



Office of the City Clerk

City Hall
121 N. LaSalle St.
Room 107
Chicago, IL 60602
www.chicityclerk.com

Legislation Details (With Text)

File #: F2014-52
Type: Report **Status:** Placed on File
File created: 6/25/2014 **In control:** City Council
Final action: 6/25/2014
Title: Inspector General's report regarding Department of Business Affairs and Consumer Protection
Confiscated Property Audit
Sponsors: Dept./Agency
Indexes: Miscellaneous
Attachments: 1. F2014-52.pdf

Date	Ver.	Action By	Action	Result
6/25/2014	1	City Council	Placed on File	

Office of Inspector General

City of Chicago

Report of the Office of Inspector General:

Department of Business Affairs and Consumer Protection confisca ted property a udit

ro
CD

m
c-j

June 2014

866-IG-TIPLINE (866-448-4754)

Joseph M. Ferguson Inspector General

OFFICE OF INSPECTOR GENERAL

City of Chicago

740 N. Sedgwick Street, Suite 200 Chicago, Illinois 60604 Telephone: (773) 478-7799 Fax: (773) 478-3949

June 20, 2014

To the Mayor, Members of the City Council, City Clerk, City Treasurer, and residents of the City of Chicago:

The City of Chicago Office of Inspector General (OIG) has completed an audit of the Department of Business Affairs and Consumer Protection's (BACP) Business Compliance and Enforcement (BCE) division. In this audit, we evaluated how BACP confiscates and stores contraband from businesses that violate City code and found that BACP effectively safeguarded confiscated property from misplacement, theft, and/or fraud throughout its custodianship.

BACP plays an important role in protecting the public's health and safety as well as City revenues. BACP inspects businesses for code violations, expired food, expired baby formula, and unstamped (or untaxed) cigarettes, among other items. The sale of unstamped cigarettes is a particularly challenging problem for Chicago, which has the nation's highest cumulative cigarette tax. The tax, currently \$7.17 per pack,¹ includes levies at the city, county, state, and federal levels."

With a relatively small team, BACP plays a critical role in tax enforcement. For instance, between January and September 2013, BACP confiscated 31,000 packs of unstamped cigarettes which allowed the City to issue more than \$292,000 in fines, or over eight times the missed tax revenue. BACP deserves credit for the careful handling, tracking, and storage of confiscated property that both protects the public from harm and supports the administrative hearing process for these fines. However, while not the subject of our audit, it is unclear whether the City has both devoted enough resources to enforcement and created high enough evasion fines to curb the black market-rather than merely created a high tax jurisdiction and high tax evasion.

In addition to finding that BACP effectively safeguarded confiscated property throughout its custodianship, our audit concluded that BACP's policies and processes reflected best practices. BACP's operations met the standards promulgated by the International Association for Property and Evidence as well as the professional practices of the Illinois State Police. OIG has conducted a number of inventory-related audits in recent years, and we found in BACP a small but effective

¹ Campaign for Tobacco-Free Kids, "Top Combined State-Local Cigarette Tax Rates," December 13, 2013, accessed on April 11, 2014, <<http://www.tobaccofreekids.org/research/factsheets/pdf/0267.pdf>>. This document shows combined state, county, and municipal taxes, as noted in the title. However, the federal tax is \$1.01 (as stated at the bottom of the cited document), and those combine to yield \$7.17 per pack.

² The Civic Federation, "Higher Tax Rates in Effect for Chicago Tobacco Consumers," January 2014, accessed March 19, 2014, <http://www.civiced.org/civic-federation/blog/higher-tax-rates-effect-chicago-tobacco-consumers> <<http://www.civiced.org/civic-federation/blog/higher-tax-rates-effect-chicago-tobacco-consumers>>.

Website: www.chicagoinspc.org

inventory operation. We thank the staff and management of BACP for their assistance and cooperation in completing this audit.

