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Audit Report

**AUDIT OF CONTROLS OVER WEAPONS AND
OTHER HIGH RISK INVENTORY FOR DALLAS
POLICE DEPARTMENT'S QUARTERMASTER UNIT
(Report No. A15-007)**

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City Auditor

Craig D. Kinton

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Executive Summary

Significant internal control deficiencies exist in the Dallas Police Department’s (DPD) Quartermaster Unit’s (Unit) management of high risk inventory (weapons, radios, badges, and Tasers) stored at and issued from the Unit’s facility. These internal control deficiencies increase the risk of: (1) unauthorized and/or inappropriate access to the Unit’s facility and automated systems; (2) theft; (3) accounting errors; (4) inventory misstatements; and, (5) fraud occurring and not being detected within a timely period by employees in the normal course of performing their assigned functions.

The internal control deficiencies noted relate to: (1) physical and software application security controls; (2) management of high risk inventory; and, (3) inconsistency in the application of high risk inventory procedures. These control deficiencies are discussed in more detail below.

Background Summary

The Unit is part of DPD’s Financial and Contract Management Division and is included in the Police Administrative Support portion of DPD’s overall budget.

The Unit is responsible for managing the inventory needed to supply over 4,000 officers with the weapons, uniforms, equipment, and accessories needed to perform their duties. These responsibilities include receiving and recording inventory, issuing inventory against pre-authorized quotas, tracking inventory adjustments, such as loans and lost and stolen equipment, and safeguarding existing inventory.

Source: City of Dallas Adopted Budget Fiscal Year (FY) 2014

Physical and Software Application Security Controls Are Not Implemented Effectively

- The Unit’s high risk inventory items¹ are not adequately safeguarded through existing physical security measures. Additionally, high risk inventory ordered by other DPD divisions and damaged items received and held by the Unit are not stored in a secure environment. As a result, there is an increased risk of theft of high risk inventory items and missing documentation.
- The processes for granting, removing, and monitoring security badge access to the Unit’s facility are not documented and are not consistently followed. As a result, there is an increased risk that access is granted to more than the required personnel or to unauthorized personnel.
- User access to the FleetFocus M5 (M5) and WEPI inventory software applications is not properly segregated. Without proper segregation of duties, the risk of errors and potential fraud is increased because one person is performing and reviewing all transactions in the process.
- The software application security processes for granting, removing, and monitoring user access for the WEPI and M5 inventory software applications

¹ The focus of this audit was weapons and other inventory (radios, badges, and Tasers) considered high risk by DPD. Other inventory items, such as uniforms, ballistic vests, special equipment, and ammunition, were not considered as part of this audit.

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are not effective. Without effective software application security processes, including ongoing monitoring, the risk is increased that access is granted to or retained by unauthorized individuals, including former employees, who can intentionally or unintentionally read, add, delete, and modify sensitive data.

- Passwords for the M5 inventory software application do not follow proper password security. Without proper password security, the effectiveness of the M5 inventory software application in identifying and authenticating users and their assigned privileges is reduced.
- The Unit does not use controls to properly secure and ensure data integrity for its MS Excel spreadsheets. Because spreadsheets can be easily changed, not implementing spreadsheet controls could impact the information accuracy and completeness.

High Risk Inventory Is Not Properly Managed

- The Unit does not have an inventory system that records all high risk inventory, such as inventory value, inventory on hand, inventory purchased, issued and returned, recertified, loaned, stolen/lost inventory, and disposed inventory. As a result, inventory management is inefficient, and there is an increased risk that high risk inventory is not accurately recorded and properly controlled. Additionally, DPD would not be able to readily detect fraud.
- Manual inventory control cards which record all high risk inventory transactions, such as receiving, issuing, returning, recertification, and disposals of high risk inventory items, are not completed fully and accurately. As a result, missing and/or incomplete transaction details, such as serial numbers, signatures, dates, and disposition, increase the risk that inventory control cards (primary records for high risk inventory) are unreliable and high risk inventory is not adequately controlled.
- The Unit’s high risk inventory procedures are incomplete, informal, not reviewed, and not communicated periodically. As a result, procedures may not reflect actual operations or current roles and responsibilities, thereby reducing the effectiveness of internal controls.

High Risk Inventory Procedures Are Not Consistently Applied

- Received high risk inventory is not: (1) recorded onto receiving log sheets; (2) recorded completely or timely on DPD Equipment Receiving Forms and inventory control cards; and, (3) entered timely into the M5 and WEPI inventory software applications. As a result, there is an increased risk that high risk inventory items are not accurately recorded and properly controlled.

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- The Unit does not consistently verify received deliveries against valid purchase orders. Deliveries not received against valid purchase orders increase the risk of receiving unauthorized high risk inventory.
- High risk inventory items are not issued or returned in accordance with standard operating procedures. As a result, high risk inventory items may be improperly issued to unauthorized personnel.
- Physical inventories used to periodically verify the completeness and accuracy of high risk inventory are not performed consistently. As a result, there is an increased risk that high risk inventory assigned to DPD personnel is not properly validated and actual high risk inventory on hand is misstated.

We recommend the Chief of Police improves security and inventory controls and procedures by addressing the recommendations made throughout this report.

The objective of the audit was to evaluate the adequacy of internal controls over weapons and other high risk inventory. The scope of the audit included transactions related to high risk inventory from Fiscal Year (FY) 2012 through FY 2013; however, certain other matters, procedures, and transactions outside that period were reviewed to understand and verify information during the audit period.

Management’s response to this report is included as Appendix IV.

