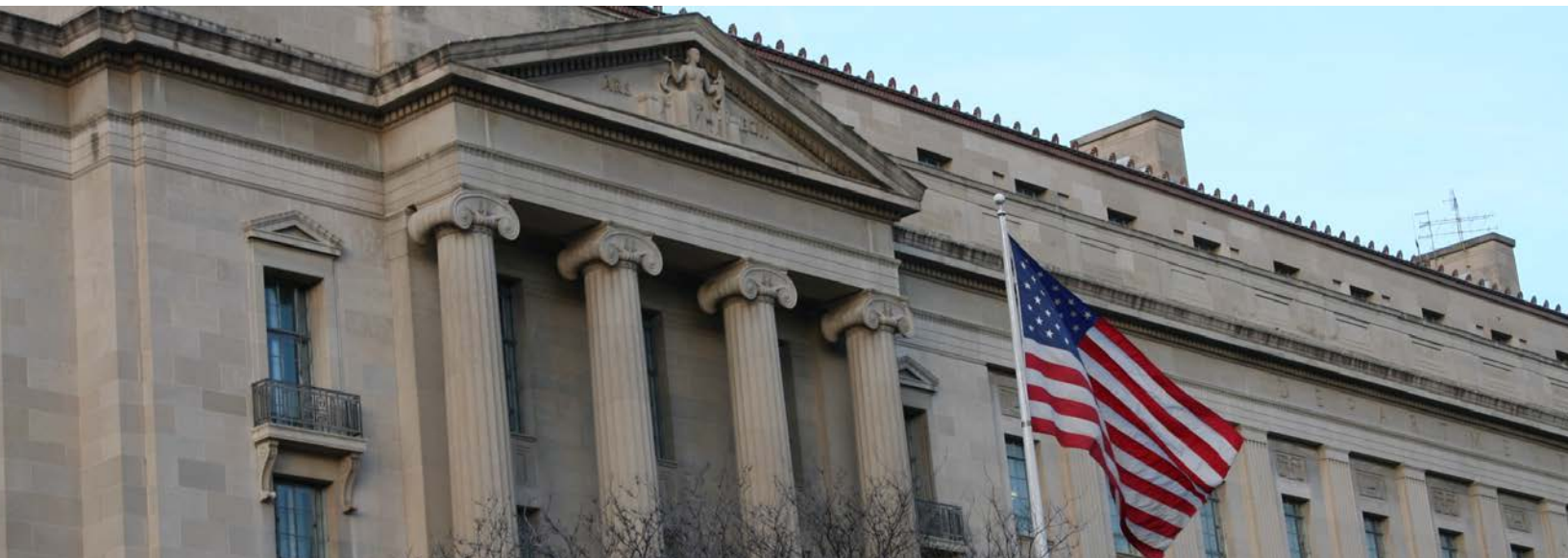




Office of the Inspector General U.S. Department of Justice

OVERSIGHT ★ INTEGRITY ★ GUIDANCE



Audit of the United States Marshals Service's Administration of Joint Law Enforcement Operation Funds



Executive Summary

Audit of the United States Marshals Service's Administration of Joint Law Enforcement Operation Funds

Objective

The objectives of this audit were to assess whether the United States Marshals Service (USMS): (1) has proper controls for Joint Law Enforcement Operations (JLEO) funds reimbursement, and (2) reimburses state and local law enforcement agencies for allowable and supported costs.

Results in Brief

We found that the USMS generally had adequate internal controls to ensure it used JLEO funds for appropriate expenses, and that it made additional improvements to those controls during and after our audit. However, we found that controls for overtime reimbursement should be strengthened, as the USMS processed approximately \$2.2 million overtime reimbursements to state and local agencies despite lacking either the support or the authorization required by USMS policy. Of this amount, we specifically questioned \$508,720 in reimbursements to state and local agencies for which the underlying documentation did not support the reimbursement request. We also identified a lack of controls over handwritten changes to timesheets and the determination of overtime rates. In addition, we had concerns regarding USMS controls over vehicle purchases. From fiscal years (FY) 2012 through 2016, the USMS purchased 1,609 vehicles for approximately \$53.9 million and immediately titled the vehicles to state and local law enforcement agencies for joint operations so long as needed. When no longer needed, the vehicles should have been returned to the USMS for disposition. However, we determined that the vehicles remained in the possession of state and local agencies, and the USMS was unable to determine that all purchased vehicles were being used for task force operations. Beginning in FY 2017, the USMS ceased purchasing vehicles and began to lease vehicles.

Recommendations

This report makes five recommendations to improve the USMS's administration over JLEO funds.

Audit Results

JLEO funds are used to reimburse state and local law enforcement for costs incurred during law enforcement operations with federal law enforcement agencies. Allowable uses of JLEO funds include overtime, travel, fuel, training, and equipment. From October 2015 to August 2019, the USMS expended \$97.5 million in JLEO funds, primarily for overtime reimbursements.

We evaluated JLEO policy and determined whether the USMS complied with the policy when administering JLEO funds at its Headquarters, 24 district task forces, and 7 regional task force levels.

Overtime Testing Compliance – We found that the USMS did not always comply with its policy when reimbursing state and local law enforcement agencies for overtime. The USMS approved overtime reimbursements to agencies totaling \$508,720 that were not fully supported. An additional \$1.7 million in overtime reimbursement was approved even though the support provided to justify the reimbursement requests lacked the required supervisory approval. We also found that timesheets had hand-written changes without indication of who made the change or why it occurred. These changes increase the risk of fraud because timesheets could be manipulated. We also found that the method for calculating the overtime rate for task force officers was inconsistent among participating state and local law enforcement agencies.

Vehicle Purchases – Prior to FY 2017, the USMS purchased vehicles and immediately titled the vehicles to participating state or local law enforcement agencies. During FYs 2012 through 2016, the USMS purchased with JLEO funds 1,609 vehicles for approximately \$53.9 million. Department of Justice (DOJ) policy requires that vehicles must be available to the task force as long as the task force is in existence, yet at the time of our audit the USMS could not determine whether all purchased vehicles were still in use for task force operations or whether the state and local law enforcement agencies had properly returned the vehicles to the USMS for disposition. In FY 2017, the DOJ's Asset Forfeiture Management Staff no longer permitted the USMS to purchase vehicles.

