



Office of the Inspector General
U.S. Department of Justice



Audit of the Elgin Police Department's Equitable Sharing Program Activities Elgin, Illinois

**AUDIT OF THE
ELGIN POLICE DEPARTMENT'S
EQUITABLE SHARING PROGRAM ACTIVITIES
ELGIN, ILLINOIS**

EXECUTIVE SUMMARY

The U.S. Department of Justice (DOJ) Office of the Inspector General (OIG) Audit Division has completed an audit on the use of DOJ equitable sharing revenues by the Elgin Police Department (Elgin PD) located in Elgin, Illinois. Equitable sharing revenues represent a share of the proceeds from the forfeiture of assets seized in the course of certain criminal investigations. As of January 1, 2014, the Elgin PD reported a beginning balance of \$571,608 in DOJ equitable sharing funds on hand. During the period of January 1, 2014, through September 30, 2016, the Elgin PD received a total of \$242,385 in DOJ equitable sharing revenues to support law enforcement operations. During the same period, the Elgin PD reported expenditures of \$596,401 in equitable sharing funds.

The objective of the audit was to assess whether the Elgin PD accounted for equitable sharing funds properly and used such revenues for allowable purposes as defined by the applicable regulations and guidelines. Our audit examined activities occurring between January 1, 2014, and September 30, 2016.

We found that the Elgin PD did not fully comply with the DOJ guidelines we reviewed, including those for accounting for equitable sharing receipts and the allowable use of equitable sharing funds. Specifically:

- During fiscal year (FY) 2014, the Elgin PD commingled its DOJ equitable sharing funds with other sources of funds within its accounting records. Beginning in FY 2015, the Elgin PD established procedures to allow for separate accounting of its DOJ equitable sharing receipts. Despite establishing these procedures for receipts, the Elgin PD continued to commingle its DOJ equitable sharing expenditures with other expenditures in its accounting records.
- The Elgin PD submitted its FY 2014 and FY 2015 annual certification reports late and did not submit an accurate FY 2015 certification report.

Our report contains three recommendations that address the weaknesses we identified. We discuss our findings in detail in the Findings and Recommendations section of the report. The audit objective, scope, and methodology are included in Appendix 1. In addition, we requested a response to our draft report from the Elgin PD, and that response is appended to this report as Appendix 2. We also requested and obtained a response from DOJ's Criminal Division, which is included as Appendix 3. Our analysis of these responses, as well as a summary of actions necessary to close the recommendations, can be found in Appendix 4 of this report.

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AUDIT OF THE ELGIN POLICE DEPARTMENT'S EQUITABLE SHARING PROGRAM ACTIVITIES ELGIN, ILLINOIS

INTRODUCTION

The U.S. Department of Justice (DOJ or Department) Office of the Inspector General (OIG) Audit Division conducted an audit on the use of DOJ equitable sharing funds by the Elgin Police Department (Elgin PD) located in Elgin, Illinois. The audit covered the Elgin PD's participation in the DOJ Equitable Sharing Program between January 1, 2014, and September 30, 2016.¹ As of January 1, 2014, the Elgin PD reported a beginning balance of \$571,608 in DOJ equitable sharing funds on hand. Between January 1, 2014, and September 30, 2016 the Elgin PD received a total of \$242,385 in equitable sharing revenues and reported total expenditures of \$596,401 in equitable sharing funds.² The majority of the \$596,401 in expenditures were for law enforcement equipment and training.

DOJ Equitable Sharing Program

Because asset forfeiture deprives criminals of the profits and proceeds derived from their illegal activities, it is considered by DOJ to be one of the most powerful tools available to law enforcement agencies. A key element of DOJ's asset forfeiture initiative is the equitable sharing program where the Department and its components share a portion of federally forfeited cash, property, and proceeds with state and local law enforcement agencies.³

State and local law enforcement agencies receive equitable sharing funds by participating jointly with DOJ agencies on investigations that lead to the seizure and forfeiture of property. Once an investigation is completed and the seized assets are forfeited, the assisting state and local law enforcement agencies can request a share of the forfeited assets or a percentage of the proceeds derived from the sale of forfeited assets. Generally, the degree of a state or local agency's direct participation in an investigation determines the amount or percentage of funds shared with the agency.

