

LOS ANGELES POLICE COMMISSION

SECOND FINANCIAL DISCLOSURE AUDIT



Conducted by the

OFFICE OF THE INSPECTOR GENERAL

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Inspector General

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OFFICE OF THE INSPECTOR GENERAL SECOND FINANCIAL DISCLOSURE AUDIT

PURPOSE

The Office of the Inspector General (OIG) has completed the second mandated Financial Disclosure Audit in accordance with the Transition Agreement and pursuant to its Audit and Review Plan. The purpose of this Audit was to determine compliance with Los Angeles Police Department (Department) Special Order No. 20, 2008 (Special Order), entitled “*Confidential Financial Disclosure Policy and Procedures for Gang Enforcement Detail and Narcotics Field Enforcement Section Units – Established,*” effective March 29, 2009.¹

BACKGROUND

The Transition Agreement approved by the United States District Court on July 20, 2009, requires three OIG audits of compliance with the financial disclosure program as set forth in the Special Order. This Special Order is applicable to sworn officers at the rank of lieutenant or below in the Gang Impact Team, Gang Enforcement Detail, Community Law Enforcement and Recovery Unit, Gang and Narcotics Division, or Narcotics Enforcement Detail assignments (henceforth referred to as covered assignments).² Officers selected for covered assignments on or after March 29, 2009, are immediately subject to the financial disclosure requirements. Officers already in covered assignments as of March 29, 2009, (“incumbents”) received a two-year exemption from the reporting requirements, with the exemption expiring March 29, 2011.

The Special Order provides that each officer selected for, or currently in, a covered assignment is required to complete a Confidential Financial Disclosure Face Sheet and Confidential Financial Disclosure Report (henceforth referred to as 1.74 Form). The 1.74 Form is used to document the officer’s assets, liabilities, and income sources. Internal Audits and Inspections Division (IAID) is responsible for the initial intake, review, and annual audit of the 1.74 Forms. The Office of the Chief of Police (OCOP) is responsible for storing all completed 1.74 Forms in a secured/locked location and destroying the documents at the completion of the officer’s assignment.

When an officer is selected for a covered assignment, the officer in charge (OIC) or commanding officer (CO) of the receiving division provides the 1.74 Form and directs the officer to complete it. The Financial Disclosure Coordinator (FDC) assigned to IAID meets and discusses the completed 1.74 Form with the officer and reviews the officer’s documents for obvious errors or omissions. The FDC and CO of IAID then approve the completed 1.74 Form and the FDC converts the completed documents to an electronic file stored on a separate compact disc for each employee. The FDC destroys the 1.74 Form paper documents and any supporting documentation within seven days, unless retrieved by the officer. The FDC hands the compact disc to the Special Assistant for Constitutional Policing, who reviews the electronic file before delivering the compact disc to the Chief of Police. The Chief of Police reviews and approves the file documents. Upon approval, the OIC of the receiving division is advised that the officer can begin work in the assignment.

¹ The Special Order was approved by the Board of Police Commissioners on December 20, 2007, and became effective approximately 15 months later on March 29, 2009.

² The five listed assignments are those specifically “covered” by Special Order No. 20, as stated in the “Purpose” section on page 1 of the Special Order.

To ensure compliance with the Special Order, the Department maintains Financial Tracking Sheets which list all officers in covered assignments. Each deployment period, the FDC receives and examines these Financial Tracking Sheets as well as Deployment Planning System (DPS) records to identify all employees recently selected for a covered assignment.³ The FDC then ensures that each identified officer begins the financial disclosure process.

METHODOLOGY AND SCOPE

The OIG's first Financial Disclosure Audit reviewed the 1.74 Forms submitted by all 31 officers transferred to covered assignments from March 29 to December 31, 2009. This second Financial Disclosure Audit, which commenced in December 2010, reviewed the 1.74 Forms submitted from January 1 to November 30, 2010, by 171 officers, including:

- 63 officers transferring to covered assignments,
- 83 officers incumbent to covered assignments, and
- 25 officers in covered assignment command staff positions.⁴

The OIG also reviewed the procedures and controls utilized during the intake process, review, approval, and storage of the completed 1.74 Forms.

The OIG conducted this Audit in accordance with generally accepted government auditing standards. These standards require that the Audit is adequately planned, performed, and supervised and that sufficient, appropriate evidence is obtained by applying review procedures which assess whether a reasonable basis for the findings and conclusion were contained herein.

SUMMARY OF RESULTS BY OBJECTIVE

The table below shows a summary of results by Audit objective:

Audit Objective	Compliance %
<i>For all 63 transferees to covered assignments</i>	
1. Determine if each transferee submitted a completed 1.74 Form.	100% (63/63)
2. Determine for each transferee if the completed 1.74 Form was received prior to the effective date of the transfer.	100% (63/63)
<i>For all 171 officers tested</i>	
3. Determine for each officer if all required sections of the 1.74 Form were completed.	100% (171/171)
4. Determine for each officer if the completed 1.74 Form was stored in a secured and locked location at the OCOP.	100% (171/171)
5. Determine if there was evidence that the Department reviewed the 1.74 Forms to ensure completeness.	100% (171/171)

³ The DPS is the Department personnel scheduling and time-keeping system which interfaces with the Department's Training, Evaluation, and Management System II.

