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**Auto Pound Operations Audit**

December 30, 2016



**City of Fort Worth  
Department of Internal Audit**

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Fort Worth, Texas 76102

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**The Auto Pound Operations Audit was conducted as part of the Department of Internal Audit's Fiscal Year 2016 Annual Audit Plan.**

### **Audit Objectives**

The objectives of this audit were to ensure the:

- efficiency of Auto Pound operations, and
- effectiveness of internal controls over inventory and revenue collections.

### **Audit Scope**

We reviewed Auto Pound operations for the period of October 1, 2014 through March 31, 2016.

### **Opportunities for Improvement**

- Routine physical inventories, with variance reconciliations and resolution
- Timely deposits and accurate (general ledger) recording
- Less storage time prior to vehicle auction
- Environmental assessment
- Improved safeguards
- Discontinued issuance of multiple sets of cash receipts
- Proper storage of impoundments

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## **Executive Summary**

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As a part of our FY2016 Annual Audit Plan, the Department of Internal Audit conducted a performance audit of the Fort Worth Auto Pound. Our audit covered the period from October 1, 2014 through March 31, 2016.

During our audit, we concluded that Auto Pound staff maintained control of the main gate, and vehicles were inspected upon impoundment. However, inventory records did not provide the true number of vehicles in storage.

The contracted auctioneer submitted auction proceeds (checks) to the City of Fort Worth (CFW) in a timely manner. However, the City's deposits of auction proceeds ranged from 35 to 161 days from check date. When deposited, auction proceeds were sometimes not recorded in the correct general ledger account.

Although abandoned vehicles are generally eligible for auction 30 days after notifying the registered owner, abandoned vehicles averaged 202 days in storage before being auctioned. Based on our physical observations, we identified evidence of vehicle leaks. Storing vehicles longer than required could result in an increased risk of dangerous leaks of acids, etc. We also concluded that in some instances, the storage of equipment could be improved to help protect stored property from the elements and additional damage.

Upon receipt of payment, Auto Pound staff provide citizens with two cash receipts: a cash receipt generated from Impound Manager and a cash receipt generated from a cash register. Internal Audit identified this as an unnecessary duplication of effort and concluded that it provided no additional convenience to the customer. We also identified security concerns that were addressed with the department.

The Auto Pound is available for impounds and releases 24/7. While providing for impound activity 24/7 appeared warranted, allowing for vehicle releases during that same time frame did not. For example, the Auto Pound averages one release (per day) during the 3<sup>rd</sup> shift.

These findings are discussed, in further detail, within the [Detailed Audit Findings](#) section of this report.



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## Background

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The City of Fort Worth's Auto Pound (Auto Pound) is located at 2500 Brennan Avenue in Fort Worth, Texas, on what used to be a landfill. The Auto Pound is an unimproved surface lot consisting mainly of dirt and gravel. The Auto Pound's surface lot has a perimeter of 4,000 linear feet, with a total surface area of approximately 931,000 square feet or 21.3 acres. The Auto Pound, which operates 24 hours a day/seven (7) days a week under the direction of the Fort Worth Police Department, is situated across from the north bank of the West Fork Trinity River.

Impounded vehicles account for the majority of property stored at the Auto Pound. An average of approximately 1,000 vehicle impoundments (intakes) and approximately 800 releases are processed at the Auto Pound each month, utilizing a storage lot capacity of approximately 2,000 vehicles. Most impounded vehicles are police-initiated for various reasons such as traffic accidents, illegal parking, abandonment, aid to criminal activity and/or seizure because the property was acquired with proceeds from illegal acts. Impounded vehicles may be kept for City use, designated for demolition or sold for scrap metal. Motorcycles, trailers, and boats are also stored at the Auto Pound.

In June 2008, the Fort Worth Police Department (FWPD) implemented the Orion Communications Agency Web Impound Manager software (Impound Manager) to automate its tow dispatch and impound process. Impound Manager tracks vehicles that are towed, impounded, stored and released. It also calculates impoundment-related fees, and interfaces with mobile data terminals installed in FWPD squad cars. Impound Manager has a module used to generate working vehicle inventory reports based on lot location, auction list, vehicle status, etc. Auto Pound management indicated that they are considering moving to a new impound system for their operations since the current system has some limitations and obtaining technical support is becoming more difficult.

Auto Pound personnel perform duties related to vehicle impoundment, securing impounded property, cash handling, releasing impounded vehicles and other property to owners or lienholders, and selecting and staging (i.e., removing contents and submitting photos to auctioneer) vehicles for auction.

In order to claim a vehicle, the owner or lienholder must pay a standard towing fee (\$135), preservation fee (\$20), notification fee (\$50) and a daily storage fee (\$20). Additional fees are applicable for vehicles needing heavy duty equipment and/or extra labor for impoundment. Other than vehicles for which police officers have placed holds (i.e., vehicle was involved in a hit and run accident or criminal activity), vehicles not claimed 30 days after notification are considered abandoned and are eligible for auction.

The CFW currently contracts with Lone Star Auctioneers, Inc. (Lone Star) and PropertyRoom.com for the auctioning of vehicles and abandoned property. At the conclusion of an auction (generally a 12-day auction period), Lone Star provides reports with detailed auction results. These detailed reports are provided to the Auto Pound, Purchasing Division and any other City department(s) that utilized Lone Star's on-line auction service. Lone Star references unsold vehicles, which are either added back to the Auto Pound's inventory records or advertised in the next auction.

