



**CITY OF COLORADO SPRINGS
OFFICE OF THE CITY AUDITOR**

**08-02 – COLORADO SPRINGS
POLICE DEPARTMENT
IMPOUND LOT AUDIT**

PUBLIC REPORT

February 13, 2008

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City of Colorado Springs



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Office of the City Auditor

Public Report

Date: February 13, 2008

To: Honorable Mayor and Members of City Council

Re: 08-02 – Colorado Springs Police Department Impound Lot Audit

We have completed an audit of the Colorado Springs Police Department (CSPD) Impound Lot.

The purpose of this audit was to review and assess the performance and management of the CSPD Impound Lot. The assessment was based on objective criteria and/or best practices. We also reviewed and addressed the concerns of the Impound Lot Management. We reviewed the policies and procedures that were in place with respect to the Impound Lot and determined whether those policies were being followed. We evaluated whether the policies assisted management in obtaining objectives. The audit included a risk assessment and a review of the control environment. The audit period encompassed January 1, 2006 through December 31, 2006.

We concluded that overall, the Impound Lot was operating as intended. We did identify areas where changes to internal controls and operating procedures would reduce risks and improve operational efficiencies. For security reasons, we have found it necessary to redact certain areas of the report. The areas blacked out in the following fashion, [REDACTED], represent the areas redacted. This was done in accordance with all relevant laws, including 24-72-204(2)(VIII)(A), C.R.S.

The attached audit report contains our findings.

As always, feel free to contact me if you have any questions.

Sincerely,

Jeff Litchfield
City Auditor

Cc: Penelope Culbreth-Graft, DPA, City Manager
Michael Anderson, Assistant City Manager
Richard Myers, Chief of Police
Ron Gibson, Deputy Chief of Police, Administrative Support Bureau
Lili Tran, Director of CSPD Management Services
Joe Curro, Police Logistics Support Manager

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Abbreviations and Acronyms used in this Report

FS	Police Fiscal Services
CSPD	Colorado Springs Police Department
ETS	Evidence Tracking System
Tech	Impound Lot Evidence Technician

Introduction

AUTHORIZATION

We conducted a performance audit of the Colorado Springs Police Department (CSPD) Impound Lot for the period of January 1, 2006 through December 31, 2006. We conducted this audit under the authority of Chapter 1, Article 2, Part 7 of the City Code, and more specifically parts 703, 705 and 706, and Part 709 (B) and (C) of the Code, which state:

1.2.703: ENSURE PUBLIC ACCOUNTABILITY:

The City Auditor shall ensure that administrative officials are held publicly accountable for their use of public funds and the other resources at their disposal. The City Auditor shall investigate whether or not laws are being administered in the public interest, determine if there have been abuses of discretion, arbitrary actions or errors of judgment, and shall encourage diligence on the part of administrative officials.

1.2.705: DETERMINE EFFECTIVENESS AND EFFICIENCY OF PROGRAMS:

The City Auditor shall determine the extent to which legislative policies are being efficiently and effectively implemented by administrative officials. The City Auditor shall determine whether City programs are achieving desired objectives. The City Auditor shall review the administrative control systems established by the enterprises, department or group managers and by the City Manager, Utilities Executive Director and Memorial Hospital Executive Director and determine whether these control systems are adequate and effective in accomplishing their objectives.

1.2.706: EXAMINE BOOKS, RECORDS:

The City Auditor shall examine and inspect all books, records, files, papers, documents and information stored on computer records or in other files or records relating to all financial affairs of every office, department, group, enterprise, political subdivision and organization which receives funds from the City or under the direct or indirect control of the City Council. The Auditor may require any person to appear at any time upon proper notice and to produce any accounts, books, records, files and other papers pertaining to the receipt or expenditure of City funds, whether general or special. If that person fails to produce the papers, then the Auditor may request Council approval to search for and take any book, paper or record in the custody of that person or public official.