⁴ The Special Order only applies to officers of the rank of lieutenant or below, so command staff officers are not required to submit the 1.74 Form. However, many command staff officers voluntarily submitted the 1.74 Form to set an example for their subordinates.

DETAILED RESULTS BY OBJECTIVE

Objective No. 1 - Determine if each transferee submitted a completed 1.74 Form.

Background

The Transition Agreement requires that the OIG assess whether all officers subject to the requirements of the financial disclosure program submit a 1.74 Form.

The Special Order requires that all officers of the rank of lieutenant or below transferring to an applicable assignment after March 29, 2009, submit the 1.74 Form at the time of transfer. Incumbent officers received a two-year exemption.

Testing Results

The Department was 100% compliant. A 1.74 Form was submitted by each of the 63 officers who transferred to a covered assignment. The OIG examined the Financial Tracking Sheets and DPS records covering the period from December 30, 2009, to November 30, 2010, to verify that 63 officers was the exact total of transferees. The OIG further examined the completed 1.74 Forms to confirm the total.

Objective No. 2 - Determine for each transferee if the completed 1.74 Form was received prior to the effective date of the transfer.

Background

The Transition Agreement requires that the OIG assess whether the transferring officers submitted the 1.74 Form within ten days of being transferred.

The Special Order requires that the transferring officers complete and return the 1.74 Form within ten days of transferring to a covered assignment. The Department's application of the Special Order was to require that the 1.74 Form be received and approved *before* the effective date of the officer's transfer.

Testing Results

The Department was 100% compliant. A 1.74 Form was received for each of the 63 transferring officers prior to the effective date of the transfer. The OIG compared DPS record transfer dates with the 1.74 Form approval dates to determine compliance.

Objective No. 3 - Determine for each officer if all required sections of the 1.74 Form were completed.

Background

The Special Order requires that each officer complete both a Confidential Financial Disclosure Face Sheet (Form 1.74.00) and a Confidential Financial Disclosure Report (Form 1.74.01). The primary purpose of the Form 1.74.00 is to certify that the officer has fully disclosed all required information and to document approving signatures from IAID's CO and FDC. The primary purpose of the Form 1.74.01 is to record the officer's assets, liabilities, and income sources and to certify that the recorded information was true and complete.

Testing Results

The Department was 100% compliant. A Form 1.74.00, with the officer's signature and the required approvals, was completed for each of the 171 officers. A Form 1.74.01, with the officer's signature and all three completed sections (assets, liabilities, and outside income), was completed for each of the 171 officers. The OIG examined the digital copy of Form 1.74.00 and Form 1.74.01 for each officer to verify this objective.

Note: The Transition Agreement stipulates that "The Parties agree that the OIG's review of the financial disclosure program will be limited to a review of the procedures and protocols outlined in the Special Order. Neither the OIG nor the United States shall conduct a substantive review of the financial information contained within the submissions by individual employees." Hence, the OIG did not examine any documents to substantiate reported information (regarding assets, liabilities, or outside income) or to possibly discover unreported information (regarding assets, liabilities, or outside income).

Objective No. 4 - Determine for each officer if the completed 1.74 Form was stored in a secured and locked location at the OCOP.

Background

The Transition Agreement requires that the OIG evaluate whether the 1.74 Forms are being stored in the manner set forth in the Special Order.

The Special Order requires that the completed 1.74 Forms be stored in a secured and locked location in the OCOP. The Forms are considered confidential and the Special Order requires that the OCOP maintain the Forms until their date of destruction.

Testing Results

The Department was 100% compliant. The OIG inspected the storage facility and observed that all 171 of the 1.74 Forms were stored on compact discs, placed inside individually sealed envelopes, and maintained inside a locked file cabinet. The file cabinet was located inside a locked windowless room located within the OCOP. Access to this room is controlled by a card reader at the door, and only three people (the Chief of Police and two aides) have access cards.

Objective No. 5 - Determine if there was evidence that the Department reviewed the 1.74 Forms to ensure completeness.

Background

The Transition Agreement requires that the OIG assess whether the Department is reviewing the 1.74 Forms to ensure completeness and verifying that the necessary supporting documentation is being provided.

The Special Order requires that IAID review each 1.74 Form for completeness, review the related supporting documentation, sign the 1.74 Form in the presence of the employee, and provide the employee an opportunity to respond in writing to any areas of concern.

Testing Results

The Department was 100% compliant. The OIG determined that the Department was reviewing the 1.74 Forms for completeness and was verifying that supporting documentation was being provided. To reach this conclusion, the OIG interviewed the FDC and examined documentation of officer meeting dates.

RESPONSE OF THE SPECIAL ASSISTANT FOR CONSTITUTIONAL POLICING

The Special Assistant for Constitutional Policing is in general agreement with the OIG audit.

RECOMMENDATIONS

There are no recommendations for this report.

CONCLUSION

The OIG concluded that the requirements pertaining to financial disclosure as delineated in the Special Order were being complied with. This conclusion was based on the review of 171 of the 1.74 Forms, as well as related observations and discussions with appropriate Department personnel.