



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



Audit of the Shenandoah County Sheriff's Office's Equitable Sharing Program Activities Woodstock, Virginia

**AUDIT OF THE SHENANDOAH COUNTY SHERIFF'S OFFICE'S
EQUITABLE SHARING PROGRAM ACTIVITIES
WOODSTOCK, VIRGINIA**

EXECUTIVE SUMMARY

The Department of Justice (DOJ) Office of the Inspector General (OIG) conducted an audit of how the Shenandoah County Sheriff's Office (SCSO) accounted for and used equitable sharing funds during its fiscal years (FY) 2013 and 2014. Equitable sharing funds derive from the DOJ Asset Forfeiture Program that holds the proceeds from assets seized as part of DOJ-related law enforcement actions. This program seeks to deter crime by depriving criminals of the proceeds from illegal activities, while also enhancing the cooperation between federal, state, and local law enforcement agencies. State and local law enforcement agencies that participate in the seizure of property and funds may receive a portion the proceeds – an equitable share of the forfeiture – to use for law enforcement purposes. During FY 2013 through FY 2014, the SCSO received \$924,218 from DOJ and spent \$697,629 in equitable sharing funds.

The objective of the audit was to assess whether the SCSO accounted for equitable sharing funds properly and used such revenues for allowable purposes defined by applicable guidelines. We found that the SCSO complied with DOJ guidelines for submitting equitable sharing documentation and properly accounted for and used equitable sharing funds.

We discussed the results of our audit with SCSO officials and have included their comments in the report, as applicable. In addition, we provided SCSO and the Criminal Division's Asset Forfeiture and Money Laundering Section (AFMLS) the opportunity to provide written responses to the draft audit report. Appendix 2 contains the Criminal Division's response. SCSO declined to provide a written response.

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INTRODUCTION

The Department of Justice (DOJ) Office of the Inspector General (OIG) conducted an audit of the Shenandoah County Sheriff's Office (SCSO), headquartered in Woodstock, Virginia. The audit covered Shenandoah County's fiscal years (FY) 2013 and 2014, a period beginning July 1, 2012, and ending June 30, 2014. During this period, the SCSO received \$924,218 from DOJ and spent \$697,629 in equitable sharing funds.

DOJ Equitable Sharing Program

The DOJ Equitable Sharing Program is a national law enforcement initiative that seeks to remove the tools of crime from criminal organizations, deter crime, and deprive offenders of criminal proceeds.¹ As part of the program, state and local law enforcement agencies that directly participate in an investigation or prosecution resulting in a federal forfeiture may request that DOJ and its components provide an equitable share, generally based on its involvement in the case, of the federally forfeited cash, property, and proceeds from the forfeiture to foster cooperation.

Three central DOJ components work together to administer the Equitable Sharing Program: (1) the U.S. Marshals Service, (2) the Justice Management Division, and (3) the Criminal Division's Asset Forfeiture and Money Laundering Section (AFMLS). These three components are responsible for issuing policy statements, implementing governing legislation, and monitoring the use of DOJ equitable sharing funds. The U.S. Marshals Service is responsible for transferring asset forfeiture funds from DOJ to the receiving state or local agency. The Justice Management Division manages the Consolidated Asset Tracking System, a database used to track federally seized assets throughout the forfeiture lifecycle. Finally, AFMLS tracks membership of state and local participants, updates the equitable sharing program rules and policies, and monitors the allocation and use of equitable sharing funds.

Shenandoah County, Virginia

Shenandoah County, located in the northwestern part of Virginia, has a land area of 512 square miles and a population of approximately 42,000 residents. The SCSO is responsible for animal control, law enforcement, and court services. A

¹ The Comprehensive Crime Control Act of 1984 authorized the implementation of a national asset forfeiture program, P.L. 98-473. The U.S. Department of the Treasury also administers its own asset forfeiture programs. This audit was limited to equitable sharing revenues received through the DOJ equitable sharing program.

member of the DOJ Asset Forfeiture Program since 1996, the SCSO has participated in investigations with the Bureau of Alcohol, Tobacco, Firearms and Explosives, the Northwest Virginia Regional Drug Task Force, and the Drug Enforcement Administration.

