

POLICE AUDITING

Second
Edition

STANDARDS AND APPLICATIONS



ALLAN Y. JIAO

POLICE AUDITING

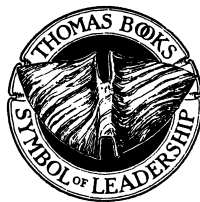
Second Edition

POLICE AUDITING

Standards and Applications

By

ALLAN Y. JIAO, PH.D.



CHARLES C THOMAS • PUBLISHER, LTD.
Springfield • Illinois • U.S.A.

Published and Distributed Throughout the World by

CHARLES C THOMAS • PUBLISHER, LTD.
2600 South First Street
Springfield, Illinois 62704

This book is protected by copyright. No part of
it may be reproduced in any manner without written
permission from the publisher. All rights reserved.

© 2015 by CHARLES C THOMAS • PUBLISHER, LTD.

ISBN 978-0-398-09075-3 (paper)
ISBN 978-0-398-09076-0 (ebook)

First Edition, 1999
Second Edition, 2015

Library of Congress Catalog Card Number: 2015008943

*With THOMAS BOOKS careful attention is given to all details of manufacturing
and design. It is the Publisher's desire to present books that are satisfactory as to their
physical qualities and artistic possibilities and appropriate for their particular use.
THOMAS BOOKS will be true to those laws of quality that assure a good name
and good will.*

Printed in the United States of America
MM-R-3

Library of Congress Cataloging-in-Publication Data

Jiao, Allan Y.

Police auditing : standards and applications / by Allan Y. Jiao. --
Second edition.

pages cm

Includes bibliographical references and index.

ISBN 978-0-398-09075-3 (pbk.) -- ISBN 978-0-398-09076-0 (ebook)

1. Police--Auditing. I. Title.

HV7935.J53 2015

657'83--dc23

2015008943

PREFACE

My involvement in police auditing began in 1995 when I was approached by a few municipalities about strategies for responding to audits of their police departments. I served as a member on a municipal budget review task force and later as a chairperson of a city public safety committee to evaluate police responses to a variety of audit recommendations. As a police specialist but new to the field of police auditing, I searched for a book on police audits to guide my work with the police. Although a great amount of information was available on government and corporate auditing, not a single work could be found on police auditing. All I was able to lay my hands on were various police audit reports written on individual police departments and fragmentary writings only marginally related to police auditing.

It became clear to me, as a result of this search, that a book on police auditing was needed. Many police officials I came into contact with in the course of audit evaluation and research also expressed a desire for such a work, which they believed would help them better respond to both expected or unexpected external audits. By the time I wrote the first edition of this book in the late 1990s, I reviewed over 100 police audit reports published in the United States, United Kingdom, and Canada; interviewed dozens of police officials involved in police auditing; and collected numerous audit documents from both public and private sectors, in addition to firsthand information I gathered while being engaged in police audit evaluations. Many years have passed since then. Not only has police auditing become a more common practice, but many changes and developments have also occurred in this field. Consequently, this book reflects my involvement in and contemplation on police auditing as well as my research interest in this area over the years.

This book is aimed at three types of readers. First, it provides police executives and police managers as well as police auditors a timely and necessary workbook for understanding the theories, standards, and practices of police auditing. Second, it serves as a valuable source of information for researchers and academicians who review and evaluate police programs. Third, students in undergraduate and graduate criminal justice programs should be able to use this book to fulfill requirements of those courses that address police budgeting, police accountability, police program evaluations, as well as research methods and data analysis. This book, therefore, is relevant and beneficial to police administrators, academics, and criminal justice students alike. It serves a wide range of readers because police auditing has become a common practice in law enforcement agencies at all levels of government, but there has not been any other book written specifically on this subject.