**AUDIT OF THE UNITED STATES MARSHALS SERVICE'S
ADMINISTRATION OF JOINT LAW ENFORCEMENT OPERATION
FUNDS**

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INTRODUCTION

Joint Law Enforcement Operations (JLEO) funds are used to reimburse costs that state and local law enforcement officers incur during joint law enforcement operations with federal law enforcement agencies. Allowable uses of JLEO funds include law enforcement overtime, travel, fuel, training, equipment, and other similar costs. We initiated this audit to review the United States Marshals Service (USMS) internal controls over these funds and determine whether weaknesses exist in the design and implementation of established controls.

Background

The law and Department of Justice (DOJ) policy govern the use of JLEO funds. 28 U.S.C. § 524 (c)(1)(I) provides that the Assets Forfeiture Fund (AFF) may be used for payments of overtime salaries, travel, fuel, training, equipment, and other similar costs incurred by state or local law enforcement officers in joint law enforcement operations with federal agencies. The DOJ established further guidance for the use of JLEO funds in a July 1, 1997, memorandum from Assistant Attorney General for Administration (1997 Guidance). This memorandum, which remained in effect as of August 2019, provides specific guidance on allowable JLEO costs.¹ The JMD's Asset Forfeiture Management Staff (AFMS) provides administrative management and oversight of the AFF, including review and evaluation of all program activities funded through the AFF. AFMS also manages budgeting, financial management, and contracting operations related to the AFF.

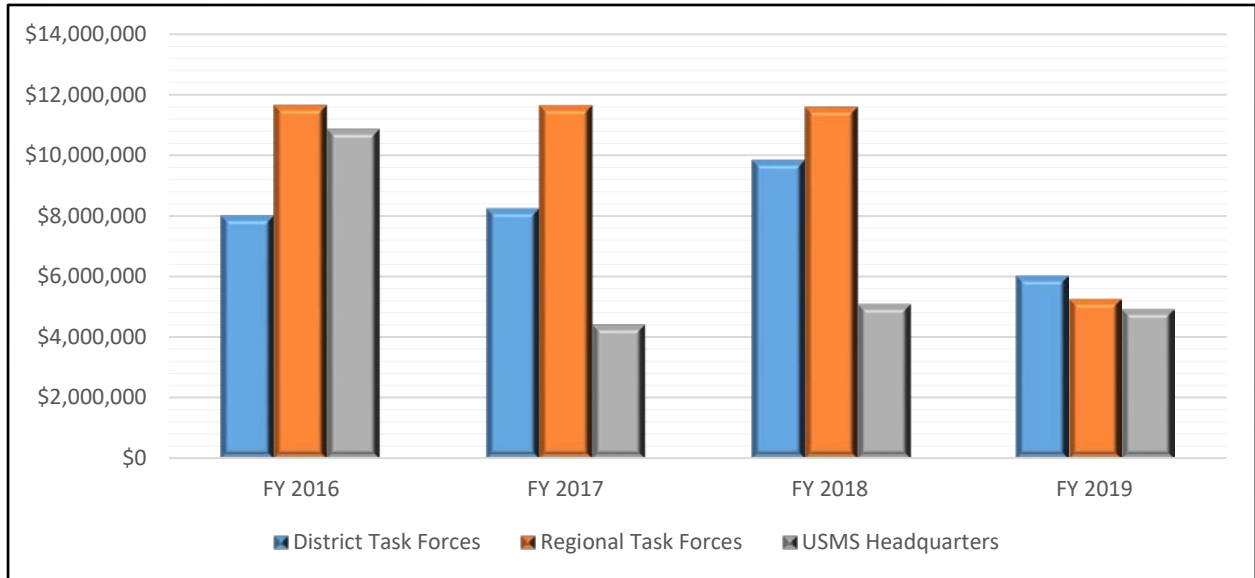
The USMS also provides annual internal guidance for the JLEO program to its 56 district and 8 regional task forces across the country.² In some years, the USMS guidance outlined allocation funding levels for each district and regional task forces and provided step-by-step accounting procedures for the use of JLEO funds in its internal guidance.

As of August 22, 2019, the USMS had expended approximately \$97.5 million in JLEO funds since October 1, 2015. The USMS distributed JLEO funds to its district task forces, regional task forces, and its Headquarters. Figure 1 reflects the expenditures of JLEO funds to task forces and USMS Headquarters from FY 2016 through fiscal year (FY) 2019.

¹ As of August 2019, the DOJ was developing a new Asset Forfeiture Manual that would supersede the 1997 Guidance.

² USMS has 94 judicial districts, 59 of which received JLEO funding from FY 2016 to FY 2018. After the initiation of the audit and our transaction sample selection, the USMS created the Carolinas Regional Fugitive Task Force, resulting in a total of 56 district and 8 regional task forces that are eligible to receive JLEO funding.

Figure 1
Expenditures of JLEO Funds for FYs 2016 through 2019



Note: The data reflects JLEO expenditures as of October 2019.

Source: USMS Data

The USMS allocated approximately 69 percent of JLEO funds for overtime costs. District and regional task forces used the majority of these funds to reimburse state and local law enforcement officials for officer overtime incurred on task force operations. USMS Headquarters received approximately 31 percent of the funds, which are primarily used for other non-overtime JLEO program areas such as training and database access.³ Table 1 shows the funding allocations from FY 2016 through FY 2019.

³ Headquarters expenditures declined after FY 2016 in part because the USMS ceased purchasing vehicles and began to lease vehicles.

