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**Review of Metropolitan Police Department Vehicles
Purchased During Fiscal Years 1996 And 1997**

August 7, 2000

EXECUTIVE SUMMARY

PURPOSE

Pursuant to Public Law 93-198, Section 455, the District of Columbia Auditor conducted an audit of vehicles purchased by the Metropolitan Police Department (MPD) during fiscal years 1996 and 1997.

CONCLUSION

The Metropolitan Police Department purchased and received 652 vehicles, including motorcycles, during fiscal years 1996 and 1997. MPD's Fleet Management Division (FMD) maintained inventory records listing only 618 of these vehicles, a difference of 34 vehicles. Due to the absence of adequate documentation, the Auditor was unable to verify the existence and location of 10 of the 652 vehicles purchased and received by the Metropolitan Police Department during fiscal years 1996 and 1997. The 10 missing vehicles included a 1996 Chevrolet Blazer and the 9 vehicles presented in Table I.

During the audit period, the Metropolitan Police Department had not established written policies or procedures governing inventory management and accountability of its vehicle fleet. Further, non-existent or inadequate internal controls exposed MPD assets to loss and possible misuse and may have contributed to the following deficiencies:

1. lack of agreement between MPD's accounting and inventory records;
2. inability to account for all vehicles purchased and received;
3. disposal of vehicles without adequate documentation;
4. obtaining vehicle license plates from the Department of Corrections rather than the Department of Motor Vehicles, which circumvented the District's vehicle registration, licensing, and inspection laws and regulations; and
5. an inadequate system of controls over the receipt, issuance, and disposal of MPD vehicle license plates.

Further, the Metropolitan Police Department failed to properly segregate specific duties, such as receiving, assigning, and disposing of fleet vehicles, so that no single individual had total control of these vital functions.

Also, MPD's Fleet Management Division disposed of vehicles purchased during fiscal years 1996 and 1997 without creating sufficient documentation to support removing vehicles from service and disposing of them 5 to 18 months after acquisition. The Metropolitan Police Department must establish an effective inventory system and strengthen internal controls over its fixed assets. Further, the MPD must ensure that its fixed assets are used only for the intended purpose and that their disposition is well documented and complies with existing provisions of D.C. Code, Section 1-1182.3 and the policies and procedures established by the District's Chief Financial Officer.

FINDINGS

1. MPD's vehicle inventory and accounting records were not in agreement.
2. Ten vehicles purchased and paid for by the MPD and received by its Fleet Management Division could not be located, including the 1996 Chevrolet Blazer.
3. In violation of District regulations, MPD ordered license plates for MPD vehicles from the Department of Corrections.
4. MPD did not establish adequate accountability and control over its license plates.
5. MPD's Fleet Management Division did not adequately document the disposition of all fleet vehicles in its inventory.
6. Responsibility for disposal of fleet vehicles rested with one MPD official.
7. Vehicles purchased during fiscal years 1996 and 1997 were sold at public auction 5 to 18 months after acquisition.
8. MPD's authority to dispose of its excess and surplus property was unsettled.

RECOMMENDATIONS

1. The appropriate law enforcement authority, other than the Metropolitan Police Department, investigate the whereabouts of the missing 1996 Chevrolet S-10 Blazer and, if not found in the possession of the District government, determine whether the asset was lawfully transferred.
2. The Metropolitan Police Department immediately determine the location of the nine vehicles listed in Table I of this report and make those vehicles available for the Auditor's inspection. The Auditor will conduct a follow-up review of compliance with this recommendation within 60 days of the date of this report and make additional recommendation(s).
3. The Metropolitan Police Department comply with the Office of the Chief Financial Officer's written policies and procedures governing the accountability and safeguarding of District assets.
4. The Metropolitan Police Department strengthen its internal controls over the purchase, receipt, assignment, and disposal of its fixed assets. These functions should be properly segregated and assigned to specifically identified, accountable MPD personnel.
5. The Metropolitan Police Department must immediately replace all MPD license plates ordered from the Department of Corrections with license plates issued by the Department of Motor Vehicles.
6. The Chief of the Metropolitan Police Department must strengthen internal controls over the disposal of the blue and white MPD license plates obtained from the Department of Corrections. This function should be properly segregated and assigned to specifically accountable MPD personnel.
7. The Chief of the Metropolitan Police Department must ensure that accountable MPD personnel comply with the OCFO's written policies and procedures governing the disposal of MPD vehicles.

8. The Chief of the Metropolitan Police Department must ensure that all required and relevant data is recorded on the survey/disposal form when disposing of MPD vehicles. Information on the form should include, but not be limited to, mileage, a synopsis of the vehicle's maintenance and operating costs, a listing of all major damage or deficiencies and estimated cost to repair, and a fully descriptive explanation as to why the vehicle is being taken out of service.
9. The Chief of the Metropolitan Police Department, or his designated representative, should provide to the Office of the District of Columbia Auditor complete documentation that the seven vehicles discussed on pages 11 and 12 were properly sold at auction, transferred to other District agencies, or disposed of as scrap metal.
10. The Chief of the Metropolitan Police Department must provide to the Office of the District of Columbia Auditor adequate documentation supporting the disposal of the 15 vehicles presented in Table II.
11. The Chief of the Metropolitan Police Department must strengthen MPD's internal controls over the final disposal of fixed assets to ensure that each function involved in the process is properly segregated and assigned to accountable MPD personnel.

