



**AUDIT OF THE  
KANSAS CITY, MISSOURI, POLICE DEPARTMENT'S  
EQUITABLE SHARING PROGRAM ACTIVITIES**

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

Audit Report GR-50-12-006  
June 2012

# **AUDIT OF THE KANSAS CITY, MISSOURI, POLICE DEPARTMENT'S EQUITABLE SHARING PROGRAM ACTIVITIES**

## **EXECUTIVE SUMMARY**

The U.S. Department of Justice (DOJ), Office of the Inspector General (OIG), Audit Division has completed an audit of the use of DOJ equitable sharing funds by the Kansas City, Missouri, Police Department (KCPD). Equitable sharing funds represent a share of the proceeds from the forfeiture of assets seized in the course of certain criminal investigations.<sup>1</sup> During the audit period of May 1, 2009, through April 30, 2011, the KCPD received DOJ equitable sharing funds totaling \$1,361,418 to support law enforcement operations.<sup>2</sup>

The objectives of the audit were to assess whether equitably shared cash received by the KCPD was accounted for properly and used for allowable purposes as defined by the applicable regulations and guidelines. We found that the KCPD primarily spent DOJ equitable sharing funds to enhance and support law enforcement capabilities of the police department. However, we found weaknesses in the methods used by the KCPD to account for and report DOJ equitable sharing funds and we identified errors in the KCPD's Annual Certification Reports. Specifically, we found that:

- The KCPD did not separately account for DOJ equitable sharing receipts, expenditures, and interest income earned on DOJ equitable sharing funds received.
- The KCPD did not accurately report DOJ equitable sharing fund expenditures on its Schedule of Expenditures of Federal Awards for FY 2011.
- The KCPD did not accurately report interest income earned on DOJ equitable sharing funds and some DOJ equitable sharing fund expenditures on its Annual Certification Reports for FYs 2010 and 2011.

---

<sup>1</sup> The DOJ asset forfeiture program has three primary goals: (1) to punish and deter criminal activity by depriving criminals of property used or acquired through illegal activities; (2) to enhance cooperation among foreign, federal, state, and local law enforcement agencies through equitable sharing of assets recovered through this program; and, as a by-product, (3) to produce revenues to enhance forfeitures and strengthen law enforcement.

<sup>2</sup> The KCPD fiscal year begins on May 1 and ends on April 30.

Our report contains three recommendations that address the weaknesses we identified. Our findings are discussed in greater detail in the Findings and Recommendations section of the report. The audit objectives, scope, and methodology are included in Appendix I.

# TABLE OF CONTENTS

<b>INTRODUCTION</b> .....	<b>1</b>
Background .....	1
OIG Audit Approach.....	2
<b>FINDINGS AND RECOMMENDATIONS</b> .....	<b>4</b>
Accounting for Equitably Shared Resources .....	4
DAG-71s .....	6
Compliance with Audit Requirements .....	7
Equitable Sharing Agreement and Certification Forms .....	8
Use of Equitable Sharing Funds .....	10
Views of Responsible Officials .....	11
Recommendations .....	11
<b>APPENDIX I - OBJECTIVES, SCOPE, AND METHODOLOGY</b> .....	<b>13</b>
<b>APPENDIX II - KANSAS CITY POLICE DEPARTMENT RESPONSE TO THE DRAFT REPORT</b> .....	<b>15</b>
<b>APPENDIX III - OFFICE OF THE INSPECTOR GENERAL ANALYSIS AND SUMMARY OF ACTIONS NECESSARY TO RESOLVE THE REPORT</b> .....	<b>17</b>

## INTRODUCTION

The U.S. Department of Justice (DOJ), Office of the Inspector General (OIG), Audit Division, has completed an audit of the use of DOJ equitable sharing funds by the Kansas City, Missouri, Police Department (KCPD). The audit covered the KCPD's fiscal years (FY) 2010 and 2011, beginning on May 1, 2009, and ending on April 30, 2011.<sup>3</sup> During that period, the KCPD received DOJ equitable sharing funds totaling \$1,361,418 to support law enforcement operations. The objectives of the audit were to assess whether equitably shared cash received by the requesting agency was accounted for properly and used for allowable purposes as defined by the applicable regulations and guidelines.