Table 1
Initial Spending Allocation among Categories for
FYs 2016 through 2019 of JLEO Funds

Category	FY 2016*	FY 2017	FY 2018	FY 2019
Overtime	-	\$23,525,000	\$23,210,000	\$23,558,000
Circuit Costs	-	4,160,000	4,160,000	3,619,000
Commercial Database	-	1,890,000	1,915,000	1,993,000
Vehicle Lease and Retrofitting	-	2,350,000	2,950,000	5,900,000
Contract Support	-	0	200,000	200,000
Training	-	600,000	600,000	600,000
Background Investigation	-	250,000	250,000	250,000
Total	\$32,500,000	\$32,775,000	\$33,285,000	\$36,120,000

Note: Retrofitting is the modification of vehicles by installing policing equipment. Because JMD's FY 2016 Funding Instructions did not allocate JLEO funds by category, we were unable to obtain initial allocations among categories for FY 2016.

Source: FYs 2016, 2017, 2018, and 2019 JMD Funding Instructions to the USMS

As shown in Table 1, the USMS uses the majority of its JLEO funds to reimburse state and local agencies for overtime worked by officers assigned to task force operations. Prior to reimbursing agencies, the USMS allocates JLEO funds to its district and regional task forces. The allocation to district task forces is based on each district's crime statistics, and state and local warrants eligible for USMS adoption. To make the allocations, the USMS uses the data from the Federal Bureau of Investigation's Uniform Crime Reports, the National Crime Information Center wanted persons file, and from the Justice Detainee Information System.⁴

The allocations to regional task forces were based on the previous year's allocation to each task force. USMS officials told us that no record was available to support how the regional task force allocations were originally established. As of August 2019, USMS officials were reconsidering the basis for the regional task force allocations so that a newly established regional task force could be allocated a share of available funds.

Office of the Inspector General Audit Approach

The objectives of this audit were to assess whether the USMS: (1) has proper controls for JLEO funds reimbursement and (2) reimburses state and local law enforcement for allowable and supported costs. The scope of our audit was generally fiscal years (FYs) 2016 through 2018.

To accomplish our objectives, we reviewed policies and procedures, as well as JLEO transactions. We conducted site visits at USMS Headquarters in Arlington,

⁴ The Justice Detainee Information System is a central database that has complete prisoner records of all prisoners who are in custody or have a federal warrant issued or are scheduled for a move.

Virginia and the Southeast Regional Fugitive Task Force in Atlanta, Georgia. We determined that transactions from task forces and USMS Headquarters could be readily assessed by having the USMS provide support documentation for those transactions to our office. As a result, we selected JLEO transactions from USMS Headquarters, 24 district task forces, and 7 regional task forces. In total, we reviewed transactions totaling \$10.1 million from USMS Headquarters, \$3 million from district task forces, and \$5.4 million from regional task forces.

The Audit Results section of this report discusses the effectiveness of policies and procedures and compliance with established policies. See Appendix 1 for further discussion of the audit objectives, scope, and methodology.

AUDIT RESULTS

The USMS Should Strengthen its Internal Controls over JLEO Funding

We found that the USMS generally had adequate internal controls in place to ensure it used JLEO funds for appropriate expenses. However, we found that controls for overtime reimbursement should be strengthened. The USMS processed overtime reimbursements to state and local agencies without proper support or authorization as required by USMS policy. We also identified a lack of controls over handwritten changes to timesheets and the determination of overtime rates. In addition, the USMS was unable to determine that purchased vehicles were being used for task force operations. These problems reduce the USMS's accountability for JLEO funds. The results of our testing are discussed in detail below.

Testing of Task Force Officer Overtime Reimbursements

District and Regional Task Force Testing

From FY 2016 through FY 2018, the USMS reimbursed state and local law enforcement agencies approximately \$61 million for overtime paid to task force officers. The USMS's internal JLEO program guidance requires that district and regional task force supervisors review timesheets for task force officers, approve or return rejected timesheets for correction, and retain timesheets for use in verifying agency requests for reimbursement. Task force officers must document the hours that they work and submit the timesheets each month to a task force supervisor. The USMS provided a timesheet template for use by task force officers. The template included a section for a supervisor signature, but some participating officers submitted the timesheets of their home agency, some of which did not require a supervisory signature.

State and local agencies periodically submit to the task force a reimbursement request consisting of an invoice that shows the number of hours each participating officer worked. Each agency submits reimbursement requests either monthly or quarterly at its discretion. Upon receipt by the task force, the reimbursement requests are required to be compared by a task force supervisor to the timesheets previously submitted by the participating officers. If the timesheets do not correspond to the invoice, the invoice is returned to the submitting agency for correction. If the documents and timesheets do correspond, the supervisor signs the reimbursement request to approve payment.

We reviewed reimbursements totaling \$8.4 million made to state and local law enforcement agencies whose officers worked on fugitive task forces. Our samples included \$3 million reimbursed to 62 agencies by 24 district task forces and \$5.4 million reimbursed to 45 agencies by 7 regional task forces. We tested 11 percent of the JLEO funds allocated to district task forces during FYs 2016 through 2018 and 15 percent of the JLEO funds allocated to regional task forces for the same period.

For the \$8.4 million in reimbursement requests we tested, the USMS reimbursed state and local agencies \$508,720 for unsupported overtime. We identified two types of missing support. For \$369,398 of reimbursement paid, officer time was not supported by timesheets. For \$139,322 of reimbursement paid, hours included in the reimbursement requests were supported by timesheets with fewer approved overtime hours than those included in the reimbursement request. We detail the unsupported costs resulting from our overtime testing for each of the district and regional task forces in Appendix 3.

We also determined that the USMS reimbursed state and local agencies \$1,693,037 for overtime for which there was no evidence that a task force supervisor approved the timesheets supporting the reimbursement requests. As demonstrated in Appendix 3, the lack of supervisor approved timesheets occurred to a greater extent among the regional task forces than it did among the district task forces.

Errors associated with unsupported and improperly authorized overtime combined totaled approximately \$2,201,757 of the \$8.4 million in reimbursement requests we tested. However, \$11,237 in transactions we tested were identified as having both types of errors and the dollar value of those transactions is included twice in the \$2,201,757 calculation. When the duplicate costs are removed, the dollar value of errors associated with both transactions is reduced to \$2,190,520.

