Police Department
Firearm Inventory Controls

August 7, 2019

Report Highlights

New Firearm Inventory

Based on our testing, new firearm purchases were properly recorded in the inventory database.

Firearm Inventory Tracking

Inventory tracking activities do not comply with established policies and cannot be relied upon for accuracy.

Rifle Procurement/Trade-In

The rifle procurement/trade-in that occurred in 2013 did not comply with City policy; there was no authorization for the exception.

Inventory Tracking System

The database used by Police to track firearm inventory does not have sufficient controls to ensure the data is reliable.

Executive Summary

Purpose

Our purpose was to determine that the Police Department's controls were adequate to ensure its firearm inventory was accurate and reliable.

Background

According to the Police Department's (Police) official inventory records, there are 5,322 firearms in inventory. Per Police policy, Property Management Bureau (PMB) is responsible for maintaining the official record for firearms. PMB uses the Equipment Management database for tracking inventory, but relies on the Training Bureau (TB), as well as the other bureaus and precincts, to report firearm transfers and obsolete inventory. All purchases of firearms are required to be authorized by PMB and the Fiscal Management Division. According to City policy, purchases are processed through the City's Supplier Relationship Management System (SRM). PMB is responsible for procuring, receipting, inventorying, and distributing handguns, shotguns, and stunbag shotguns (stunbags) to the TB. The TB is responsible for procuring, receipting, inventorying, and distributing rifles.

Police Firearms

Type of Firearm	Percent of Total
Handguns	62%
Stunbags	18%
Rifles	12%
Shotguns	8%

Handguns represent the largest group of firearms.

Results in Brief

Based on our testing, new handgun and rifle purchases were properly recorded in inventory.

Handguns – According to SRM, 792 handguns were purchased from June 2015 through November 2018. Using serial numbers, we traced these handguns to the Equipment Inventory database, without exception.

Rifles – We found that 153 newly acquired Colt rifles were properly documented in the spreadsheets maintained by the TB. However, no official records existed within SRM to support their acquisition.

Shotguns – According to SRM, no shotguns have been purchased since 2013.

Segregation of Duties – Controls were not in place to ensure the same person was not responsible for procuring, receipting, inventorying, tracking, and disposing of firearm purchases.

Firearm inventory activities did not comply with established policies; firearm inventory records cannot be relied upon for accuracy.

Firearm inventory records could not be relied upon for accuracy or completeness due to the following:

- Purchasing, issuing, and tracking of firearms is decentralized without a formalized process to ensure the accuracy and completeness of inventory.

- Internal Police audits identified that the location of handguns was not always reported and recorded.

- Rifle and shotgun inventory records are based on self-reported information that is not verified.

- Routine inventory audits are not conducted as required by policy.

- Stunbag inventories are decentralized and are maintained on a spreadsheet that does not contain historical data. Stunbags are assigned to precinct coordinators, although stunbags are placed in vehicles and are moved multiple times per day. Police could not locate 30 (3%) stunbags.

The TB rifle procurement /trade-in, that occurred in 2013, did not comply with City policy; no authorization was on file for the exception.

The 2013 rifle procurement/trade-in by the TB did not comply with A.R. 5.13, which prohibited unauthorized Police buy-back and a potential related party transaction. The rifle procurement/trade-in also did not comply with A.R. 3.10, which required the following:

- Council approval

- Signed contract

- Minimum of three bids or an approved exception

The Equipment Inventory application used by Police to track firearm inventory did not have sufficient controls to ensure reliance on the data.

The Equipment Inventory application, used to track inventory, uses the City's network access system, Active Directory, to provide access to the database. Although Active

Directory helps ensure that only *active* employees have access to the system, controls did not ensure that only *authorized* employees have access to the application.

