

Police Department Administration Follow-up Report

December 2014

Office of the Auditor
Audit Services Division
City and County of Denver



Dennis J. Gallagher
Auditor

The **Auditor** of the City and County of Denver is independently elected by the citizens of Denver. He is responsible for examining and evaluating the operations of City agencies for the purpose of ensuring the proper and efficient use of City resources and providing other audit services and information to City Council, the Mayor and the public to improve all aspects of Denver's government. He also chairs the City's Audit Committee.

The **Audit Committee** is chaired by the Auditor and consists of seven members. The Audit Committee assists the Auditor in his oversight responsibilities of the integrity of the City's finances and operations, including the integrity of the City's financial statements. The Audit Committee is structured in a manner that ensures the independent oversight of City operations, thereby enhancing citizen confidence and avoiding any appearance of a conflict of interest.

Audit Committee

Dennis Gallagher, Chair
Maurice Goodgaine
Leslie Mitchell
Rudolfo Payan

Robert Bishop
Jeffrey Hart
Timothy O'Brien, Vice-Chair

Audit Staff

Audrey Donovan, Deputy Director, CIA, CRMA, CGAP
Marcus Garrett, Audit Supervisor, CIA, CRMA, CGAP

You can obtain copies of this report by contacting us at:



Office of the Auditor

201 West Colfax Avenue, Department 705 ♦ Denver CO, 80202

(720) 913-5000 ♦ Fax (720) 913-5247

Or download and view an electronic copy by visiting our website at:

www.denvergov.org/auditor



City and County of Denver

201 West Colfax Avenue, Department 705 • Denver, Colorado 80202 • 720-913-5000 •
FAX 720-913-5247 • www.denvergov.org/auditor

Dennis J. Gallagher

Auditor

December 29, 2014

Ms. Stephanie O'Malley, Executive Director of Safety
Department of Safety
City and County of Denver
Re: Audit Follow-Up Report

Dear Ms. O'Malley:

In keeping with professional auditing standards and the Audit Services Division's policy, as authorized by D.R.M.C. § 20-276, our Division has a responsibility to monitor and follow-up on audit recommendations to ensure audit findings are being addressed and to aid us in planning future audits.

This report is to inform you that we have completed our follow up effort for the Police Department Administration audit issued February 21, 2013. Our review determined that the Department has implemented some of the recommendations made in the audit report. Despite the Department's efforts, auditors determined that the risk associated with the audit team's initial findings has not been fully mitigated. As a result, the Division may revisit these risk areas in future audits to ensure appropriate corrective action is taken.

For your reference, this report includes a Highlights page that provides background and summary information on the original audit and the completed follow-up effort. Following the Highlights page is a detailed implementation status update for each recommendation. Although we did not update the status of recommendations with which the Department disagreed, these recommendations are included in the status update section as a reference.

This concludes audit follow-up work related to this audit. I would like to express our sincere appreciation to you and to Department personnel who assisted us throughout the audit and follow-up process. If you have any questions, please feel free to contact me at 720-913-5029 or Marcus Garrett, Internal Audit Supervisor, at 720-913-5086.

Sincerely,

Kip Memmott, MA, CGAP, CRMA
Director of Audit Services

KRM/mg

cc: Honorable Michael Hancock, Mayor

*To promote open, accountable, efficient and effective government by performing impartial reviews and other audit services that provide objective and useful information to improve decision making by management and the people.
We will monitor and report on recommendations and progress towards their implementation.*

Honorable Members of City Council
Members of Audit Committee
Ms. Cary Kennedy, Deputy Mayor, Chief Financial Officer
Ms. Janice Sinden, Chief of Staff
Mr. David P. Edinger, Chief Performance Officer
Ms. Beth Machann, Controller
Mr. Scott Martinez, City Attorney
Ms. Janna Young, City Council Executive Staff Director
Mr. L. Michael Henry, Staff Director, Board of Ethics
Ms. Mary Beth Klee, Department of Safety, Deputy Chief of Administration

*To promote open, accountable, efficient and effective government by performing impartial reviews and other audit services that provide objective and useful information to improve decision making by management and the people.
We will monitor and report on recommendations and progress towards their implementation.*

REPORT HIGHLIGHTS



Police Department Administration Follow-up Report: December 2014

The Denver Police Department has implemented the majority of recommendations made in the February 2013 audit report and strives to reduce risk identified in the audit.

