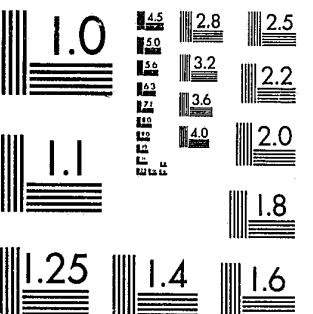


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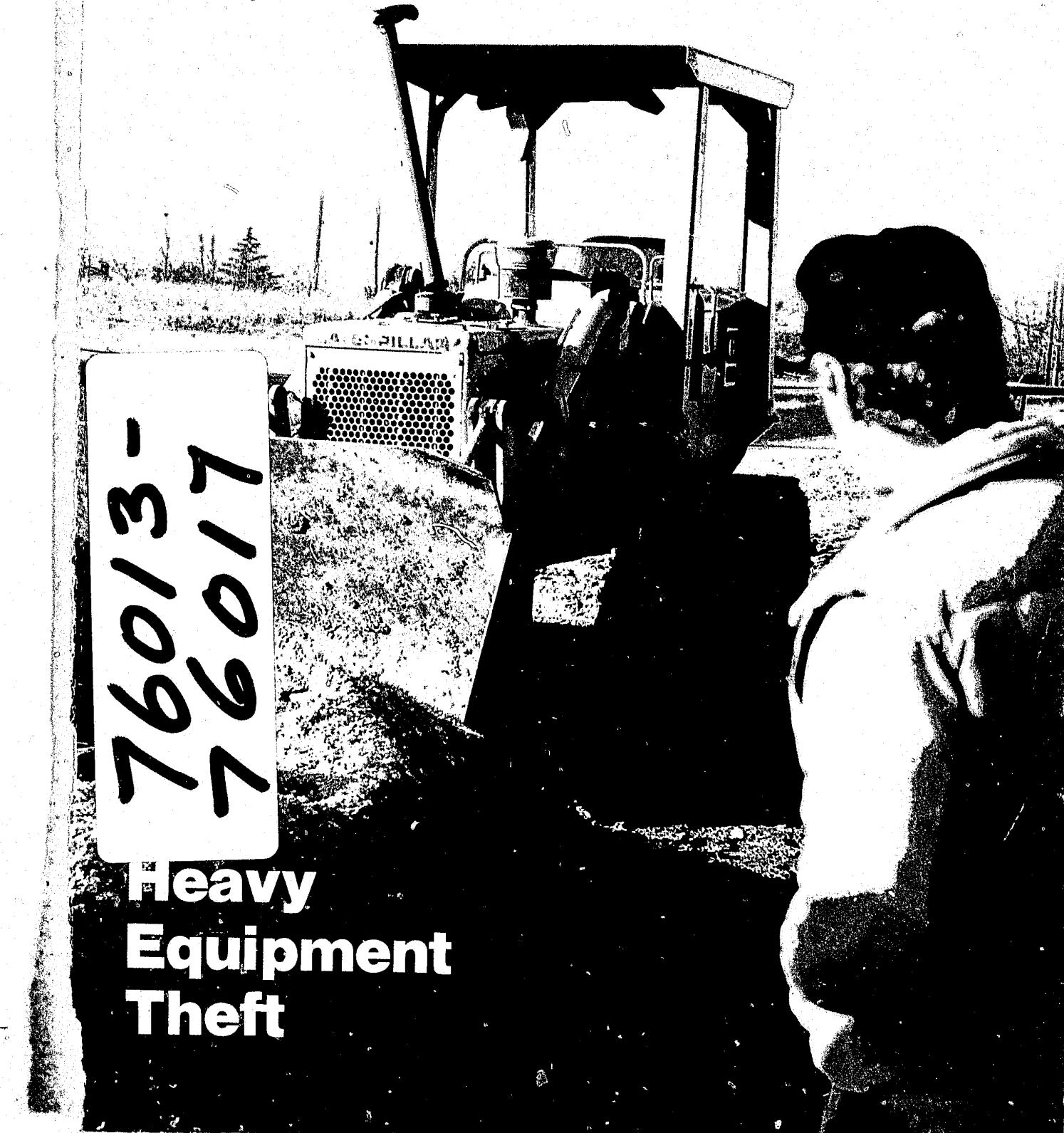
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FBI LAW ENFORCEMENT BULLETIN