To allow such a wide range of audience to benefit from this work, I have made every effort to provide a comprehensive view of police auditing by examining the theories, standards, procedures, practices, and evaluations of police audit. The purpose of this detailed coverage is to enable the readers to not only obtain a general understanding of different aspects and types of police audits, but also apply the basic principles of police auditing to their particular agencies. To accomplish this and increase the book's readability, I have combined description of police auditing with discussion of planned change, and integrated standards and procedures of police auditing with principles of social scientific research. I intend to explicate a viable approach to changing or reforming the police, rather than write an accounting textbook or a scientific research report.

Americans have been fascinated with changing the police. The usual goals are to improve the quality of police services, streamline police organization and operations, and reduce police corruption and misconduct. These are viable goals, to be sure, but they often obscure the process through which change should be implemented or carried out. Whether correct procedural requirements are followed, however, often determines the end results of police reforms.

This book clarifies the process of police auditing as a workable approach to bringing about improvements in police organizations. This approach, although similar to other police change programs in

terms of goals and purposes, employs a different set of standards and procedures in measuring and evaluating the police. Auditing is analytical, critical, and investigative in nature with an accounting or financial basis and consequence. The systematic collection and analysis of information in the process of police auditing bring it also closer in line with principles of social scientific research. With a good understanding of the auditing process, the police should be able to work more cohesively with police auditors and respond effectively to audit recommendations. Ultimately, they should be able to improve their efficiency and effectiveness in handling funds and resources and meet public demand for police services.

There are two simple reasons why police auditing merits the attention of both practitioners and academicians. First, this exercise meets the need of police administrators to learn about the economy, efficiency, and effectiveness of their operations. Police services are universally provided and police departments are an essential operating unit in almost all local governments. Whether police organizations and programs are functioning economically, efficiently, and effectively is a natural concern of most, if not all, police administrators. Reliable financial and performance information provide police departments with the means to assess the value of management overheads, ensure that resources are directed to priorities, and make certain that commanding officers are held accountable for the quality of their programs. Thorough audits of resource allocation and organizational structure also prevent police organizations from becoming overly bureaucratic and ensure their readiness for meeting new challenges and demands.

Second, police auditing provides an important tool for the public and its elected officials to fulfill their oversight responsibilities. Because police agencies take up the largest single-area expenditure in local governments, police services are an area of great concern to the public and news media. Increasingly, the public questions the value of police services in terms of taxes and resources taxpayers provide to the police. The public may become critical of the police when crime rates are extraordinarily high and when police are unable to meet the demand for services. Police audits answer the questions raised by the public as well as its elected representatives by examining how well the police are using the taxpayers' money and what have been the results

of a department's use of the resources made available to it. With an accurate estimate of the cost of the services and an assessment of the results expected from the services, elected officials are able to make better decisions when it comes to appropriating funds for police organizations.

Different from corporate audits, police audits go beyond examining financial and financial-related statements. The development of police auditing over the years indicates that the focus of police audits has shifted from rendering financial opinions only to attesting on performance, management, compliance, controls, and operations. Consequently, many police audits are concerned not only with whether police funds are handled properly or in compliance with laws and regulations, but also whether police organizations have achieved the purposes for which their programs were authorized and funded and have done so economically and efficiently. It is clear that a greater emphasis has been placed on performance evaluations in the field of police auditing. In view of this development, this book addresses not only audits of finance and compliance, but also audits of performances, which focus on examining the results of a police department's expenditure of its resources.

After an introduction of the concepts, purposes, and development of police auditing, this book describes some general issues related to changing the police and discusses police auditing as a potentially viable approach for improving police organization, management, and operations. It illustrates the structure and process of planned change and how they address, through police auditing, the issue of efficiency and effectiveness, and lead to desired changes in police management and operations. The book then examines government auditing standards and procedures applicable to police auditing and explains the importance of meeting these requirements in the auditing process. To provide a realistic look at how police auditing is practiced, the book presents some typical problems police auditors encounter in a variety of police departments. These extant audit cases are usually related to the economy and efficiency of police operations and functions, program results and effectiveness, and compliance with laws and regulations. A relatively recent development in police auditing, the Office of Independent Police Auditor (IPA), which has been established in many cities across the United States, is described in terms of its struc-

