



FBI

May 1988

Law Enforcement Bulletin

111504-
111508

U.S. Department of Justice
National Institute of Justice

This document has been reproduced exactly as received from the person or organization originating it. Points of view or opinions stated in this document are those of the authors and do not necessarily represent the official position or policies of the National Institute of Justice.

Permission to reproduce this copyrighted material has been granted by

FBI Law Enforcement Bulletin

to the National Criminal Justice Reference Service (NCJRS).

Further reproduction outside of the NCJRS system requires permission of the copyright owner.



111504-
111508

Taking Aim at Truancy

Contents

May 1988, Volume 57, Number 5

- Administration 1 **Preparing Written Guidelines** 111504
By James H. Auten
- Crime Problems 8 **Taking Aim at Truancy** 111505
JJ By Joe R. Martin, Arnie D. Schulze, and Mike Valdez
- Management 13 **Internal Auditing — An Action Plan for Excellence**
By Roger C. Viadero 111506
- Training 20 **Inservice Training for Law Enforcement Personnel**
By Paul M. Smith 111507
- Legal Digest 23 **Legal Issues of Pursuit Driving**
By Daniel L. Schofield 111508
- 31 **Wanted by the FBI**

FBI

Law Enforcement Bulletin

United States Department of Justice
Federal Bureau of Investigation
Washington, DC 20535

William S. Sessions, 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 June 6, 1988.

Published by the Office of Congressional
and Public Affairs,
Milt Ahlerich, Assistant Director

Editor—Thomas J. Deakin
Assistant Editor—Kathryn E. Sulewski
Art Director—John E. Ott
Production Manager/Reprints—
David C. Maynard

The Cover:

Truancy officers work with all age groups in an effort to promote goodwill throughout the entire school system. (See article p. 8.)

The FBI Law Enforcement Bulletin (ISSN-0014-5688) is published monthly by the Federal Bureau of Investigation, 10th and Pennsylvania Ave., N.W., Washington, DC 20535. Second-Class postage paid at Washington, DC. Postmaster: Send address changes to Federal Bureau of Investigation, FBI Law Enforcement Bulletin, Washington, DC 20535.

Internal Auditing

An Action Plan For Excellence

"...the entire process of internal auditing serves to evaluate the efficiency and effectiveness of all activity within the department...."

By
ROGER C. VIADERO, C.P.A.

*Special Agent
Management Science and Personnel Assessment Unit
FBI Academy
Quantico, VA*

Over the past few years, the administration, management, and activity of law enforcement agencies have come increasingly under public scrutiny. Public pressure to reduce crime in the community, while maintaining a cost-effective posture, necessitates sound, yet innovative, approaches to management and management controls. In most communities, while public safety budgets continue to shrink, police administrators continue to be held accountable for maintaining a certain level of service. Clearly, these administrators must achieve maximum effectiveness and efficiency by allocating existing resources to meet the rising need for police services. To make the critical policy decisions that affect the law enforcement effort within their communities, police administrators must have accurate, timely, and relevant

data at their disposal. One way they can obtain this data is to have in place an internal auditing or quality assurance program. The purpose of this article is to enlighten readers about the usefulness of a quality assurance program within their agencies.

History

No one truly knows when or who conducted the first audit, but evidence suggests that early civilizations performed some review and inspection on the status and accountability of their equipment and personnel.¹ The auditing process has changed from what it was to the Samaritans and the Ancient Egyptians or for that matter, from what was practiced in the earlier part of this century. Agencies used to examine accounts and records to detect fraud; their primary purpose now is to express an

opinion on the "fairness" of the presentation of financial statements.² Gen. George Washington maintained a journal and ledger that he presented to the Continental Congress for an accounting of funds during the Revolutionary War.³ The railroads in the latter 19th century were among the first enterprises to regularly require audits and inspections of their vast property holdings.⁴

