



Office of Inspector General

City of New Orleans

Performance Audit of the New Orleans Police Department Central Evidence & Property Section (CE&P)

AR13PAU001

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Inspector General**

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**Performance Audit of the New Orleans Police Department Central Evidence & Property
Section (CE&P)
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EXECUTIVE SUMMARY

The Office of Inspector General (OIG) conducted a performance audit of the New Orleans Police Department (NOPD) Central Evidence & Property Section (CE&P) policies and procedures. This report is issued to offer recommendations and observations concerning CE&P policies and procedures and compliance with those procedures.

Findings noted by the auditors related to NOPD policies and procedures included:

- Complete inventories of the CE&P facility were not performed at least annually by CE&P staff.
- Annual audits of the CE&P facility were not conducted in accordance with NOPD policy.
- NOPD policy had not been updated to specify procedures to be performed during the audits.¹
- Disposals of evidence had not taken place since Hurricane Katrina², despite the fact that thousands of pieces of evidence and contraband property had exceeded all statutes of limitations.³

Failure to purge evidence hindered the CE&P section from operating efficiently and in accordance with NOPD policy and best practices. The CE&P facility inventory cannot be reduced to a manageable level until the NOPD develops and implements an ongoing purging program for evidence.

Findings noted by the auditors during testing of CE&P inventory included:

- The actual location of evidence and property exhibits did not agree to the storage location per the BEAST⁴ system.
- Evidence and property exhibits listed in CE&P custody in BEAST were no longer in the custody of CE&P. The actual custody of two of these exhibits could not be determined.
- Currency exhibits that were the object of previous Public Integrity Bureau (PIB) investigations remained in CE&P custody and were listed at the amount originally recorded even though those amounts were no longer accurate.
- Inventory reports per BEAST did not include a complete listing of evidence and property exhibits in the custody of CE&P.

¹ The Louisiana Legislative Auditor conducted a compliance audit of the CE&P section in a report released on July 8, 2009 titled "City of New Orleans Police Department Compliance Audit". The 2009 report noted that annual audits and inventories of the CE&P facility were not being conducted. These findings from the 2009 report remained unresolved during the scope period of this audit.

² Hurricane Katrina made landfall in New Orleans on August 29, 2005, flooding the former location of the CE&P facility in the basement of NOPD headquarters.

³ CE&P management was unable to generate a report that listed the total number of evidence and property exhibits in the custody of the CE&P facility.

⁴ Bar Coded Evidence Analysis Statistical Tracking (BEAST) software, manufactured by Porter Lee, was used by NOPD to track all evidence and property exhibits submitted to CE&P.

The auditors noted that the NOPD has made several significant improvements in recent years to CE&P policies and procedures. Currency exhibits submitted to the custody of the CE&P facility are now deposited in an interest-bearing account with the City on a weekly basis.⁵ Additionally, a climate-controlled DNA section was added to the CE&P facility and all DNA exhibits were barcoded and cataloged in this location. The CE&P Procedures Manual was also revised to adopt professional standards recommended by the International Association for Property and Evidence, Inc. (IAPE).

Despite improvements made to CE&P policy and procedures, evidence and property in CE&P custody still has a high risk of theft or misplacement if inventories, audits and disposals are not conducted in accordance with NOPD policy and best practices.⁶ The recommendations in this report, if adopted, should improve internal controls over evidence and property stored in the CE&P facility, reducing the opportunity for theft and misplacement to occur.

The City fully or partially agreed with all of the OIG recommendations to the ten findings in the report.

A follow-up review will be conducted to determine the status of the City's responses.

All responses by the City in the body of this report are direct statements and have not been modified.

⁵ The 2009 Louisiana Legislative Auditor "City of New Orleans Police Department Compliance Audit" noted that all evidence and property currency submitted to the custody of CE&P was stored on-site in the CE&P facility, making it susceptible to theft and misplacement.

⁶ CE&P management began to address the causes of the findings in this report as they became apparent over the course of the audit.

I. OBJECTIVES, SCOPE, AND METHODOLOGY

The objective of the performance audit was to evaluate Central Evidence & Property section (CE&P) internal controls and test whether these controls were implemented and operating effectively. The scope of the audit included all property and evidence in the custody of CE&P during inventory testing, which occurred January 2014 through March 2014. The audit was prepared in accordance with *Generally Accepted Governmental Auditing Standards* (GAGAS)⁷ and the *Principles and Standards for Offices of Inspector General*⁸.

To accomplish the audit objective the auditors:

1. Reviewed International Association for Property and Evidence, Inc. (IAPE) Professional Standards⁹ for evidence rooms.
2. Conducted interviews with CE&P employees.
3. Reviewed the CE&P Procedures Manual and relevant policies in the NOPD Policy Manual.
4. Compared the CE&P policies and procedures to IAPE Professional Standards and other best practices.¹⁰
5. Performed walkthroughs of the CE&P facility to determine whether policies and procedures had been properly implemented and were operating effectively.
6. Selected a sample of 97 evidence and property exhibits (confidence level 90%, margin of error 7%) from the BEAST inventory reports and traced the selections to their physical location in the CE&P facility to test existence and whether the actual exhibit agreed to the description in BEAST. This sample applies to Finding # 6 through Finding # 9.

Exhibits Selected from BEAST Inventory Reports

Exhibit Type	Number of Exhibits Tested
Valuables	32
Narcotics	20
Firearms/Ballistics	30
DNA	8
Main Warehouse	7
Total	97

⁷ Published by the General Accounting Office (December 2011 Revision).

⁸ Published by the Association of Inspectors General (May 2004 Revision).

⁹ The IAPE has adopted Professional Standards for property and evidence handling procedures to provide best practices and to provide assurance that "reasonable steps have been taken to obtain a secure and efficient property and evidence management system."

¹⁰ Best practices included Louisiana Attorney General Opinions, information on the Louisiana Legislative Auditor's website (<http://www.lla.state.la.us/localgovernment/bestpractices/>) and professional experience and judgment.

7. Selected a physical sample of 40 evidence and property exhibits (confidence level 90%, margin of error 7%) in the CE&P facility and verified that they were accurately included in the BEAST inventory reports. This sample applies to Finding # 10.

Exhibits Selected from CE&P Facility

Exhibit Type	Number of Exhibits Tested
Valuables	7
Firearms	6
Narcotics	8
DNA	9
Main Warehouse	10
Total	40

Due to the inability to generate a report of the entire CE&P inventory, the exceptions identified in the testing cannot be projected onto the entire population.

This audit includes findings, observations, recommendations, and conclusions relating to the controls in place over the NOPD evidence and property function.

Computer-processed data was provided and relied upon. A formal reliability assessment of the computer-processed data was not performed. Hard copy documents reviewed supported the information contained in the computer-processed data.

II. INTRODUCTION

The Central Evidence & Property section (CE&P) is responsible for the intake, storage, and disposition of the evidence and property entrusted to the care of the New Orleans Police Department.

The duties and responsibilities of CE&P personnel are established in the CE&P Procedures Manual. The policies and procedures in the CE&P Procedures Manual are guided by International Association for Property and Evidence, Inc. (IAPE) Professional Standards. Additionally, CE&P personnel duties and responsibilities are outlined in the NOPD Policy Manual, which includes policies and procedures adopted by the NOPD. All evidence and property submitted to the CE&P facility is assigned a specific barcode and is tracked in BEAST, which is the evidence management tracking system used by NOPD.

Prior to Hurricane Katrina, the CE&P section was located in the basement of NOPD headquarters until it was flooded. Following Hurricane Katrina, the CE&P section was housed in FEMA trailers. During this period, security for sensitive evidence and property was not compliant with best practices and, as a result, missing currency exhibits became part of multiple investigations by the Louisiana Legislative Auditor, NOPD Public Integrity Bureau (PIB) and the FBI.¹¹

In March 2008, the CE&P section moved into a leased facility, which remains the current location as of the date of this report. The CE&P section is scheduled to move into a permanent facility in the future when construction on the new facility is completed in the next few years.¹²

¹¹ During the course of the investigations, several persons of interest resigned from their positions. No one was charged with theft related to the investigations.

¹² At the time of the report, construction on the new CE&P facility was estimated to be completed by summer of 2016.

III. FINDINGS AND RECOMMENDATIONS

A. Annual Inventories, Audits, and Disposals

Finding # 1:

Background: Approximately 40,000 evidence and property exhibits enter CE&P custody each year.¹³ IAPE Professional Standards stated, “There is no procedure more important to keeping the inventory of a property room at a manageable level than an effective on-going purging program. The property room inventory should be kept free of items that are no longer needed in order to avoid the need for additional storage space and staffing.

The timely and appropriate disposition of property is extremely important to the efficient management of the property room. Overcrowded evidence rooms generally require more staffing to manage simply because the size of their inventory has a tendency to slow down routine operations involving evidence storage and retrieval.”¹⁴

Condition: CE&P did not purge evidence connected with criminal proceedings on which all statutes of limitations had expired.¹⁵ The auditors found no records of evidence disposals since Hurricane Katrina, despite the fact that thousands of pieces of evidence were eligible for disposal.

