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

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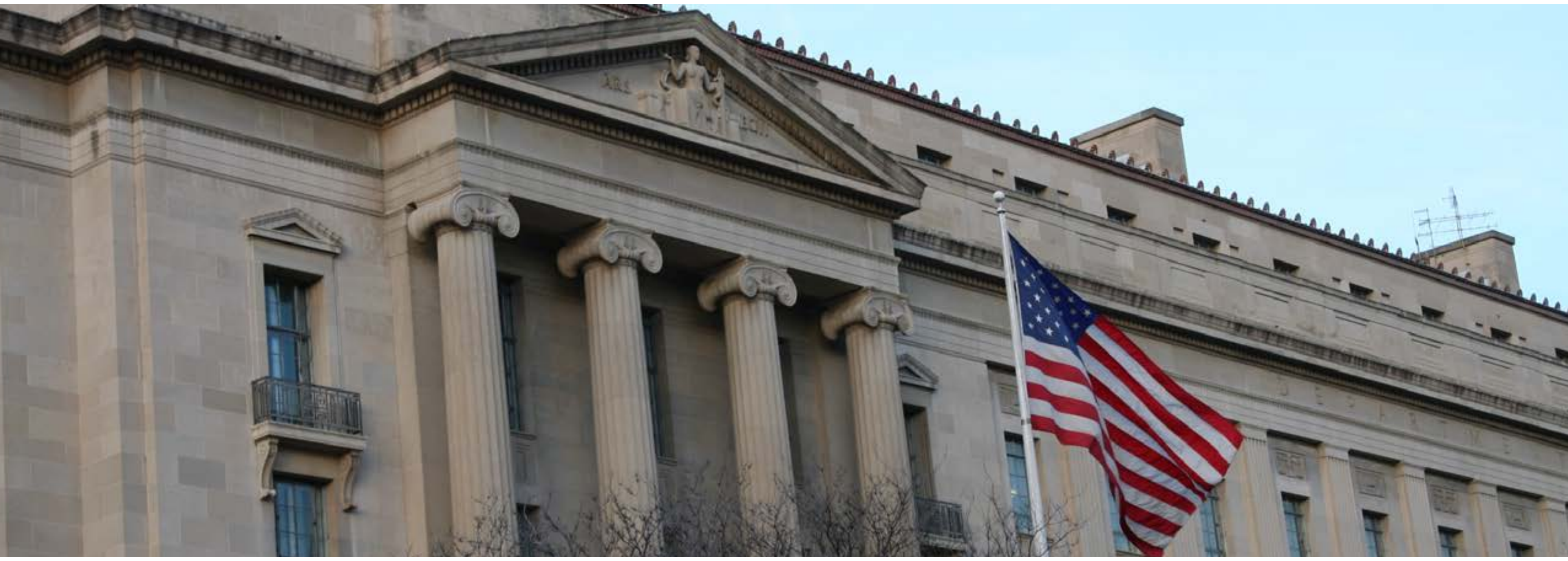

# Audit of the Alabama Law Enforcement Agency's Equitable Sharing Program Activities, Montgomery, Alabama

Audit Division 20-075

June 2020

# Executive Summary

*Audit of the Alabama Law Enforcement Agency's Equitable Sharing Program Activities, Montgomery, Alabama*

## Objective

The U.S. Department of Justice (DOJ) Office of the Inspector General (OIG) has completed an audit to assess whether the Alabama Law Enforcement Agency (ALEA) accounted for DOJ equitable sharing funds and used such assets for allowable purposes as defined by applicable guidelines.

## Results in Brief

We concluded that ALEA properly accounted for its equitable sharing funds and used its funds for allowable purposes.

## Recommendations

Our report contains no recommendations. We requested a response to our draft audit report from the Criminal Division and ALEA. The Criminal Division's response can be found in Appendix 2. ALEA declined to provide a response.

