *As noted in the audit, the Department already has adopted a new packaging requirement for prisoner property that provides for visual examination of the contents. Moreover, new property control guidelines require checks and balances that have markedly improved the inventory and verification process.*

ADDITIONAL DETAIL AND COMMENTARY ON FINDINGS

CAFA Funds

During the late summer of 2007, the responsibility for the accounting of collected funds that the Department maintained under the Criminal Asset Forfeiture Act for the State of Missouri was transferred from the Intelligence Unit to the Audit/Advisory Unit. That account (CAFA) had accumulated more than 4 million dollars in assets that had been forfeited by persons arrested for felony charges or had been seized as suspected proceeds from illicit activity.

Immediately upon transfer of responsibility of money collected under CAFA, personnel with the Audit/Advisory Unit undertook to determine 1) why the accumulation of funds had grown to such an amount, 2) how were funds to be distributed from the account, and 3) what steps were necessary to begin the appropriate and legal diminishment of the account. That work included extensive discussions with various staff members of the CAO, examination of reports in which assets were seized to determine ownership and warrant dispositions, and identification of specific funds in the account that could be distributed as determined by State law. And while it is true that the balance of the account in June of 2008 was in excess of 4 million dollars, substantial effort had been undertaken to reduce the amount through authorized disbursements and identification of ownership. This was a time-consuming and often complex series of investigations to assure that the assets were being returned in accordance with the CAFA statutes and the restrictions imposed by laws governing the return of evidence.

Perhaps it is important to note that the Department became the custodian of record for CAFA by default. None of the assets seized under CAFA can be claimed by the Police Department. The Revolving School fund for forfeited funds and the Department of Child Support are the two principal entities to which CAFA funds can be assigned by the Circuit Attorney. During the early 1990's when CAFA was new legislation, there was some effort to get the St. Louis Board of Education to assign an employee to help administer the CAFA funds because they were the primary recipients, but that did not happen. Instead, the resources to receive, maintain, and account for the CAFA fund fell on the Department. (As a clarification, the Board of Education does not actually realize any gain from the State Asset Forfeiture statute. Any money derived from CAFA seizures is subtracted from State appropriations to the local school district).

The State Audit report indicates that prior to 2007, controls were not in place within the Asset Removal Unit to assure "monies seized and not accepted by the CAO for CAFA proceedings were returned to the owner or disposed..." When the ARU was taken over by the Audit/Advisory Unit in July 2007, immediate steps were taken to assure the strict control of assets identified in CAFA. Moreover, as the details in the account were examined, the balance at turnover of \$4,407,189.12 was determined to be accurate. This accounting was accomplished with the assistance and oversight of accountants from the Budget and Finance Division. The fund eventually increased by about \$350,000, again under the scrutiny of accountants. Beginning in January 2008, the fund has steadily declined because of the protocol for distribution put in place by the Audit/Advisory Unit.

The State Audit pointed out that over time, \$188,000 (which includes \$23,000 in interest accrual over the time of the expenditures) was taken from the CAFA account for documented administrative accounts associated with the operation of the ARU office prior to 2007. This resulted from a misunderstanding regarding the allowance for administrative expenses to be taken from CAFA. Of course, since the Department supplied all of the resources to maintain the CAFA account, the presumption was that administrative costs from the account were reasonable. When the Audit/Advisory Unit determined those expenses from the account were not appropriate, the money, with interest, was returned.

The State Audit has pointed out the issues in the CAFA account that were identified by the Audit Advisory personnel. We are pleased that the processes we developed and the decisions made in

the disposition of CAFA funds have been recognized as effective, as evidenced by the recommendation that we continue in implementing the controls. We have also made significant protocol adjustments that have created much more efficient working relationships with the Circuit Attorney's staff, an important resource in the CAFA funds distribution process.

Prisoners' Property

The State Audit noted that the Department had paid out more than \$4,000 in claims from prisoners for missing property over a period of two years. During this time, our property control practices and our methods of packaging prisoner's property led to occasions of misplacement and possible theft. As noted by the State Audit, we have since redesigned our packaging for more visibility and have implemented sufficient safeguards as to ratchet up our controls and accountability. We are again pleased that the Auditors have recognized the effectiveness of the controls we have introduced and we will continue to examine any reasonable methodology that improves our operations.

It should be noted that the State Audit restated the Department's need to develop ways to more efficiently dispose of property. We are working with the Circuit Attorney to achieve this recommendation. There is currently movement on the State legislative front to make the matter of property disposition more efficient.

2.

Towing Contract

The SLBPC failed to adequately monitor the vehicle towing operations of a contractor which allowed the contractor to underpay the police department and City of St. Louis. Towing services for the department were originally provided by the Auto Towing and Storage Division of the city Department of Streets. In the 1990's, CAFA seizures expanded and department personnel indicated the Auto Towing and Storage Division no longer had enough capacity to meet the department's towing demands. The SLBPC contracted with a towing vendor to supplement towing needs. Over the years, the SLBPC expanded and formalized contracted services to include towing and storage services and established a schedule of towing service fees to be collected by the vendor and remitted to the department and the city.

Concerns regarding the towing contract have resulted in ongoing investigations by the department and other law enforcement agencies. We noted the following concerns with the department's towing operations:

- A. The towing contractor failed to properly remit towing fees to the department and the city, resulting in the contractor underpaying the department and the city \$121,342 and \$332,167, respectively, for towing fees collected between August 2006 and June 2008. Monies owed included a portion of towing, storage, and administration fees collected. The amount due was determined by the department in November 2008 and a letter was sent to the contractor requesting payment. In May 2009, the SLBPC filed suit against the towing contractor to collect monies

owed. As of September 30, 2009, the lawsuit is still pending and no additional monies have been received.

To determine the amounts due, department personnel indicated they evaluated all available records; however, some contractor records were unavailable due to ongoing criminal investigations. In addition as noted in Part B, some vehicle data was not up-to-date or was incomplete. Additional amounts may be due to the department and city.

The department failed to properly monitor fees remitted by the contractor which appears to have contributed to underpayments by the towing contractor. Payments were received from the contractor periodically during the course of the contract. Until 2008, the contract did not require the towing company to report the number of vehicles towed or provide any other documentation to support the amount of fees remitted, and the department did not request any detailed information from the contractor. In 2007, the Board solicited proposals and in 2008 awarded a new towing contract to the same vendor. The new contract included a requirement that the contractor remit fees monthly and provide applicable supporting documentation. The contractor did not comply with this provision and did not submit payments monthly or provide required documentation. In early 2008, the department requested the contractor provide the required supporting documentation, but the information provided did not include the level of detail required by the contract. The ongoing criminal investigations have apparently prevented the department from receiving additional information from the contractor.

Due to the various concerns noted with the towing contractor, the SLBPC cancelled the contract on July 18, 2008, and began using the city Auto Towing and Storage Division for all towing and storage. The SLBPC should implement procedures to ensure all contracts are monitored and payments due are collected. In addition, the SLBPC should continue to seek payment for the towing fees due from the towing contractor.

- B. The department did not adequately monitor the status of towed vehicles or ensure complete and accurate information was recorded for all towed vehicles. The department maintained an internal database to record the status of towed vehicles. In addition, the towing contractor was responsible for entering towed vehicle information into the Regional Justice Information System (REJIS). The department did not monitor whether the contractor updated vehicle status timely or ensure the information in the internal database agreed to the information in REJIS. Vehicles were required to be listed as "active" status when held for a law enforcement purpose or awaiting return to the owner and the status updated when the vehicle was abandoned or sold. REJIS records did not always reflect the actual status, and some vehicles continued to be shown as "active" when abandoned. The department did not always verify that the REJIS records were accurate. Without consistent, complete records of towed vehicles, the department

cannot ensure vehicles are properly disposed and applicable towing fees are received.

- C. Until 2008, the towing contract allowed the department to utilize up to five abandoned vehicles in the custody of the towing contractor. Limitations on the use of the vehicles were not included in the contracts. While the department may have used the vehicles for legitimate law enforcement purposes, the lack of policies and procedures or specific contract stipulations give the appearance vehicles may have been available for inappropriate or personal use. The contract approved by the Board in 2008 did not contain any provision for the department to utilize vehicles in the custody of the towing contractor.

It has been reported in the media the daughter of the former Police Chief and an unknown number of police officers received free use of vehicles in the possession of the contractor, although it is unclear whether the vehicles used were part of the contractual agreement or were other vehicles provided by the towing company. Department personnel indicated any use of vehicles in the possession of the contractor was based on individual transactions unrelated to the department's towing contract.

WE RECOMMEND the St. Louis Board of Police Commissioners:

- A. Ensure future contracts are monitored for accuracy and compliance with contract requirements. In addition, the Board should continue to seek compensation from the contractor for the amount of underpaid towing fees.
- B. Ensure information for all towed vehicles is properly recorded and updated in applicable databases.
- C. Ensure the practice of utilizing abandoned vehicles for police operations is not included in future towing contracts.