Criteria: La. R.S. 15:41 required a court order obtained before evidence connected with criminal proceedings could be purged from the CE&P facility.

The NOPD Policy Manual stated, “Evidence shall only be disposed by court order, after consultation with the District Attorney with regard to state evidence or the City Attorney with regard to municipal evidence...”¹⁶

Cause: CE&P management was unsuccessful in obtaining signed court orders as required by NOPD policy and state law during the audit scope period.¹⁷

¹³ For the years ended December 31, 2012 & 2013, NOPD indicated that 38,973 and 39,936 exhibits entered the custody of the CE&P facility, respectively.

¹⁴ IAPE Standard 14.1: Disposition - Review.

¹⁵ Narcotics exhibits submitted to CE&P but not categorized as evidence and unclaimed property firearms were not being purged as well. These exhibits were required to be destroyed at the same time as evidence narcotics and evidence firearms due to the amount of preparation and witnesses required for each gun melt and narcotics burn.

¹⁶ Policy 805: Evidence and Property Disposal (CE&P), *New Orleans Police Department Policy Manual*.

¹⁷ In June 2014, after the OIG audit testing had concluded, CE&P management met with members of the City Attorney and the District Attorney offices to establish a process for attaining signed court orders necessary to dispose of evidence. During the meeting a court order was issued for the purging of 500 evidence bikes for which all statutes of limitations had expired.

Effect: Evidence remained in CE&P custody despite the fact that statutes had expired resulting in the following:

- Total inventory continued to increase needlessly.
- Evidence and property were vulnerable to increased risk of theft or misplacement.
- CE&P management was less likely to detect theft or misplacement in a timely manner.

If evidence is not purged, the City will incur costs to move unneeded evidence to the new CE&P facility.¹⁸

Recommendation: NOPD management in coordination with the City Attorney and the District Attorney should establish a timely effective purging process which includes a system of review for evidence disposals and utilizes the applicable Louisiana statutes of limitations.¹⁹ This would ensure evidence is purged from the CE&P facility in a timely manner and in accordance with NOPD policy, state law and IAPE Professional Standards.

City Comment: [NOPD agreed with this recommendation] *“...thanks to the assistance of your office, in recent months we have made significant headway on this issue. During a June 2014 meeting facilitated by your office, NOPD, the City Attorney, the District Attorney, and Judge Laurie White from Criminal District Court were able to agree upon a new process for reviewing and disposing of evidence exhibits that adheres to state law while allowing for timely disposal. Since this meeting, numerous court orders to dispose of evidence have been executed and CE&P is addressing this backlog. We are confident that with this new process will allow us to eliminate this backlog in an orderly but expeditious manner.”*

Finding # 2:

Background: IAPE professional standards stated, “The purpose of an inventory is to ensure that all items of property/evidence are accounted for. A complete inventory involves matching each piece of property or evidence with its corresponding documentation.”²⁰ The CE&P Procedures Manual contained an inventory schedule and procedures that were compliant with IAPE best practices.

Condition: The CE&P section did not perform complete inventories on an annual basis in accordance with the schedule outlined in its procedures manual. NOPD was unable to determine when the last inventory was performed.

¹⁸ The new CE&P facility was estimated to be completed by summer 2016.

¹⁹ IAPE Standard 14.1: Disposition – Review stated, “The most common review system used in property rooms utilizes the statutes of limitations as a review date.”

²⁰ IAPE Standard 15.1: Inventories.

Criteria: The CE&P Procedures Manual stated, “Inventories shall be conducted routinely so that all articles in the custody of CE&P are accounted for. The Officer responsible for the area scheduled for inventory shall perform a thorough audit/inventory, and submit a report to their immediate supervisor (Sergeant) who shall ensure the proper conducting as outlined in this chapter. Inventories shall be conducted according to the following schedule:”

Table 1: CE&P Procedures Manual Inventory Schedule

Month	Non-Sensitive Articles	Sensitive Articles
January	Property - All	Valuables
February	State Evidence - Envelopes	Narcotics
March	State Evidence - Small and Medium Paper Bags	DNA
April	State Evidence - Large Paper Bags, Small Sheaths ²¹	Firearms
May	Biohazard - Envelopes, Homicide - Envelopes	Valuables
June	Municipal Evidence ²² - All	Narcotics
July	Biohazard ²³	DNA
August	Homicide ²⁴	Firearms
September	Biohazard - Floor, Non-conforming ²⁵	Valuables
October	Homicide - Floor, Non-conforming	Narcotics
November	Other Main Warehouse Evidence - Floor, Non-conforming	DNA
December	Vacations/Holidays	Firearms

Cause: The CE&P section did not enforce its written procedures concerning annual inventories of evidence and property.

Effect: Failure to perform annual inventories in compliance with NOPD policy resulted in the following:

- CE&P management did not know if all inventory listed in BEAST was in the custody of CE&P.
- CE&P management did not know if every piece of inventory in the CE&P facility was assigned the correct storage location in the BEAST inventory.
- Property or evidence was lost due to theft or misplacement.

²¹ A sheath is a close-fitting cover, especially for something that is elongated in shape, such as a blade or sword.

²² “State evidence” is evidence collected for violations of state law. “Municipal evidence” is evidence collected for violations of municipal ordinances.

²³ The CE&P Procedures Manual did not include a description for the biohazard location codes listed in the inventory schedule for the month of July. CE&P management asserted no such location codes existed at the time of the audit; therefore the inventory schedule in the CE&P Procedures Manual may not have included all current location codes used by CE&P.

²⁴ The CE&P Procedures Manual did not include a description for the homicide location codes listed in the inventory schedule for the month of August. CE&P management asserted no such location codes existed at the time of the audit; therefore the inventory schedule in the CE&P Procedures Manual may not have included all current location codes used by CE&P.

²⁵ “Floor, Non-conforming” exhibits are those that do not fit on the shelves with other exhibits of their type due to shape and/or size.

Recommendation: CE&P staff should perform complete inventories in accordance with the annual schedule outlined in the CE&P Procedures Manual. The results of each inventory taken should be submitted to and reviewed by the immediate supervisor and kept on file in compliance with policy. Additionally, CE&P management should review the inventory schedule in the CE&P Procedures Manual to determine if all areas of the current CE&P facility layout are covered.

City Comment: *“NOPD agrees with this recommendation. After recognizing the extent of the problems at CE&P in 2010, NOPD began immediately addressing the backlog of property exhibits and effectively organizing the sensitive evidence stored at the facility...Unfortunately these efforts to transform CE&P from an unorganized storage facility into an evidence and property room that conforms to national standards consumed significant staff time. Approximately 350,000 exhibits had accumulated since Hurricane Katrina, and as your report notes, without an effective disposal process, managing such a large volume of exhibits can be difficult. Now that CE&P is able to begin disposing of evidence exhibits in a timely fashion, we anticipate being able to resume regular inventories.”*

Finding # 3:

Condition: Inventories of the valuables vault, narcotics vault, and firearms vault were not performed after changes to key-holding²⁶ personnel in each of these sensitive evidence areas during the year ended December 31, 2013.²⁷

Criteria: The NOPD Policy Manual stated “Whenever a change is made in personnel who have access to Central Evidence and Property, an inventory of evidence/property under their control shall be made by an individual not associated with Central Evidence and Property or function to ensure that records are correct and all evidence property is accounted for. The inventory may or may not be able to reasonably account for every single exhibit, but should be sufficient to ensure the integrity of the system and the accountability of the exhibits.”²⁸

Cause: CE&P management did not comply with NOPD policy.

Effect: Evidence and property exhibits that were misplaced or stolen were not detected prior to the new key-holding personnel assuming responsibility for a sensitive evidence area. If sensitive exhibits were misplaced or stolen, assignment of responsibility would be uncertain.

Recommendation: CE&P management should enforce NOPD policy and perform an inventory count when there is a change in key-holding personnel for sensitive evidence areas (valuables, narcotics, and firearms) to maintain the integrity of the exhibits.

²⁶ The CE&P facility had several sensitive evidence areas (valuables, narcotics, and firearms) to which a single key-holding employee was assigned. Key-holding personnel in each sensitive evidence area were the only ones who could enter their area with a single key and who were allowed unescorted access to that area.

²⁷ This best practice was only applicable for a change in command and change in key-holding personnel. It did not apply to less sensitive areas where missing/misplaced evidence should be caught by routine inventories.

²⁸ Policy 804.9(b), *New Orleans Police Department Policy Manual*.