Background

Denver Police Department (DPD) Administration is responsible for executing mission-critical activities, including budget administration and strategic planning. DPD's budget represents 20 percent of the City's General Fund appropriations. More than 92 percent of DPD's 2012 General Fund appropriated budget was for personnel.

In addition, off-duty work involves DPD uniformed personnel working additional hours outside of their normal shift. Off-duty employment is wide ranging, with officers providing law enforcement at preapproved vendors and contractors around the City.

Purpose

The purpose of the audit was to:

- Determine DPD's adherence to best practices for using performance measurements to inform budget-related decisions;
- Assess the level of internal control over the implementation of the off-duty program; and
- Assess the extent to which budget cuts impacted DPD for a six-year period ending in 2012.

Highlights from Original Audit

Finding 1: DPD Should Formally Use Performance Budgeting to Ensure that Limited Resources Advance Department Goals:

DPD bases staffing allocation decisions on authorized strength, which is a budget-related number negotiated between DPD and the Budget and Management Office (BMO), and neither BMO nor DPD uses set criteria or a performance-based methodology for establishing authorized strength. Performance-based budgeting (PBB) is an approach that explicitly links strategic planning, performance measurement, and budgeting. The PBB approach allows governmental entities to better achieve key goals and provides greater accountability, allowing citizens to see more clearly the value of their tax dollars and, in the case of law enforcement entities, to provide citizens greater assurance about public safety in their communities.

Finding 2: Improved Internal Controls over Off-Duty Police Work Need Further Development:

DPD has a number of policies dictating how off-duty employment should be administered. Specifically, officers may not work more than sixteen hours on- or off-duty during a twenty-four-hour period. By 2008, DPD had fully implemented *TeleStaff*, a centralized, automated time tracking system that contains time worked by all uniformed personnel and all related requests for time off. Although DPD has implemented a number of best practices, the Department does not track individual off-duty payments made directly to officers.

Findings at Follow-up

Our follow-up work determined that DPD has fully implemented eight of the fourteen recommendations made in the audit report. The Department is still in the process of implementing two recommendations (1.1 and 1.4) regarding PBB practices. The Department disagreed with three recommendations (2.1, 2.2, and 2.3).

Recommendations: Status of Implementation

Recommendation	Auditee Action	Status	
Finding 1: DPD Should Formally Use Performance Budgeting to Ensure that Limited Resources Advance Department Goals			
<p>1.1</p>	<p>The Manager of Safety should direct DPD, in consultation with the Budget and Management Office, to implement a formal performance-based budgeting system.</p>	<p>When applicable, performance-based budgeting (PBB) was used to create the 2014 Denver Police Department budget process and presentation to BMO, the Mayor, and City Council. Performance-based methodology was used for establishing authorized strength for the 2014 DPD Budget. Further movement towards PBB will be evident in the next budget cycle.</p>	<p>Agree/ Not Implemented</p>
<p>1.2</p>	<p>The Manager of Safety should direct DPD to develop a strategy for implementing a PBB system that would address at minimum the issues identified in this report, including but not limited to: creating a performance-based methodology for determining staffing levels; using performance goals to establish fleet size and other equipment procurement practices; and identifying appropriate staffing levels within the districts and individual units of the Department based on performance goals.</p>	<p>A strategy for implementing a partial PBB system is in place. DPD's Data Analysis Unit (DAU) created a performance-based staffing initiative based on a formula to show outcomes such as response times, case clearance rates, proactive work time, and property and violent crimes rates that result from different staffing levels. Performance goals were used to implement the re-precincting plan that became effective July 14, 2013. The plan was put into effect in conjunction with team policing, both of which efficiently reallocated resources based on crime prevention strategies outlined in DPD's 2013 Strategic Plan.</p>	<p>Implemented</p>