Audit Results

Overall Conclusion

Significant internal control deficiencies exist in the Dallas Police Department’s (DPD) Quartermaster Unit’s (Unit) management of high risk inventory (weapons, radios, badges, and Tasers) stored at and issued from the Unit’s facility. These internal control deficiencies increase the risk of: (1) unauthorized and/or inappropriate access to the Unit’s facility and automated systems; (2) theft; (3) accounting errors; (4) inventory misstatements; and, (5) fraud occurring and not being detected within a timely period by employees in the normal course of performing their assigned functions.

The internal control deficiencies noted relate to: (1) physical and software application security controls; (2) management of high risk inventory; and, (3) inconsistency in the application of high risk inventory procedures. These control deficiencies are discussed in more detail below.

Section I – Physical and Software Application Security Controls Are Not Implemented Effectively

High Risk Inventory Items Are Not Adequately Safeguarded

The Unit’s high risk inventory items² are not adequately safeguarded through existing physical security measures. Additionally, high risk inventory ordered by other DPD divisions and damaged items received and held by the Unit are not stored in a secure environment. As a result, there is an increased risk of theft of high risk inventory items and missing documentation. The limitations of existing physical security measures are discussed in more detail in Table I on the next page.

² The focus of this audit was weapons and other inventory (radios, badges, and Tasers) considered high risk by DPD. Other inventory items, such as uniforms, ballistic vests, special equipment, and ammunition, were not considered as part of this audit.

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Table I

Limitations of Existing Physical Security Measures

Security Measure	What It Secures	Issue
<i>Video Surveillance</i>	Used to monitor traffic and employee activity	<p>Video cameras are not positioned to capture high risk activity, such as Unit personnel issuing and receiving high risk inventory</p> <p>No video cameras are located inside the warehouse or the file room</p> <p>Video content is not routinely reviewed and content is only available for 15 to 21 days</p>
<i>File Cabinets</i>	Used to store officer badges, inventory control cards, and radios	<p>Badge and radio file cabinet keys are stored in a desk drawer that remains unlocked at all times</p> <p>File cabinets where radios are stored are left unlocked at all times and badge cabinets remain unlocked during business hours</p> <p>File cabinets where inventory control cards, personnel files, and receiving documents are stored do not have any lock and key mechanisms</p>
<i>Doors</i>	Used by personnel / customers / vendors to enter and exit the facility	<p>The loading dock door has:</p> <ul style="list-style-type: none"> • Windows positioned above the deadbolt with easy access for break-in • A magnetic lock release that could easily be disengaged if the windows were broken • Not been re-keyed in at least five years • The dead bolt key in the lock at all times <p>The exterior doors:</p> <ul style="list-style-type: none"> • Have not been re-keyed since 2007 • Keys are maintained by Unit personnel during non-business hours rather than held in a secure location
<i>Weapon Safe and Vault</i>	Used to store weapons and Tasers	<p>The weapon safe's combination code is not periodically changed</p> <p>The lock to the weapon vault is not periodically re-keyed</p>

Source: Office of the City Auditor

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According to Administrative Directive (AD) 6-1, *Control of City Property*, Section 4.2.1 and DPD General Orders, Section 809.04 C, each Department Director is required to provide adequate security for all personal property and fixed assets. Additionally, The Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control – Integrated Framework, 2013, states inventory should be secured physically (i.e., in locked or guarded storage areas with physical access restricted to authorized personnel only).

Recommendation I

We recommend the Chief of Police ensures Unit personnel improve the existing physical security issues discussed in Table I.

Recommendation II

We recommend the Chief of Police ensures Unit personnel properly secure high risk inventory ordered by other DPD divisions and damaged items received/stored by the Unit.

Please see Appendix IV for management’s response to the recommendation.

Physical Security Access Controls Are Not Documented or Consistently Followed

The processes for granting, removing, and monitoring security badge access to the Unit’s facility are not documented and are not consistently followed. As a result, there is an increased risk that access is granted to more than the required personnel or to unauthorized personnel.

Security badge access is granted without documented authorization and approval. According to DPD, Unit supervisors escort personnel to the Badge Office to receive a new security badge. Security badge access is removed by the DPD Security Badge Office when notification is provided by DPD management; however, the removal request is not communicated consistently. Badge access expires after a five year period and can be reactivated without formal management authorization and approval. For example, review of granted access to the Unit’s facility showed that:

- Three Financial and Contract Management personnel, who have no daily operational responsibilities for the Unit, have complete or almost complete access to the Unit’s facility
- Twenty-one non-Unit personnel, including maintenance / janitorial personnel, have access to the Unit’s facility and at least 18 have access to the warehouse where high risk inventory items are stored. No non-Unit personnel were identified as having access to the weapon vault.

Also, the Unit does not have a process to monitor the physical security access to the Unit’s weapon vault. Management stated that periodic reviews of weapon vault log sheets are performed; however, these log sheets do not provide sufficient detail to allow a reviewer to determine if access was appropriate. For example, while the logs include the individual’s name, date, and time, they do not include the individual’s business reason for access. In addition, actual review of a sample of log sheets showed that the logs were not always fully completed. Therefore, these reviews do not provide sufficient detail to validate that access to the Unit’s weapon vault is properly monitored.

The COSO Internal Control – Integrated Framework, 2013, states assets should be physically secured. The Quartermaster’s Standard Operating Procedures (SOP), Section 404.6 requires that card swipe (badge access) entrance is limited to staff appointed by the Section Manager.

Recommendation III

We recommend the Chief of Police ensures Unit personnel establish and implement a formal process for granting, removing, and monitoring security badge access to the Unit’s facility.

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Please see Appendix IV for management’s response to the recommendation.