Respectfully,

Joseph M. Ferguson Inspector General City
of Chicago

Website: www.chicapointinspectorgeneial.org <<http://www.chicapointinspectorgeneial.org>>

OIG File #13-0518
BACP Confiscated Property Audit

Table of Contents

I.	Executive Summary	2
II.	Background	3
A.	Comparing Local and National Cigarette Tax Rates, Tax Evasion, and Fines	3
B.	BACP Business License Investigations	4
1.	BACP Inspection Process	5
2.	Transporting, Documenting, and Storing Confiscated Property	5
IN.	Objectives, Scope, and Methodology	7
A.	Objectives	7
B.	Scope	7
C.	Methodology	7
D.	Standards	8
E.	Authority and Role	8
IV.	Findings	9
	Finding 1: BACP Had Appropriate Safeguards over the Property it Confiscated	9
1.	Staffing and Training	9
2.	Confiscation	10
3.	Documentation and Packaging	10
4.	Storage Facilities, Long-Term Storage, and Security	10
5.	Disposition	11
6.	Written Directives	11
	Finding 2: BACP's Inventory of Confiscated Property Was Complete	12
V.	appendix A: Example of an Administrative Notice of Violation	13
VI.	Appendix B: Example of A Property Receipt Issued to Businesses	14
VII.	appendix C: Example of a Chain of Custody Document	15

Acronyms

ANOV	Administrative Notice of Violation
BCE	Business Compliance and Enforcement Division of the Department of Business
BACP	Department of Business Affairs and Consumer Protection
BCE	Business Compliance and Enforcement Division of the '.
	Affairs and Consumer Protection
IAPE	International Association for Property and Evidence
IRIS	Integrated Revenue Information System
ISP	Illinois State Police

OIG Office of Inspector General

Page 1 of 18

OIG File #13-0518
BACP Confiscated Property Audit

I. Executive Summary

The Office of Inspector General (OIG) conducted an audit of the Department of Business Affairs and Consumer Protection's (BACP) Business Compliance and Enforcement (BCE) division. BACP conducts unannounced business inspections to identify license violations such as selling unstamped cigarettes, drug paraphernalia, or expired infant formula. When BACP investigators find contraband, they issue an Administrative Notice of Violation (ANOV),³ confiscate those items, and store the items for hearing.⁴

The objectives of the audit were to determine if,

1. BACP had adequate safeguards over property it confiscated, and
2. BACP's property inventory was both physically present and accurately recorded in its inventory database.

We found that BACP effectively safeguarded property confiscated from businesses violating City code, and that it accurately managed its physical inventory and the data contained in its inventory database, the Integrated Revenue Information System (IRIS). Furthermore, BACP's policies and procedures were well documented and effectively communicated to BACP staff.

Based on our results, we concluded that BACP's processes for managing and destroying confiscated property were effective and reflected best practices, including standards promulgated by the International Association for Property and Evidence and the professional practices of the Illinois State Police.

³ See Appendix A for a sample ANOV.

⁴ In this audit, we refer to "contraband" as goods that are illegal to sell (e.g., unstamped cigarettes) but have not yet been seized by investigators. Once investigators take possession of the contraband as a part of the ANOV issuance process, we refer to those goods as "confiscated property."

Page 2 of 18

OIG File #13-0518
BA CP Confiscated Property Audit

II. Background

A. Comparing Local and National Cigarette Tax Rates, Tax Evasion, and Fines

The Chicago City Council voted to increase the cigarette tax from \$0.68 to \$1.18 per pack on November 26, 2013. The change took effect on January 10, 2014.⁵ Chicago's cumulative cigarette tax is now the highest in the nation, with levies at the city (\$1.18), county (\$3.00), state (\$1.98), and federal (\$1.01) levels, totaling \$7.17 per pack.⁶ Table 1 shows localities with the highest total tax rates per pack, and Table 2 shows tax rates in states neighboring Illinois.

Table 1: U.S. Localities with the Highest Cigarette Tax Rates

Rank	Local, State, and Federal Cigarette Tax Rate	Total Tax
1	Chicago (\$1.18), Cook County (\$3.00), Illinois	\$7.17
2	New York City (\$1.50), New York State (\$4.35)	\$6.86
3	Evanston (\$0.50), Cook County (\$3.00), Illinois	\$6.49
4	Berwyn (\$0.16), Cook County (\$3.00), Illinois	\$6.15
5	Cicero (\$0.16), Cook County (\$3.00), Illinois	\$6.15
6	Cities with no tax in Cook County (\$3.00), Illinois	\$5.99

Note: The table shows state cigarette tax rates as of December 13, 2013. It includes Chicago's recent tax increase, which had been passed by City Council on November 26, 2013, but did not take effect until January 10, 2014.