### Background

The primary mission of the DOJ Asset Forfeiture Program is to employ asset forfeiture powers in a manner that enhances public safety and security. This is accomplished by removing the proceeds of crime and other assets relied upon by criminals and their associates to perpetuate their criminal activity against our society. Asset forfeiture has the power to disrupt or dismantle criminal organizations that would continue to function if we only convicted and incarcerated specific individuals.

Another purpose of the DOJ Asset Forfeiture Program is to deter crime by depriving criminals of the profit and proceeds from illegal activities. A secondary purpose of the program is to enhance cooperation among federal, state, and local law enforcement agencies by sharing federal forfeiture proceeds through the DOJ equitable sharing program. State and local law enforcement agencies may receive equitable sharing revenues by participating directly with DOJ agencies in joint investigations leading to the seizure or forfeiture of property. The amount shared with the state and local law enforcement agencies in joint investigations is based on the degree of the agencies' direct participation in the case. The U.S. Department of the Treasury (Treasury) administers its own Asset Forfeiture Program. Our audit was limited to equitable sharing revenues received through the DOJ equitable sharing program.

Although several DOJ agencies are involved in various aspects of the seizure, forfeiture, and disposition of equitable sharing revenues, the DOJ Criminal Division, Asset Forfeiture and Money Laundering Section (AFMLS), is responsible for issuing policy statements, implementing governing legislation, and monitoring the use of DOJ equitable sharing funds. Generally,

---

<sup>3</sup> The KCPD fiscal year begins on May 1 and ends on April 30.

the use of equitable sharing revenues by state and local recipient agencies is limited to law enforcement purposes. However, under certain circumstances, up to 15 percent of equitable sharing revenues may be used for the costs associated with drug abuse treatment, drug and crime prevention education, housing and job skills programs, or other nonprofit community-based programs or activities. This provision requires that all expenditures be made by the law enforcement agency and does not allow for the transfer of cash.

Kansas City is the largest city in the state of Missouri, encompassing more than 316 square miles in parts of Jackson, Clay, Cass, and Platte counties. As of 2010, the population of Kansas City was 459,787. The KCPD has more than 1,400 officers and 600 civilians and is governed by the Board of Police Commissioners, appointed by the governor.

### **OIG Audit Approach**

We tested compliance with what we considered to be the most important conditions of the DOJ equitable sharing program. Unless otherwise stated, we applied the Guide to Equitable Sharing for State and Local Law Enforcement Agencies, dated April 2009 (2009 Equitable Sharing Guide) as our primary criteria. The 2009 Equitable Sharing Guide identifies the accounting procedures and requirements for tracking equitably shared monies and tangible property, establishes reporting and audit requirements, and defines the permissible uses of equitably shared resources.

To conduct the audit, we tested the KCPD's compliance with the following five aspects of the DOJ equitable sharing program:

- **Accounting for equitably shared resources** to determine whether standard accounting procedures were used to track equitable sharing assets.
- **Monitoring of Applications for Transfer of Federally Forfeited Property** to ensure adequate controls were established.
- **Compliance with audit requirements** to ensure the accuracy, consistency, and uniformity of audited equitable sharing data.
- **Annual Equitable Sharing Agreements and Certification Forms** to determine if these documents were complete and accurate.
- **Use of equitably shared resources** to determine if equitable sharing funds were spent for permissible uses.

See the Appendix I for more information on our objectives, scope, and methodology.