1.2.709: MAKE PERIODIC REPORTS TO COUNCIL:

The City Auditor shall make periodic reports to Council which shall include the following:

- B. Information of proposals deemed expedient in support of the City's credit, and recommendations for lessening expenditures, for promoting frugality and economy in City affairs and for an improved level of fiscal management;
- C. Matters concerning the effectiveness and efficiency of the programs and operation of the City;

Introduction

ORGANIZATIONAL PLACEMENT

The Colorado Springs Office of the City Auditor is structured in a manner to provide organizational independence from the entities it audits. This independence is accomplished by the City Auditor being appointed by and reporting directly to the City Council. The audited entity in this audit was CSPD, which is under the reporting structure of the City Manager. The City Manager is a City Council Appointee.

SCOPE AND METHODOLOGY

The purpose of our audit was to evaluate the performance of the Impound Lot activities and to identify opportunities for improvement while evaluating potential risk areas. We reviewed CSPD policies and procedures. We also explored external standards and related best practices. Our fieldwork covered the period from January 1, 2006 to December 31, 2006. In addition, we performed analysis using data from years 2004, 2005, and 2007.

The audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*, a part of the Professional Practices Framework promulgated by the Institute of Internal Auditors. The audit included such test of records and other supporting documentation as was deemed necessary in the circumstances. We reviewed the internal control structure and performed compliance tests. Sufficient competent evidential matter was gathered to support our conclusions.

BACKGROUND

CSPD managed and maintained an Impound Lot facility at 2725 East Las Vegas Street in Colorado Springs. The CSPD stored vehicles on the lot that were stolen, involved in traffic violations or crimes, parked unlawfully (abandoned), or had expired license plates. During a tour of the lot, CSPD management discussed drainage problems in and around the Impound Lot that resulted in two major areas of erosion. The surface of the lot had deep grooves that made it difficult or impossible to efficiently utilize these areas. CSPD had started addressing this situation and a repair project was scheduled for 2007.

For the years 2004, 2005, and 2006, the Impound Lot staff processed 6,986, 6,736, and 6,589 intake units respectively. The number of units released during those same years were:

Number of Units Released from the Impound Lot by Day of Week (DOW), for the Year Indicated

DOW	Total for the Year			Daily Average		
	2004	2005	2006	2005	2005	2006
Mon	645	662	657	12.4	12.7	12.6
Tue	721	791	751	13.9	15.2	14.4
Wed	671	848	810	12.9	16.3	15.6
Thu	585	700	713	11.3	13.5	13.7
Fri	666	800	818	12.8	15.4	15.7
Sat	365	533	574	7.0	10.3	11.0
Sun	143	175	202	2.8	3.4	3.9
Total	3,796	4,509	4,525			

Introduction

In addition to these totals, the number of units disposed of via auction for 2004, 2005, and 2006 were 2,592, 2,321, and 1,972 respectively.

As of December 31, 2006, it was estimated the number of units on the lot totaled 839.

The Impound Lot staff consisted of five, full-time civilian employees. Properly tracking vehicles, including vehicles held as evidence, was a primary concern. The Police Logistics Support Services Manager was responsible for the Impound Lot during the period of our review.

OVERALL CONCLUSION

We concluded that overall, the Impound Lot was operating as intended. We did identify areas where changes to internal controls and operating procedures would reduce risks and improve operational efficiencies.