Within this century, auditing has become a matter of paramount importance. The standard denotation of auditing is one of checking and verifying the financial and accounting records of organizations. Since most law enforcement agencies do not deal regularly with significant amounts of financial data, this article will focus on the operational areas, referred to as "operational auditing." This type of auditing deals with tests of compliance as they



Special Agent Viadero

relate to the internal operating controls of a department. Auditors may employ the terms "operational auditing," "quality assurance," and "internal auditing" interchangeably when dealing with operational reviews. They use these phrases to change the older views of some law enforcement officials who tend to associate the term "inspection" with an internal affairs function. "Internal controls" are nothing more than "management controls," and they include operational as well as financial areas.

Background

Most audits are statutory under the 1933 and 1934 Security Acts for private sector enterprises and the Budget and Accounting Procedures Act of 1950, which requires each governmental department and agency head to establish and maintain adequate systems of internal control. Several offshoots and modifications to this act have appeared through the years. Today, organizations are faced with the Federal Managers Financial Integrity Act (the Integrity Act), which requires Federal managers, for the first time, to establish continuous processes for evaluating, improving, and reporting on the internal control and accounting systems for which they are responsible.⁵

As a guide to examining the internal auditing functions, we will use the *Standards For The Professional Practice of Internal Auditing* (the standards), recommended by the Institute of Internal Auditors. All organizations use these standards as a yardstick by which to evaluate the operation of an inspection or quality assurance unit.

Auditors use the Integrity Act and the standards as benchmarks to explore the rationale for obtaining volun-

tary compliance and developing a team-player attitude among personnel. Voluntary compliance with departmental guidelines and procedures represents their ultimate goal. Auditors, then, determine if an organization's internal operating controls are in place and if they work. They accomplish this by involving all levels of operating personnel in the quality assurance process and by providing an arena for motivation to gain employment participation. Participating employees assist the audit staff in identifying operational deficiencies. Thus, both the manager and the organization benefit by involving all employees in the audit process.

Historically, police agencies conduct inspections only as "post-events" (see chart A) or reactions to particular external reviews. The internal audit process suggested here stresses proaction or the "prevention" of an event. When conducted properly, internal auditing is viewed as being helpful to all members within the organization. It is founded on a review of operations, coupled with a report of its results. Basically, it seeks to answer the following questions:

- 1) Are internal controls in place?
- 2) Are they working?
- 3) If they are not operating as designed, why?

Perhaps the controls, as implemented, were too restrictive or too general. Perhaps the organization needs to remove a particular control because it is obsolete or severely abused.

The proactive posture resides at the core of internal operating reviews. These reviews can be called internal audits, operating examinations, quality assurance reviews, or inspections, and

"...both the manager and the organization benefit by involving all employees in the audit process."

these various terms will be used synonymously throughout the article. The police administrator or police chief must view the standards as an independent appraisal requirement to use as a management tool for the benefit of the agency. Since the entire process of internal auditing serves to evaluate the efficiency and effectiveness of all activity within the department, all agency members should learn to think of internal auditors as members of the team.

Internal Auditing Process

A preliminary step in the audit process is to develop the team-player atmosphere. This involves changing some of the terminology associated with the audit, such as referring to the unit under review as the client. By doing this, auditors begin to change bad perceptions and lessen the propensity for an adverse relationship. I recommend that organizations take the following

steps to prepare for and conduct a review:

- 1) Conduct a pre-engagement interview with the client's management;
- 2) Send a notice of engagement to the client's management approximately 3 to 4 weeks before commencing the review;
- 3) Deliver the audit program and interrogations;
- 4) Conduct the examination;
- 5) Brief the client when finished; and,
- 6) Prepare the audit report.

This approach allows the client to participate in the inspection process. This process consists of the three-element approach, that is, a) audit program, b) interrogatory, and c) internal controls questionnaire (ICQ).

All internal controls questionnaires are structured so that all questions are

answered "yes" or "no," with a separate column for comments. These instruments (ICQ's) cover each operational function separately. For example, in the area of organizational structure, chart B is a typical questionnaire.