Table 2: Lowest Cigarette Tax Rates in Neighboring States⁸

Rank	State and Federal Cigarette Tax Rates Per Pack	Total Tax
1	Missouri (\$0.17), Federal (\$1.01), plus local taxes (ranging from \$0.04 to \$0.07)	\$1.22 to \$1.25
2	Kentucky (\$0.60), Kentucky Administrative and Enforcement Fee (\$0.01), Federal (\$1.01)	\$1.62
3	Indiana (\$0.995), Federal (\$1.01)	\$2.005
4	Iowa (\$1.36), Federal (\$1.01)	\$2.37
5	Michigan (\$2.00), Federal (\$1.01)	\$3.01
6	Wisconsin (\$2.52), Federal (\$1.01)	\$3.53

City ordinance requires wholesale tobacco distributors to pay the taxes in order to receive stamps for each pack of cigarettes.⁹ Yet, some Chicago retailers illegally purchase and resell cigarettes without the stamps. Tax evasion incentives are high: Missouri's state plus local tax is between

⁵ City of Chicago, Municipal Code, § 3-42-020; and City of Chicago, "Cigarette Tax," accessed May 9, 2014, <http://www.cityofchicago.org/city/cn/depts/fin/supp_info/revenue/tax%20list/cigarette%20tax.html>

⁶ The Civic Federation, "Selected Consumer Taxes in the City of Chicago," February 3, 2014, accessed May 6, 2014, <<http://www.civiced.org/sites/default/files/SelectedConsumerTaxes%202014.pdf>>

⁷ Campaign for Tobacco-Free Kids, "Top Combined State-Local Cigarette Tax Rates," December 13, 2013, accessed on April 11, 2014, <<http://www.tobaccofreekids.org/research/factsheets/ndf/0267.pdf>>

⁸ Federation of Tax Administrators, "State Excise Tax Rates on Cigarettes," January 2014, accessed April 9, 2014,

<<http://www.taxadmin.org/fta/ratc/cigarette.pdf>>. See that document's footnote (a) for information on Missouri's additional county taxes and footnote (c) for information on Kentucky's Administrative and Enforcement Fee.

⁹ City of Chicago, Municipal Code, § 3-42-020(b).

Page 3 of 18

OIG File #13-0518

BACP Confiscated Property Audit

\$0.21 and \$0.24 per pack and Indiana's is \$0.995 per pack;¹⁰ therefore an unscrupulous Chicago retailer buying cigarettes in those states could garner an extra \$51 to \$59 in revenue per carton. Further, barriers to evasion are low-cigarettes are small and easily transported in large quantities across state lines." At the national level, the U.S. Bureau of Alcohol, Firearms, and Tobacco stated in 2009 that states were losing approximately \$5 billion annually in unpaid cigarette taxes.¹² But as with most black markets, the extent of the problem is difficult to quantify precisely, and the City's actual lost revenue is unknown.

Chicago's Municipal Code authorizes BACP to investigate and prosecute retailers who sell unstamped cigarettes, helping to discourage some evasion.¹³ Between January and September 2013, BACP confiscated 31,000 packs of cigarettes, representing \$21,080 in lost tax revenue, and issued \$292,850 in fines.¹⁴ The City fines retailers \$1,000 for the first 40 unstamped packs and \$25 for each additional pack.¹⁵ The range of violations varies widely. For example, according to BACP staff, some retailers sell small numbers of unstamped packs to customers they know, whereas others may incur thousands of dollars of unpaid ANOV fines before the owner dissolves the fined entity, only to reopen under a new legal name.

B. BACP Business License Investigations

BACP's FY2014 budget is \$18.3 million, and it employs a staff of 177,¹⁶ who oversee nearly 60,000 business licenses in sectors ranging from tobacco sales to public vehicle inspection to cable communications.¹⁷ The Department's Business Enforcement and Compliance (BCE) division has 40 employees and a budget of \$2.7 million.¹⁸ BCE enforces the cigarette tax by dispatching 25 Revenue Investigators (Investigators) on unannounced retail business inspections. During an inspection, Investigators look for a wide range of code violations including illegal

Federation of Tax Administrators, "State Excise Tax Rates on Cigarettes," January 2014, accessed April 9, 2014, <http://www.taxadmin.org/fta/ratc/cigarette.pdf> <<http://www.taxadmin.org/fta/ratc/cigarette.pdf>>. See that document's footnote (a) for information on Missouri's additional county taxes.

"U.S. Department of Justice, Office of the Inspector General, Evaluations and Inspection Division, "The Bureau of Alcohol, Tobacco, Firearms and Explosives' Efforts to Prevent the Diversion of Tobacco," i, Report Number I-2009-005, September 2009, accessed April 14, 2014, <<http://www.iustice.gov/oig/reports/ATF/e0905.pdf>>.