City Comment: *“NOPD agrees with this recommendation. As noted previously, an inability to purge exhibits hindered NOPD’s ability to perform complete inventories. Now that there is a process in place to dispose of evidence exhibits, we anticipate being able to resume these inventories in the future.”*

Finding # 4:

Background: “The audit is an important internal control that provides for early identification of problems or deficiencies in the system as well as confirming that the property and evidence functions within the agency are free from significant errors or problems.”²⁹

Condition: Annual audits³⁰ were not performed in accordance with NOPD policy.³¹

Criteria: The NOPD Policy Manual stated, “The annual audit of evidence held by the Department may be conducted by personnel who are not routinely or directly connected with evidence control, as assigned by the Superintendent of Police.”³²

Cause: According to NOPD, time and/or resources were not available to perform annual audits.

Effect: Failure to perform an annual audit of the CE&P facility may result in ineffective safeguarding controls, increasing the opportunity for theft and misplacement of evidence and property.

Recommendation: The NOPD should perform annual audits of the CE&P facility in accordance with the NOPD Policy Manual. Records should be kept of all items audited and all findings.

City Comment: *“NOPD agrees with this recommendation. We are reviewing current policy and plan to revise it as necessary in order to ensure that it provides more clarity regarding the identification of responsible personnel, auditing timelines, and specific audit sampling procedures.”*

Finding # 5:

Background: NOPD policy³³ required the annual audit of the CE&P section be conducted by personnel not routinely or directly connected with the evidence and property function, as assigned by the Superintendent of Police.

Condition: The NOPD Policy Manual did not specify the personnel that should perform annual audits of the CE&P facility, nor did it outline the auditing procedures to be performed to accomplish the objective of the annual audit.

²⁹ IAPE Standard 15.2: Audits and Inspections.

³⁰ Annual audits include, but are not limited to testing the integrity of the system, reviewing written policies, and verifying compliance with those policies.

³¹ The last audit/inspection of the CE&P section was a “Change of Command Inventory” that was completed in July 2010. Two-hundred and ninety-seven (297) evidence and property exhibits, mostly from sensitive evidence areas, were selected from both the BEAST inventory reports and the physical inventory for testing. The “Change of Command Inventory” internal report concluded that 295 (99%) items of the exhibits selected for testing were accounted for.

³² Policy 804.9(a), *New Orleans Police Department Policy Manual*.

³³ Ibid.

Criteria: IAPE Professional Standards stated, “Policy should define when audits are to be conducted, by whom, and the scope of the audit. The entire property and evidence function should be periodically audited to ensure:

- the integrity of the system and the individuals working in it,
- that departmental policies, directives, and procedural manuals are in compliance with the legal requirements, and
- that departmental personnel are complying with the agency’s written policies and procedures.”³⁴

Cause: The NOPD policy was not in compliance with IAPE Professional Standards.

Effect: Failure to specify personnel required to perform the annual audit created ambiguity and lack of accountability in the performance of the internal audit.

Recommendation: To be in compliance with IAPE Professional Standards, the NOPD policy should clearly specify the personnel that should perform the annual audit. NOPD should also design an annual audit program that includes guidance for sampling of CE&P inventory and adequate audit procedures to ensure internal controls exist and operate effectively.

City Comment: *“NOPD agrees with this recommendation. We are reviewing current policy and plan to revise it as necessary in order to ensure that it provides more clarity regarding the identification of responsible personnel, auditing timelines, and specific audit sampling procedures.”*

B. Inventory Testing

Ninety-seven evidence and property exhibits were selected for testing from the inventory reports obtained from BEAST and compared to the physical location.

Findings # 6 through # 9 were noted during inventory testing of the physical locations within the CE&P facility.

Finding # 6:

Background: IAPE Professional Standards stated, “A property report or computerized property record is the basis for documenting the chain of custody of all items that enter the property room.”³⁵ CE&P utilized the BEAST evidence management tracking system, a computerized tracking system, which provided a chain of custody for each barcoded piece of evidence and property as it entered and left CE&P custody.

³⁴ IAPE Standard 15.2: Audits and Inspections.

³⁵ IAPE Standard 4.1: Documentation – Property Report.

Condition: Twenty-five (26%) of the 97 exhibits selected for testing were not located in the storage location as identified in the BEAST inventory report:

- Thirteen exhibits were located in the CE&P facility; but the exhibits were not located in the storage location indicated in the BEAST inventory reports.
- Twelve exhibits were no longer in CE&P custody despite being listed in a BEAST inventory report. (See Table 2).

Table 2: Exhibits No Longer in CE&P Custody

	Exhibit Type	Description (BEAST)	Collection Date (BEAST)	Storage Location (BEAST)	Actual Custody
1	Currency - Evidence	\$ 316	4/12/2010	Valuables Vault (Small Envelopes)	Deposited in Bank
2	Currency - Evidence	\$ 325	8/16/2011	Valuables Vault (Small Envelopes)	Deposited in Bank
3	Currency - Evidence	\$ 702	1/3/2006	Valuables Vault (Medium Envelopes)	Deposited in Bank
4	Currency - Evidence	\$ 1,001	7/14/2008	Valuables Vault (Medium Envelopes)	Deposited in Bank
5	Currency - Evidence	\$ 2,310	9/13/2008	Valuables Vault (Medium Envelopes)	Deposited in Bank
6	Currency - Evidence	\$ 937	1/3/2006	Valuables Vault (Large Envelopes)	Deposited in Bank
7	Currency - Evidence	\$ 900	6/20/2006	Valuables Vault (Large Envelopes)	Deposited in Bank
8	Currency - Evidence	\$ 550	6/24/2006	Valuables Vault (Large Envelopes)	Deposited in Bank
9	Currency - Evidence	\$ 2,845	10/10/2005	Valuables Vault (Medium Envelopes)	Released to Asset Forfeiture
10	Currency - Evidence	\$ 4,550	3/7/2008	Valuables Vault (Small Envelopes)	Unknown (Could not be located)
	Total Currency:	\$ 14,436			
11	Property	MacBook Pro	6/8/2012	Property (Floor)	Unknown (Could not be located)
12	Property	Playstation 3	9/28/2010	Property (Shelves)	PropertyRoom.com

Criteria: NOPD policy stated, “Any changes in the location of evidence or property held by the New Orleans Police Department shall be noted in the computer record...Each time CE&P personnel receive evidence or property from, or release evidence or property to, another person he/she shall update the information in the computer system.”³⁶

Cause: Changes in the location and/or custody of evidence and property were not updated in BEAST:

- Currency exhibits were deposited in the bank or released to asset forfeiture; but, the change in custody was not noted in BEAST.
- Exhibits changed location within the CE&P facility; but, the new storage location was not updated in BEAST.

Annual inventories, which would have detected missing or misplaced evidence and property, were not conducted in accordance with NOPD policy.

³⁶ Policy 804: Evidence and Property, *New Orleans Police Department Policy Manual*.

Effect: Failure to update the BEAST evidence management system for changes in location and/or custody of evidence and property could result in the following:

- Increased risk of theft or misplacement of evidence and property.
- Increased risk of untimely detection of a theft or misplacement.
- Increased inefficiencies in locating missing evidence and property, pulling CE&P staff away from performing other tasks.
- Increased risk of disruption to prosecutions due to theft or misplacement of evidence and property.

Recommendation: CE&P management should enforce NOPD policy regarding changes in location and custody of evidence and property:

- All transfers of custody should be reviewed to ensure evidence and property exhibits leaving the CE&P facility are recorded in BEAST.
- All updates in BEAST should be reviewed to ensure the change in custody occurred as documented in BEAST (i.e. currency exhibits were deposited in the bank, property was released for auction with PropertyRoom.com³⁷).
- Complete inventories of each storage location in the facility should be performed in accordance with NOPD policy in order to locate and correct custody and/or storage location errors for all exhibits not accurately reflected in BEAST.
- Items that cannot be located during inventories should be reported to CE&P management and documented in accordance with CE&P policy.³⁸

City Comment: *“NOPD agrees with this recommendation. It is important, however, to note that all of the exhibits cited in this finding are accounted for.”*

OIG Comment: The OIG disagrees with the City’s comment. NOPD could not account for two of the twenty-five exhibits cited in the finding. The actual custody of a \$4,550 currency exhibit and a MacBook Pro property exhibit could not be determined (See Table 2).

Background for Findings # 7 & # 8:

Following Hurricane Katrina, CE&P operations were temporarily housed in FEMA trailers. After CE&P management failed to locate several currency exhibits, the NOPD Public Integrity Bureau (PIB) began an investigation in 2007. When the CE&P section moved to its current leased facility, a count of all currency exhibits on hand revealed additional tampering and missing currency exhibits. The PIB investigation was expanded in 2008 as a result of the additional revelation of tampering and misappropriation.

³⁷ CE&P disposed of applicable property that was eligible for disposal through PropertyRoom.com in accordance with a City of New Orleans Memorandum, “Surplus Property Procedures”, issued on June 30, 2011.

³⁸ The CE&P Procedures Manual policy for annual inventories required that “...if all articles on the ‘Inventory Report’ are not accounted for and there are no additional articles remaining in the catalog location, a supervisor shall be immediately notified and a search for the missing articles shall be initiated and documented.”