## FINDINGS AND RECOMMENDATIONS

We found that the KCPD did not separately account for DOJ equitable sharing receipts and interest earned on DOJ equitable sharing funds and did not accurately record some equitable sharing expenditures in its official accounting records. We also found that the KCPD did not accurately report DOJ equitable sharing expenditures on its Schedule of Expenditures of Federal Awards for FY 2011. Further, we found errors in the 2010 and 2011 Equitable Sharing Agreement and Certification forms submitted by the KCPD. However, we found that the KCPD complied with equitable sharing guidelines with respect to timely submission of annual Equitable Sharing Agreement and Certification forms, permissible uses of equitable sharing funds, and adherence to non-supplanting requirements.

### Accounting for Equitably Shared Resources

The 2009 Equitable Sharing Guide requires that all participating state and local law enforcement agencies implement standard accounting procedures to track equitably shared tangible property and funds. The 2009 Equitable Sharing Guide also requires that DOJ equitable sharing funds be accounted for separate from any other funds.

We reviewed the AFMLS report of DOJ equitable sharing distributions and determined the KCPD did not receive any equitably shared tangible assets during FYs 2009 and 2010. As shown in the following table, during FYs 2010 and 2011, the AFMLS reported 110 distributions of equitable sharing funds to the KCPD, totaling \$1,361,418.

**TABLE 1: DOJ EQUITABLE SHARING DISTRIBUTIONS TO THE KCPD  
FY 2010 through 2011**

Fiscal Year	Distributions	Amount
2010	41	\$593,762.83
2011	69	767,655.18
<b>TOTAL</b>	<b>110</b>	<b>\$1,361,418.01</b>

Source: AFMLS

To determine if the KCPD properly deposited and accounted for DOJ equitable sharing funds, we reviewed and reconciled the KCPD's accounting records to DOJ reports of equitable sharing funds distributed.

Through our review of KCPD official accounting records, we determined that the KCPD was not separately accounting for DOJ equitable sharing receipts and expenditures as required by the 2009 Equitable Sharing Guide. The KCPD Accounting and Payroll Section Supervisor confirmed that all federal forfeiture funds were deposited into the KCPD checking account and recorded in a single revenue account in the official accounting records. The Supervisor also advised us that it was the KCPD's practice to consider equitable sharing fund expenditures to be Department of the Treasury funds until expenditures equaled Department of the Treasury receipts and then consider all subsequent equitable sharing expenditures to be from DOJ equitable sharing funds.

We advised KCPD officials that the accounting practices related to DOJ equitable sharing funds were not in compliance with the 2009 Equitable Sharing Guide requirement to separately account for DOJ equitable sharing funds. KCPD officials informed us they would immediately revise their procedures to separately account for DOJ equitable sharing funds.

Although the KCPD did not separately account for DOJ equitable sharing funds, through our review of the KCPD accounting records we determined that all DOJ equitable sharing fund receipts were recorded correctly in the KCPD accounting records. We judgmentally selected and tested five receipts totaling \$477,024 to ensure the funds were properly deposited and recorded in a timely manner. The following table shows the sampled receipts were properly deposited in a timely manner.

**TABLE 2: KCPD EQUITABLE SHARING RECEIPTS REVIEWED  
FY 2011**

DOJ Detail Distribution Report		KCPD Accounting Records		
Distribution Date	Distribution Amount	Amount Received	Deposit Amount	Deposit Date
08/24/2010	\$43,061.94	\$43,061.94	\$43,061.94	08/24/2010
10/15/2010	\$157,088.16	\$157,088.16	\$157,088.16	10/15/2010
11/22/2010	\$194,350.25	\$194,350.25	\$194,350.25	11/22/2010
11/22/2010	\$48,167.68	\$48,167.68	\$48,167.68	11/22/2010
04/15/2011	\$34,356.00	\$34,356.00	\$34,356.00	04/15/2011
<b>TOTAL</b>	<b>\$477,024.03</b>	<b>\$477,024.03</b>	<b>\$477,024.03</b>	

Source: KCPD and AFMLS

Through our review of the KCPD accounting records, we also found that KCPD recorded expenditures for checking account service charges as debits to

an earned interest account. As a result, interest earned on DOJ equitable sharing funds and equitable sharing fund expenditures were understated in KCPD accounting records. We discuss the subsequent reporting errors in the Equitable Sharing Agreement and Certification forms section of this report.