ture and functions. Since a post-audit evaluation is equally important as an audit itself, two major evaluation approaches, process and outcome evaluation, are discussed; and the Camden Police Audit is presented to illustrate the process and outcome evaluation of a local police audit program. Overall, the entire police auditing process can be regarded as a model of planned change with several interrelated elements, including internal and external pressures, organizational disequilibrium, examination and collection of data, innovative and rational decision-making, development of goals and solutions and alternatives, implementation of audit programs, maintaining and monitoring changes, and outcome evaluation.

In the process of preparing and writing this book, I have been assisted by and benefited from numerous individuals. I'd like to thank Herbert Douglas and Jerome Harris for introducing me to a local police audit and their support and encouragement for completing this book. To the many police auditors in the United States and Great Britain, whose audit reports I have reviewed and cited as case examples, thank you for enriching this manuscript with your empirical insight. Thanks also to numerous police officers in the United States who have provided me with access to their agencies and valuable information for this work. Thanks especially to Chief Robert Pugh, Chief William Hill, Chief Charles Kocher, and many other police officials in and around New Jersey. Finally, I'd like to dedicate this book to all police administrators, police managers, police officers, and police auditors who devote their life to the betterment of police services.

A.Y.J.

CONTENTS

	<i>Page</i>
<i>Preface</i>	v
<i>Chapter</i>	
1. INTRODUCTION	3
Why Police Auditing?	4
Traditional Police Auditing	6
Changes and Development in Police Auditing	8
What Follows	9
References	12
2. THEORETICAL MODEL	15
Issues in Changing the Police	15
The Structure of Planned Change	17
The Process of Planned Change	20
Summary	25
References	27
3. PRACTICAL STANDARDS	29
Two Major Audit Approaches: Financial and Performance	29
General Government Auditing Standards	32
Financial Statement Audit Standards	35
Financial-Related Audit Standards	36
Compliance Audit Standards	38
Performance Audit Standards	39
Summary	44
References	46

4. PRACTICAL PROCEDURES	49
General Police Audit Procedures	49
Financial Statement Audit Procedures	51
Financial-Related Audit Procedures	53
Performance Audit Procedures	54
Summary	74
References	76
5. VARIETY OF POLICE AUDITS	79
Financial-Related Audits	80
Economy and Efficiency Audits	87
Program Results and Effectiveness Audits	95
Efficiency and Effectiveness Audits Combined	111
Compliance Audits	121
Summary	132
References	133
6. INDEPENDENT POLICE AUDITORS	135
Office Structure and Auditor Qualifications	136
Functions and Responsibilities	138
Types of Cases Handled	140
Solutions and Recommendations	140
Political and Professional Issues	142
Summary	144
References	147
7. EVALUATION APPROACHES	149
Process Evaluation	151
Outcome Evaluation	156
Summary	160
References	162
8. CAMDEN POLICE AUDIT	165
Audit Background	166
Audit Recommendations	168
Process Evaluation	174
Outcome Evaluation	178
Summary	187
References	188

Contents

xiii

9. CONCLUSIONS	191
References	199
<i>Index</i>	201

POLICE AUDITING

Chapter 1

INTRODUCTION

A variety of approaches have been used to change, control, and reform the police since the first modern police, the London Metropolitan Police, was established in 1829. Efforts to change the police range from internal affairs investigations, managerial control, new police leadership, to external consultancies, civilian reviews, and government-appointed commissions. What makes police auditing different? Police auditing is no different from these other efforts in terms of goals and purposes, which are to bring about positive changes and improvement in police services. What is different are the process and procedures used in effecting and evaluating the change. All types of auditing are analytical, critical, and investigative in nature with an accounting or financial basis or consequence (Mautz & Sharaf, 1985). As Robert H. Montgomery (1912), author of the first book on auditing in America, stated, auditing is the analytical branch of accountancy. The systematic collection and analysis of information in the audit process bring police auditing close in line with major principles of social scientific research.