Three DOJ components work together to administer the equitable sharing program: (1) the U.S. Marshals Service (USMS), (2) the Justice Management Division, and (3) the Criminal Division's Money Laundering and Asset Recovery

¹ The Elgin PD's fiscal year (FY) begins on January 1 and ends on December 31. Therefore, our audit covered the Elgin PD's FYs 2014 and 2015, as well as FY 2016 through September 30, 2016.

² The \$596,401 in expenditures encompass FYs 2014 and 2015. As of September 2016, the Elgin PD had not identified any expenditures paid for with DOJ equitable sharing funds during FY 2016.

³ The U.S. Department of the Treasury and the U.S. Department of Homeland Security also administer federal asset forfeiture programs.

Section (MLARS). These three components are responsible for issuing policy statements, implementing governing legislation, and monitoring the use of DOJ equitable sharing funds. The USMS is responsible for transferring asset forfeiture funds from DOJ to the receiving state or local agency. The Justice Management Division manages the Consolidated Asset Tracking System (CATS), a database used to track federally seized assets throughout the forfeiture life cycle. Finally, MLARS tracks membership of state and local participants, updates the equitable sharing program rules and policies, and monitors the allocation and use of equitable sharing funds.

Before requesting a share of the seized assets, a state or local law enforcement agency must first become a member of the DOJ Equitable Sharing Program. To participate in the program, agencies sign and submit to DOJ an equitable sharing agreement and certification form. The agreement must be renewed annually, and by signing and submitting the agreement, the officials of participating agencies certify that they will use equitable sharing funds for law enforcement purposes.

Elgin Police Department

Elgin is located approximately 35 miles northwest of Chicago, Illinois. According to the most recent census, Elgin had a population of 108,188. As of December 2016, the Elgin PD was comprised of 182 sworn officers and 100 civilian employees.

OIG Audit Approach

Our audit examined the Elgin PD's equitable sharing activities occurring between January 1, 2014, and September 30, 2016. We tested compliance with what we considered the most important conditions of the DOJ Equitable Sharing Program. Unless otherwise stated, we applied the Guide to Equitable Sharing for State and Local Law Enforcement Agencies (the Guide), issued by MLARS in April 2009, and the interim guidance on the permissible use of funds, issued by MLARS in July 2014, as our primary criteria. The Guide and interim guidance identify the accounting procedures and requirements for tracking equitably shared monies and tangible property, establish reporting and audit requirements, and define the permissible uses of equitably shared resources.

To conduct the audit, we tested the Elgin PD's compliance with the following aspects of the DOJ Equitable Sharing Program:

- **Accounting for equitably shared resources** to determine whether standard accounting procedures were used to track equitable sharing assets.
- **Compliance with audit requirements** to ensure the accuracy, consistency, and uniformity of audited equitable sharing data.
- **Use of equitably shared funds** to determine if equitable sharing funds were spent for permissible uses.

- **Federal Equitable Sharing Agreement and Annual Certification Reports** to determine if these documents were complete, accurate, and timely submitted.
- **Monitoring of applications for transfer of federally forfeited property** to ensure adequate controls were established.

See Appendix 1 for more information on our objective, scope, and methodology.

FINDINGS AND RECOMMENDATIONS

We determined that the Elgin PD did not fully comply with the requirements of the DOJ Equitable Sharing Program. We found that the Elgin PD commingled its DOJ equitable sharing expenditures with other expenditures in its accounting records. We also found that the Elgin PD could enhance its policies and procedures for administering its DOJ equitable sharing funds, including ensuring annual certification reports are submitted on time and that all expenditures are properly authorized. In addition, we found that the Elgin PD submitted its FY 2014 and FY 2015 annual certification reports late and did not submit an accurate FY 2015 certification report.

Accounting for Equitably Shared Resources

According to guidance issued by MLARS, participating agencies must implement a number of bookkeeping procedures and internal controls to track DOJ equitably shared monies and tangible property. For instance, the participating agency must establish a separate revenue account or accounting code for the proceeds from the DOJ Equitable Sharing Program and not commingle DOJ equitable sharing funds with funds from any other source. Similarly, the participating agency must maintain a record of all expenditures from the revenue account or accounting code. The Guide also states that the agency head must authorize all expenditures from the federal equitable sharing revenue account, and that the participating agency should obtain approval for expenditures from the governing body, if appropriate. Despite this guidance, we found that the Elgin PD did not fully comply with these requirements, as detailed below.