## Audit Results

This audit covered ALEA's fiscal years (FYs) 2017 through 2019. ALEA began the audit period with an equitable sharing fund balance of $92,305. During the period of October 1, 2016, through September 30, 2019, ALEA received $2,587,445 and spent $47,878 in equitable sharing funds to purchase two sport utility vehicles.

Equitable sharing revenues represent a share of the proceeds from the forfeiture of assets seized in the course of certain criminal investigations. We found that ALEA submitted timely, complete, and accurate equitable sharing reports; properly accounted for its equitable sharing receipts; and made expenditures from equitable sharing funds that were allowable and supported.

# AUDIT OF THE ALABAMA LAW ENFORCEMENT AGENCY'S EQUITABLE SHARING PROGRAM ACTIVITIES MONTGOMERY, ALABAMA

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# AUDIT OF ALABAMA LAW ENFORCEMENT AGENCY'S EQUITABLE SHARING PROGRAM ACTIVITIES MONTGOMERY, ALABAMA

## INTRODUCTION

The Department of Justice (DOJ) Office of the Inspector General (OIG) completed an audit of the equitable sharing funds received by the Alabama Law Enforcement Agency (ALEA) in Montgomery, Alabama. The objective of the audit was to assess whether the cash and property received by ALEA through the Equitable Sharing Program were accounted for properly and used for allowable purposes as defined by applicable regulations and guidelines. The audit covered October 1, 2016, through September 30, 2019.[1] During that period, ALEA received $2,587,445 and spent $47,878 in equitable sharing revenues as a participant in the DOJ Equitable Sharing Program.[2] ALEA did not receive any equitable sharing funds in FY 2017, and ALEA did not receive property under the program during our 3-year period of review.

### 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.[3] 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 claim a portion of 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.

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[1] ALEA's fiscal year begins October 1 and ends September 30.

[2] ALEA began the audit period with a balance of $92,305.

[3] 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.

Finally, MLARS is responsible for coordination, direction, and general oversight of DOJ's Asset Forfeiture Program and administers equitable sharing assets.

Equitable sharing revenues represent a share of the proceeds from the forfeiture of assets seized in the course of certain criminal investigations. 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 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 equitable share allocated to that agency.

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 allowable law enforcement purposes. The Guide to Equitable Sharing for State and Local Law Enforcement Agencies (Equitable Sharing Guide), issued by MLARS in April 2009, and the Interim Policy Guidance Regarding the Use of Equitable Sharing Funds (Interim Policy Guidance), issued by MLARS in July 2014, and the Guide to Equitable Sharing for State, Local, and Tribal Law Enforcement Agencies, issued in July 2018, outline categories of allowable and unallowable uses for equitable sharing funds and property.

## Alabama Law Enforcement Agency

ALEA was established in January 2015 by a merger of 12 state law enforcement agencies with the intent of operating public safety in a more efficient and cost-effective manner. The agency consists of the Department of Public Safety and the State Bureau of Investigations, which operate statewide, and it serves a population of nearly 4.9 million residents. As of November 2019, ALEA had 810 sworn officers and 613 civilian employees. ALEA's predecessor organizations became members of the DOJ Equitable Sharing Program in 2011.[4]

## OIG Audit Approach

We tested ALEA'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 allowable purposes. Unless otherwise stated, we applied the Equitable Sharing Guide, the Interim Policy Guidance, and the Guide to Equitable Sharing for State, Local, and Tribal Law Enforcement Agencies, as our primary criteria. The Equitable

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[4] ALEA was formerly the Alabama Department of Public Safety and the Alabama Alcoholic Beverage Control Board-Law Enforcement.

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 ALEA'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 allowable law enforcement purposes.
- **Compliance with audit requirements** to ensure the accuracy, consistency, and uniformity of audited equitable sharing data.