User Access Is Not Properly Segregated

User access to the FleetFocus M5 (M5) and WEPI inventory software applications is not properly segregated (see text box). Without proper segregation of duties, the risk of errors and potential fraud is increased because one person is performing and reviewing all transactions in the process. Specifically:

- The Purchasing Manager can receive and issue weapons, radios, and Tasers to DPD personnel in the WEPI inventory software application. The Section Manager can approve purchases and receive high risk inventory into both the WEPI and M5 inventory software applications.
- The DPD Manager or Supervisor role is granted to eight of 13 users in the M5 inventory software application. These roles give the user access rights to perform all aspects of inventory management, including initiating purchases, receiving, and returning high risk inventory.

Segregation of Duties

Segregation of duties means dividing the responsibility for recording, authorizing, and approving inventory transactions, and handling inventory.

Proper segregation of duties is fundamental to mitigating fraud risks because it reduces the possibility of one person acting alone, including management override.

Source: COSO Internal Control – Integrated Framework, 2013,

According to the COSO Internal Control – Integrated Framework, 2013, management should consider whether duties are divided or segregated among different personnel to reduce the risk of error or inappropriate or fraudulent actions.

Recommendation IV

We recommend the Chief of Police ensures Unit personnel evaluate and establish appropriate segregation of duties for all aspects of inventory management, including authorization, approval, receiving, and recording high risk inventory.

Please see Appendix IV for management’s response to the recommendation.

Processes for Granting, Removing, and Monitoring User Access Are Not Effective

The software application security processes for granting, removing, and monitoring user access for the WEPI and M5 inventory software applications are not effective. Without effective software application security processes, including ongoing monitoring, the risk is increased that access is granted to or retained by unauthorized individuals, including former employees, who can intentionally or unintentionally read, add, delete, and modify sensitive data.

WEPI Inventory Software Application

The WEPI inventory software application user access is granted without using formal authorizations and approvals, such as a Security Authorization Request (SAR) form as required by the Department of Communication and Information Services (CIS). Instead, access is granted based on e-mail requests. A review of the WEPI inventory software application’s current user access listing also shows access is not:

- Removed timely upon termination
 - Two users who terminated employment in July and August of 2014, respectively, still had access as of February 2015
- Monitored to ensure only valid employees retain access
 - Two users were not found on the Unit’s organizational chart

In addition, two users that have access to WEPI do not appear as active users on the WEPI inventory software application user listing.

M5 Inventory Software Application

According to DPD, there are processes in place for granting, removing, and monitoring access for the M5 inventory software application. Although granting user access could not be verified since there were no new hires during the audit period, DPD stated that the SAR form, which has formal approvals and authorizations with proper signatures, is used.

The process, however, for:

- Removing user access is not formal and may not be consistently performed or documented. User access is removed based on e-mail confirmations.
- Monitoring user access is not sufficient because the software application administrator may not be aware of segregation of duties violations unless notified by Unit management

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According to the COSO Internal Control – Integrated Framework, 2013, management selects and develops control activities that are designed and implemented to restrict technology access rights to authorized users commensurate with their job responsibilities and to protect the entity’s assets from external threats.

Recommendation V

We recommend the Chief of Police ensures Unit personnel establish and implement security processes for the granting of, removal of, and monitoring of user access to WEPI and M5 inventory software applications.

Please see Appendix IV for management’s response to the recommendation.

Software Application Passwords Do Not Conform to Standards

Passwords for the M5 inventory software application do not follow proper password security. User passwords never expire and users are not required to use strong passwords, such as using specific password lengths and alphanumeric characters. Without proper password security, the effectiveness of the M5 inventory software application in identifying and authenticating users and their assigned privileges is reduced.

The Federal Information System Controls Audit Manual (FISCAM) Chapter 3, Section 3.2, *Access Controls*, states passwords should be changed about every 30 to 90 days, contain alphanumeric and special characters, be at least 8 characters in length, and not be shared between users.

Recommendation VI

We recommend the Chief of Police ensures Unit personnel improve password security for M5 inventory software application.

Please see Appendix IV for management’s response to the recommendation.

MS Excel Spreadsheets Are Not Secured

The Unit does not use controls to properly secure and ensure data integrity for its MS Excel spreadsheets. Because spreadsheets can be easily changed, not implementing spreadsheet controls could impact the information accuracy and completeness.

Specifically, the spreadsheets used for badge inventory are not version controlled, secured with passwords, restricted with access rights to limit data input, and reviewed for logical errors.

The PricewaterhouseCoopers white paper, *The Use of Spreadsheets*, states spreadsheet controls, including version controls, access controls, input controls, and security and integrity of data, should be in place to appropriately address the complexity or importance of the document (see text box).

Spreadsheet Controls

Version Control – Use current and approved versions and create naming conventions and directory structures

Access Control – Limit access at the file level on a central server, assign appropriate rights, and password protected to restrict access

Input Control – Reconcile to make sure that data is input completely and accurately

Security and Integrity of Data – Protect cells to prevent inadvertent or intentional changes to standing data and store spreadsheets in protected directories.

Source: PricewaterhouseCoopers, *The Use of Spreadsheets*

Additionally, the FISCAM Chapter 3, Section 3.2, *Access Controls*, states passwords should be changed about every 30 to 90 days, contain alphanumeric and special characters, be at least 8 characters in length, and not be shared between users.

Recommendation VII

We recommend the Chief of Police ensures Unit personnel implement spreadsheet controls, including passwords, which conform to password parameters for the Unit’s MS Excel spreadsheets.

Please see Appendix IV for management’s response to the recommendation.

Section II – High Risk Inventory Is Not Properly Managed

Complete Inventory System Is Not Used by the Unit

The Unit does not have an inventory system that records all high risk inventory, such as inventory value, inventory on hand, inventory purchased, issued and returned, recertified, loaned, stolen / lost inventory, and disposed inventory. As a result, inventory management is inefficient, and there is an increased risk that high risk inventory is not accurately recorded and properly controlled. Additionally, DPD would not be able to readily detect fraud.