We provided the USMS with details regarding reimbursement requests that we found to be unsupported and timesheets not signed by a task force supervisor, and we requested any available additional support. In response, the USMS provided no additional documentation and told us that administrative errors and "careless mistakes" occurred throughout the year causing the problems we identified. We consider the \$508,720 in unsupported reimbursements to be questioned costs and recommend that the USMS remedy the questioned costs. We do not question the reimbursements associated with missing supervisor signatures insofar as the unsigned timesheets otherwise supported the reimbursement requested.

During the period we tested, the USMS implemented improvements to its internal controls in an effort to better ensure that reimbursements are properly supported and approved.

- In FY 2017, the USMS's Investigative Operation Division (IOD) incorporated periodic assessments of district and regional task force processes used to manage JLEO funds received for task force officer overtime reimbursements. The assessment includes reviewing a sample of timesheets and invoices to determine any discrepancies, ensuring that there are adequate support and approval of reimbursements, and other quality control areas. As of August 2019, the IOD had conducted assessments at five district task forces and one regional task force, which were randomly selected. The IOD concluded that each of the six task forces generally used JLEO funds properly. The IOD provided each task force a summary of findings, notes describing discrepancies between

practice and policy, and recommendations to address concerns. We reviewed each assessment and believe that the assessments adequately covered most of the areas of concern described in this section. However, in more than 2 years the IOD had assessed only 6 of the 64 task forces. Even at its targeted pace of assessing 3 to 4 district offices and 1 regional office each year, the district offices will be assessed only once every 14 years at best, and regional offices will be assessed only once every 8 years. USMS officials told us that the results of the reviews are shared with the task force reviewed but are not shared more broadly with other task forces.

- At the beginning of FY 2018 the USMS implemented a standard invoice that includes fields for officer name, base and overtime rate, number of overtime hours worked, and total amount. USMS officials told us that the standard invoice has four layers of review including representatives from both the participating agency and the USMS before processing the reimbursement.
- At the beginning of FY 2019, the USMS implemented a standard timesheet that includes fields for date, start and end time, regular hours worked, overtime hours worked at either the base or one and a half times the base salary, and the case identification. The new form requires both the task force officer and supervisor's signature.

We sought to assess the effectiveness of these internal control improvements in two ways.

First, we tested a sample of FY 2018 reimbursements made by the Southeast Regional Fugitive Task Force, which had implemented the use of the standard invoice and timesheet for that year. We found no issues except that the USMS reimbursed one local law enforcement agency without supporting timesheets. The USMS staff who reviewed the reimbursement stated that timesheets were not submitted because a supervisor was at the location with the task force, verified the task force officers worked the overtime, and thus did not believe timesheets were needed. However, the USMS appropriately requires the use of timesheets to support reimbursement requests. For this one reimbursement, USMS officials subsequently obtained the supporting timesheets based on our request that they do so.

Second, for our sample transactions, we compared error rates for FYs 2016 and 2017 to the error rates for FY 2018, which was the year the new internal controls became effective. For each time period, we calculated the combined error rate for both insufficient support and lack of supervisory signatures. We calculated separate error rates for district and regional task forces.⁵ For district task forces in FYs 2016 and 2017, 27 percent (\$428,273) of the dollar value associated with the reimbursements we tested was unsupported while in FY 2018 only 4 percent (\$60,053) of the dollar value tested was unsupported. We recalculated the district task force rates after removing errors for the Eastern District of Pennsylvania, which lacked support for nearly all of its reimbursements and was an outlier among

⁵ We calculated the error rates after we removed duplicated costs.

the districts tested. With this adjustment, the error rates dropped to 11 percent (\$138,539) of the dollar value of reimbursements tested for FYs 2016 and 2017 and 3 percent (\$41,384) of the dollar value tested for FY 2018. For regional task forces in FYs 2016 and 2017, 32 percent (\$1.2 million) of the dollar value associated with the reimbursements we tested was unsupported. In FY 2018, 37 percent (\$497,000) of the dollar value was unsupported.

Because we employed a risk-based non-statistical sample design, our results cannot be projected to the universe of reimbursements and the error rates for the universe may be different. Our results indicate that the internal control improvements implemented in 2018 may have reduced the errors for that year, particularly for the district task forces. However, the results also demonstrate that further improvement to the internal controls are needed to minimize and correct errors, which will reduce the potential for misuse or abuse of JLEO funds. We recommend that the USMS strengthen its monitoring of task forces by establishing a schedule sufficient to ensure that each task force is periodically reviewed within reasonable timeframes for compliance with JLEO requirements. This monitoring could be accomplished remotely, thus reducing the cost and time of the monitoring effort. We also recommend that the USMS share with all task forces any information developed during its monitoring assessments—such as best practices or issues of common concern—that could assist the task forces in ensuring compliance with JLEO requirements.

Controls over Obligation and Invoice Documents

The USMS's internal JLEO guidance states that each task force should prepare an obligation document, USM-607, and if necessary an obligation modification document, USM-607A. Each task force completes the obligation document prior to receiving its JLEO obligation, and then submits a modification for any adjustments needed to the obligation. The USMS JLEO guidance also states that the document must be filled out in its entirety and include all required signatures. The USMS also requires agencies to use a standard invoice, USM-607B, for each monthly or quarterly request for reimbursement, which must be approved by both agency and USMS officials.

During our task force testing of overtime, we found the task forces did not fully complete 90 of 212 obligation or modification documents we tested, and 15 of 328 invoice documents we tested. The missing information included the description of the obligation or modification of the obligation, contact information for the task force and the state and local participating agencies, and signatures for state and local agency acknowledgements of the amount of JLEO funds available for use. USMS officials again attributed these problems to administrative errors and "careless mistakes." The USMS JLEO guidance provides that a valid obligation document must be filled out in its entirety and include all required signatures. These documents are included in the review process discussed above for district and regional task forces. We believe that our recommended improvement to that process will identify and help prevent errors with the obligation documents.