In July 2018 MLARS issued a report on ALEA's compliance with DOJ Equitable Sharing Program requirements.[5] The objectives of the review were to: (1) assess the impact of any significant non-compliance; (2) assess ALEA's internal controls; (3) examine ALEA's equitable sharing expenditures; and (4) verify that ALEA's equitable sharing practices provided effective management, promoted public confidence and protected against waste, fraud, and abuse. MLARS found that ALEA commingled its DOJ equitable sharing funds with non-DOJ equitable sharing funds. Also, ALEA did not consistently document the approval of 17 equitable sharing expenditures totaling $34,165 and could not sufficiently support 16 equitable sharing expenditures totaling $372,531. Additionally, MLARS found errors within ALEA's FY 2013 and FY 2014 ESAC reports. MLARS required ALEA to address these deficiencies and provide proof that the deficiencies were corrected. In a memorandum dated July 2015, MLARS restricted ALEA from accessing its equitable sharing funds until the agency adequately addressed the report findings and implemented required policies and procedures.

As part of our audit, we assessed ALEA's corrective actions to address the MLARS findings. We also expanded our audit testing, where possible, based on MLARS identification of deficiencies in ALEA's internal controls.

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

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[5] DOJ, *Criminal Division, Alabama Law Enforcement Agency Equitable Sharing Program Compliance Review*, (July 2018).

The findings in the MLARS Compliance Report relate to the former Alabama Department of Public Safety and the Alabama Alcoholic Beverage Control Board, 2 of the 12 law enforcement agencies that merged to form ALEA in January 2015.

# AUDIT RESULTS

## Equitable Sharing Agreement and Certification Reports

Law enforcement agencies that participate in the Equitable Sharing Program are required to submit an ESAC report, on an annual basis, within 60 days after the end of an agency's fiscal year. This must be accomplished regardless of whether equitable sharing funds were received or maintained that year. If an ESAC report is not accepted before the end of the 60-day filing timeframe, the law enforcement agency will be moved into a non-compliance status. Additionally, the ESAC report must be signed by the head of the law enforcement agency and a designated official of the local governing body. By signing and submitting the ESAC report, the signatories agree to be bound by and comply with the statutes and guidelines that regulate the Equitable Sharing Program.

ALEA's Senior Accountant prepares the ESAC report using information from ALEA's accounting system and eShare, an online DOJ system that allows agencies to manage their equitable sharing requests.[6] Next, the Senior Accountant forwards the report to ALEA's Secretary and the Governor of Alabama to review and approve before the report is submitted to MLARS. We tested ALEA's FYs 2017, 2018, and 2019 ESAC reports for completeness, timeliness, and accuracy.

*Completeness and Timeliness of ESAC Reports*

We tested ALEA's compliance with ESAC reporting requirements to determine if the reports were completed and submitted in a timely manner. All of the reports tested were completed and signed by appropriate officials. The FY 2018 and FY 2019 reports were submitted timely; however, the FY 2017 report was 63 days late. ALEA's Senior Accountant provided us with documentation that showed the report was late because ALEA experienced technical difficulties with eShare. Additionally, the Senior Accountant told us that a DOJ official requested that ALEA amend its FY 2015 and FY 2016 reports. The amendments were necessary because there were receipts that had not been reported on ALEA's ESACs after the Alabama Department of Public Safety and the Alabama Alcoholic Beverage Control Board-Law Enforcement merged with other law enforcement agencies to form ALEA. Therefore, ALEA made the necessary amendments to the FY 2015 and FY 2016 ESACs prior to filing the FY 2017 ESAC submission, which resulted in the delay of ALEA's FY 2017 ESAC filing. Because ALEA's FY 2018 and FY 2019 reports were timely and the late FY 2017 was a result of omissions related to the FY 2015 and FY 2016 reports, we make no recommendation regarding the late FY 2017 report.

*Accuracy of ESAC Reports*

To test the accuracy of ALEA's ESAC reports, we compared the equitable sharing receipts recorded on ALEA's FY 2018 and FY 2019 ESAC reports to eShare

[6] The eShare portal enables a participating agency to view the status of its pending equitable sharing requests and run reports on disbursed equitable sharing. The portal is also used to process electronic payments.

disbursement amounts for the same years. We determined that ALEA's reporting matched the disbursements listed on the eShare report.