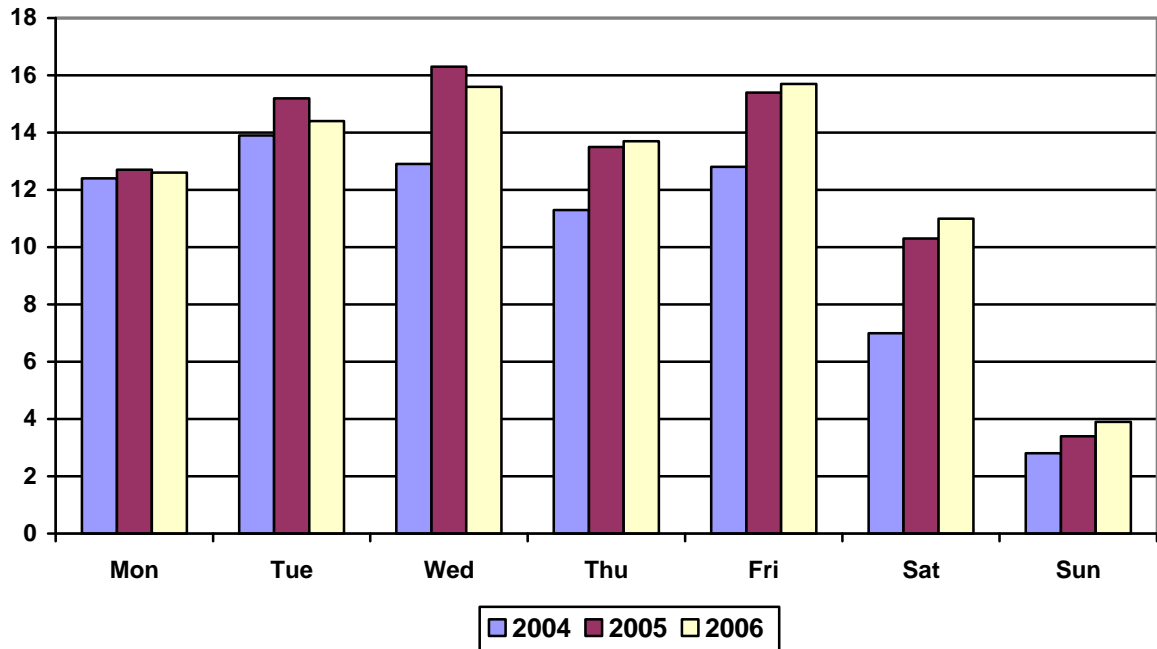
We have made no determination as to which findings are more important than others. Therefore, the findings are not listed in order of importance.

Findings, Recommendation and Responses

1. CSPD Impound Lot operation on Sunday was an inefficient use of resources.

We examined 2004, 2005, and 2006 data listing the number of vehicles released, number of customers serviced, and total fees collected by each day of the week. Per our analysis, Impound Lot customer activity (units released) on Sunday was significantly below the activity for the other days of the week, as shown below.

Average Daily Number of Units Released from the CSPD Impound Lot for the last Three Years



Using the information for the three year period, we found the average number of units released on Sunday was 3.36 units, which represents about 4 percent of the average number of units released for the week. This indicates the Sunday activity was one-fourth of the average activity performed on the other six days of the week.

We estimated 2006 payroll and benefits costs related to operation on Sunday. We estimated the expenses caused by being open on Sunday exceeded the total amount of revenue collected on Sunday by \$7,096 for that year.

Auditor's Recommendation:

We recommend CSPD eliminate Sunday as a day of operation and review staff schedules to more appropriately be aligned with high-volume periods. We were informed that CSPD had already deleted the Sunday hours of operation prior to the release of this report.

Findings, Recommendation and Responses

CSPD's Response:

We agree with the finding and recommendation. The Impound Lot requested the elimination of Sunday as a day of operation. The CSPD chain-of-command approved the request and as of May 6, 2007, Sunday was eliminated as an Impound Lot operational day.

Findings, Recommendation and Responses

2. Internal Controls over the cash collections process for tow and storage fees as well as auction proceeds were not adequate.

Based on our review, observations, and testing; we found the following:

- Lack of segregation of duties was observed. The Evidence Technician (Tech) who performed payment collection transactions also counted, reported, and reviewed deposits. The same Tech would be responsible for collecting, recording, and reviewing receipts.
- [REDACTED]
- Cash receipt forms recently implemented were not totaled and agreed to total receipts, total on the register tape, and totals on Impound Lot reports.
- Cash receipt forms were not pre-numbered, therefore, no review of missing receipts could be performed.
- The Impound Lot had five staff members to operate the Impound Lot facility for seven days each week. Due to injuries, sick days, and vacation days, there was limited staff to perform multiple processes. The limited staffing contributed to the lack of segregation of duties as mentioned above.

Auditor's Recommendation:

We recommend CSPD review the internal controls over tow and storage fees collection. CSPD should develop a process in which segregation of duties for collecting, recording, and reconciling receipt transactions could be implemented. Reconciling totals on cash receipt forms to total deposit and the register tape would improve controls. The addition of pre-numbered cash receipt forms and the review of the number sequence to detect missing transactions would improve controls over receipts. Properly voiding and saving cash receipt forms when corrections are necessary should be implemented to account for all numbers.

