



Audit of the New York City Department of
Investigation's Equitable Sharing Program
Activities, New York, New York



AUDIT DIVISION

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EXECUTIVE SUMMARY

Audit of the New York City Department of Investigation's Equitable Sharing Program Activities, New York, New York

Objective

The U.S. Department of Justice (DOJ) Office of the Inspector General (OIG) has completed an audit to assess whether the New York City Department of Investigation (NYC DOI) accounted for DOJ equitable sharing funds and used such assets for permissible purposes as defined by applicable guidelines.

Results in Brief

This audit did not identify significant concerns regarding the NYC DOI's financial management practices, and the expenditures that we tested were permissible and supported. However, we concluded that the NYC DOI did not fully comply with requirements of the DOJ Equitable Sharing Program. Specifically, the NYC DOI did not have adequate controls for safeguarding equipment purchased with equitable sharing funds. In addition, we found that it did not have properly designed internal controls to ensure accuracy of Equitable Sharing Agreement Certification (ESAC) reports or retain documentation of calculations used in financial reporting for Single Audits.

Recommendations

Our report includes three recommendations to assist the DOJ Criminal Division (Criminal Division), which oversees the Equitable Sharing Program. We requested a response to our draft audit report from NYC DOI and the Criminal Division, which can be found in Appendices 2 and 3, respectively. Our analysis of those responses is included in Appendix 4.

Audit Results

This audit covered the NYC DOI's DOJ Equitable Sharing Program activities during fiscal years 2017 through 2021. The NYC DOI began the audit period with a balance of \$16,627,342, and from July 1, 2016, through June 30, 2021, the NYC DOI received \$4,964,521 and spent \$16,637,112 in equitable sharing funds that were intended to be used primarily for law enforcement operations and investigations and law enforcement equipment.

We found that the NYC DOI's equitable sharing expenditures were adequately supported and supplemented its law enforcement activities. However, we found deficiencies in the NYC DOI's internal controls for safeguarding equipment and its financial reporting.

Equipment

The NYC DOI did not comply with program requirements to safeguard equipment, including maintaining complete property records and conducting physical inspections at least every 2 years.

Equitable Sharing Agreement and Certification Report

The NYC DOI's ESAC reports submitted for fiscal years (FY) 2017, 2018, and 2019 were not prepared using cash-basis accounting methods as required, and when this requirement changed in 2020 to allow reporting using the agency's basis of accounting, we found that the NYC DOI's ESAC reports for FYs 2020 and 2021 were not prepared using a consistent basis of accounting.

Single Audits

We were unable to verify reported equitable sharing spending included in New York City's Single Audit Reports because documentation reconciling the spending to the ESAC reports was not retained by the NYC DOI.

Table of Contents

Introduction	1
DOJ Equitable Sharing Program	1
New York City Department of Investigation	2
OIG Audit Approach	2
Audit Results	3
Equitable Sharing Agreement and Certification Reports.....	3
Completeness and Timeliness of ESAC Reports.....	3
Accuracy of ESAC Reports	3
Accounting for Equitable Sharing Resources	6
Use of Equitable Sharing Resources.....	6
Use of Equitable Sharing Funds.....	7
Tangible Property	8
Supplanting	9
Compliance with Audit Requirements.....	10
Conclusion and Recommendations	12
APPENDIX 1: Objective, Scope, and Methodology	13
Objective.....	13
Scope and Methodology.....	13
Internal Controls.....	14
APPENDIX 2: The New York City Department of Investigation’s Response to the Draft Audit Report	15
APPENDIX 3: The Criminal Division’s Response to the Draft Audit Report.....	18
APPENDIX 4: Office of the Inspector General Analysis and Summary of Actions Necessary to Close the Audit Report.....	19

Introduction

The Department of Justice (DOJ) Office of the Inspector General (OIG) completed an audit of the equitable sharing funds received by the New York City Department of Investigation (NYC DOI) in New York, New York. The objective of the audit was to assess whether cash received by the NYC DOI through the Equitable Sharing Program was accounted for properly and used for permissible purposes as defined by applicable regulations and guidelines. The audit covered July 1, 2016, through June 30, 2021.¹ The NYC DOI began the audit period with a balance of \$16,627,342, and during that period, the NYC DOI received \$4,964,521 and spent \$16,637,112 in equitable sharing revenues as a participant in the DOJ Equitable Sharing Program.

DOJ Equitable Sharing Program

The Comprehensive Crime Control Act of 1984 authorized the implementation of the DOJ Asset Forfeiture Program (Asset Forfeiture Program). The Guide to Equitable Sharing for State, Local, and Tribal Law Enforcement Agencies describes the Asset Forfeiture Program as a nationwide law enforcement initiative that removes the tools of crime from criminal organizations, deprives wrongdoers of the proceeds of their crimes, recovers property that may be used to compensate victims, and deters crime. A key element of the Asset Forfeiture Program is the Equitable Sharing Program.² The DOJ Equitable Sharing Program allows any state or local law enforcement agency that directly participated in an investigation or prosecution resulting in a federal forfeiture to request a portion of the federally forfeited cash, property, and proceeds.