PURPOSE

Pursuant to Public Law 93-198, Section 455, the District of Columbia Auditor conducted an audit of vehicles purchased by the Metropolitan Police Department (MPD) during fiscal years 1996 and 1997.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of the audit were to determine:

1. the total number of vehicles purchased by the Metropolitan Police Department during the audit period; and
2. the current status of all vehicles purchased during the audit period.

The scope of the audit covered purchases made between October 1, 1995 and September 30, 1997 and included a review of documentation that covered October 1, 1995 through June 16, 2000.

To accomplish the audit objectives, the Auditor reviewed MPD purchase orders, voucher payments, intra-District budget modifications, receiving reports, and an inventory report of vehicles purchased during fiscal years 1996 and 1997. The audit team sought to verify the vehicle identification number (VIN) and the license plate number for 652 vehicles.

The Auditor's methodology in locating and identifying the 652 vehicles included, but was not limited to:

- ▶ a review, at different times during our field work, of all MPD vehicles purchased during fiscal years 1996 and 1997 that were brought into the Fleet Management Division for repair;
- ▶ visits to each of the seven police districts and satellite locations where vehicles were assigned;
- ▶ discussions with MPD vehicular maintenance officers (VMOs) who were responsible for vehicles assigned to individual police districts;

- ▶ a review of FMD's property disposal action (PDAs) forms which contained identifying information related to the disposal of MPD vehicles purchased during fiscal years 1996 and 1997; and
- ▶ a review of records maintained by the Office of Contracting and Procurement's Personal Property Division (PPD) relating to the disposition of MPD vehicles.

The Auditor also reviewed reports prepared by the District's Office of the Chief Financial Officer entitled, "District of Columbia Public Vehicle Report," dated December 15, 1997, December 31, 1998, and January 14, 2000.

The audit was performed in accordance with generally accepted auditing standards for governmental agencies and included such tests of the accounting records as deemed necessary under the circumstances.

BACKGROUND

The stated mission of the Metropolitan Police Department (MPD) is to eliminate crime, fear of crime, and general disorder, while establishing respect and trust within the community. MPD's fiscal year 1999 budget revealed that there were 3,517 sworn police officer positions and 822 civilian personnel positions. Police officers are assigned throughout the city to seven police districts and numerous satellite command stations.

During the period covered by the audit, the Metropolitan Police Department's Fleet Management Division was responsible for purchasing new vehicles and maintaining MPD's fleet of approximately 1,430 vehicles and motorcycles. The responsibility for vehicle maintenance has now been contracted out to SERCO, a private company; however, the Metropolitan Police Department's Fleet Management Division will continue to purchase and receive new vehicles, and assign and dispose of existing vehicles.

MPD procurement and accounting records indicated that 652, or 46%, of its 1,430 vehicles were purchased during fiscal years 1996 and 1997, the period examined by the audit. Most of the 652 vehicles consisted of Ford Crown Victorias, Chevrolet Lumina, Harley Davidson motorcycles, and Honda Rebel scooters. The MPD also purchased 12 sports utility vehicles (SUVs) consisting of eight Chevrolet Suburbans, three Ford Expeditions, and one Chevrolet Blazer. Four hundred and seven (407) of the 652 vehicles and motorcycles were purchased from local Ford, Chevrolet, Harley

Davidson, and Honda dealerships. The cars were purchased at costs ranging from \$15,930 to \$19,219 per vehicle. The SUVs were purchased at a cost of approximately \$31,000 each. The remaining 245 vehicles were purchased through the General Services Administration (GSA) at an average unit cost of \$16,303.

MPD's Fleet Management Division maintains an inventory of vehicles assigned to the seven police districts and the satellite command stations. On any given day during the Auditor's field work, between 65 and 100 vehicles were located at the Fleet Management Division building. Each of these vehicles was in disrepair. Some of the vehicles had been "surveyed," the terminology used to describe a vehicle taken out of service because the cost of repair exceeds the residual value of the vehicle.

FINDINGS

MPD'S VEHICLE INVENTORY AND ACCOUNTING RECORDS WERE NOT IN AGREEMENT

The Metropolitan Police Department's accounting records and vehicle inventory records were not in agreement. The Auditor's review of MPD's accounting records revealed that during fiscal years 1996 and 1997, MPD purchased 652 vehicles at a cost of approximately \$9,762,203.44. By comparison, as noted below, the Auditor's examination of MPD's vehicle inventory revealed that only 618 vehicles were listed, a difference of thirty-four (34) vehicles.