AUDITEE'S RESPONSE

The St. Louis Board of Police Commissioners provided the following written response:

- A. *There is no longer a towing contract. All towing requests are accomplished through the City's Auto Towing and Storage Division. The Board has a commitment to follow through on the demand for payment of fees owed relative to the towing contract, and the Board's legal representative has already begun the process.*
- B. *The Department's towing procedures have changed to assure more accountability and more reliability in the towed vehicle databases that are applicable. Tow code categories were created for better tracking and oversight. The Audit/Advisory Unit has conducted compliance audits that have demonstrated the effectiveness of the revised towing protocol. Weekly tow reports are provided to Bureau Commanders for all vehicles towed*

by their commands; those managers are being held accountable for the entries on the tow reports. The Audit/Advisory Unit conducts reviews of this process.

- C. *The Department cancelled the towing contract in July 2008 and does not use abandoned towed vehicles in its operation. This practice is no longer a part of the Department operations.*

ADDITIONAL DETAIL AND COMMENTARY ON FINDINGS

The State Auditor rightfully has cited the Department for failing to adequately monitor the vehicle towing contract we had with S and H Towing. Specifically, the audit report mentions concerns that the Department did not establish sufficient oversight of the towing contract so as to detect underpayments of fees that were due to both the Department and the City. That is accurate.

Acknowledging that the Department did not receive complete listings of all towed vehicles from S and H, there were nonetheless monthly reports prepared by the Contractor and received by the Department that listed those vehicles for which the Department or the City was receiving towing and storage fees. Those data were being examined for accounting accuracy prior to deposit of the checks that accompanied the spreadsheets. What the Department was not aware of was that the descriptions of the cars noted in these monthly reports did not reflect the actual number of cars towed by S and H for which the Department or the City should have received payment. (Early in 2001, the Department Auditor as part of his duties examined the towing data and did note that it would be more efficient if the Department received a complete listing from S and H of all vehicles towed each month, but that notation was not acted upon. The Department continued to receive the partial listings).

The audit report cites that in 2008, the towing contract was awarded to S and H Towing and required the Company to "report the number of vehicles towed..." In the early spring of 2008, both the Director of Budget and Finance and the Department Auditor were involved in an examination of the S and H account. That examination determined that S and H was not providing the level of detail on towing activity that was required by the 2008 contract. In the spring of 2008, letters were sent to S and H by the Department Auditor detailing the information required by the contract and asking that the towing representatives be more responsive in providing the data required. At that point, a box of original towing invoices was delivered to the Auditor. A follow-up letter was sent to S and H asking that the data be transmitted in the form of a spreadsheet, however the Auditor was informed that the towing records were not available in that configuration. At this point in the inquiry, the towing service practices became a matter for the United States' Attorney and further interaction between S and H and the Department stopped.

The audit report suggested that the Department "did not adequately monitor" the status of towed vehicles to "ensure complete and accurate information was recorded for all towed vehicles." This simple statement does not take into account the way the system works. The Department authorizes towing of vehicles for a variety of reasons. The vehicle actually remains an interest to the Department as long as it continues to be a part of a policing matter. Otherwise, and

consistent with practice, the towing company, whether a private or public service, is authorized to update towing records independent of the Department. In this case, S and H was given an ORI (computer entry point origination identifier) by the City Tow lot, and was responsible for assuring that vehicles in the towing database were properly updated in the REJIS system. The Department was not responsible and did not monitor when cars were released from the towing service lot, and did not have to enter that information. Actually, prior to the Audit/Advisory Unit's work in getting the process changed, anytime information on a vehicle's status changed, a new reference number had to be assigned. Thus, and perhaps an explanation for some of the disparate numbers of tows and stores generated during this investigation, the same vehicle could have accounted for several "references." In other words, the same vehicle could have been counted more than once because of reference numbers generated by the status changes. But the towing service made those entries. At the suggestion of the Audit/Advisory Unit, the entry protocol was changed to allow status changes for vehicles recorded under the same vehicle reference number.

The Department has discontinued the practice of receiving fees for towing. The need to monitor towed vehicles other than those that are evidence or the subject of a continuing investigation is no longer a part of any contractual arrangement.

The final issue in the towing inquiry had to do with the provision in the towing contract that allowed for five cars from the contractor's towed-car inventory to be used by the Department. The Audit Report indicates that "...the daughter of the former Police Chief and an unknown number of police officers received free use of towed vehicles, although it is unclear whether the vehicles were part of the contractual agreement or were other towed vehicles provided by the towing company." Any officer who allegedly received "free" use of towed cars was certainly not acting as a result of any contractual language. Any arrangement(s) representatives of the towing company had in the distribution of their inventory of cars to anyone (whether "free" or otherwise) was based on individual transactions unrelated to the development or execution of a service contract with the Saint Louis Metropolitan Police Department.

The Towing Contract with S and H Towing caused the Department, at the direction of the Board, to develop new business practices around contracting and monitoring contract provisions. As the audit report pointed out, the Department had already implemented important changes in procedures and had documented underpayments by S and H. All of the data on which the legal proceedings against S and H for money owed the City and the Department was developed through the work of the Audit/Advisory Unit. We are pleased that the State Auditor recommended that we continue on the course already charted as remedies for the towing issue. The Board's commitment is to recover money from S and H that is owed to the Department and the City.

3.

Property Custody Unit

Improvements are needed in procedures and controls over evidentiary property stored in the Property Custody Unit (PCU). Our review of PCU procedures noted the following concerns:

- A. As of February 2009, cash of approximately \$24,000 in custody of the PCU was missing, mislabeled, or misplaced. An internal audit of the unit in June 2007 noted \$22,000 stolen from evidence bags and \$21,000 classified as "unable to locate." The \$22,000 was investigated and the SLBPC reimbursed this amount to the PCU in May 2008 from the Board Secretary's Account. The other \$21,000 was not investigated until October 2008 when the department began the process of inventorying all currency maintained by the PCU. As part of this process, the department noted \$33,000 was actually "unable to locate"; however, the department has resolved the location of \$9,000 as of February 2009.

Prior to November 2008, the department did not have controls in place to ensure monies and other property were properly stored, accounted for properly, and protected from loss or theft. The department contracted with an independent audit firm which specializes in evidence to review the PCU and its procedures. The audit firm found the unit was unorganized, did not keep accurate records, stored excess items in the vaults, did not properly store some items, and did not conduct periodic physical inventories. It appears these control weaknesses contributed to the theft and loss of monies within the vault.

Since the audit of the unit, the department has taken steps to implement the audit recommendations, including drafting a strategic plan and improving the organization of the unit. To ensure evidence is readily available and monies are protected from loss or theft, the PCU should continue to implement controls over currency held as evidence.

- B. The PCU is currently holding weapons, evidence, found property, and prisoner property, most of which apparently has no value to the department.

- 1) The PCU currently has a large number of weapons and old evidence stored in its property room which the department determined has no value and should be destroyed. Failure to properly destroy or dispose of property creates a lack of space to store more relevant items within the property room. The increased inventory also increases the amount of time to conduct physical inventories.

The PCU identified approximately 4,000 guns that held no evidentiary value to the department. In June 2008, the PCU submitted the list to the Circuit Attorney's Office (CAO) for approval of destruction. As of August 2009 the PCU was still awaiting approval. Section 542.301.1(1)(d), RSMo, allows the department to request the Attorney General's Office to intercede on their behalf if the CAO takes longer than 60 days to respond. The department is currently considering contacting the Attorney General's Office to address the issue.

The PCU should continue to identify weapons and old evidence that can be purged and seek permission to destroy those items to improve the ability to track evidence.

- 2) The PCU currently has the responsibility to store bulk prisoner property (such as bicycles) for the city's Justice Center. While all other prisoner property is stored by the Justice Center, bulk items have traditionally been given to the police department. The independent auditors noted the bulk prisoner property creates a lack of storage space for items the department is required to store. The PCU should work with the Justice Center to determine if bulk prisoner property could be stored at the Justice Center.
- C. The PCU does not have adequate controls to track evidence released to other agencies. The PCU routinely releases evidence to the CAO and Sheriff for trials. While entries are made in the property system to show the transfer of evidence, there are no procedures in place for the PCU to periodically check the status of the evidence. Evidence could be retained permanently by the CAO or Sheriff depending on the outcome of the applicable trial. As a result, items permanently in the custody of another agency may not be adequately identified in the PCU system. Sound business practices dictate procedures should be in place to track the location of all evidence received by and transferred from the PCU.

WE RECOMMEND the St. Louis Board of Police Commissioners require the PCU:

- A. Continue to investigate currency classified as "unable to locate" and continue to improve controls over currency maintained by the PCU.
- B.1. Purge firearms and old evidence in accordance with policy and continue to work with the CAO to obtain approval for evidence destruction.
 2. Work with the Justice Center to determine the best storage location for bulk prisoner property.
- C. Establish procedures to track the status of all evidence transferred to other agencies and identify items in the property system records that are permanently transferred.

AUDITEE'S RESPONSE

The St. Louis Board of Police Commissioners provided the following written response:

- A. *The Department's own audit processes which began in July 2007 determined that cumulatively more than \$19,000 dollars was missing from property room envelopes. Immediate changes were made in the property protocol and evidence locker security to prevent recurrences. The Department will continue in its evaluation of ways to improve controls, and has made significant changes in its property custody processes, particularly*

around the maintenance of currency. Moreover, significant electronic security measures have been implemented in the property custody section.