City Auditor Department

Department Responses to Recommendations

Rec. # 1.1: Establish adequate segregation of duties for firearm record keeping, and firearm custody.	
Response: Firearms are ordered and processed through the SRM system by a PMB Supply Clerk. The order gets forwarded to the Police Supply Supervisor, who approves the order, which then gets forwarded to a secondary approver in City Finance. Once the firearms are shipped and received in Supply, the Supply Clerk will verify that the quantity received matches the invoice. A Good Receipt is then completed. The firearms are then verified by serial number and placed in the gun room by a police assistant. The supervisor then enters the serial numbers into the Equipment Inventory system. This process ensures that the segregation of duties is adequate.	***Target Date***: Completed
Explanation, Target Date > 90 Days:	

Rec. # 1.2: Regularly perform a supervisory review of Equipment Inventory activity to ensure there are no unauthorized transactions.	
Response: Training Bureau staff are currently, and will regularly perform supervisory reviews of equipment inventory activity to ensure there are no unauthorized transactions. Reviews will be based on a report from Equipment Inventory that details edits/deletions and additions. Proper procurement procedures will be documented in the Training Bureau Manual to ensure that all future purchases of firearms are done in accordance with appropriate city policies.	***Target Date***: 10/31/2019
Explanation, Target Date > 90 Days:	

Rec. # 2.1: Conduct a firearm inventory count to determine the existence, location, and status of all firearms.	
Response: Police will conduct an inventory count of all firearms and at all locations. Police will investigate the variances and ensure accurate recording of firearms.	***Target Date***: 12/31/2019
Note: Benchmarks	
• Establish project team (August 1, 2019)	Completed
• Complete department firearms inventory using an interim electronic tracking method	12/31/2019
• Identify electronic tracking system for all firearms	07/31/2020

Explanation, Target Date > 90 Days: Police Executive Staff is researching appropriate equipment and weapons tracking systems.

Rec. # 2.2: Track all firearms in one system of record to streamline the reconciliation process and ensure custodial accountability.

Response:	*Target Date*:
• A Firearms inventory will be completed by the project team and all weapons will be documented in an interim electronic tracking system	12/31/2019
• Police will complete a scope of work and request purchase of a new EIS/inventory tracking system	11/30/2019
• Police will use one location within an electronic system to record all firearms owned by the City	12/31/2019

Explanation, Target Date > 90 Days: Due to the procurement process the 90-day time period will not be reached. Within the 90 days, a program will be researched with the required data entry and security requested.

Rec. #: 2.3 *Ensure transfer forms are forwarded to PMB to permit proper tracking of firearms in the designated Equipment Inventory database.*

Response:	*Target Date:*
• Police will ensure all transfer forms are forwarded to the Training Bureau to be reviewed, maintained, and document appropriate updates to the interim electronic tracking system until the new inventory system is fully implemented	12/31/2019
• Once the new system is implemented, electronic forms will be used by each bureau and sent to the Training Bureau	07/30/2020
• A formalized process will be documented, and training conducted to ensure inventory records are kept up to date and accurate	12/31/2019

Explanation, Target Date > 90 Days: It will take several months to coordinate across the appropriate staff and document the process required for directing the transfer forms and formalizing the process. Due to the procurement process to implement a new system the time frame will exceed 90 days.

Rec. #: 2.4 Ensure a process is in place to conduct routine firearm inventory counts as required by policy. Investigate and document reasons for variances.

Response: The Training Bureau Staff is in the process of establishing protocols for routine firearm inventory counts as	*Target Date:* 10/31/2019

required by policy. The process includes documenting reasons for variances. Variances that cannot be documented through inventory procedures (such as a missing weapon) will be reviewed with Professional Standards personnel to determine if an Administrative Investigation is required.

The Training Bureau staff will ensure that all Equipment Coordinators will be properly trained and held accountable regarding the new protocols that will be set in place.

Explanation, Target Date > 90 Days:

Rec. #: 3.1   Comply with A.R. 3.10 regarding formal procurement standards and Operations Order 4.25 regarding obtaining proper approval prior to entering into purchasing agreements.