We also recommend CSPD review the internal controls over the collection of auction proceeds including segregation of duties for collecting, recording, and reconciling transactions. For example, *Bill of Sale* forms could be logged in sequential order to detect duplicate and missing transactions. A sign could be posted by the service windows to inform customers that they should review their copy of the receipt to confirm the amount paid. A security camera inside the building facing the cash register might be added as an additional control. Additional Impound Lot staff might be considered in order to achieve improvements in controls.

CSPD's Response:

We partially agree with the finding and recommendation. The daily cash register receipts are sequentially numbered. The lack of segregation of duties is largely impacted by two factors: limited staffing for then a seven and now a six day work schedule and the absence of an effective automated tracking system. The issue of limited staffing is consistently addressed in the Logistics Support monthly operations report:

Findings, Recommendation and Responses

“For the 2008 Budget process, we identified the following personnel positions for Increased Funding Requests (IFRs):”

Impound Lot: 1 - Impound Coordinator

Due to current City/CSPD budget constraints additional staffing is not immediately forthcoming. Limited staffing, however, will always affect the Impound Lot’s ability to segregate duties from payment collection transactions versus independent reconciliation and verification of fees collected. An alternative is to design an automated sales receipt program into the proposed Vehicle Inventory System in tandem with an independent Impound Lot web-site. The program would generate pre-numbered cash receipt forms, automatically calculate the impound, tow, and storage fees due, and run master bills of lading for auctions that can be reconciled against the daily register tapes.

An upgrade of the Impound Lot Vehicle Tracking software would significantly improve this process. It would allow for automation of the auction lists and bills of sale significantly reducing the potential for human error and increasing efficiency.

Findings, Recommendation and Responses

3. The Impound Lot facility phone system did not have basic functions.

The phone system did not have basic functions such as transferring calls to another phone in the building or CSPD, placing an outside phone call on hold, and caller menu selection. The inability to place incoming calls on hold increased customer waiting time in addition to staff inefficiencies.

Auditor's Recommendation:

We recommend CSPD update the Impound Lot's phone system to include menu selection, hold, and transfer capabilities. At the time of this report, we were informed that the City of Colorado Springs communication department had implemented the majority of updates needed to the phone system.

CSPD's Response:

We agree with the findings and recommendations. The obsolescence of the Impound Lot phone system was identified prior to the start of the Police Impound Lot Audit by the Impound Lot employees and confirmed by City Information Technology (IT). On July 10, 2007 City IT replaced the Impound Lot phone switch providing the Impound Lot employees with basic phone functions. Subsequent to the upgrade, a Spanish menu was added and wireless headsets purchased for all five employees.

Findings, Recommendation and Responses

4. A physical inventory count of impounded vehicles had not been performed in over five years.

Due to limited staff, a physical inventory count of the entire Impound Lot had not been performed in over five years. Therefore, we could not ascertain with a high degree of confidence how many vehicles were on the lot and the status of each vehicle. We also could not ascertain with a high degree of confidence whether all vehicles had been appropriately processed or determine the completeness of transactions.

Verification of the status of each vehicle was critical to safeguarding the vehicles especially when vehicles are held as evidence. The International Association of Property and Evidence Standard No. 22 recommends that an annual inventory be taken to ensure the integrity of the evidential property. This procedure was an integral step in assessing the accuracy and completeness of reports, required procedures, and compliance with policies.

Auditor's Recommendation:

We recommend the Impound Lot perform an annual physical count of the vehicles in the Impound Lot. We also recommend that various options be explored to perform the count economically such as use of bar-code scanners that could also be used in tracking vehicles.

CSPD's Response:

We agree with the findings and recommendations. In April 2004 when the Impound Lot schedule changed from a five day to a seven day work schedule the annual inventory was discontinued due to staffing concerns. With the internal transfer of an employee to fill a staffing vacancy, the Impound Lot will conduct an annual inventory in December 2007. For 2008 and beyond the Impound Lot will perform quarterly inventories (March, June, September, and December) as recommended by the Professional Standards Inspection Unit during a recent review of Impound Lot policies and procedures.

Findings, Recommendation and Responses

5. Several general ledger entries were not consistent from year to year. Some entries were not completed and other entries were incorrectly posted.