Total Vehicles Purchased and Received	652
Total Vehicles Listed On FMD Inventory	<u>618</u>
Difference	34

Also, the inventory listing did not reflect cost data for any of the 618 vehicles. Internal control standards promulgated by the United States General Accounting Office (GAO) state, in part, that all transactions [accounting and inventory] should be promptly recorded to maintain their relevance and value to management. The inaccuracy between MPD's accounting and inventory records may be attributed, in part, to a lack of internal MPD policies and procedures governing the management and accountability of MPD's fixed assets. Fixed assets are defined as "long-lived tangible items that provide an economic benefit for a number of future periods." Police vehicles are classified as fixed assets. The general policies of the Office of the Chief Financial Officer regarding fixed assets as set forth in its Financial Policies and Procedures Manual, Chapter V, entitled "General Accounting Policies and Procedures," state in relevant part the following:

GENERAL POLICY

* * * * *

- A. Fixed assets must be adequately safeguarded. Physical and accounting control policies established by the Office of Financial Operations and Systems (OFOS) must be followed by each agency. Each agency must implement the following policies:

* * * * *

C. Each Agency must designate a Property Control Officer to account for fixed assets and ensure that all divisions within the agency comply with District requirements.

* * * * *

E. All acquisitions and disposals of fixed assets must be properly authorized by the agency Director or designee. Some acquisitions and disposals, in addition to the agency Director, must be approved by other regulating bodies such as the Department of Administrative Services, Mission Support, the Control Board, the City Council, and/or the Mayor.

F. All agencies must maintain all documentation relating to the acquisition and disposal of the fixed asset through the life of the fixed asset and for a specified time after disposal.

The OCFO’s policies and procedures emphasize that “care must be taken in safeguarding and accounting for all fixed assets,” and that “documents relating to the acquisition and disposal of fixed assets are to be retained throughout the life of the fixed asset and for specific periods after disposal.” The complete text of the OCFO’s policies and procedures governing the care of fixed assets is presented in Appendix I.

The MPD had not established any internal policies and procedures or administrative mechanisms that could be utilized by FMD officials to effectively manage and account for the 652 vehicles purchased during fiscal years 1996 and 1997 or any other fixed assets under MPD’s control. Further, MPD lacked effective internal procedures for identifying vehicles through property identification numbers, assigning vehicles to personnel, locating vehicles, assessing and reporting the condition of vehicles, determining the economic life of vehicles, and the final disposition of vehicles. Moreover, the MPD did not adequately comply with the District’s fixed assets policies and procedures relative to capitalization, stewardship, and document retention.

The Metropolitan Police Department Failed to Locate and Account for a 1996 Chevrolet Blazer Purchased With MPD Funds

The Auditor could not account for a 1996 black Chevrolet S-10 Blazer bearing vehicle identification number 1GNDDT13W0T2268383 that was purchased by MPD. Further, MPD could not provide documentation indicating that the vehicle had been sold at auction, salvaged, or transferred to another District agency. The Auditor found that MPD purchase order number FA41117 and payment voucher number 963483 revealed that the vehicle was purchased and paid for with MPD funds, and a receiving report signed by the former FMD director indicated that the vehicle was received by MPD’s Fleet Management Division on September 30, 1996. This vehicle was never listed on MPD’s vehicle inventory. Further, MPD never assigned a property identification number or equipment number to this asset. The paper trail ended at the point the vehicle was received by MPD’s former FMD director. There was no other documentation indicating the location or status of the Chevrolet Blazer.

The former FMD director could not provide any additional documentation concerning the status and location of the \$22,793 Chevrolet Blazer. The loss of this valuable asset by the Metropolitan Police Department’s Fleet Management Division indicated ineffective inventory management and lax accountability and control which exposed this particular MPD asset to a significant risk of loss and/or misuse. Contrary to the Office of the Chief Financial Officer’s financial policies and procedures manual on fixed assets, the MPD failed to ensure that “care [was] taken in safeguarding and accounting for all fixed assets.”

RECAP

Total Vehicles Purchased and Received	652
Total Vehicles Listed On FMD Inventory	<u>618</u>
Difference	34
Vehicle Unaccounted For (Chevy Blazer)	-1
Vehicles Found but not listed on FMD’s Inventory	-18
Vehicles Purchased by MPD for the Fire Department ¹	<u>-6</u>
Difference	9
Total Vehicles Observed By Auditor	643

¹MPD purchased six Chevrolet Suburbans for the Fire Department. Funds totaling \$202,668 were transferred from the Fire Department to the MPD’s budget to cover the costs.

Nine Vehicles Purchased And Paid For by The MPD And Received by Its Fleet Management Division Could Not Be Located

Table I presents nine vehicles with varying degrees of information, such as the license plate number, year, make, model, vehicle identification number and the purchase price, that the Auditor was unable to locate for audit inspection. The Metropolitan Police Department’s Fleet Management Division maintained that the nine vehicles were in its current fleet at one or more of the seven police districts or satellite locations where vehicles are assigned, or that the vehicles had been sold at auction. However, after several attempts, FMD failed to produce these nine vehicles so that the Auditor could confirm that the vehicles were, in fact, in MPD’s possession. Further, the audit team did not find documentation conclusively indicating that the nine vehicles had been sold at auction or transferred to other District agencies. Again, the MPD failed to adhere to the OCFO’s policies and procedures on fixed assets which state that care must be taken in safeguarding and accounting for all fixed assets. Further, the agency’s records should include adequate documentation to support all lawful disposition of all assets.