- B.1. *The Department has had a history of difficulty in moving property along a timely and reasonable path of disposition. As noted by the State Auditor, the Circuit Attorney is the authority on most matters of property disposal and the Department has been working diligently to reach accord with the CAO to improve our capacity to reduce property custody inventory. The destruction of firearms is a particularly tedious process that requires great diligence in assuring rightful ownership and authority for disposal.*
2. *This issue is long-standing. The Department has on many occasions raised the issue of bulk prisoner property storage, however space is the issue. Absent any suitable alternative, the topic at this point is not reconcilable.*
- C. *The Department's current property inventory system allows for the identification of those who check property out of the section. The ultimate or eventual status of that property in terms of maintaining records would be dependent upon the responsiveness of the authority that checked the property out. Ideally the Department could rely on the involved entities to account for what property or evidence is checked out; however, even if there is a determination that an item might be classified as "permanently transferred", that does not relieve the Department of its responsibility to account and record that disposition. The fact that the Department's database shows the status of **all** property taken in (even those items that have since been "checked out") at least assures that we can properly track every item. We can always tell if we ever "had" a piece of property.*

ADDITIONAL DETAIL AND COMMENTARY ON FINDINGS

The entry for the Property Custody Unit for the audit report mentions inventory and security issues that had been resolved or were in the process of being resolved when the State Auditor undertook the examination of the Department.

The Department has instituted strict measures around those processes that contributed to missing or stolen property. Furthermore, the Department's commitment to shoring up our property custody issues ranges from revamping the packaging and storage of property to working with the Circuit Attorney in developing more timely disposition of property/evidence matters.

As has been previously mentioned in this response, decisions on disposal of property and evidence generally require the oversight and approval of the Circuit Attorney's Office. We are working together to solve the problem.

4.

Fitness Center Receipts

Proceeds from Fitness Center memberships and merchandise sales totaling at least \$1,162 were received during the period July 1, 2007 through January 8, 2009, but were not

transmitted to the City Treasurer. Membership and merchandise proceeds (cash and checks) are collected by the Fitness Center supervisor or two other Fitness Center employees, recorded by the Fitness Center supervisor, and forwarded to the B&F Division for transmittal to the City Treasurer.

For the period July 1, 2007, to January 8, 2009, we compared amounts recorded on receipt slips and a spreadsheet used to track receipts and disbursements to amounts forwarded to the B&F Division. We noted the following issues:

- Recorded checks totaling \$586 were not transmitted for deposit. Inquiries by department officials found these checks have not cleared the payors' banks, and a search of the Fitness Center by department officials did not locate the checks.
- A cash count on January 8, 2009, noted \$2,694 in cash in the Fitness Center safe and cash box; however, receipt and disbursement records indicate \$3,270 should have been on-hand. As a result, cash-on-hand was short \$576.

(See Appendix for details of receipts not transmitted.)

Because of the lack of availability of records for periods prior to July 1, 2007, we did not review receipts prior to this time. The department should consider reviewing records prior to July 1, 2007, to determine if any additional receipts were not transmitted.

Poor controls over Fitness Center receipts, as well as no independent review of the records maintained by Fitness Center employees (see Management Advisory Report (MAR) finding number 5) allowed these missing receipts to go undetected.

WE RECOMMEND the St. Louis Board of Police Commissioners ensure reasons for Fitness Center receipt shortages are investigated, and seek reimbursement for the amount of receipts not transmitted to the City Treasurer. In addition, the Board should consider implementing a thorough review of all Fitness Center receipts prior to July 1, 2007, to determine if additional shortages exist.

AUDITEE'S RESPONSE

The St. Louis Board of Police Commissioners provided the following written response:

An Internal Affairs Division (IAD) investigation was conducted to examine the alleged receipt shortages in the account of the Fitness Center. The Fitness Center received membership dues and also occasionally sold merchandise – primarily fitness center apparel. The staff of the Fitness Center, helped on occasion by limited duty personnel, maintained spreadsheets of transactions. As denoted in the audit, the receipting and deposits for payments were not accomplished in a timely manner, the ledger entries were not always clear, and the account balances did not reconcile. The IAD investigation determined that at least two of the checks that had been written out to the Fitness Center had in fact been recorded but not cashed. The IAD

investigation concluded that there was laxity in the administration of the Fitness Center account. Discipline was recommended.

5. Receipt Accounting Controls and Procedures
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The department's procedures for handling receipts need improvement. A review of receipting procedures in the various divisions noted receipt functions are not adequately segregated, the composition of receipts is not reconciled to deposits and transmittals, deposits and transmittals are not made timely, receipts are not transmitted or deposited intact, and checks are not restrictively endorsed immediately upon receipt.

Various divisions within the police department receive monies. These monies are transmitted to the B&F Division or deposited directly into a board bank account. The B&F Division also directly receives some monies, and these monies along with applicable monies received from the other various divisions are transmitted to the City Treasurer. We noted the following concerns regarding department receipt procedures:

- A. Accounting duties are not adequately segregated and there is no independent review or oversight related to receipts in various divisions. Employees who receipt monies in the Fitness Center, Private Security Section (PSS), and Records Division also prepare transmittals and deposits. No independent review is conducted of the divisions' receipt records by the B&F Division or other department officials. Staff shortages and a vacant internal auditor position contribute to the lack of oversight.
- B. The composition of receipts is not reconciled to the composition of deposits and transmittals made by the Fitness Center or B&F Division. The Fitness Center indicates method of payment received (cash and checks) on receipt slips but does not reconcile the receipt slips to the composition of amounts transmitted to the B&F Division. The B&F Division combines monies from the various divisions to transmit to the City Treasurer or deposit in the bank. An independent member of the B&F Division staff reviews the transmittals and deposits; however, this review does not include reconciling the composition of monies collected from various divisions and B&F Division receipts to the composition of the transmittal or deposit.
- C. The Fitness Center, PSS, and B&F Division do not always make timely deposits or transmittals. The amount of time between the date received and deposits or transmittals by these divisions varied from a few days to more than a month during fiscal year 2008. The Fitness Center only made 10 transmittals during fiscal year 2008 and the average transmittal was over \$1,000.
- D. The Fitness Center, PSS, and Records Division do not always deposit or transmit monies intact. The PSS and Records Division make cash refunds when checks are received for more than the amount due. In addition, the Fitness Center does

not maintain a change fund at a constant amount and withholds monies from deposits to increase the change fund balance during peak demand times. Fitness Center employees also use receipts to purchase food and other items. These purchases should go through normal department purchasing procedures.

- E. Checks and money orders are not restrictively endorsed immediately upon receipt by any division within the department. Checks and money orders are not endorsed until the B&F Division prepares the transmittal or deposit. As a result, some checks and money orders may be held for more than a month prior to endorsement.

To reduce the risk of loss or misuse of funds and to ensure all receipts are recorded, accounted for properly, and deposited or transmitted, controls over receipts should be improved.

Similar conditions were noted in our 1999 and 2001 audits.

WE RECOMMEND the St. Louis Board of Police Commissioners adopt procedures to:

- A. Adequately segregate receipt duties between available employees and/or establish documented periodic reviews of records by employees independent of the recording, depositing, and transmitting functions.
- B. Reconcile the composition of receipt slips issued to the composition of amounts deposited or transmitted.
- C. Deposit or transmit receipts timely.
- D. Deposit or transmit receipts intact.
- E. Restrictively endorse all checks and money orders immediately upon receipt.

AUDITEE'S RESPONSE

The St. Louis Board of Police Commissioners provided the following written response:

The Department's Compliance Auditor will perform periodic reviews of the receipts and deposits of the Fitness Center, Private Security, Records, and Budget and Finance Divisions. These reviews will include matching amounts for cash and checks to receipts. These reviews will be unannounced and random to ensure that the Compliance Auditor can test to ensure that all checks and money orders are endorsed upon receipt. The Compliance Auditor will also test for the timeliness of deposits.

The Compliance Auditor and the Board's staff will be responsible for routinely reporting on the receipting protocol. There will be guidelines for receipt oversight that will be reported to the Board. This issue was raised during the 1999 State Audit.

The SLBPC approved approximately \$133,000 in severance wages for two department officials that do not appear reasonable or necessary. The SLBPC approved a separation agreement with the former Public Information Director in January 2008 which included a lump sum payment equivalent to 3 months of salary totaling \$24,490. The SLBPC approved a separation agreement with the former Chief of Police in July 2008 which included payment of his regular salary of \$108,680 over the course of 1 year. In addition, the Board agreed to pay all legal fees for the former Chief of Police related to official duties performed during his employment.

The separation agreements ended the employment of the individuals and provided for the severance wages to be paid upon resignation or retirement. Neither employee had an employment contract which required a severance package or any other compensation to be provided upon separation from the department. As a result, it is not clear whether the Board was obligated to provide compensation to the outgoing employees or whether severance payments were justified.

WE RECOMMEND the St. Louis Board of Police Commissioners refrain from paying excessive severance payments. If severance payments are provided, they should be limited and consistent with requirements of employment contracts.

AUDITEE'S RESPONSE

The St. Louis Board of Police Commissioners provided the following written response:

The Board will refrain from paying what the State Auditor described as excessive severance payments. The former Chief was authorized a severance payment by a 4 to 1 majority vote of the Board, with Mayor Slay dissenting.

This experience led the Board to change the appointment process for the Chief of Police and require a contract with specific language governing separation or termination. The current Chief has signed a contract for his tenure.