Between 2004 and 2006, the Impound Lot activities had been posted to three different departments. This caused inconsistencies in matching Impound Lot revenues and expenditures. Some of the errors in general ledger postings were due to human error and proper oversight of general ledger entries were not performed to ensure completeness and accuracy.

During our review of general ledger entries, the following inconsistencies and errors were found:

Auction cost reimbursements were not posted in 2004 for May, September, October, November, and December, which resulted in overstating the auction revenue. Multi-year analysis could not be performed.

Wage and towing cost reimbursements for the auction in the amount of \$74,629.79 were debited to the wrong department. This resulted in an overstatement of auction revenue in Department 1330.

Credit card fees continued to be posted to tow and storage fee revenue in Department 2114, even though revenue for 2006 was posted to Department 2119.

Several reimbursements for auction advertising costs were not posted to the advertising expense account to offset the costs. The reimbursements were posted to an unrelated account. This resulted in an overstatement of advertising costs of \$6,441.06.

Tow service cost reimbursements were posted incorrectly to Department 2117 instead of 2119, which resulted in an overstatement of \$13,389 in tow service costs for 2119.

December 2006 expenses were not properly accrued, which resulted in an understatement of contracted towing expenditures.

Auditor's Recommendation:

We recommend CSPD's Fiscal Services establish oversight procedures and approval before general ledger entries are submitted. Such oversight and approval should be designed to detect errors and provide consistency.

CSPD's Response:

We agree with the findings and recommendations. Auction cost reimbursements were not processed for a five month period in 2004. The Financial Services section now prepares auction expense reimbursement requests on a quarterly basis. The qualified expenditures are tracked by one employee. This employee monitors payment of all auction-related expenses, proper use of account codes, and also prepares a journal transfer reimbursement request. The journal transfer request is reviewed by the Financial Services Supervisor and, once approved; it is sent to City Finance for posting. City Finance also monitors the status of the reimbursements to ensure all necessary transfers are performed during the appropriate fiscal year.

Findings, Recommendation and Responses

6. The Impound Lot Vehicle Tracking software had functional deficiencies and required duplicated entries in other data systems.

Due to limited resources, modifications to the current Access-based software had been restricted to emergency corrections only. The CSPD IT department did not support this system. Any changes must be performed by a CSPD employee from a department outside the Impound Lot at overtime wages.

The Impound Lot staff was unable to perform certain searches on the Impound Vehicle Tracking software and create reports due to time restraints, limited staff, and lack of training. The Access-based system had history from multiple years, which slowed processing to an unproductive level.

For some vehicles, duplicate entries were required to be entered into the Evidence Tracking System (ETS) supported by the CSPD IT department. The ETS, however, does not have the functions required by the Impound Lot such as customer notification, reporting, and fee calculation.

Auditor's Recommendation:

We recommend CSPD review available options to eliminate the functional deficiencies of the current tracking system and to review ways to eliminate duplicated efforts. One option may be to expand the ETS in order to provide functions needed by the Impound Lot, such as expanded searches, customer notification, calculation of fees, and reporting. Another alternative might include training for the Impound Lot staff to provide them with knowledge and skills needed to create reports and perform specialized searches. Such training may provide temporary functionality while other options are being explored. CSPD may also want to consider archiving prior-year data to increase the processing speed of the current system.

CSPD's Response:

We agree with the findings and recommendations. The upgrade of the Impound Lot Vehicle Tracking software is consistently highlighted in the Logistics Support monthly operations report:

“The Impound requires a more efficient means of tracking evidence; specifically car holds. We need an automated system similar to the one designed by IT for the Evidence Room.”

The Impound Lot identified and provided to City IT the critical features of a new system. Pending completion of current projects we anticipate City IT will design and field a new software tracking system by March 2008.

Findings, Recommendation and Responses

7. Adequate recording of bidder ticket fees and the related reconciliations were not performed.

A test sample of one deposit of auction bidder ticket fees (\$1 each) resulted in the bidder list showing \$213 paid bid fees and a \$284 deposit, a difference of \$71 or 33 percent. In this test sample, the variance was positive. However, the actual amount paid could not be verified. Even though the deposit was recounted by Fiscal Services, it would not be possible to detect errors or omissions.