Controls over Timesheets

During our testing of overtime reimbursements, we found timesheets that had irregular handwritten changes such as insertion of overtime hours without indication of who made the changes. For example, five task force officers from one local agency had 1 to 2 hours of overtime inserted in their timesheets, coinciding with the last few days of the fiscal year when the obligation expired. Because of these insertions, the local agency incurred overtime costs equal to its full obligation of JLEO funds. Although these timesheets and the invoice were properly approved, the timesheets did not have an explanation for when, why, and who made the changes. Such changes to timesheets weaken the assurance that a task force officer worked the overtime hours, thus increasing the risk of mismanagement of funds. Therefore, we recommend that the USMS develop a policy that handwritten changes to timesheets must identify who made the change, when the change was made, and for what purpose.

Consistency in Reimbursed Overtime Rates

We found that the USMS reimbursed task force officers in 56 of the 58 agencies at either their base hourly rate or one and a half times their base hourly rate. However, two district task forces paid two participating agencies at an overtime rate much higher than the others. One of those task forces, the District of Arizona Task Force, reimbursed one agency at one and a half times the base hourly rate but the task force reimbursed another agency at more than two times the base hourly rate. It appears this agency set its own standard billable overtime rate instead of relying on each task force officer's salary. In so doing, this agency set overtime rates contrary to those established in its own internal policies of one and a half times the base hourly rate. We found that the total reimbursement would have been at least \$12,363 less if the agency had used the overtime rate specified in its policies.

The USMS does not have a policy that sets the overtime rate for task force officers, and USMS officials told us that some jurisdictions have different bylaws or union rules pertaining to overtime that the USMS follows. The officials also told us that excess overtime payments such as that discussed above should be avoided through the use of the new standard invoice and timesheet implemented in FY 2019. However, these forms were not accompanied by implementation guidance specifying when higher rates may be paid and how those rates must be justified. We agree that the new standard documents will help ensure that appropriate overtime amounts are calculated, and we recommend that the task forces be provided with implementation guidance specifying the circumstances, if any, under which overtime rates may be greater than one and a half times the base hourly rate.

USMS Vehicle Purchases for Task Force Officers

Prior to 2017, the USMS purchased vehicles with JLEO funds for state and local task force officers assigned to USMS fugitive task forces, and it immediately titled the vehicles to the officers' home agencies. During FYs 2012 through 2016

the USMS purchased with JLEO funds 1,609 vehicles for an approximate acquisition cost of \$53.9 million. These vehicles were initially for the use of state and local officers assigned to fugitive task forces.

As of January 2017, 656 of the 1,609 vehicles with an estimated acquisition cost of \$22 million were known to still be in task force service. In February 2019, a USMS official told us the USMS did not know if the 656 vehicles were still in task force service or had been otherwise disposed. Another official said he believed that, because the vehicles were the property of the state and local law enforcement, the USMS did not track the vehicles other than through a survey to see how many were still in service.

Also as of January 2017, 953 of the 1,609 vehicles with an estimated acquisition cost of \$31.9 million were known by the USMS to no longer be in task force service. However, the USMS did not know if the 953 vehicles had been disposed of by state and local agencies or placed into use for non-task force operations.

We analyzed the purchase of approximately \$3.6 million worth of vehicles purchased for task force officers in FY 2016. We noted that the USMS's practice of using JLEO funds to purchase vehicles for use by state and local officers on task force operations was allowed by policy established in the 1997 Guidance and in effect at the time. Despite this, the policy required that such vehicles remain in use for joint operations so long as needed. The USMS's standard Memorandum of Understanding (MOU) with agencies was not in accordance with the 1997 Guidance in that the MOU allowed State and local law enforcement agencies to retain vehicles after withdrawing from an existing task force. The vehicles of withdrawing agencies should have been returned to the USMS for disposition or use by agencies that continued with task force operations. Consequently, all 1,609 vehicles purchased during FYs 2012 through 2016 should have remained available for use on other task force operations or disposition by the USMS.

In 2017, the AFMS informed the USMS that the practice of allowing state and local agencies to keep the vehicles even when the task force is still in existence was not permitted. The USMS initially maintained to the AFMS that the Colgate Memo allowed for the purchase of vehicles, but in FY 2017 it discontinued the practice. Instead, the USMS worked with the General Services Administration to provide leased vehicles to task force officers.

Because the USMS ended purchasing vehicles at the direction of the JMD, we make no recommendation regarding the practice.

AFMS Testing of Circuit Costs

We reviewed the USMS's use of JLEO-reimbursed circuit costs, which are telecommunications-related expenses incurred in tracking fugitives including trap

and trace devices, and pen registers.⁶ In June 2018, AFMS engaged a team of consultants to review USMS circuit costs paid with JLEO funds. The review assessed internal controls, identified risks, and documented and monitored the effectiveness of internal controls over the use of undercover accounts relating to circuit costs. The review identified several areas of concern including:

- inadequate segregation of duties when processing, reviewing, and authorizing telecommunication expenses;
- improper use of JLEO funds to pay federal expenditures that directly supported federal fugitive investigations rather than state and local reimbursements;
- significant delays in the payment of invoices;
- missing or insufficient documentation to verify accurate and proper payment.

We reviewed the methodology for the AFMS assessment, which included: (1) an evaluation of the process to manage the circuit costs; (2) interviews with process owners involved with circuit costs; (3) examinations of records to validate the corresponding invoices; (4) and testing a sample of circuit cost transactions in FY 2017. We believe that the AFMS employed an appropriate methodology to assess the USMS controls over circuit costs.

The USMS concurred with all the recommendations and provided a response to AFMS for each. Consequently, we performed no further testing and make no recommendations in this area.

Testing of Other Non-Overtime Expenditures

As of August 22, 2019, USMS Headquarters divisions had expended \$20.4 million in JLEO funds for database and circuit costs, vehicle leasing, task force officer training, contractor support, and other costs from FY 2016 through FY 2018. We reviewed 31 of these transactions totaling approximately \$6.4 million and found that the expenses were allowable in accordance with the 1997 Guidance and the DOJ's budget guidance. Additionally, appropriate USMS officials authorized and certified the supporting documents.