MARCH 1981

76013-
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Heavy Equipment Theft



76016

Management

FBI LAW ENFORCEMENT BULLETIN

MARCH 1981, VOLUME 50, NUMBER 3

EMB

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Federal Bureau of Investigation
United States Department of Justice
Washington, D.C. 20535

William H. Webster, Director

The Attorney General has determined that the publication of this periodical is necessary in the transaction of the public business required by law of the Department of Justice. Use of funds for printing this periodical has been approved by the Director of the Office of Management and Budget through December 28, 1983.



ISSN 0014-5688

USPS 383-310

ACQUISITIONS

Published by the Office of Congressional and Public Affairs,
Roger S. Young
Assistant Director
Editor—Thomas J. Deakin
Assistant Editor—Kathryn E. Sulewski
Art Director—Carl A. Gnam, Jr.
Writer/Editor—Karen McCarron
Production Manager—Jeffery L. Summers

INTERNAL AUDITING A Management Tool

By ROBERT H. GEBHARDT

Director
Bureau of Management Analysis
Division of Inspectional Services
St. Louis County Police Department
St. Louis, Mo.

The purpose of an internal auditing unit within a police department is to report to top management the conditions and problems of the organization which are usually beyond their scrutiny. An internal audit assures management that the services are functioning as intended and lends support to budgetary requirements. Conversely, the audit may disclose inefficiencies, unnecessary duplication of services, budget or personnel excesses, to name just a few. While an internal audit function should be considered a positive and constructive tool, it will inevitably point out areas requiring change. Audit reports will also be free of the subjectivity frequently injected by the managers who are responsible for the examined operation.

The Bureau of Management Analysis within the St. Louis County Police Department serves this purpose by routinely analyzing and auditing department units and functions to determine the efficiency and effectiveness of policies, written procedures, operations, and facilities. The bureau compiles reports on each such analysis for the information of the superintendent and the actions of the managers involved.

The Bureau of Management Analysis evolved from the Bureau of Field Inspections, which was organized in 1970. Since that time, the name has changed from field inspections to management analysis. Additionally, the organization definition of responsibility has expanded to more closely resemble the more developed and refined internal auditing function used in the private sector. Normally, this type of audit function in police departments is identified as a staff inspection which is conducted outside the normal lines of authority and responsibility by personnel neither responsible to the supervisor of the unit being inspected nor for its performance.¹ These inspections are conducted generally to insure and promote effectiveness and economy and involve almost every policy, operation, and type of material or facility within the department.²

The Institute of Internal Auditors, formed in 1941, furthers the development of the new field of internal auditing.³ This formation and eventual incorporation was not limited to industry. The institute's stated purpose is:

"To cultivate, promote and disseminate knowledge and information concerning internal auditing and subjects related thereto. . . ."⁴

They identify the scope of work to be accomplished by internal auditors as:

- 1) Reviewing and appraising the soundness, adequacy, and application of accounting, financial, and other operating controls and promoting effective control at a reasonable cost;
- 2) Ascertaining the extent of compliance with established policies, plans, and procedures;
- 3) Ascertaining the extent to which company assets are accounted for and safeguarded from losses of all kinds;



Mr. Gebhardt

- 4) Ascertaining the reliability of management data developed within the organization;
- 5) Appraising the quality of performance in carrying out assigned responsibility; and
- 6) Recommending operating improvements.⁵

The Management Analysis Bureau is located within the Division of Inspectional Services, and the director reports to the executive director of that division, who in turn reports directly to the superintendent. The bureau director does have functional access to the superintendent in audit matters. The tasks of the bureau are primarily staff, and the personnel have no line authority or responsibility to the elements being audited. In this staff capacity, the auditors are able to cross diplomatically most lines of authority, including the chain of command, to accomplish their goals. Consequently, they have unlimited access to the organization, as well as to all physical areas and records. There are some exceptions, such as internal affairs' disciplinary files and personnel files concerning medical, psychiatric, or polygraph reports. These reports are kept confidential by law.