We advised KCPD officials that the lack of separate accounting for DOJ equitable sharing funds had resulted in errors in the Equitable Sharing Agreement and Certification forms we reviewed. KCPD officials advised that the previously discussed revisions to their accounting procedures would help ensure accurate reporting in their future Equitable Sharing Agreement and Certification forms.

### **DAG-71s**

The 2009 Equitable Sharing Guide states that all participating agencies should maintain a log of all sharing requests that consecutively numbers the requests and includes the seizure type, seizure amount, share amount requested, amount received, and date received for each request. We interviewed a KCPD official regarding the procedures for monitoring equitable sharing requests and receipts and reconciled the KCPD equitable sharing logs to the DOJ Detail Distribution Report.

The KCPD assigned a detective to oversee the KCPD's equitable sharing activities. The KCPD Asset Forfeiture Detective advised us that the KCPD receives from federal seizing agencies notices of federal seizures in which the KCPD was involved and may be eligible for equitable sharing revenue. According to the Detective, at that time, the seizure information is recorded in a handwritten Seizure/Forfeiture Case Log and an Application for Transfer of Federally Forfeited Property (DAG-71) is prepared and forwarded to the Accounting and Payroll Supervisor.<sup>4</sup> The Detective told us the DAG 71s are then reviewed and signed by the KCPD General Counsel and Deputy Police Chief before they are submitted to the federal agency processing the forfeiture. When the DAG 71s are submitted, the Asset Forfeiture Detective records the details of the requests in an electronic spreadsheet. According to the Asset Forfeiture Detective, the spreadsheet is updated upon notification from the Accounting and Payroll section that equitable sharing funds have been received. The Asset Forfeiture Detective also records the receipts in another electronic spreadsheet that summarizes the receipts by the appropriate Department. This summary spreadsheet is annually reconciled with KCPD official accounting records and used to prepare the Annual Equitable Sharing Agreement and Certification.

---

<sup>4</sup> The DAG-71 is the DOJ form submitted by a state or local agency to the federal seizing agency to request a share of seized assets. The state or local agency is required to maintain a log of its DAG-71s in accordance with equitable sharing guidelines.

We determined the KCPD's equitable sharing requests were not consecutively numbered in the detailed log of equitable sharing requests as required by the 2009 Equitable Sharing Guide. The log did include the seizure type, seizure amount, share amount requested, amount received, and date received as required. However, through our reconciliation of the KCPD's log and the DOJ Distribution Report, we noted one receipt was not recorded and one receipt was not accurately recorded in the log. We did not identify any discrepancies during our reconciliation of the KCPD's summary spreadsheet of receipts by Department and the DOJ Detail Distribution Report. In our opinion, the KCPD should consider maintaining one log of equitable sharing activity and periodically reconciling the log to KCPD accounting records to ensure accuracy and consistency in its DOJ equitable sharing records.

### **Compliance with Audit Requirements**

The 2009 Equitable Sharing Guide requires the KCPD to comply with audit requirements of the Single Audit Act Amendment of 1996 and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. OMB Circular A-133 requires non-federal entities to prepare a Schedule of Expenditures of Federal Awards for the period covered by the auditee's financial statements.

To determine if the KCPD accurately reported DOJ equitable sharing fund expenditures, we reviewed the KCPD's accounting records and the Schedule of Expenditures of Federal Awards included in the KCPD's Single Audit Report for the year ended April 30, 2011.

We identified the following errors during our review of the KCPD's Schedule of Expenditures of Federal Awards.

- The KCPD did not identify DOJ equitable sharing program funds separate from Department of the Treasury funds on the schedule, and
- The KCPD reported total federal forfeiture funds received and the related interest earned as expenditures on the schedule.