The M5 inventory software application includes certain high risk inventory; however, the Unit does not have a formal plan to ensure all high risk inventory is recorded in the M5 inventory software application.

Automated Controls

Most business processes have a mix of manual and automated controls, depending on the availability of technology in the entity. Automated controls tend to be more reliable, subject to whether technology general controls are implemented and operating, since they are less susceptible to human judgment and errors, and typically more efficient.

Source: COSO Internal Control – Integrated Framework, 2013

Currently, DPD tracks high risk inventory through separate mechanisms, including manual inventory control cards, stand-alone software applications (M5 and WEPI), and MS Excel Spreadsheets. For example, DPD uses:

- Manual inventory control cards to capture serialized high risk inventory, such as weapons and badges. Manual inventory control cards, however, cannot be used to determine total inventory value, inventory on hand, loaned, lost or stolen inventory, and disposals. The manual inventory control cards are difficult to retrieve and analyze for completeness and accuracy.
- The M5 inventory software application to capture information about high risk inventory on hand, inventory purchased and issued for weapons, radios, and Tasers. The M5 information, however, does not include any information about badge inventory, warranty information for radios and Tasers, or historical inventory related information prior to October 2013.
- The WEPI inventory software application to track issued high risk inventory items for weapons, radios, and Tasers and includes all current and historical inventory related information. The WEPI does not capture badge inventory information and does not have reporting capability to determine total inventory value and inventory on hand.

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- The MS Excel spreadsheets to track badges; however, the spreadsheets are not managed properly with spreadsheet controls to ensure completeness and accuracy of data

See Appendix II for additional information.

According to DPD management, although an inventory system that records all high risk inventory is not used, inventory can be traced through the various mechanisms, if necessary. A complete inventory system, however, would allow DPD to gain efficiencies in centralizing high risk inventory information, reduce costs by removing manual processes, and limit opportunities for potential fraudulent activities.

The AD 6-1, *Control of City Property*, Section 6.1.8, states the department must establish and maintain proper internal controls over personal property inventory records. The DPD General Orders, Section 809.01 C, requires each DPD Organizational Commander to ensure that up-to-date and accurate systems are in place for inventory. The COSO Internal Control – Integrated Framework, 2013, states control activities should be in place over the processes to populate, update, and maintain the accuracy, completeness, and validity of data. The Quartermaster SOP, Sections 405.8 and 408.5 require that warranty information is recorded and that loaned, lost, or stolen inventory is tracked until final clearance of the item.

Recommendation VIII

We recommend the Chief of Police ensures Unit personnel develop and execute a plan with stated dates and deliverables so that all high risk inventory is recorded within the M5 inventory software application.

Recommendation IX

We recommend the Chief of Police ensures Unit personnel follow established standard operating procedures so that high risk inventory adjustments are accurately recorded, including: (1) loans, (2) lost and stolen, (3) warranty service requirements; and, (4) disposal of weapons and badges with required documentation.

Please see Appendix IV for management’s response to the recommendation.

Inventory Control Cards Are Not Complete and Accurate

Manual inventory control cards which record all high risk inventory transactions, such as receiving, issuing, returning, recertification, and disposals of high risk inventory items, are not completed fully and accurately. As a result, missing and/or incomplete transaction details, such as serial numbers, signatures, dates, and disposition, increase the risk that inventory control cards (primary records for high risk inventory) are unreliable and high risk inventory is not adequately controlled.

Specifically, testing of 30 inventory control cards for each of the four categories of high risk inventory items resulted in:

- Thirty-two of 120, or 27 percent, of inventory control cards were either missing officer/Unit personnel signatures or transaction dates for individual transactions, including issuance, returns, recertifications, and disposals
- Five of 30, or 17 percent, of weapon inventory control cards; one of 30, or three percent, of radio inventory control cards; and, nine of 30, or 30 percent, of Taser inventory control cards did not match the issue dates shown in the M5 and WEPI inventory software applications
- Four of 30, or 13 percent, of Taser inventory control cards did not match the assigned badge number in M5 and WEPI inventory software applications
- Two of 30, or seven percent, of the weapon inventory control cards had no recertification transaction details indicating that weapons were recertified prior to reissuance. Recertification of weapons ensures the safety of the weapon for ongoing use by officers.

The AD 6-1, *Control of City Property*, Section 6.1.8 states the department must establish and maintain proper internal controls over personal property inventory records. The Quartermaster SOP requires that all inventory transactions for receiving, issuing, returns, and disposals are completed fully and accurately.

Recommendation X

We recommend the Chief of Police ensures Unit personnel follow established procedures so that inventory control cards are completed fully and accurately until all high risk inventory can be transferred to M5.

Please see Appendix IV for management’s response to the recommendation.

High Risk Inventory Procedures Are Not Adequate

The Unit’s high risk inventory procedures (see text box) are incomplete, informal, not reviewed, and not communicated periodically. As a result, procedures may not reflect actual operations or current roles and responsibilities, thereby reducing the effectiveness of internal controls.

Inventory Procedure Descriptions	
Quartermaster SOP:	Describes processes for implementing physical security, receiving inventory, and issuing inventory
M5 Procedures Manual:	Describes processes for inventory issuance and reconciliation and creation of employee / department in M5
Asset Control Manual:	Describes general procedures for performing monthly and annual inventory processes
Source: DPD Procedures	

Specifically, the Quartermaster’s SOP: (1) does not have complete issuance quota requirements for 12 categories of sworn and non-sworn officers; and, (2) is not aligned, because Section 405 does not address issuance processes for radios and vests. Section 407, however, does include return procedures for radios and vests.