Although several DOJ agencies are involved in various aspects of the seizure, forfeiture, and disposition of equitable sharing revenues, three DOJ components work together to administer the Equitable Sharing Program – the United States Marshals Service (USMS), the Justice Management Division (JMD), and the Criminal Division’s Money Laundering and Asset Recovery Section (MLARS). The USMS is responsible for transferring asset forfeiture funds from DOJ to the receiving state or local agency. JMD 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 DOJ Equitable Sharing Program rules and policies, and monitors the allocation and use of equitably shared funds.

State and local law enforcement agencies may receive equitable sharing funds by participating directly with DOJ agencies on investigations that lead to the seizure and forfeiture of property, or by seizing property and requesting one of the DOJ agencies to adopt the seizure and proceed with federal forfeiture. Once 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 equitable share allocated to that agency.

¹ New York City’s fiscal year begins July 1 and ends June 30. This audit covers fiscal years 2017 through 2021.

² The U.S. Department of the Treasury also administers a federal asset forfeiture program, which includes participants from Department of Homeland Security components. This audit was limited to equitable sharing revenues received through the DOJ Equitable Sharing Program.

To request a share of seized assets, a state or local law enforcement agency must first become a member of the DOJ Equitable Sharing Program. Agencies become members of the program by signing and submitting an annual Equitable Sharing Agreement and Certification (ESAC) report to MLARS. As part of each annual agreement, officials of participating agencies certify that they will use equitable sharing funds for permissible law enforcement purposes. The Guide to Equitable Sharing for State, Local, and Tribal Law Enforcement Agencies, issued in July 2018, outlines categories of permissible and impermissible uses for equitable sharing funds and property.³

New York City Department of Investigation

The New York City Department of Investigation (NYC DOI) is located in New York, New York, and serves as the City's independent Inspector General. Pursuant to the City Charter, the NYC DOI reports to the Mayor and the City Council but operates independently of both. Established in 1873, the NYC DOI serves a population of nearly 8.5 million residents. As of July 2022, the NYC DOI had a workforce of 50 Peace Officers and 236 civilian employees. The NYC DOI became a member of the DOJ Equitable Sharing Program in fiscal year (FY) 2003.

OIG Audit Approach

We tested the NYC DOI's compliance with what we considered to be the most important conditions of the DOJ Equitable Sharing Program to assess whether it accounted for equitable sharing funds properly and used such revenues for permissible purposes. Unless otherwise stated, we applied the Equitable Sharing Guide as our primary criteria. The Equitable Sharing Guide provides procedures for submitting sharing requests and discusses the proper use of and accounting for equitable sharing assets. To conduct the audit, we tested the NYC DOI's compliance with the following:

- **Equitable Sharing Agreement and Certification Reports** to determine if these documents were complete and accurate.
- **Accounting for equitable sharing resources** to determine whether standard accounting procedures were used to track equitable sharing assets.
- **Use of equitable sharing resources** to determine if equitable sharing cash and property were used for permissible law enforcement purposes.
- **Compliance with audit requirements** to ensure the accuracy, consistency, and uniformity of audited equitable sharing data.

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

³ For the period within our audit scope preceding July 2018, we applied the Guide to Equitable Sharing for State and Local Law Enforcement Agencies issued in April 2009, and the Interim Policy Guidance regarding the Use of Equitable Sharing Funds issued in July 2014.

Audit Results

Equitable Sharing Agreement and Certification Reports

Law enforcement agencies who participate in the Equitable Sharing Program, regardless of whether equitable sharing funds were received or maintained, are required to submit an Equitable Sharing Agreement and Certification (ESAC) report on an annual basis, no more than 2 months after the end of their fiscal year. Per the Guide, if an ESAC report is not accepted before the end of the required filing timeframe, the law enforcement agency will be moved into a non-compliance status. However, officials from MLARS told us that because large municipalities like New York City need to finalize their reporting for a vast number of agencies, 2 months is not practical, and they expect ESAC reports for these agencies to be provided in approximately 3 months.

Prior to January 2020, participating agencies were required to report all transactions using cash-based accounting. This requirement was subsequently revised, and agencies were thereafter allowed to file their ESAC reports using their agency's accounting method, cash-based or accrual.⁴ Additionally, the ESAC report must be signed by the head of the law enforcement agency and a designated official of the local governing body.

Completeness and Timeliness of ESAC Reports

We tested the NYC DOI's compliance with ESAC reporting requirements to determine if its reports were complete and submitted in a timely manner. We obtained the NYC DOI's ESAC reports submitted for FYs 2017 through 2021 and found that the reports were complete and signed by appropriate officials.

We also reviewed the timeliness of submission and found that the report for FY 2018 was submitted over 7 months late. Subsequently, MLARS placed the NYC DOI in non-compliant status until the FY 2018 ESAC report was filed. We determined that this delay was caused by internal discussions between the NYC DOI and the City's Office of Management and Budget officials in their attempt to ensure the report's accuracy.

Accuracy of ESAC Reports

To verify the accuracy of the annual ESAC reports, we compared the receipts listed on the NYC DOI's five most recent reports to the total disbursement amounts listed on the eShare report for the same time period. Our analysis showed that the NYC DOI's most recent ESAC reports reconciled with the receipts listed on the eShare report.