TABLE I
METROPOLITAN POLICE DEPARTMENT
MISSING VEHICLE LISTING
AS OF JUNE 19, 2000

LICENSE PLATE NUMBER	YEAR, MAKE, MODEL OF VEHICLE	VEHICLE IDENTIFICATION NUMBER	PURCHASE PRICE OF VEHICLE	STATUS
96015*	96 Ford Crown Victoria	2FALP72W1TX110585	\$20,900	Unknown
96096*	96 Chevrolet Lumina	2G1WL52MOT9275384	16,303	Unknown
96124*	96 Ford Crown Victoria	2FALP71W1TX203270	18,348	Unknown
96147*	96 Ford Crown Victoria	2FALP71W1TX203222	18,348	Unknown
96155*	96 Ford Crown Victoria	2FALP71W2TX203262	18,348	Unknown
96156*	96 Ford Crown Victoria	2FALP71W7TX203189	18,348	Unknown
96229*	96 Ford Crown Victoria	Unavailable	18,348	Unknown
96240*	Custom Trailer	1KGBSO811TIK118462	Unknown	Unknown
97131	97 Ford Crown Victoria	2FALP71W4VX205301	19,215	Unknown
Total Vehicle Costs			\$148,158	

Source: Metropolitan Police Department and the Office of the D.C. Auditor

*Vehicles not reflected on Fleet Management Division Inventory.

RECOMMENDATIONS

1. The appropriate law enforcement authority, other than the Metropolitan Police Department, investigate the whereabouts of the missing 1996 Chevrolet S-10 Blazer and, if not found in the possession of the District government, determine whether the asset was lawfully transferred.
2. The Metropolitan Police Department immediately determine the location of the nine vehicles listed in Table I of this report and make those vehicles available for the Auditor's inspection. The Auditor will conduct a follow-up review of compliance with this recommendation within 60 days of the date of this report and make additional appropriate recommendation(s).
3. The Metropolitan Police Department comply with the Office of the Chief Financial Officer's written policies and procedures governing the accountability and safeguarding of District assets.
4. The Metropolitan Police Department strengthen its internal controls over the purchase, receipt, assignment, and disposal of its fixed assets. These functions should be properly segregated and assigned to specifically identified, accountable MPD personnel.

IN VIOLATION OF DISTRICT REGULATIONS, MPD ORDERED LICENSE PLATES FOR MPD VEHICLES FROM THE DEPARTMENT OF CORRECTIONS

Pursuant to Title 18, Chapter 4, Section 400.1 of the District of Columbia Municipal Regulations, entitled "Motor Vehicle Title and Registration," the responsibility for issuing certificates of title for motor vehicles, the registrations, and license plates was assigned to the District's Department of Transportation, now the Department of Motor Vehicles (DMV). Contrary to established regulations, the Metropolitan Police Department, through its Fleet Management Division, ordered specialty license plates for MPD vehicles from the Department of Corrections (DOC). This irregular practice was established in 1992 and has been used by MPD's Fleet Management Division for approximately eight years.

FMD managers asserted that license plates for its vehicles were ordered from DOC based on the number of new vehicles purchased each year. However, FMD managers could not provide a complete listing of license plates ordered from the DOC for fiscal years 1996 and 1997. Moreover,

the Auditor did not find, nor could MPD managers provide, legal authority authorizing the Metropolitan Police Department to order license plates from the DOC and assign the plates to its fleet of vehicles, thereby circumventing the District's motor vehicle title, registration, and inspection requirements. The Auditor observed that all other District agencies register their vehicles with and obtained license plates from the DMV:

**MPD Did Not Establish Adequate Accountability
And Control Over Its License Plates**

The Auditor observed that FMD's internal controls over license plates ordered from the DOC did not provide effective management control and accountability and appeared vulnerable to misuse. The Auditor found that FMD managers did not establish an effective system of controlling, assigning, and disposing of MPD license plates and therefore could not account for all license plates or vehicles to which certain license plates were assigned. For example, the Auditor could not find the following license plates ordered for vehicles purchased during 1996 and 1997: 96230, 96231, 96232, 96233, 96234, 96237, 96240², and 97005. FMD managers stated that the license plates were not assigned to any MPD vehicles. However, FMD's inventory indicated that two of the eight license plates were assigned to a Ford and a custom trailer. Moreover, FMD managers could not locate any of the eight license plates for the Auditor's examination.