The questionnaire helps managers appraise the overall "at risk" assessment. In line with this, it helps for managers to think in terms of self-assessment when dealing with internal/management controls. The Integrity Act recommends that managers use the following questions to guide them when completing this questionnaire:

- 1) What do I do?
- 2) What can go wrong in what I do?
- 3) How do I prevent it from going wrong?
- 4) How do I fix it?
- 5) What is my timetable for fixing it?

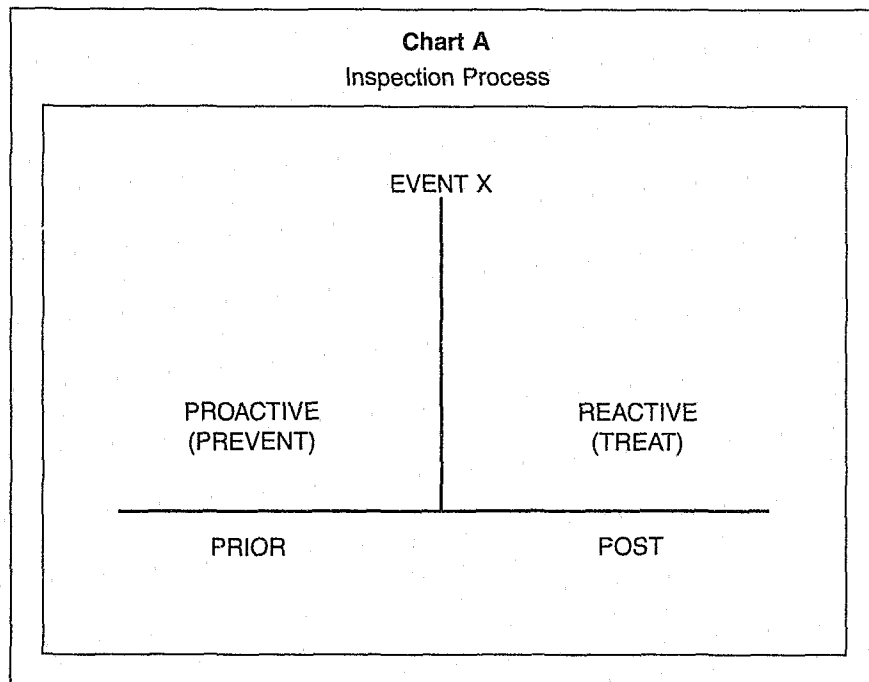
By using such a self-assessment, the manager will begin to participate in the process, and hopefully, form a favorable opinion of the inspection function.

Once they complete the self-assessment, all management officials should meet with the quality assurance unit to discuss the results of this instrument. Areas of ambiguity or points of contention concerning the responding members should surface during this meeting. Afterwards, the inspectors should begin to evaluate the process, bearing in mind that the objective of such a review is to assist all levels within the organization with their performance.

Standards for Quality Control Review

Properly establishing and using an inspections staff requires a careful ex-

Chart A
Inspection Process



"Independence and objectivity are extremely crucial to the overall mission of the inspections staff."

Chart B
Municipal Police Department
Internal Control Questionnaire

<u>QUESTION</u>	<u>YES</u>	<u>NO</u>	<u>COMMENTS</u>
A. Organizational Structure			
1. Does/do the organizational unit(s) have: clearly written objectives			
2. Is/are the organizational unit(s):			
a. part of a centralized authority structure?			
b. sufficiently flexible to accommodate change?			
c. held accountable for allocated resources?			
d. held accountable for operational results?			

ecution of the inspection process. To insure this, the auditors must refer to the standards, which include:

- 1) The independence of the inspections staff for the activities reviewed and for the objectivity of the inspectors,
- 2) The professional proficiency of the inspectors and the professional care they should exercise;
- 3) The scope of the inspection;
- 4) The performance of the inspection; and
- 5) The management of the inspections staff.⁶

Each of the above standards has equal weight; hence, I will explain each as a part of the whole.