This is a book about police auditing and how it can be used to improve police performances. Specifically, the book covers the theories, standards, procedures, practices, and evaluations of police audits. The purpose of such coverage is to enable the reader to gain a general understanding of different aspects and types of police audits and learn to apply the principles of police auditing to a particular police department. Contrary to what is commonly expected, there are a variety of police audits that range from a single focus on police purchasing to a comprehensive audit aimed at increasing police efficiency and effec-

tiveness in an entire agency, including its organizational structure, operations, programs, and administrative services. Depending on the degree of comprehensiveness, police auditing may involve accountants, auditors, police specialists, police administrators, municipal officials, state government officials, and civilian representatives in the auditing process. Viewed as a whole, police auditing embodies a planned and systematic approach to changing the police.

Why Police Auditing?

Police services are almost universally provided and police departments are an essential operating unit of most local governments. Whether a police organization and its programs are functioning economically, efficiently, and effectively is a natural concern of police administrators and city officials. Police auditing meets the need of the government officials and police administrators to know about the economy, efficiency, and effectiveness of police operations. A police department, for instance, may be experiencing some controversy concerning its compliance and economy (Malan, 1988). In this situation, the police department needs updated and objective financial information to management. Auditors provide assurance about that information as well as the systems producing that information (Bowsher, 1994). A police department may also be questioned about its efficiency and effectiveness. In this circumstance, the police need accurate information about their performance level and their potential for improvement. Auditors may determine whether the police are performing at the standard level by comparing productivity of police departments located in cities of similar socioeconomic conditions. Upon finding that a police department is performing significantly below its capacity compared with similar agencies, auditors may recommend drastic measures for improvement in police management, organizational structure, and operating procedures.

Reliable financial and performance information provide police departments with an opportunity to reassess the value of management overheads, ensure that resources are directed in line with priorities, match resources with demands, and increase accountability of commanding officers' quality of service. Thorough audits of resource allocation and organizational structure can also prevent police organizations from becoming overly bureaucratic and increase their readiness

for meeting new demands and challenges. Departments that have conducted audits are usually able to create more efficient organizational structure by reducing the proportion of police manpower tied up in administrative functions, run more accountable programs by clarifying functions and objectives, and achieve greater performance by monitoring and evaluation. The police have experienced in recent decades as well as in history a wave of reforms to police internal management, particularly in the areas of organizational structure and patrol operations. Through a fundamental review of organization, police auditing can assure that a police department is as economical, effective, and efficient as it can be in translating public money into quality police services (Audit Commission, 1991).

Police service is also an area of great public and news media concern (Drebin & Brannon, 1990). This concern is directly related to the largest single-area expenditure the police occupy in the local government, approaching half of the general fund budget. Increasingly, the public questions the value of police services in terms of taxes and resources the public provides to the police. The public may become critical of police management and program performance when crime rate is extraordinarily high and when the police are unable to meet the demand for services. The public wants to know what has happened to the tax dollars, what has been accomplished with the public funds, and simply why they cannot get the police protection they feel they rightfully deserve. This questioning grows more intense when a perception of police corruption exists and when residents experience a higher crime rate and stronger fear of criminal victimization.

Because of the large expenditure and universality and necessity of police services, the police should be held accountable to the public and subject to oversight. Police audit provides an important tool for elected officials-city councils or similar bodies-to fulfill their oversight functions. Police auditing answers the questions raised by the public as well as elected representatives by assessing the police use of taxpayers' money and the results of a department's use of the resources made available to it (Brown, Gallagher, & Williams, 1982). By objectively acquiring and evaluating evidence, auditors assess the credibility of the information reported by or obtained from police management. With the information on police performance, auditors determine whether changes in police resources, such as personnel and patrol vehicles,