Thirty of the ninety-seven exhibits selected by OIG auditors from the BEAST inventory reports for testing were currency exhibits. Thirteen of the thirty currency exhibits selected for testing were determined to be part of previous PIB investigations. Because adjustments were not made in BEAST to the tampered/missing exhibits, the OIG auditors requested a cash count of the suspect exhibits to determine the correct actual amounts.

Finding # 7:

Condition: Thirteen currency exhibits previously investigated by PIB were still listed in the BEAST inventory at their original amounts even though the actual amounts had been altered (See Table 3). The actual cash count³⁹ of the 13 exhibits was \$20,170 less than the amount shown in BEAST.⁴⁰ The following essential information was not documented in BEAST for each exhibit under PIB investigation:

- The actual dollar amount of each currency exhibit after tampering was discovered;
- Documentation that the exhibit was part of a PIB investigation;⁴¹
- Documentation that the exhibit had been removed from its original packaging; and
- Documentation that the physical location had been moved as part of an investigation.

Table 3: Currency Exhibits Previously Investigated by PIB

Currency Exhibit Dollar Amount Per BEAST (A)	Date Exhibit was Submitted to CE&P Custody Per BEAST	Actual Amount Per Cash Count Witnessed by PIB and OIG on May 29, 2014 (B)	Amount missing per NOPD Cash Count (B) - (A)
\$ 1,870	3/24/2006	\$ 270	\$ (1,600)
1,900	5/28/2006	1,230	(670)
2,005	1/19/2006	1,305	(700)
1,465	2/12/2006	765	(700)
8,500	3/8/2006	6,300	(2,200)
5,078	3/26/2006	2,978	(2,100)
2,145	1/21/2006	1,425	(720)
2,302	9/2/2006	1,602	(700)
20,671	11/9/2006	14,891	(5,780)
17,253	11/13/2007	17,253	-
3,573	11/21/2007	1,773	(1,800)
2,298	8/7/2006	1,298	(1,000)
2,200	10/6/2005	-	(2,200)
\$ 71,260	TOTAL	\$ 51,090	\$ (20,170)

³⁹ The cash count was performed by CE&P personnel as observed by OIG auditors and PIB officers.

⁴⁰ The cash count at the time of the PIB investigation could not be confirmed because the actual amounts at that time had not been recorded in BEAST. It appeared from the classified PIB investigation reports that the \$20,170 was missing at the time of the original PIB investigation.

⁴¹ The auditors were able to determine the exhibits were part of previous PIB investigations after meeting with PIB investigators and reviewing classified reports from the investigations.

Criteria: IAPE standards stated, “Money should be described in a manner that enables the reader to visualize the item without physically examining it. Additionally, the documentation should provide a record of all parties that have handled the item, storage locations, and transaction dates and times.”⁴²

Cause: CE&P did not have a written policy for documenting the location, description and handling of currency exhibits that had been tampered with in accordance with best practices.

Effect: Inaccuracies in the amounts and status of items recorded in BEAST prevented proper monitoring of the PIB investigation items, weakening controls and increasing opportunities for theft.

Recommendation: Any currency exhibit or other exhibit determined to be tampered with or missing should be updated in BEAST to describe its current state and storage location. If the exhibit is part of an investigation, the status of the investigation should also be documented in BEAST.

City Comment: *“NOPD agrees with Finding #7. When exhibits have been altered in any way from their state upon submission to CE&P, a note reflecting the discovered discrepancy should be appended to the exhibit’s file within BEAST. In the case of currency exhibits, the resulting file should both indicate the amount that was received by CE&P, as well as the current amount in CE&P custody, if those two amounts differ. However, it is also important to note that BEAST is not an investigative case management system. As such, it is not possible or desirable that the details of an investigation be documented within BEAST. Instead, PIB should maintain investigative files in their own system.”*

OIG Comment: CE&P management at a minimum should document in BEAST that an exhibit is held for an investigation and receive annual updates on whether such exhibits are required to be held for investigation.

The currency exhibits in question were tied to a PIB investigation that began in 2007. At the time of the OIG audit, CE&P staff was unable to discern, from the information in BEAST, whether the exhibits were un-deposited because they were part of an investigation and also unable to discern if that investigation was ongoing.

Finding # 8:

Condition: The CE&P failed to timely deposit 13 currency exhibits selected for testing once no longer required to be held for investigation by PIB.⁴³

Criteria: The CE&P Procedures Manual stated, “Except for valid reason (hold for investigation, bio-hazard, etc.), all U.S. Currency brought to CE&P shall be prepared for deposit with the City of New Orleans Finance Department...”

⁴² IAPE Standard 10.2: Money - Documentation.

⁴³ The thirteen exhibits were deposited in July 2014 after OIG audit testing had concluded.

Cause: Failure to conduct annual inventories in accordance with CE&P policy contributed to the untimely deposit(s) of the PIB investigation currency items.

Effect: Cash not deposited, which was overstated in BEAST, was at an increased risk for theft and misplacement.

Recommendation: All currency exhibits should be transferred out of CE&P custody as soon as practical in accordance with policy and best practices. CE&P should conduct a full inventory to ensure that all other applicable currency exhibits are accounted for and deposited in the account maintained by the City.

City Comment: *“As acknowledged by your staff in Finding #8, CE&P properly deposited currency exhibits associated with the PIB investigation after being informed that the investigation was closed. CE&P endeavors to dispose of all exhibits as quickly as possible, while also assuring that all disposals are performed in accordance with state law and do not jeopardize ongoing investigations. In order to proceed with this deposit after the closing of the aforementioned investigation, CE&P needed to receive approval from both PIB and FBI. Once receiving this approval, NOPD proceeded to document the currency exhibits and deposit them according to NOPD policy.”*

OIG Comment: CE&P management at a minimum should document in BEAST that an exhibit is held for an investigation and receive annual updates on whether such exhibits are required to be held for investigation.

The currency exhibits in question were tied to a PIB investigation that began in 2007. At the time of the OIG audit, CE&P staff was unable to discern, from the information in BEAST, whether the exhibits were not deposited because they were part of an investigation and if that investigation was ongoing.

Finding # 9:

Background: Each currency exhibit was assigned a specific electronic barcode, which was scanned prior to the exhibit leaving the CE&P facility for deposit, court, etc.

The CE&P Procedures Manual required, “All valuables accepted/receipted by CE&P, whether evidence or property, shall be listed in the ‘Valuables Ledger’ by the submitting officer/technician and verified by the CE&P personnel handling the acceptance.”⁴⁴ CE&P maintained a Valuables Ledger in compliance with CE&P policy, documented the weekly amount of deposits, and maintained support for those deposits.

⁴⁴ The valuables ledger was a compilation of all valuables (currency, jewelry, etc.) submitted to CE&P; however, it did not report total dollar amounts of currency submitted to CE&P.

Condition: CE&P did not maintain a balance of currency on hand from its records of currency entering the facility and leaving for deposit.⁴⁵

Criteria: IAPE Professional Standards stated that “the property room should retain a log, either manual or automated, of all monies entering and leaving the property room and the current balance.”⁴⁶

Cause: The BEAST evidence management tracking system was not capable of tracking the dollar amounts of currency exhibits entering and leaving the property room and CE&P management did not maintain manual tallies or reconciliations of currency on hand.⁴⁷

Effect: Lack of controls monitoring currency on hand increased the risk of currency disappearing through misappropriation.

Recommendation: Until the evidence management tracking system used by CE&P is capable of tracking the amount of currency entering and leaving the facility and the resulting currency balance, manual tallying and reconciliation should be conducted by CE&P to track and monitor currency on hand.

City Comment: *“NOPD agrees with this recommendation...once CE&P is able to conduct a full inventory of the facility, we will have a complete count of all currency on hand that can be used to continually track this figure.”*

Finding # 10:

Background: Each piece of evidence and property submitted to CE&P was assigned a specific storage location in BEAST. The CE&P Procedures Manual policy for annual inventories required CE&P staff to print an inventory report for each storage location in BEAST and reconcile the report to the actual items in that location. OIG auditors selected a physical sample of 40 evidence and property exhibits in the CE&P facility to test whether they were included in the BEAST inventory and their storage location was accurately reflected in BEAST.

Condition: Eight (20%) of the 40 exhibits selected for testing were located within the CE&P facility, but did not have the correct storage location reflected in BEAST (See Table 4).

⁴⁵ Although the Valuables Ledger maintained by CE&P, documented the item numbers of currency exhibits entering CE&P in compliance with policy, it did not provide a dollar total of currency entering the facility. Therefore the CE&P was not able to compute currency on hand since only the amounts leaving for deposit were documented.

⁴⁶ IAPE Standard 10.2: Money - Documentation.

⁴⁷ The BEAST capability to provide a count of currency on hand in the CE&P facility was not utilized by CE&P (See Observation # 4).