Independence

"The Inspections Staff should be independent of the activities they review. This allows the inspector to render an impartial and unbiased opinion of the function examined. This can be achieved through organizational status and objectivity."⁷

Organizational Status

The inspections staff succeeds only with management's support. The staff should report to a level high enough in the organization to authorize and allow the unit's independence. (See chart C.)

Objectivity

Objectivity is a mental attitude that inspectors must maintain during their review. It requires inspectors to realize that if placed in situations in which they

cannot make unbiased or professional judgments, they should notify their superiors and request a different audit assignment.

Independence and objectivity are extremely crucial to the overall mission of the inspections staff. For example, if an inspections unit reports to a deputy chief of administration who controls all support and nonline functions, can the inspections unit make independent or objective judgments in this situation? To whom would the auditors report an embezzlement or defalcation? Who would evaluate such a report? In the instant matter, the deputy for administration would. For this reason, the inspections unit should be removed from the administrative division in the chain of command and report instead to the chief of police. In an organizational reporting structure, this can save many dollars when an independent firm (CPA) or high-level governmental inspections unit, such as the State comptroller or General Accounting Office (GAO), conducts an external review of operations. Placing the inspections unit under the supervision of the chief allows these outside accountants to develop and place a higher degree of trust in the audit staff. This possibly could reduce certain review procedures which, in turn, will result in cost savings to the department.

Professional Proficiency and Due Care

"Assignment to the Inspections Staff should be predicated on necessary skills, knowledge, and collective discipline, including the inspector's ability to use communication skills, assertiveness techniques, and listening and problem-solving skills."⁸ An inspector also may need to be qualified in ac-

counting, statistics, and electronic data processing, and most importantly, to be intimately acquainted with agency rules and procedures. This knowledge is fundamental to recognizing the existence of current or potential operational deficiencies.

Due professional care implies that the auditor will exercise competence and reasonable care and that when he suspects an error, he will followup and report his findings to an appropriate level of authority. Due care also refers to the inspector's attentiveness to established operating controls and whether the auditee substantially has complied with them.

The Scope of the Inspection

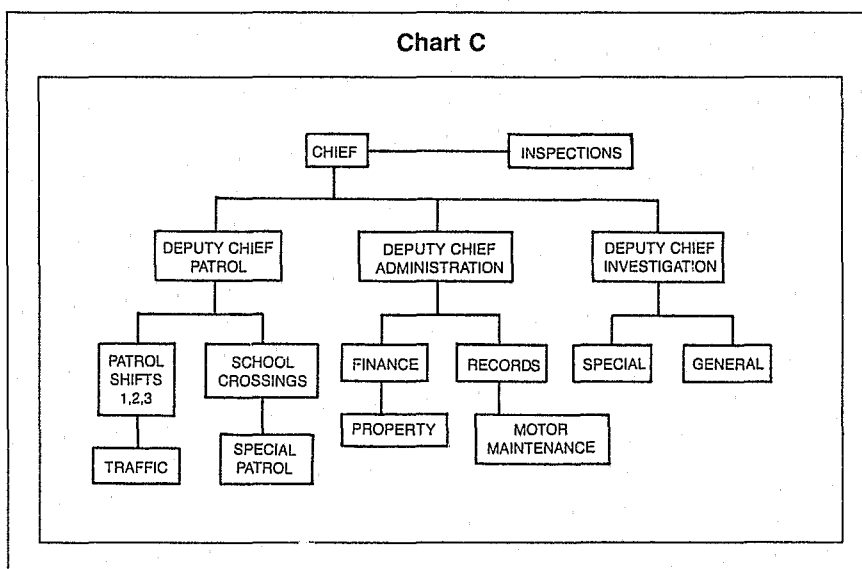
"As a general rule, this Standard relates to evaluation, adequacy and effectiveness of the agency's internal operating controls."⁹ This is crucial, since external auditors must analyze the scope of the review. This examination should ensure that the agency carries out its objectives and goals economically and efficiently.