The risk of misappropriation of assets was high in this area due to the inherent liquidity of cash and the significant lack of internal controls including lack of segregation of duties. It was not possible to determine accuracy or completeness.

Auditor's Recommendation:

We recommend the Impound Lot implement improved procedures for collecting and recording the bidder fees. Columns should be added for total amount collected for each name and a total should be computed on the bottom of each page of the list. A grand total of fees collected should be computed on the last page of the list.

We also recommend:

- the recording of the payment and collection be performed by separate individuals,
- the total payments be reconciled to the recorded total on the list, and
- a reconciliation report showing totals and signed by a reviewer along with a copy of the bid list be sent with the proceeds to Fiscal Services where Fiscal Services should verify that the proceeds and the amount on the list reconciles.

CSPD's Response:

We agree with the findings and recommendations.

- The recording of the payment and the collection of funds will be performed by separate individuals.
- The bidder sheet will be maintained electronically with customer information typed into the spreadsheet for legibility.
- Any handwritten corrections made to the bidder sheet will be done where it is clear what changes were made. Whenever possible, a new line on the sheet will be used. If this is not possible, the incorrect information will be obviously deleted and the new information clearly noted.
- Each bidder list sheet will be reconciled separately of one another. The cash collected for each sheet will be kept with that specific sheet and submitted to Financial Services in this way.
- An overall bidder sheet reconciliation report will be created to reflect total proceeds collected and number of bidder tickets sold. This form will be signed by the employee responsible for collecting fees and the employee responsible for logging the sale of tickets. Each employee will note in which capacity he or she participated in the process.
- Financial Services will verify proceeds with the amount recorded on bidder lists.

Findings, Recommendation and Responses

8. Proceeds from vehicle auctions were not independently reconciled and verified before deposit.

We performed testing on the procedures for depositing auction proceeds. The sample tested was November 2006. Total proceeds of vehicle auctions were counted and recorded on a memo sent to Fiscal Services. Although the *Bill of Sale* form had a pre-printed number, the forms were not kept in sequence and a log was not completed to verify all the vehicles selected for auction were sold.

Fiscal Services received the deposit, the memo, and copies of the *Bill of Sale* forms. Since the *Bill of Sale* number was not in sequence and numbers were missing, completeness of the deposit could not be assured. The total of auction proceeds was not reconciled to the total sale price reported on the *Bill of Sale* forms or reconciled to an independent source such as a previously created log or the auctioneer's report.

During a sequential number review, there were 18 *Bill of Sale* forms out of 131 missing. There were five major gaps in number sequence. During testing, there was one instance in which a *Bill of Sale* form was reprinted by the customer without the original properly voided with the reason logged and approved. We reviewed an auction statistics report generated by the Impound Lot listing the vehicles from the November 2006 auction. The number of vehicles listed did not agree with the number on the memo sent to Fiscal Services or the number we calculated in our test.

There was a risk that omitted auction proceeds would not be detected because of the lack of segregation of duties, reconciliation to a recorded sale price, and accounting for all of the *Bill of Sale* forms. The absence of an independent reconciliation of the payments collected to the *Bill of Sale* forms allows the opportunity for a staff member to collect more cash than reported on the memo sent to Fiscal Services.

Auditor's Recommendation:

We recommend that improved internal control procedures be implemented for collecting and recording the auction proceeds. Procedures might include the following:

- A log of the *Bill of Sale* form number in sequential order and description of vehicle created prior to the auction. This log should be reviewed to verify all numbers are reported and that there are no missing forms. Any corrected or voided form should be included, marked void, and approved. Missing forms should be investigated.
- Reconciliation of the total of the *Bill of Sale* forms to the total deposit should be recorded on a signed reconciliation report.
- Reconciliation should be performed by a staff member independent of the cash collection process. The copy of the reconciliation and log should be sent to Fiscal Services along with the copies of *Bill of Sale* forms and the deposit.
- If possible, the total on the auctioneer's report could be used as an independent source for reconciliation.

Findings, Recommendation and Responses

CSPD's Response:

We agree with the findings and recommendations. The following will be implemented.