The Quartermaster’s SOP and the M5 Procedures Manual are not formalized with appropriate revision history, ownership, and approvals by appropriate management. The Asset Control Manual has an effective date of 2013, but does not indicate whether the updated procedures were approved by appropriate management.

The Unit also does not have a process in place to review the procedures periodically to ensure that the documented procedures reflect actual operations and activities and are adequately communicated. For example, in response to a survey³, 28 of the 49 DPD divisions, or approximately 57 percent, reported that the roles and responsibilities for Fixed Asset Coordinators had not been defined and formalized.

According to the COSO Internal Control – Integrated Framework, 2013, management should periodically review policies and procedures for continued relevance and effectiveness.

Recommendation XI

We recommend the Chief of Police ensures Unit personnel review, update, and approve high risk inventory management procedures to reflect actual operations and activities.

³ The Office of the City Auditor conducted a survey of the Fixed Asset Coordinators in all 49 DPD divisions with physical inventory responsibilities. The survey addressed their general understanding of physical inventory requirements and the associated management processes for high risk inventory.

Recommendation XII

We recommend the Chief of Police ensures Unit personnel periodically review the high risk inventory procedures, in accordance with DPD policies and/or as changes occur in operations, so that the documented procedures continue to reflect actual operations.

Please see Appendix IV for management’s response to the recommendation.

Section III – High Risk Inventory Procedures Are Not Consistently Applied

Received High Risk Inventory Is Not Recorded Completely and Timely

Received high risk inventory is not: (1) recorded onto receiving log sheets; (2) recorded completely or timely on DPD Equipment Receiving Forms and inventory control cards; and, (3) entered timely into the M5 and WEPI inventory software applications. As a result, there is an increased risk that high risk inventory items are not accurately recorded and properly controlled. Specifically, Unit personnel do not:

- Use the receiving log sheets for receiving deliveries as required by the Quartermaster SOP
- Record deliveries completely and timely. A judgmental sample of 29 DPD Equipment Receiving Forms showed:
 - Four, or approximately 14 percent, were missing
 - Three, or approximately 10 percent, did not record the variances, such as quantities, model numbers, and unit prices, accurately between the purchase order and the high risk inventory items received
 - Twelve, or approximately 41 percent, were incomplete and/or did not include date processed, date received, quantities, vendor name, and contact person
 - Six, or approximately 21 percent, were not created timely within two to three business days after receipt; on average, it took five business days for the Unit to record received deliveries
- Enter high risk inventory into M5 or WEPI inventory software application within two to three business days as required by the Quartermaster SOP. A judgmental sample of 30 high risk inventory items showed:
 - Twenty-one of 30, or 70 percent, of weapons were not processed timely; on average, it took 25 business days from receiving weapon deliveries to entering inventory into either M5 or WEPI inventory software application
 - Ten of 30, or 33 percent, of the Tasers were not entered timely; on average, it took 13 business days from receiving Taser deliveries to entering inventory into either M5 or WEPI inventory software application

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- Eleven of 30, or approximately 37 percent, of Tasers could not be verified for timely entry because there was no date of entry on the inventory control card
- No entry dates recorded for radio and badge inventory control cards; therefore, timeliness could not be verified

According to the COSO Internal Control – Integrated Framework, 2013, transactions should be processed completely and timely to ensure inventory is not misstated. The Quartermaster and Fleet Management SOP, Section 503 G, requires that all acquisitions, disposals, and transfers should be documented. The Quartermaster SOP, Section 410.1 and 410.2 state all shipments will be logged at the receiving door onto log sheets and processed within two to three business days of receipt.

Recommendation XIII

We recommend the Chief of Police ensures Unit personnel follow established DPD’s standard operating procedures so that received high risk inventory is recorded completely and timely.

Please see Appendix IV for management’s response to the recommendation.

Received High Risk Inventory Is Not Consistently Verified Against Valid Purchase Orders

The Unit does not consistently verify received deliveries against valid purchase orders. Deliveries not received against valid purchase orders, increase the risk of receiving unauthorized high risk inventory. Specifically:

- Purchase orders were not always authorized, approved, and did not match receiving documentation. A judgmental sample of 30 purchase orders showed three of 30, or ten percent, did not have the required authorizing signature or the purchase order numbers did not match the vendor shipment documentation.

Additionally, the Unit does not verify deliveries using blind purchase orders that do not show expected quantities to be received as recommended by best practices.

According to the COSO Internal Control – Integrated Framework, 2013, transactions outside of the authority level of certain personnel should be approved by a higher authority to ensure the transaction is valid. Best practices dictate the receiving department should receive a copy of the purchase order with the amounts blackened out. The department is responsible for verification of quantities received and preparing a receiving report.

Recommendation XIV

We recommend the Chief of Police ensures that Unit personnel receive high risk inventories against a valid purchase order without quantities listed.

Please see Appendix IV for management’s response to the recommendation.

High Risk Inventory Is Not Issued or Returned Properly

High risk inventory items are not issued or returned in accordance with standard operating procedures. As a result, high risk inventory items may be improperly issued to unauthorized personnel.