To verify the total expenditures listed on ALEA's two most recent ESAC reports, we compared expenditures listed on the ESAC reports to ALEA's accounting records for each period. Our analysis showed that the total expenditures reported in ALEA's two most recent ESAC reports were $0 and $47,878 in FYs 2018 and 2019, respectively, which matched the expenditures in the accounting records.

In addition, we reviewed the section of the FY 2019 ESAC report that summarizes the shared monies spent by specific category, such as law enforcement operations and investigations, travel and training, and law enforcement equipment, for accuracy. To do so, we used ALEA's accounting records to identify the expenditures. We determined that ALEA only had equipment purchases. Using the accounting records, we computed the total equipment expenditures for FY 2019 and compared the results to the amount reflected on the ESAC report. We found that the equipment category reflected on the ESAC report matched the accounting records ALEA provided.

**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 through the agency's finance department 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. Law enforcement agencies participating in the Equitable Sharing Program are required to use the eShare portal.

*Testing of Equitable Sharing Revenues and Receipts*

We interviewed ALEA's Senior Accountant regarding the agency's equitable sharing accounting procedures and obtained ALEA's accounting records for FYs 2017 through 2019. ALEA uses an accounting code specifically designed for equitable sharing funds. The Senior Accountant is responsible for reconciling ALEA's receipts to eShare. Once ALEA's equitable sharing funds are available, the Accounts Receivable Supervisor certifies the receipts on a daily basis, if applicable, and the funds are then approved and deposited into a segregated bank account by the Alabama State Treasurer.

We determined that during FYs 2018 and 2019 ALEA received 115 DOJ equitable sharing disbursements totaling $2,587,445 to support law enforcement operations. ALEA did not receive any equitable sharing funds in FY 2017. We reviewed the receipts for these revenues to determine if the funds were properly accounted for. We reconciled the receipts with ALEA's eShare report and found that the receipts matched. Based on our testing, we concluded that ALEA accurately accounted for the revenues received.

As shown in Table 1, we selected a sample of 10 of the highest-valued receipts, which all happened to be from FY 2018 and totaled $2,161,143 or 84 percent of the $2,587,445 in equitable sharing disbursements ALEA received in FYs 2018 and 2019. We tested these disbursements to ensure that the monies were properly deposited and recorded by ALEA in a timely manner.

**Table 1**

**ALEA's Sampled Receipts**

| Date Received According to eShare | Amount | Date Received According to ALEA Records | Amount | Number of Days between receipt and recording of funds |
|---|---|---|---|---|
| 09/17/2018 | $504,660 | 09/18/2018 | $504,660 | 1 |
| 09/17/2018 | $252,180 | 09/19/2018 | $252,180 | 2 |
| 09/17/2018 | $88,730 | 09/19/2018 | $88,730 | 2 |
| 09/17/2018 | $37,114 | 09/19/2018 | $37,114 | 2 |
| 09/17/2018 | $89,036 | 09/19/2018 | $89,036 | 2 |
| 09/17/2018 | $31,826 | 09/19/2018 | $31,826 | 2 |
| 09/17/2018 | $26,749 | 09/19/2018 | $26,749 | 2 |
| 09/17/2018 | $25,342 | 09/18/2018 | $25,342 | 1 |
| 09/21/2018 | $1,008,477 | 09/21/2018 | $1,008,477 | 0 |
| 09/26/2018 | $97,029 | 09/26/2018 | $97,029 | 0 |
| **Total** | **$2,161,143** | **Total** | **$2,161,143** | |

Source: OIG analysis of ALEA and eShare records

Our testing determined that ALEA accurately and timely recorded the 10 sampled asset forfeiture receipts in its accounting records. Additionally, we determined that ALEA did not earn interest on its equitable sharing funds.