To verify the total expenditures listed on the NYC DOI's ESAC reports for fiscal years 2017 through 2021, we compared the reports to the NYC DOI's accounting records for each period. As shown in Table 1, the total

⁴ Under cash basis accounting, revenue and expenses are recorded when cash is actually paid or received. Under accrual basis accounting, revenue is recorded when it is earned, and expenses are reported when they are incurred.

expenditures reported in the ESAC reports did not match the expenditures in the NYC DOI's accounting records.

Table 1

ESAC Reported Expenditures and Accounting Records Comparison

ESAC Reporting Period Ending Date	Expenditures According to Accounting Records	Expenditures According to ESAC	Difference Between Accounting Records and ESAC
06/30/2017	\$4,444,986	\$4,619,862	(\$ 174,876)
06/30/2018	\$2,020,531	\$2,136,434	(\$ 115,903)
06/30/2019	\$5,752,219	\$5,950,040	(\$ 197,821)
06/30/2020	\$2,114,723	\$2,047,529	\$ 67,194
06/30/2021	\$1,812,236	\$1,883,246	(\$ 71,011)

Note: Any differences in the table amounts are due to rounding.

Source: NYC DOI's ESACs and accounting records.

In addition to summarizing the shared monies spent by category on the ESAC reports, entities are required to report the amount of interest income earned during the given reporting period. Based on our review of the supporting documentation provided by the NYC DOI, we found that the interest income reported on the FY 2017 and FY 2020 ESAC reports were accurate, while the FY 2018, FY 2019, and FY 2021 reports were inaccurate, as shown in Table 2 below.

Table 2**ESAC Interest Income and Accounting Records Comparison**

ESAC Reporting Period Ending Date	Interest Income According to Accounting Records	Interest Income According to ESAC	Difference Between Accounting Records and ESAC
06/30/2017	\$ 175,383	\$ 175,383	\$ 0
06/30/2018	\$ 183,998	\$ 208,189	(\$ 24,191)
06/30/2019	\$ 286,363	\$ 334,529	(\$ 48,166)
06/30/2020	\$ 358,086	\$ 358,086	\$ 0
06/30/2021	\$ 30,846	\$ 31,213	(\$ 367)

Source: NYC DOI's ESACs and accounting records.

We discussed these discrepancies with NYC DOI officials to determine the cause of the differences identified for FYs 2017 through 2019 in the preceding tables, such as whether the differences resulted from instances where the NYC DOI reported expenditures and interest income on the ESAC reports using an accrual basis of accounting—rather than a cash basis—as required at the time of reporting. NYC DOI officials noted that the City of New York reports accounting transactions on an accrual basis and, in many instances, the corresponding cash-basis adjustments to the records were inadvertently missed for those years. To verify that the accrual basis reporting was the sole reason for the differences above, we compared the expenditures and interest income from these accrual-based summaries with what the NYC DOI reported on the ESAC reports and found that it matched. In addition, we reviewed the section of the ESAC reports that summarize the shared monies spent by specific category, such as law enforcement operations and investigations, travel and training, and law enforcement equipment, and found that the category totals reflected on the ESAC reports matched the expenditure category totals as provided by the NYC DOI's summary records. Moreover, our review of NYC DOI internal communications related to the FY 2018 ESAC report submission found that there appeared to be confusion between the City's Office of Management and Budget and NYC DOI officials on how to ensure accurate reporting in compliance with MLARS's requirements, which led to the NYC DOI's late FY 2018 ESAC and resulted in MLARS placing the NYC DOI in a non-compliance status for FY 2018.

For FYs 2020 and 2021, when the NYC DOI was not required to report using the cash basis accounting due to the reporting requirement being changed, we concluded that the NYC DOI did not make all the necessary adjustments to prepare the ESAC reports on a cash basis as intended. In addition, we determined that the NYC DOI had not effectively directed staff on how to complete ESAC reports or where to locate program guidance.

ESAC reports should accurately reflect financial activity for the reporting period. Inaccurate reporting of equitable sharing fund activity on ESAC reports may negatively impact efforts to monitor the DOJ Equitable Sharing Program participant and its management of program funds. Therefore, we recommend that the Criminal Division ensure that the NYC DOI implements written procedures for the preparation and submission of ESACs to clarify the responsibilities and duties of personnel responsible for the reporting of equitable sharing funds, to include the timeliness of submission and the appropriate basis of accounting to use when preparing reports and confirming the accuracy of reported figures.

Accounting for Equitable Sharing Resources

The Equitable Sharing Guide requires that law enforcement agencies use standard accounting procedures and internal controls to track DOJ Equitable Sharing Program receipts. This includes establishing a separate revenue account or accounting code for DOJ equitable sharing program proceeds. In addition, agencies must deposit any interest income earned on equitable sharing funds in the same revenue account or under the accounting code established solely for the shared funds. Further, law enforcement agencies participating in the Equitable Sharing Program are required to use the eShare portal.⁵

The NYC DOI used New York City's accounting system, Financial Management System (FMS), to manage the equitable sharing funds covered by the scope of this audit. In FMS, the NYC DOI tracked equitable sharing receipts from DOJ and interest income in a segregated account and tracked equitable sharing expenditures in separate expense accounts identified with unique budget codes.