Commingling of Equitable Sharing Funds

Between January 1, 2014, and September 30, 2016, the Elgin PD received DOJ equitable sharing revenues totaling \$242,385 to support law enforcement operations. We confirmed that the Elgin PD received all cash receipts from MLARS via electronic funds transfer (EFT) from the USMS's E-share program, and that all deposits were timely.⁴

According to the Guide, participating agencies are required to establish a separate revenue account or accounting code through the agency's finance department for the proceeds from the DOJ Equitable Sharing Program. As discussed in the Compliance with Audit Requirements section of the report, one of the findings cited in the city of Elgin's FY 2014 Single Audit Report was that the Elgin PD did not establish a separate revenue account for the receipt of DOJ equitable sharing funds. Instead, it commingled the DOJ equitable sharing funds with funds from other sources. According to the city of Elgin's FY 2015 Single Audit

⁴ E-share notification is the process of electronic payment from the USMS. Participation in the process is mandatory.

Report, the city of Elgin's Finance Department addressed this FY 2014 Single Audit finding by establishing a separate revenue account to record DOJ equitable sharing receipts. In addition, the FY 2015 Single Audit Report stated that the city of Elgin established a separate bank account solely for DOJ equitable sharing receipts.

We confirmed that the city of Elgin had a separate accounting code for tracking DOJ equitable sharing receipts, and that the city of Elgin had a separate bank account into which the DOJ equitable sharing funds were deposited. However, we found that the city of Elgin used one set of accounting codes for recording all asset forfeiture expenditures regardless of the source of funds used for the purchases.⁵ As a result, the Elgin PD did not fully comply with the Guide's requirements because it failed to separately account for all expenditures paid for with DOJ equitable sharing funds. We recommend that the Elgin PD, in conjunction with the city of Elgin's Finance Department, separately accounts for expenses paid for with DOJ equitable sharing funds.

Controls for Administering DOJ Equitable Sharing Funds

To aid in administering its DOJ equitable sharing funds, the Elgin PD created equitable sharing guidelines to use in conjunction with the city of Elgin's Purchasing Manual. The Elgin PD's equitable sharing guidelines are formalized in a 1-page document that briefly describes the program, permissible and impermissible uses of the funds, separate accounting for the DOJ equitable sharing funds, and the annual certification report. While we acknowledge the Elgin PD's effort to establish program-specific policies for its administration of the equitable sharing program, we believe these guidelines should be enhanced to ensure the policy document covers all aspects of administering DOJ equitable sharing funds and the position of the individual(s) responsible for completing necessary tasks. For example, as discussed in the Federal Equitable Sharing Agreement and Annual Certification Reports section of the report, the FY 2014 and FY 2015 certification reports were submitted late. Therefore, the Elgin PD's guidelines should include the requirements for submitting the annual certification reports and the Elgin PD's process for ensuring the reports are submitted in a timely manner.

In addition, we believe that the Elgin PD's guidelines need to address the authorization of purchases made with city-issued procurement cards. Four of our sample expenditures involved the use of city-issued procurement cards to purchase equipment or training. The Guide states that all expenditures paid for with DOJ equitable sharing funds must be authorized by the agency head. However, we found that two of the four city-issued procurement card expenditures we reviewed were approved by the city of Elgin's Purchasing Director; the supporting documents for these expenditures did not contain evidence of review by an official within the Elgin PD. The other two transactions were approved by the Elgin PD's Deputy Chief. We believe the Elgin PD's guidelines should include the requirement that all

⁵ In addition to receiving DOJ equitable sharing funds, the Elgin PD receives asset forfeiture proceeds from the Department of the Treasury and the state of Illinois.

expenditures, including city-issued procurement card purchases, be authorized by the agency head.

Compliance with Audit Requirements

The Guide requires the Elgin PD to comply with audit requirements of the Single Audit Act and Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (OMB Circular A-133). OMB Circular A-133 requires non-federal entities to have a single audit performed if they have expended \$500,000 or more in federal funds in a given year.⁶ The Single Audit Report is required to include a Schedule of Expenditures of Federal Awards for the period covered by the auditee's financial statements.