We also reviewed documentation supporting one transaction totaling \$109,129 for circuit costs. These costs were associated with wireless data communication collection activities. We determined that the costs were allowable and supported.

⁶ Trap and trace devices capture the telephone numbers of incoming calls without revealing the content of communications. Pen registers are surveillance devices that capture the phone numbers dialed on outgoing telephone calls.

CONCLUSION AND RECOMMENDATIONS

We found that the USMS generally had adequate internal controls in place to ensure it used JLEO funds for appropriate expenses, and that it made additional improvements to those controls during our audit. However, we found that controls for overtime reimbursement could be strengthened. Specifically, based on our findings the USMS must ensure that it processes overtime reimbursements to state and local agencies with proper support and authorization, as required by USMS policy. Further, the USMS should implement controls over handwritten changes to timesheets and establish policy for the determination of overtime rates. We make six recommendations to improve the USMS's administration of JLEO funds.

We recommend that the USMS:

1. Remedy the \$508,720 in unsupported overtime costs.
2. Strengthen its monitoring of task forces by establishing a schedule sufficient to ensure that each task force is periodically reviewed within reasonable timeframes for compliance with JLEO requirements.
3. Share with all task forces any information developed during its monitoring assessments—such as best practices or issues of common concern—that could assist the task forces in ensuring compliance with JLEO requirements.
4. Develop a policy that handwritten changes to timesheets must identify who made the change, when the change was made, and for what purpose.
5. Provide task forces with implementation guidance specifying the circumstances under which overtime rates may be reimbursed at greater than one and a half times the base hourly rate.

STATEMENT ON INTERNAL CONTROLS

As required by the *Government Auditing Standards*, we tested, as appropriate, internal controls significant within the context of our audit objectives. A deficiency in an internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to timely prevent or detect: (1) impairments to the effectiveness and efficiency of operations, (2) misstatements in financial or performance information, or (3) violations of laws and regulations. Our evaluation of the United States Marshal Service's (USMS) internal controls was not made for the purpose of providing assurance on its internal control structure as a whole. The USMS's management is responsible for the establishment and maintenance of internal controls.

As noted in the Audit Results section of this report, we identified deficiencies in the USMS's internal controls that are significant within the context of the audit objectives and based upon the audit work performed that we believe may affect the USMS's ability to fully oversee its use of JLEO funds. Specifically, there were lack of controls pertaining to hand-written changes to timesheets and the calculated rates for overtime. The effect of these deficiencies is that the USMS remains exposed to heightened risks of fraud, waste, and abuse. We consider these risks to be significant enough to merit the attention of USMS leadership. However, we do not believe the issues discussed in the report represent a material weakness to the agency based on their nature, likelihood, and the potential magnitude of the risks.

Because we are not expressing an opinion on the USMS's internal control structure as whole, this statement is intended solely for the information and use of the USMS. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

STATEMENT ON COMPLIANCE WITH LAWS AND REGULATIONS

As required by the *Government Auditing Standards* we tested, as appropriate given our audit scope and objectives, selected transactions, records, procedures, and practices, to obtain reasonable assurance that the United States Marshals Service's (USMS) management complied with federal laws and regulations for which noncompliance, in our judgment, could have a material effect on the results of our audit. The USMS's management is responsible for ensuring compliance with applicable federal laws and regulations. In planning our audit, we identified the following laws and regulations that concerned the operations of the auditee and that were significant within the context of the audit objectives:

- 28 U.S.C. § 524, Availability of Appropriations

Our audit included examining, on a test basis, the USMS's compliance with the aforementioned law that could have a material effect on the USMS's operations, through interviewing agency personnel, assessing internal controls, and analyzing transaction-level documentation. Nothing came to our attention that caused us to believe that the USMS was not in compliance with the aforementioned law.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of this audit were to assess whether the USMS: (1) has proper controls for Joint Law Enforcement Operations (JLEO) funds reimbursement and (2) reimburses state and local law enforcement for allowable and supported costs. The scope of our audit is generally fiscal years (FY) 2016 through 2018.

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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

This performance audit was of the United States Marshals Services' (USMS) controls over JLEO funds. The audit generally covered, but was not limited to, the period FYs 2016 to 2018. To complete our objectives, we interviewed USMS personnel and assessed the system of internal controls that was in place during the audit period. We used computer-processed data from the United Financial Management System (UFMS), which contained data on JLEO expenditures. We used spending line data from UFMS to determine our sample selection. We also tested the reliability of UFMS data during our testing of JLEO expenditures by reconciling it with the original source documents. We had occasions where the UFMS data did not reconcile with the original source documents from our testing. However, this occurred because we received UFMS data on October 17, 2018, and not all FY 2018 spending was captured in UFMS at that time.

We conducted site visits at the USMS Headquarters and the Southeast Regional Fugitive Task Force. We determined that transactions from task forces and USMS Headquarters could be readily assessed by having the USMS provide support documentation for those transactions to our office. As a result, we selected JLEO transactions from USMS Headquarters, 24 district task forces and 7 regional task forces. In total, we reviewed transactions totaling \$10.1 million from USMS Headquarters, \$3 million from district task forces, and \$5.4 million from regional task forces.

Sampling Methodology

To assess USMS controls over JLEO funds, we selected sample transactions from the three organizational levels within the USMS. We requested that the USMS provide us documentation for sample task force transactions we selected, and we used that documentation to test the transactions. Our sampling strategy included: identifying potential high risk districts based on previous allegations of misusing JLEO funds; and identifying potential high risk transactions based on high dollar amounts, Headquarters-generated transactions, and training-related transactions. We sampled transactions totaling \$18.5 million from 24 district task forces, 7 regional task forces, and Headquarters.

We used a non-statistical sampling method to select a sample of district and regional task forces and the reimbursements to state and local law enforcement agencies for testing. The specific methodology used to select the district and regional fugitive task forces and the reimbursements varied to achieve multiple goals for our audit coverage. In addition, we used a non-statistical sampling method to test reimbursements made by USMS Headquarters. The approach employed for each segment of our sample is described below.