Lone Star is responsible for collecting payment for auctioned vehicles and remitting net auction proceeds, by check, to the City's Purchasing Division. Payment is generally submitted within three days of the auction. The Purchasing Division is currently responsible for depositing the checks and initiating the

Auto Pound Fees
Standard Tow Fee - \$135
Heavy Duty - \$216 per hour
Preservation/Impound Fee - \$20
Storage Fee - \$20 per day. Over 25 feet - \$35 per day
Notification Fee - \$50
Extra labor on Towing - \$100/hour
2 <sup>nd</sup> Wrecker \$135 covering 1 <sup>st</sup> hour

recording of auction proceeds into the proper general ledger accounts. The following charts illustrate the Auto Pound process.

### Vehicle In-Processing



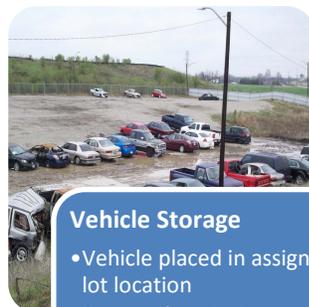
#### Vehicle Towing

- Perform physical inspection of vehicle
- Vehicle assigned Inventory Control Number (ICN) and lot location



#### Vehicle Storage

- Vehicle information verified and entered in computer system
- All physical documents generated from impoundment are placed in 6x9 packets
- 48-hour clock begins, for cars without a Police "hold"



#### Vehicle Storage

- Vehicle placed in assigned lot location
- Storage fees begin to accrue
- For vehicles impounded beyond 48 hours -- Notification letter sent informing owner/lienholder of 20 days to claim vehicle.

### Vehicle Out-Processing



#### Vehicle Released or Abandoned

- Owner /Lien Holder claims vehicle and pays impound fees
- Abandoned vehicle with little to no value may be scrapped
- Abandoned vehicle with value is selected for auction



#### Vehicle Staging

- Vehicles moved from lot to staging area
- License tags, inspection stickers, and all contents of no value are removed from the vehicle.
- Weapons and drugs in vehicle are taken to Police Property Room
- Any found money is bagged for deposit
- Vehicle photographed



#### On-Line Auction

- Auto Pound sends vehicle list and photos to auctioneer
- Auctioneer loads list of vehicles and determines the starting sales price
- Auction is open for 12 days
- Locksmith hired by Lone Star Auctioneers to open any locked trunks for preview day
- Auction is closed and auctioneer finalizes total sales
- Auction proceeds submitted to City



## Objectives

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The objectives of this audit were to ensure the efficiency of Auto Pound operations and the effectiveness of internal controls over Auto Pound inventory and revenue collections.

## Scope

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The scope of this audit included a review of the City of Fort Worth Auto Pound operations from October 1, 2014 to March 31, 2016.

## Methodology

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To achieve the audit objectives, the Department of Internal Audit performed the following:

- interviewed City of Fort Worth (CFW) personnel within the Auto Pound Division of the Police Department, the Purchasing Division of the Financial Management Services Department and the Risk Management Division of the Human Resources Department;
- interviewed Lone Star Auctioneer personnel;
- reviewed regulatory and policy guidelines included in:
  - FWPD's Auto Pound Standard Operating Procedures (SOP's);
  - Title 7, Subtitle H, Chapter 683 of the Transportation Code (re: Parking, Towing and Storage of Abandoned Motor Vehicles); and
  - Title 14, Subtitle A, Chapter 2303, Subchapter A of the Occupations Code (re: Regulations Related to Motor Vehicles at Vehicle Storage Facilities);
- observed the Auto Pound process, from vehicle impoundment through vehicle release;
- reviewed records stored within software used to manage Auto Pound operations (impound processing and vehicle tracking);
- reviewed general ledger postings of impound fees and auction proceeds; and,
- examined various CFW and Lone Star Auctioneer reports, summaries and logs.

We conducted this audit in accordance with generally accepted government auditing standards, except for peer review<sup>1</sup>. 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 objectives.

<sup>1</sup> Government auditing standards require audit organizations to undergo an external peer review every three years. A peer review is planned in 2017 for the three-year period ending December 31, 2016.

## Audit Results

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### *Operations*

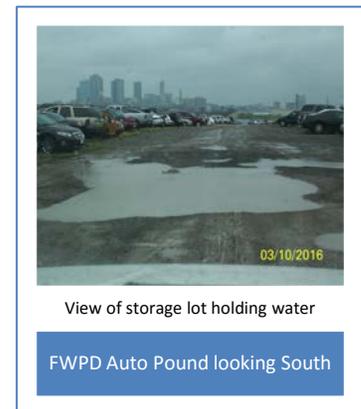
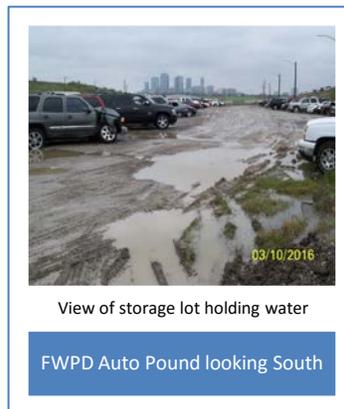
The Department of Internal Audit observed Auto Pound staff entering pertinent vehicle information into Impound Manager, as well as creating cover sheets for vehicle packets. Auto Pound staff also maintained control of the main gate and inspected vehicles upon impoundment. Information regarding impounded vehicles and other property was noted on inventory cards, customers were escorted to retrieve vehicles, and Auto Pound staff communicated with one another prior to releasing vehicles in Impound Manager.