¹² Gary Fields, "States Go to War on Cigarette Smuggling," *Wall Street Journal*, July 20, 2009, accessed April 2, 2014, <<http://online.wsj.com/news/articles/SB124804682785163691?mg=reno64-wsj&url=http%3A%2F%2Fonline.wsj.com%2Farticle%2FSB124804682785163691.html>>.

¹³ City of Chicago, Municipal Code, § 3-42-060(a). The Chicago Police Department is also empowered to enforce this section of the Municipal Code. In 2013, the Department's Vice Unit confiscated 4,716 packs through its investigations.

¹⁴ The City's cigarette tax rate at that time was \$0.68 per pack. Under the current, higher tax rate, the City would have collected \$36,580 on those 31,000 confiscated packs.

¹⁵ City of Chicago, Municipal Code, § 3-42-110(b).

¹⁶ City of Chicago, Office of Budget Management, "2014 Appropriation Ordinance," November 2013, 185, 190, accessed April 2, 2014, <http://www.cityofchicago.org/content/dam/city/depts/obm/supp_inlb/2014%20Budget/2014ordinance.pdf>.

¹⁷ City of Chicago, Office of the Mayor, "2014 Budget Overview," October 2013, 103, accessed April 2, 2014, <http://www.cityofchicago.org/content/dam/city/depts/obm/supp_info/2014%20Budget/2014overview.pdf>.

¹⁸ City of Chicago, Office of Budget Management, "2014 Appropriation Ordinance," November 2013, 189, accessed April 2, 2014,

<http://www.citVofchicago.org/content/daiWciv/depts/obnVsupp_info/2014%20Budget/2014ordinance.pdf>.

Page 4 of 18

OIG File #13-0518
BACP Confiscated Property Audit

awnings, expired food, and unstamped cigarettes. Investigators can issue an ANOV for any violation they find and are empowered to confiscate any of the following contraband:

1. Cigarettes that do not have appropriate tax stamps;
2. Items deemed to be drug paraphernalia (e.g., flavored blunt wrappers);
3. Expired baby formula; and
4. High phosphate dish detergent.

1. BACP Inspection Process

Due to the high value of unstamped cigarettes, tax-evading businesses carefully conceal them. During inspections BACP Investigators must search for false countertops, cabinets, walls, and in drawers to find the cigarettes. When illegal cigarettes or other contraband is discovered, Investigators follow these steps while at the site of the violation:

1. Issue an ANOV by entering the appropriate business information into BACP's Integrated Revenue Information System (IRIS);
2. Present a printed copy of the ANOV to a store employee.
3. Count out the contraband property in front of the store employee and give the employee a property receipt;¹⁹
4. Put the property into a black bag and duct tape the bag closed, (except for expired food, in which case Investigators take pictures of the food and issue a warning or a citation without confiscating); and
5. Print out a copy of the property receipt and place it in a clear shipping envelope on the bag.

2. Transporting, Documenting, and Storing Confiscated Property

At the end of each day in the field, Investigators take any confiscated property to the BACP warehouse for storage. There, the Investigator who issued the ANOV creates a chain of custody document²⁰ for each piece of property and gives it to a Supervisor. The Supervisor reviews for accuracy the ANOV and the property receipt in IRIS, and then stores the property in a locked room. The property remains in storage in the sealed black bag until it is presented at the corresponding administrative hearing.

If the Administrative Law Judge finds the retailer liable at the hearing, then the Investigator sends any unstamped cigarettes to the Cook County Department of Revenue for destruction, and returns all other property to the warehouse, where BACP staff destroys it. In the event that a retailer is found not liable, the Investigator similarly returns the confiscated property to the warehouse and then releases it to the retailer at the direction of the BACP prosecutor. Figure 1 illustrates the confiscation and storage process.

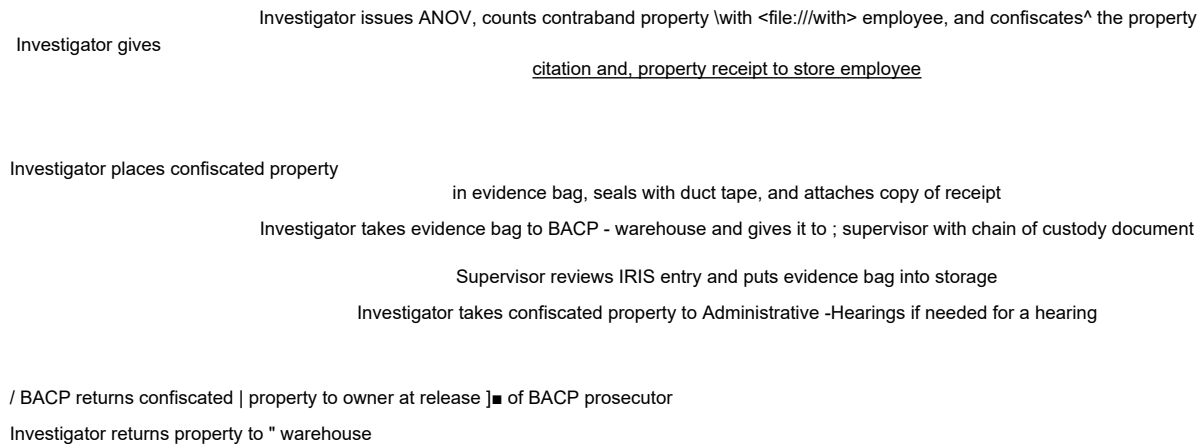
¹⁹ See Appendix B for a sample property receipt.