However, the Board will not prohibit severance pay decisions. Instead, any decision will continue to be predicated on good financial sense and the best interests of the Department. On rare occasion when such a consideration may arise, the Board should be in a position to determine whether the projected legal costs involving a specific employee's termination may exceed the costs of providing a severance package. Situations may also arise in which the potential damage to the Department through continued employment of an individual offsets a termination agreement including severance pay. The Board will take into consideration the recommendations of the management staff in choosing the course of action that will result in the least cost to the organization.

Department practices allowed terminated or retired employees to accrue unreasonable vacation and sick leave benefits during their final month of employment. In addition, department procedures for recording overtime and inadequate controls over the payroll system allowed excess overtime payments to officers.

- A. The department did not pro-rate the accrual of vacation and sick leave earned during employees' last month of employment. Upon termination or retirement, employees are paid for unused sick and vacation leave. The accrual of unused leave is calculated as of the last day of service, and until April 2008, employees earned a full month's worth of leave accrual no matter which day of the month was their last day. For example, if the last day of service was the first day of the month, the employee accrued an entire month of leave, and that leave was paid out as unused leave upon termination or retirement. In April 2008, the department began pro-rating the amount of vacation leave earned based on the number of days worked during the month; however, employees still earn a full-month's accrual of sick leave on the first working day of the month.

In addition, employees are allowed to take leave on their last days of service, which could extend their term of service into a new month and allow additional leave accrual. For example, if an employee's last day of work is June 30, the employee could take one day of leave on July 1 and the employee will be credited for a full month of sick leave for July.

Our review of 18 final paychecks during the period July 2007 through March 2008 for terminated or retired employees noted 12 (67 percent) earned additional benefits because the employee was allowed to use recreation days, sick leave, or vacation leave on their final days of employment which extended their term of service and allowed them to earn additional leave. The final paychecks of the 12 employees were increased by a total of \$12,620 due to this practice. Of this amount, \$2,840 was paid to employees who used a sick bonus day on their final day of employment. Sick bonus days are additional days of leave earned by employees who do not take sick leave during a month. Board policy does not allow for the payment of unused sick bonus days upon termination or retirement.

To ensure taxpayer monies are spent prudently, the SLBPC should adopt a policy to pro-rate the amount of leave accrued during the final month of employment instead of awarding the employee with a full-month of leave accrual if their last day of employment is early in the month. In addition, the SLBPC should evaluate the reasonableness of the policy allowing the use of leave in the final days of employment to accrue additional vacation and sick leave.

- B. The department's previous payroll and timekeeping system allowed for employees to record and be compensated for unearned overtime. To help address known

problems with the previous payroll system and implement additional controls over payroll, the department implemented a new payroll system in June 2008.

The department incurred over \$6.9 million in overtime costs in fiscal year 2008. We noted the following concerns with overtime calculations and payments both before and after the new payroll system was implemented:

- 1) Our review of overtime transactions recorded in February 2008 noted 31 of 178 transactions (17 percent) did not comply with SLBPC policy for overtime accrual. In most of these cases, officers were compensated for standby overtime while on duty. Standby overtime is earned while on standby status for court appearances. Policy prohibits earning standby overtime while on duty or earning another form of overtime. There were also instances of officers compensated for overtime and regular duty time for the same hours, and officers compensated for more overtime than actually earned. The department defines these instances as overlapping of overtime.
- 2) The department's new payroll system continues to allow overlapping or unearned overtime to be processed and paid. Exception reports of overlapping time are available from the system monthly. Department procedures require this report to be reviewed and errors investigated for possible reimbursement of unearned overtime payments. While the system was implemented in June 2008, department employees did not start reviewing the report until November 2008. As of February 2009, no adjustments have been made to correct errors since implementation of the new system.

Our review of overlapping time exception reports since the new system was implemented noted 261 instances totaling 715 hours of unearned overtime payments. Based on average hourly wages for the time period reviewed, it appears the department paid as much as \$16,000 for unearned overtime.

To ensure overtime payments are valid and to prevent payment of unearned overtime, the department should review overtime exception reports monthly and resolve errors timely. The department should follow up on all known payments of unearned overtime and seek reimbursement. In addition, the department should work with the payroll system software company to implement system controls that will prevent overlapping time to be accrued for payment.

- C. Contrary to department policy, employees worked more than 16 hours in a workday in 14 of the 65 applicable (18 percent) February 2008 payroll transactions reviewed. The majority of workdays consisted of regular duty hours and overtime in excess of 8 hours. Some of the long workdays did not appear to involve emergency situations, but were for special event patrols. SLBPC Special

Order 03-07 limits the total hours department officers can work while on duty and for an outside employer to 16 hours per day. It appears reasonable that if the SLBPC restricts total hours worked while on duty and for another employer to 16 hours per day, the same limitation should apply to total hours worked for the department.

While some emergency or investigation instances may require extended workdays, the SLBPC should implement a policy limiting the hours worked and implement controls to ensure the policy is followed. Excessive hours in a workday may contribute to employee fatigue and safety issues.

WE RECOMMEND the St. Louis Board of Police Commissioners:

- A. Evaluate the reasonableness of allowing employees to use leave in their final pay period that allows additional leave accruals and consider pro-rating the amount of leave earned during the final month of employment based on the number of days worked during the month.
- B. Ensure all overtime earned is valid and in compliance with SLBPC policy. The Board should seek reimbursement of any unearned overtime payments. In addition, the Board should ensure controls are implemented in the payroll system to prevent overlapping overtime accruals.
- C. Implement a policy to limit the total number of hours worked per day and implement controls to ensure the policy is followed.

AUDITEE'S RESPONSE

The St. Louis Board of Police Commissioners provided the following written response:

- A. *The Department will allow employees to use leave time which they have earned in their final pay period. Eight hours of sick leave is awarded on the first day of every month. The Department will consider accruing sick leave on a biweekly basis. Vacation has been accrued on a daily basis since the implementation date of the new duty roster system (PeopleSoft) on April 28, 2008.*
- B. *The Department's previous timekeeping-duty roster system did not provide an effective means to prevent or report overlapping time issues. Our new system initially did have some issues with overlapping time which have been resolved. Those instances of overlapping time that occurred after the implementation date of the new system have been addressed. We have a duty roster record that affords us controls over any discrepancies that may arise in the application of overtime payments.*
- C. *The Department has a policy to limit the number of hours worked in one day in conjunction with secondary employment. Secondary employment includes both overtime worked on grants and contracts as well as work with outside employers. Controls have*

been implemented to follow this policy. The Department does not have a policy that limits the total hours in one day if an officer is simply working a combination of Department paid straight time and overtime. In the interest of safety, the Department will consider adopting a simple policy that would be easy to follow.

No officer will work more than 80 hours in one week or 16 hours in one day. This includes work performed in a law enforcement capacity for the Department or any secondary employer, no matter the nature of the secondary. Officers will be required to enter time worked for outside employers in a law enforcement capacity into the Department's time keeping system. It is desirable for commanders to allow for an 8 hour rest period between periods of work. Exceptions can be made in emergencies.

ADDITIONAL DETAIL AND COMMENTARY ON FINDINGS

Vacation leave has been pro-rated since April 2008. Two sick bonus days are earned if an employee does not have any sick days in a defined six month period. Those periods run from January to June and July to December. If an employee only uses one sick day during these periods, one sick bonus day is earned.

8. Expenditures

Controls over the use of purchasing cards need to be improved. In addition, police department employees incurred some expenditures that did not appear reasonable and necessary, were not properly approved, and/or were not supported by appropriate documentation.

- A. The SLBPC has 34 purchasing cards issued to various police department employees. Purchasing limits on each card range from \$2,500 to \$100,000. The purchasing cards are official VISA credit cards which are designed to provide a more convenient procurement method than the purchase order system. SLBPC policy requires all purchases, including those made with a purchasing card, to be reviewed by the Purchasing Division.

We reviewed 38 purchasing card expenditures, totaling over \$35,000, and noted the following concerns:

- 1) Several purchases, totaling \$2,976, were made at clothing and department stores, local restaurants, and ticket venues. There was no documentation to indicate these purchases were business related, and these purchases appear to be personal in nature. The majority of the purchases were made by the former Police Chief. The former Police Chief reimbursed the Board \$708 for some of the purchases reviewed, and SLBPC officials indicated they assumed the un-reimbursed purchases were for business purposes. Neither the Board nor department employees reviewed

supporting documentation for the former Police Chief's purchasing card expenditures.

- 2) The Board has not worked with the issuer of the purchasing cards to place restrictions on the types of purchases that may be made. Purchasing cards are assigned for specific purposes such as travel or supplies, but no controls exist on the cards to ensure purchases are limited to these purposes. In addition, the purchasing cards allow cash advances and each cardholder is given a cash advance PIN code.
- 3) Some purchasing card expenditures were not supported by original invoices or other documentation and were not approved in accordance with SLBPC policy. Proper supporting documentation was not submitted for 20 of the 38 (53 percent) purchases reviewed. For 26 of the 38 (68 percent) purchases, documentation of supervisory or other approval prior to payment was not available.
- 4) Purchasing cards were used to purchase items available under existing SLBPC contracts or bids. It appears purchasing cards may have been used to circumvent the normal purchasing procedures. Board and department officials used purchasing cards to buy computer equipment, training courses, and furniture when the SLBPC had a blanket equipment contract with the same vendor or had a contract with another vendor for the same item. No documentation was provided to justify the need to purchase items outside existing contracts. The SLBPC had no assurance items purchased complied with existing contracts or were obtained at a better price than existing contracts.