Response: The Training Bureau Commander will ensure compliance with A.R. 3.10 by communicating with all Command and Executive Staff, through a formal staff meeting.	***Target Date:*** 09/30/2019

Explanation, Target Date > 90 Days:

Rec. #: 3.2   Implement a centralized acquisition/disposal area for all firearms to ensure newly purchased firearms and the disposal of firearms are tracked appropriately.

Response: The new inventory system will create a single point of inventory where all firearms will enter the system. Through the administrative function, all firearms will be entered by a single source and will also be removed through a similar process. The entrance or exit of a firearm, from the system, will also require paper documentation (packing slips) to be scanned and added to the inventory file.	***Target Date:*** 07/31/2021

Explanation, Target Date > 90 Days: Due to the procurement process, the 90-day time period will not be reached. Upon approval from ALL City procurement processes, the 90 day target cannot be met.

Rec. #: 3.3   Establish written procedures that comply with A.R. 5.13 for firearms disposals to prevent any unauthorized firearm transactions from occurring, including:

- An avenue to dispose of firearms that agrees with the Finance Department policies and A.R. 5.13.

- The establishment of roles and responsibilities for those allowed to approve and carry out firearms disposals.

Response: Written policy will be created to follow the City A.R. to follow firearms disposal procedures. Roles and responsibilities will be highlighted within the policy.	*Target Date:* 10/31/2019

Explanation, Target Date > 90 Days:

Rec. #: 4.1 Determine data fields that should be maintained for firearm inventory records and modify the application to have required fields and edit checks. At a minimum, the application should include the inventory serial number, item description, officer badge number, date issued, location of item, transfer date, transfer location, disposal date, and disposal location.

Response: The IT Bureau and the Training Bureau will determine the key data fields required for maintaining firearm inventory records for the interim tracking system. The fields will be reviewed, revised, and required in the new permanent system.	*Target Date:* 08/31/2019 07/31/2021

Explanation, Target Date > 90 Days: The fields will be reviewed, revised and required in the new permanent system. This process cannot be implemented until approval for the new permanent system is provided, purchased, and implemented.

Rec. #: 4.2 Limit administrative rights to only those individuals with a valid business need to add/remove users and take other administrative actions.

Response: ITB will create a report showing permission assignments The Training Bureau will review the existing administrative rights for the Equipment Inventory system and request changes to ITB to limit administrative rights This review process will be documented and performed on an annual basis	*Target Date:* 10/31/2019

Explanation, Target Date > 90 Days:

Rec. #: 4.3 Ensure the Equipment Inventory application risk of unsupported software is addressed by running it on a supported operating system and updating the application as required.

Response: The application is running on a supported operating system (Windows Server 2012 r2) and database (SQL 2012 sp3). The application has been updated to meet Windows 10	*Target Date:* Completed

compliance. Long term, the application requires replacement to mitigate the risk of becoming unsupported.

Explanation, Target Date > 90 Days:	

Rec. #: 4.4 Upgrade the application from Visual Basic 6 to a supported system, one that will allow the application to run on a supported platform (upgrade off Windows XP).	
Response:	***Target Date:***
ITB will work with Police to complete a full assessment of the department's needs in order to compose a business case and gather business requirements to procure and implement a new inventory system that will be in compliance and run on a supported platform. This will follow the city's procurement process for RFP and project management execution.	7/31/2021

Explanation, Target Date > 90 Days: Due to the procurement process, the 90-day time period will not be reached.

City Auditor Department

1 – Firearm Purchases

Background

Firearm purchases are reviewed as part of an inventory control audit to ensure that all newly purchased firearms are tracked and recorded in inventory. Police uses the City's electronic purchasing system, SRM, to process firearm purchases.