MPD license plates ordered from the DOC have a distinctive blue color with white numbers and lettering. The license plates carry with them certain empowerment such as immediate recognition by the public as belonging to the Metropolitan Police Department and potentially free parking anywhere in the District. Access to MPD license plates, which are considered valuable, sensitive assets, should be limited to authorized individuals, and accountability for their custody and use should be assigned to and maintained by an FMD employee appointed by the FMD director.

The Auditor also found that FMD had not established written policies and procedures to support and govern the purchase, receipt, security, issuance, and disposal of license plates that the Metropolitan Police Department ordered from the Department of Corrections (DOC). The former FMD director stated, without providing supporting written policies or procedures and other important documentation, that license plates were not re-used but were destroyed when vehicles bearing the plates were taken out of service. The Auditor found examples which contradicted this assertion. For example, the audit team found that license plate number 96126 was assigned to a

²Reported to have been assigned to a vehicle whose whereabouts is unknown.

1996 Ford Crown Victoria possessing VIN 2FALP71W7TX203287. This vehicle was sold at auction on June 6, 1998 for \$500. However, the audit team observed this same license plate number, 96126, on a marked squad car with VIN 2FALP71W7TX203204 at the First District station. There was no explanation as to why this license plate was not destroyed, as asserted by the former FMD director. Further, the audit team could not find any records to support the reassignment of this license plate to another vehicle and could not find this particular license plate number listed on FMD's vehicle inventory.

Additionally, the audit team observed that license plate number 96105 was listed on FMD's inventory as assigned to a 1996 Chevrolet Lumina with VIN 2G1WL52MOT9278737. The audit team found the same vehicle listed on FMD's property disposal form F97-006, dated June 19, 1997, which was signed by the FMD director indicating that FMD had disposed of the vehicle. However, the audit team found this same license plate on a Ford Crown Victoria with VIN 2FALP71W1TX203155 at the Fifth District police station. Again, there was no clear explanation as to why this license plate was reissued to another vehicle after records indicated that the original vehicle to which it was assigned had allegedly been transferred to the Department of Corrections. This discrepancy, among others, indicated a lack of accountability and ineffective control over MPD vehicle license plates.

Another example of the lack of control over MPD license plates included the audit team's observation of MPD license plate number 96235 on a Plymouth Acclaim, with VIN IP3AA46K2RF152390. The Auditor provided this information to the former FMD director who, after checking his inventory, stated that neither the Plymouth Acclaim nor the license plate was listed on the inventory. Further, the director stated that he could not confirm who owned the vehicle or provide information describing how or why MPD license plate number 96235 was placed on this vehicle.

RECOMMENDATIONS

1. The Metropolitan Police Department must immediately replace all MPD license plates ordered from the Department of Corrections with license plates issued by the Department of Motor Vehicles.
2. The Chief of the Metropolitan Police Department must strengthen internal controls over the disposal of the blue and white MPD license plates obtained from the Department of Corrections. This function should be properly segregated and assigned to specifically accountable MPD personnel.

**MPD'S FLEET MANAGEMENT DIVISION DID NOT
ADEQUATELY DOCUMENT THE DISPOSITION
OF ALL FLEET VEHICLES IN ITS INVENTORY**

GAO standards for internal controls state that all transactions and other significant events must be clearly documented, and the documentation should be readily available for examination. The Auditor observed that certain MPD fleet vehicles purchased during fiscal years 1996 and 1997 were sold at public auction or conveyed to other District agencies without creating adequate records supporting the basis for the sale or transfer.

The Fleet Management Division used property disposal action forms (PDAs) to track fleet vehicles sold at auction and transferred to other District agencies. Information required on the form included, but was not limited to, the squad car number, the shop tag plate number, the year, make and model of the vehicle, the vehicle identification number, and the police district to which the vehicle was assigned. However, MPD's property disposal action forms reviewed by the audit team were generally incomplete and failed to include an explanation as to why certain MPD vehicles were sold at auction. The following statement routinely appeared at the bottom of each form:

“The above vehicles are no longer serviceable for law enforcement patrol functions. Request authority to drop from accountable records.”

The vehicle property disposal forms reviewed by the Auditor were signed by the former director of MPD's Fleet Management Division as the agency's accountable property manager. According to the then-FMD director, he and a police sergeant made decisions to dispose of MPD vehicles after discussing the condition of the vehicles with FMD mechanics. These discussions and the basis for the disposal actions were never written on property disposal action forms or in any other supporting documentation.

The Auditor was not provided with written policies and procedures detailing the specific conditions under which MPD vehicles could be disposed of and the level of management authority required for such determinations. For example, Fleet Management Division managers indicated that four vehicles with license plate numbers 96015, 96096, 96124, and 96229 had been sold at public auction. However, there were no documents describing the condition of the vehicles and no receipts to support the sale of the four (4) vehicles at public auction.