To ensure all purchasing card expenditures are reasonable and necessary, the SLBPC should review its policies and procedures over purchasing cards and implement additional controls to address the concerns noted above. Supervisory or other approval should be documented and original invoices or other supporting documentation should be provided prior to payment of all purchases. In addition, the SLBPC should review the purchases made by the former Police Chief and seek reimbursement for personal purchases not already reimbursed to the department.

- B. Department employees incurred travel expenses to various conferences and events that did not appear reasonable and necessary. In addition, some hotel rates paid by the department exceeded federal CONUS rates (maximum lodging rates allowed for federal employees). Examples of unreasonable or unnecessary travel expenses included:
- The former Police Chief attended a 15-day conference in Australia for a Pacific Coast Terrorism conference at a cost of at least \$1,950.

- A Lieutenant traveled to New York City and stayed at the Waldorf-Astoria Hotel during the 2008 Major League Baseball All-Star Game to assess law enforcement efforts in preparation for the 2009 All-Star Game. While this may be a law enforcement need, no reports or documentation were prepared to justify the trip and its usefulness. The total cost of the trip was \$2,652.
- The Director of Planning and Technology attended a 20-day management training course at Harvard University that did not appear directly related to the employee's official duties. The total cost of the training and associated travel was \$13,855.
- The former Police Chief attended a conference in Colorado Springs and incurred lodging expenses of \$244 per night for 2 nights, while the CONUS rate was \$83 per night.

To ensure all travel expenses are reasonable, the SLBPC should ensure the purpose of all travel costs is adequately documented and the travel is for a valid business purpose. In addition, the SLBPC should consider adopting federal CONUS rates for maximum allowable lodging costs.

- C. The department spent \$10,141 between June 2007 and May 2008 on food purchases for various events. This included various purchases at local restaurants and catering companies for banquets and graduations. The business purpose for these food expenditures was not documented. For example, the department spent \$2,550 on catering for a holiday banquet in December 2007. To ensure expenditures are reasonable and necessary, the SLBPC should develop a comprehensive policy establishing guidelines for SLBPC-provided food.

Similar conditions were noted in our 1999 and 2001 audits.

- D. The department purchased two hand-crafted gold badges for the former Chief of Police at a cost of approximately \$6,000 each, as it is customary for the chief to have two badges. Upon his retirement in July 2008, he kept one of the badges and the other badge is used by the current Chief of Police. Shortly after the current Police Chief's appointment, the department ordered a similar gold badge to replace the badge kept by the former Police Chief; however, the current Police Chief cancelled the order and requested a less-expensive badge be purchased. The department then purchased a total of 5 gold-plated hand-crafted badges costing \$1,987 each (totaling \$9,935): one for the current Police Chief's second badge, two for lieutenant colonels, and two for assistant chiefs. In the past, retired officers have been allowed to keep their badges, but the current Police Chief issued a policy prohibiting retiring officers from keeping their badges.

Bids were not obtained for the badge purchases noted above, and were purchased from a jeweler the department has used for many years to purchase hand-crafted badges for top-ranking officers. The department obtains bids for badges

purchased for other officers which cost approximately \$20 each. The purchase of hand-crafted gold or gold-plated badges appears to be an excessive and unnecessary expense of public funds and should be discontinued.

WE RECOMMEND the St. Louis Board of Police Commissioners:

- A. Implement adequate controls over the use of purchasing cards to ensure all purchases are reasonable and necessary. Supervisory or other approval should be documented and original invoices or other supporting documentation should be provided prior to payment of all purchases. In addition, the SLBPC should review the purchases made by the former Police Chief and seek reimbursement for personal purchases not already reimbursed to the department.
- B. Ensure all travel expenses are for a justified business purpose and consider adopting federal CONUS rates for maximum allowable lodging costs.
- C. Develop a policy regarding food purchases and ensure all applicable purchases are reasonable and necessary.
- D. Discontinue purchasing hand-crafted gold or gold-plated badges for top-ranking officers, and ensure bids are obtained for all badge purchases.

AUDITEE'S RESPONSE

The St. Louis Board of Police Commissioners provided the following written response:

- A. *Agreed. Now purchases made through the use of purchasing cards require the use of a requisition, travel advance request, or travel expense report. Each of these steps means that approval for such expenditures is carefully reviewed prior to payment. No employee is authorized to commit to a purchase that has not been approved through the established processes.*

As a practical matter, the access to purchasing cards has been significantly restricted to those who have demonstrated the need to have one. The Department cannot seek reimbursement from the former Chief of Police, as the receipts applicable to the period of audit are not available.

- B. *Agreed. The travel policy of the Department has been amended to include the use of federal lodging rates.*
- C. *Agreed. A new policy has been put into place which severely restricts most food purchases.*

This observation was brought to the attention of the Department during the 1999 State Audit. The limited occasions of food purchases has been stopped, with an allowance extended to the Chief of Police to authorize expenditures if appropriate to the interests of

the Department. For instance, there are limited occasions for purchases of refreshments for functions such as recruit graduations, awards ceremonies and promotional ceremonies.

The Department will prepare a policy on purchases of this nature. There will be limits on the amounts and on the occasions when food purchases will be approved.

- D. Agreed. The long-standing policy regarding the purchasing of badges was changed during the late summer of 2008. Currently, the Department is seeking alternatives to the badges for the ranks of Lieutenant Colonel and Chief of Police.*

ADDITIONAL DETAIL AND COMMENTARY ON FINDINGS

Purchasing cards are used by the Department to procure travel arrangements. These cards are issued to senior commanders, traveling divisions (Warrant/Fugitive), and those divisions making emergency purchases such as Fleet services and the Academy. These items are procured with either a travel advance request, travel expense report or a requisition.

Purchases made on the credit card of the former Chief of Police were made through a contingency account. Reimbursements were made and receipted by Budget and Finance in the amount of \$ 1,846.40. Charge card receipts for these purchases (restaurants, etc.) were maintained in the Chief's Office. During the change of administration, this file was destroyed. A large portion of the meals purchased from local restaurants occurred during a leadership training period in February and March 2008. In order to maintain continuity of training and one on one conversation with the facilitator, meals were brought in during training. In addition, to add to the team building experience, meals were shared among participants.

Other meals were purchased by the former Chief of Police to meet with city business leaders or reward units for a job well done.

With the change in administration, the policy regarding the use of the purchasing card has changed. Personal purchases requiring reimbursement are no longer permitted. In addition, the use of credit cards for the purchase of meals not associated with travel is no longer permitted.

As previously stated, documentation was maintained prior to the change in administration. In a review of the charge card invoices during the audit period, it was found that there were no other high ranking officials using their purchasing cards for other than travel purposes. The items mentioned in the audit appear to originate from the Chief's contingency account and largely relate to the leadership training period in February and March 2008.

Purchasing cards are used for a small number of supply items that are available only on the internet from vendors that do not accept purchase orders. In several areas, experts, such as Information Technology, Supply Division for furniture and the TV Section, are used to determine if a different method, item or pricing plan can be used.

The number of purchasing cards has been reduced. Therefore, the number of purchases on these cards has also been reduced. Requisitions are required for all purchases. Subsequent to the purchase, receipts are presented to Purchasing to be maintained with the appropriate credit card invoice. Food purchases are forbidden, with the exception of travel, on purchasing cards.

The policy for purchases under the former administration was to use the purchasing card and the Chief's contingency account to purchase meals for business and government leaders to discuss areas of interest in law enforcement and public safety. Reimbursement of purchases made under this policy will not be sought.

Regarding the trip to New York City, the trip was made at the behest of Major League Baseball and the St. Louis Cardinals. All arrangements were made by Major League Baseball including the lodging arrangements. The trip was originally scheduled for four employees but was reduced to one member of the Operational Planning Staff to reduce the cost. Following the trip, this Lieutenant was able to share this knowledge with those employees who were unable to attend as well as other public safety officials in the St. Louis Area. The logistics information and security experiences gained during the visit provided an important insight that helped make the St. Louis All-Star event such a success.

*The purchasing of hand crafted badges for the Chief of Police and the Lieutenant Colonels has long been a tradition of the St. Louis Metropolitan Police Department. The vendor that **provided these badges previously** provided all police badges for the Department. The vendor created all of the dies for these badges. Approximately six years ago, the vendor discontinued production of the badges for the rank of Major and below. The business was no longer profitable. The dies for the ranks of Lieutenant Colonel and Chief of Police remained with the vendor. All other badges were put out for bid. The prices ranged in price from \$27.77 for a police officer's badge to \$58.33 for a lieutenant's badge.*

9. Purchasing and Bidding Policies

The SLBPC purchasing policies are not in compliance with state law, and the SLBPC does not always follow its procedures for contracting and bidding.

- A. The SLBPC has adopted a purchasing manual; however, the policies contained in the manual do not include some provisions applicable to state boards as required by Chapter 34, RSMo. SLBPC policy requires bids for purchases over \$5,000; however, Section 34.040, RSMo, requires bids for purchases over \$3,000. Other requirements of Chapter 34, RSMo, are not included in the purchasing manual, including a review to determine whether potential vendors have met requirements for collecting and paying state sales and use taxes.