Recommendations: Status of Implementation

Recommendation	Auditee Action	Status
<p>1.3</p> <p>The strategy development process recommended in 1.2 should include key subject matter experts within the Department, such as the Chief of Police, the director of financial services, the grants administrator, and personnel from the Data Analysis Unit, and have broad representation from other key offices, such as DPD patrol officers and detectives and representatives from BMO, the Manager of Safety’s Office, and Peak Performance.</p>	<p>All DPD personnel listed in the recommendation are involved in moving the department to PBB. DPD patrol officers and detectives are represented through the input of their command officers and the performance measures they help develop in the DPD Strategic Plan. The strategy-development process is also done in consultation with the Manager of Safety’s Office through Peak Performance.</p>	<p>Implemented</p>
<p>1.4</p> <p>The Manager of Safety should direct DPD to create a long-term plan and schedule for evaluating performance against current expenditures on at least a quarterly basis.</p>	<p>The DPD Financial Services Division has established financial reporting categories in PeopleSoft that mirror the new organizational structure. Financial reports are distributed to command staff monthly including grant financial reports. The difficulty in fully implementing the recommendation is the length of time necessary to see results to enable an evaluation of performance against expenditures based on staffing outcomes. The department also uses the quarterly reported outcomes from the DPD Strategic Plan to measure performance in each area of the department. DPD has developed a performance-based measurement that proves a direct correlation between number of officers hired (staffing) and outcomes.</p>	<p>Agree/Not Implemented</p>

Recommendations: Status of Implementation

Recommendation	Auditee Action	Status
<p>1.5 To effect a culture change in the Department, the Manager of Safety should ensure that DPD provides training to civilian and uniform personnel who have key roles in the budget development process on performance measurement and linking outcomes to spending.</p>	<p>The department will continue to train additional key personnel through Peak Academy. The Data Analysis Unit (DAU), the Operation Support Division, the Department of Safety’s Human Resources function have several black and green belt trained employees. The Director of Financial Services attended the Major City Chiefs Financial Management Conference in August 2013 to obtain information and training as available on PBB.</p>	<p>Implemented</p>
<p>1.6 To further enhance the cultural support for performance-based budgeting in DPD, the Manager of Safety should ensure that DPD provides iterative information to DPD personnel who are not generally involved in the budget process. Information could be provided through formal trainings, informal iterative information sharing such as emails, or through roll calls at the beginning of shifts.</p>	<p>The DPD Finance Director implemented an Intranet site available to all employees as described in recommendation 1.3. In addition the site is advertised in the DPD Daily Bulletin and all commanders are supplied with face-to-face updates to pass onto their employees at their bi-weekly Chief and Command staff meetings.</p>	<p>Implemented</p>
<p>1.7 The Manager of Safety should direct DPD to revise its strategic plan to ensure that all activities and strategies have measureable outcomes and outcome indicators and to ensure that all activities are clearly linked both to department strategies and the overall mission.</p>	<p>The DPD 2013 Strategic Plan shows inputs, outcomes, and linkage to department strategies. Full implementation is expected in the 2014 Strategic Plan.</p>	<p>Implemented</p>

Recommendations: Status of Implementation

	Recommendation	Auditee Action	Status
1.8	The Manager of Safety should ensure that the DPD Planning Unit obtains input from various uniformed ranks and civilian positions in the strategic planning process.	The DAU will continue to ensure that the DPD Strategic Plan contains input from sworn and civilian employees about their areas of responsibility as the plan is updated. The DAU will be responsible for the Strategic Plan as this Unit is most closely aligned with the PBB objectives and the use of performance measures, outcomes, and efficiencies.	Implemented

Finding 2: Improved Internal Controls over Off-Duty Police Work Need Further Development