When there is disagreement with a recommendation submitted by the bureau, the final decision requiring compliance or that the recommendation be dropped is made by the superintendent. Once a decision has been made or an agreement is obtained, the bureau assures compliance by conducting followup audits 30 days, 90 days, and 1 year after the completion of analysis. Followup reports indicating compliance or noncompliance are also submitted to the superintendent.

The bureau is staffed by a civilian director from the commissioned ranks and three sergeants, who are analysts, all of whom are chosen for their abilities, knowledge, education, and temperament. This small staff is able to conduct 12 detailed general analyses and 30 special analyses of smaller facilities or operational functions per year.

A general analysis, just as the name implies, is general in nature and covers any area brought to the analyst's attention during the examination. However, also taken into consideration are specific topics identified by command personnel that need study, improvement, or examination. In addition to this, a list of specific topics or problems collected throughout the year by the bureau on areas that appear to need examination, as well as a list of standard audit topics, is used to guide the analysis or inspection.

A special analysis concerns itself with a very specific topic, such as an audit of voided traffic tickets, examination of the technique and witnessing destruction of evidence, and compensatory and overtime pay function. This special type of audit is also used to examine specific programs, such as watchman training and licensing, depurification of municipal officers, and upon request, the analysis of other police departments within the jurisdiction.

The analysis process is not used to obtain evidence of breach of integrity or proof of wrongdoing. In the event serious misconduct on the part of department personnel is found, the facts are immediately turned over to the bureau of internal affairs. Connection or association with an investigative arm involving integrity (internal affairs) is counterproductive.

The general analyses are scheduled 2 years in advance. Detailed scheduling is done on a quarterly basis and involves anticipated hours to be spent, names a specific analyst as project director, and lists all the special analyses to be accomplished during this period. Even though there is long and short range planning, the schedule remains flexible so that the bureau may respond almost immediately to areas designated by the superintendent as requiring immediate examination.

The sequence of a general analysis involves a 1-month notification of intent to audit. The project director is given preliminary directions so that he may start preanalysis research to become familiar with the unit and its operation. The next step involves a preanalysis meeting that is chaired by the superintendent and attended by the command staff of the unit to be reviewed. During this meeting, the objectives of the analysis are discussed and some specific topics for review are outlined.

Shortly after the initial meeting, the project director and his assistants meet with the unit supervisor and key management personnel to again review the objectives of the analysis, as well as set the stage for the mechanical and cooperative needs of the audit team. The next stage is the detailed analysis during which findings or concerns are developed, along with recommendations for correction or improvement. These concerns are reduced to the briefest, most direct form by answering the following questions:

- 1) What is the specific condition with which we are concerned?
- 2) What should the condition be as dictated by law, rule, procedure, policy, budget, commonsense, logic, commonly accepted practices, etc.?
- 3) Is there a meaningful deviation between what is and what should be, and if so, what effect will it have if allowed to continue?
- 4) Why or how did this come about?
- 5) What action is needed to correct or improve the situation?

"An internal audit assures management that the services are functioning as intended and lends support to budgetary requirements."

