



**El Paso Police Department –
Municipal Vehicle Storage Facility
Audit Report A2020-02**

Issued by the
Internal Audit Office
May 13, 2020

City of El Paso
Internal Audit Office
EPPD – Municipal Vehicle Storage Facility Audit No. A2020-02

EXECUTIVE SUMMARY

The Internal Audit Office has concluded its audit of the El Paso Police Department – Municipal Vehicle Storage Facility. Based on the results of the audit, four findings were identified. Three are “Significant Findings” and one is a “Regular Finding.” A definition of a Finding can be found on Page #4 of this report.

Listed below is a summary of the “Significant Findings” identified in this report:

1. A review of the EPPD – Abandoned Auto Unit Operations Manual identified the following:
 - The Manual was last updated on February 9, 2016.
 - Auction Procedures outlined in Chapter 8.2 of the Manual are outdated since City Auctions are conducted online.
 - Security officers are not needed due to Bidders not attending in-person auctions.
 - An independent auditor is not required to monitor in-person auctions since the bidding process is monitored via a secured Auction Website.
 - The Manual needs to be updated to reflect the current practice of giving vehicle owners 24 hours to pick up their vehicle after an EPPD “Hold” is released. After 24 hours, Storage Fees are charged.
2. Per Solicitation No. 2019-287R, vehicles can be sold at the City Auction when they are deemed abandoned after 51 days of impoundment. Our review identified that:
 - Five out of twenty-six (19%) vehicles in our sample were sold 44 to 50 days from the date of impoundment.
3. The owners of vehicles up for auction must undergo a verification process to ensure they are not a U.S. Active Duty Service Members prior to the vehicle being sold. If the owner is a service member, the vehicle cannot be sold per Federal Law. There is no verification process in place as required in Solicitation No. 2019-287R and the Servicemembers Civil Relief Act.

Listed below is a summary of the “Regular Finding” identified in this report:

4. The EPPD – Municipal Vehicle Storage Facility consists of three storage lots: a Hold Lot, View Lot, and the Impound Lot. A review of the number of vehicles stored at the three lots identified that:
 - The Hold and View Lots require a capacity increase.
 - The Hold Lot capacity is 400 vehicles and is used to store vehicles pending a litigation or criminal investigation. On February 28, 2020, 422 vehicles were stored at the Hold Lot of which 119 had been stored for 3 to 8 years.
 - The View Lot capacity is 209 vehicles and is used to store vehicles a week prior to auction. The lot can exceed capacity prior to auction.
 - Vehicles that exceed capacity at the Hold and View Lots are stored in the Impound Lot.
 - The Impound Lot capacity is 760 vehicles and is used to store vehicles involved in accidents or as requested by EPPD. The lot appears to be appropriate in size and no over capacity issues were identified.

For a detailed explanation of the Findings, please refer to the individual Finding contained in the body of this Audit Report.

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BACKGROUND

The El Paso Police Department’s Municipal Vehicle Storage Facility (Facility) is located at 11615 Railroad Drive, El Paso, Texas. It is on approximately 10 acres and has the capacity to store up to 1,374 vehicles. The Facility consists of three lots: the “*Impound Lot*”, the “*Hold Lot*” for vehicles involved in litigation or investigation and the “*View Lot*” for displaying vehicles going to auction.

On March 5, 2019, City Council awarded “*Solicitation No. 2019-287R – Operation and Maintenance of the El Paso Police Department Municipal Vehicle Storage Facility*” to United Road Towing, Inc. The contract term is for three years with the option to extend it for up to two additional terms of two years. The Facility is overseen by the EPPD and operated by United Road Towing Inc. under Solicitation No. 2019-287R.

The Facility is responsible for the following:

- Receiving abandoned vehicles or those in connection with police investigations or accidents,
- Storing the vehicles in a secure environment,
- Releasing vehicles per established procedures,
- Processing all state required checks and notifications,
- Maintaining vehicle records,
- Assessing and collecting all appropriate fees,
- Maintaining chain of custody for vehicles used as evidence,
- Conducting monthly auctions for abandoned and City surplus vehicles. Auctions are performed online and vehicles are sold “as is” to the highest bidder.