- Impoundments - Total impounds for the two-year period ended December 2015 was 23,859. The 3rd shift (11pm – 7am) processed 14 impoundments per day, which represented 41.5% of the total vehicles impounded.
- Releases - Total releases for the two-year period ended December 2015 was 18,459. The daily release of vehicles averaged: 1st Shift – 11 (43.9%), 2nd Shift - 13 (51.6%), 3rd Shift - 1 (4.5%).

Auto Pound management indicated that since vehicles are accepted at the Auto Pound 24 hours a day/7 days per week, vehicles have to be released during that same timeframe in order to comply with the Texas Department of Licensing and Regulations. The Department of Internal Audit concluded that although management was seeking compliance with requirements under Chapter 85 of the Texas Department of Licensing and Regulations, those regulations did not apply to the CFW.

### *Facility*

Surface conditions during rain events lead to various areas holding water. During our audit, Auto Pound staff indicated that they had recently leased diesel power light carts since light carts in the storage lot did not provide adequate lighting for night time operations.



### *Storage of Property*

We observed opportunities to improve the storage of impoundments. Damaged motorcycles were not placed on wooden pallets as required by the Auto Pound's SOP's. Also, abandoned property (including mechanic and power hand tools, shovels, an assortment of speakers, stereos, audio amplifiers, printers, vacuum cleaners, and other miscellaneous property) was being stored outside and exposed to the weather.



### *Damage Claims*

Even though the Auto Pound makes a diligent effort to safeguard and protect vehicles and property under its control, there may be times when the City receives damage claims related to vehicles stored at the lot. Many vehicles arrive with no keys, damaged or broken glass, and vehicle body damage. Such damage prevents staff from being able to roll up windows, etc., preventing further damage to the vehicles. Information provided by the City's Risk Management Division indicates that the CFW received nine (9) damage claims from the Auto Pound during FY2015 and six (6) as of April 2016. However, no amounts were paid on these claims. Risk Management indicated that they have not received many damage claims related to Auto Pound operations.

### *Auctions*

We concluded that the duration of on-line auctions, auctioneer payments to the City, and impoundment removal dates were reasonable. However, the number of days that impoundments are stored at the Auto Pound, before being auctioned, is sometimes excessive. For example, we analyzed data from three auctions conducted in calendar year 2016. The three auctions involved 489 vehicles, 26 motorcycles, four (4) trailers, two (2) all-terrain vehicles and one (1) tractor. After excluding 149 vehicles that had been placed on hold by police personnel, we concluded that on average, each auctioned impoundment was stored at the Auto Pound for 202 days.

### *Cash Handling*

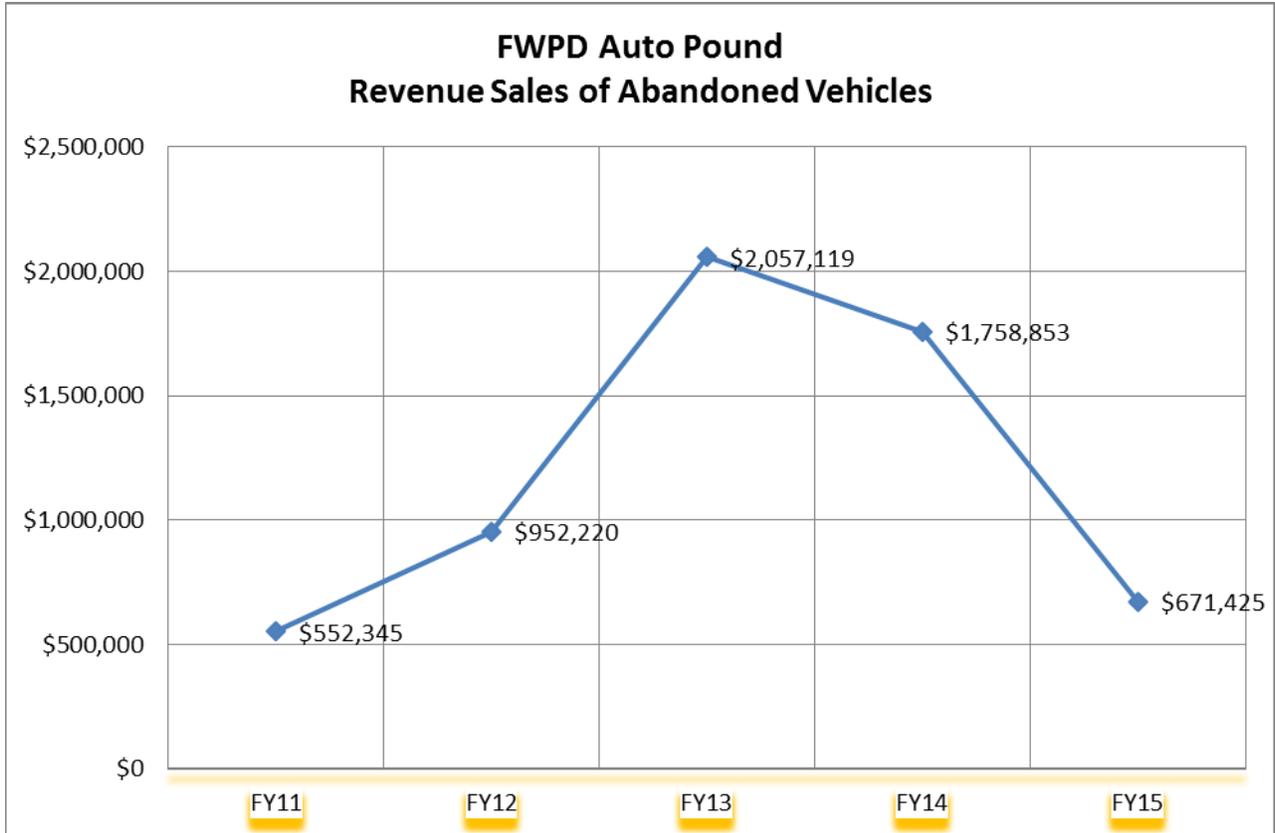
Cash handling controls and safeguards were adequate to ensure collection of impound and storage fees, vehicle inspections, and miscellaneous revenue. Furthermore, specific payouts for impounds were correctly reflected in daily summaries produced by Auto Pound personnel.

