

# CITY OF NEW ORLEANS POLICE DEPARTMENT



COMPLIANCE AUDIT  
ISSUED JULY 8, 2009

**LEGISLATIVE AUDITOR  
1600 NORTH THIRD STREET  
POST OFFICE BOX 94397  
BATON ROUGE, LOUISIANA 70804-9397**

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LOUISIANA LEGISLATIVE AUDITOR  
STEVE J. THERIOT, CPA

July 8, 2009

Honorable C. Ray Nagin, Mayor,  
and Members of the Council  
Mr. Warren J. Riley,  
Police Department Superintendent  
City of New Orleans  
Post Office Box 51480  
New Orleans, Louisiana 70151

Dear Mayor Nagin and Mr. Riley:

We have audited certain transactions of the City of New Orleans (City) Police Department (NOPD) for the period January 1, 2008, through January 1, 2009. Our audit was conducted in accordance with Title 24 of the Louisiana Revised Statutes to determine the propriety of certain transactions within the Evidence and Property Division.

Our audit consisted primarily of inquiries and the examination of selected financial records and other documentation. The scope of our audit was significantly less than that required of an audit by *Government Auditing Standards*; therefore, we are not offering an opinion on the City's financial statements or system of internal control nor assurance as to compliance with laws and regulations. The concerns and results of our audit are listed in this report for your consideration.

## **Background**

The Administration and Support Bureau of the NOPD includes the Evidence and Property Division (EPD). The EPD is responsible for the intake, processing, warehousing, security, accounting, and disposal of evidence and property. A review and assessment of the EPD's policies, procedures, and operations was conducted by Evidence Control Systems, Inc., (ECS). In April 2008, ECS submitted its report to the NOPD detailing its observations and recommendations regarding items such as EPD's lack of written policies and procedures, insufficient staffing, inadequate facilities and storage, and handling of non-evidentiary currency. On November 13, 2008, the NOPD management publicly announced that approximately \$19,000 in confiscated cash was missing from the EPD and that the NOPD Public Integrity Bureau (PIB) was investigating the matter.

## **Property and Evidence Division**

In April 2008, ECS outlined numerous policy, procedural, and operational deficiencies within the EPD and made recommendations for corrective actions for each deficiency. ECS's findings and recommendations were based upon the standards set by the International Association for Property and Evidence (IAPE). These standards appear to have been the basis for EPD's former policies and

Honorable C. Ray Nagin, Mayor  
Mr. Warren J. Riley,  
Police Department Superintendent  
City of New Orleans  
July 8, 2009  
Page 2

procedures and are now included as an attachment to EPD's updated policies and procedures. We reviewed ECS's report and noted major deficiencies that included a lack of written policies and procedures, inadequate facility and security measures, haphazard storage organization, an outdated evidence and property tracking system, lack of personnel, and faulty currency storage and accounting practices.

Since receiving ECS's report, the NOPD has addressed a number of the noted deficiencies by writing and implementing a procedures manual, moving into a new facility in November 2008, reorganizing evidence and property items, and initiating the process to obtain an improved evidence and property tracking system. However, the NOPD has not taken adequate corrective actions regarding several of the deficiencies which continue to leave property and evidence held by the NOPD susceptible to loss and/or theft.

### **Improper Handling and Accounting of Currency**

IAPE Standard 11 provides that "currency should be deposited into a financial institution, as soon as practical, rather than storing it in the property room." Although ECS recommended that non-evidentiary currency be deposited into an interest-bearing bank account, the NOPD continues to store confiscated currency at the EPD facility. As a result, currency has been subject to loss and/or theft on numerous occasions. On November 17, 2008, the EPD commander addressed a memorandum to the PIB detailing significant property room events pertaining to currency which included the following:

1. December 2007 - management was notified that currency totaling \$10,700 was missing.
2. February 2008 - management was notified that currency totaling \$10,979 was missing.
3. March 2008 - management was notified that after completion of an inventory, currency totaling approximately \$117,000 had not been located (memo further indicated that approximately 10% had been misfiled and was subsequently located).
4. October 2008 - management was notified that currency totaling \$19,050 was missing after a defense attorney provided a court order to have the currency returned to his client.
5. November 2008 - management was notified that additional evidence bags had been tampered with and that additional currency totaling \$85,000 appeared to have been missing.

Honorable C. Ray Nagin, Mayor  
Mr. Warren J. Riley,  
Police Department Superintendent  
City of New Orleans  
July 8, 2009  
Page 3

Although EPD continues to store cash on-site, EPD does not have a mechanism in place to track currency entering and leaving the property room or to determine the amount of currency on hand at any given time. The computerized tracking system used by EPD is not capable of providing this information and a manual currency log is not maintained. ECS recommended that if the NOPD continues to store currency in the evidence and property room that the EPD maintain a log, either manual or automated, of all currency entering and leaving the property room and the current balance. EPD has indicated that the procurement process for an improved automated currency system has been initiated; however, it has not taken any measures, such as implementing a manual log system to remedy the current deficiency. In addition, EPD management has indicated that it is currently working with the district attorney's office to establish a bank account for non-evidentiary currency.