OIG Audit Approach

The objective of the audit was to assess whether the SCSO accounted for equitable sharing funds properly and used such revenues for allowable purposes defined by applicable guidelines. We tested compliance with what we considered the most important conditions of the DOJ equitable sharing program. Unless otherwise stated, we applied the *AFMLS Guide to Equitable Sharing for State and Local Law Enforcement Agencies* (Equitable Sharing Guide), issued in April 2009, as our primary criterion. The Equitable Sharing Guide provides procedures for submitting sharing requests, defines permissible uses, and establishes appropriate tracking and accounting requirements for equitable sharing assets.

To accomplish the objective of the audit, we tested the SCSO compliance with three aspects of the DOJ equitable sharing program:

- **Equitable sharing agreement and certification forms** to determine if documents that the SCSO submitted were complete and accurate;
- **Accounting for equitable sharing receipts** to determine whether the SCSO used standard accounting procedures to track equitable sharing assets and did not commingle equitable sharing funds with other funds; and
- **Use of equitable sharing funds** to determine if the SCSO used equitable sharing funds for law enforcement purposes and that Shenandoah County used equitable sharing funds to supplement the law enforcement budget.

Appendix 1 contains additional information on our audit objective, scope, and methodology.

RESULTS

The SCSO received \$924,218 in equitable sharing funds from DOJ during the two-year period beginning July 1, 2012, and ending June 30, 2014. We found that the SCSO's annual equitable sharing agreement and certification forms were complete, accurate and submitted on time. Additionally, we found that SCSO could clearly account for individual receipts and expenditures of DOJ equitable sharing funds. We also tested SCSO's use of these funds and found that it appropriately used funds to support law enforcement activities.

Equitable Sharing Agreements and Certification Forms

The Equitable Sharing Guide requires participating law enforcement agencies to submit an equitable sharing agreement and certification form within 60 days after the end of the agency's fiscal year. The head of the law enforcement agency and a designated official of the local governing body must sign the form. By signing the form, the signatories agree to follow the statutes and guidelines that regulate the equitable sharing program.

We obtained copies of the SCSO's certification forms for FY 2013 and FY 2014 and determined that the forms were complete, signed by the appropriate Shenandoah County officials, and submitted within the 60-day requirement. We also verified the total amount of equitable sharing funds SCSO reported receiving during FY 2013 and FY 2014. We compared SCSO's documents with the amounts listed in the AFMLS Consolidated Asset Tracking System to verify these amounts. We found that the agreement and certification forms matched the AFMLS report. We also validated the SCSO's expenditures and verified that they matched the amounts SCSO reported using during FY 2013 and FY 2014.

Accounting for Equitable Sharing Receipts

The DOJ Equitable Sharing Guide requires that law enforcement agencies use standard accounting procedures and internal controls to track and account for equitable sharing receipts. Such accounting procedures include establishing a separate revenue account or accounting code to track DOJ equitable sharing funds. The Equitable Sharing Guide also requires that recipients avoid commingling DOJ equitable sharing funds with funds from any other sources.

During FY 2013 and FY 2014, SCSO reported receiving 16 electronic funds transfers for \$924,218 from the U.S. Marshals Service through the Service's E-Share.² We obtained an AFMLS Consolidated Asset Tracking System report that

² E-Share is the United States Marshals Service program used to make equitable sharing payments to federal, state, and local law enforcement agencies through electronic funds transfers. E-Share changes equitable sharing payments from a paper U.S. Treasury check to a direct deposit into the state or local law enforcement agency's bank account.

details \$924,218 in disbursements to SCSO during the audit period. Further, in FY13, the SCSO sold a vehicle that it had purchased with equitable sharing funds for \$3,375. We validated the deposit of that amount into the equitable sharing funds account.

During the scope of our audit, Shenandoah County deposited DOJ equitable sharing funds into several different bank accounts. An AFMLS Compliance Review, issued on May 16, 2014, found that Shenandoah County had comingled DOJ and Department of Treasury (Treasury) asset forfeiture funds in a single account. The compliance review recommended SCSO establish and use separate account codes to track DOJ, Treasury, and state equitable sharing funds. As of July 21, 2014, the AFLMS compliance team closed that recommendation. During our testing, we confirmed that the SCSO had established separate accounts for DOJ and Treasury equitable sharing funds. Therefore, we take no exception for the commingling of funds during the scope of our audit, as SCSO subsequently remedied this practice.