²⁰ See Appendix C for a sample chain of custody document.

Page 5 of 18

OIG File #13-0518
BACP Confiscated Property Audit

Figure 1: BACP Contraband Confiscation and Storage Process²¹



²¹ This figure derives from OIG analysis of BACP policies and procedures.

ITT. Objectives, Scope, and Methodology

A. Objectives

The objectives of the audit were to determine if:

- BACP had adequate safeguards over property it confiscated, and
- BACP's property inventory was both physically present and accurately reflected in its inventory database.

B. Scope

OTG assessed BACP's storage of confiscated property in two respects. First, during December 2013, we examined the process from the point at which Investigators issue an ANOV to the point at which the property is destroyed or returned to the owner. Second, we examined the accuracy of the inventory, verifying both its physical existence in BACP's store room on January 23, 2014 and its digital existence in BACP's IRIS database on February 3, 2014.

C. Methodology

For both objectives, we interviewed BACP senior management to understand the overall function of BACP in investigating businesses, issuing ANOVs, and confiscating property. In these interviews, we gathered information regarding BACP's inspections, property confiscation and storage, and involvement with administrative hearings. We also reviewed BACP's written policies and procedures with management.

In order to observe the confiscation process, OIG staff accompanied two BACP Investigators on unannounced business inspections in December 2013 and witnessed the Investigators issuing ANOVs, confiscating property, and documenting the property. At that time, we also returned with the Investigators to the BACP warehouse to witness them turn the property over to their Supervisor for review and storage.

To assess BACP's written policies and procedures, we compared them to standards put forth by the International Association for Property and Evidence, Inc. (IAPE), or the Illinois State Police (TSP) procedures, where appropriate. These standards cover topics including staffing, training, written internal policies and procedures, documentation and packaging of property, and storage facilities and security.²² We then compared our observations of BACP Investigators' practices to the Department's written policies and procedures.

In evaluating BACP's inventory of confiscated property, we compared a sample of the actual inventory to database records and then conversely compared a separate sample of the records to the inventory to ensure accuracy and completeness.²³ Our evaluation of the inventory for

²² International Association of Property and Evidence, Inc., "IAPE Professional Standards, Version 2.4," accessed

April 14, 2014. The Illinois State Police procedures are not available as a public document.

²³ We received the data directly from the BACP IRIS database where inventory data is contained. We assessed reliability of the data by interviewing BACP staff to understand how data is originally inputted and how records may be updated in the database. Further, our comparison of the physical inventory to the data and the data to the physical

physical and data completeness was compared to a 100 percent accuracy standard, as used by BACP senior management.

D. Standards

We conducted this audit in accordance with generally accepted Government Auditing Standards issued by the

Comptroller General of the United States. 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.

£. Authority and Role

The authority to perform this audit is established in the City of Chicago Municipal Code § 2-56-030 which states that the Office of Inspector General has the power and duty to review the programs of City government in order to identify any inefficiencies, waste, and potential for misconduct, and to promote economy, efficiency, effectiveness, and integrity in the administration of City programs and operations.

The role of OIG is to review City operations and make recommendations for improvement.

City management is responsible for establishing and maintaining processes to ensure that City programs operate economically, efficiently, effectively, and with integrity.

inventory resulted in a 100 percent match (although there was one duplicative record out of 100, discussed in Footnote 26). Therefore, we concluded that the data was sufficiently reliable for the purpose of this audit.

Page 8 of 18

*OIG File #13-0518
BACP Confiscated Property Audit*

IV. Findings

Finding 1: BACP Had Appropriate Safeguards over the Property it Confiscated

Our audit found that BACP had sound policies and procedures for safeguarding confiscated property from misplacement,

theft, or fraud during seizure, transportation, storage, and destruction.