We determined that the NYC DOI received DOJ equitable sharing revenues totaling \$4,964,521 to support law enforcement operations during FYs 2017 through 2021. We reviewed all receipts of equitably shared revenues to determine if the funds were properly accounted for and deposited. We found that the NYC DOI accurately accounted for all of its equitably shared revenues received. Because we were able to review and successfully reconcile the entire list of distributions from the eShare Portal against the NYC DOI's accounting records and did not identify any concerns regarding the design of the related controls, we concluded that no further review of individual eShare receipts was necessary.

Use of Equitable Sharing Resources

The Equitable Sharing Guide requires that equitable sharing funds or tangible property received by state and local agencies be used for law enforcement purposes that directly supplement the appropriated resources of the recipient law enforcement agency. Table 3 reflects examples of permissible and impermissible uses under these guidelines. State and local law enforcement agencies must also retain all documents and records pertaining to their participation in the Program, including, but not limited to, receipts and procurement documentation for all expenditures of shared funds for a period of at least 5 years.

⁵ The eShare portal enables a participating agency to view the status of its pending equitable sharing requests and distributions made by DOJ and generates reports to assist with reconciling payments and tracking pending DOJ equitable sharing requests.

Table 3

Summary of Permissible and Impermissible Uses of Equitable Sharing Funds

Permissible Uses
Matching grants
Contracts for services
Law enforcement equipment
Law enforcement travel and per diem
Support of community-based organizations
Law enforcement awards and memorials
Law enforcement training and education
Joint law enforcement/public safety operations
Law enforcement operations and investigations
Law enforcement, public safety, and detention facilities
Drug, gang, and other prevention or awareness programs
Impermissible Uses
Loans
Supplanting
Costs related to lawsuits
Extravagant or wasteful expenditures and entertainment
Money laundering operations
Purchase of food and beverages
Creation of endowments or scholarships
Personal or political use of shared assets
Transfers to other law enforcement agencies (MLARS may consider a waiver in limited circumstances.)
Cash on hand, secondary accounts, and stored value cards
Purchase of items for other law enforcement agencies
Uses contrary to state or local laws
Use of forfeited property by non-law enforcement personnel
<i>With some exceptions, salaries and benefits of sworn or non-sworn law enforcement personnel</i>

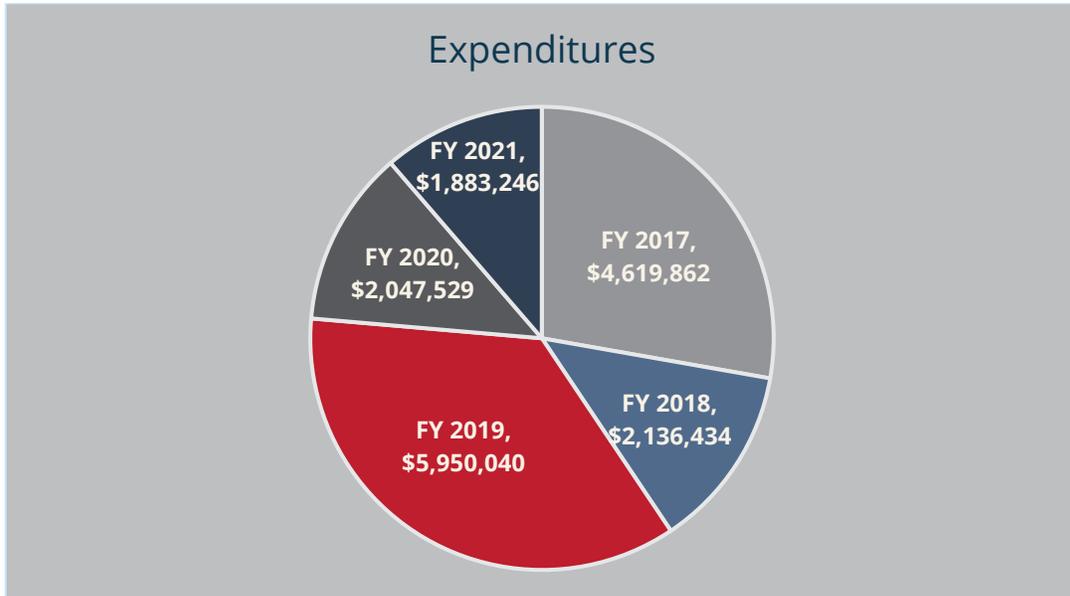
Source: Guide to Equitable Sharing for State, Local, and Tribal Law Enforcement Agencies.

Use of Equitable Sharing Funds

According to its accounting records, the NYC DOI expended DOJ equitable sharing funds totaling \$16,637,112 throughout the scope of our audit; see Figure 1 below.

Figure 1

Equitable Sharing Expenditures by the NYC DO



Note: Any differences in the chart amounts are due to rounding.

Source: NYC DOI accounting records.