We reviewed Elgin's FY 2014 and FY 2015 Single Audit Reports. The FY 2014 Single Audit Report identified findings regarding DOJ equitable sharing funds. First, the report included a finding that the city of Elgin did not establish a separate revenue account or accounting code for the receipt of DOJ equitable sharing funds, resulting in the commingling of DOJ equitable sharing funds with funds from other sources. In addition, the FY 2014 Single Audit Report included another finding that the city of Elgin did not comply with the Guide's requirement on the use of proceeds from the sale of shared property. Specifically, the report cited that the city of Elgin did not always deposit the proceeds from the sale of equitably shared property into the same revenue account as its receipt of DOJ equitable sharing funds and ensure that those proceeds were used in accordance with the same permissible use restrictions. According to the FY 2015 Single Audit Report, the city of Elgin took appropriate actions to correct these two findings. We noted that the FY 2015 Single Audit Report did not contain any other findings related to DOJ equitable sharing program activities.

As discussed in the preceding section of this report, we confirmed that the city of Elgin established a revenue account to allow it to separately account for DOJ equitable sharing receipts, including proceeds from the sale of equitably shared property. However, the city of Elgin had not established a method to separately account for expenses paid with DOJ equitable sharing funds; instead DOJ equitable sharing expenditures were commingled with expenditures from other similar funding sources. During the audit, we also confirmed that the Elgin PD had properly accounted for the proceeds from the sale of DOJ equitably shared property that occurred during FY 2015.

⁶ In late 2014, OMB Circular A-133 was superseded by 2 C.F.R. 200 "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards" (Uniform Guidance). The new guidance increased the expenditure threshold from \$500,000 to \$750,000 for fiscal years beginning on or after December 2014. This increased threshold was in effect for the city of Elgin's 2015 fiscal year.

Use of Equitably Shared Resources

The Guide requires that equitable sharing funds received by state and local agencies be used for law enforcement purposes and that these agencies use the funds prudently to avoid any appearance of extravagance, waste, or impropriety. For FYs 2014 and 2015, the Elgin PD reported total expenditures of \$596,401 – \$443,121 for law enforcement equipment, \$114,106 for training and education, \$36,554 for vehicles and maintenance, and \$2,619 for law enforcement travel and per diem.⁷

Transaction Testing

To determine whether the Elgin PD's expenditures were supported and allowable under the equitable sharing guidelines, we reviewed a judgmental sample of 34 transactions totaling \$426,511, or 72 percent of the total DOJ equitable sharing dollars expended by the Elgin PD during FYs 2014 and 2015. In general, we determined that the transactions were properly authorized, permissible, and used for law enforcement purposes.

Supplanting

According to the Guide, equitable sharing funds must be used to increase or supplement the resources of the receiving state or local law enforcement agency or any other recipient agency. To identify indicators of supplanting, we examined the Elgin PD's total budgets for 5 fiscal years (FY 2012 through FY 2016). We found that the Elgin PD's budget increased from one fiscal year to the next throughout this 5-year period. Accordingly, we found no indicators that the Elgin PD may have used equitable sharing funds to supplant its local resources during the scope of our audit.

Federal Equitable Sharing Agreement and Annual Certification Reports

The Guide requires any state or local law enforcement agency that receives forfeited cash, property, or proceeds to submit an annual certification report. The submission of this form is a prerequisite to the approval of any equitable sharing request. The certification report must be submitted every year within 60 days after the end of the agency's fiscal year regardless of whether funds were received or maintained during the fiscal year. In addition, the head of the law enforcement agency and a designated official of the local governing body must sign the certification report. By signing the form, the signatories agree to be bound by the statutes and guidelines that regulate the equitable sharing program and certify that the law enforcement agency will comply with these guidelines and statutes.

⁷ At the time of our audit fieldwork, the Elgin PD had not identified any expenditures incurred during FY 2016 that were paid for with DOJ equitable sharing funds.

We reviewed the Elgin PD's FY 2014 and FY 2015 certification reports and found that the appropriate officials signed the reports.⁸ In addition, we reviewed the reports to determine if they were submitted within the required 60-day window. We found that the Elgin PD did not submit its FY 2014 and FY 2015 certification reports in a timely manner. The FY 2014 certification report was submitted 40 days late, while the FY 2015 certification report was submitted 9 days late. The Elgin Police Chief said that the untimely submission of these reports was an oversight and apologized for not complying with the Guide's requirement. As noted above, we found the Elgin PD's equitable sharing program-specific policies to be in need of enhancement. That enhancement should include procedures to help ensure annual certification reports are submitted by the required due date.