We advised KCPD officials that the reporting of DOJ equitable sharing program receipts rather than expenditures on the Schedule of Expenditures of Federal Awards was not in compliance with OMB Circular A-133. KCPD officials advised us they were aware of the reporting requirements established in OMB Circular A-133, had discussed with the independent auditors the proper method of reporting federal forfeiture funds in the Schedule of Expenditures of Federal Awards, and believe they are in compliance based on their

interpretation of OMB Circular A-133, § 205. We confirmed with AFMLS that “*expended*” funds, not funds “*received but as yet unspent*” should be reported on the Schedule of Expenditure of Federal Awards.

### **Equitable Sharing Agreement and Certification Forms**

The 2009 Equitable Sharing Guide requires agencies participating in the DOJ Equitable Sharing Program to annually submit to AFMLS a signed Equitable Sharing Agreement and Certification form within 60 days after the end of the agency’s fiscal year. The AFMLS requires that the Equitable Sharing Agreement and Certification form be signed by the head of the law enforcement agency and a designated official of the local governing body. Additionally, the receiving agency should submit a newly signed agreement when an administration change occurs. By signing and submitting the agreement, the signatories agreed to follow statutes and guidelines that regulated the equitable sharing program.

We tested compliance with the Equitable Sharing Agreement and Certification form requirements to determine if the required forms for FYs 2010 and 2011 were accurate, complete, submitted in a timely manner, and signed by the appropriate officials. We identified errors in the 2010 and 2011 Summary of Equitable Sharing Activity and Summary of Shared Monies Spent reported by the KCPD. Specifically, we found that:

- for FY 2010, DOJ Interest Income Accrued and Total Equitable Sharing Funds were understated by \$758, DOJ Total Federal Sharing Funds Spent was understated by \$828, and DOJ Funding Balance was overstated by \$70; and
- for FY 2011, DOJ Interest Income Accrued and Total Equitable Sharing Funds were understated by \$389, DOJ Federal Sharing Funds Spent was understated by \$395, and DOJ Funding Balance was overstated by \$6.

These errors were due to the fact that, as previously discussed, the KCPD did not separately account for DOJ equitable sharing funds in its official accounting records. According to the Accounting and Payroll Section Supervisor, for reporting purposes, all equitable sharing funds expenditures were considered first to be Department of the Treasury funds until expenditures equaled the Department of the Treasury equitable sharing funds received; then subsequent equitable sharing expenditures were considered to be DOJ equitable sharing funds. The Supervisor advised us that the KCPD allocated interest earned and checking account service charges throughout the year between DOJ and the Department of the Treasury based on each

Department's percent of the current checking account balance.

We also noted that the KCPD reported all 2010 Interest Income Accrued as DOJ activity, even though the KCPD also received equitable sharing funds from the Department of the Treasury, and the funds were deposited in the same account as DOJ equitable sharing receipts. Further, we noted that the KCPD did not report 2011 Department of the Treasury equitable sharing funds spent on matching grants in the Summary of Shared Monies Spent section of its 2011 Equitable Sharing Agreement and Certification. However, these expenses were accurately reported in the Table G: Matching Grants and Summary of Equitable Sharing Activity sections of the report.

The KCPD Accounting and Payroll Section Supervisor acknowledged the reporting errors and advised us that in response to our notification of the requirement for separately accounting for DOJ equitable sharing funds, the KCPD implemented procedures to separately record DOJ equitable sharing funds. The KCPD Accounting and Payroll Supervisor also advised us that the KCPD started recording checking account service charges as expenditures rather than as debits to the Interest Earned account. According to the Supervisor, these actions will help ensure accurate reporting on the Equitable Sharing Agreement and Certification reports.