FMD further indicated that three (3) vehicles with license plate numbers 96105, 96147, and 96155 had been conveyed to other District agencies. Other than the PDA, there was no additional information to confirm that the three (3) vehicles were transferred to other District agencies. The OCFO's manual of policies and procedures governing fixed assets states that all transfers of surplus personal property between District agencies must first be approved by the Department of

Administrative Services (DAS), presently the Office of Contracting and Procurement (OCP), and that agencies must adhere to procedures outlined in the District's Property Disposal Manual. Property disposal actions provided by FMD officials were inadequate and prevented the Auditor from locating these vehicles or confirming that they were, in fact, disposed of in accordance with applicable laws, regulations, and standards.

Responsibility For The Disposal of Fleet Vehicles Rested With One MPD Official

The methodology utilized by MPD's Fleet Management Division to dispose of fleet vehicles was void of accountability and structure, basically allowing one official the latitude of identifying fixed assets for disposal without corroboration from other District officials or MPD officials outside of the Fleet Management Division. The same official was also individually responsible for receiving all new fleet vehicles, in addition to accounting for, assigning, and disposing of fleet vehicles. The Auditor observed that there was no separation of duties between these key functions, i.e. receiving, assigning, and disposing of MPD fleet vehicles. The Auditor observed that fleet management regulations from other jurisdictions included, but were not limited to, specific guidelines governing vehicle purchases, retirement, replacement, and lines of authority. For example, Prince Georges County regulations include a section on new vehicle acceptance and delivery which states, in part, that "delivery of new vehicles will be made by the vendor to the Fleet Management Division. The Fleet Management Division will then forward the proper documents to the Chief, Procurement and Materiel Management Division, to effect the necessary fixed asset action." Also, the regulations included detailed guidelines to be followed before a vehicle could be retired from service such as determining its economic life, whether maintenance and operating costs had exceeded preestablished limits, minimum mileage for different types of vehicles, such as six years or 80,000 miles for a typical sedan, and a listing of all major deficiencies. The final decision to dispose of a vehicle would be made by the Chief of Procurement, not the manager of the Fleet Management Division.

Vehicles Purchased During Fiscal Years 1996 and 1997 Were Sold At Public Auction Five To Eighteen Months After Acquisition

The Auditor found that MPD's Fleet Management Division sold at public auction 34 MPD vehicles from its fleet that were purchased during fiscal years 1996 and 1997. Table II presents 15 of the 34 vehicles that were taken out of service and sold at auction between 5 and 18 months after the vehicles were purchased by MPD.

TABLE II

Metropolitan Police Department
 Vehicles Disposed of Between
 March 20, 1997 Through December 8, 1998

License Plate Number	Year of Vehicle	Model of Vehicle	Vehicle Identification Number	Acquisition Date	Disposal Date	Months in Service	Vehicle Purchase Price	Vehicle Sales Price	
96026	1996	Chevrolet	2G1WL52M6T9277091	06/11/96	03/20/97	9	\$16,303	\$2,650.00	
96049	1996	Chevrolet	2G1WL52M3T9278649	06/11/96	11/11/97	17	16,303	\$200.00	
96132	1996	Ford	2FALP71W6TX203183	07/11/96	06/19/97	11	18,348	\$2,000.00	
96139	1996	Ford	2FALP71W5TX203191	07/11/96	03/20/97	8	18,348	\$375.00	
96141	1996	Ford	2FALP71W1TX203205	07/11/96	06/19/97	11	18,348	\$1,100.00	
96144	1996	Ford	2FALP71W4TX203182	07/11/96	08/21/97	13	18,348	\$1,475.00	
96154	1996	Ford	2FALP71W2TX203231	07/11/96	08/21/97	13	18,348	\$775.00	
96173	1996	Ford	2FALP71W3TX203173	07/11/96	03/20/97	8	18,348	\$3,900.00	
96179	1996	Ford	2FALP71W8TX203251	07/11/96	06/20/97	11	18,348	\$1,900.00	
96182	1996	Ford	2FALP71W2TX203195	07/11/96	08/21/97	13	18,348	\$1,200.00	
96213	1996	Ford	2FALP71W3TX203223	07/11/96	06/20/97	11	18,348	\$1,600.00	
96217	1996	Ford	2FALP71WXTX203266	07/11/96	03/20/97	8	18,348	\$2,000.00	
97113	1997	Ford	2FALP71WXXVX205442	06/25/97	05/21/98	11	19,215	\$3,000.00	
97171	1997	Ford	2FALP71W6VX205812	06/25/97	11/20/97	5	19,215	\$1,800.00	
97193	1997	Ford	2FALP71W7VX205821	06/25/97	12/08/98	18	19,215	\$30.00	
TOTAL								\$273,731	\$24,005.00

Source: Fleet Management Division and the Office of the D.C. Auditor

MPD paid approximately \$273,731 for the 15 vehicles and sold them for approximately \$24,005, or 8.8%, of their original value. As previously noted, the Auditor was not provided with adequate documentation to support MPD's decision to dispose of the 15 vehicles between 5 and 18 months after acquisition. Property disposal actions for the 15 vehicles did not reflect mileage, maintenance costs, or major deficiencies, only the signature of MPD's Fleet Management Division director attesting to the fact that the vehicles were not suitable for law enforcement patrol functions. If the vehicles had been severely damaged beyond repair, then this information should have been reflected on or attached to the property disposal forms.