On-Site Testing

We initially selected one location, the Southeast Regional Fugitive Task Force, for on-site testing because of its geographical proximity to the audit team, which allowed us to plan our testing methodology and refine the specific audit procedures performed during the audit. Within the Southeast Regional Fugitive Task Force, we selected reimbursements totaling \$272,888 across 9 state and local law enforcement agencies. We analyzed data from the UFMS and selected 17 separate months of reimbursements based on various factors such as sub-object code and amount spent. We determined after our testing of this task force that the remaining tests could be conducted remotely from an OIG office.

Headquarters Testing

We used two methodologies to select the sample of reimbursements made by USMS Headquarters. First, we selected 14 vendors that were reimbursed at least \$20,000 within any year from FY 2016 through October 17, 2018, which is the date that the USMS provided to us the universe of reimbursements.⁷ For each of these vendors, we selected the highest monthly reimbursement amount except for two vendors, which we selected 2 months of reimbursements. In total, we selected 16 monthly reimbursements encompassing 6 unique accounting codes. Second, we selected a sample of 16 individual names that appeared on the spending lines based on the top 8 highest and bottom 8 lowest amounts reimbursed. Using both selections, we selected a total of \$10.1 million for testing.

District and Regional Task Force Testing

We used 3 methodologies to select the 24 district task forces. First, we received a list of all state and local law enforcement agencies through UFMS and judgmentally selected any unique names from the list. Second, we selected two districts that had previous JLEO related allegations. Third, we performed a risk assessment using five variables to identify a sample of high-risk districts. We then scored each of the districts based on the five variables and selected the districts that had highest indicators of risk based on their score. After determining the 24 district task forces to test, we used UFMS data to select 57 annual reimbursements totaling \$3 million. Each of the reimbursements were made to differing state and

⁷ In addition to reimbursing state and local law enforcement agencies, the USMS uses JLEO funds to support these agencies' efforts through other non-overtime related expenditures such as for vehicles and the cost of lodging for training. As such, "vendors" here refers to those entities that the USMS Headquarters reimburses for non-overtime related expenses.

local agencies. We generally selected our sample reimbursement for each district based upon the high-dollar amount.

We tested the remaining six regional task forces. Using UFMS data, we selected approximately six to eight state and local law enforcement agencies based on high annual reimbursements, which ultimately totaled \$5.1 million.

For the district and regional testing, we requested the USMS to provide us with supporting documentation for each of the reimbursements mentioned above. Supporting documentation included but was not limited to timesheets invoices, obligation documents, and obligation modification documents.

We originally questioned \$586,991 for unsupported overtime costs that the USMS reimbursed to state and local agencies. Subsequent to our exit briefing with the USMS on January 9, 2020, officials submitted to us timesheets not provided during our audit work but that supported \$78,271 of previously unsupported overtime costs. We adjusted our original questioned costs to account for the timesheets provided, and reduced our questioned costs to \$508,720 for unsupported overtime. However, because some of the timesheets provided lacked supervisory approval, we increased our calculation of tested transactions that were missing such approvals from \$1,649,637 to \$1,693,037. We made other minor adjustments throughout the report to account for these changes.

APPENDIX 2

SCHEDULE OF DOLLAR-RELATED FINDINGS

<u>Description</u>	<u>Amount</u>	<u>Page</u>
Questioned Costs:⁸		
Unsupported Overtime Costs	\$508,720	6

⁸ Questioned Costs are expenditures that do not comply with legal, regulatory, or contractual requirements; are not supported by adequate documentation at the time of the audit, or are unnecessary or unreasonable. Questioned costs may be remedied by offset, waiver, recovery of funds, or provision of supporting documentation, where appropriate.

APPENDIX 3

REIMBURSEMENT TESTING RESULTS FOR
DISTRICT AND REGIONAL TASK FORCES

Task Force	Amount Tested	Amount Unsupported	Amount with Missing Supervisory Approval
Alaska	\$646	\$0	\$0
Arizona	153,606	11,212	16,840
Delaware	967	0	0
S Iowa	703	0	0
E Michigan	480,012	9,577	0
E Missouri	6,077	0	0
W Missouri	179,676	6,147	22,604
New Hampshire	17,500	0	0
M North Carolina	5,131	0	0
North Dakota	414	414	0
E Pennsylvania	358,592	265,003	43,703
Puerto Rico	50,870	34	0
E Oklahoma	1,792	0	0
S Ohio	31,487	0	0
N Ohio	196,475	185	0
South Carolina	92,764	1,496	0
M Tennessee	696	0	0
N Texas	434,887	0	0
S Texas	525,008	0	0
W Texas	469,610	51,037	63,981
Vermont	3,033	0	0
S West Virginia	2,105	0	0
Wyoming	8,063	0	0
Guam	6,645	0	0
Sub-Total of Districts	3,026,759	345,105	147,128
Florida/Caribbean	\$668,258	\$2,158	\$0
Great Lakes	866,359	0	563,811
New York/New Jersey	919,820	0	557,000
Pacific Southwest	1,649,716	17,427	77,220
Gulf Coast	351,897	7,476	37,184
Capital Area	676,198	131,643	310,694
Southeast	272,888	4,911	0
Sub-Total of Regions	5,405,136	163,615	1,545,909
Total	\$8,431,895	508,720	\$1,693,037

USMS RESPONSE TO THE DRAFT REPORT



U.S. Department of Justice

United States Marshals Service

Office of Professional Responsibility

Washington, DC 20530-0001

February 25, 2020

MEMORANDUM TO: Jason R. Malmstrom
Assistant Inspector General for Audit
Office of the Inspector General

FROM: Ronald Carter
Acting Assistant Director *Ronald Carter*

SUBJECT: USMS Response to Draft Audit Report: Audit of the United States
Marshals Service's Administration of JLEO Funds

This memorandum is in response to correspondence from the Office of the Inspector General (OIG) requesting comment on the recommendations associated with the subject draft audit report. The United States Marshals Service (USMS) appreciates the opportunity to review the report and concurs with the recommendations therein. Actions planned by the USMS with respect to OIG's recommendations are outlined in the attached response.