This standard specifies that the objectives of internal controls are to insure:

- The reliability and integrity of information;
- Compliance with policies, plans, procedures, laws, and regulations;
- Safeguards of assets;
- Economical and efficient use of resources; and
- The accomplishment of established objectives and goals for operations or programs.

The Performance of the Inspection

Basically, this standard relates to planning the audit collecting and eval-



uating information, reporting the findings, and following up.¹⁰

Planning the inspection includes deciding on the scope and objectives of the audit and on the resources necessary for its completion. This includes a pre-inspection visit to observe a client in order to become familiar with the client's activities and areas that may need special attention.

Collecting and evaluating information relates to the area of evidential matter and working papers.¹¹ As a rule, auditors must collect sufficient data to support the audit's findings. The key here is whether another auditor, given the same background, will reach the same conclusion as the auditor who conducts the examination.

Reporting the findings includes a written report of audit findings and recommendations. However, before transmitting the written report, auditors should present an oral report or "exit briefing" so the client encounters no surprises with the written report. This

serves to develop a team-player atmosphere and assists in achieving voluntary compliance.

Followup refers to performing post-engagement activities, i.e., after the auditee receives the report and the inspections staff reviews his response, inspectors should allow the client ample time to correct noted deficiencies. Then, the inspectors should return and sample previously noted deficiencies for correction. They do this most properly through a process known as "sampling for error" (attribute sampling.)

When dealing with inspection performance, it helps for inspections units to create a flow chart of the client's activities and use the chart as a guide and checklist. (See chart D.)

Management of the Inspections Staff

"Management of the Inspections Staff differs from other units within the department regarding the establishment of a time-budget for each client."¹² This budget is crucial since members

“...the overall goal of the audit is to strengthen any weak controls to better meet the objectives and responsibilities of the department.”

of the inspections staff generally are few, and they must use their time economically and efficiently to better serve the entire department. The inspections unit's managers must constantly review

and update audit programs and the scope of each engagement.

The central theme throughout this process is one of “voluntary compliance,” not punishment or investigation.

Once again, I recommend the three-element approach—the audit program, the interrogatory, and the internal control questionnaire (ICQ).

The audit program outlines the purpose and authority for areas inspected and references other audit areas and procedures inspected. Once auditors write the program, they rarely need to change it. They modify it as necessary through the interrogatory and ICQ.