RECOMMENDATIONS

1. The Chief of the Metropolitan Police Department must ensure that accountable MPD personnel comply with the OCFO's written policies and procedures governing the disposal of MPD vehicles.
2. The Chief of the Metropolitan Police Department must ensure that all required and relevant data is recorded on the survey/disposal form when disposing of MPD vehicles. Information on the form should include, but not be limited to, mileage, a synopsis of the vehicle's maintenance and operating costs, a listing of all major damage or deficiencies and estimated cost to repair, and a fully descriptive explanation as to why the vehicle is being taken out of service.
3. The Chief of the Metropolitan Police Department, or his designated representative, should provide to the Office of the District of Columbia Auditor complete documentation that the seven vehicles discussed on pages 11 and 12 were properly sold at auction, transferred to other District agencies, or disposed of as scrap metal.
4. The Chief of the Metropolitan Police Department must provide to the Office of the District of Columbia Auditor adequate documentation supporting the disposal of the 15 vehicles presented in Table II.
5. The Chief of the Metropolitan Police Department must strengthen MPD's internal controls over the final disposal of fixed assets to ensure that each function involved in the process is properly separated and assigned to accountable MPD personnel.

**MPD'S AUTHORITY TO DISPOSE OF ITS EXCESS
AND SURPLUS VEHICLES WAS UNSETTLED**

District of Columbia Code, Section 1-1182.3 states, in part, that the Director . . . the chief procurement official of the District, shall have the following authority and responsibility . . . to sell, trade, or otherwise dispose of surplus supplies and services belonging to the District government. Further, the Office of the Chief Financial Officer's financial policies and procedures manual states that the Department of Administrative Services (DAS), now the Office of Contracting and Procurement (OCP), is responsible for the disposition of all surplus property, excluding vehicles which are disposed of by the Department of Public Works (DPW). The Auditor found that the Metropolitan Police Department began auctioning its own vehicles in 1999, and in January 2000 contracted with a vendor to sell at auction its surplus fleet vehicles. During the period from January to March 13, 2000, the vendor, Colonial Auction Services, returned \$61,310.74 to the MPD for auctioning sixty-five (65) of its vehicles. These funds were deposited to the District's general fund.

During the relevant audit period, MPD managers believed that the MPD was granted authority to sell its own vehicles by MPD's chief contracting officer when the contract with Colonial Auction Services was negotiated and issued in January 2000. However, the contracting officer stated that his office only provided a service for MPD to auction its vehicles. MPD's general counsel's office and other accountable MPD officials provided no valid legal authority granting MPD the right to sell or dispose of its own excess and surplus vehicles. In discussing this issue with OCP's Personal Property Division (PPD) Chief and its Deputy Director for Shared Services, which has oversight responsibility for PPD, both indicated that the issue was "unsettled".

Based on Section 1-1182.3 of the D.C. Code, the District's Office of Contracting and Procurement's PPD is solely responsible for disposing of excess and surplus District personal property, including vehicles. The PPD holds an auction each month to dispose of excess and surplus District property, including vehicles from the Department of Public Works. Generally, the statute has precedence over an executive order. Therefore, despite Mayor's Order 2000-75³, unless the Metropolitan Police Department has legal authority superior to Section 1-1182.3 of the D.C. Code, the disposal of surplus MPD fleet vehicles is the responsibility of the District's Personal Property Division.

³Mayor's Order 2000-75, dated May 11, 2000, delegated authority to the Metropolitan Police Department to "procure, acquire, maintain, repair, and dispose of non-emergency motor vehicles. . ."

CONCLUSION

The Metropolitan Police Department purchased and received 652 vehicles, including motorcycles, during fiscal years 1996 and 1997. MPD's Fleet Management Division (FMD) maintained inventory records listing only 618 of these vehicles, a difference of 34 vehicles. Due to the absence of adequate documentation, the Auditor was unable to verify the existence and location of 10 of the 652 vehicles purchased and received by the Metropolitan Police Department during fiscal years 1996 and 1997. The 10 missing vehicles included a 1996 Chevrolet Blazer and the 9 vehicles presented in Table I.

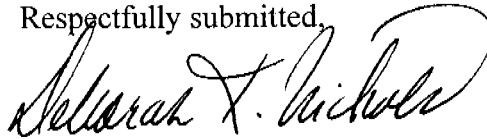
During the audit period, the Metropolitan Police Department had not established written policies or procedures governing inventory management and accountability of its vehicle fleet. Further, non-existent or inadequate internal controls exposed MPD assets to loss and possible misuse and may have contributed to the following deficiencies:

1. lack of agreement between MPD's accounting and inventory records;
2. inability to account for all vehicles purchased and received;
3. disposal of vehicles without adequate documentation;
4. obtaining vehicle license plates from the Department of Corrections rather than the Department of Motor Vehicles, which circumvented the District's vehicle registration, licensing, and inspection laws and regulations; and
5. an inadequate system of controls over the receipt, issuance, and disposal of MPD vehicle license plates.

