



PUBLIC INFORMATION DIVISION
1200 Clark Ave.
St. Louis, Missouri 63103
(314) 444-5603

NEWS RELEASE

METROPOLITAN POLICE DEPARTMENT

Service, Integrity, Leadership, and Fair Treatment to All

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State Audit Details Failures in Business Practices

Audit Acknowledges Department's Own Corrections in Various Areas, Department is Currently Working to Address Remaining Issues

Today Missouri State Auditor Susan Montee released the findings of a comprehensive audit of the Metropolitan Police Department, City of St. Louis ("the department"). The audit examined the department during the fiscal year of July 1, 2007 through June 30, 2008. The findings reveal what the department and the Board of Police Commissioners ("the Board") have acknowledged for months and repeatedly emphasized; there were inadequate, ineffective and inefficient business practices in various areas of the department that led to extreme failures. In some areas policies were in place and failing, in other areas policies were not being followed altogether.

Much of what was disclosed in the audit were failures discovered by the department. Corrective actions for many of these issues were taken well before the recommendation of the State Auditor. The audit report repeatedly details areas where the department's corrective actions appear to be appropriate and should continue.

Chief Dan Isom, who was selected to lead the department on October 6, 2008, has made the effective business management of the department one of his top priorities. "Managing the business is not an empty phrase for me or for my administration," he said. "It is clear to every one of us that many of the problems we've experienced over the past year and a half were caused by complete breakdowns in procedures. There was a lack of oversight and a lack of accountability. Those days are over and I think that's clear based on the number of issues that we corrected on our own before the State Audit began." Details of corrective actions and responses to findings are included on the following pages.

The President of the Board of Police Commissioners Col. Todd Epstein said, "There were failures on the part of the Board and we apologize. I believe the single best decision this Board has made is to select Chief Dan Isom. There is no one better to ensure that effective practices are in place, to ensure that internal audits are being conducted and to ensure that information is being communicated to the Board. Chief Isom has been given a charge to turn the Metropolitan Police Department completely around and I am confident that we are well on our way to being a totally different department from the department we were on June 30, 2008."

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Finding or Recommendation

Current Status

<p>1A. Seized and Prisoner Property-CAFA Account</p> <ul style="list-style-type: none"> • Assets seized as suspected proceeds from illicit activity or from persons arrested on felony charges were to have been forfeited by the Circuit Attorney’s Office had they found it necessary. If/when the Circuit Attorney’s Office chose not to forfeit funds, the money should have been returned. At one time, \$4.3 million in un-forfeited funds sat in the account, the majority of which was accumulated beginning in 2000. • The department should continue to implement controls to track and account for all seized monies and continue to research and identify recipients for remaining unidentified monies or turn over the monies to the State Unclaimed Property Division. 	<ul style="list-style-type: none"> • The department discovered this issue in 2007. A lack of proper staffing levels and a lack of follow through in contacting the Circuit Attorney’s Office to determine status contributed to the problems, as did a lack of oversight by supervisors. • Efforts to locate the persons from whom the assets were seized began in 2008, prior to the recommendations of the State Auditor and have resulted in \$3.7 million being returned and efforts to locate the remaining persons are continuing. • Seized assets are now given the proper disposition (either returned or forfeited) immediately upon communication with the Circuit Attorney’s Office.
<p>1A. Seized and Prisoner Property-CAFA Account</p> <ul style="list-style-type: none"> • The department spent over \$188,000 in seized CAFA monies for various operating expenses. The department should refrain from paying operating expenditures from seized asset accounts. 	<ul style="list-style-type: none"> • In 2008, prior to the audit, the Board determined that though it was originally believed that paying these expenses related to the CAFA account by using CAFA account funds was appropriate, it was not. The spent funds, plus interest, were reimbursed to the account in the fall of 2008, prior to the state audit. • The department did not spend any of the additional \$4.3 million aside from the \$188,000 that has already been reimbursed.