In addition, we reviewed the FY 2014 and FY 2015 certification reports for accuracy and completeness. We confirmed that the FY 2014 certification report accurately reflected the DOJ equitable sharing funds received. However, we found that the FY 2015 certification report inappropriately combined the amount of DOJ equitable sharing receipts with proceeds from the sale of DOJ equitably shared property. The Elgin PD's report indicated total receipts of \$75,945 in DOJ equitable sharing funds, which included \$1,000 in proceeds from the sale of DOJ equitably shared property. According to MLARS, agencies should report proceeds from the sale of DOJ equitably shared property as Other Income on the certification report. As a result, we recommend that the Elgin PD submit an amended certification report that accurately accounts for total receipts and sale proceeds in FY 2015.

We also reviewed the reported expenditures for FY 2014 and FY 2015. As discussed in the Accounting for Equitably Shared Resources section of the report, the Elgin PD did not maintain separate accounting codes for expenses paid for with DOJ equitable sharing funds. As a result, we were unable to confirm that the expenditures reported on the FY 2014 certification report were consistent with the expenditures reflected in the accounting records. According to Elgin PD officials, its FY 2015 DOJ equitable sharing expenditures consisted solely of all training costs incurred during FY 2015. We confirmed that the total expenditures shown on the FY 2015 certification report agreed with the total training expenditures shown in the Elgin PD's accounting records.

Monitoring of Applications for Transfer of Federally Forfeited Property

An agency must complete a Form DAG-71 when requesting its portion of equitable sharing funds.⁹ According to the Guide, all participating agencies should maintain a DAG-71 log of all sharing requests that consecutively numbers the requests. In addition, the Guide requires that the DAG-71 log be updated when an

⁸ We did not review the Elgin PD's FY 2016 certification report because the period we audited was January 1, 2014, through September 30, 2016, and the FY 2016 report was not due until March 1, 2017.

⁹ The Form DAG-71, Application for Transfer of Federally Forfeited Property (DAG-71), is the DOJ form submitted by a state or local agency to the federal seizing agency to request a share of seized assets.

E-share notification is received. These DAG-71 log requirements were effective during a portion of the time covered by our audit. However, in July 2015 MLARS advised state and local law enforcement agencies that they no longer needed to maintain a DAG-71 log.

During our fieldwork, we found that the Elgin PD maintained copies of all submitted DAG-71s. However, the Elgin PD did not maintain a consecutively numbered log of its DAG-71s, which contained all the required elements. As mentioned, as of July 2015, state and local law enforcement agencies are no longer required to maintain a DAG-71 log. As a result, we make no recommendations in this area.

Views of Responsible Officials

We discussed the results of our review with officials from the Elgin PD throughout the audit and at a formal exit conference. Their input on specific issues has been included in the appropriate sections of the report.

Recommendations

We recommend that the Criminal Division:

1. Ensure the Elgin PD, in conjunction with the city of Elgin's Finance Department, separately accounts for expenses paid for with DOJ equitable sharing funds.
2. Ensure the Elgin PD enhances its equitable sharing guidelines to strengthen the Elgin PD's management of its DOJ equitable sharing program activities, including identifying the individuals or positions responsible for completing necessary tasks, ensuring annual certification reports are submitted on time, and obtaining proper authorizations for city-issued procurement card purchases.
3. Ensure that the Elgin PD submits an amended certification report for FY 2015 that accurately reflects total receipts and sale proceeds.

OBJECTIVE, SCOPE, AND METHODOLOGY

We conducted this performance audit in accordance with generally accepted government auditing standards. 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objective.

Objective

The objective of this audit was to assess whether equitably shared cash and property received by the requesting agency were accounted for properly and used for allowable purposes as defined by the applicable regulations and guidelines. We tested compliance with the conditions of the DOJ Equitable Sharing Program. We reviewed laws, regulations, and guidelines governing the accounting for and use of DOJ equitable sharing receipts, including:

- Guide to Equitable Sharing for State and Local Law Enforcement Agencies, dated April 2009; and
- OMB Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations, revised June 2003.
- 2 C.F.R. 200 "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards" (Uniform Guidance), December 2014.

Unless otherwise stated in our report, the criteria we audited against are contained in these documents.