Through our review of the Equitable Sharing Agreement and Certification forms submitted by the KCPD, we determined that the KCPD FYs 2010 and 2011 annual Equitable Sharing Agreement and Certification forms were submitted prior to the established deadlines. However, the KCPD's 2011 Equitable Sharing Agreement and Certification form contained a discrepancy, which required an amended submission. According to the KCPD Asset Forfeiture Detective, the KCPD reported shared assets from a joint investigation as strictly DOJ receipts even though participants in the investigation also included Immigration Customs and Enforcement personnel from the Department of Homeland Security. Therefore, the KCPD was required to amend and resubmit the annual Equitable Sharing Agreement and Certification form. This was accomplished on July 11, 2011, 72 days after the end of KCPD's fiscal year.

Although the KCPD's amended 2011 Equitable Sharing Agreement and Certification form was not submitted within the required deadline, because its initial 2011 Equitable Sharing Agreement and Certification form was submitted in a timely manner and because the KCPD responded to AFMLS direction to submit an amended 2011 Equitable Sharing Agreement and Certification form in a timely manner, in our judgment, the KCPD was in compliance with the AFMLS reporting requirement. Further, we found that the 2011 Equitable Sharing Agreement and Certification form was signed by appropriate KCPD

and Board of Police Commissioners officials.

### Use of Equitable Sharing Funds

Generally, the use of equitable sharing revenues by state and local recipient agencies is limited to law enforcement purposes. However, the 2009 Equitable Sharing Guide identifies other permissible uses such as drug and gang education and awareness programs, matching contributions in federal grant programs, a law enforcement agency’s percentage of the costs to support multi-agency items or facilities, costs associated with properly accounting for equitably shared monies and tangible property, training in connection with language services for persons with limited English proficiency, and non-cash support of formally approved nonprofit community-based programs.

During FYs 2010 and 2011, the KCPD expended \$377,485 in DOJ equitable sharing funds.<sup>5</sup> The expenditures included computer equipment, travel and training, asset accounting and tracking, and federal grant program matching contribution requirements.

To assess whether the KCPD’s DOJ equitable sharing fund expenditures were allowable and supported by adequate documentation, we judgmentally selected and tested 18 equitable sharing expenditures totaling \$358,726. The sample included high-dollar purchases, as well as an assortment of costs we judgmentally selected to ensure our sample would provide sufficient evidence to address the audit objectives, reduce audit risk to an acceptable level, and provide reasonable assurance that the evidence was sufficient and appropriate to support our audit findings and conclusions.

**TABLE 3: REVIEW OF KCPD EXPENDITURES  
FY 2010 and FY 2011**

Expenditure Description	Total Expended	Total Amount Tested
Computer Equipment	\$358,233.11	\$346,119.16
Travel and Training	11,167.77	5,752.60
Matching Contribution	6,629.94	6,629.94
Asset Accounting and Tracking	1,454.65	224.26
<b>TOTAL</b>	<b>\$377,485.47</b>	<b>\$358,725.96</b>

Source: KCPD and AFMLS

We evaluated the KCPD’s supporting documentation to determine whether the sampled expenditures complied with the permissible uses defined

<sup>5</sup> The total KCPD expenditures for FYs 2010 and 2011 are adjusted for the checking account service charges recorded as debits to the Interest Earned account.

in the 2009 Equitable Sharing Guide. We also analyzed the supporting documentation to ensure the purchases were approved, goods and services were received, and vendors were paid. Finally, we evaluated whether the equipment items in our expenditure sample were at the location recorded in the KCPD Fixed Asset Report and were being put to an allowable use.

Through our testing, we determined that DOJ equitable sharing funds were used for allowable purposes, the expenditures were supported by adequate documentation, and purchased equipment was at its assigned location and being put to an allowable use.

### *Supplanting*

The 2009 Equitable Sharing Guide also 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. To test whether equitable sharing funds were used to supplement rather than supplant local funding, we reviewed the agency's local budgets for FYs 2009, 2010, and 2011.