<p>1B. Seized and Prisoner Property-Missing Property and Cash</p> <ul style="list-style-type: none"> • Over \$4100 in prisoner cash and property became missing while in police department custody during the two years ended July 30, 2008. • The department should continue to implement controls to ensure items are safeguarded and require independent verification of property held. 	<ul style="list-style-type: none"> • The department now receives prisoner cash and property in transparent bags, as recommended in 2008 by a nationally recognized property expert. • The department now receives prisoner cash and property in the presence of multiple persons and prisoner cash and property is verified in the presence of multiple persons. • Various electronic security measures have been implemented to limit and track personnel with access to prisoner cash and property.
<p>2A. Towing Contract-Underpayments</p> <ul style="list-style-type: none"> • The towing contractor underpaid the department and the city a total of \$453,509. • The Board should ensure compliance with any future contracts and continue to seek compensation for the underpaid fees. 	<ul style="list-style-type: none"> • In May 2009 the board filed suit against the towing company for all monies due. The suit is pending. • There is no current towing contract as towing is accomplished through the City of St. Louis.
<p>2A. Towing Contract-Failure to Monitor Status of Towed Vehicles</p> <ul style="list-style-type: none"> • The department should ensure information for all towed vehicles is properly recorded and updated in applicable databases. 	<ul style="list-style-type: none"> • In early 2009, prior to the recommendations of the State Auditor, the department created tow code categories for better tracking and oversight. • The Audit Advisory Unit has conducted compliance audits that have demonstrated the new procedures are effective in tracking towed vehicles. • Bureau commanders now receive weekly tow reports and are being held accountable for each entry's accuracy.

<p>2C. Towing Contract-Abandoned Vehicles</p> <ul style="list-style-type: none"> The towing contract allowed the department to utilize up to five abandoned vehicles in the custody of the towing contract. There was no contractual language to specifically state usage guidelines. This practice should not be included in future contracts. 	<ul style="list-style-type: none"> There is no longer a towing contract. All towing is handled by the City of St. Louis and the department no longer uses abandoned vehicles in the custody of the City.
<p>3A. Property Custody-Missing, mislabeled or misplaced money</p> <ul style="list-style-type: none"> As of February 2009, \$24,000 in cash was unable to be located. The department should continue to investigate currency classified as “unable to locate” and continue to improve controls. 	<ul style="list-style-type: none"> After the department’s own discovery of missing funds, an outside audit was performed by a nationally known property expert. The property expert’s audit found that the unit’s complete lack of organization and failure to keep accurate records contributed to the theft and loss of monies. The property expert recommended staffing levels of 16 persons. Due to cuts in staffing, the department had 3 persons assigned to the unit. The unit has since drafted a strategic plan and implemented various electronic security measures. See attached “before” and “after” pictures to detail corrective actions taken by the current Bureau Commander.

<p>3B. Property Custody-Stored items with no value</p> <ul style="list-style-type: none"> • The unit is storing a large number of weapons that hold no evidentiary value. Disposal must be approved by the Circuit Attorney's Office. The department requested approval in June of 2008 but it has not been granted. • The unit is also storing a great deal of bulk prisoner property (large items like bicycles) for the Justice Center. The unit should work with the Justice Center to store bulk property there. 	<ul style="list-style-type: none"> • The department is continuing to await approval by the Circuit Attorney's Office to dispose of property. Such permission was requested several months ago but has not been granted so the property continues to be stored according to the law. • The department has made repeated attempts to work with the Justice Center to store bulk prisoner property, however the Justice Center also maintains that space is a problem. The topic does not appear to be reconcilable at this time.
<p>3C. Property Custody-Inventory System regarding items no longer in police possession</p> <ul style="list-style-type: none"> • The department should be able to check the status of evidence that has been transferred to other agencies. 	<ul style="list-style-type: none"> • The department has adequate measures to indicate that items have been in our custody and when/to whom they were transferred. • The department can only be held responsible for the status of items that are in our custody.
<p>4. Fitness Center Receipts-Monies were recorded but not transmitted</p> <ul style="list-style-type: none"> • The Fitness Center accepted checks for deposit but the funds have never been deposited and poor controls over the Fitness Center allowed missing receipts to go undetected. 	<ul style="list-style-type: none"> • An Internal Affairs Division (IAD) investigation was opened as a result of the state auditor's findings. • The IAD investigation found that the ledger entries were difficult to decipher, receipts and deposits were not made in a timely manner and that checks were recorded in the ledger but have never been cashed. • Discipline was recommended.