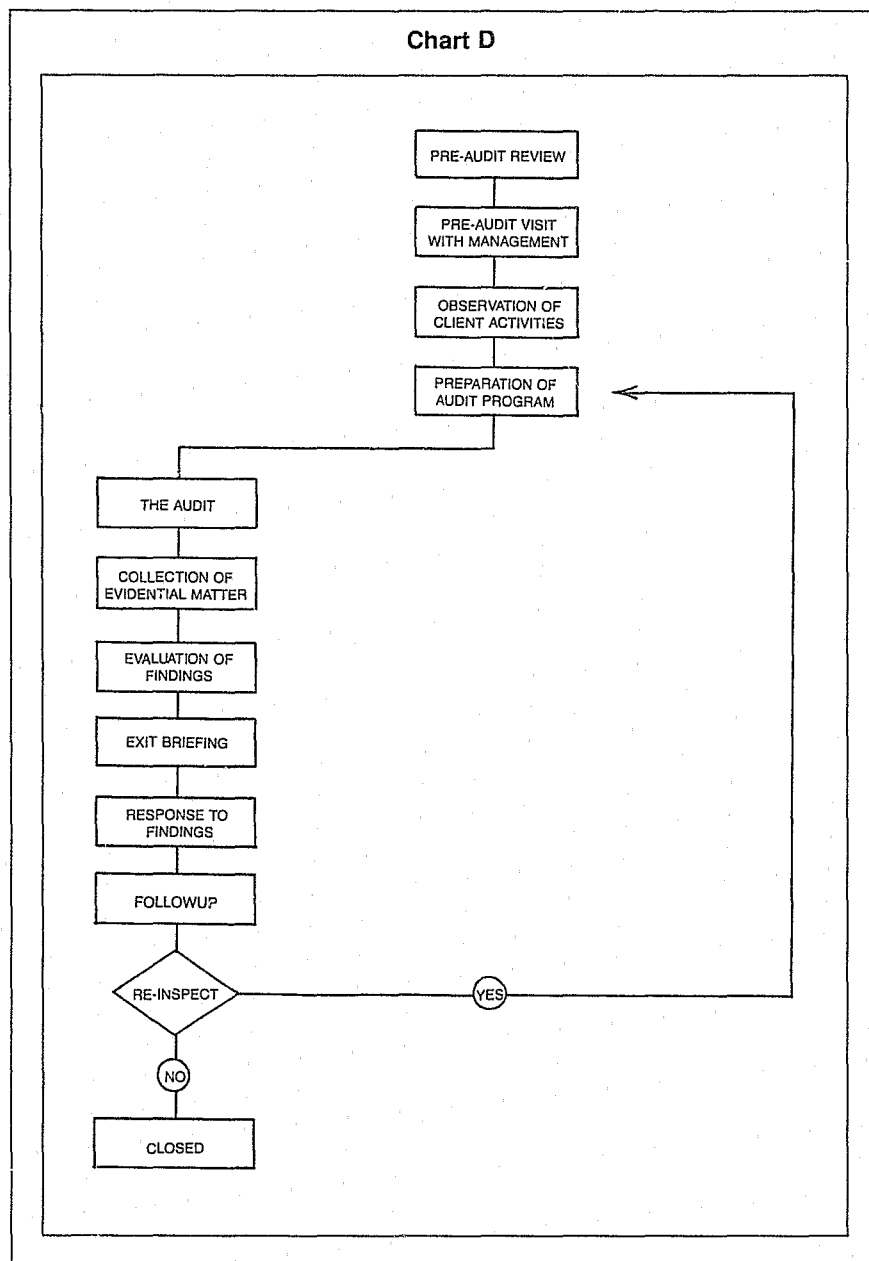
The auditors should send the interrogatory to the client approximately 3 to 5 weeks prior to the inspection. Generally, it consists of a series of broad questions relating to the audit program, such as “Who updates the unusual-disorder plan?” “Where is it maintained?” and “What is the date of last revision of this plan?” Finding the answers to these questions could take an auditor several mandays to locate. The client's completion of this form represents the incipient phase of voluntary compliance.

Approaching an audit through the use of an interrogatory leads clients to believe that they are participating in the audit process. It also reminds the client to check and update items referenced on this form. It serves as a guide to the various areas the auditors will review. It directly benefits the audit staff by reducing the time it takes to satisfy the routine and administrative aspects of the review.

The inspector completes the internal control questionnaire (ICQ) during his review. Auditors should design the ICQ so that each question has only a “yes” or “no” answer. This design makes all negative responses stand out, which facilitates followup under a supervisory review process.

The ICQ is an integral part of the working papers auditors use to reach

Chart D



an overall evaluation of a client's operations. As such, it can be tailored to the needs of individual clients and updated and changed as necessary. The ICQ provides the inspector with a guide to audit performance, much like a road map. It does not prohibit the auditor from investigating an item that comes to his attention, but it does ensure a degree of consistency and reliability in audit performance.

The three-element approach allows the client and management to gain congruity through mutual participation. This structure bolsters the sense of voluntary compliance. Client's benefit by having the opportunity to pre-inspect the areas the auditors intend to review and assisting the inspections staff by completing the interrogatories. The client can correct deficiencies prior to the review of operations. Thus, voluntary compliance is accomplished.