Through our review of the KCPD's budget documents, we found that KCPD's total budgeted appropriations decreased from FY 2009 to FY 2010. However, through our review of the city of Kansas City, Missouri 2009 - 2010 Adopted Activity Budget, we determined the decrease was to limit the KCPD's budget growth to match revenue growth in the city of Kansas City's General Fund. Further, the KCPD total budget increased from FY 2010 to FY 2011 and from FY 2011 to FY 2012. Therefore, we concluded equitable sharing funds were not used to supplant KCPD's budget.

### **Views of Responsible Officials**

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

### **Recommendations**

We recommend that the Assistant Attorney General, Criminal Division:

1. Ensure that the Kansas City Police Department separately accounts for DOJ equitable sharing funds in its official accounting records.

2. Ensure that the KCPD accurately reports DOJ equitable sharing program expenditures on its Schedule of Expenditures of Federal Awards.
3. Ensure that the Kansas City Police Department accurately reports DOJ equitable sharing receipts, expenditures, and interest income accrued on its Equitable Sharing Agreement and Certification Reports.

## OBJECTIVES, 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 objectives.

The objectives of the audit were to assess whether the Kansas City Police Department (KCPD) accounted for equitably shared revenue and tangible assets were accounted for properly and used for allowable purposes defined by applicable guidelines. We tested compliance with what we considered were the most important 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 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 these documents.

Our audit concentrated on, but was not limited to, equitable sharing receipts received by the KCPD between May 1, 2009, and April 30, 2011. During FYs 2010 and 2011, there were 110 receipts totaling \$1,361,418. We tested a judgmental sample of five receipts totaling \$477,024. During FYs 2010 and 2011 there were equitable sharing fund expenditures totaling \$377,485. We selected a judgmental sample of 18 transactions, totaling \$358,726, for testing. Judgmental sampling design was applied to obtain broad exposure to numerous facets of the disbursements reviewed, such as dollar amounts. This non-statistical sample design does not allow projection of the test results to all disbursements.

We performed audit work at KCPD headquarters located in Kansas City, Missouri. To accomplish the objectives of the audit, we interviewed KCPD officials and examined records, related revenues, and expenditures of equitable sharing funds. In addition, we relied on computer-generated data contained in the DOJ Detail Distribution Report for determining equitably shared revenues awarded to the KCPD during the audit period. We did not establish the reliability of the data contained in the DOJ equitable sharing system as a whole. However, when the data we relied upon is viewed in context with other available evidence, we believe the opinions, conclusions, and recommendations included in this report are valid.

Our audit specifically evaluated the KCPD's compliance with five essential aspects of the 2009 Equitable Sharing Guide: (1) required accounting standards for equitable sharing funds, (2) monitoring requirements for Applications for Transfer of Federally Forfeited Property, (3) audit requirements, (4) submission of complete and accurate Annual Equitable Sharing Agreements and Certification forms in a timely manner, and (5) permissible use of equitable sharing funds. In performing our audit, we considered internal controls established and used by the KCPD over DOJ equitable sharing funds to accomplish our audit objectives. However, we did not assess the KCPD's financial management system's reliability, internal controls, or whether it, as a whole, complied with laws and regulations.

Our audit included an evaluation of the KCPD, a component of the city of Kansas City, Missouri, which was included in a city-wide audit conducted by a certified public accounting firm. The results of this audit were reported in the Single Audit Report for the year ended April 30, 2011. The Single Audit Report was prepared under the provisions of Office of Management and Budget Circular A-133. We reviewed the independent auditor's assessment, which disclosed no control weaknesses or significant noncompliance issues related specifically to the KCPD.

## AUDITEE RESPONSE

# Police

## KG/MO

**Darryl Forté**  
Chief of Police

**Chief's Office**  
1125 Locust  
Kansas City, Missouri 64106  
www.kcpd.org

Office (816) 234-5010  
Fax (816) 234-5013

April 26, 2012

Carol S. Taraszka  
Mythili Ramani  
Regional Audit Manager  
U.S. Department of Justice  
Office of the Inspector General  
Chicago Regional Audit Office  
500 West Madison, Suite 1121  
Chicago, IL 60661

Dear Ms. Taraszka and Ms. Ramani:

On behalf of the Kansas City Police Department, I would like to take this opportunity to express the Department's appreciation for the opportunity to participate in the Justice Equitable Sharing Program. This is a worthwhile program that has enabled the Department to acquire needed equipment. The department is committed to the mission of the DOJ Asset Forfeiture Program.