<p>5ABCDE. Receipt Accounting Controls & Procedures</p> <ul style="list-style-type: none"> • There is no independent review or oversight related to receipts in various divisions. Staff shortages and a vacant internal auditor position contribute to the lack of oversight. • Receipts are not reconciled to indicate differences in cash and checks • Timely deposits or transmittals are not made. • Units are making change when checks are received in overage and Fitness Center employees use receipts to purchase food and other items for the Academy. • Checks and money orders are not immediately endorsed. 	<ul style="list-style-type: none"> • The department created the position of Compliance Auditor and the position was filled in March of 2009. • The Compliance Auditor is now responsible for performing periodic reviews of all receipts and deposits. • The reviews are random and unannounced and include testing for the timeliness of deposits. • Several audits have already been performed. • Receipts are now reconciled to indicate such differences. • Units can no longer make change • All purchases must now go through proper purchasing procedures • Checks and money orders are now immediately endorsed. • These issues were all unaddressed from audits in 1999 and 2001
<p>6. Severance Payments</p> <ul style="list-style-type: none"> • The Board approved a severance payment of nearly \$25,000 for the former Director of Public Information. • The Board approved a separation agreement of \$108,680 (one year's salary) for the former Chief of Police. • The Board should refrain from paying excessive severance. 	<ul style="list-style-type: none"> • The current Chief of Police has a contract governing his employment and termination, a change that resulted after the experience with the former Chief's separation agreement. • The Board will not prohibit severance pay decisions as there may be times when the projected legal costs involving a specific employee's termination may exceed the cost of providing severance. There may also be times when the damage of an employee remaining employed will be far greater in opportunity cost than a severance payment.

<p>7A. Leave and Overtime</p> <ul style="list-style-type: none"> • The department should adopt a policy to pro-rate the amount of leave accrued during the final month of employment. 	<ul style="list-style-type: none"> • The department's Information Technology Division is researching the ability for timekeeping systems to begin to accrue sick leave on a daily basis, just as vacation is accrued. • If the system can accommodate this, this change will be implemented on January 1, 2010.
<p>7B. Leave and Overtime</p> <ul style="list-style-type: none"> • The department's previous payroll and timekeeping system allowed for various errors regarding overtime being paid for time not actually worked. • A new payroll system began producing error reports in June of 2008 however no one reviewed those reports until November 2008. • The department has made no attempts to correct the errors. 	<ul style="list-style-type: none"> • These problems were discovered by the department prior to the audit and a new payroll system was implemented in June of 2008 to prevent any additional occurrences. • The new system produces "overlapping overtime reports" which since November of 2008, are reviewed monthly for any errors. • The department is currently researching the ability of the payroll system to deduct unearned payments from each affected employee's overtime balance. • Those who don't have a sufficient overtime balance will have the amounts deducted from their paychecks.
<p>7C. Leave and Overtime</p> <ul style="list-style-type: none"> • In some situations employees were found to have worked more than 16 hours in one day, a combination of regular duty hours and overtime. For safety reasons, the department should consider establishing a policy limiting work to 16 hours per day. 	<ul style="list-style-type: none"> • Such a policy will be considered.

<p>8A. Expenditures</p> <ul style="list-style-type: none"> • The department did not have proper documentation that certain expenses to department stores, restaurants, etc. were business related. Some of the expenses appear to be personal in nature by the former Chief of Police. • Some purchases were not supported by original invoices or had no proper documentation. • Purchasing cards appear to have been used in some instances to circumvent the normal purchasing procedures. 	<ul style="list-style-type: none"> • All purchases were reviewed and were deemed to be business-related expenses with the exception of two purchases made by the former Chief of Police, totaling \$284.10. • The nature of those two expenses could not be verified. The former Chief of Police was contacted about these expenses and agreed to reimburse the Department. This issue has since been taken care of. • The use of purchasing cards has been severely restricted since late 2008 and all purchases, even those on purchasing cards, must follow purchasing procedures. Any employee who does not follow procedures will be subject to discipline.
<p>8B. Expenditures</p> <ul style="list-style-type: none"> • Department employees incurred travel expenses that did not appear reasonable and necessary. Some hotel rates paid by the department exceeded the federal maximum lodging rates allowed. 	<ul style="list-style-type: none"> • The department has now adopted federal CONUS rates for maximum allowable lodging costs.
<p>9A. Purchasing and Bidding Policies</p> <ul style="list-style-type: none"> • The department is not in compliance with state law as state statute requires the bid threshold to be \$3,000 but the department bid threshold is \$5,000. 	<ul style="list-style-type: none"> • The department agrees. The bid threshold was changed to \$3,000 in June of 2009 and is now in place.
<p>9B. Purchasing and Bidding Policies</p> <ul style="list-style-type: none"> • The board should ensure that vendors within the city have current business licenses in accordance to policy. 	<ul style="list-style-type: none"> • The board agrees. A valid business license must now be shown before a purchase order can be processed.
<p>9C. Purchasing and Bidding Policies</p> <ul style="list-style-type: none"> • The board should solicit bids and proposals for all applicable purchases and document justification for sole-source vendor purchases. 	<ul style="list-style-type: none"> • The board agrees. Sole source will continue for existing legal situations as the cost to change course would likely be excessive. However, more explicit explanation of other sole source purchases will be required.