To evaluate BACP's policies and procedures, we compared our observations to industry standards and practices summarized in the following categories:

- Staffing and training
- Confiscation
- Documentation and packaging
- Storage facilities, long-term storage, and security
- Disposition
- Written Directives

Specifically, we compared each of these categories, except confiscation (for reasons explained below), to the International Association for Property and Evidence (TAPE) standards.²⁴ The TAPE standards, last updated in 2012, provide guidance for the handling of evidence and property by law enforcement agencies.²⁵

IAPE does not promulgate standards for what should occur during property confiscation. Therefore, we compared BACP's confiscation policies and procedures to the professional practices of the Illinois State Police (ISP). Additionally, we accompanied BACP Investigators on their unannounced visits to various retail locations in Chicago and observed their inspection and confiscation activities. OTG found that the Investigators' practices in the field conformed to BACP's documented confiscation procedures.

1. Staffing and Training IAPE recommends that staff in property and evidence units,

- undergo background checks;

Notably, we did not use all of the standards presented in IAPE. This is because the IAPE standards are intended for law enforcement property and evidence units, which deal with high-risk evidence like DNA, fingerprints, and narcotics that must be managed with extreme care. Since BACP's operation is comparatively very limited in size and scope, we used only the standards that address issues the Department faces in the context of its enforcement powers and types of confiscated property.

²⁵ International Association of Property and Evidence, Inc., "IAPE Professional Standards, Version 2.4," accessed April 14, 2014, <http://www.iape.org/standards/IAPE_Standards_2.4.pdf>.

Page 9 of 18

*OIG File #13-0518
BACP Confiscated Property Audit*

- have responsibility for securely receiving, documenting, storing, and preserving all evidence; and
- are adequately and regularly trained.

All BACP candidates for Investigator and Supervisor undergo background checks as part of the City's standard hiring process. As with other City applicants, the Chicago Department of Human Resources then notifies the BACP Commissioner of any criminal offenses in the candidate's history, who considers three factors: the time of the offense, the nature of the offense, and the duties of the position. Upon hire, BACP provides classroom training to new Investigators

for three months, while simultaneously increasing field observations and responsibilities. During training, the new Investigator learns how to manage evidence, including creating an ANOV and corresponding property receipt in the City's IRIS system and creating and updating the chain of custody document for each piece of evidence. BACP also provides ongoing training to all Investigators and Supervisors, for instance to learn about amendments to City ordinance or new methods of concealing drug paraphernalia.

2. Confiscation

ISP requires that owners of confiscated property be given a property receipt and that evidence be appropriately marked and packaged. BACP meets these standards by requiring Investigators to collect contraband for evidence and give out property receipts created in the IRIS database²⁶ to violating businesses.

3. Documentation and Packaging

IAPE standards state that all property must have a computerized property report denoting what it is, who owns it, and who has handled it. Property must be packaged to avoid loss of evidentiary value from cross-contamination or loss.

As described above, BACP uses IRIS to document confiscated property descriptions and ownership. BACP then uses a chain of custody form to track the movement of the property to and from the Department of Administrative Hearings, and in and out of the BACP storage warehouse. Investigators always store confiscated property in black plastic bags, seal them with duct tape, and affix a copy of the property receipt in a packaging envelope to the bag.

4. Storage Facilities, Long-Term Storage, and Security

TAPE storage standards require that the store room be sufficiently secure to prevent unauthorized entry, including locks, key control, and limited access. IAPE also requires that the room be organized in an efficient, safe, and methodical fashion to ease retrieval.

BACP keeps the storage room locked. Additionally, management stated that there is a security camera on the door and that it changes keys both annually and with personnel changes. Only

As described in the Executive Summary and in the Background, IRIS is BACP's inventory database used to document confiscated property descriptions and ownership.

Page 10 of 18

*OIG File #13-0518
BACP Confiscated Property Audit*

Supervisors and upper management have access to the room. As mandated by BACP policies and procedures, Supervisors store the property on date-labeled shelves in large garbage bags.

5. Disposition

Disposition standards from TAPE require that either the investigating officer or prosecutor have the authority to purge old evidence, and that the property unit destroy evidence that is not returned to the owner, used by the government, or auctioned off.

BACP requires its prosecuting attorneys to sign off on every piece of evidence to be destroyed. Since BACP only confiscates items that are either expired (e.g., infant formula), illegal in the City (e.g., high phosphate detergent), or otherwise pose a public health risk (e.g., cigarettes, drug paraphernalia), BACP destroys or transfers to Cook County for destruction all confiscated property that is no longer needed as evidence.