AUDIT OBJECTIVES

The audit objectives were to determine if the El Paso Police Department and United Road Towing Inc. are adhering to the terms and conditions of Solicitation No. 2019-287R for the operation and maintenance of the El Paso Police Department’s Municipal Vehicle Storage Facility. To determine this, the audit assessed the following areas:

- The Impound and Release of Vehicles.
- The Auctioning of Abandoned Autos and City Surplus Autos.
- Billing and Collection Efforts for Released and Sold Vehicles.
- Calculation and Payment of the Management Fee.

AUDIT SCOPE

The scope of this audit included:

- Reviewing a judgmental sample of towing fees and vehicles released from the EPPD’s Municipal Vehicle Storage Facility during the period of November 1, 2019 to December 31, 2019.
- Reviewing a judgmental sample of vehicles sold at the City Auctions on September 10, 2019, November 12, 2019, and December 17, 2019.

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AUDIT METHODOLOGY

In order to achieve the audit objectives, we:

- Reviewed the “*EPPD’s Operation and Maintenance of the Municipal Vehicle Storage Facility Agreement – Solicitation No. 2019-287R,*”
- Reviewed the “*EPPD’s Abandoned Auto Unit Operations Manual*” dated February 9, 2016, which contains Policies and Procedures for managing and operating the Municipal Vehicle Storage Facility.
- Conducted interviews with EPPD and United Road Towing Inc. management and staff,
- Reviewed processes at the Municipal Vehicle Storage Facility to ensure the terms and conditions of Solicitation No. 2019-287R are followed. These processes included:
 - The storage and release of vehicles,
 - Collections of Impound Fees,
 - Vehicle Notifications,
 - The City Auction and auction proceed payments,
 - Payment of Towing Fees and Management Fees.
- At the request of the Police Chief, we reviewed the storage capacity of the three vehicle lots at Municipal Vehicle Storage Facility.

We conducted this audit in accordance with *Generally Accepted Government Auditing Standards* and the *International Standards for the Professional Practice of Internal Auditing*. Those standards require that we plan and perform the 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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***SIGNIFICANT FINDINGS, RECOMMENDATIONS,
AND MANAGEMENT’S RESPONSES***

The definition of a “Significant Finding” is one that has a material effect on the City of El Paso’s financial statements, identifies an internal control breakdown, is a violation of a City procedure, or a violation of a law and/or regulation, which the City is required to follow. Any finding not meeting these criteria will be classified as a “Regular Finding”.

Finding 1

EPPD’s Abandoned Auto Unit Operations Manual

City of El Paso Strategic Plan:

- Goal 6.4 *Implement leading-edge practices for achieving quality performance excellence.*
- Goal 6.12 *Maintain systems integrity, compliance, and business continuity.*

A strong system of internal controls requires that Policies and Procedures be developed that document routine or repetitive activity followed by an organization. The development and use of Policies and Procedures are an integral part of a successful quality system as it provides individuals with the information and guidance to perform a job properly.

EPPD’s Abandoned Auto Unit Operations Manual – Chapter 8.2 – Auction Procedures:

- Section B states: *“Security at the auction event will be performed by a minimum of two (2) EPPD Officers who are employed by the Contractor in an outside employment capacity. The cost associated with this security detail will be incurred by the contractor.”*
- Section C states: *“The Abandoned Auto Unit will assign an Abandoned Auto Unit civilian employee as an independent auditor. The independent auditor will observe both the in-person auction and the on-line auction and will record in the audit report the identity of the highest bidder by bidder number and final amount for each vehicle.”*

A review of the El Paso Police Department’s Abandoned Auto Unit Operations Manual identified the following:

- The Manual was last updated on February 9, 2016.
- Auction Procedures outlined in Chapter 8.2 of the Manual are outdated since City Auctions are conducted online.
 - Security officers are not needed due to Bidders not attending in-person auctions.
 - An independent auditor is not required to monitor in-person auctions since the bidding process is monitored via a secured Auction Website.
- The Manual needs to be updated to reflect the following current practice:
 - After an EPPD “Hold” is released, the vehicle owner is given 24 hours to pick up their vehicle. If the vehicle is not picked up, Storage Fees are charged.