### *Revenue Collections and Reporting*

Based on our audit results, revenue received for vehicles released to registered owners was deposited in a timely manner. Also, electronic receipt distribution documents were submitted to Financial Management Services timely. We did note that upon receipt of Auto Pound fees, Auto Pound staff process cash receipts from both Impound Manager and a cash register. As a result, customers are provided a copy of both receipts..

From FY2014 through March 1, 2016, total auction revenue due to the City was \$ 1,836,945. A review of Auto Pound revenue trends revealed a significant decrease in revenue generated from the sale of abandoned vehicles during FY2015. Audit results revealed that the decrease in revenue was due to mispostings and auction checks not being deposited.

- From October 1, 2014 to March 1, 2016, the Purchasing Division deposited 21 checks from Lone Star totaling \$1,836,945. However the general ledger account revealed only \$671,425.
- For FY2016, five (5) checks, totaling \$514,970, were being held within the Purchasing Division. However, upon audit inquiry, the checks were deposited. The number of days that had lapsed ranged from 35 to 161 days after the check date. None of these check amounts were recorded in the correct general ledger account.



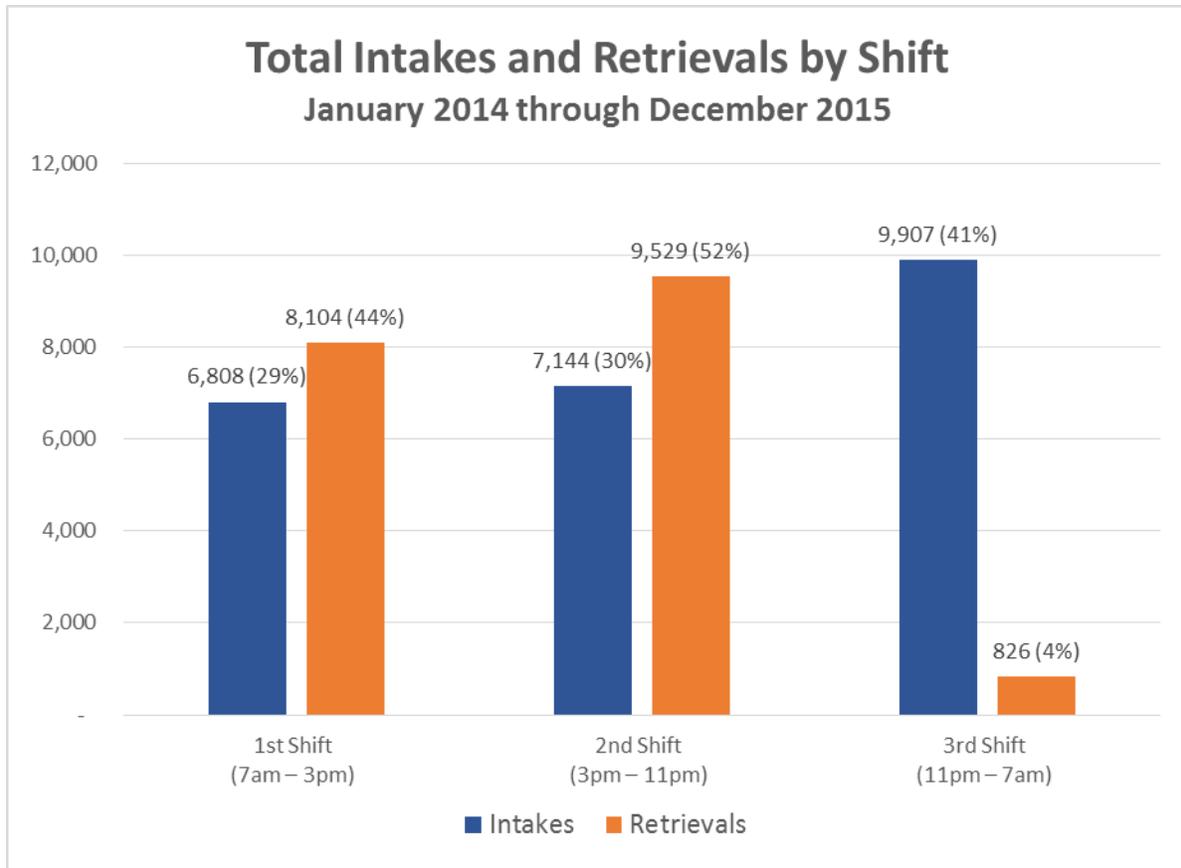
Source: City of Fort Worth General Ledger

*Physical Observations*

The Department of Internal Audit conducted a physical inventory in March 2016 and noted discrepancies between the physical observation and Impound Manager records. Some discrepancies (i.e., vehicles observed in the lot, but shown to have been “released” in Impound Manager) were also noted during the Auto Pound’s physical inventory that was conducted in February 2016.