I have discussed this audit and its recommendations with staff. As requested in your audit, the following are our responses to DOJ recommendations.

DOJ Recommendation:

1. Ensure that the Kansas City Police Department separately accounts for DOJ equitable sharing funds in its official accounting records.

Response:

The Department agrees and has implemented this recommendation in Fiscal Year 2012 upon notification by DOJ auditors. The Fiscal Year 2013 adopted Budget will include the appropriate accounting structure segregating DOJ and DOT funding and expenditures in the official accounting records.

DOJ Recommendation:

2. Ensure that the KCPD accurately reports DOJ equitable sharing program expenditures on its Schedule of Expenditures of Federal Awards.

Response:

The Department agrees with this recommendation and will report expenditures separately for DOJ and DOT in the Schedule of Expenditures of Federal Awards.

Page 1

DOJ Recommendation

3. Ensure that the Kansas City Police Department accurately reports DOJ equitable sharing receipts, expenditures, and interest income accrued on its Equitable Sharing Agreement and Certification Reports.

Response

With the implementation of recommendation #1, this will ensure that more accurate accounting information is available to report data related to DOJ and DOT activity on the Equitable Sharing Agreement and Certification Reports.

On behalf of the Department, I would like to acknowledge the cooperation and courtesy afforded us during this audit. My staff will be available to discuss this audit further, if subsequent questions need clarification.

Sincerely,  
  
Randall Hundley  
Acting Chief of Police

cc [Tim.virtue@usdoj.gov](mailto:Tim.virtue@usdoj.gov)  
[Jennifer.Shasky@usdoj.gov](mailto:Jennifer.Shasky@usdoj.gov)  
[Laetse.Lincoate@usdoj.gov](mailto:Laetse.Lincoate@usdoj.gov)  
[ALD@usdoj.gov](mailto:ALD@usdoj.gov)

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

The OIG provided a draft of this audit report to the Criminal Division and the KCPD. The KCPD's response is incorporated in Appendix II of this final report. However, the audit recommendations are unresolved because the Criminal Division declined to provide comments on the draft report. The following provides the OIG analysis of the KCPD's response and a summary of actions necessary to resolve each report recommendation.

**Recommendation Number:**

1. **Unresolved.** The KCPD concurred with our recommendation to separately account for DOJ equitable sharing funds in its official accounting records. The KCPD stated that beginning in FY 2013, the accounting structure will segregate DOJ and Department of the Treasury funding and expenditures in the KCPD's official accounting records.

However, this recommendation is unresolved because the Criminal Division did not respond to the draft report. This recommendation can be resolved once the OIG and the Criminal Division reach agreement on corrective action planned to address the recommendation.

2. **Unresolved.** The KCPD concurred with our recommendation to report DOJ equitable sharing program expenditures on its Schedule of Expenditures of Federal Awards.

However, this recommendation is unresolved because the Criminal Division did not respond to the draft report. This recommendation can be resolved once the OIG and the Criminal Division reach agreement on corrective action planned to address the recommendation.

3. **Unresolved.** The KCPD concurred with our recommendation to accurately report DOJ equitable sharing receipts, expenditures, and interest income accrued on its Equitable Sharing Agreement and Certification forms. The KCPD stated the changes to its accounting system that were implemented in response to recommendation number 1 will ensure more accurate reporting of DOJ equitable sharing program activity on its Equitable Sharing Agreement and Certification forms.

However, this recommendation is unresolved because the Criminal Division did not respond to the draft report. This recommendation can be

resolved once the OIG and the Criminal Division reach agreement on corrective action planned to address the recommendation.