We judgmentally selected and tested 40 transactions totaling \$1,283,034, or nearly 8 percent of the total funds expended, to determine if the expenditures of DOJ equitable sharing funds were permissible and supported by adequate documentation. The transactions in our sample included expenditures for law enforcement operations and investigations, law enforcement equipment, training and education, contract services, travel, and salaries.

Based upon our review of the supporting documentation provided by the NYC DOI, we determined that its equitable sharing fund expenditures were supported by adequate documentation and were used for appropriate purposes.

Tangible Property

NYC DOI officials provided us a list of tangible property purchased with award funds that was comprised of approximately \$5.76 million. However, this list was not maintained in accordance with the Equitable Sharing Guide, which requires that participating law enforcement agencies maintain and follow written policies for inventory control that comply with the applicable provisions of the Administrative Requirements, Costs, Principles, and Audit Requirements for Federal Awards (Uniform Guidance). According to the Uniform Guidance, agencies acquiring tangible property under a Federal award are required to maintain property records that include elements such as a serial number or identification number; description of the property; the source of funding for the property; who holds title; the acquisition date; cost of the property; the

location, use, and condition of the property; and any ultimate disposition data.⁶ In addition, they are required to take a physical inventory of the property and reconcile the results with the property records once every 2 years.

In addition to the property list discussed above, we reviewed other methods applied by the NYC DOI that included spreadsheets used to manage IT equipment. We found that neither the aforementioned list of tangible property nor the IT equipment spreadsheets met the requirements of the Uniform Guidance described above, including assignment of a serial or identification number or the disposition of equipment. In our expenditure testing discussed in the previous section, we did not identify any issues concerning the purchasing and verification of receipt for the equipment, which includes tangible property. However, NYC DOI officials told us that after initially verifying the receipt of equipment, they do not conduct any further periodic physical inspections of the tangible property to compare and reconcile with the property list as required by the Uniform Guidance.

Although we did not identify any specific instances to suggest that any of the purchased tangible property was missing, the NYC DOI's non-compliance with these requirements presents a risk of theft, loss, damage, or disposal of property that goes unaccounted. We discussed these issues with NYC DOI officials, and they told us that they were not fully aware of the federal regulations discussed above and acknowledged a need to take corrective action. We recommend that the Criminal Division ensure that the NYC DOI implements a property management system in compliance with OMB Uniform Guidance requirements, including the performance of a complete accounting of all tangible property acquired with equitable sharing funds by reconciling property records with equipment expenditures in the NYC DOI's accounting records.

Supplanting

The Equitable Sharing Guide requires that shared funds be used to increase or supplement the resources of the recipient agency and prohibits the use of shared funds to replace or supplant the appropriated resources of the recipient. In other words, the recipient agency must benefit directly from the equitable sharing funds. To test whether equitable sharing funds were used to supplement rather than supplant local funding, we interviewed local officials and reviewed the total budgets for New York City and the operational budgets for the NYC DOI for FYs 2016 through 2021.

We determined that New York City's budget had increased by approximately 26 percent during this time. We then reviewed the NYC DOI's operational budget for the same period and determined that it had increased approximately 37 percent. In addition, equitable sharing funds made up approximately 24 percent of the NYC DOI's operational budget, and the agency expended an average of 25 percent of those equitable sharing funds for the years we reviewed.

As a result, there did not appear to be a decrease in New York City's budget that was offset by the NYC DOI's operational budget. There also did not appear to be a significant decrease in the NYC DOI's operational budget that coincided with a proportional increase in equitable sharing revenue. In addition, our testing of the sampled expenditure transactions did not reveal any evidence of supplanting. Based on our review of

⁶ The Equitable Sharing Guide requires the participating law enforcement agency to maintain and follow written policies for inventory control that comply with the applicable provisions of the OMB Uniform Guidance.

budget documents and transaction testing, we did not identify any indication that the NYC DOI used DOJ equitable sharing funds to supplant its budget.

Compliance with Audit Requirements

The Equitable Sharing Guide requires that state and local law enforcement agencies that receive equitable sharing cash, proceeds, or tangible property comply with the Single Audit Act Amendments of 1996 and 2 C.F.R. § 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). The Single Audit Act provides for recipients of federal funding above a certain threshold to receive an annual audit of their financial statements and federal expenditures. Under the Uniform Guidance, such entities that expend \$750,000 or more in federal funds within the entity's fiscal year must have a "single audit" performed annually covering all federal funds expended that year. The Single Audit Report is required to include a Schedule of Expenditures of Federal Awards (SEFA) for the period covered by the auditee's financial statements. In addition, an entity must submit its Single Audit Report no later than 9 months after the end of the fiscal year covered by the audit.

The City of New York's Single Audit Reports for FYs 2017 through 2020 did not contain any findings that were significant in the context of our audit. However, we were unable to determine whether the equitable sharing funds were accurately reported in the SEFA because the NYC DOI was not able to explain the differences between what it reported in the ESAC and what it reported in the SEFA.