*Third Shift Operations*

The number of vehicles released from the Auto Pound, by shift, varies based on time of day. For example, while the Auto Pound released 18,459 vehicles during the two-year period ending December 2015, vehicle releases during the third shift averaged one release per day (826 vehicles released over a two-year or 730-day period).



Source: FWPD Auto Pound Monthly Summary Reports of Impounds and Releases

Businesses establish varied workloads to correspond to the volume of work that is needed to provide services. The time of day in which vehicles are released should be established to help maximize productivity and/or decrease idle time. While citizens are given an opportunity to claim property 24 hours per day/7 days per week, the volume of customers seeking to obtain their impounded vehicles during the third shift (no more than one per day), may not justify releasing vehicles during this shift.

The Auto Pound operates under Part 4, Chapter 85 of the Texas Department of Licensing and Regulations. These regulations refer to vehicle storage facilities which are defined, within the regulations, as a garage, parking lot, or other facility owned or operated by a person other than a governmental entity for storing or parking 10 or more vehicles per year. Since the City is a governmental entity, the CFW is not required to release vehicles 24 hours a day. However, Auto Pound management indicated that since the City accepts vehicles 24 hours a day, they were under the impression that the City had to release vehicles 24 hours a day in order to comply with the Texas Department of Licensing and Regulations.

From conversations with other cities and a review of other municipal websites, most other cities that operate 24/7 are outsourced (Arlington, Austin, Garland, Houston, Mansfield and San Antonio). Since their operations are outsourced, there is a 24/7 state requirement. The City of Grand Prairie provides releases from 7am to 7pm and the City of Dallas provides releases from 9am to 5pm. It should be noted that FWPD staff did state that they are considering outsourcing Auto Pound operations.



## Overall Evaluation

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High	Medium	Low
<a href="#">Inaccurate inventory records</a>		
<a href="#">Untimely deposits</a>		
<a href="#">Unreasonable number of days vehicles are stored</a>		
<a href="#">Environmental assessment</a>		
<a href="#">Physical Safeguards</a>		
	<a href="#">Duplicated cash receipting efforts</a>	
	<a href="#">Proper storage methods</a>	



## Detailed Audit Findings

### 1. Auto Pound inventory records were inaccurate.

It is essential to establish and maintain appropriate inventory systems to protect assets from the danger of loss and to ensure accountability for inventory items. In February 2016, the Auto Pound Division conducted a physical inventory of impoundments at the Auto Pound. During the physical inventory, Auto Pound staff identified discrepancies between their physical observation and information documented within Impound Manager. For example, Auto Pound staff observed vehicles on the lot which, per Impound Manager, had been released to the rightful owners. Auto Pound staff also observed that inventory control numbers (ICN) noted on vehicles did not agree with assigned ICN numbers, per vehicle inventory records.

The Department of Internal Audit conducted an independent inventory count on March 14, 2016 and identified similar issues.

- We observed three vehicles in the lot which Impound Manager showed to have been released to owners. One of those vehicles was the same that was observed by Auto Pound staff during their February inventory. Such discrepancies result in inaccurate reporting. For example, although an inventory report (as of March 3, 2016) included 2,427 records, Auto Pound staff indicated that they believed the number of vehicles on the lot was closer to 2,000 or 2,100.
- Impound Manager showed an additional 903 vehicles in “Auction” status, although those 903 vehicles had been sold at auction. Since the vehicle status had not been updated (within Impound Manager) with new owner information, systematic controls would not allow the user to change the vehicle status from “Auction”.
- There were also 108 impoundment records in “Paid” status, but not “Released” within Impound Manager. A sample of 22 was selected to verify that all had paid receipts. All had paid receipts, with no exceptions noted. From the 22 sampled items, eight vehicles were selected to determine whether they had been released. Impound records for six of these vehicles were in a holding box for vehicles with paid impoundment fees, but not released. However, none of these six vehicles were located in the Auto Pound. Auto Pound staff indicated that these six vehicles were probably released to the owners. The remaining two vehicles were not observed on the lot and were, therefore, considered released to the owner.

Auto Pound employees do not consistently perform “Release” actions within Impound Manager, and inventory records are not always updated when vehicles are released. When the status of vehicles are not updated throughout the various stages of the impoundment process, including updating auctioned vehicles with new owner information, vehicle inventory records are inaccurate, misleading, and make it difficult to obtain the true number of vehicles stored in the Auto Pound. Also, vehicles could go missing without detection, and false preservation and storage fees could accrue.

**Recommendation 1A:** *The Police Chief should require routine physical inventories, reconciliation, proper investigation and resolution of irreconcilable differences/issues.*

**Auditee’s Response:** Concur. Will implement monthly inventory and reconciliation procedure and update SOP accordingly.

**Target Implementation Date:** January 1, 2017

**Responsibility:** Police Impound Staff



**Recommendation 1B:** *The Police Chief should require that the status of vehicles be updated in a timely manner, throughout the various stages of the impound process.*

**Auditee’s Response:** Concur. Current Impound Manager software requires multiple steps to coordinate between hand held and the Impound Manager on line software. Staff is performing a repetitive check of hand held information to main database.

**Target Implementation Date:** Completed.

**Responsibility:** Police Impound Staff

**2. Auction proceeds were not deposited timely and were not properly recorded within the General Ledger.**

As discussed in the [Background](#) section of this report, the CFW contracts with Lone Star Auctioneers to provide on-line auction services. Once auctions have been held, Lone Star provides detailed auction reports to the Auto Pound, the City’s Purchasing Division and any other City department(s) for which on-line auction services were conducted. Lone Star then submits auction proceeds to the Purchasing Division in the form of a check. The Purchasing Division is currently responsible for depositing the checks and initiating the process to properly record auction proceeds in the City’s general ledger.