Issue Request Forms Are Incomplete, Inaccurate, or Missing

Issue Request Forms were incomplete, inaccurate, or missing. Specifically:

- A judgmental sample of 30 Issue Request Forms for each of the four high risk inventory items for issuances showed:
 - Nineteen of the 120, or approximately 16 percent, of Issue Request Forms, were incomplete and did not include signatures, issue dates, number of items issued, and/or issuer information (12 weapons, two radios, two badges, and three Tasers)
 - Six of the 120, or five percent, of Issue Request Forms were inaccurate and included incorrect serial numbers and issue dates (two weapons, one radio, and three badges)
 - Twelve of 99⁴, or approximately 12 percent, of Issue Request Forms were missing from the officers’ personnel file (one weapon, three radios, six badges, and two Tasers)
- A judgmental sample of 30 Issue Request Forms processed for each of the four high risk inventory item for returns showed:
 - Sixteen of the 120, or approximately 13 percent, were incomplete with missing signatures, serial numbers, and actual items returned
 - Five of the 120, or approximately four percent, were not included in the officer's files

Prior Approval Not Included With Issue Request Forms

Issue Request Forms are not supported with prior approval from appropriate management. According to management, an e-mail which serves as the approval for issuance is received from the Police Academy for all new recruits; however, the e-mail is not retained by the Unit in each officer’s personnel file. While DPD has a prior approval process to replace lost and stolen weapons, the DPD does not have a documented prior approval process for temporary loans for weapons.

⁴ For Tasers, 21 of the 120 judgmentally selected divisional files were not available for review. According to management, these files were archived. The results for missing forms above are based on the 99 Issue Request Forms available for testing.

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Quartermaster Unit**

Issuance Quotas Are Not Established

The issuance quotas for all officers have not been established and documented in the Quartermaster SOP and the M5 Manual. Also, the issuance quotas have not been integrated into the M5 inventory software application which would ensure that only authorized items are issued to officers.

Radio User Agreements Are Not Used

Radio user agreements are not provided to officers during the issuance process as required by the Quartermaster and Fleet Management SOP. According to management, radio user agreements have not been used in at least five years.

The Quartermaster SOP, Sections 405.1, and 407 require the storekeeper to complete Issue Request Forms for issuances and returns, record the reason for the transaction on the form, and sign and date the form (along with the name of the receiving or returning officer). The Quartermaster SOP, Section 405.4 states all new recruits must be properly authorized prior to receiving high risk inventory items. The Quartermaster and Fleet Management SOP, Section 507 C requires all officers receiving radios to sign a use agreement to be retained in the officer’s Unit file.

Recommendation XV

We recommend the Chief of Police ensures Unit personnel follow established standard operating procedures to:

- Ensure Issue Request Forms are documented completely, accurately, and retained in the officers’ personnel files for issuances and returns
- Obtain prior approval for new recruits and reissuances and retain the approvals in the officers’ personnel files
- Develop appropriate issuance quotas completely for all DPD officers (sworn and non-sworn) and integrate the quotas into the inventory software application
- Complete radio user agreements for every issued radio

Please see Appendix IV for management’s response to the recommendation.

Physical Inventory Processes Are Not Implemented Consistently

Physical inventories used to periodically verify the completeness and accuracy of high risk inventory are not performed consistently. As a result, there is an increased risk that high risk inventory assigned to DPD personnel is not properly validated and actual high risk inventory on hand is misstated. Survey results showed:

- Monthly, annual, and change of command physical inventories were:
 - Not performed; or,
 - Not performed in accordance with City and departmental procedures by the Fixed Asset Coordinators. Of those Fixed Asset Coordinators who did complete annual physical inventories, 31 percent of the annual inventories did not include high risk inventory items

Additional Survey Respondent Results

- Sixty-seven percent have not completed one or more monthly physical inventories
- Forty-five percent have not completed a change of command physical inventory
- Eighteen percent have not completed annual physical inventories

Source: Survey responses from DPD Fixed Asset Coordinators

- Neither the DPD divisions nor the Unit consistently reconciled actual physical inventory counts to the M5 and WEPI inventory software applications (22 percent)
- The DPD divisions were not aware of the availability of monthly reports needed to perform monthly inventory reconciliations (86 percent)
- Physical inventory, recounts were not performed when DPD divisions noted discrepancies (20 percent)
- The same individual who performed the original count also performed the recount (18 percent)
- Divisional inventory reports with noted exceptions were not communicated directly to the Unit (76 percent)

Contributing factors might include ineffective communication and inadequate training. See Table II on the next page for more detail.

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Controls over Weapons and Other High Risk Inventory for Dallas Police Department’s
Quartermaster Unit**

Table II

Communication and Training of Fixed Asset Coordinators

<i>Contributing Factor</i>	<i>Held The Fixed Asset Coordinator Position For:</i>		
	<i>Less Than Six Months</i>	<i>More Than Six Months, But Less Than A Year</i>	<i>More Than A Year</i>
<i>Roles and Responsibilities Have Not Been Defined and Formalized</i>	Four of 15 (27 percent)	Eight of nine (89 percent)	Sixteen of 25 (64 percent)
<i>Unfamiliar With or Had Not Been Trained on the Requirements of Annual and Monthly Physical Inventories</i>	Two of 15 (13 percent)	Three of nine (33 percent)	Eleven of 25 (44 percent)

Source: Office of the City Auditor

According to AD 6-1, *Control of City Property*, Section 4.2.3 and 4.2.6 monthly and annual inventories are to be completed for departmental personal property. The DPD General Orders, Section 809.04-A requires that annual and change of command inventories be conducted by every division. The DPD Asset Control Manual states that Divisional Fixed Asset Coordinators should review monthly reports to determine whether necessary inventory adjustments need to be made.

Recommendation XVI

We recommend the Chief of Police ensures Unit personnel comply with City and departmental procedures and perform consistent monthly, annual, and change of command physical inventories, including the associated reconciliations.

Please see Appendix IV for management’s response to the recommendation.