The following policies govern the procurement and inventory of Police firearms:

- Administrative Regulation 3.10 *General Procurement Procedure,*
- Administrative Regulation 5.13 *Accountability and Inventory Control for City-Owned Property,*
- Police Property Management Bureau policy 15 (PMB-15) *Purchase, Receipt, and Distribution of Supplies, and*
- Police Operations Order 4.25, *Firearms Regulations.*

According to policy, Police Property Management Bureau (PMB) is responsible for purchasing handguns, rifles, and shotguns. Stunbags are procured as shotguns and subsequently converted to non-lethal use.

We reviewed handgun purchases from June 2015 to November 2018 and rifle purchases from 2009 to November 2018. We did not review purchases for shotguns since no shotgun purchases were made after 2009. According to the Police's inventory records, there are 5,322 firearms in inventory.

Police Firearms

Type of Firearm	Percent of Total
Handguns	62%
Stunbags	18%
Rifles	12%
Shotguns	8%

Handguns represent the largest group of firearms.

City Auditor Department

Results

Based on our testing, new handgun purchases were properly recorded in the Equipment Inventory database.

According to SRM, 792 handguns were purchased. We traced all handguns purchased by serial numbers to the Equipment Inventory database without exception.

According to SRM, no rifles, or shotguns were purchased since 2013. See Observation 3 for rifle purchase testing that was not recorded in SRM.

Controls were not adequate to ensure segregation of duties over purchase and maintenance of handgun inventory.

In Police, the same person was responsible for handgun purchases and inventory.

- Ordering firearms
- Receiving firearms
- Entering and tracking firearms in the Equipment Inventory program
- Transferring of firearms

Based on our review, adequate segregation of duties was not present. In SRM, supervisory approval was properly performed for the purchase of firearms. However, the same person that is ordering and receiving firearms is also entering firearms in the Equipment Inventory database. Changes can be made to this same database without being detected. Therefore, we cannot be assured that all handgun purchases are recorded in the inventory. Ideally, a person separate from the purchasing function should be performing inventory logging and receiving duties. In addition, supervisory review of the database event log should occur regularly.

Recommendations

1.1 Establish adequate segregation of duties for firearm record keeping, and firearm custody.

1.2 Regularly perform a supervisory review of Equipment Inventory activity to ensure there are no unauthorized transactions.

2 – Firearm Tracking

Background

PMB maintains the official inventory of handguns and shotguns using a visual basic program called "Equipment Inventory." PMB relies on accurate and timely reporting of firearm location changes from the TB, specialized bureaus, and the precincts. Records for Inventory control and City-owned rifles are maintained by precincts and bureaus using spreadsheets.

The following policies govern the procurement and inventory of Police firearms:

- Administrative Regulation 5.13 *Accountability and Inventory Control for City-Owned Property,*

- Police Property Management Bureau policy 15 (PMB-15) *Purchase, Receipt, and Distribution of Supplies, and*

- Police Operations Order 4.25, *Firearms Regulations.*

We tested compliance with Police and Citywide policies for tracking of firearms.

Results

Inventory tracking of firearms does not comply with established policies and cannot be relied upon for accuracy.

Handguns – Professional Standards Bureau (PSB) conducted an inventory of handguns in April 2018. We compared PSB's inventory to PMB's Equipment Inventory as of August 2018. PSB reported 63 handguns were in inventory compared to PMB's report that showed 82 handguns. Other findings include the following:

- 46 handguns matched by serial numbers.

- 36 handguns were accounted for, but the location was not accurate.

- 10 handguns were identified by PSB, but were not recorded on PMB's inventory report.

Per PMB, the 10 handguns mentioned above were in the Equipment Inventory database, but were not captured by reports. These handguns were entered into the database under various non-descriptive categories. Handguns can be found by querying the serial number. If the serial number is not known, PMB does not know the handgun should be in inventory.

Stunbags – The TB tracks stunbag inventory using spreadsheets. The TB relies on accurate and timely reporting of stunbag location changes from the precincts. In 2018, the TB reported that approximately 30 out of 955 stunbags could not be located.