Use of Equitable Sharing Funds

The Equitable Sharing Guide requires participating agencies to use equitable sharing funds for law enforcement purposes. Table 1 summarizes the Equitable Sharing Guide allowable and unallowable uses for equitable sharing funds.

Table 1

Summary of Allowable and Unallowable Uses of Equitable Sharing Funds

Allowable Uses	Unallowable Uses
Law Enforcement Investigations	Extravagant Expenditures
Law Enforcement Training	Food and Beverages
Law Enforcement Equipment	Education-Related Costs
Law Enforcement Awards and Memorials	Uses Contrary to the Laws of the State or Local Jurisdiction
Law Enforcement and Detention Facilities	Non-Official Government Use of Shared Assets
Law Enforcement Travel and Transportation	Use of Forfeited Property by Non-Law Enforcement Personnel
Salaries of School Resource Officers (SRO)	Salaries and Benefits of Current Law Enforcement Personnel (with some exceptions)

Source: DOJ Equitable Sharing Guide

We found that the SCSO used \$697,629 for 56 expenditures in equitable sharing funds to purchase vehicles and law enforcement equipment, and pay salaries of school resource officers. We reviewed the top 10 high dollar expenditures, which included \$559,459, or 80 percent of all expenditures in FY 2013 and FY 2014. We determined that the SCSO used the equitable sharing funds for allowable purposes. Table 2 summarizes the specific SCSO expenditures we reviewed.

Table 2
SCSO's Top DOJ Equitable Sharing Program Expenditures
FYs 2013 and 2014

Purpose	Amount (\$)
Vehicles	140,197
Body Cameras	36,000
Vehicle Equipment	22,371
Vehicles	141,226
Gun Supplies	57,246
Body Cameras	36,225
Salaries (SRO)	35,800
Salaries (SRO)	34,821
Car Cameras	30,810
Vehicle Equipment	24,763
Total	\$559,459

Source: SCSO

We reviewed the top 10 high dollar transactions over FYs 2013 and 2014 to determine whether these expenditures were supported and allowable under the equitable sharing guidelines. We evaluated the nature and purpose of these expenditures and found that all of the expenditures appeared to be allowable, and were consistent with DOJ requirements. For instance, we noted that the percentage of the salaries for school resource officers that SCSO agreed to assist in funding with equitable sharing money, with the approval of AFMLS, reduces every year over 5 years and is replaced by county funding.

Additionally, we found that the SCSO has established a series of controls over requesting and using equitable sharing funds. The SCSO process is as follows:

- A senior-level officer and the Sheriff approve all proposed uses of funds.
- During January of each year, the Sheriff submits the regular budget request to the county.
- By March, the Sheriff will submit a memorandum proposing uses for equitable sharing funds.
- The County Budget Committee, which includes the County Administrator, the County Treasurer, and the County Finance Director, will review the budget submissions and memorandum.
- In May, the Board of Supervisors receives the final budget, including equitable sharing funds, and then reviews and votes on the final budget.

- Once approved, the County Treasurer’s office will prepare a check from the equitable sharing account for SCSO, which requires the signature of the County Treasurer, the County Administrator, and the Chairman of the Board of Supervisors.
- Once purchased, the designated SCSO official receives the items purchased with equitable sharing funds, records their receipt, and regularly tracks the items.

Supplanting

According to the Equitable Sharing Guide, equitable sharing funds must be used to increase or supplement the resources of the receiving state or local law enforcement agency or any other ultimate recipient agency. Equitable sharing resources should not be used to replace or supplant the appropriated resources of the recipient. The recipient agency must benefit directly from the equitable sharing funds. For example, if a police department receives \$100,000 in equitable sharing funds only to have its budget cut \$100,000 by the city council, the police department ultimately has received no direct benefit. Rather, the entire city has received the benefit of the equitable sharing funds.

We examined the SCSO’s total budget for fiscal years 2012 through 2015 to determine whether the SCSO used equitable sharing funds to supplant appropriated funding. We found the SCSO’s budget increased in fiscal years 2013 and 2014, but declined by almost \$300,000 in fiscal year 2015. See Table 3 for SCSO Budget and change.