Table 4: Exhibits Whose Actual Storage Location Was Not Accurately Reflected in BEAST

Number of Exceptions	Exception
1	Exhibit was never entered in BEAST.
2	Exhibits were never assigned a specific storage location in BEAST.
2	Exhibits' actual storage location in the CE&P facility was not updated in BEAST.
3	Exhibits' storage location was changed in BEAST even though the actual location within the CE&P facility did not change.
8	Total Exceptions

Criteria: The CE&P Procedures Manual policy for annual inventories required that "...if all articles on the 'Inventory Report' are accounted for and there are additional articles remaining in the catalog location, the remaining articles shall be transferred to this [catalog] location in the evidence management tracking system."

Cause: Inventories were not conducted in accordance with CE&P policy to determine that articles in a catalog location were accurately reflected in BEAST.

Effect: Because the BEAST storage location reports did not include all evidence and property in the correct storage location within the CE&P facility, evidence was more susceptible to misappropriation and misplacement.⁴⁸

Recommendation: CE&P should update BEAST when evidence is relocated to a different location. CE&P should also perform inventories of each storage location in the CE&P facility in accordance with policy. Proper performance of inventories would locate and correct the status of any evidence and property exhibits whose physical storage location is not accurately reflected in BEAST.

City Comment: *"NOPD agrees with this recommendation...Given the backlog faced in 2010, CE&P has been diligently working to dispose of property and evidence that is no longer needed. We anticipate that reducing this backlog will significantly reduce the potential for this type of error."*

⁴⁸ BEAST inventory reports for each storage location in the CE&P facility should have accurately included the entire population of evidence and property exhibits stored in that location at the time the report was generated.

IV. OBSERVATIONS

A. BEAST Evidence Management Tracking System

Observation # 1:

The BEAST evidence management tracking system enabled CE&P to scan each barcoded item with handheld wireless scanners to assist in performing inventories. However, the wireless scanners were not functional.

Inventories cannot be performed efficiently and in accordance with policy without functional wireless scanners.

City Comment: *“CE&P’s numerous wired barcode scanners have been consistently working, at nearly all individual workstations, and are used daily in all aspects of operations.”*

OIG Comment: The observation concerns CE&P’s wireless barcode scanners and not the wired barcode scanners mentioned in the City’s comment. Although CE&P’s wired barcode scanners were functioning properly, the wireless barcode scanners also need to be functional in order for CE&P staff to perform complete inventories in accordance with policy.⁴⁹

Wireless barcode scanners, which enable CE&P staff to move throughout the large warehouse facility as inventories are conducted, need to be functional in order for these inventories to be performed effectively and efficiently.

Observation # 2:

The BEAST evidence management tracking software was incapable of generating a report of the entire inventory in the facility without freezing. This failure of the software to generate a complete inventory report may have been a combination of the size of the CE&P inventory as a result of evidence not being purged in accordance with policy as well as the speed of the NOPD server.

City Comment: *“There is no impact on CE&P operations from the need to generate location-specific reports. Furthermore, as CE&P works to purge evidence exhibits according to the new process established this summer, we anticipate that the resulting decrease in the number of exhibits to facilitate report generation.”*

OIG Comment: Complete inventories (Finding # 2) and annual audits (Finding # 4) were not conducted in accordance with NOPD policy. As the City begins performing both of these important controls, there will be a need to generate location-specific reports from BEAST.

Location-specific reports verify that inventory listed in BEAST can be found in the location listed and that all physical exhibits in the CE&P facility have been accurately included in the BEAST inventory reports. A report of the entire inventory is necessary for the annual audit in order to consider the completeness of the population of property and evidence exhibits in CE&P custody prior to selecting a sample for testing.

⁴⁹ CE&P staff did not perform complete inventories in accordance with policy and best practices (Finding # 2).

Observation # 3:

The BEAST software used by CE&P had an “Amount” field for entering the dollar amount of each currency exhibit when initially submitted to intake technicians. The software was capable of providing a running total for all currency exhibits in a specific location by summing the numbers entered in the “Amount” field for those exhibits.

The auditors noted that two counterfeit exhibits selected for testing had an amount entered in the “Amount” field, which permitted the counterfeit amount to be included in the total amount of currency on hand. Counterfeit currency exhibits should be assigned an amount of \$0 in the “Amount” field⁵⁰ when entered in BEAST so that counterfeit amounts are not included in the total calculation of currency on hand. If properly populated, this BEAST calculation of cash on hand can be used to reconcile the CE&P’s balance of cash on hand; thereby strengthening currency controls.⁵¹

City Comment: *“Counterfeit currency should not be entered into BEAST as a currency exhibit, but rather as a regular exhibit. As a result, there should not be an option to enter an amount into a counterfeit currency exhibit. The two exhibits noted were thus either inaccurately described by the submitting officer or not properly entered into BEAST by the intake clerk.”*

B. CE&P Policies & Procedures

Observation # 4:

The NOPD Policy Manual stated, “Whenever a change is made in personnel who have access to Central Evidence and Property, an inventory of evidence/property under their control shall be made by an individual not associated with Central Evidence and Property or function to ensure that records are correct and all evidence property is accounted for. The inventory may or may not be able to reasonably account for every single exhibit, but should be sufficient to ensure the integrity of the system and the accountability of the exhibits.”⁵²

IAPE Professional Standards recommend that whenever a change in key-holding personnel is made, a complete inventory of all items under their control should be conducted.

City Comment: *“This assertion was addressed previously under finding #3...As noted previously, an inability to purge exhibits hindered NOPD’s ability to perform complete inventories. Now that there is a process in place to dispose of evidence exhibits, we anticipate being able to resume these inventories in the future.”*

⁵⁰ The denominations for counterfeit currency can be described in the separate “Detail Description” field in BEAST, which would not be included in the total amount of currency on hand.

⁵¹ See Finding # 10 concerning currency on hand.

⁵² Policy 804.9(b), *New Orleans Police Department Policy Manual*.

Observation # 5:

The “Verification Cash Count Form” for each deposit was to be signed by both the Valuables Control Officer and the supervisor who reviewed the documentation. This step evidenced a supervisor’s review and approval of support for each deposit in accordance with procedures in the CE&P Procedures Manual.

Support maintained by CE&P for each deposit did not have the signature of the supervisor who reviewed the deposit process and support.

City Comment: *“The original sheets are turned over to NOPD Fiscal Management, immediately following bank deposits, and do indeed have all signatures which are signed at the time of verification and deposit. Our valuables officer was making copies for our records prior to the deposit, and this is what was provided during the audit. The protocol is indeed being followed, with signed copies being retained by Fiscal Management. Going forward, CE&P will take the additional step of making copies of the fully-executed document at Fiscal Management, upon delivery of the original, and retaining that copy at CE&P.”*

Observation # 6:

One narcotics exhibit selected for testing contained \$200 of currency commingled with it. There was no record of this currency in the BEAST inventory reports for currency.

City Comment: *“This was a procedural error made by an Intake clerk in 2005...”*

Observation # 7:

Each evidence and property exhibit had a specific barcoded evidence tag printed from BEAST. The submitting officer signed the evidence tag certifying that the information entered by the intake technician was correct. The CE&P Procedures Manual stated, “Corrections on the evidence tags shall be made by the submitting officer/technician drawing a single line through the error, initialing the error, and writing the correction directly above.”

Three exhibits selected for testing had evidence tags that did not have the original signature of the submitting officer. CE&P management asserted that corrections to the data entered into BEAST are sometimes made after the evidence has passed through intake and a new evidence tag is printed.

City Comment: *“The ‘evidence tag’ (old system) is actually now a printed BEAST label. On rare occasion, it is necessary to reprint a BEAST label, and the submitting officer may or may not be present when a label is reprinted. However, every exhibit is well-documented from the time of submission to the final disposition. This includes original paperwork filled out by the submitting officer, original BEAST receipt signed by the submitting officer, and every BEAST entry or modification is documented and tracked in an audit-trail that would allow for full review.”*

Observation # 8:

Narcotics exhibits were weighed prior to being packaged, and their pre-packaged weight was recorded in BEAST by the CE&P intake technician. The CE&P Procedures Manual stated, “After being sealed, the total weight of the packaging shall be recorded on the upper left corner of the evidence tag by the submitting officer/technician.”

Narcotics exhibits did not have total packaged weight recorded on the evidence tag in accordance with CE&P written policy. The CE&P Procedures Manual had not been revised to reflect actual procedures, which were compliant with best practices.

City Comment: *“Information previously listed on an ‘evidence tag’ (old system) is now recorded in the BEAST database. BEAST labels, by design, do not list this information; but it may easily be obtained from the database. Additionally, CE&P now utilizes clear plastic heat-sealed bags for narcotics exhibits, and the handwritten weight sheet is visible through the bag.”*

OIG Comment: The OIG agrees with the procedures performed. However, the CE&P Procedures Manual should be revised to reflect these procedures.