Rifles and Shotguns – The TB tracks the number of rifles and shotguns on spreadsheets for patrol officers. We selected a sample of 5 rifles and 5 shotguns located at the TB and traced the shotgun serial numbers to the inventory spreadsheets. We also selected a sample of 5 rifles and 5 shotguns from the inventory spreadsheets to the rifle and shotgun inventory. No exceptions were noted; however, we noted that the serial number, location, and officer badge number is self-reported each time an officer qualifies, and not independently verified. Therefore, the accuracy of the rifle inventory data cannot be confirmed.

The TB also relies on accurate and timely reporting of rifle and shotgun inventory located at the various specialized bureaus. This information is self-reported and not verified by the TB.

<ins>*Annual Inventory Reconciliation*</ins>

Police does not perform an annual inventory of firearms as required by City and department policy.

<ins>*Tracking of Firearm Inventory*</ins>

Rifle, shotgun, and stunbag inventory is maintained on Excel spreadsheets. These spreadsheets do not track asset history or changes that are made to the spreadsheets. The spreadsheets do not have controls to prevent data errors, copy/paste mistakes, or duplication of data.

Recommendations

2.1 Conduct a firearm inventory count to determine the existence, location, and status of all firearms.

2.2 Track all firearms in one system of record to streamline the reconciliation process and ensure custodial accountability.

2.3 Ensure transfer forms are forwarded to PMB to permit proper tracking of firearms in the designated Equipment Inventory database.

2.4 Ensure a process is in place to conduct routine firearm inventory counts as required by policy. Investigate and document reason for variances.

City Auditor Department

3 – Rifle Acquisition/Trade-In and Disposal

Background

According to PMB-15, PMB is responsible for purchasing rifles. In 2013, the TB acquired 153 rifles for the Police patrol rifle detail. The terms of the transaction included a non-cash trade of 153 City-owned AR15 rifles for 153 new Colt manufactured rifles. The rifle exchange took place the week of May 13th, 2013. Rifle qualified officers exchanged their existing rifles for the new Colt rifles. The market value of the 153 new Colt AR15 rifles was approximately $120,870.00.

We reviewed this transaction to determine that the purchases were properly recorded in SRM, newly acquired rifles were recorded in Equipment Inventory, and old rifles were properly disposed.

Results

The rifle procurement/trade-in that occurred in 2013 did not comply with City policy and there was no authorization for the exception.

The 2013 rifle procurement/trade-in by the TB did not comply with A.R. 3.10, which required the following:

- Council approval
- Signed contract
- Minimum of three bids or an approved exception

Documents were not retained by Police to support the procurement. According to Operations Order 4.25, "*no precinct/bureau will purchase rifles without prior authorization by the executive assistant chief.*"