Scope and Methodology

Our audit concentrated on, but was not limited to, equitable sharing receipts received by the Elgin PD from January 1, 2014, through September 30, 2016. During that period, the Elgin PD received a total of \$242,385 and reported expenditures of \$596,401 in equitable sharing funds.¹⁰ We performed audit work at the Elgin PD located in Elgin, Illinois. We interviewed employees of the Elgin PD and other city of Elgin officials and examined their records of DOJ asset forfeiture revenues and expenditures.

We judgmentally determined which transactions had the potential of being high-risk and selected a sample that contained the highest dollar transactions for each fiscal year, as well as other potentially impermissible transactions. This non-statistical sample design does not allow for the projection of test results to all

¹⁰ The \$596,401 in expenditures encompass FYs 2014 and 2015. As of September 2016, the Elgin PD had not identified any expenditures paid for with DOJ equitable sharing funds during FY 2016.

disbursements. In total, we reviewed 34 transactions totaling \$426,511 for our audit period.

In addition, we relied on computer-generated data contained in the DOJ CATS and the USMS EFT system for determining equitably shared revenues and property awarded to the Elgin PD during the audit period. We did not establish the reliability of the data contained in these systems as a whole. However, when the data used is viewed in context with other available evidence, we believe the opinions, conclusions, and recommendations included in this report are valid.

In planning and performing our audit, we considered internal controls established and used by the Elgin PD in managing the DOJ Equitable Sharing Program. We did not assess the reliability of the Elgin PD's overall financial management system or the internal controls of that system. Moreover, we did not assess internal controls and compliance with laws and regulations for the city of Elgin government as a whole. Our audit included an evaluation of the city of Elgin's Single Audit Reports for FY 2014 and FY 2015. Our analysis of the city of Elgin's single audit activities is included in the Compliance with Audit Requirements section of this report.

AUDITEE RESPONSE TO THE DRAFT AUDIT REPORT



Jeffrey Swoboda
Chief of Police

Elgin Police Department
151 Douglas Avenue
Elgin, Illinois 60120-5503

May 15, 2017

Carol S. Taraszka
Regional Audit Manager
Chicago Regional Audit Office
Office of the Inspector General
U.S. Department of Justice
500 W. Madison Street, Suite 1121
Chicago, Illinois 60661

Dear Ms. Taraszka:

The Department of Justice (DOJ) Office of the Inspector General's (OIG) audit of the Elgin Police Department's (Elgin PD) Equitable Sharing Program identified four areas of concern. These items are listed below with an explanation of how each item has been addressed.

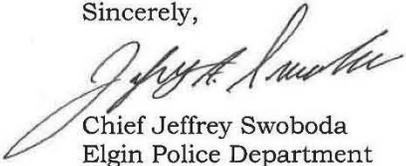
- 1) *Comingling of funds.* The report stated that the city's single audit report for FY2014 indicated that DOJ funds were recorded in the same revenue account as funds from other sources. This was addressed in FY2015 and subsequent years by setting up separate revenue accounts for each funding source. The separation of expense accounts was not recommended by city auditors. However, the DOJ audit report recommended that separate expense accounts be created as well. Subsequently, separate expense accounts have been setup for DOJ, Treasury and State asset forfeiture expenses.
- 2) *Submission of the Annual Certification Reports were late in FY2014 and FY2015.* The police department budget analyst worked with city finance staff to ensure that all of the needed information was obtained and the report was submitted on time in FY2016. Additionally, a policy was created which requires the report to be submitted within 60 days of the end of the fiscal year by the police department budget analyst.
- 3) *All expenditures paid for with DOJ equitable sharing funds must be authorized by the agency head.* All DOJ equitable sharing purchases are discussed amongst command staff with final approval by the chief. However, the current formal approval process involves the budget analyst and Deputy Chief. The police department policy has been updated and a

form has been created which requires the Chief's approval for all DOJ equitable sharing purchases.

- 4) *FY 2015 certification report inappropriately combined the amount of DOJ equitable sharing receipts with proceeds from the sale of DOJ equitably shared property.* The proceeds received from the auction of a DOJ vehicle (\$1,000) was listed on the Equitable Sharing Certification as part of the revenue for 2015. This was done by the direction of the city's auditors when they were here the year prior (2014). The DOJ indicated that these proceeds need to be listed under "other income." The police department budget analyst updated the certification report on the electronic portal and listed the \$1,000 vehicle auction proceeds in the correct area.

We believe we have addressed all of the issues discussed in the audit report. We have also enhanced our current policy to address the issues discussed in the audit as well as other areas that we identified to place additional guidelines and controls. If there are any other issues you believe still need to be addressed, please let us know.