<p>10ABCD. Capital Assets</p> <ul style="list-style-type: none"> • Only equipment that is necessary and readily able to be placed in service is purchased. • Capital asset procedures should be reviewed to ensure complete and accurate lists are maintained for all assets. • All capital assets should be promptly and accurately recorded in a database. • Policies should be in place to require annual physical inventories. 	<ul style="list-style-type: none"> • Agreed. Purchases will only be made when equipment is immediately necessary. • The department maintains a centralized list for capital assets but will consider a centralized list that also includes assets of lesser value that are no longer tracked for control purposes. • The Supply Division will ensure that monthly reviews of expenditures occur with Budget & Finance, so that the Supply Division is aware of items that need to be recorded. • Each unit commander is responsible for an annual inventory, however the compliance auditor's duties will be expanded to include a physical inventory of all capital assets on an annual basis.
<p>11. Vehicle Usage</p> <ul style="list-style-type: none"> • The department should evaluate the need to assign unmarked vehicles and consider prohibiting personal use of department vehicles other than for commuting purposes. Mileage logs or other records should be maintained to distinguish between personal commuting and business use and the taxable benefit of personal use should be reported on W-2 forms as applicable. 	<ul style="list-style-type: none"> • Since November of 2009 Chief Isom has had unit commanders evaluate the necessity of take-home cars for units and some cars were taken away. The department will consider other ways to revise the policy. Cars are properly accounted for on W-2 forms already.
<p>12A. Budgetary Practices</p> <ul style="list-style-type: none"> • Annual budgets should be prepared for the Board Secretary's Account. 	<ul style="list-style-type: none"> • The Board Secretary's Account was transferred to the City of St. Louis for fiscal year 2010 and is now budgeted.

<p>12B. Budgetary Practices</p> <ul style="list-style-type: none"> • There should be communication with applicable city officials to prepare budgets which accurately reflect the needs of the department and reduce the frequent transferring of funds between budgetary accounts. 	<ul style="list-style-type: none"> • The department does work with City officials, however when the budget is reduced by the City, the City decides how much is reduced in each account. The spending priorities of the City may not accurately reflect the needs of the Board. Transfers to adjust for this are made in open, public Board meetings to ensure transparency.
<p>12C. Budgetary Practices</p> <ul style="list-style-type: none"> • Establish formal policies to define eligible costs for the Police Chief Contingency budgetary account. 	<ul style="list-style-type: none"> • This account has been moved and is now under Budget & Finance. The Chief no longer has access to this account and no expenditures are charged to the account.
<p>13AB. Bank Accounts and Investments</p> <ul style="list-style-type: none"> • The Board should periodically solicit formal proposals for banking and investment services. • The Board should deposit funds in banks with a City of St. Louis presence in accordance with Board policy, or eliminate the policy. 	<ul style="list-style-type: none"> • The Board will periodically solicit proposals. • The Board has transferred control of its Secretary's and Asset Forfeiture accounts to the City of St. Louis' Treasurer's Office. The Worker's compensation payment account has also been moved to the City's depository institution. Other small bank accounts that were utilized for flower funds (in the event of the death of an employee or an employee's immediate family member) have been consolidated into the Secretary's account.
<p>14A. Traffic Tickets</p> <ul style="list-style-type: none"> • Ensure traffic tickets are assigned to area stations in numerical sequence and documentation is properly completed and maintained for all tickets assigned. • Ensure all tickets, including the ultimate disposition, are recorded on the database and gaps in the numerical sequence of tickets are investigated and resolved. 	<ul style="list-style-type: none"> • The department's own internal audit also made recommendations in this area. • The Audit Advisory Unit has made several suggestions to ensure that ticket books are properly assigned and those suggestions are now being followed by the Supply Division. • The department believes a mobile ticketing system will assist in a proper accounting of all tickets. There will be efforts to purchase mobile ticketing department-wide in the next fiscal year, however it will cost approximately \$250,000

<p>14B. Traffic Tickets</p> <ul style="list-style-type: none"> • Require detailed descriptions of reasons for voided tickets are documented and all documentation is maintained. • Ensure all applicable personnel are informed of procedures for voiding tickets. 	<ul style="list-style-type: none"> • As with many other administrative processes over the past several years, accountability has been lax. • The Audit Advisory Unit made several recommendations in terms of the voiding procedure. The department is currently reviewing those recommendations to determine the best method to properly train all applicable employees in voiding procedures, policies and paperwork required.
<p>15. Acceptance of Baseball Tickets</p> <ul style="list-style-type: none"> • The department should refrain from accepting gifts or gratuities. 	<ul style="list-style-type: none"> • The current Chief has discontinued the practice of accepting baseball tickets and did so prior to the recommendation of the State Auditor.