**Untimely auction proceeds deposits.** Although good business practice would dictate the establishment of controls to ensure the timely processing and deposit of revenue received, we identified five checks (from Lone Star Auctioneers) that had not been deposited timely. The checks, which totaled \$514,970, were deposited by the Purchasing Division upon audit inquiry. It should be noted that other auction proceeds received during our audit review period were received and deposited in a timely manner.

Auction End Date	Vendor Check Number	Vendor Check Amount	Vendor Check Date	# days from Auction End to Check Date	CFW Deposit Date	# Days from Check Date to CFW Deposit Date
10/05/2015	47890	\$ 51,680	10/16/2015	11	03/25/2016	161
11/20/2015	48053	105,540	11/20/2015	0	03/23/2016	113
12/14/2015	49230	57,480	12/24/2015	10	03/25/2016	91
01/05/2016	48247*	250,630	01/15/2016	10	03/23/2016	77
02/12/2016	48401	49,640	02/19/2016	7	03/25/2016	34
<b>TOTAL</b>		<b>\$ 514,970</b>				

\* Includes proceeds from auctions held on 01/05/2016 (\$100,245 – Auto Pound) and 01/07/2016 (\$150,385 – Equipment Services)

**Revenue was recorded in the wrong general ledger account.** A total of 53 City auctions were held from October 2014 through March 2016, with auction proceeds totaling \$2,668,300. Of this amount, \$1,855,620 was received from vehicle auctions conducted for the Auto Pound. Since \$25,150 (\$18,675 + \$6,475) was received from auctions of court-awarded vehicles, the net auction proceeds for Auto Pound sales of abandoned vehicles totaled \$1,830,470 (\$1,855,620 less \$25,150).



Auction proceeds from the sale of abandoned vehicles are to be recorded in the “Sale of Abandoned Property” general ledger account. However, as documented in the following table, only 34.6% (\$634,890) was posted correctly during our audit period.

General Ledger Postings of Proceeds from Vehicle Auctions Conducted for the Auto Pound					
Bank Deposit Date	Vendor Check Amount	Correctly Posted To Sale of Abandoned Property (GL Acct 4901002)	Erroneously Posted To Salvage Sales (GL Acct 4901003)	Erroneously Posted To Miscellaneous Revenue (GL Acct 4800100)	Erroneously Posted to Sale of Abandoned Property (GL Acct 4901002)
11/03/2014	\$81,525	\$81,525	0	0	0
12/10/2014	\$91,620	\$85,145	0	0	\$6,475
01/05/2015	\$82,325	\$82,325	0	0	0
01/14/2015	\$2,415	\$2,415	0	0	0
01/22/2015	\$152,060	\$152,060	0	0	0
02/24/2015	\$111,890	\$111,890	0	0	0
03/13/2015	\$119,530	\$119,530	0	0	0
04/01/2015	\$ 77,540	0	0	\$ 77,540	0
05/11/2015	\$86,360	0	0	\$86,360	0
05/29/2015	\$91,045	0	0	\$91,045	0
06/03/2015	\$77,375	0	0	\$77,375	0
06/26/2015	\$79,560	0	0	\$79,560	0
07/30/2015	\$126,480	0	0	\$126,480	0
08/19/2015	\$80,645	0	0	\$80,645	0
10/05/2015	\$88,605	0	0	\$88,605	0
03/23/2016	\$105,540	0	\$105,540	0	0
03/23/2016	\$100,245	0	\$100,245	0	0
03/23/2016	\$123,385	0	\$123,385	0	0
03/25/2016	\$51,680	0	\$51,680	0	0
03/25/2016	\$57,480	0	\$57,480	0	0
03/25/2016	\$49,640	0	\$49,640	0	0
<b>Subtotal</b>	<b>\$1,836,945</b>	<b>\$634,890</b>	<b>\$487,970</b>	<b>\$707,610</b>	<b>\$6,475</b>
03/25/2016	\$18,675	0	*\$18,675	0	0
<b>Totals</b>	<b>\$1,855,620</b>	<b>\$ 634,890</b>	<b>\$ 506,645</b>	<b>\$ 707,610</b>	<b>*\$ 6,475</b>
	\$25,150	Less: Proceeds from sale of Court Awarded Vehicles			
	\$1,830,470	Proceeds from Sale of Abandoned Vehicles			

\*Amounts should be recorded in the State Asset Forfeiture Fund.

There were three additional checks totaling \$19,910 that were incorrectly recorded in the Sale of Abandoned Property Account. These checks represent proceeds from auctions not conducted for the Auto Pound. There were also two journal vouchers totaling \$10,150 (a credit for \$27,550 and a debit for \$17,400). However, documentation was unavailable to determine the accuracy of these transactions.



**Recommendation 2A:** *The Chief Financial Officer should ensure that auction proceeds and/or sale of abandoned property be deposited in a timely manner and be properly recorded within the general ledger.*

**Auditee's Response:** Concur (Chief Financial Officer). Subsequent to this Internal Audit finding, the Purchasing Division of the Financial Management Services Department has begun to deposit checks received from auto auction sales within two business days. The Police Department and Financial Management Services Department are working towards transitioning auto auction sale proceed deposits from the Purchasing Division to the Police Department going forward. This transition would include documenting processing responsibilities identified in recommendation 2C below.

Concur (Police Department).