2.1	The Manager of Safety should ensure that DPD runs weekly exception-based reports that help ensure compliance with DPD's operations manual regarding off-duty employment. These exception-based reports should include but not be limited to verifying compliance with daily and weekly on- and off-duty time restrictions and supervisor approvals prior to the performance of off-duty work.	The agency disagreed with this recommendation in the original audit report and therefore did not pursue implementation.	Disagree
2.2	If 2.1 is implemented, the Manager of Safety should ensure the Secondary Employment Office can run these exception-based reports.	The agency disagreed with this recommendation in the original audit report and therefore did not pursue implementation.	Disagree
2.3	The Manager of Safety should ensure that DPD provides specific guidance regarding the minimum level of liability coverage required in the off-duty contract templates.	On April 22, 2013, a meeting was held with DPD, Risk Management, and the City Attorney's office. A minimum liability coverage limit of \$1 million dollars was recommended, but upon further review by DPD, this recommendation was not implemented.	Disagree

Recommendations: Status of Implementation

Recommendation	Auditee Action	Status
<p>2.4</p> <p>In consultation with the City Attorney’s Office and the Department of Risk Management, the Manager of Safety should ensure that DPD develops off-duty contract templates with language specifying police actions the City will cover versus those actions the contractors’ insurance liability must cover during the performance of off-duty work.</p>	<p>On April 22, 2013, a meeting was held with DPD, Risk Management and the City Attorney's Office. Consensus was reached that the language recommended by auditors would not be practical and was not necessary. The City Attorney's Office advised that the current language is appropriate.</p>	<p>Implemented</p>
<p>2.5</p> <p>The Manager of Safety should ensure that DPD obtains current and valid proof of insurance from all contractors looking to employ uniformed personnel in an off-duty capacity.</p>	<p>The City Attorney and Risk Management agreed with this recommendation. Upon further review, DPD decided not to implement this recommendation.</p>	<p>Agree/Not Implemented</p>

Recommendations: Status of Implementation

	Recommendation	Auditee Action	Status
2.6	<p>The Manager of Safety should instruct DPD Command to review the off-duty program best practices provided by the Auditor’s Office and any additional law enforcement sources that may provide reliable best practices. At minimum, DPD’s assessment should include a review of the Department’s current policies on the allowance of cash payments, implementing a uniform off-duty pay scale, and establishing an administrative fee to offset departmental expenses as recommended by the U.S. Department of Justice. Any proposed changes to the off-duty program should include an assessment of administrative costs or burden to the Department prior to implementation.</p>	<p>To review possible best practices, the Civil Liability Bureau performed an in-depth review of outside police agency policies in Spring 2013. As a result of this review, it was recommended that the department: 1) continue with its policy of allowing officers to accept cash payment for secondary employment; 2) continue with its policy of allowing officers to negotiate pay scales with individual employers; 3) continue with its policy of not charging an administrative fee; and 4) require police supervisory approval of all secondary employment contracts, which would be conducted by the Secondary Employment Office. Liability insurance training is now being provided by Risk Management, and a Secondary Employment link has been added to the Denvergov.org website to allow prospective employers to review the policies and restrictions on employing off-duty police officers as well as making the Secondary Employment Contract Form available for review.</p>	Implemented

Conclusion

While the Department has made an effort to implement many of the recommendations made in the Police Department Administration audit report, others have yet to be fully implemented. The Auditor's Office recognizes that some outstanding recommendations may not have been fully implemented due to limitations within the City, such as DPD's inability to access a performance-based budgeting software system. The Department states that it will continue to identify opportunities through the work of its Data Analysis Unit and Finance Division to implement performance-based budgeting when possible. For instance, the Department stated that the agency has begun using quarterly reported outcomes from the DPD Strategic Plan to measure performance in each area of the Department. This performance-based measurement provides a direct correlation between number of officers hired (staffing) and outcomes. The Audit Services Division may revisit these areas in future audits to ensure that proactive and appropriate corrective action is taken.

On behalf of the citizens of the City and County of Denver, we thank staff and leadership from the Department for their cooperation during our follow-up effort and for their dedicated public service.