*Testing of Equitable Sharing Requests*

The Equitable Sharing guide requires sharing requests to be submitted at any time following a seizure, but no later than 45 days after forfeiture. A waiver request must be included with any sharing requests submitted after 45 days following the forfeiture. The request must also include both the work hours contributed and a detailed narrative of the agency's contribution that led to the seizure.

To determine if ALEA submitted its equitable sharing requests within 45 days, we tested each of the 115 requests upon which ALEA received disbursements in FYs 2018 and 2019 by comparing the request forfeiture date to the submission date. We determined that the requests were submitted timely.

We also sought to determine whether ALEA's equitable sharing requests recorded the work hours it contributed to the seizure and a seizure narrative. We judgmentally selected for testing the reports of 39 equitable sharing requests ALEA recorded in eShare. We found that ALEA's requests contained the required information.

## Equitable Sharing Resources

The Equitable Sharing Guide and Interim Policy Guidance require 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 2 reflects examples of allowable and unallowable uses under these guidelines.

**Table 2**

**Summary of Allowable and Unallowable Uses of Equitable Sharing Funds**

| **Allowable Uses** |
|---|
| Matching funds |
| Contracting services |
| Law enforcement equipment |
| Law enforcement travel and per diem |
| Support of community-based programs |
| 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 and gang education and other awareness programs |
| **Unallowable Uses** |
| Loans |
| Supplanting |
| Costs related to lawsuits |
| Extravagant expenditures |
| 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 |
| Petty cash accounts and stored value cards[a] |
| Purchase of items for other law enforcement agencies |
| Uses contrary to the laws of the state or local jurisdiction |
| Use of forfeited property by non-law enforcement personnel |
| *With some exceptions,* salaries and benefits of sworn or non-sworn law enforcement personnel. |

[a] Prepaid credit cards may be purchased for use as a form of payment for buy-back programs.

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

### *Use of Equitable Sharing Funds*

According to its accounting records, ALEA did not expend any funds in FYs 2017 and 2018 and only $47,878 in FY 2019 to purchase two sport utility vehicles. We selected these two vehicle purchases for testing to determine if the expenditures of DOJ equitable sharing funds were allowable and supported by adequate documentation. We determined that the purchase of these vehicles was adequately supported and used for appropriate purposes as outlined in the Guide to Equitable Sharing for State, Local and Tribal Law Enforcement Agencies.

*Supplanting*

The equitable sharing guidance requires that shared resources be used to increase or supplement the resources of the recipient agency and prohibits the use of shared resources 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 ALEA officials and reviewed the State of Alabama and ALEA budgets for FYs 2017 to 2019.

There was an increase in Alabama's budget for FYs 2017 to 2019. There did not appear to be a significant decrease in ALEA's operational budget that coincided with a proportional increase in equitable sharing revenue. Alabama's budget increased by 4.9 percent from FY 2017 to FY 2018 and 3.5 percent from FY 2018 to FY 2019. ALEA's budget decreased 3.5 percent from FY 2017 to FY 2018 and increased .7 percent from FY 2018 to FY 2019. Equitable sharing funds made up less than 2 percent of ALEA's budget for FYs 2017 to 2019, and the agency expended 1.8 percent of those funds in FY 2019. Therefore, we determined that there was a low risk that ALEA supplanted its budget with equitable sharing funds during our period of review. We tested ALEA's equitable sharing transactions that were made during our audit scope to assess whether there were indications of supplanting. Our testing of the expenditures did not reveal any evidence of supplanting. Based on our review of ALEA's budget documents and transaction testing, we found no indication that ALEA used DOJ equitable sharing funds to supplant its budget.

**Compliance with Audit Requirements**

The equitable sharing guidance 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 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.