6. Written Directives

IAPE's professional standards require that all policies and procedures for handling property be written down. BACP provides its staff with written policies and procedures for how to effectively receive, document, store, and destroy all evidence.

Page 11 of 18

I

*OIG File #13-0518
BA CP Confiscated Property Audit*

Finding 2: BACP's Inventory of Confiscated Property Was Complete

OIG found that BACP's inventory of confiscated property was complete. More specifically, we found that BACP kept accurate records in the IRIS database of its confiscated property stored in the BACP warehouse, and had on-hand all confiscated property with records in IRIS.

OIG selected a random sample of 100 confiscated items from a total population of 707 recorded in the IRIS database and checked that each item was properly stored on the warehouse shelves. We found one confiscated item recorded in the IRIS database that was not physically present in the BACP warehouse, but determined that this was a duplicate entry and that the item had been appropriately destroyed.²⁷

We also tested the accuracy of the physical inventory stored in the BACP warehouse. To do so, we randomly selected 102 items from the shelves and compared them to TRTS records to determine if they were listed in the database as being physically present in the BACP warehouse. Based on the property in our sample, we found that BACP's database listed all items accurately.

BACP management showed that the item reflected a duplicate entry in IRIS where a ticket and corresponding property receipt had been improperly issued. In that case, the ticket was voided and reissued, but the property receipt did not reflect the void. After the ticket was prosecuted and the case completed, the prosecuting attorney indicated on the first property receipt that the property should be destroyed, but accidentally left the second receipt in the system. The item had been appropriately destroyed, and upon discovering the mistake, BACP removed the second receipt from their system.

Page 12 of 18

OIG File #13-0518
BACP Confiscated Property Audit

June 20, 2014

V. Appendix A: Example of an Administrative Notice of Violation

This is an example of an ANOV that would be issued to a business suspected of violating City Code.

R551447g44Acct: 20751.7 Site j. ADMINISTRATIVE NOTICE OF ORDINANCE VIOLATION

In the City of Chicago Department of Administrative Hearings City of Chicago, a Municipal Corporation. Through the Department of Business Affairs and Consumer Protection, Petitioner, VS,

Respondent: DEPT OF REVENUE ■ CITY OF CHICAGO . Tea DBA Chanoe 9i Web
Business Address' 333 S STATE ST CHICAGO IL 60604

Business Phono. 555-555-5555

Person Served TFST TFST

IDriLUID Type- TFST ID Stain- II

SSN* SSN Source:

Person Served Home Armrest- 111 NTFST Chicago II fiPBO? DOB. 01-01-0001 Height. 1 Weight. 1 Sex

Male Race-fJJJEfl Eyes A Hair X.

investigator.on oath states that the Respondent violated the following section(s) of the Municipal Code of Chicago

OFFENSE	SECTION	DESCRIPTION OF ACTION
1 Retail tobacco dealer received cigarettes in package(s) without unmuD'lated tax stamp(s) affixed and canceled as required by chapter 3-42 of the Municipal Coda of Chicago	3-42-020(d)	RESPONDENT OFFERED FOR SALE/POSSESSED 50 PACKS OF CIGARETTES WITHOUT THE PROPER TAX STAMPS AFFIXED AND CANCELLED

Violation Location: 333 S STATE ST Chicago IL 60604 Violation Date and Time: 04-17-2014 at 07:53 PM Notice Issue

Date: 04-17-2014

I hereby certify to the correctness of the information contained in this notice and that I personally served a copy of this notice to the person described above by handing the notice to such person on the notice issue date

StarNo Unit INV

:-'bar;;fl v. »>:-;./;

ADMINISTRATIVE HEARING APPEARANCE IMPORTANT: YOU MUST APPEAR FOR A MANDATORY HEARING ON:

05-20-2014 AT 09 00 AM AT 400 W. SUPERIOR .Room No. JJJi

FAILURE TO APPEAR may result in the imposition of the maximum fine amount authorized by law. plus costs, fees or other sanctions. Any unpaid judgement may be referred to a collection agency or credit bureau. Any unpaid judgement also may result in the garnishment of wages or other enforcement actions. You must bring all relevant evidence and ensure that necessary witnesses are present at your hearing.

QUESTIONS? For questions about the violations cited in this notice, contact the Department of Business Affairs and Consumer Protection at (312) 743-5185. For questions about the administrative hearing process, contact the Department of Administrative Hearings at (312) 742-8253.