### **Inventories**

According to IAPE Standard 22, a property room inventory can be defined as an individual comparison of all or a specified portion of the property items against the agency's records to ensure all items are properly accounted for. Prior to the issuance of ECS's report, the EPD only conducted inventories in response to a change of command within the division. Although EPD has written new policies and procedures which include inventories, the policies and procedures are not specific as to the nature, timing, and extent of the inventories to be performed. According to EPD, it does not have sufficient personnel to conduct continual inventories and compile monthly inventory reports. It should be noted that the EPD is currently undergoing a full inventory but is having difficulties completing it because of inadequate staffing.

### **External Audits**

The IAPE Standard 21 defines an audit as an impartial review of the policies, procedures, and actions of an operation to determine whether they meet the recognized standards and the agency's own policies. According to the IAPE, failure to conduct regular audits permits problems that can lead to court cases being lost, loss of public confidence, personnel problems, and possible financial loss. Agency policies should define when audits are to be conducted, by whom, and the scope of the audit. The EPD procedures manual addresses internal audits; however, it does not address external audits in any capacity. According to EPD management, periodic external audits of the EPD's policies, procedures, compliance, accountability, security, and staffing are not conducted.

Honorable C. Ray Nagin, Mayor  
Mr. Warren J. Riley,  
Police Department Superintendent  
City of New Orleans  
July 8, 2009  
Page 4

### **Facility Security**

IAPE Standard 8 states that the use of a video surveillance system for the facility and an electronic access system for gun, narcotic, and currency storage areas should be considered. In addition, the standard provides that all property rooms should be fitted with an intrusion alarm that detects when the entry doors are opened without authorization and a fire suppression system with includes fire sprinklers, smoke detectors, and fire extinguishers. EPD management has submitted requests to City management for what it considers to be “bare minimum” security features including security cameras, electronic door access systems, alarm systems, and fire systems. However, these devices have not been installed because, according to NOPD management, of budgetary constraints.

We recommend that the City and NOPD do the following:

1. Form an agreement with the district attorney’s office that allows currency which is not needed for evidentiary purposes to be deposited into an interest-bearing account. In addition, the EPD should implement policies and procedures pertaining to cash stored in the evidence that include a tracking and reporting mechanism to track cash on hand as well as cash that has entered and left the property room.
2. Update the policies and procedures manual to include the performance of inventories and external audits as well as clear guidance as to the nature, timing, and procedures to be performed during these reviews.
3. Increase facility security.

### **Possible Noncompliance With State Audit Law**

Louisiana Revised Statute (R.S.) 24:523 provides, in part, “an agency head of an auditee who has actual knowledge of any misappropriation of the public funds or assets of his agency shall immediately notify, in writing, the legislative auditor and the district attorney of proper jurisdiction.” From December 2007 to November 2008, NOPD management appears to have had knowledge that currency was missing due to loss and/or theft on at least five occasions and failed to notify the proper agencies in writing. As a result, the City may have failed to comply with R.S. 24:523. It should be noted that although these funds are not owned by the City, they were entrusted to the City and the City had a fiduciary duty to safeguard these assets. In addition, by not safeguarding these assets, adverse effects on criminal court proceedings may be experienced and amounts due to the City as forfeited funds may be reduced. NOPD Superintendent Warren Riley stated that he was not aware of R.S. 24:523 and did not know that he was required to provide a written notice of missing public funds or assets to the legislative auditor and the Orleans Parish district attorney.

Honorable C. Ray Nagin, Mayor  
Mr. Warren J. Riley,  
Police Department Superintendent  
City of New Orleans  
July 8, 2009  
Page 5

We recommend that the City act in accordance with Louisiana law regarding the issuance of misappropriation notices. In addition, we recommend that the City obtain an attorney general opinion to determine if confiscated funds held by the NOPD are subject to R.S. 24:523.

This correspondence represents our findings and recommendations as well as management's response. This correspondence is intended primarily for the information and use of management of the NOPD. I trust this information will assist you in the efficient and effective operations of the NOPD. Should you have any questions, please contact me at (225) 339-3839 or Dan Daigle, Director of Compliance Audit, at (225) 339-3808.