Section 34.010. RSMo, states the provisions of the chapter related to purchasing are applicable to state boards. As a board appointed by the governor, it appears the SLBPC qualifies as a state board. Personnel of the board's Purchasing Division indicated they were not aware the SLBPC was subject to these

provisions. Upon request, the Board's Legal Division concluded the provisions of Chapter 34, RSMo, are applicable to the SLBPC.

To ensure the Board's procedures comply with state law, the SLBPC should review its purchasing manual and make amendments as necessary.

- B. The Board does not ensure vendors have a valid City of St. Louis business license as required by board policy. Board officials indicated they believed the Comptroller's Office performed this task when creating a vendor file in the city's accounting system; however, Comptroller's Office personnel indicated that office does not perform this procedure. To ensure the SLBPC purchases are from valid licensed businesses (if within the city), it should work with the city License Collector's office to review vendor license status before contracting with a vendor.
- C. The SLBPC did not always solicit bids for goods and services in accordance with current policies and procedures. SLBPC purchasing procedures require solicitation of bids or proposals for goods and services over \$5,000.

- 1) Our review of various purchases made in 2007 and 2008 noted bids or proposals were not solicited for some purchases over \$5,000. Examples included contracts for goods and services where individual transactions did not exceed \$5,000, but cumulative payments to the vendors during the year exceeded \$5,000. It appears the SLBPC could have solicited bids or price quotes and negotiated contracts with these vendors to establish uniform rates and prices.

In addition, the Board has not solicited proposals for internal affairs legal services since 2005. At that time, the lowest proposal was not chosen and justification was not documented for choosing a higher-priced proposal.

- 2) Justification for purchases from sole-source vendors was not always adequately documented. While some documentation was normally provided, the justifications did not adequately describe the reason why other vendors were not or should not be considered. Examples of purchases indicated as sole-source included software and management consultant services. It appears other vendors may have been available to offer similar services. The SLBPC paid a total of over \$200,000 to a vendor during fiscal years 2008 and 2009 for management and hiring consulting, but no reason was documented why this vendor was considered sole-source.

To ensure the SLBPC receives fair and competitive prices for goods and services and vendors are given equal opportunity to participate, bids and proposals should be solicited for all applicable purchases and reasons for sole-source transactions should be adequately documented.

Similar conditions were noted in our 1999 and 2001 audits.

WE RECOMMEND the St. Louis Board of Police Commissioners:

- A. Review the purchasing manual and make necessary amendments to ensure compliance with state purchasing laws.
- B. Ensure vendors within the city have current business licenses in accordance with board policy prior to purchasing from or contracting with the vendor.
- C. Solicit bids and proposals for all applicable purchases and document justification for sole-source vendor purchases.

AUDITEE'S RESPONSE

The St. Louis Board of Police Commissioners provided the following written response:

- A. *Agreed. A Board order was issued on June 3, 2009, changing the bid threshold to the amount included in Chapter 34. This policy was instituted for fiscal year 2010 and is currently in use.*
- B. *Agreed. Due to a miscommunication with the Comptroller's Office, this procedure was missed. A business license is now a requirement included in all contracts, and the presentation of a current business license is a pre-requisite for the processing of a purchase order.*
- C. *Agreed. These procedures will be reviewed. Sole source procurement for legal representation and other personal services will be continued. There will be a process to require specific reporting to assuring more documentation on the exercise of the sole source designation of the contractor.*

ADDITIONAL DETAIL AND COMMENTARY ON FINDINGS

The legal firms chosen for internal affairs legal services have been used for this period of time due to ongoing litigation that they are involved in with the Board. To change counsel in the middle of litigation would cause a disruption of the process and cause a delay by having to bring the new counsel up to date. That is not something the Board feels is in the best interest of the Department or the community.

Sole source purchases are specifically discussed in the purchasing manual. An exception is needed to allow for personal services in fields such as legal services and consulting. If an individual is providing the service based on their experience either in the field or previously with the Department, they may be awarded a sole source by the Board of Police Commissioners.

The SLBPC purchased over \$200,000 of computer equipment that was not placed into service for extended periods of time. Some items were not recorded on the capital asset inventory records, and periodic physical inventories were not performed on a timely basis.

- A. As of February 2009, over \$200,000 of computer equipment purchased between 2005 and 2008 was stored in original shipping materials at the Board's Supply Division warehouse. The equipment included CPUs, monitors, printers, and scanners. More than one-half (approximately \$116,000) of the equipment was purchased prior to August 2008.

Board and department officials stated the items were purchased by the Planning and Technology Division, but the division would not take possession of the items because of lack of storage space and the inability to place the items into service. Acquiring equipment when it is not immediately needed is not a prudent use of public funds. In addition, because of rapid changes in technology, this equipment could be outdated before it is taken out of storage.

To ensure computer equipment does not become obsolete before utilized, the SLBPC should refrain from purchasing equipment that cannot be placed into service on a timely basis. In addition, the SLBPC should determine if the stored equipment can be used by other divisions or other city departments, and dispose of items which cannot be used.

- B. SLBPC capital asset records are maintained in five separate databases maintained by five separate divisions and there are no policies or procedures requiring uniform information be maintained on the various databases. The Supply, Fleet Services, Armory, Communications, and Planning and Technology Divisions maintain lists of capital assets. The Supply Division's list includes most department assets as most assets are purchased through the Supply Division. Fleet (vehicles), Armory (weapons) and Communications (radios and communication equipment) maintain separate lists for assets purchased directly by these divisions. Both the Supply Division and the Planning and Technology Division maintain records of computer equipment. Each division maintains information about assets that are specific to the division such as technical specifications of computer equipment or vehicle assignment information. Some lists include duplicate information and the lists are not reconciled to ensure completeness or to identify duplicate recording of assets.

The Board should review its procedures for maintaining capital asset lists to ensure the lists are complete and accurate. Consideration should be given to maintaining one centralized list of all capital assets. The current procedure of

maintaining five separate lists provides less assurance that all capital assets are properly accounted for and recorded.

- C. Our review of capital asset records noted items were not always recorded in the appropriate capital asset database, the location of items was incorrectly recorded in the database, and items were not always tagged or identified as police department property. In addition, some tools and diagnostic equipment utilized by the Fleet Services Division are not tracked in the capital asset database despite these items meeting the current criteria for classification as capital assets.

For items not recorded in the database, it appears divisions receiving the items did not always notify the applicable Supply Division personnel responsible for recording additions to the capital asset database. It appears item locations were recorded incorrectly due to data entry errors and items transferred between divisions that were unreported or unrecorded. Adequate capital asset records are necessary to safeguard department assets which are susceptible to loss, theft, or misuse; identify property as belonging to the police department; ensure capital assets are accurately reported on the department's financial statements; and provide a basis for insurance coverage.

- D. Periodic physical inventories of capital assets were not conducted and board policy only requires the Supply Division conduct annual inventories. The Supply Division conducted its first physical inventory in at least 3 years in 2008. The Communications Support Division has not conducted a physical inventory since 2005. The last complete physical inventory of Armory assets was conducted by the department's internal auditor in 2005.

To ensure records are accurate and complete, the Board should adopt written procedures requiring annual physical inventories be conducted for all department capital assets. If the Board consolidates its records into one capital asset listing as recommended in Part B, annual physical inventories should be conducted on a department-wide basis and the results of the inventories should be reconciled to the capital asset list.

WE RECOMMEND the St. Louis Board of Police Commissioners:

- A. Ensure only equipment that is necessary and readily able to be placed in service is purchased. In addition, the SLBPC should determine if any of the equipment in storage can be used by other divisions or other city departments, and dispose of items which cannot be used.
- B. Review capital asset procedures to ensure complete and accurate lists are maintained for all assets. Consideration should be given to adopting one centralized list for all assets.

- C. Ensure all capital assets are promptly and accurately recorded on the capital asset database and assets are tagged or identified as SLBPC property.
- D. Adopt policies to require annual physical inventories of all department capital assets.

AUDITEE'S RESPONSE

The St. Louis Board of Police Commissioners provided the following written response:

- A. *The Department agrees that the computer equipment to which this finding refers should have been distributed in a more timely manner. The purchase of the equipment was made at a time when prices were lower, so the intention was to save future costs. Unfortunately, the department was not able to move the equipment into service as quickly as originally thought. Future purchases in quantity will be more carefully monitored to assure that we do not unnecessarily store inventory. The computer inventory number noted by the State Audit has been significantly reduced through distribution.*
- B. *The Department maintains a centralized list for capital assets and will consider adopting a centralized list to be used for both capital assets as well as assets of lesser value that are tracked for control purposes. Furniture that does not meet capitalization criteria will no longer be tracked to match the policy of both the state and city.*
- C. *The Budget and Finance Division reviews invoices at the time of payment to capture items which need to be added to the fixed asset listing. Monthly reviews of expenditures will be scheduled with the Supply Division to ensure that this division is made aware of assets it must track that may not have passed through the Division. Moreover, reminders will be sent to managers that all capital assets, no matter how acquired, must be properly recorded. It is each manager's responsibility to oversee their operations to assure that the unit's inventories are listed.*
- D. *Each Unit Commander is required to conduct an inventory of assigned unit equipment annually and report this information to Budget and Finance and Supply Division. The Compliance Auditor is required to complete a total inventory of assigned equipment of some units on an annual basis. His duties will be expanded to include doing a physical inventory of all capital assets on an annual basis. As previously mentioned, the Compliance Auditor will rely on the individual managers to help with the compilation of a complete fixed asset inventory.*

11.	Vehicle Usage
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The SLBPC allows commuting and other personal use of some department vehicles for employees considered on-call status, but does not require these employees maintain documentation to distinguish between business, commuting, and personal use. The SLBPC assigns unmarked vehicles to officers with the rank of captain and above and to

four civilian department directors, and board policy allows personal use of these vehicles. As of January 2009, 47 unmarked department vehicles were assigned to officers and civilian personnel for commuting and other personal use. Personal use is not allowed for any other department vehicles.