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Recommendation

The El Paso Police Department should update their Abandoned Auto Unit Operations Manual to ensure it reflects current procedures, specifically:

- Update the “*Auction Procedures*” to include that vehicle auctions are held online and the bidding process is performed through an Auction Website.
- Document that vehicle owners are given 24 hours after an EPPD “Hold” is released to pick up their vehicle before Storage Fees are charged.

Management’s Response

The Abandoned Auto Unit Operations Manual will be updated to include the online vehicle auction process. We will also document the 24-hour period given to vehicle owners after an EPPD "Hold" is removed.

Responsible Party

David Avila, Fleet and Building Maintenance Superintendent, EPPD

Implementation Date

August 31, 2020

Finding 2

51-Day Vehicle Claim Period

City of El Paso Strategic Plan:

- Goal 6.12 *Maintain systems integrity, compliance, and business continuity.*

Section 3.1 (Part: D) of Solicitation No. 2019-287R, states: “*Vehicles which have been impounded and remain unclaimed after 51 days from the date of impoundment are deemed to be abandoned and may be auctioned by the selected vendor on behalf of the City.*”

A sample of twenty-six vehicles sold at the City Auction on September 10, 2019, November 12, 2019, and December 17, 2019 identified that:

- Five out of twenty-six (19%) vehicles in our sample were sold 44 to 50 days from the date of impoundment.

Recommendation

1. United Road Towing Inc. should ensure vehicles are sold after 51 days from the date of impoundment as required on the Solicitation.
2. The EPPD should implement a monitoring process to verify that vehicles are sold after 51 days of impoundment. The verification can be performed on a sample basis if there is no indication of errors. This process should be documented in the Abandoned Auto Unit Operations Manual.

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Management’s Response

EPPD’s Response: The Abandoned Auto Unit will establish a verification process of at least 10% of auction vehicles to ensure compliance with Section 3.1 of Solicitation No. 2019-287R, “*Vehicles which have been impounded and remain unclaimed after 51 days from the date of impoundment are deemed to be abandoned and may be auctioned by the selected vendor on behalf of the City.*” The Abandoned Auto Unit Operations Manual will be updated.

URT’s Response: United Road Towing had knowledge of prior audits, where a finding reported vehicles were being sold too slowly and after the 51-day period, therefore if a vehicle was close to the 51 days it was included in the upcoming auction to allow a sale as close to 51 days as possible. All vehicles were sold after State of Texas statutory holding periods and United Road Towing will now not allow a vehicle to be auctioned prior to 51 days.

Responsible Party

- David Avila – Fleet and Building Maintenance Superintendent, EPPD
- Michael J. Mahar – Chief Financial Officer, URT

Implementation Date

- El Paso Police Department: August 31, 2020
- United Road Towing: July 09, 2020

Finding 3

U.S. Active Duty Military Verification

City of El Paso Strategic Plan:

- Goal 6.12 *Maintain systems integrity, compliance, and business continuity.*
- Servicemembers Civil Relief Act, 50 U.S.C. 3958(a)(1) – Limitation on Foreclosure or Enforcement, states: “*A person holding a lien on the property or effects of a servicemember may not, during any period of military service of the servicemember and for 90 days thereafter, foreclosure or enforce any lien on such property or effects without a court order granted before foreclosure or enforcement.*”
- Servicemembers Civil Relief Act, 50 U.S.C. 3958(a)(2) – Lien Defined, states: “*For the purpose of paragraph (1), the term “lien” includes a lien for storage, repair, or cleaning of the property or effects of a servicemember or a lien on such property or effects for any other reason.*”
- 2019-287R Solicitation Proposal – Section: “Vehicle Notifications and Lien Processing” (Pg. 38), states: “*Upon receipt of the ownership information, URVMS checks to ensure vehicles owners are not Active Duty Military Personnel subject to relief under the Servicemembers Civil Relief Act (“SCRA”), 50 U.S.C. 3901-4043.*”

The owners of vehicles up for auction must undergo a verification process to ensure they are not a U.S. Active Duty Service Member prior to the vehicle being sold. If the owner is a service member, the vehicle cannot be sold per Federal Law. There is no verification process in place as required in Solicitation No. 2019-287R and the Servicemembers Civil Relief Act.