Further, the Metropolitan Police Department failed to properly segregate specific duties, such as receiving, assigning, and disposing of fleet vehicles, so that no single individual had total control of these vital functions.

Also, MPD's Fleet Management Division disposed of vehicles purchased during fiscal years 1996 and 1997 without creating sufficient documentation to support removing vehicles from service and disposing of them 5 to 18 months after acquisition. The Metropolitan Police Department must establish an effective inventory system and strengthen internal controls over its fixed assets. Further, the MPD must ensure that its fixed assets are used only for the intended purpose and that their disposition is well documented and complies with existing provisions of D.C. Code, Section 1-1182.3 and the policies and procedures established by the District's Chief Financial Officer.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Deborah K. Nichols". The signature is written in a cursive style with a large, looping flourish at the end.

Deborah K. Nichols,

District of Columbia Auditor

APPENDIX

The following are additional general policies on fixed assets promulgated by the Office of the Chief Financial Officer as set forth in its Financial Policies and Procedures Manual, Chapter V, entitled General Accounting Policies and Procedures:

CAPITALIZATION POLICY

The District's capitalization⁴ policy states, in relevant part, the following:

1. Furniture, vehicles, and equipment must be capitalized if the aggregate cost is \$5,000 or more and the useful life of the asset is three years or greater.

STEWARDSHIP POLICY

- A. Fixed assets comprise the majority of the District's total assets. Care must be taken in safeguarding and accounting for all fixed assets. [Auditor's Emphasis] The following are specific requirements for the establishment and maintenance of a fixed asset central accounting system.
 1. A listing of fixed assets must be maintained. The listing should include the following information
 - a. Property Identification Numbers (property tax number, serial number, parcel number or other number specifically identifying the item).
 - b. Description (model number, size, color, etc.).
 - c. Location (address, building, room, parcel number, etc.).
 - d. Method of Acquisition (purchase, donation, escheat, etc.).
 - e. Source of Funding (the fund which financed the asset).
 - f. Acquisition Date (month and year acquired).
 - g. Purchase Document Number (purchase order/claim number or any other number which can be used to identify the asset).
 - h. Cost (actual if available or estimated historical cost, if actual is not available).

⁴Capitalization is defined as the method used to record the cost of fixed assets.

DOCUMENT RETENTION POLICY

- A. Documents relating to the acquisition and disposal of fixed assets are to be retained throughout the life of the fixed asset and for the following periods after disposal:
1. Purchases with District funds - The document retention period for fixed assets purchased with District funds will continue for 3 fiscal years after the disposal date.
 2. Purchases with Federal grant funds - The document retention requirements for fixed assets purchased with Federal grant funds are contained in OMB Circular A-102, Attachment C. All financial records, supporting documentation, statistical records and all other records pertinent to a grant shall be retained for a period of 3 years from the date of submission of the final grant expenditure report, or for grants that are renewed annually, from the date of the submission of the annual financial status report.
- B. Documents required to be retained include all records supporting the cost, acquisition date, description of the fixed asset and disposal including: vendor invoices, claims, requisitions, purchase orders, packing slips, receiving reports, Form DC 2630-8, "Property Disposal Action" (Exhibit 1020.800C) and Form FA1020, "Certificate of Disposal" (Exhibit 1020.800D).
- C. If an agency transfers an asset to another District agency, the agency that originally purchased the asset should retain the original documents in accordance with the document retention procedures stated above and forward copies of these documents to the agency receiving the assets.

AGENCY COMMENTS

AGENCY COMMENTS

On May 18, 2000, the District of Columbia Auditor submitted a draft audit report for review and comment to the Chief of the Metropolitan Police Department (MPD), the Interim Chief of the D.C. Fire and Emergency Medical Services, the Director of the Department of Motor Vehicles, the Chief Financial Officer of the District of Columbia, the Director of the Office of Contracting and Procurement, and the Director of the Department of Corrections. Comments on the draft report were due June 2, 2000. The Metropolitan Police Department requested and received an extension to June 9, 2000.

On June 5, 2000, an exit conference was held with representatives from the Metropolitan Police Department to discuss the draft report. As a results of additional information provided during the exit conference and additional field work conducted, the draft report was revised accordingly. Written comments on the first draft were received from the Chief, Metropolitan Police Department on June 19, 2000.

The Auditor submitted a second draft report to the Chief of the Metropolitan Police Department on July 21, 2000. Comments were due by the close of business Friday, July 28, 2000. As of August 3, 2000, no comments to the second draft were received from the MPD and its first set of comments were no longer responsive to the final report. MPD's initial comments and attachments may be reviewed upon request in the Office of the District of Columbia Auditor.

The Interim Chief of the D.C. Fire and Emergency Medical Services, the Director of the Department of Motor Vehicles; the Chief Financial Officer of the District of Columbia; the Director of the Office of Contracting and Procurement; and the Director of the Department of Corrections did not submit any comments to the Auditor's draft report.