We obtained and reviewed Alabama's Single Audit Reports for FYs 2017 and 2018. To determine if the state's Single Audit accurately reported ALEA's DOJ equitable sharing fund receipts and expenditures on its Schedule of Expenditures of Federal Awards, we compared the schedule to ALEA's FYs 2017 and 2018 ESAC reports. We found that ALEA's equitable sharing expenditures were correctly reported in the Single Audit Reports for both years. However, the state's equitable sharing receipts for FY 2018 were underreported by $4,320.[7] ALEA's Senior Accountant provided documentation that showed the difference in receipts occurred because a check that was disbursed by USMS at the end of FY 2018 was not deposited by ALEA until the beginning of FY 2019. Because this timing issue led to the state's inaccurate reporting, we make no recommendation for the inaccurate Single Audit Reports.

We also determined that the state's Single Audit Reports for FYs 2017 and 2018 reported no deficiencies or weaknesses related to the use of DOJ equitable sharing funds.

*MLARS Compliance Review*

As previously discussed, MLARS' July 2018 compliance report required ALEA to address four equitable sharing program weaknesses and deficiencies. We requested and obtained documentation from ALEA officials about the corrective actions the agency implemented to address the MLARS findings.

First, MLARS found that ALEA commingled its DOJ equitable sharing funds with non-DOJ equitable sharing funds. To address this finding, MLARS required ALEA to include various processes in its *DOJ Equitable Sharing Program Policy and Procedures* (policy and procedures) and to update and implement existing equitable sharing accounting procedures. ALEA's Senior Accountant provided us documentation showing the agency established separate accounting codes for DOJ equitable sharing funds.

Second, MLARS found that ALEA did not consistently document the approval of 17 equitable sharing expenditures totaling $34,165. To address this finding, MLARS required ALEA to update and implement procedures to ensure that all expenditures are permissible and follow its jurisdiction's approval and procurement policies. We found that ALEA properly documented approvals for the expenditure transactions we tested during our audit period. We also found that ALEA had updated or implemented its procedures to ensure that expenditures were permissible.

Third, MLARS found that ALEA could not sufficiently support 16 equitable sharing expenditures totaling $372,531. To address this finding, MLARS required ALEA to update and implement procedures to ensure that all expenditures are permissible and that all documentation pertaining to the equitable sharing program is retained for 5 years. As evidence that this requirement was met, we determined that ALEA provided its updated procedures and that the procedures were implemented, as required by MLARS. In addition, we determined that ALEA's equitable sharing expenditures were fully supportable and proper approvals were performed for the two vehicles purchased in 2019.

[7] The state's FY 2018 Single Audit report reported ALEA's equitable sharing receipts in the amount of $2,505,916, while according to ALEA's accounting records, its equitable sharing receipts were $2,510,236 for FY 2018.

Fourth, MLARS found errors within ALEA's FY 2013 and FY 2014 ESAC reports and required ALEA to update and implement procedures to address the deficiencies. We found that ALEA adequately addressed the finding by updating its policies and procedures to require ALEA staff to ensure equitable sharing purchases are categorized correctly on the ESAC reports.

## CONCLUSION

We concluded that ALEA properly accounted for its equitable sharing funds and used the funds for allowable purposes. We also found that ALEA submitted complete and accurate ESAC reports. One of the three ESAC reports we tested was submitted late, however we determined that this could be attributed to a technical issue with DOJ's online system. ALEA properly accounted for its equitable sharing receipts and its equitable sharing expenditures were properly authorized, allowable, and fully supported. We also found that ALEA's equitable sharing requests were submitted timely and contained all required information.

**APPENDIX 1**

# OBJECTIVE, SCOPE, AND METHODOLOGY

## Objective

The objective of the audit was to assess whether the Alabama Law Enforcement Agency (ALEA) accounted for Department of Justice (DOJ) equitable sharing funds and used such assets for allowable purposes defined by applicable guidelines.

## 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 and 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 ALEA received between October 1, 2016, and September 30, 2019. 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 and Local Law Enforcement Agencies*, dated April 2009, as well as the Interim Policy Guidance Regarding the Use of Equitable Sharing Funds, issued July 2014, and 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.