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A sample of twenty-six vehicles sold at the City Auction on September 10, 2019, November 12, 2019, and December 17, 2019 identified the following:

- Twenty-four out of twenty-six (92%) vehicles reviewed did not undergo a verification process. According to the EPPD's Property and Evidence Supervisor, there is no verification process in place.
 - Two of the twenty-six (8%) vehicles were City Fleet Vehicles, which did not require a verification of military status.

Recommendation

1. United Road Towing Inc. should implement a process for verifying U.S. Active Duty Service Member status as required in Solicitation No. 2019-287R.
2. The EPPD should implement a monitoring process to verify that vehicle owners have been screened for U.S. Active Duty Service Member status prior to the vehicles selling at auction. The verification can be performed on a sample basis if there is no indication of errors. This process should be documented in the Abandoned Auto Unit Operations Manual.

Management's Response

EPPD's Response: The Abandoned Auto Unit is monitoring United Road Towing's results for Active Duty Military Status. This process began with auction held on June 30, 2020. The Abandoned Auto Unit Operations Manual will include the Active Duty Military Status process.

URT's Response: United Road Towing in its Request for Proposal Response proposed a process to check if vehicle owners were on Active Duty in the Military, but during the implementation of processes, it was determined the necessary information was not available in order to verify Active Duty Status. The owner's date of birth and social security number were required and this information is not supplied by the Department of Motor Vehicles and may not be available to them. United Road Towing has since engaged a data processing and record search company to provide dates of birth and social security numbers of registered vehicle owners. United Road Towing provides a file of vehicle identification numbers and registered owner information to the database provider, which then searches its databases to provide needed information for verifying Active Duty Status. The database provider can also automate the search of the Active Duty Service Members Database and manual verifications will be performed via the SCRA Website as needed to supplement the database provider's records. United Road Towing intended to have the full solution deployed in March 2020, but delays due to COVID-19 quarantines and social distancing created additional delays. As of July 9, 2020, verification process has now been implemented.

Responsible Party

- David Avila – Fleet and Building Maintenance Superintendent, EPPD
- Michael J. Mahar – Chief Financial Officer, URT

Implementation Date

- El Paso Police Department: June 30, 2020
- United Road Towing: July 09, 2020

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**REGULAR FINDINGS, RECOMMENDATIONS,
AND MANAGEMENT’S RESPONSES**

Finding 4

Vehicle Storage Lot Capacity

City of El Paso Strategic Plan:

- Goal 6.4 *Implement leading-edge practices for achieving quality performance excellence.*
- Goal 6.12 *Maintain systems integrity, compliance, and business continuity.*

Section 1.1 of Solicitation No. 2019-287R, states: “*The City’s Facility is on approximately 10 acres and has the capacity to store up to 1,374 vehicles. The City’s Facility will have three different areas, separated by 6’ high chain link fences, for the different types of storage purposes. An area for vehicles stored for investigative purposes can store up to 400 vehicles; the area for impound purposes will hold 760 vehicles and the area for auctioning purposes will hold 209 vehicles.*”

Section 3.1 (Part: D) of Solicitation No. 2019-287R, states: “*The operation and management of the facility consists of two primary daily activities: impounding vehicles and releasing vehicles. There are three separate, distinct Areas that comprise the Facility: Impound Lot, Investigative Holds Area and View Lot.*”

The El Paso Police Department’s Municipal Vehicle Storage Facility consists of three storage lots.

- Impound Lot – capacity is 760 vehicles and is used to store vehicles involved in accidents or as requested by EPPD.
- Hold Lot – capacity is 400 vehicles and is used to store vehicles pending litigation or a criminal investigation. These vehicles must be safeguarded and kept separate from the other vehicles as they are considered Police evidence.
- View Lot – capacity is 209 vehicles and is used to store vehicles a week prior to auction.

A review of the number of vehicles stored at the three lots during the period of September 1, 2019 to February 29, 2020 identified the following:

#	Month	Impound Lot				Hold Lot				View Lot			
		Average Vehicles Stored	Lot Capacity	Diff.	Under, Near, or Over Capacity	Average Vehicles Stored	Lot Capacity	Diff.	Under, Near, or Over Capacity	Vehicles Stored	Lot Capacity	Diff.	Under, Near, or Over Capacity
1	September 2019	605	760	-155	Under	378	400	-22	Near	204	209	-5	Near
2	October 2019	525		-235	Under	385		-15	Near	236		27	Over
3	November 2019	491		-269	Under	378		-22	Near	215		6	Over
4	December 2019	490		-270	Under	404		4	Over	195		-14	Near
5	January 2020	442		-318	Under	413		13	Over	197		-12	Near
6	February 2020	428		-332	Under	414		14	Over	174		-35	Near

1. The Impound Lot has necessary capacity to meet the demand of vehicles stored on a monthly basis. The lot has an average of 263 extra spaces available.