Observation # 9:

NOPD policy for disposing of unclaimed property stated, “At least 30 days prior to disposal, NOPD will advertise on its website⁵³ that the property is to be disposed if unclaimed.”⁵⁴ Louisiana state law required that, “...no property shall be disposed of until the department has advertised twice within thirty days in a newspaper published in the municipality that the police department has within its possession the property to be disposed of.”⁵⁵

State law had not been revised to include current NOPD procedures of posting unclaimed property online as an acceptable method of public notification prior to disposal.

City Comment: *“We disagree with this observation. Efforts are made to contact rightful owners to retrieve their property prior to lawfully-proscribed timeframes; including letters sent via US mail if an owner is known (a step not required by law), and a new user-friendly searchable webpage on the City’s website which is capable of reaching exponentially-more potential owners.”*

OIG Comment: The City appears to have misunderstood this observation. The OIG agrees that the current NOPD procedure of online notification is compliant with best practices. However, the City should discuss with the State Legislature to revise state law to current NOPD procedures as an acceptable method of public notification prior to disposal.

⁵³ <http://www.nola.gov/nopd/citizen-services/disposals>.

⁵⁴ Policy 805: Evidence and Property Disposal (CE&P), *New Orleans Police Department Policy Manual*.

⁵⁵ La. R.S. 33:2333: Stolen, seized, or relinquished property; disposition.

C. CE&P Leases

Observation # 10:

The City has asserted that it leased the CE&P facility at a rate in excess of market value since July 2007.⁵⁶ The City paid a monthly amount of \$20,000 (\$240,000 annually) to lease the CE&P facility as of the year ended December 31, 2013.⁵⁷

City Comment: “Former Mayor Nagin signed the lease for the ‘temporary’ CE&P facility, in 2007. Now that this agreement has expired, the City has been working to renegotiate the agreement and obtain a lower rate. Although the new leasing agreement has not yet been finalized, we are confident that it will provide the City with substantial monthly savings (estimated at 20-25%). Furthermore, the City is currently working to construct a new, permanent CE&P facility that will allow CE&P to avoid monthly rental costs in the future.”

Observation # 11:

The CE&P facility stored narcotics awaiting disposal in a leased secure storage unit. Once the NOPD develops an ongoing system for purging evidence, the leased storage unit may be unnecessary.

City Comment: “[T]he previous administration leased an external storage unit to maintain what is mostly flooded pre-Katrina narcotics evidence. With court-ordered disposals underway (Finding #1), CE&P is finally able to lawfully process these exhibits and eventually clear out the storage unit as soon as possible.”

⁵⁶ Additionally, the City indicated that it spent over one million dollars on improvements to the layout of the building to make it suitable for evidence and property room functions.

⁵⁷ The City indicated that a new lease agreement for the period beginning January 1, 2014 lowered the monthly rent to \$13,500. Due to ongoing negotiations between the City and the lessor, the lease had not been signed as of the date of this report and no rent had been paid for the facility for 2014. At the time of the report, construction of the permanent CE&P facility was estimated to be completed by summer 2016.

V. GLOSSARY OF TERMS

1. **Association of Inspectors General (AIG)** – An association established in 1996 “...to provide leadership in the promotion of integrity efforts in government...”⁵⁸
2. **Audit (of the evidence room)** – IAPE Professional Standards stated, “An audit is a review of the policies, procedures, and processes of the property and evidence functions of the agency to determine whether or not they meet the recognized standards, best practices, and are in compliance with applicable statutes and codes.”
3. **Barcoded Evidence Analysis Statistical Tracking (BEAST)** – An evidence management tracking system manufactured by Porter Lee that is utilized by CE&P to track all property and evidence exhibits submitted to the CE&P facility. The CE&P Procedures Manual stated, “This system and software provides the following:
 - a) ‘Chain of Custody’ for data entry, modifications, and transfers
 - b) Barcoding of all articles of evidence and property
 - c) Generation of reports based on selectable fields
 - d) Search of information fields for selected inquiries by owner, serial number, etc...”
4. **Chain Of Custody** – The CE&P Procedures Manual stated, “The chain of custody begins when an item of evidence is collected, and the chain is maintained until the evidence is disposed of. The chain of custody assures continuous accountability. This accountability is important because, if not properly maintained, an item may be inadmissible in court. The chain of custody is a chronological written record of those individuals who have had custody of the evidence from its initial acquisition until its final disposition.”
5. **Central Evidence & Property (CE&P) Facility** – The building where property and evidence is stored, which also includes secondary storage and the office areas.
6. **CE&P Section** – The organizational unit within NOPD that is charged with maintaining property and evidence.
7. **Evidence** – Defined by the CE&P Procedures Manual as “any material object(s) that may be related to a criminal activity and may implicate or clear a person of said crime.”

⁵⁸ <http://inspectorsgeneral.org/about>.

8. **Finding** – A finding in a performance audit can be any one or a combination of the following:⁵⁹

1. Significant⁶⁰ deficiencies in internal control,
2. Fraud and illegal acts,
3. Violations of contract and grant agreements, and/or
4. Abuse.

Each finding contains five elements: condition, criteria, cause, effect, and recommendation:

- a. **Condition** – An element of a finding that explains *what happened*.
- b. **Criteria** – An element of a finding that states *what is required*.
- c. **Cause** – An element of a finding that explains *why the condition happened*.
- d. **Effect** – An element of a finding that states the impact of *what happened*.
- e. **Recommendation** – An element of a finding that provides suggestions to correct the condition.

9. **Generally Accepted Government Auditing Standards (GAGAS)** – The standards used to conduct governmental audits as recommended by the General Accounting Office (also referred to as the “Yellow Book”).

10. **General Accounting Office (GAO)** – An agency within the U.S. Government responsible for writing the “Yellow Book.”

11. **Inventory Report** – The report generated from BEAST that documents the item number and description for each exhibit in a specific storage location within the CE&P facility.

12. **Item Number** – The CE&P Procedures Manual stated, “The item number shall contain...an alphabetic character indicating month (A-L), a five digit number generated at the onset of an investigation, and a two digit number indicating the year.” The numbers are chronological and items of property or evidence are filed by item number within the CE&P facility.

13. **Key-holding Personnel** – Refers to a person(s) who has a key or who has unescorted access into certain property room storage area(s). The CE&P facility has several sensitive evidence areas (valuables, narcotics, and firearms) to which a single key-holding employee is assigned. Key-holding personnel in each sensitive evidence area are the only employees who can enter the area with a single key and are allowed unescorted access to that area.

14. **Observation** – Observations in this report emphasize a matter that may or may not affect the quality of the organization’s operations. Observations are not findings and do not require a response from the entity.

⁵⁹ General Accounting Office (December 2011 Revision). *Government Auditing Standards* United States Government Accountability Office by the Comptroller General of the United States.

⁶⁰ Significance is a “judgment call” by the auditor and is usually based upon the frequency and magnitude of the deficiency.

15. **Property** – Personal property that does not have evidentiary value⁶¹ and is submitted into the custody of the CE&P Facility. Property can be categorized as 1) found property, 2) property for safekeeping, or 3) property for destruction.
16. **Standards for Offices of Inspector General** – The standards contained in the GAO’s *Standards for Internal Control in the Federal Government* (Also referred to as “The Green Book”).
17. **Statutes of Limitations** – Defined by the CE&P Procedures Manual as “the specified period of time during which an article of evidence or property is required to remain in the custody of the Central Evidence and Property Section as outlined and set forth by the State of Louisiana Statutes, City of New Orleans Municipal Codes, and the United States Federal Laws, Articles, and Codes.”
18. **Storage/Catalog Location** – Defined by the CE&P Procedures Manual as, “a specific location (bin, shelf, room, etc.) within the CE&P facility to which a submitted article is assigned for easy recognition and retrieval.”
19. **Valuables** – Defined by the CE&P Procedures Manual as “any form of currency (paper or coin; foreign or domestic), government issued check, any form of jewelry consisting of fine metals and precious or semi-precious stones, or any collection of stamps, coins, baseball cards, or any other item of potential value equal too [sic] or greater than its face value.”
20. **Valuables Ledger** – Defined by the CE&P Procedures Manual as, “the compilation of data entries for all valuables (currency, jewelry, etc...) submitted to the Central Evidence and Property Section.”
21. **Valuables Vault** – Valuables submitted to CE&P are stored separately from all other property and evidence in the valuables vault while in CE&P custody.

⁶¹ An item has evidentiary value if it may be related to a criminal activity and may implicate or clear a person of said crime.

VI. OFFICIAL COMMENTS FROM THE CITY

City Code Ordinance 2-1120 section (8)(b) "Reporting the results of inspector general findings" provided that a person or entity that was the subject of a report "shall have 30 days from the transmittal date of the report to submit a written explanation or rebuttal to the findings before the report is finalized, and such timely submitted written explanation or rebuttal shall be attached to the finalized report or recommendation."