PMB-15 states that, "when a precinct or bureau no longer needs an item, it is the bureaus' responsibility to complete the proper documentation and transport the City property to Supply with copies of all related documentation." The TB processed the required documents.
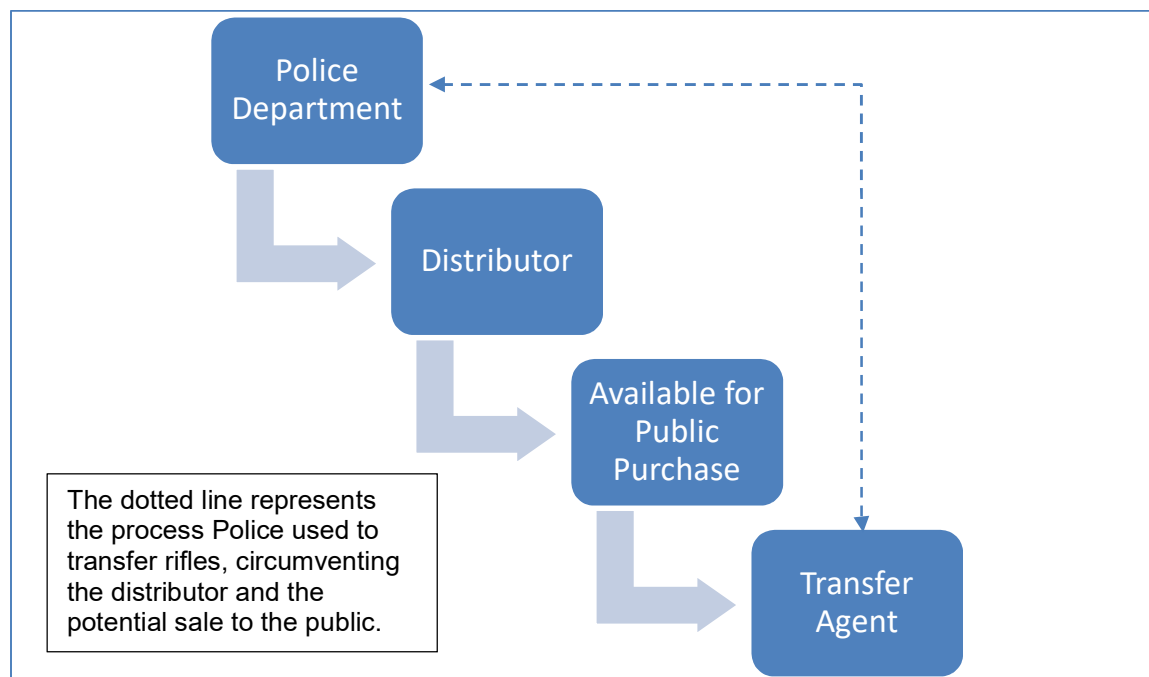
Inventory Control/Records

Although the newly acquired Colt rifles were properly documented in the spreadsheets maintained by the TB, no official records existed within SRM or public records to support the acquisition of 153 Colt rifles.

City Auditor Department

Unauthorized Police Buy-Back

PMB-15 states that retiring officers may request to purchase their service weapons at a cost of $1; payment will be made through the Fiscal Management Division (FMD). However, the file showed that police officers purchased back 36 rifles including 5 Colt AR15 rifles. The officers who purchased the rifles were not retiring, and did not have on file an approved request to purchase. Instead, the officers purchased the rifles directly from a Transfer Agent, who obtained the rifles directly from Police. Additionally, City policy, A.R. 5.13, prohibits the direct purchase of City-owned assets, specifying instead that disposals are to be sold at auction. Further, the Gun Control Act of 1968 does not exempt law enforcement organizations from selling firearms directly to individuals unless properly licensed. Police does not have a federal firearms license to sell firearms.

The following chart depicts a simplified version of the process for Police to properly dispose of duty firearms, and for officers to purchase duty firearms to be compliant with A.R. 5.13.

Police Buy-Back Process

The dotted line represents the process Police used to transfer rifles, circumventing the distributor and the potential sale to the public.

Potential Related Party Transaction

The Transfer Agent used to transfer rifles to the purchasing officers was and currently is an officer of the Phoenix Police Department. Notes in the file indicated the Transfer Agent/employee collected a transfer fee and the purchase price from officers for the rifles purchased. A.R. 3.10 specifically disallows any City employee from representing a business for compensation regarding any part of a formal procurement. This transaction created an appearance that a conflict of interest occurred, and that the purchase of the new rifles could have been influenced by the transfer agent since he

stood to profit from the transaction both as an agent for himself and for the rifle distributor.

Recommendations

3.1 Comply with A.R. 3.10 regarding formal procurement standards and Operations Order 4.25 regarding obtaining proper approval prior to entering into purchasing agreements.

3.2 Implement a centralized acquisition/disposal area for all firearms to ensure newly purchased firearms and the disposal of firearms are tracked appropriately.