**Target Implementation Date:** Completed.

**Responsibility:** Chief Financial Officer / Police Department

**Recommendation 2B:** *The Chief of Police should ensure that the general ledger account established to record revenue from the sale of abandoned vehicles is routinely monitored.*

**Auditee's Response:** Concur. Police Financial Management currently monitors this activity.

**Target Implementation Date:** Completed.

**Responsibility:** Police Financial Management

**Recommendation 2C:** *The Chief of Police should consult with the Financial Services Department to determine which department should be responsible for depositing auction proceeds from the sale of abandoned and court awarded vehicles and accurately recording these transactions into the City's financial system.*

**Auditee's Response:** Concur (Chief Financial Officer). Subsequent to this Internal Audit finding, the Financial Management Services Department has been working with the Police Department to transition the deposit of checks to the Auto Pound. The Auto Impound will also process the corresponding eRDD associated with deposited financial transactions including: cash, checks, money orders, or any other financial instrument.

Concur (Police Department). PD is currently working with the Financial Management Services Department towards a solution.

**Target Implementation Date:** March 31, 2017

**Responsibility:** Police Department / Chief Financial Officer

### **3. The number of days vehicles are held before being auctioned is unreasonable.**

Chapter 683 of the Texas Transportation Code authorizes a law enforcement agency to take into custody, an abandoned motor vehicle found on public or private property and to dispose of it. If an owner or lienholder does not claim the vehicle after notice is given, the law enforcement agency may sell the item at



a public auction. If the police department cannot locate the last registered owner or lienholder(s), the police department may make notice by publication, which must contain the same information as the notice by certified mail.

Once the Auto Pound identifies vehicles for auction, a process is required to make those vehicles ready for auction. The process to get vehicles ready for auction is both time-consuming and labor-intensive (approximately 45 days to complete all required tasks). The process includes moving vehicles to the staging area, removing all contents, discarding property (toys, car seats, clothing, books, CDs, etc.) with no monetary value, collecting cell phones, collecting abandoned monies, removing inspection stickers, removing license plates, and taking photos of vehicles, including the engine.

The earliest a vehicle can be legally auctioned is 30 days after impoundment, per Title 7, Subtitle H, Chapter 683, Section 683.011 of the Transportation Code. However, internal audit analysis indicated that from January 5, 2016 to March 1, 2016, the average number of days that abandoned vehicles were stored before going to auction was 202 days.

Storing vehicles for an extended period of time reduces available space for incoming vehicles and reduces the amount of potential revenue that could be generated from more frequent auctions. Auto Pound staff indicated that with the addition of Property Room.com (on-line auctions) and a new on-line certified mail system (owner/lien holder notifications), the number of days vehicles are stored at the Auto Pound should decrease.

**Recommendation 3:** *The Police Chief should consider various means to reduce the number of days that vehicles are stored before being auctioned.*

**Auditee's Response:** Concur (Police Department). Police Impound no longer stores "auction ready" vehicles on site. Impound previously used an online vendor to advertise auction vehicles while retaining the vehicles at the Impound lot. This required staff to arrange and be present for staging, viewing and escort of purchaser to retrieve vehicles.

Auto Impound currently utilizes two auction vendors that transport and auction the vehicles from their location. We no longer store auction vehicles.

**Target Implementation Date:** Completed.

**Responsibility:** Police Impound Staff

#### **4. Vehicle fluid leaks could create an environmental issue.**

The Auto Pound impounds an average of 900 to 1,000 vehicles each month. These impounded vehicles may have body damage and/or engine damage associated with vehicular systems such as cooling, engine lubrication, transmission, power steering, brake, and fuel. Vehicles with damaged engines and associated systems could result in punctured oil pans, damaged fluid reservoirs, cut metal lines, hoses, etc. As a result, fluids (i.e., fuel, diesel, coolant, motor oil, transmission, power steering, brake, and differential gear lubricants) could leak from the impounded vehicles. Also, over time, acid from damaged batteries and heavy metals could be released from damaged vehicle components such as air bags, display screens, and lighting systems.

During our audit, we observed evidence of vehicle fluid leaks, some of which were shown to have flowed into a nearby drain. Although the auditor did not perform detail testing of the observed fluids, certain

vehicle fluid leaks could result in environmental health hazards and could lead to reduced property values. Also, the City could be exposed to fines from the Environmental Protection Agency and/or the Texas Commission on Environmental Quality.



Vehicle Fluid Leak, Auto Pound, March 9, 2016



Leak draining into storm sewer, Auto Pound, March 9, 2016

Chapter 7 of the Fort Worth City Code describes a hazard to the public health, safety and/or welfare as a building or its curtilage that contains: accumulations of stagnant water or other stagnant liquid; flammable liquids which are unwholesome, filthy, unsightly, offensive or unsanitary, likely to create or engender disease, likely to harbor vectors or likely to contaminate storm water runoff.

The City's Stormwater Management Plan notes that a minimum control measure related to pollution prevention and good housekeeping for municipal operations design must include the following:

- identification and implementation of good housekeeping and best management practices to reduce pollutant runoff from municipal operations such as street and highway maintenance, parks, municipal office buildings and water treatment plants;

- reduction of discharge of pollutants to the maximum extent practicable from road repair, equipment yards, material storage facilities, or maintenance facilities; and,
- training for all employees responsible for municipal operations which includes information on preventing and reducing storm water pollution from all municipal operations subject to the minimum control measure.

The Environmental Management Division of the Code Compliance Department determined that a site assessment of the soil or ground water contamination had not been conducted at the Auto Pound.