For any questions, please contact Krista Eck, External Audit Liaison, at 202-819-4371.

Attachments

cc: Ferris Polk
Regional Audit Manager
Office of the Inspector General

Bradley Weinsheimer
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Internal Review and Evaluation Office
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John Kilgallon
Chief of Staff
United States Marshals Service

**United States Marshals Service
Response to OIG Draft Report
Audit of the USMS's Administration of JLEO Funds**

Recommendation 1: Remedy the \$586,991 in unsupported overtime costs.

USMS Response: The Investigative Operations Division (IOD) is currently working with the districts and Regional Fugitive Task Forces (RFTF) on the remedy for unsupported overtime costs. The USMS expects to complete this by the end of the second quarter of fiscal year (FY) 2020.

Recommendation 2: Strengthen its monitoring of task forces by establishing a schedule sufficient to ensure that each task force is periodically reviewed within reasonable timeframes for compliance with JLEO requirements.

USMS Response: The USMS will implement a quarterly review process of the task forces to ensure each task force is within compliance of the JLEO requirements. The USMS will designate personnel from the USMS Headquarters, USMS districts, and request additional contractor support to help facilitate this monitoring. The quarterly review process is expected to begin in the fourth quarter of FY2020.

Recommendation 3: Share with all task forces any information developed during its monitoring assessments- such as best practices or issues of common concern- that could assist the task forces in ensuring compliance with JLEO requirements.

USMS Response: The USMS will leverage its Intranet page, which is accessible by the districts and RFTFs, to post best practices and frequently asked questions to help ensure JLEO compliance in the field. Furthermore, the USMS will incorporate any best practices into the periodic and site specific JLEO training conducted. IOD expects to begin posting information on the JLEO Intranet page in the third quarter of FY 2020.

Recommendation 4: Develop a policy that handwritten changes to timesheets must identify who made the change, when the change was made, and for what purpose.

USMS Response: The USMS will update its JLEO policy and guidance to the field to include when handwritten changes are made to the timesheets. The person making the changes will annotate on the invoice why the changes have been made and require initials of the individual making the changes. A justification will be attached in the form of a memo to file. The estimated timeframe for updating the guidance is the fourth quarter of FY 2020.

Recommendation 5: Provide task forces with implementation guidance specifying the circumstances under which overtime rates may be reimbursed at greater than one and a half times the base hourly rate.

USMS Response: The USMS recognizes that certain state and local agencies have different rates. This is due to some state and local jurisdictions having bi-laws or union rules that USMS must follow. The USMS will develop specific guidance to the task forces designating the circumstances requiring overtime rates to be reimbursed at greater than one and a half times the base hourly rate. The estimated timeframe for updating the guidance is the fourth quarter of FY 2020.

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

The Office of the Inspector General (OIG) provided a draft of this audit report to the United States Marshals Service (USMS). The USMS's response is incorporated in Appendix 4 of this final report. In response to our draft audit report, the USMS did not state whether it agreed or disagreed with our recommendations but described its planned actions to address each recommendation. As a result, the status of this 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 USMS:

1. Remedy the \$508,720 in unsupported overtime costs.

Resolved. The USMS stated in its response that the Investigative Operations Division (IOD) is currently working with the districts and Regional Fugitive Task Forces (RFTF) on the remedy for unsupported overtime costs. The USMS expects to complete this by the end of the second quarter of FY 2020.

This recommendation can be closed when we receive documentation to support that the \$508,720 in overtime costs has been remedied.

2. Strengthen its monitoring of task forces by establishing a schedule sufficient to ensure that each task force is periodically reviewed within reasonable timeframes for compliance with JLEO requirements.

Resolved. The USMS stated that it will implement a quarterly review process of task forces to ensure that each task force is in compliance with JLEO requirements. The USMS plans to designate personnel from USMS Headquarters and USMS Districts along with contractor support to help facilitate this monitoring. The USMS expects to begin the quarterly review process in the fourth quarter of FY 2020.

This recommendation can be closed when we receive documentation supporting implementation of the quarterly review process.

3. Share with all task forces any information developed during its monitoring assessments—such as best practices or issues of common concern—that could assist the task forces in ensuring compliance with JLEO requirements.

Resolved. The USMS stated that it will leverage its intranet page, which is accessible by the Districts and RFTFs, to post best practices and frequently asked questions to help ensure JLEO compliance in the field. Furthermore,

the USMS plans to incorporate any best practices into the periodic and site-specific JLEO training conducted. IOD expects to begin posting information on the JLEO Intranet page in the third quarter of FY 2020.

This recommendation can be closed when we receive documentation to support that the USMS posted best practices and frequently asked questions to its intranet page and incorporated best practices into the periodic and site-specific JLEO training.

4. Develop a policy that handwritten changes to timesheets must identify who made the change, when the change was made, and for what purpose.

Resolved. The USMS stated that it will update its JLEO policy and guidance to field offices to include when handwritten changes are made to the timesheets. The person making the changes will be required to initial any changes and to annotate on the invoice why the changes had been made. Further, the USMS plans to require that a justification memorandum be attached to the file. The USMS estimates updating the guidance in the fourth quarter of FY 2020.

This recommendation can be closed when we receive the updated JLEO policy and guidance concerning handwritten changes to timesheets.

5. Provide task forces with implementation guidance specifying the circumstances under which overtime rates may be reimbursed at greater than one and a half times the base hourly rate.

Resolved. The USMS stated that it recognizes that certain state and local agencies have different overtime rates and that it will develop specific guidance for the task forces, designating the circumstances requiring overtime rates to be reimbursed at greater than one and a half times the base hourly rate. The USMS estimates updating the guidance in the fourth quarter of FY 2020.

This recommendation can be closed when we receive the guidance to the task forces designating the circumstances requiring overtime rates to be reimbursed at greater than one and a half times the base hourly rate.



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