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2. The Hold and View Lots reach and exceed their rated capacity. The two lots do not have necessary capacity to meet the monthly storage demand.

- Hold Lot:
 - On February 28, 2020, 422 vehicles were stored at the Hold Lot of which 119 had been stored for 3 to 8 years. Below is a table showing how long these vehicles have been stored:

Summary of 422 Vehicles Stored at Hold Lot on February 28, 2020									
Year Brought In	2012	2013	2014	2015	2016	2017	2018	2019	2020
# of Vehicles	16	8	12	8	36	39	55	145	103
Approximate Stored Time	8 Years	7 Years	6 Years	5 Years	4 Years	3 Years	2 Years	1 Year	Month(s)

- View Lot:
 - The lot exceeds capacity by an average of 17 vehicles in the week prior to auctions.
- Vehicles that exceed the Hold and View Lot capacity are stored in the Impound Lot.

Recommendation

The El Paso Police Department should:

- Reconfigure the fenced areas of each lot to expand the storage capacity of the Hold and View Lots.
- Build a lot with the capacity to store vehicles on EPPD “Hold” status. Vehicles can be on EPPD “Hold” for 3 to 8 years.

Management’s Response

The Chief’s Office will secure funding to reconfigure the fencing in the Hold and View Lots. In addition, we will work with the City’s Engineering Department to expand the capacity of the Municipal Vehicle Storage Facility and develop a cost estimate for the project.

Responsible Party

Isaura Valdez – Administrative Services Manager, EPPD

Implementation Date

- Reconfigure fencing of the Hold and View Lots – September 1, 2021.
- Expand Capacity of the MVSF – September 1, 2022.

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INHERENT LIMITATIONS

Because of the inherent limitations of internal controls, errors or irregularities may occur and not be detected. Also, projections of any evaluation of the internal control structure to future periods beyond the Audit Report date are subject to the risk that procedures may become inadequate due to changes in conditions, management override of internal controls, or that the degree of compliance with the procedures may deteriorate. This was a limited scope audit, which only reviewed the areas stated in the Audit Objectives during the Audit Scope period. No representations of assurance are made to other areas or periods not covered by this audit.

CONCLUSION

We have concluded our work on the objectives of the El Paso Police Department – Municipal Vehicle Storage Facility Audit. The audit evidence used in the analysis is sufficient and appropriate for addressing the objectives and supporting the findings and conclusion. In accordance with *Generally Accepted Government Auditing Standards*, we are required to conclude whether the audit objectives were met. Based on our audit work, we have determined that:

1. The audit objectives were met in the following areas:
 - Impounding and releasing vehicles from the El Paso Police Department’s Municipal Vehicle Storage Facility.
 - Collecting and depositing Impound Fees.
 - Calculating and paying Auction Sale Proceeds.
 - Reviewing and paying Towing Fees and Management Fees.

2. The audit objectives were not met in the following areas:
 - Updating the EPPD – Abandoned Auto Unit Operations Manual. This includes:
 - Deleting the requirement of security services and an independent auditor for City Auctions outlined in Chapter 8.2 – “*Auction Procedures*” of the Manual.
 - Documenting that vehicle owners are given 24 hours after an EPPD “Hold” is released to pick up their vehicle before Storage Fees are charged.
 - Selling vehicles at the City Auction after 51 days from the date of impoundment.
 - Verifying if vehicle owners are U.S. Active Duty Servicemembers prior to selling vehicles at the City Auction. Service members are protected by the Servicemembers Civil Relief Act.
 - Maintaining proper storage capacity for vehicles stored at the Hold and View Lots.

We wish to thank the El Paso Police Department and United Road Towing Inc. for their assistance and numerous courtesies extended during the completion of this audit.

Signature on File

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Chief Internal Auditor

Signature on File

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