The questions that guide the philosophy of the inspections are:

- 1) Do we care if operational deficiencies are corrected just prior to an inspection? or
- 2) Is our purpose to surprise the client and locate and report all discovered deficiencies?

The correct answer to both is "no." By affording the client the opportunity to review the operation through the interrogatory, you develop the team-player atmosphere. All too often, organizations have associated inspection matters with the internal affairs process or with a more negative implication. This attitude has stemmed from totally unannounced or unguided efforts to identify deficiencies, which represents the "gotcha" syndrome. Now, instead of promoting voluntary compliance, the auditors create an adverse relationship or a lose-lose situation.

The three-step approach, on the other hand, permits the client's management to cooperate with the investigators who review the management controls. After all, the overall goal of the audit is to strengthen any weak controls to better meet the objectives and responsibilities of the department.

The Chicago Police Department adopted the above process in 1985.¹³ The Auditing and Internal Controls Division (AICD), managed by a commander, perform the operational reviews. The staff is composed of approximately 15 inspectors who are considered exempt personnel appointed from the rank of lieutenant. This division conducts operational reviews of all patrols and detective commands on an 18-month cycle. The entire automated process begins with a formal notification (engagement letter) of an audit approximately 4 weeks prior to review, followed by the interrogatory, and then pre-engagement interview with the auditee's management. The inspection itself is budgeted for 1 week and includes an exit interview with client management. The inspection is completed in such a short time through the use of internal control questionnaires, which insure a systematic and rational review of operations. The AICD then sends a report that cites specific findings and recommendations to auditee management, generally within 1 week of the audit. This gives the client timely feedback, in a basic outline form, from which to formulate corrective action.

The Chicago Police Department has automated the entire three-element approach on a personal computer, allowing for modifications as needed. This is why they can render the audit report in such a short time frame. They estimate that the automated three-element approach saves them in excess of 80 percent of the time they previously

spent conducting audits and preparing reports. The result has been the increased quantity and quality of work produced to better serve all levels of the department.¹⁴

Realistically, police administrators can no longer confine the inspection process to gathering and summarizing day-to-day operating information on organizational activities. The audit information should include information for the development and control of administrative plans, as well as for the formulation and implementation of organizational strategies. Administrative information systems and internal auditing systems that collect, analyze, and distribute strategic information must now be considered as important as any other element in an organization's decisionmaking process. It is up to you to decide whether to continue under the present method or use the three-element approach and enjoy the results such participation can offer.

FBI

Footnotes

¹Leo Herbert, *Auditing the Performance of Management* (Belmont, CA: Lifetime Learning Publications, 1979), p.3.

²Ibid.

³Lawrence B. Sawyer, *How to Perform An Operations Audit* (Altamonte Springs, FL: The Institute of Internal Auditors, Inc., 1979), p. 1.

⁴Ibid., p. 2.

⁵"Forty-Second Report by the Committee on Government Operations," 99th Congress, 2d sess., AR 99-744, August 5, 1986, USGPO, 1986, p. 1.

⁶*Standards for the Professional Practice of Internal Auditing* (Altamonte, FL: The Institute of Internal Auditors, Inc., 1981), p. 2.

⁷Ibid., pp. 100-101.

⁸Ibid., pp. 200-201.

⁹Ibid., pp. 300-301.

¹⁰Ibid., pp. 400-401.

¹¹"Codification of Statements of Auditing Standards," 326.01-23, American Institute of Certified Public Accountants, 1986, pp. 119-124.

¹²Supra note 6, pp. 500-501.

¹³Interview with Com. Paul Tasch, Commanding Officer, Auditing and Internal Control Division, Chicago Police Department, Chicago, IL, August 1986. For readers interested in an indepth description of the inspection process discussed in this article, a report will be forthcoming in late 1988. Copies will be available from the author at the FBI Academy.

¹⁴Ibid.