Board and department officials indicated the high-ranking officers and civilian directors are on-call 24 hours a day and are provided take-home vehicles with personal use privileges. While it appears some of these officers respond to emergency calls outside normal work hours, the department does not require documentation of the amount of mileage incurred for after-hours emergency calls and has not compiled any data of the frequency of these employees responding to after-hours emergencies.

Personal use of department vehicles results in additional fuel and maintenance costs for the department. In addition, the board's Legal Division recommended the 47 vehicles be insured by an outside insurer due to personal use of these vehicles, and the department incurs approximately \$58,000 in annual insurance costs for these vehicles.

IRS regulations require the department to report the value of all personal use and the value of some commuting use as taxable benefits for department employees. The department reports the commuting benefits on the W-2 forms for the civilian employees, and it appears the department is not required to report commuting benefits for the officers; however, the department does not report the taxable benefit of other personal use for any of the employees.

To ensure commuting use of unmarked department vehicles is reasonable and necessary, the SLBPC should determine the frequency of each high ranking officer and civilian employee responding to after-hours emergencies and evaluate the need to assign unmarked department vehicles to these employees for 24-hour on-call status. In addition, the SLBPC should consider prohibiting all personal use of department vehicles other than for commuting purposes. In addition, the Board should require employees to maintain mileage logs or other records to distinguish between personal, commuting, and business use, and report the taxable benefit of personal use on employees' W-2 forms.

WE RECOMMEND the St. Louis Board of Police Commissioners evaluate the need to assign unmarked vehicles to all high ranking officers and civilian employees and consider prohibiting personal use of department vehicles other than for commuting purposes. Mileage logs or other records should be maintained to distinguish between personal, commuting, and business use for all unmarked vehicles, and the taxable benefit of personal use should be reported on employees' W-2 forms.

AUDITEE'S RESPONSE

The St. Louis Board of Police Commissioners provided the following written response:

This issue was broached during the 1999 State Audit and essentially the response by the Department has not changed. The only modification has been the development of a policy that

clarifies permissible use of vehicles assigned to commissioned personnel – as was assured in the 1999 reply. Unmarked vehicles continue to be assigned to select Department personnel based on their responsibility and accountability. Generally, cars taken home are issued to specialty assignments to be used for official business, responding to emergency situations that will arise. The civilian Directors of Buildings and Public Information are required to respond to various emergency or urgent situations, and their vehicles are appropriately accounted for in tax reporting.

12.

Budgetary Practices

The SLBPC maintains an account outside the city treasury, and the financial activity of this account is not budgeted. In addition, multiple transfers were made between budgetary line items, and policies do not exist to monitor the use of contingency funds.

- A. The SLBPC does not prepare formal budgets for the activity of the Board Secretary's Account. Custody of the Board Secretary's Account is maintained outside the city treasury by the SLBPC for the deposit of certain monies collected by the police department and is primarily spent on special projects. Board Secretary's Account receipts and disbursements totaled \$2.7 and \$1.2 million, respectively, for the year ended June 30, 2008. While the majority of the department's operating funds are budgeted and spent from the city's General Fund, budgets should be prepared for all applicable funds utilized by the SLBPC to provide the public and other city officials a better overall estimate of the amount of city funds needed for the operations of the police department.

Section 84.210, RSMo, requires the SLBPC to submit a budget request to the city which includes an estimate of the sum of money necessary to enable them to discharge the duties imposed upon them, and to meet the expenses of the police department. Such estimate shall include, but not be limited to, all reasonably anticipated board revenues and expenses from all sources.

Similar conditions were noted in our 1999 and 2001 audit.

- B. The SLBPC approved over \$3.1 million in transfers between General Fund budgetary expenditure accounts during the year ended June 30, 2008. Transfers were made to cover budget overruns in some budgetary expenditure accounts. In addition, both transfers-in and transfers-out occurred throughout the fiscal year in nine different accounts. Generally, budget transfers should only be made for unforeseen expenditures, but it appears many of the transfers were made to cover normal operating cost overruns. Per board and department officials, some transfers were necessary because the original budget approved by the City of St. Louis Budget Director and Board of Aldermen did not reflect the needs of the SLBPC.

To ensure budget transfers are only used for unforeseen expenditures, the SLBPC should work with the city to establish a budget which is sufficient to meet the needs of the department and refrain from utilizing the budget transfer process to allow excessive expenditures.

- C. The SLBPC has not adopted policies or guidelines defining allowable expenditures from the Police Chief Contingency budgetary account within the General Fund. During the year ended June 30, 2008, the contingency account was originally budgeted for \$89,000; however, budget transfers increased the final budgeted amount to \$149,000 and actual expenditures totaled \$148,491.

A contingency is generally considered something unforeseen or accidental, and it would appear funds from this budgetary account should be used for unforeseen events. However, the majority of expenditures charged to this account in fiscal year 2008 were for normal operating costs, including travel reimbursements, contracted services, and software subscriptions. The SLBPC should establish formal policies to define eligible costs for the Police Chief Contingency account to ensure proper budgetary control and use of these funds.

WE RECOMMEND the St. Louis Board of Police Commissioners:

- A. Prepare annual budgets for the Board Secretary's Account.
- B. Work with applicable city officials to prepare budgets which accurately reflect the needs of the department, and refrain from making excessive and unnecessary transfers between budgetary accounts.
- C. Establish formal policies to define eligible costs for the Police Chief Contingency budgetary account.

AUDITEE'S RESPONSE

The St. Louis Board of Police Commissioners provided the following written response:

- A. *The Board Secretary's Account has been transferred to the City and expenditures will be budgeted for in the same fashion as other Department funds.*
- B. *The Department does work with City officials. However, the Board's spending priorities may not match those of City officials. The Board considers each recommended transfer of money between budgetary accounts and does not share the opinion that such adjustments are excessive or unnecessary. The budget transfers are accomplished during the open meetings of the Board of Police Commissioners and are matter of public record and scrutiny.*
- C. *The Chief no longer has access to the Contingency Account. This account has been moved to Budget and Finance's cost center. Expenditures are no longer charged to this*

account. As needed, budget dollars will be transferred out of the Contingency Account to regular expenditure accounts requiring an additional budget. Any transfer under the number for the Chief's Contingency Account will be approved through the budget transfer protocol.

13.

Bank Accounts and Investments

The SLBPC does not request proposals for banking services and maintains funds in banks not located in the City of St. Louis contrary to board policy. On December 31, 2008, the SLBPC maintained over \$12.1 million in 8 checking accounts and 22 certificates of deposit.

Our review of SLBPC banking services noted the following concerns:

- A. The SLBPC has not requested proposals for banking services since 2000, and the Board's current policies do not require competitive selection for banking and investment services. The Board's checking accounts are located at two separate banks located in the city, one which also provides investment brokerage services.

The SLBPC should solicit formal bids or proposals for banking and investment services to ensure the Board receives the best possible banking services at the lowest costs and earns the highest possible return on investments. The solicitations should include interest rates to be earned, minimum balance requirements, and collateral limits.

Similar conditions were noted in our 1999 audit report.

- B. At December 31, 2008, the SLBPC held 22 certificates of deposit totaling \$5.275 million at 22 banks throughout the country, none of which have a presence in the City of St. Louis. The Board's investment policy requires time deposits be made at banks with a presence within the City of St. Louis. These certificates of deposit were purchased through the bank which provides investment brokerage services. The SLBPC should comply with its investment policy or review the policy to determine if bank location continues to be an objective.

WE RECOMMEND the St. Louis Board of Police Commissioners:

- A. Periodically solicit formal proposals for banking and investment services.
- B. Deposit funds in banks with a City of St. Louis presence in accordance with board policy, or review the policy to determine if the bank location continues to be an objective.

AUDITEE'S RESPONSE

The St. Louis Board of Police Commissioners provided the following written response:

The Board is transferring control of its Secretary's Account and Asset Forfeiture accounts to the City of St. Louis Treasurer's Office. It will also move its account that it uses to process workers' compensation payments to the City's depository institution. Small bank accounts that were utilized for various flower funds have been consolidated into the Secretary's Account.