- Prepare a report of all vehicles available for auction prior to commencement of auction.
- Use sequentially numbered bills of sale.
- The bill of sale information will be logged on the vehicle list.
- Person who logs information will not collect cash.
- Reconciliation of vehicle list to bills of sale and cash collected will be performed by two staff members independent of cash collection. This reconciliation will ensure all bills of sale and all vehicles are accounted for. An explanation for any missing bills of sale will be included with the reconciliation.
- Copy of reconciliation will be sent to Financial Services along with proceeds and bills of sale for review. Any discrepancies will be reported to the Impound Lot supervisor.
- Deposit documentation prepared by Financial Services will include impound number as well as bill of sale number.

An upgrade of the Impound Lot Vehicle Tracking software would significantly improve this process. It would allow for automation of the auction lists and bills of sale significantly reducing the potential for human error and increasing efficiency.

Findings, Recommendation and Responses

9. Information regarding the Impound Lot was neither easily accessible, updated, nor consistent throughout City websites.

We reviewed the City of Colorado Springs and CSPD websites for information related to the Impound Lot facility. We noted that the information was not in a logical, centralized section that could be easily found by an internet user. Links to the Impound Lot operation information were not easily accessible from the City's home page.

The Impound Lot operational information was also not found on CSPD's home page. The majority of the information regarding the Impound Lot focused on the monthly vehicle auction. The Impound Lot telephone number and storage fees were not stated. The user must search in another website location to find the telephone information.

Some Impound information was found in several sections under Frequently Asked Questions which did not clearly list information, but was scattered among various sections of the CSPD website. The hours of operation were inaccurate in several areas of the website.

An internet user would have difficulty accessing information about the Impound Lot facility. Users who are not able to find the information on the website might phone various CSPD locations searching for general information. This increases the volume of phone calls taken by a limited Impound Lot staff. The incorrect hours of operation posted on the website might cause the user to arrive at the lot too early and become irritated with the inconvenience.

In addition, unnecessary phone calls could be eliminated if accurate and complete information was given on the website. Impound Lot staff productivity would increase with a decrease in phone calls.

Auditor's Recommendation:

We recommend CSPD review the website and make improvements that would allow the public to quickly obtain accurate information regarding the Impound Lot hours of operation, location, and storage fees. We also recommend that the City and/or CSPD make available general information or links regarding the Impound Lot facility on their home pages.

CSPD's Response:

We agree with the finding and recommendation. The upgrade of the Impound Lot web-site is consistently highlighted in the Logistics Support monthly operations report. We envision linking an updated website to the Impound Lot Vehicle Tracking software:

"This software (tracking) system is designed to link to an Impound Lot web site where a citizen can find the latest information on monthly vehicle auctions, total fees due on impounded vehicles, general information on documents required to claim vehicles, etc. The objective is to reduce the considerable number of phone calls handled by the Impound technicians on routine inquiries and curtail time spent on all but the most complex vehicle impounds."

The Impound Lot identified and provided to City IT the critical features of a new website. Pending completion of current projects City IT will design and field a new website by March 2008.

Findings, Recommendation and Responses

10. The City/CSPD did not exercise the right to renew the contract with Ross Auction House in a timely manner.

The original contract with Ross Auction House covered a one-year period from September 1, 2004 to August 31, 2005. The contract gave the City the option to renew for four (4) additional one-year periods. A letter from the City notifying Ross of the intent to exercise the renewal option was sent on February 12, 2007, which extended the contract until August 31, 2007.

Auditor's Recommendation:

We recommend City contracts be monitored and renewed in a timely manner. The responsibility for monitoring and renewing contracts should be clearly defined.

CSPD's Response:

We agree with the finding and recommendation. Historically, City Contracting would provide departments with listings of expiring contracts with sufficient time to renew these contracts when necessary. Due to glitches associated with the various PeopleSoft upgrades, these reports were not available for quite some time and we had to rely on other means to identify expiring contracts. In early 2007, Financial Services began running its own reports to identify existing contracts and contract renewal dates. These reports are generated monthly and notification is sent to each contract administrator when his/her contract is due to expire within the next quarter. In addition, City Contracting has resumed sending its advisory emails when it is aware of a contract that will soon expire.