Table 4

ESAC and SEFA Expenditures Comparison

Single Audit FY	Expenditures According to ESAC	Expenditures According to SEFA	Difference
2017	\$4,619,862	\$3,914,049	\$ 705,813
2018	\$2,136,434	\$2,111,753	\$ 24,681
2019	\$5,950,040	\$5,949,753	\$ 287
2020	\$2,047,529	\$2,452,987	(\$ 405,458)

Source: NYC DOI's ESACs and SEFA records.

NYC DOI officials told us that the differences occurred because the SEFA amounts in each FY are based on the timing of payments that the NYC DOI makes to the city for equitable sharing expenditures that the city pays from its funds. The amount that the city anticipates receiving from the NYC DOI can change between

the time the NYC DOI submits its ESAC and subsequently reports its SEFA amount. However, the officials were not able to provide a reconciliation of the differences.

This is a recurring finding. Previously, an audit by the Department of the Treasury determined that for FYs 2017 through 2019, the NYC DOI could not provide accounting support demonstrating that the correct amount of equitable sharing expenditures was reported for the SEFA. We recommend that the Criminal Division work with the NYC DOI to implement procedures to retain an audit trail for its SEFA preparation to ensure adequate support for its reporting of equitable sharing expenditures in its Single Audit Reports.

Conclusion and Recommendations

We audited the New York City Department of Investigation's (NYC DOI) compliance with what we considered to be the most important conditions of the DOJ Equitable Sharing Program to assess whether the NYC DOI accounted for equitable sharing funds properly and used such revenues for permissible purposes. Overall, we found that the NYC DOI did not fully comply with program requirements. Specifically, we found that the NYC DOI did not have the required property management system in place to safeguard items purchased with equitable sharing funds. In addition, the NYC DOI lacked adequate procedures to ensure accurate reporting on its ESAC reports and did not retain documentation to support the accuracy of the federal expenditures it reported for Single Audits.

We recommend that the Criminal Division:

1. Ensure that the NYC DOI implements written procedures for the preparation and submission of ESACs to clarify the responsibilities and duties of personnel responsible for the reporting of equitable sharing funds, to include the timeliness of submission and the appropriate basis of accounting to use when preparing reports and confirming the accuracy of reported figures.
2. Ensure that the NYC DOI implements a property management system in compliance with OMB Uniform Guidance requirements, including the performance of a complete accounting of all tangible property acquired with equitable sharing funds by reconciling property records with equipment expenditures in the NYC DOI's accounting records.
3. Work with the NYC DOI to implement procedures to retain an audit trail for Schedule of Federal Awards preparation to ensure adequate support for its reporting of equitable sharing expenditures in its Single Audit Reports.

APPENDIX 1: Objective, Scope, and Methodology

Objective

The objective of the audit was to assess whether the New York City Department of Investigation (NYC DOI) accounted for equitable sharing funds properly and used such revenues for permissible purposes.

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 our audit objective.

Our audit concentrated on, but was not limited to, equitable sharing receipts received by the NYC DOI between July 1, 2016, and June 30, 2021. Our audit was limited to equitable sharing revenues received through the DOJ Equitable Sharing Program. We tested compliance with what we considered to be the most important 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 the Guide to Equitable Sharing for State, Local, and Tribal Law Enforcement Agencies, issued in July 2018. Unless, otherwise stated in our report, the criteria we audited against are contained in these documents.

We performed audit work at the NYC DOI's headquarters located in New York, New York. We interviewed NYC DOI officials and examined records, related revenues, and expenditures of equitable sharing funds. In addition, we relied on computer-generated data contained in the eShare Portal to identify equitably shared revenues and property awarded to the NYC DOI during the audit period. We did not establish the reliability of the data contained in eShare Portal as a whole. However, when viewed in context with other available evidence, we believe the opinions, conclusions, and recommendations included in this report are valid.

Our audit specifically evaluated the NYC DOI's compliance with four essential equitable sharing guidelines: (1) Equitable Sharing Agreement and Certification Reports, (2) accounting for equitable sharing receipts, (3) the use of equitable sharing funds, and (4) compliance with audit requirements. In planning and performing our audit, we considered internal controls over DOJ equitable sharing receipts established and used by the NYC DOI. However, we did not assess the reliability of the NYC DOI's financial management system, or the extent to which the financial management system complied with internal controls, laws, and regulations overall.

In the scope of this audit, the NYC DOI had 42 cash/proceeds receipts totaling \$4,964,521. In the same period, the NYC DOI had 1,499 expenditures totaling \$16,637,112. We reviewed all 42 receipts totaling \$4,964,521 and a sample of 40 expenditures totaling \$1,283,034. A judgmental sampling design was applied to capture numerous aspects of the disbursements reviewed, such as dollar amounts. This non-statistical sample design does not allow projection of the test results to all disbursements.

Our audit included an evaluation of the NYC DOI's four most recent annual audits. The results of these audits were reported in the Single Audit Report that accompanied the NYC DOI's basic financial statements for the fiscal years ending on June 30 between 2017 and 2020. The Single Audit Report was prepared under the provisions of the Uniform Guidance (2 C.F.R. § 200). We reviewed the independent auditor's assessment, which disclosed no control weaknesses or significant noncompliance issues. In addition, we reviewed a prior federal audit of the NYC DOI, which disclosed a significant noncompliance issue related to the NYC DOI's reporting of the Schedule of Expenditures of Federal Awards (SEFA) for the period covered by the auditee's financial statements. We have addressed the weakness in our report as it relates to the NYC DOI's Equitable Sharing Program.