ALEA is located in Montgomery, Alabama. We interviewed ALEA officials and examined records, related revenues, and expenditures of DOJ equitable sharing funds. In addition, we relied on computer-generated data contained in eShare to identify equitably shared revenues awarded to ALEA during the audit period. We did not establish the reliability of the data contained in eShare 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 ALEA's compliance with three essential equitable sharing guidelines: (1) Equitable Sharing Agreement and Certification reports, (2) accounting for equitable sharing receipts, and (3) the use of equitable sharing funds. In planning and performing our audit, we considered internal controls over DOJ equitable sharing receipts established and used by ALEA. However, we did not assess the reliability of ALEA'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, ALEA had 115 cash receipts totaling $2,587,445. In the same period, ALEA had two expenditures totaling $47,878. We judgmentally selected and tested a sample of 10 receipts totaling $2,161,143 and both expenditures totaling $47,878. 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 Alabama's most recent annual audit. The results of this audit were reported in the Single Audit Report that accompanied Alabama's basic financial statements for the year ended September 30, 2018. The Single Audit Report was prepared under the provisions of the Uniform Guidance. We reviewed the independent auditor's assessment, which disclosed no control weaknesses or significant noncompliance issues related to the use of DOJ equitable sharing funds. In July 2018, the DOJ's Criminal Division, Money Laundering and Asset Recovery Section issued a report on ALEA's compliance with DOJ Equitable Sharing Program requirements and found four weaknesses and deficiencies related to ALEA's accounting and reporting of equitable sharing program activity.

We discussed the results of our review with ALEA officials 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 objectives. We did not evaluate the internal controls of ALEA to provide assurance on its internal control structure as a whole. ALEA's 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 ALEA's internal control structure as a whole, we offer this statement solely for the information and use of ALEA and the DOJ Criminal Division.[8]

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

In planning and performing our audit, we identified the following internal control components and underlying internal control principles as significant to the audit objective:

| Internal Control Components & Principles Significant to the Audit Objectives | |
|---|---|
| Control Environment Principles | |
| | Management should establish an organizational structure, assign responsibility, and delegate authority to achieve the entity's objectives. |
| Control Activity Principles | |
| | Management should design control activities to achieve objectives and respond to risks. |
| | Management should implement control activities through policies. |
| Information & Communication Principles | |
| | Management should use quality information to achieve the entity's objectives. |
| | Management should externally communicate the necessary quality information to achieve the entity's objectives. |

We assessed ALEA's implementation of these internal controls and did not identify any deficiencies that we believe could affect ALEA's ability to ensure compliance with DOJ Equitable Sharing Program laws and regulations. However, because our review was limited to these internal control components and underlying principles, it may not have disclosed all internal control deficiencies that may have existed at the time of this audit.

**APPENDIX 2**

# CRIMINAL DIVISION RESPONSE TO THE DRAFT AUDIT REPORT

**U.S. Department of Justice**

Criminal Division

*Money Laundering and Asset Recovery Section* *Washington, D.C. 20530*

June 17, 2020

**MEMORANDUM**

**TO**: Ferris B. Polk, Regional Audit Manager
Atlanta Regional Audit Office
Office of the Inspector General

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

Jennifer Bickford for

**SUBJECT**: DRAFT AUDIT REPORT for the Alabama Law Enforcement Agency's Equitable Sharing Program Activities

In a memorandum dated May 20, 2020, your office provided a draft audit report for the Alabama Law Enforcement Agency (ALEA), which included no recommendations and no necessary actions for closure of the audit report.

The Money Laundering and Asset Recovery Section (MLARS) concurs with the preliminary results of the draft audit report.

Upon receipt of the final audit report, MLARS will close out the report.

cc: Denise Turcotte, Audit Liaison
U.S. Department of Justice
Criminal Division

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

Jessica Schmaus, Audit Liaison
Audit Liaison
Criminal Division

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