Once developed, this information is immediately communicated to the director and key management personnel through an interim audit memorandum (IAM) which solicits written comments, both positive and negative. Using this method allows the concerns to be refined and areas of agreement and disagreement to be established. A

meeting is then held with the executive directors and bureau directors to discuss areas of agreement or disagreement and to set tentative implementation schedules on those recommendations agreed upon. The last meeting in the series is with the superintendent. At this time, findings and recommendations are discussed and any disagreements are arbitrated by the superintendent. At the end of this meeting, the total report is considered resolved, inasmuch as recommendations agreed upon are assigned dates to be completed. Finally, the followup audits are conducted to ensure that the recommendations have been completed in the manner intended.

A questionnaire is routinely used and is distributed in advance of the audit. The questionnaire is used to seek candid information on how employees perceive their morale, what type of work they are doing that seems to be unnecessary, the most pressing problems they have concerning their job, and an invitation is made to comment on anything they wish concerning their job. This type of questionnaire must be kept confidential in order to obtain objective answers. Caution must be used when interpreting these questionnaires in order to weed out the person who has a specific problem with his supervisor or who may report numerous problems that may, in fact, not be true. As a general rule, if several employees relate the same problem, it would appear to merit a closer look.

The method of analysis is quite flexible and changes with each situation; however, it generally includes on-site examinations, interviews, statistical analysis, and research. It has been found that onsite examinations of operational functions are only productive after the analyst has been present for a number of hours. He must generally busy himself with reading, record review, or light conversation, in order to put the people at ease. Only then does he see actual operational functions rather than acted out scenarios. This time period also allows the analyst to acquaint himself with the specific functions so that he is comfortable in his role of critically analyzing what is occurring.

Interviewing techniques follow generally accepted standards. An attempt is made to remove the person from his own work area and place him in a quiet, uninterrupted atmosphere. Interviews are usually conducted by two analysts who attempt to put the subject at ease with light conversation. He is advised of the reasons for the interview and assurances are made that it will be kept confidential. Specific questions are made part of the conversation rather than formed into an interrogative-type question.

A questionnaire is routinely used and is distributed in advance of the audit. The questionnaire is used to seek candid information on how employees perceive their morale, what type of work they are doing that seems to be unnecessary, the most pressing problems they have concerning their job, and an invitation is made to comment on anything they wish concerning their job. This type of questionnaire must be kept confidential in order to obtain objective answers. Caution must be used when interpreting these questionnaires in order to weed out the person who has a specific problem with his supervisor or who may report numerous problems that may, in fact, not be true. As a general rule, if several employees relate the same problem, it would appear to merit a closer look.



Auditor inspects a tactical officer's equipment.



Auditor examines clerical logs.

During the preanalysis research, a determination is made as to whether the unit can be physically "exercised" for proficiency. If it is determined that a proficiency exercise can be conducted, a scenario is written, locations are arranged, and materials and equipment obtained beforehand. During the analysis, the audit team conducts the exercise and monitors it from the beginning, reporting on its progress and results. Practical exercises that have been used include bomb disposals for the arson and explosives team, earthquake disaster for the civil preparedness staff, hostage situations for SWAT teams, and simulated crimes for crime scene, crime laboratory, firearms, photo, and fingerprint technicians.

The format used for the general analysis report is a booklet form with each analysis placed in a different sequential color so that the current analysis is immediately discernible through color. The report is preceded by a letter of transmittal to the superintendent, informing him that an analysis was conducted and specific items being singled out for review. The narration of the report begins with a brief history of the unit being analyzed, the tenure of the supervisor, and a summary of the last analysis record. At this point, the narrative findings start, which is a repeat of the IAM as they were refined.

The recommendations are broken down into segments to allow rejection or acceptance and eventual completion of any portion without causing disruption of the entire theme. An example of a typical recommendation would be to purchase smaller 6-cylinder vehicles and equip them with a smaller and more efficient type of red light and radio system. This recommendation would be broken down as:

- 1) Recommending smaller vehicles;
- 2) recommending different red lights; and
- 3) recommending different radios.