We discussed the results of our review with officials from the NYC DOI throughout the audit and at a formal exit conference. As appropriate, their input has been included in the relevant sections of the report.

Internal Controls

In this audit, we performed testing of internal controls significant within the context of our audit objective. We did not evaluate the internal controls of the NYC DOI to provide assurance on its internal control structure as a whole. NYC DOI management is responsible for the establishment and maintenance of internal controls in accordance with the Equitable Sharing Guide and 2 C.F.R. § 200.303. Because we do not express an opinion on the NYC DOI's internal control structure as a whole, we offer this statement solely for the information and use of the NYC DOI and the DOJ Criminal Division.⁷

We assessed management's design, implementation, and operational effectiveness of these internal controls and identified deficiencies that we believe could affect the NYC DOI's ability to operate effectively and efficiently, to correctly state financial information, and to ensure compliance with laws and regulations.

The internal control deficiencies we found are discussed in the Audit Results section of this report. However, because our review was limited to those internal control components and underlying principles that we found significant to the objectives of this audit, it may not have disclosed all internal control deficiencies that may have existed at the time of this audit.

⁷ This restriction is not intended to limit the distribution of this report, which is a matter of public record.

APPENDIX 2: The New York City Department of Investigation's Response to the Draft Audit Report



The City of New York
Department of Investigation

JOCELYN STRAUBER
COMMISSIONER

Thomas O. Puerzer
Regional Audit Manager
Philadelphia Regional Audit Office
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U.S. Department of Justice
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Subject: Response to Audit Findings and Plan for Compliance with Equitable Sharing Program

Dear Mr. Puerzer,

I hope this letter finds you well. I am writing on behalf of the New York City Department of Investigation (NYC DOI) to address the findings outlined in the recent audit conducted by the U.S. Department of Justice (DOJ) Office of the Inspector General (OIG) regarding our compliance with the Equitable Sharing Program. We take these findings seriously and are committed to taking prompt action to achieve full compliance with the program's requirements.

First and foremost, we appreciate the audit's acknowledgement of our sound financial management practices and the fact that the expenditures tested were found to be permissible and supported. However, we acknowledge that there were areas where the NYC DOI fell short in fully complying with the DOJ Equitable Sharing Program. We are committed to rectifying these deficiencies and implementing necessary measures to ensure complete adherence to the program's guidelines.

To address the findings, we have developed a comprehensive plan for achieving full compliance with the Equitable Sharing Program. The plan includes the following key actions:

1. **Property Management System Enhancement:** We recognize the need to establish a robust property management system to effectively safeguard and track equipment purchased with equitable sharing funds. As per the DOJ's Uniform Guidance requirements, we will develop and implement written policies for inventory control, including regular physical inspections, maintenance of complete property records, and adherence to the 2-year inspection cycle. This will ensure proper management and accountability of tangible property acquired through the program.
2. **Strengthened ESAC Reporting Procedures:** We understand the importance of accurate and timely Equitable Sharing Agreement and Certification (ESAC) reports. To ensure compliance, we will implement written procedures for the preparation and submission of ESACs. These procedures will clarify the responsibilities and duties of personnel involved in reporting equitable sharing funds, emphasize the timeliness of submission, and outline the appropriate basis of accounting to be used for accurate and consistent reporting. Furthermore, we will reinforce training and guidance to ensure staff members are knowledgeable about program requirements and aware of available resources.
3. **Documentation Retention for Single Audits:** We acknowledge the need to retain documentation supporting the accuracy of federal expenditures reported in Single Audit Reports, including reconciliations between the ESAC reports and the Schedule of Expenditures of Federal Awards (SEFA). We will work closely with our audit and finance teams to establish procedures for retaining an audit trail that provides adequate support for the reporting of equitable sharing expenditures in our Single Audit Reports. This will facilitate accurate and reliable reporting, ensuring compliance with the Single Audit Act and the Uniform Guidance.

By implementing these measures, the NYC DOI aims to achieve full compliance with the DOJ Equitable Sharing Program. We recognize the importance of upholding the highest standards of accountability and transparency in our financial management practices. Our commitment to these principles will help strengthen the public's trust in our agency and ensure the proper use of equitable sharing funds.

We would welcome the opportunity to engage in further discussion with your department to address any concerns or questions you may have regarding our plan for compliance. Our team is readily available to provide additional information and work collaboratively to meet the requirements of the Equitable Sharing Program.

Thank you for your attention to this matter. We remain dedicated to the principles of the program and look forward to working closely with your department to ensure full compliance on or before June 30th 2024.

Sincerely,

A handwritten signature in black ink, appearing to read 'J. Strauber', with a stylized flourish at the end.