An Internal Review Copy of this report was distributed to the NOPD on October 16, 2014, to provide an opportunity to comment on the report prior to the public release of the Final Report. The City's comments were due and received on November 21, 2014. The City comments are included in the body of this report behind each finding and observation, and in its entirety behind this Section.



CITY OF NEW ORLEANS

DEPARTMENT OF POLICE

P.O BOX 51480
New Orleans, Louisiana 70151



Mitchell J. Landrieu
MAYOR

"to protect and to serve"

Michael S. Harrison
SUPERINTENDENT

November 21, 2014

Ed Quatrevaux, Inspector General
Office of the Inspector General
City of New Orleans
525 St. Charles Avenue
New Orleans, LA 70130-3049

Re: Performance Audit of the New Orleans Police Department's Central Evidence & Property Section (CE&P)

Dear Inspector General Quatrevaux:

Thank you for the opportunity to review and comment on your report titled "Performance Audit of the New Orleans Police Department's Central Evidence & Property Section (CE&P)." I trust that the CE&P personnel were accommodating to your audit staff and provided them with a very detailed picture of how this complex unit operates with the goal of efficient performance and above all the utmost integrity.

Your comprehensive audit looked at not only how CE&P operates today, but also how it has operated in the past, and will operate in the future. Included in the scope of the audit were not just exhibits accepted by CE&P in the last several years, but evidence and property that has been in custody for a decade and that was recovered and stored following Hurricane Katrina. In reviewing hundreds of thousands of exhibits that were accepted over a period of more than a decade, it is important to understand the full historical context of CE&P's policies and leadership over that span.

When the current administration took office (mid-2010) CE&P was a unit in crisis. As has been documented by multiple media sources, CE&P had experienced the theft of hundreds of thousands of dollars and was plagued by reports of other missing property or evidence. More than a million dollars in currency had been allowed to accumulate at the facility and very few exhibits since Katrina had ever been purged from storage. These managerial problems resulted in significant consequences for the city's criminal justice system, including instances where evidence was unavailable for trials. As a result of the problems at CE&P, victims, and our community, were denied justice.

Many changes have taken place at CE&P over the course of the past four years, and I'm sure that your staff observed them during this audit. NOPD has replaced CE&P management and personnel, instituted new controls, adopted a robust electronic tracking system, upgraded security, and adopted new policies. CE&P continues to face significant hurdles as it recovers from years of neglect, including working through the disposal of hundreds of thousands of items that accumulated in the post-Katrina years. However, I am confident that the reforms that we have instituted have begun to restore the criminal justice system and the community's faith in CE&P.

As construction begins on a new, state-of-the-art CE&P facility to replace the temporary accommodations used since Hurricane Katrina, we have put in place many of the controls needed to ensure that CE&P adheres to national standards. This is why we welcome the opportunity presented by your report to not only review what has been done at CE&P, but also to identify ways that we can continue to improve.

Attached to this correspondence are the individual responses to the findings and observations contained in your report. We would like to again extend our appreciation to the Office of the Inspector General for providing this agency with an opportunity to comment.

Sincerely,



Michael S. Harrison
Superintendent of Police

cc: First Deputy Mayor & CAO Andrew Kopplin
Deputy Mayor Jerry Sneed
Deputy Superintendent Rannie Mushatt - ISB
Commander Douglas B. Eckert - Crime Lab/CE&P
File

Attachment – NOPD Detailed Responses to Findings/Observations

OIG Performance Audit – CE&P NOPD Detailed Responses to Findings/Observations

Finding # 1: The Central Evidence & Property section (CE&P) did not purge evidence connected with criminal proceedings on which all statutes of limitation had expired.

Recommendation: NOPD management in coordination with the City Attorney and the District Attorney should establish a timely effective purging process which includes a system of review for evidence disposals and utilizes the applicable Louisiana statutes of limitation. This would ensure evidence is purged from the CE&P facility in a timely manner and in accordance with NOPD policy, state law and IAPE Professional Standards.

Department's Response

Shortly after Mayor Landrieu assumed office in 2010, former Superintendent Serpas ordered a full review of CE&P. The result was dismaying – thousands of property exhibits had stacked up, consuming nearly all of the facility's available space, and thousands of additional evidence exhibits were similarly accumulated. As your report notes, professional standards require an effective ongoing purge program in order to keep inventory levels manageable. It is clear that prior to 2010 no such program was in place, leaving CE&P in disarray.

In order to remedy this issue, the City contracted with propertyroom.com, a national company that specializes in organizing and disposing of property exhibits. Under this partnership, thousands of property exhibits were disposed of in accordance with state law and CE&P continues to review and dispose of property on a monthly basis. However, state law requires that evidence exhibits not be disposed of without a court order. The cumbersome and archaic process of obtaining a court order to dispose of these items prevented the timely disposal of this evidence.

However, thanks to the assistance of your office, in recent months we have made significant headway on this issue. During a June 2014 meeting facilitated by your office, NOPD, the City Attorney, the District Attorney, and Judge Laurie White from Criminal District Court were able to agree upon a new process for reviewing and disposing of evidence exhibits that adheres to state law while allowing for timely disposal. Since this meeting, numerous court orders to dispose of evidence have been executed and CE&P is addressing this backlog. We are confident that with this new process will allow us to eliminate this backlog in an orderly but expeditious manner.

Finding # 2: The CE&P section did not perform complete inventories on an annual basis in compliance with policy.

Recommendation: CE&P staff should perform complete inventories in accordance with the annual schedule outlined in the CE&P Procedures Manual. The results of each inventory taken should be submitted to and reviewed by the immediate supervisor and kept on file in compliance with policy. Additionally, CE&P management should review the inventory schedule in the CE&P Procedures Manual to determine if all areas of the current CE&P facility layout are covered.

Department's Response

NOPD agrees with this recommendation. After recognizing the extent of the problems at CE&P in 2010, NOPD began immediately addressing the backlog of property exhibits and effectively organizing the sensitive evidence stored at the facility. Among other efforts, CE&P:

- Organized all DNA exhibits in 2012 and 2013, consolidating these exhibits into a central, more secure evidence room and cataloguing them into a modern evidence management system (BEAST).
- Cataloged evidence compiled in 1,200 large boxes during recovery from Hurricane Katrina, which had never been properly sorted and documented after the storm.
- Assisted the Sex Crimes Unit in processing a backlog of more than 800 sexual assault kits, which were tested in the CODIS database.

Unfortunately these efforts to transform CE&P from an unorganized storage facility into an evidence and property room that conforms to national standards consumed significant staff time. Approximately 350,000 exhibits had accumulated since Hurricane Katrina, and as your report notes, without an effective disposal process, managing such a large volume of exhibits can be difficult. Now that CE&P is able to begin disposing of evidence exhibits in a timely fashion, we anticipate being able to resume regular inventories.

Finding # 3: The CE&P section did not conduct inventories when there was a change in key-holding personnel in the CE&P facility.

Recommendation: CE&P management should enforce NOPD policy and perform an inventory count when there is a change in key-holding personnel for sensitive evidence areas (valuables, narcotics, and firearms) to maintain the integrity of the exhibits.

Department's Response

NOPD agrees with this recommendation. As noted previously, an inability to purge exhibits hindered NOPD's ability to perform complete inventories. Now that there is a process in place to dispose of evidence exhibits, we anticipate being able to resume these inventories in the future.

Finding # 4: Annual audits of the CE&P section were not performed in accordance with NOPD policy.

Recommendation: The NOPD should perform annual audits of the CE&P facility in accordance with the NOPD Policy Manual. Records should be kept of all items audited and all findings.

and

Finding # 5: NOPD policy did not specify the personnel that should perform the annual audit of the CE&P section, nor did it outline the audit procedures to be performed.

Recommendation: To be in compliance with IAPE Professional Standards, the NOPD policy should clearly specify the personnel that should perform the annual audit. NOPD should also design an annual audit program that includes guidance for sampling of CE&P inventory and adequate audit procedures to ensure internal controls exist and operate effectively.

Department's Response

NOPD agrees with this recommendation. We are reviewing current policy and plan to revise it as necessary in order to ensure that it provides more clarity regarding the identification of responsible personnel, auditing timelines, and specific audit sampling procedures.

Finding # 6: Evidence and property recorded in the BEAST evidence management tracking system was no longer in the custody of CE&P or was in a different storage location than listed in BEAST.

Recommendation: CE&P management should enforce NOPD policy regarding changes in location and custody of evidence and property.

Department's Response

NOPD agrees with this recommendation. It is important, however, to note that all of the exhibits cited in this finding are accounted for. Of the 25 exhibits mentioned:

- The 13 currency exhibits cited were located in CE&P's 'valuables' vault, as indicated within the BEAST system. However, as your staff correctly notes, due to an administrative error, the specific cabinet location of these exhibits within the database was incorrect. These exhibits had been relocated from one cabinet within the vault to another, and their location was not properly updated within BEAST.
 - Of the remaining 12 exhibits, most were currency exhibits that were properly deposited along with over 5400 other currency exhibits. When they were deposited, the currency officer (now retired) failed to update the location of these exhibits within BEAST. NOPD has provided your staff with clear documentation of these deposits and they are fully accounted for.
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Finding # 7: Currency exhibits were still listed at their original amounts even though the actual amounts had been altered.