Appendix I

Background, Objective, Scope and Methodology

Background

The Dallas Police Department (DPD) Quartermaster Unit (Unit) is part of DPD's Financial and Contract Management Division and is included in the Police Administrative Support portion of DPD's overall budget. The Unit is responsible for managing the inventory needed to supply over 4,000 officers with the weapons, uniforms, equipment, and accessories needed to perform their duties. These responsibilities include receiving and recording inventory, issuing inventory against pre-authorized quotas, tracking inventory adjustments, such as loans and lost and stolen equipment, and safeguarding existing inventory.

The Unit has nine employees, including a Section Manager, who oversees the day-to-day operations of the entire Unit. The Administrative Supervisor handles the procurement of inventory for the Unit, and two Supervisors manage the daily operations of the warehouse. In addition, a Senior Accountant handles the accounting for the Unit. The warehouse has three storekeepers who are responsible for processing and stocking inventory for the Unit.

Objective, Scope and Methodology

This audit was conducted under the authority of City Charter, Chapter IX, Section 3 and in accordance with the Fiscal Year 2014 Audit Plan approved by the Dallas City Council. The objective of the audit was to evaluate the adequacy of internal controls over weapons and other high risk inventory. The scope of the audit included transactions related to high risk inventory from Fiscal Year (FY) 2012 through FY 2013; however, certain other matters, procedures, and transactions outside that period were reviewed to understand and verify information during the audit period. This performance audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

To achieve the audit objective, we performed the following procedures:

- Conducted interviews with DPD and Department of Equipment and Building Services (EBS) personnel
- Researched applicable State and local statutes that impact processes at the Unit

**An Audit Report on –
Controls over Weapons and Other High Risk Inventory for Dallas Police Department’s
Quartermaster Unit**

- Reviewed City of Dallas (City), DPD, and the Unit's policies and procedures
- Selected and tested judgmental samples of various Unit inventory records from October 2012 through September 2014 for weapons and other high risk inventory
- Developed a survey and analyzed the survey responses from 49 DPD divisions

Appendix II

High Risk Inventory Processes

The Dallas Police Department (DPD) Quartermaster Unit (Unit) uses both manual and automated tracking systems to manage high risk inventory processes.

Table III

Manual and Automated Tracking Systems for High Risk Inventory

<i>Category</i>	<i>Inventory Available for Issuance</i>	<i>Inventory Issued to DPD Personnel</i>	<i>Inventory Temporarily Issued to DPD Personnel</i>
Weapons	Weapon Inventory Control Cards	WEPI (Mainframe – Still in Use)	Not Tracked
	Hard Cat (Mainframe – Prior to 10/01/2013)	Weapon Inventory Control Cards	
	FleetFocus M5 (M5) – For all inventory on hand after 10/01/2013	M5 – For all issuances that occurred after 10/01/2013	
Radios	Radio Inventory Control Cards	WEPI (Mainframe – Still in Use)	Not Tracked
	M5 – For all inventory on hand after 10/01/2013	Radio Inventory Control Cards	
		M5 – For all issuances that occurred after 10/01/2013	
Badges	Badge Inventory Control Cards	Badge Inventory Control Cards	Not Tracked
	MS Spreadsheets maintained by DPD Quartermaster personnel	MS Spreadsheets maintained by DPD Quartermaster personnel	
Tasers	Taser Inventory Control Cards	Taser Inventory Control Cards	Not Tracked
	M5 – For all inventory on hand after 10/01/2013)	WEPI (Mainframe – Still in Use)	
		M5 – For all issuances that occurred after 10/01/2013	

Appendix III

Major Contributors to This Report

Sam Willson – Project Manager

Mamatha Sparks, CIA, CISA – Audit Manager

Carol Smith, CPA, CIA, CFE, CFF – First Assistant City Auditor

Theresa Hampden, CPA – Quality Control Manager

Management's Response

Memorandum

RECEIVED

APR 14 2015

City Auditor's
Office



DATE: April 13, 2015

TO: Craig D. Kinton, City Auditor

SUBJECT: Response to Audit Report:
Audit of Controls over Weapons and Other High Risk Inventory for
Dallas Police Department's Quartermaster Unit

Our responses to the audit report recommendations are as follows:

Recommendation I

We recommend the Chief of Police ensures Unit personnel improve the existing physical security issues discussed in Table I.

Management Response / Corrective Action Plan

Agree Disagree

Implementation Date
December 31, 2015

Responsible Manager
Assistant Director, Financial and Contract Management

Recommendation II

We recommend the Chief of Police ensures Unit personnel properly secure high risk inventory ordered by other DPD divisions and damaged items received/stored by the Unit.

Management Response / Corrective Action Plan

Agree Disagree

Implementation Date
October 31, 2015

Responsible Manager
Assistant Director, Financial and Contract Management

**An Audit Report on –
Controls over Weapons and Other High Risk Inventory for Dallas Police Department’s
Quartermaster Unit**

Recommendation III

We recommend the Chief of Police ensures Unit personnel establish and implement a formal process for granting, removing, and monitoring security badge access to the Unit’s facility.

Management Response / Corrective Action Plan

Agree Disagree

Implementation Date

October 31, 2015

Responsible Manager

Assistant Director, Financial and Contract Management

Recommendation IV

We recommend the Chief of Police ensures Unit personnel evaluate and establish appropriate segregation of duties for all aspects of inventory management, including authorization, approval, receiving, and recording high risk inventory.

Management Response / Corrective Action Plan

Agree Disagree

Implementation Date

October 31, 2015

Responsible Manager

Assistant Director, Financial and Contract Management

Recommendation V

We recommend the Chief of Police ensures Unit personnel establish and implement security processes for the granting of, removal of, and monitoring of user access to WEPI and M5 inventory software applications.

Management Response / Corrective Action Plan

Agree Disagree

Equipment and Building Services is responsible for security processes in M5 and Communication and Information Services is responsible for security processes in WEPI. DPD will coordinate with both departments.