Sincerely,



Chief Jeffrey Swoboda
Elgin Police Department

**THE CRIMINAL DIVISION MONEY LAUNDERING AND
ASSET RECOVERY SECTION RESPONSE
TO THE DRAFT AUDIT REPORT**



U.S. Department of Justice

Criminal Division

Money Laundering and Asset Recovery Section

Washington, D.C. 20530

MAY 26 2017

MEMORANDUM

TO: Carol S. Taraszka, Regional Audit Manager
Chicago Regional Audit Office
Office of the Inspector General

FROM: Jennifer Bickford, Deputy Chief *For BSB*
Program Management and Training Unit
Money Laundering and Asset
Recovery Section

SUBJECT: DRAFT AUDIT REPORT for the Elgin Police Department's
Equitable Sharing Program Activities

In a memorandum dated April 25, 2017, your office provided a draft audit report for the Elgin Police Department (EPD), which included actions necessary for closure of the audit report findings. The Money Laundering and Asset Recovery Section (MLARS) concurs with the three findings and recommendations in the draft audit report.

Upon receipt of the final audit report, MLARS will work with EPD to correct all identified findings.

cc: Denise Turcotte
Audit Liaison
Criminal Division

Richard P. Theis
Assistant Director, Audit Liaison Group
Internal Revenue and Evaluation Office
Justice Management Division

**OFFICE OF THE INSPECTOR GENERAL
ANALYSIS AND SUMMARY OF ACTIONS
NECESSARY TO CLOSE THE REPORT**

The OIG provided a draft of this audit report to the Criminal Division and the Elgin PD. The Criminal Division's response is incorporated in Appendix 3, and the Elgin PD's response is incorporated in Appendix 2 of this final report. In response to our draft audit report, the Criminal Division concurred with our recommendations, and as a result, the status of the audit report is resolved. The following provides the OIG analysis of the response and summary of actions necessary to close the report.

Recommendations for the Criminal Division:

- 1. Ensure the Elgin PD, in conjunction with the city of Elgin's Finance Department, separately accounts for expenses paid for with DOJ equitable sharing funds.**

Resolved. The Criminal Division concurred with our recommendation and said that it will work with the Elgin PD to correct this finding.

The Elgin PD concurred with our recommendation and stated that separate expense accounts have been established for the various funding sources, including DOJ.

This recommendation can be closed when we receive evidence that a separate expense account has been created for DOJ equitable sharing activities.

- 2. Ensure the Elgin PD enhances its equitable sharing guidelines to strengthen the Elgin PD's management of its DOJ equitable sharing program activities, including identifying the individuals or positions responsible for completing necessary tasks, ensuring annual certification reports are submitted on time, and obtaining proper authorizations for city-issued procurement card purchases.**

Resolved. The Criminal Division concurred with our recommendation and stated that it will work with the Elgin PD to correct this finding.

The Elgin PD concurred with our finding and stated in its response that it created a policy requiring the annual certification report to be submitted within 60 days of the end of the fiscal year. In addition, the Elgin PD stated that it created a new form that requires the Police Chief's approval for all DOJ equitable sharing expenditures, and that the organization's policies have been updated accordingly.

This recommendation can be closed when we receive evidence that the Elgin PD enhanced its equitable sharing guidelines, including the policy

requiring certification reports be submitted on time and the requirement that the Police Chief approve all DOJ equitable sharing expenditures.

3. Ensure that the Elgin PD submits an amended certification report for FY 2015 that accurately reflects the total receipts and sale proceeds.

Resolved. The Criminal Division concurred with our recommendation. The Criminal Division said that it will work with the Elgin PD to correct this finding.

The Elgin PD concurred with our finding and stated in its response that it amended the FY 2015 certification report to appropriately show vehicle auction proceeds as "other income."

This recommendation can be closed when we receive the amended FY 2015 certification report reflecting this change.

The Department of Justice Office of the Inspector General (DOJ OIG) is a statutorily created independent entity whose mission is to detect and deter waste, fraud, abuse, and misconduct in the Department of Justice, and to promote economy and efficiency in the Department's operations. Information may be reported to the DOJ OIG's hotline at www.justice.gov/oig/hotline or (800) 869-4499.



Office of the Inspector General
U.S. Department of Justice
www.justice.gov/oig