3.3 Establish written procedures that comply with A.R. 5.13 for firearms disposals to prevent any unauthorized firearm transactions from occurring, including:

- An avenue to dispose of firearms that agrees with the Finance Department policies and A.R. 5.13.

- The establishment of roles and responsibilities for those allowed to approve and carry out firearms disposals.

City Auditor Department

4 – Reliance on Equipment Inventory

Background

PMB relies on Equipment Inventory as the official source of record for handgun and shotgun inventories. Equipment Inventory is an application created in 2002 for Police to track inventory, including sensitive inventory such as firearms. The primary users of this application are PMB, ITB staff, Bureau Equipment coordinators, and Firearms and Tactical Details.

We determined if adequate controls exist, within the Equipment Inventory application to ensure reliance on the data.

Results

The Equipment Inventory application used by Police to track firearm inventory does not have sufficient controls to ensure reliance on the data.

Equipment Inventory – Access Management

The Equipment Inventory program is accessible behind the Police Point network. The application uses Active Directory to provide access to the database. Although Active Directory helps ensure that only active employees have access the system, controls do not ensure that only authorized persons have access to the application.

We obtained a list of users with access permissions to the firearm section of the Equipment Inventory database. PMB has seven employees with a business need for access to this area of the Equipment Inventory application; however, there are 38 total application administrators with permissions to add or delete users and modify inventory records in this area. Also within the application, there is a box to check that makes it optional to save a record from being modified. Application logs and reports are available, but are not used to monitor or detect unauthorized changes to the firearm inventory records.

Equipment Inventory – Required Fields and Edit Checks

Inventory records are categorized and assigned to bureaus/details. Data validity relies on the authorized user instead of the application having built-in controls. We would expect certain information to be required data fields within the application, such as serial numbers, police officer badge numbers, location, etc. Edit checks are also important to ensure that data are entered correctly; for example, a date field should only accept dates, entered in a consistent manner. Other expected edit checks would include not allowing duplicate data to be entered, such as firearm serial numbers. Built-in edit checks and reports would capture out of range entries or inconsistent entries. Police does not have systematic reviews or exception reports to examine the accuracy or present error rates of the data.

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Equipment Inventory – Data Loss and Vulnerabilities

Equipment Inventory is based on a 2002 Visual Basic programming environment from Microsoft. Due to the age of Equipment Inventory, it can only be run on Windows XP. Both Visual Basic 2002 and Windows XP are no longer supported by Microsoft. This means that Microsoft stopped providing users with security updates, leaving the operating system and software more vulnerable to security threats.

Recommendations

4.1   Determine data fields that should be maintained for firearm inventory records and modify the application to have required fields and edit checks. At a minimum, the application should include the inventory serial number, item description, officer badge number, date issued, location of item, transfer date, transfer location, disposal date, and disposal location.

4.2   Limit administrative rights to only those individuals with a valid business need to add/remove users and take other administrative actions.

4.3   Ensure the Equipment Inventory application risk of unsupported software is addressed by running it on a supported operating system and updating the application as required.

4.4   Upgrade the application from Visual Basic 2002 to a supported system, one that will allow the application to run on a supported platform (upgrade off Windows XP).

City Auditor Department

Scope, Methods, and Standards

Scope

We evaluated firearm inventory controls and policies currently in place, and firearm purchase history from June 2009 to present.

Methods

We used the following methods to complete this audit:

- We identified and tested key controls over firearms inventory.

- We interviewed Police personnel responsible for firearm inventory.

- We obtained an electronic copy of the Equipment Inventory database.

- We analyzed the Equipment Inventory database and inventory spreadsheets for completeness and accuracy.

- We reviewed account provisioning for inventory applications.

- We observed safeguarding of firearms.

Unless otherwise stated in the report, all sampling in this audit was conducted using a judgmental methodology to maximize efficiency based on auditor knowledge of the population being tested. As such, sample results cannot be extrapolated to the entire population and are limited to a discussion of only those items reviewed.

Standards

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the performance 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.

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