Page 13 of 18

OIG File #13-0518
BACP Confiscated Property Audit

June 20, 2014

VI. Appendix B: Example of A Property Receipt Issued to Businesses**This is an example of a property receipt BACP would give to a business after a confiscation.****Property Inventory Receipt**Legal Name / DBA To a Change of Wph / DFPT OF REVFNIE ■ CITY OF CHICAGOStreet Address 333 s. state st Chicago IL snrm Date Evidence Obtained 04-17-2014

ID#	Quantity	Evtd«nc«	Type	Dollar Amount j	Description
-----	----------	----------	------	-----------------	-------------

RSS1447244 60

UNSTAMPED 0

60:PACKS OF NEWPORT CIGARETTES WITHOUT THE PROPER
TAX ■ STAMPS AFFIXED

ISSUED BY THE CHICAGO DEPARTMENT OF BUSINESS AFFAIRS AND CONSUMER
PROTECTION

Issued By.

Investigator Star #

Page 14 of 18

OIG File #13-0518

BACP Confiscated Property Audit

VTT. Appendix C: Example of a Chain of Custody Document This document is used by BACP to document and track confiscated property.

Department of Business Affairs & Consumer Protection

City Hall 2350 W. Ogden
121 North LaSalle, Room 805 2nd Floor
Chicago, IL 60602 Chicago, IL 60608

BUSINESS Affairs &
coHiUMttt PXorienaN

CHAIN OF CUSTODY DOCUMENT

Submitting Activity

EVIDENCE TYPE:

DATE EVIDENCE COLLECTED:

LOCATION WHERE EVIDENCE WAS OBTAINED:

Chain of Custody

Date& Time	Released By	Received By	Purpose of Change in Custody
	Signature	Signature	
	Name, Title	Name, Title	
	Signature	Signature	
	Name, Title	Name, Title	
	Signature	Signature	
	Name, Title	Name Title	
	Signature	Signature	
	Name, Title	Name, Title	
	Signature	Signature	
	Name, Title	Name Title	
	Signature	Signature	
	Name, Title	Name, Title	
	Signature	Signature	
	Name, Title	Name Title	
	Signature	Signature	
	Name, Title	Name, Title	
	Signature	Signature	
	Name, Title	Name Title	

2

Page 16 of 18

OIG File #13-0518
BACP Confiscated Property Audit

Department of Business Affairs & Consumer Protection

City Hall

121 North LaSalle, Room 805

Chicago, IL 60602

2350 W. Ogden

2nd Floor

Chicago, IL 60608

Signature	Signature
Name, Title	Name Title

:r T :*i^Fina)Disposal.Action *^

☐ Released to:

Signature

OIG File #13-0518
BACP Confiscated Property Audit

City of Chicago Office of Inspector General

Public Inquiries

Rachel Leven (773) 478-0534
rleven@chicaeinspectorgeneral.org
<mailto:rleven@chicaeinspectorgeneral.org>

To Suggest Ways to Improve City Government

Visit our website: <<https://chicaaoinsectorKeneral.org/set-involved/help->>
improve-citv-government/

To Report Fraud, Waste, and Abuse in City Programs

Call OIG's toll-free hotline 866-IG-TIPLINE (866-448-4754).
Talk to an investigator from 8:30 a.m. to 5:00 p.m. Monday-Friday. Or visit our website:
<<http://chicagoinspectorgeneral.org/get-involved/fight->>
waste-fraud-and-abuse/

Mission

The City of Chicago Office of Inspector General (OIG) is an independent, nonpartisan oversight agency whose mission is to promote economy, efficiency, effectiveness, and integrity in the administration of programs and operations of City government. OIG achieves this mission through,

administrative and criminal investigations; audits of City programs and operations; and reviews of City programs, operations, and policies.

From these activities, OIG issues reports of findings, disciplinary, and other recommendations to assure that City officials, employees, and vendors are held accountable for the provision of efficient, cost-effective government operations and further to prevent, detect, identify, expose and eliminate waste, inefficiency, misconduct, fraud, corruption, and abuse of public authority and resources.

Authority

The authority to produce reports and recommendations on ways to improve City operations is established in the City of Chicago Municipal Code § 2-56-030(c), which confers upon the Inspector General the following power and duty:

To promote economy, efficiency, effectiveness and integrity in the administration of the programs and operations of the city government by reviewing programs, identifying any inefficiencies, waste and potential for misconduct therein, and recommending to the mayor and the city council policies and methods for the elimination of inefficiencies and waste, and the prevention of misconduct.