Implementation Date

October 31, 2015

Responsible Manager

Assistant Director, Financial and Contract Management

**An Audit Report on –
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Recommendation VI

We recommend the Chief of Police ensures Unit personnel improve password security for M5 inventory software application.

Management Response / Corrective Action Plan

Agree Disagree

Password security for M5 is the responsibility of Equipment and Building Services (EBS). DPD will coordinate with EBS.

Implementation Date

December 31, 2015

Responsible Manager

Assistant Director, Financial and Contract Management

Recommendation VII

We recommend the Chief of Police ensures Unit personnel implement spreadsheet controls, including passwords, which conform to password parameters for the Unit's MS Excel spreadsheets.

Management Response / Corrective Action Plan

Agree Disagree

Implementation Date

June 30, 2015

Responsible Manager

Assistant Director, Financial and Contract Management

**An Audit Report on –
Controls over Weapons and Other High Risk Inventory for Dallas Police Department’s
Quartermaster Unit**

Recommendation VIII

We recommend the Chief of Police ensures Unit personnel develop and execute a plan with stated dates and deliverables so that all high risk inventory is recorded within the M5 inventory software application.

Management Response / Corrective Action Plan

Agree Disagree

M5 is in active use but not fully operational and still requires further observation to determine whether or not it can meet the needs of the DPD Quartermaster. However, DPD will pursue the opportunity for efficiency by recording all high risk inventories into one primary repository which may or may not be M5.

Implementation Date

Not applicable

Responsible Manager

Assistant Director, Financial and Contract Management

Recommendation IX

We recommend the Chief of Police ensures Unit personnel follow established standard operating procedures so that high risk inventory adjustments are accurately recorded, including: (1) loans, (2) lost and stolen, (3) warranty service requirements; and, (4) disposal of weapons and badges with required documentation.

Management Response / Corrective Action Plan

Agree Disagree

Implementation Date

October 31, 2015

Responsible Manager

Assistant Director, Financial and Contract Management

**An Audit Report on –
Controls over Weapons and Other High Risk Inventory for Dallas Police Department’s
Quartermaster Unit**

Recommendation X

We recommend the Chief of Police ensures Unit personnel follow established procedures so that inventory control cards are completed fully and accurately until all high risk inventory can be transferred to M5.

Management Response / Corrective Action Plan

Agree Disagree

DPD agrees to establish procedures to ensure inventory control cards are completed fully and accurately. However, the viability of M5 as the repository is still under observation. Please refer to response to recommendation VIII.

Implementation Date

December 31, 2015

Responsible Manager

Assistant Director, Financial and Contract Management

Recommendation XI

We recommend the Chief of Police ensures Unit personnel review, update, and approve high risk inventory management procedures to reflect actual operations and activities.

Management Response / Corrective Action Plan

Agree Disagree

Implementation Date

October 31, 2015

Responsible Manager

Assistant Director, Financial and Contract Management

Recommendation XII

We recommend the Chief of Police ensures Unit personnel periodically review the high risk inventory procedures, in accordance with DPD policies and/or as changes occur in operations, so that the documented procedures continue to reflect actual operations.

Management Response / Corrective Action Plan

Agree Disagree

Implementation Date

October 31, 2015

Responsible Manager

Assistant Director, Financial and Contract Management

**An Audit Report on –
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Quartermaster Unit**

Recommendation XIII

We recommend the Chief of Police ensures Unit personnel follow established DPD’s standard operating procedures so that received high risk inventory is recorded completely and timely.

Management Response / Corrective Action Plan

Agree Disagree

Implementation Date

October 31, 2015

Responsible Manager

Assistant Director, Financial and Contract Management

Recommendation XIV

We recommend the Chief of Police ensures that Unit personnel receive high risk inventories against a valid purchase order without quantities listed.

Management Response / Corrective Action Plan

Agree Disagree

Valid purchase orders are used to receive shipments. Commonly, packing slips provided by delivery operations will not match the purchase order or delivery order number assigned by City of Dallas. Often the order is fulfilled by third party suppliers that create a secondary business to business shipping/order number.

To manage this challenge, at the time of delivery, the validation of receipt is made by completing additional steps to confirm accuracy and authenticity of shipping. This includes verification of quantities, manufacturer/line item descriptions, and various other identifiers relative to the commodity.

The recommendation on blind counts is under evaluation by DPD. However, until further review can be done, DPD does not accept this recommendation.

Implementation Date

Not applicable

Responsible Manager

Assistant Director, Financial and Contract Management

**An Audit Report on –
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Quartermaster Unit**

Recommendation XV

We recommend the Chief of Police ensures Unit personnel follow established standard operating procedures to:

- Ensure Issue Request Forms are documented completely, accurately, and retained in the officers’ personnel files for issuances and returns
- Obtain prior approval for new recruits and reissuances and retain the approvals in the officers’ personnel files
- Develop appropriate issuance quotas completely for all DPD officers (sworn and non-sworn) and integrate the quotas into the inventory software application
- Complete radio user agreements for every issued radio

Management Response / Corrective Action Plan

Agree Disagree

Implementation Date

October 31, 2015

Responsible Manager

Assistant Director, Financial and Contract Management

Recommendation XVI

We recommend the Chief of Police ensures Unit personnel comply with City and departmental procedures and perform consistent monthly, annual, and change of command physical inventories, including the associated reconciliations.

Management Response / Corrective Action Plan

Agree Disagree

Implementation Date

October 31, 2015

Responsible Manager

Assistant Director, Financial and Contract Management

Sincerely,

for  (ACOP)

Chief David O. Brown
Dallas Police Department



Eric D. Campbell
Assistant City Manager