14. Traffic Tickets

Improvements are needed in controls over traffic tickets as follows:

- A. The police department does not sufficiently account for tickets assigned and issued and the ultimate disposition.
- 1) Documentation of some tickets assigned to area stations was missing or inadequate, and ticket books were not always assigned in numerical sequence. Department procedures require the Supply Division to issue ticket book receipts to each area station representative who receives blank tickets from the Supply Division. The representative is required to sign the receipts which document the area station and ticket numbers received. Our review of Supply Division records noted blank tickets were not assigned in numerical sequence or receipts were not completed for 10 of 32 (31 percent) ticket assignments reviewed.
 - 2) A ticket database is maintained to account for all ticket numbers assigned to the department and the ultimate disposition of each ticket number; however, the database is incomplete and department officials do not investigate gaps in the numerical sequence of tickets. Our review of 100 traffic ticket numbers assigned to the department noted information for 14 of the ticket numbers was not recorded in the database. As a result, the ultimate disposition of each ticket is not recorded. In addition, reports are available which identify ticket numbers not entered into the database; however, department officials indicated these reports are not reviewed.

Without a proper accounting of the numerical sequence and ultimate disposition of all traffic tickets, the department has little assurance all tickets were properly handled.

Similar conditions were noted in our 1999 and 2001 audits.

- B. Some tickets were voided by officers without adequate documentation, and copies of some voided tickets were not maintained. In addition, some personnel may not be aware of voided ticket policies and procedures. SLBPC Special Order 07-01

requires officers complete a "request to void a uniform traffic citation" form for each voided ticket. The officer is required to document a reason code and the form must be approved by a lieutenant or above. If the reason code is "other", the officer is required to include a description of the reason.

- 1) Officers are required to complete a form for each voided ticket for approval by a supervisor, which includes an explanation code of the reason for voiding the ticket; however, some voided ticket forms were approved with inadequate or no documentation of the reason. Of the 525 tickets recorded as voided in the database during fiscal year 2008, 60 percent were voided with an explanation code of "emergency" or "other". Voided ticket forms require officers to provide limited additional information, and while some explanation codes are more descriptive, these procedures do not ensure the reasons for voided tickets are adequately documented. In addition, voided ticket forms could not be located for some tickets recorded as voided in the ticket database.
- 2) It appears some area station officers may not be aware of the required procedures for voiding tickets and maintaining documentation, and copies of voided tickets are not always maintained. Personnel from one area station indicated voided tickets could be destroyed and were not aware of the documentation to be maintained in accordance with Special Order 07-01.

To ensure tickets are voided with appropriate cause and adequate records are maintained, the department should require detailed descriptions of the reason for voiding tickets be documented and copies of all voided tickets and applicable forms be maintained. In addition, the department should ensure the requirements for voided tickets contained in Special Order 07-01 are communicated to all applicable personnel.

WE RECOMMEND the St. Louis Board of Police Commissioners:

- A.1. Ensure traffic tickets are assigned to area stations in numerical sequence and documentation is properly completed and maintained for all tickets assigned.
2. Ensure all tickets, including the ultimate disposition, are recorded on the database and gaps in the numerical sequence of tickets are investigated and resolved.
- B.1. Require detailed descriptions of reasons for voided tickets are documented and ensure all required documentation, including copies of tickets, is maintained.
2. Ensure all applicable personnel are informed of procedures for voiding tickets.

AUDITEE'S RESPONSE

The St. Louis Board of Police Commissioners provided the following written response:

The proper accounting for traffic tickets is a priority for the Department. The Department agrees that there is a need to assure that the distribution and receipt of tickets should be carefully monitored. The processes for voiding tickets are rigid, but the maintenance of records for that and all tickets is an important accountability measure.

Auditing of the traffic ticket protocol is accomplished by the Audit/Advisory Unit. The documentation for sequences and assignment of tickets is a responsibility vested in the appropriate units distributing the forms. We will re-state our ticket processes to assure the maintenance of records and accountability as recommended by the State Auditor.

15. Acceptance of Baseball Tickets

The police department accepted season tickets from the St. Louis Cardinals baseball team in 2008 and previous years which may be a violation of state law. The season tickets have been provided to the department for at least 7 years without payment to the baseball team. The department did not accept tickets for the 2009 season. The season tickets included six seats in the lower tier of the stadium. Based on the value of season tickets in a similar location in the stadium, the approximate value of the tickets in 2008 was \$19,000.

Section 84.180, RSMo, states no officer or policeman shall be allowed to receive any money or gratuity or compensation for any services without the consent of the police board. It appears acceptance of the baseball tickets may violate this statute. In addition, Section 7.004 of the Police Manual states receiving money, gifts, gratuities, rewards, or compensation for services is considered an act contrary to good conduct. To ensure the police department maintains the appearance of independence and to ensure compliance with state law and department policy, the department should refrain from accepting any gifts.

WE RECOMMEND the St. Louis Board of Police Commissioners refrain from accepting gifts or gratuities.

AUDITEE'S RESPONSE

The St. Louis Board of Police Commissioners provided the following written response:

The St. Louis Metropolitan Police Department has discontinued the policy of accepting baseball tickets, and did so prior to the recommendation of the State Auditors.

ADDITIONAL DETAIL AND COMMENTARY ON FINDINGS

Historically, the Department has received season baseball tickets for use by Department personnel and others. The distribution of these tickets has been through the Office of the Chief of Police. There has never been a "quid pro quo" for provision of police service or the use of police resources in exchange for tickets. This policy of the St. Louis Cardinals Baseball Club to donate tickets to the Department was a decision made by them, and is long-standing. The current administration has determined that the practice should end, and was discontinued in April 2009.

HISTORY AND ORGANIZATION

ST. LOUIS BOARD OF POLICE COMMISSIONERS
HISTORY AND ORGANIZATION

The St. Louis Board of Police Commissioners was established by an act of the legislature in 1861 to provide law enforcement protection to the citizens of the City of St. Louis. The board operates under the provisions of Sections 84.010 to 84.340, RSMo.

The Board of Police Commissioners consists of five members. The governor, with the consent of the Senate, appoints four commissioners who, with the Mayor of the City of St. Louis as an ex officio member, control the operations of the St. Louis Metropolitan Police Department. The board members are appointed for a term of four years. The police property, as well as the Police Department, are subject to the rules and orders of the Board of Police Commissioners.

The board directly oversees the Divisions of Budget and Finance, Purchasing, Supply, and Legal. The board sets policy, makes promotions, holds both closed and open meetings, and coordinates with the Chief of Police in providing police services to the citizens of the City of St. Louis.

The members of the Board of Police Commissioners at June 30, 2008, were:

<u>Member</u>	<u>Term Expires</u>
Colonel Chris Goodson, President*	January 31, 2009
Colonel Julius Hunter, Vice President	January 31, 2010
Colonel Todd Epsten, Purchasing Member	January 31, 2012
Colonel Vincent Bommarito, Treasurer	January 31, 2011
Mayor Francis Slay, Ex-Officio Member	N/A

* Colonel Goodson continued to serve on the board until his resignation on February 28, 2009. Colonel Bettye Battle-Turner was appointed to the board effective March 26, 2009. On April 14, 2009, Colonel Epsten was appointed President and Colonel Battle-Turner was appointed Vice President.

The Chief of Police is appointed by the board and oversees the four department bureaus that provide police services in various capacities to the City of St. Louis. The current Chief of Police is Colonel Daniel Isom who was appointed on October 6, 2008. Colonel Joe Mokwa retired as Chief of Police in July 2008. The department consisted of 1,369 commissioned officers, 556 civilian employees, and 3 part-time employees at June 30, 2008. The four bureaus of the department are as follows:

The Bureau of Auxiliary Services includes the Communications Division, Crime Laboratory, Property Custody Unit, Fleet Services Division, and Records Division.

The Bureau of Criminal Investigation and Support includes Crimes Against Persons and Property as well as Tactical and Support Operations.

The Bureau of Professional Standards includes the St. Louis Police Academy, Internal Affairs, the Police Library, Private Security, and the Commission on Accreditation for Law Enforcement Agencies (CALEA).

The Bureau of Community Policing includes the nine police districts, district detectives, the Crime Analysis Unit, the Housing Unit, and police officers assigned to the Circuit Attorney's Office as investigators.

APPENDIX

ST. LOUIS BOARD OF POLICE COMMISSIONERS
APPENDIX

The following table lists check receipts collected by the Fitness Center but not transmitted to the City Treasurer from July 1, 2007 to January 8, 2009:

Undeposited Check Receipts		
Receipt Date	Receipt Slip	
	Number	Amount
2/8/08	232474	\$ 120
2/29/08	1140	12
3/3/08	1160	35
4/1/08	232491	120
4/7/08	232493	120
7/15/08	1258	60
7/15/08	1259	60
8/26/08	1267	59
Total		<u>\$ 586</u>

The following schedule summarizes the cash shortage accumulated by the Fitness Center between July 1, 2007 and January 8, 2009:

Undeposited Cash	Amount
Cash receipts	\$ 10,973
Less: Cash transmitted to City Treasurer	(6,708)
Less: Other disbursements (1)	(1,295)
Computed cash-on-hand	<u>3,270</u>
Less: Cash counted, January 8, 2009	<u>(2,694)</u>
Shortage	<u>\$ (576)</u>

(1) Cash disbursements were made to the following vendors:

Date	Vendor	Amount
December 2007	PowerAide	\$ 1
March 2008	St. Louis Marathon	1,000
June 2008	PowerAide	2
December 2008	Imo's Pizza	120
January 2009	Imo's Pizza	172
Total		<u>\$ 1,295</u>