Table 3
SCSO Budget Trend, Fiscal Years 2012 - 2015

Year	SCSO Total Budget	Change (Percent)
FY 2012	\$5,698,181	N/A
FY 2013	\$6,013,275	5.53
FY 2014	\$6,286,474	4.54
FY 2015	\$5,956,868	-5.24

Source: Shenandoah County Budget, SCSO

Without an adequate justification, a reduction in budgeted funding would normally prompt additional scrutiny into potential supplanting efforts to ensure that equitable sharing funds were not used to replace appropriated funds. However, we learned that Shenandoah County began sending its prisoners to the regional jail rather than the county jail during the scope of this audit. This significantly reduced the SCSO’s fiscal year 2015 budget for “Corrections and Detention” funding, as the county was no longer paying for staff to run the county jail. Therefore, although there was a decrease in the budget, this decrease was limited to a single category of funds. Therefore, we do not attribute the decrease to budget supplanting. We found no further evidence that SCSO used equitable sharing funds to supplant any portion of its budget.

Conclusion

We found that the SCSO generally complied with the guidelines for reporting, accounting for, and using equitable sharing funds.

OBJECTIVE, SCOPE, AND METHODOLOGY

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Objective

The objective of the audit was to assess whether the Shenandoah County Sheriff's Office (SCSO) accounted for equitable sharing funds properly and used such revenues for allowable purposes defined by applicable guidelines. We tested compliance with the conditions of the Department of Justice's (DOJ) Equitable Sharing Program. We reviewed laws, regulations, and guidelines governing the accounting for and use of DOJ equitable sharing receipts, including the DOJ's *Guide to Equitable Sharing for State and Local Law Enforcement Agencies*, dated April 2009.

Unless otherwise stated in our report, the criteria used during the audit were contained in this document.

Scope and Methodology

Our audit concentrated on, but was not limited to SCSO's equitable sharing receipts from July 1, 2012, to June 30, 2014. The SCSO received \$924,218 during this period. We also reviewed the top 10 high expenditures for SCSO's expenditures during this period, which totaled \$559,459 out of \$697,629. Our judgmental sample for expenditures is not projectable onto the universe of equitable sharing expenditures during the period we reviewed.

We performed audit work at SCSO's headquarters, located in Woodstock, Virginia. To accomplish the objective of the audit, we interviewed Sheriff's Office and County Treasurer's Office officials and examined their records of federal asset forfeiture revenues and expenditures of DOJ equitable sharing funds. In addition, we relied on computer-generated data from DOJ's Consolidated Asset Tracking System to determine the equitable sharing revenues awarded to SCSO during the audit period. We did not establish the reliability of the data contained in the DOJ Consolidated Asset Tracking System as a whole. However, when the data is viewed in context with other available evidence, we believe the opinions and conclusions included in this report are valid.

Our audit specifically evaluated the SCSO's compliance with three essential equitable sharing guidelines: (1) equitable sharing agreement and certification forms, (2) accounting for equitable sharing receipts, and (3) use of equitable

sharing funds. In planning and performing our audit, we considered internal controls established and used by SCSO over DOJ equitable sharing receipts to accomplish our audit objective. We did not assess the reliability of the SCSO's financial management system, the internal controls of that system, or whether the Sheriff's Office, as a whole, complied with laws and regulations.

Our audit included an evaluation of the Shenandoah County's Comprehensive Annual Financial Reports, which contain the County's Single Audit Reports for fiscal years 2013 and 2014. The Single Audit Reports were prepared under the provisions of Office of Management and Budget Circular A-133. We found that the independent auditor's assessments did not disclose control weaknesses or significant noncompliance issues related specifically to the auditee.

CRIMINAL DIVISION RESPONSE TO THE DRAFT REPORT



U.S. Department of Justice
Criminal Division

Asset Forfeiture and Money Laundering Section

Washington, D.C. 20530

JUN -2 2015

MEMORANDUM

TO: John Manning
Regional Audit Manager
Office of the Inspector General (OIG)

FROM: Jennifer Bickford *Jennifer Bickford*
Assistant Deputy Chief
Asset Forfeiture and Money
Laundering Section

SUBJECT: Draft Audit Report – Shenandoah County Sheriff's Office
Equitable Sharing Program Activities

In a memorandum dated May 26, 2015, your office summarized the preliminary findings from the audit performed on the Shenandoah County Sheriff's Office (SCSO). This draft report noted that the SCSO generally complied with the guidelines for reporting, accounting for, and using equitable sharing funds. The draft audit report did not contain any recommendations. AFMLS concurs with the draft report.

cc: Denise Turcotte, Audit Liaison
Criminal Division