All recommendations must be written in such a style that the unit supervisor is held accountable for implementation or initiation. Immediately following the findings/recommendations are the observations of the audit team when the operation is functioning in the

manner that does not require a recommendation. This section of the booklet is also used for commendations to the unit for work well done. The final section of the booklet includes the exhibits. This section is not meant to contain evidence but rather documentation or illustrations supporting statements made within the finding/recommendation section.

The form of reports on special audits differs depending on the circumstances. Most often, they are in memo form, again setting out the findings followed by specific recommendations to correct any deficiencies noted in the findings.

Distribution of the reports is limited to the superintendent and top management staff of the division or unit where the analysis occurred. The report is considered by the Bureau of Management Analysis to be confidential due to the sensitive material and the fact that it may be critical of the operations of the unit.

The image of an internal auditing unit must remain high. This is accomplished through diplomacy, integrity, accuracy, objectivity, and honesty. This image and support of top management are the main ingredients of credibility that is absolutely necessary to perform the audit function.

Most departments can not afford outside consultants or auditors on a regular basis and must strive for the most efficient and effective use of budgetary funds available. Use of usually less than 1 percent of the work force as independent and objective internal auditors will produce surprising results.

"Modern internal auditing at the local government level does not enjoy the history that it does in the private sector and, accordingly, local government politicians have not developed the same understanding of the function that private sector policymakers have."⁷

In 1967, the President's Commission on Law Enforcement recognized the concept of staff inspection and its essential use, but reported that only a few American police forces have put it into practice. They also identified the concept as a military practice, thus

inferring that law enforcement adopted this from the military prior to a study done in 1965.⁸

The National Advisory Commission on Criminal Justice Standards and Goals, in their 1973 report, related that every police department should conduct scheduled and unscheduled inspections by personnel or units designated for staff inspections. This document also identified the staff inspection function as one that is conducted by a staff member or organization not directly related or responsible for the subject of the inspection.⁹

Not only has the military used the staff inspection concept for decades, it has been used in the FBI, Secret Service, and other Federal agencies.¹⁰ The FBI's advice to police departments indicates a very strong need for inspections to assure the citizen demand for a good return on his investment. The techniques they recommend are not unlike other references on the subject.¹¹

The Bureau of Management Analysis has been given the support, time, monies, and equipment to perform, which is indicative of the St. Louis County Police Department's progressive and sincere approach to management improvement.

FBI

Footnotes
¹ George E. Eastman and Ester J. Eastman, eds., *Municipal Police Administration*, (Washington, D.C.: International City Managers Association, 1969), pp. 200-201.

² International Association of Chiefs of Police, *Measuring Work Performance and Employee Efficiency*, Unit 11 N, p. 2.

³ Victor Z. Brink, *Foundations for Unlimited Horizons*, (Altamonte Springs, Fla.: The Institute of Internal Auditors, Inc., 1977), pp. 3-6.

⁴ Ibid.

⁵ The Institute of Internal Auditors, Inc., *Statement of Responsibilities of Internal Auditors*, Altamonte Springs, Fla., 1976.

⁶ Dr. William L. Campfield, CPA, "Is Auditing a Sine Qua Non in the Management Process?", *Concepts of Governmental Auditing*, (Altamonte Springs, Fla.: The Institute of Internal Auditors, Inc., 1977), p. 61.

⁷ Robert M. Atkinson, CIA, and Edward P. Chait, CPA, *The Case for Internal Auditing in Local Government*, (Altamonte Springs, Fla.: The Institute of Internal Auditors Inc., 1979), pp. 1-4.

⁸ The President's Commission on Law Enforcement and Administration of Justice, *Task Force Report: The Police*, (Washington, D.C.: U.S. Government Printing Office, 1967), p. 49.

⁹ The National Advisory Commission on Criminal Justice Standards and Goals, *Police*, (Washington, D.C.: U.S. Government Printing Office, 1973), pp. 57-58.

¹⁰ Eastman, ibid.

¹¹ Federal Bureau of Investigation, *Inspections Lecture Note Guide*, pp. 1-3.

END