Recommendation: Any currency exhibit or other exhibit determined to be tampered with or missing should be updated in BEAST to describe its current state and storage location. If the exhibit is part of an investigation, the status of the investigation should also be documented in BEAST.

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Finding # 8: The CE&P failed to timely deposit 13 currency exhibits selected for testing once no longer required to be held for investigation by PIB.

Recommendation: All currency exhibits should be transferred out of CE&P custody as soon as practical in accordance with policy and best practices. CE&P should conduct a full inventory to ensure that all other applicable currency exhibits are accounted for and deposited in the account maintained by the City.

Department's Response to Finding #'s 7 & 8 Consolidated

NOPD agrees with Finding #7. When exhibits have been altered in any way from their state upon submission to CE&P, a note reflecting the discovered discrepancy should be appended to the exhibit's file within BEAST. In the case of currency exhibits, the resulting file should both indicate the amount that was received by CE&P, as well as the current amount in CE&P custody, if those two amounts differ. However, it is also important to note that BEAST is not an investigative case management system. As such, it is not possible or desirable that the details of an investigation be documented within BEAST. Instead, PIB should maintain investigative files in their own system.

As acknowledged by your staff in Finding #8, CE&P properly deposited currency exhibits associated with the PIB investigation after being informed that the investigation was closed. CE&P endeavors to dispose of all exhibits as quickly as possible, while also assuring that all disposals are performed in accordance with state law and do not jeopardize ongoing investigations. In order to proceed with this deposit after the closing of the aforementioned investigation, CE&P needed to receive approval from both PIB and FBI. Once receiving this approval, NOPD proceeded to document the currency exhibits and deposit them according to NOPD policy.

Finding # 9: CE&P did not maintain a balance of currency on hand from its records of currency entering the facility and leaving for deposit.

Recommendation: Until the evidence management tracking system used by CE&P is capable of tracking the amount of currency entering and leaving the facility and the resulting currency balance, manual tallying and reconciliation should be conducted by CE&P to track and monitor currency on hand.

Department's Response

NOPD agrees with this recommendation. As your staff notes, the BEAST system is not currently capable of tracking the total amount of currency on hand throughout the CE&P facility. However, once CE&P is able to conduct a full inventory of the facility, we will have a complete count of all currency on hand that can be used to continually track this figure.

Finding # 10: Property and evidence exhibits in the custody of CE&P did not have the correct storage location reflected in BEAST.

Recommendation: CE&P should update BEAST when evidence is relocated to a different location. CE&P should also perform inventories of each storage location in the CE&P facility in accordance with policy. Proper performance of inventories would locate and correct the status of any evidence and property exhibits whose physical storage location is not accurately reflected in BEAST.

Department's Response

NOPD agrees with this recommendation. We strive for 100% accuracy and even a single exhibit of property or evidence having an inaccurate location listed in the BEAST database is inexcusable. On an annual basis CE&P receives approximately 40,000 new exhibits, each of which can be relocated numerous times. Given the backlog faced in 2010, CE&P has been diligently working to dispose of property and evidence that is no longer needed. We anticipate that reducing this backlog will significantly reduce the potential for this type of error.

Observation # 1: CE&P's wireless barcode scanners used for inventories were not functional.

Department's Response

CE&P's numerous wired barcode scanners have been consistently working, at nearly all individual workstations, and are used daily in all aspects of operations.

Observation # 2: The BEAST evidence management tracking software was incapable of generating a report of the entire inventory in the facility without freezing. This failure of the software to generate a complete inventory report may have been a combination of the size of the CE&P inventory as a result of evidence not being purged in accordance with policy as well as the speed of the NOPD server.

Department's Response

The BEAST database system contains hundreds of individual specific locations where property and evidence is stored within our facility (and similarly configured for Clerk of Court's locations), and only allows for a limited number of selections *by location*. These reports were generated for the audit, and are a useful tool to management. The existence of these inventory reports on location-specific reports does not negate the fact that they collectively compose a complete inventory, albeit one organized differently than what was sought by the OIG. There is no impact on CE&P operations from the need to generate location-specific reports. Furthermore, as CE&P works to purge evidence exhibits according to the new process established this summer, we anticipate that the resulting decrease in the number of exhibits to facilitate report generation.

Observation # 3:

The BEAST software used by CE&P had an "Amount" field for entering the dollar amount of each currency exhibit when initially submitted to intake technicians. The software was capable of providing a running total for all currency exhibits in a specific location by summing the numbers entered in the "Amount" field for those exhibits.

The auditors noted that two counterfeit exhibits selected for testing had an amount entered in the "Amount" field, which permitted the counterfeit amount to be included in the total amount of currency on hand. Counterfeit currency exhibits should be assigned an amount of \$0 in the "Amount" field when entered in BEAST so that counterfeit amounts are not included in the total calculation of currency on hand. If properly populated, this BEAST calculation of cash on hand can be used to reconcile the CE&P's balance of cash on hand; thereby strengthening currency controls.

Department's Response

Counterfeit currency should not be entered into BEAST as a currency exhibit, but rather as a regular exhibit. As a result, there should not be an option to enter an amount into a counterfeit currency exhibit. The two exhibits noted were thus either inaccurately described by the submitting officer or not properly entered into BEAST by the intake clerk.

Observation # 4: NOPD policy did not require complete inventories for sensitive evidence areas when there was a change in key-holding personnel.

Department's Response

This assertion was addressed previously under finding #3.

Observation # 5: Copies of the Verification Cash Count Sheet maintained by CE&P did not consistently have a supervisor's signature.

Department's Response

The original sheets are turned over to NOPD Fiscal Management, immediately following bank deposits, and do indeed have all signatures which are signed at the time of verification and deposit. Our valuables officer was making copies for our records prior to the deposit, and this is what was provided during the audit. The protocol is indeed being followed, with signed copies being retained by Fiscal Management. Going forward, CE&P will take the additional step of making copies of the fully-executed document at Fiscal Management, upon delivery of the original, and retaining that copy at CE&P.

Observation # 6: One narcotics exhibit selected for testing had \$200 of currency commingled with it.

Department's Response

This was a procedural error made by an Intake clerk *in 2005* (K-01886-05). The \$200 currency is indeed documented in BEAST, and is accounted for.

Observation # 7: Several evidence tags lacked the signature of the submitting officer.

Department's Response

The "evidence tag" (old system) is actually now a printed BEAST label. On rare occasion, it is necessary to reprint a BEAST label, and the submitting officer may or may not be present when a label is reprinted. However, *every* exhibit is well-documented from the time of submission to the final disposition. This includes original paperwork filled out by the submitting officer, original BEAST receipt signed by the submitting officer, and *every* BEAST entry or modification is documented and tracked in an audit-trail that would allow for full review.

Observation # 8: Narcotics exhibits did not have the total packaged weight recorded on the evidence tag in accordance with CE&P policy.

Department's Response

Information previously listed on an "evidence tag" (old system) is now recorded in the BEAST database. BEAST labels, by design, do not list this information; but it may easily be obtained from the database. Additionally, CE&P now utilizes clear plastic heat-sealed bags for narcotics exhibits, and the handwritten weight sheet is visible through the bag.

Observation # 9: NOPD policy for notifying the public of unclaimed property via the internet was not compliant with Louisiana state law.

Department's Response

We disagree with this observation. Efforts are made to contact rightful owners to retrieve their property prior to lawfully-proscribed timeframes; including letters sent via US mail if an owner is known (a step not required by law), and a new user-friendly searchable webpage on the City's website which is capable of reaching exponentially-more potential owners. It is CE&P's desire and goal that rightful owners are able to retrieve their property. And while disposals are critical to the operation (see Finding #1), we desire that a citizen's property be returned to them so we reach out to them. Departmental policy & procedure revisions are reviewed by the Law Department.

Observation # 10: The City leased the CE&P facility at a rate in excess of fair market value.

Department's Response

Former Mayor Nagin signed the lease for the "temporary" CE&P facility, in 2007. Now that this agreement has expired, the City has been working to renegotiate the agreement and obtain a lower rate. Although the new leasing agreement has not yet been finalized, we are confident that it will provide the City with substantial monthly savings (estimated at 20-25%). Furthermore, the City is currently working to construct a new, permanent CE&P facility that will allow CE&P to avoid monthly rental costs in the future.

Observation # 11: NOPD leased a secure storage unit to house narcotics exhibits for which all statutes had expired.

Department's Response

Likewise, the previous administration leased an external storage unit to maintain what is mostly flooded pre-Katrina narcotics evidence. With court-ordered disposals underway (Finding #1), CE&P is finally able to lawfully process these exhibits and eventually clear out the storage unit as soon as possible.