**Recommendation 4:** *The Police Chief, in conjunction with the Code Compliance Director, should consider having an environmental assessment of the Auto Pound's potential environmental impact.*

**Auditee's Response:** Concur (Police Department). Will contact Code Compliance/Environmental Management and seek recommendation.

**Target Implementation Date:** December 31, 2016

**Responsibility:** Police Impound Staff

## 5. Cash receipts are recorded in two different systems, resulting in duplicated effort.

During our audit we observed that Auto Pound staff entered payment transactions into the Impound Manager system and a cash register. Upon receipt of payment, a receipt is printed from the Impound Manager system and the cash register. The customer's signature is affixed to a retained copy of the Impound Manager receipt, then both receipts are provided to the customer.

While cash register tapes produce a continuous record of each transaction recorded, the Impound Manager system provides a more reliable record of the payment activity. By utilizing an automated system as a cash receipting tool, some internal controls are embedded within the software. For example pre-programmed rates eliminate the need for manual calculations, and ensure that the resulting fees are appropriately calculated and assessed. Detailed information included on a receipt generated from Impound Manager (Vehicle Release Receipt), but not captured on a cash register receipt include: vehicle make, vehicle identification number (VIN), license plate, model, year, color, owner information, and programmed fees based on fee type.

We also noted that the internal clock on the electronic cash register was ahead of the actual time by at least 1.5 hours. The Total Sales Report, generated from the cash register, therefore, showed the incorrect time for the specific work shift and for the hourly detail. Unnecessarily duplicating the printing of receipts is not efficient and adds no value to the process. It should be noted that the CFW intends to implement a new point-of-sale system that will incorporate revenue collected by the Auto Pound. FWPD also stated that they are planning to implement a new and more robust inventory system to replace Impound Manager.

**Recommendation 5:** *The Police Chief should ensure that the duplication of effort, that results from using the Impound Manager system and the cash register for the receipting function, is discontinued.*

**Auditee's Response:** Concur (Chief Financial Officer). Currently, the Financial Management Services Department (FMS) is implementing a new Accounts Receivable module and Point of Sale cashing system. Once this new software application is tested, a broader implementation capability will exist that could assist the Police Department Auto Pound operation.



Concur (Police Department). Financial Management Services is working on a new Accounts Receivable/point of sale system that could be implemented in Police Impound operations. Current operations utilize Impound Manager with a secondary spreadsheet review. This will discontinue regardless of the applicability of the new point of sale system currently under development.

**Target Implementation Date:** September 30, 2017

**Responsibility:** Police Department / Chief Financial Officer

## **6. Impounded property was not properly stored.**

When impounded vehicles contain personal property, that personal property is removed from the vehicles and later released to the rightful owner or auctioned. Personal property could include items such as an assortment of mechanic tools, shovels, concrete finishing tools, speakers, speaker boxes, stereos, audio amplifiers, printers, vacuum cleaners, etc. Unsalvageable property is discarded.

The Department of Internal Audit observed that personal property, being processed for auction, was stored on the outside grounds with only a tarpaulin as cover, rather than being stored in metal storage containers. General business practice would dictate proper storage of impounded personal property, as improper storage increases the City's risk of property damage, theft, etc.

Although the Department of Internal Audit was unable to identify the reason that the personal property was stored outside and exposed to the weather, it was noted that the Auto Pound's SOPs only address the storage of hazardous materials. Texas Property Code, Title 6, Chapter 72 requires that the holder of abandoned property shall preserve the property.

The Auto Pound's SOPs indicate that motorcycles that will not stand up on their own, due to damage, shall be placed on a pallet in order to facilitate the moving of the bike at a later time. However, the Department of Internal Audit observed some damaged motorcycles laying on the ground.

Per Auto Pound staff, damaged motorcycles were laying on the ground because the Auto Pound ran out of pallets. By laying motorcycles down, the effort and time to move, relocate, and release motorcycles is increased. Motorcycles on their sides could also sustain further damage, thereby exposing the City to monetary claims for failing to adequately preserve the owner's property. The CFW could also see a decrease in the motorcycles' values, if later auctioned.

**Recommendation 6A:** *The Police Chief should ensure that abandoned property is properly stored and protected from the weather.*

**Auditee's Response:** Concur. As much as reasonably possible, Impound staff will provide plastic wrap on open windows and utilize storage containers as appropriate for non-vehicular property storage.

**Target Implementation Date:** Completed.

**Responsibility:** Police Impound Staff

**Recommendation 6B:** *The Police Chief should require that the Standard Operating Procedures be updated to include a requirement for proper storage methods for property other than hazardous materials.*



**Auditee's Response:** Concur. Utilization of storage containers for property of this type is used to properly store these items; timely inventory and disposal practices to rid impound of property eligible for sale or disposal.

**Target Implementation Date:** Completed.

**Responsibility:** Police Impound Staff

**Recommendation 6C:** *The Police Chief should require that Auto Pound staff properly monitor motorcycle impoundments to ensure that there is a sufficient number of pallets to meet damaged motorcycle storage requirements mandated by City policy.*

**Auditee's Response:** Do Not Concur. This is an old policy that was in use at a previous Impound location that required frequent relocation of motorcycles. Current operations no longer require relocation of motorcycles. SOP will be updated to reflect current operations.

**Target Implementation Date:** Completed.

**Responsibility:** Police Impound Staff



## Acknowledgements

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The Department of Internal Audit would like to thank the Fort Worth Police Department and the Financial Management Services Department for their cooperation and assistance during this audit.