Jocelyn E. Strauber
Commissioner
New York City Department of Investigation

APPENDIX 3: The Criminal Division's Response to the Draft Audit Report



U.S. Department of Justice

Criminal Division

Money Laundering and Asset Recovery Section

Washington, D.C. 20530

May 9, 2023

MEMORANDUM

TO: Thomas O. Puerzer, Regional Audit Manager
Philadelphia Regional Audit Office
Office of Inspector General

FROM: R. Matthew Colon, Deputy Chief
Program Management and Training Unit
Money Laundering and Asset
Recovery Section

SUBJECT: DRAFT AUDIT REPORT for the New York City Department of Investigation's
Equitable Sharing Program Activities

RMC

In a memorandum dated May 5, 2023, your office provided a draft audit report for the New York City Department of Investigation's (NYC DOI) which included actions necessary for closure of the audit report findings. The Money Laundering and Asset Recovery Section (MLARS) concurs with all findings and recommendations in the draft audit report.

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

cc: Louise Duhamel, Acting Assistant Director
Audit Liaison Group
Internal Revenue and Evaluation Office
Justice Management Division

Jessica Schmaus, Audit Liaison
U.S. Department of Justice
Criminal Division

Tracey A. Waters
Audit Liaison Group
Internal Revenue and Evaluation Office
Justice Management Division

APPENDIX 4: Office of the Inspector General Analysis and Summary of Actions Necessary to Close the Audit Report

The OIG provided a draft of this audit report to the Criminal Division (CRM) and the New York City Department of Investigation (NYC DOI). NYC DOI's response is incorporated in Appendix 2 and CRM's response is incorporated in Appendix 3 of this final report. In response to our draft audit report, CRM agreed with our recommendations and, as a result, the status of the audit report is resolved. NYC DOI neither agreed nor disagreed with the recommendations but stated that it is committed to rectifying the identified deficiencies and implementing necessary measures to ensure complete adherence to the program's guidelines. The following provides the OIG analysis of the responses and summary of actions necessary to close the report.

Recommendations for CRM:

- 1. Ensure that the NYC DOI implements written procedures for the preparation and submission of ESACs to clarify the responsibilities and duties of personnel responsible for the reporting of equitable sharing funds, to include the timeliness of submission and the appropriate basis of accounting to use when preparing reports and confirming the accuracy of reported figures.**

Resolved. CRM concurred with our recommendation and stated that it will work with NYC DOI to correct all identified findings upon receipt of the final audit report.

NYC DOI did not explicitly agree or disagree with our recommendation, but stated that it understands the importance of accurate and timely Equitable Sharing Agreement and Certification (ESAC) reports and will implement written procedures for the preparation and submission of ESACs to clarify the responsibilities and duties of personnel involved in reporting equitable sharing funds, emphasize the timeliness of submission, and outline the appropriate basis of accounting to be used for accurate and consistent reporting. NYC DOI noted that it will reinforce training and guidance to ensure that staff members are knowledgeable about program requirements and are aware of available resources.

This recommendation can be closed when we receive evidence that NYC DOI has implemented written procedures for the preparation and submission of ESACs to clarify the responsibilities and duties of personnel responsible for the reporting of equitable sharing funds, to include the timeliness of submission and the appropriate basis of accounting to use when preparing reports and confirming the accuracy of reported figures.

- 2. Ensure that the NYC DOI implements a property management system in compliance with OMB Uniform Guidance requirements, including the performance of a complete accounting of all tangible property acquired with equitable sharing funds by reconciling property records with equipment expenditures in the NYC DOI's accounting records.**

Resolved. CRM concurred with our recommendation and stated that it will work with NYC DOI to correct all identified findings upon receipt of the final audit report.

NYC DOI did not explicitly agree or disagree with our recommendation but stated that it recognizes the need to establish a robust property management system to effectively safeguard and track equipment purchased with equitable sharing funds. NYC DOI stated that it will develop and implement written policies for inventory control, including regular physical inspections, maintenance of complete property records, and adherence to the 2-year inspection cycle.

This recommendation can be closed when we receive evidence that NYC DOI has implemented a property management system in compliance with OMB Uniform Guidance requirements, including the performance of a complete accounting of all tangible property acquired with equitable sharing funds by reconciling property records with equipment expenditures in the NYC DOI's accounting records.

3. Work with the NYC DOI to implement procedures to retain an audit trail for Schedule of Federal Awards preparation to ensure adequate support for its reporting of equitable sharing expenditures in its Single Audit Reports.

Resolved. CRM concurred with our recommendation and stated that it will work with NYC DOI to correct all identified findings upon receipt of the final audit report.

NYC DOI did not explicitly agree or disagree with our recommendation but stated that it acknowledges the need to retain documentation supporting the accuracy of federal expenditures reported in Single Audit Reports, including reconciliations between the ESAC reports and the Schedule of Expenditures of Federal Awards (SEFA). NYC DOI further stated that it will work closely with its audit and finance teams to establish procedures for retaining an audit trail that provides adequate support for the reporting of equitable sharing expenditures in Single Audit Reports.

This recommendation can be closed when we receive evidence that NYC DOI has implemented procedures to retain an audit trail for Schedule of Federal Awards preparation to ensure adequate support for its reporting of equitable sharing expenditures in its Single Audit Reports.