Sincerely,



Steve J. Theriot, CPA  
Legislative Auditor

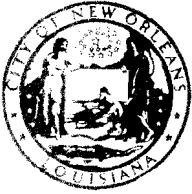
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NOPD09

## Management's Response







**C. RAY NAGIN**  
MAYOR

**CITY OF NEW ORLEANS**  
**DEPARTMENT OF POLICE**

*P.O. Box 51480*  
*New Orleans, LA 70151*

*"to protect and to serve"*



**WARREN J. RILEY**  
SUPERINTENDENT

July 1, 2009

Mr. Steve J. Theriot, CPA  
Louisiana Legislative Auditor  
1600 North Third Street  
P.O. Box 94397  
Baton Rouge, Louisiana 70804-9397

Dear Mr. Theriot:

In response to your draft compliance audit report on the New Orleans Police Department for the period January 1, 2008, through January 1, 2009 under Title 24 of the Louisiana Revised Statutes "to determine the propriety of certain transactions within the Evidence and Property Division."

After review of the draft report, I offer the following in response to the three (3) recommendations:

**Page Three (3), Paragraph One (1)**

**"Form and agreement with the District Attorney's Office that allows currency which is not needed for evidentiary purposes to be deposited into an interest bearing account. In addition, the EPD should implement policies and procedures pertaining to cash stored in the evidence that include a tracking and reporting mechanism in order to track cash on hand as well as cash that has entered and left the property room."**

The Central Evidence and Property Division of the New Orleans Police Department has already initiated the practice of depositing all U.S. Currency into an interest bearing account to be monitored by the City of New Orleans Finance Department. This is being done utilizing the same procedures that were followed with property monies seized prior to Hurricane Katrina. Revised procedures require the use of a "Cash Warrant" as per respective City Ordinances. The account is strictly an "Evidence Account" and is completely separate and apart from the current "Property Account" and the "Asset Forfeiture" accounts. Any monies that are reclassified as "Property" and/or "Asset Forfeiture" in the future shall be moved to the corresponding, appropriate accounts. As of this correspondence, over two-hundred fifty thousand dollars (\$250,000.00) in U.S. Currency has already been processed for deposit into the aforementioned "Evidence Account". The remaining processing of on-hand monies and the completion of the remaining deposits should be completed by the end of the 2009.

**Page Three (3), Paragraph Two (2)**

**Audit Recommendation – “Update the policies and procedures manual to include the performance of inventories and external audits as well as well clear guidance as to the nature, timing, and procedures to be performed during these reviews.”**

Response – The Central Evidence and Property Division (C.E. & P.) of the New Orleans Police Department has already updated and completed a new Policies and Procedures Manual. The previous manual has been completely revised to include the “Best Practices” procedures and recommendations submitted by the International Association of Property and Evidence (IAPE) as well as the aforementioned recommendations of the Louisiana State Audit. The C.E. & P. Policies and Procedures Manual, as well as the recommended procedures, were in the formative stages at the time of the state audit and are now in the completion stage. All the practices and procedures of the New Orleans Police Department’s C.E. & P. Policies and Procedures Manual, as outlined in the IAPE “Best Practices” audit have been added and 95% are fully in place. The remaining awaits additional resources. 80% of the remaining recommendations not relating to policies and procedures concerning the physical facility are completed (see next paragraph) and all should be in full compliance and operation by the end of the 2010 year.

**Page Three (3), Paragraph Three (3)**

**Audit Recommendation – “Increase facility security.”**

Response – The Central Evidence and Property Division of the New Orleans Police Department has updated and completed many measures to increase facility security. Round the clock, armed police officers are maintained on duty at all times along with bullet-resistant, steel entry doors that remain locked. We have also implemented a log book system with a two (2) person signature acknowledgement, in addition to the computer tracking and printout. The sensitive evidence areas are secured with a double-key system that is maintained solely by the officer-in-charge and assigned to that section alone. Utilizing four (4) existing cameras; we were able to place continuous video surveillance covering the sensitive evidence areas of the C.E. & P. Division. The remaining security recommendations involving alarms, electronically controlled access and monitoring, and the remaining video camera system has been requested and is in the RFP and Bid process required by the City of New Orleans.

The reference to “possible non-compliance with State Audit Law” referenced a recommendation that we request an Attorney General’s Opinion “to determine if confiscated funds held by the NOPD are subject to RS 24:523.” Although we are of the opinion that the term “Public Funds” has no applicability to the monies held by NOPD in the Central Evidence and Property Division, we have requested the Opinion in a letter dated June 22, 2009.

Due to the breach of confidentiality and release of information in the draft report, we are unable to provide details on the additional security measures that we have taken in this response to protect the safety of the officers. Should you have any questions, please feel free to contact me at (504) 658-5757.

Sincerely,

A handwritten signature in black ink, appearing to read "W. J. Riley". The signature is fluid and cursive, with the first name "Warren" and last name "Riley" clearly distinguishable.

**Warren J. Riley**

Superintendent

New Orleans Police Department