



**AUDIT OF THE  
VILLAGE OF OAK LAWN POLICE DEPARTMENT'S  
EQUITABLE SHARING PROGRAM ACTIVITIES  
OAK LAWN, ILLINOIS**

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

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**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 revenues by the village of Oak Lawn, Illinois, Police Department (Oak Lawn PD). Equitable sharing revenues represent a share of the proceeds from the forfeiture of assets seized in the course of certain criminal investigations.<sup>1</sup> During the period of January 1, 2011, through September 30, 2013, the Oak Lawn PD received one vehicle valued at \$24,375 and \$529,278 in DOJ equitable sharing revenues to support law enforcement operations.<sup>2</sup>

The objective of the audit was to assess whether equitably shared cash and property received by the Oak Lawn PD was accounted for properly and used for allowable purposes as defined by the applicable regulations and guidelines. We found that the Oak Lawn PD did not fully comply with equitable sharing guidelines with respect to accounting for equitable sharing receipts and the allowable use of equitable sharing funds. Specifically, we found:

- The Oak Lawn PD did not have an adequate system of internal controls or documented procedures to ensure that equitable sharing funds were managed appropriately. In addition to the absence of documented procedures, the Oak Lawn PD Division Chief and staff members responsible for managing aspects of the equitable sharing program did not have an understanding of the work performed by others and the inter-relationships of activities associated with the equitable sharing account, did not adequately communicate with each other, and did not have back-up individuals assigned to complete work assignments in the event of an extended absence.
- The Oak Lawn PD commingled DOJ equitable sharing activities with activities of two unrelated reimbursable federal programs that the village of Oak Lawn was administering. In brief, the Oak Lawn PD used its equitable sharing account to pre-fund program transactions that would be reimbursed at a later date. In addition, the level of detail used for these

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<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 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 Oak Lawn PD's fiscal year begins on January 1<sup>st</sup> and ends on December 31<sup>st</sup>.

transactions was not specific enough to allow for necessary corrections to be made to the accounting records when reimbursement was received.

- The village of Oak Lawn submitted inaccurate Equitable Sharing Agreement and Certification Reports for the Oak Lawn PD during Fiscal Years (FY) 2011 and 2012. Specifically, the Oak Lawn PD's equitable sharing receipts were overstated as a result of the commingling of activities. In addition, interest income earned was overstated on DOJ equitable sharing funds because the village of Oak Lawn did not properly allocate interest to each funding source.
- The Oak Lawn PD improperly used \$13,796 in equitable sharing funds to pay for out-of-state honor guard details, charity events such as golf outings, and donations.
- The Oak Lawn PD did not record all DAG-71 requests in its log and did not periodically reconcile the DAG-71 log with equitable sharing receipts.<sup>3</sup> However, subsequent to our review, the Oak Lawn PD updated the DAG-71 log with the proper information.

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

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<sup>3</sup> The Form DAG-71, Application for Transfer of Federally Forfeited Property (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.

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# **AUDIT OF THE VILLAGE OF OAK LAWN POLICE DEPARTMENT'S EQUITABLE SHARING PROGRAM ACTIVITIES OAK LAWN, ILLINOIS**

## **INTRODUCTION**

The Department of Justice (DOJ), Office of the Inspector General (OIG), Audit Division has completed an audit on the use of DOJ equitable sharing funds by the Oak Lawn Police Department (Oak Lawn PD) in Oak Lawn, Illinois. The audit covered the Oak Lawn PD's participation in the DOJ Asset Forfeiture Program between January 1, 2011, and September 30, 2013.<sup>4</sup> During that period, the Oak Lawn PD received \$529,278 in equitable sharing revenues and one vehicle valued at \$24,375. The objective of the audit was to assess whether equitably shared cash and property received by the Oak Lawn PD 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 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 a similar equitable sharing program. Our audit was limited to equitable sharing revenues received through the DOJ Asset Forfeiture 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, 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 the total equitable sharing

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<sup>4</sup> The Oak Lawn PD's fiscal year begins on January 1<sup>st</sup> and ends on December 31<sup>st</sup>.

revenues received by the agency in the last 2 fiscal years 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.

## **Oak Lawn Police Department**

The village of Oak Lawn is located 15 miles southwest of Chicago, Illinois. Serving a population of over 57,000 residents, the Oak Lawn PD reported that its largest number of offenses was for theft and burglary. As of November 2013, the Oak Lawn PD had a 109-member sworn officer force. The Oak Lawn PD became a member of the DOJ equitable sharing program in 1997.

## **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 (Guide), issued by AFMLS in April 2009 as our primary criteria. The 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 Oak Lawn PD's compliance with the following 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.
- **Equitable Sharing Agreement and Annual Certification Reports** to determine if these documents were complete, accurate, and timely submitted.
- **Use of equitably shared resources** to determine if equitable sharing funds were spent for permissible uses.
- **Compliance with audit requirements** to ensure the accuracy, consistency, and uniformity of audited equitable sharing data.
- **Monitoring of applications for transfer of federally forfeited property** to ensure adequate controls were established.

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

## **FINDINGS AND RECOMMENDATIONS**

We identified numerous internal control issues, including a lack of documented policies and procedures that weakened the Oak Lawn PD's management of its equitable sharing program. In addition, the Oak Lawn PD improperly commingled equitable sharing and other sources of funding and used the equitable sharing account as a reimbursable cash disbursement account. Consequently, the Oak Lawn PD's annual certification report to AFMLS overstated receipts and disbursements because it included transactions from these commingled activities. Moreover, we found that the Oak Lawn PD used \$13,796 in equitable sharing funds to pay for unallowable costs associated with travel expenses for honor guard detailees, charitable donations, and charitable event fundraisers. Finally, we determined that the Oak Lawn PD's records were incomplete because the Oak Lawn PD did not periodically reconcile equitable sharing funds received with those posted to its asset forfeiture request log, Electronic Fund Transfer (EFT) reports, and the Oak Lawn PD's federal equitable sharing ledger.

### **Internal Controls Assessment**

During our audit, we found that the village of Oak Lawn and the Oak Lawn PD did not have written policies and procedures for the general management, financial administration, and accounting functions of its federal grant programs. In our opinion, the lack of documented procedures impacted the management of the Oak Lawn PD's equitable sharing program. Oak Lawn PD officials, as well as village of Oak Lawn Finance Department officials responsible for managing various aspects of the equitable sharing program, were unable to adequately articulate the policies and procedures that they exercised in administering the program and managing the account. Moreover, we found that there was an absence of cross-training and insufficient communication between officials from these offices despite their concomitant responsibilities in managing the equitable sharing program. As a result, the Oak Lawn PD and the village of Oak Lawn Finance Department staff who were responsible for managing various aspects of the equitable sharing program were unaware of the work performed by others and how their work impacted the management of the equitable sharing program as a whole. Further, there were no back-up personnel to complete tasks associated with the equitable sharing program in the event of an extended absence of responsible officials.

We believe that these inadequate internal controls resulted in numerous program and recordkeeping deficiencies that are discussed throughout the report. We recommend that the Oak Lawn PD, in coordination with the village of Oak Lawn Finance Department, develop written procedures for the administration of DOJ equitable sharing activities. These procedures should address the need for cross-training to ensure that back-up personnel can oversee equitable sharing tasks in the event of an extended absence of responsible officials.

## Accounting for Equitably Shared Resources

The Guide requires that all participating state and local law enforcement agencies implement adequate accounting procedures to track equitably shared monies and property. Additionally, DOJ equitable sharing funds must be accounted for separately from any other funds. The village of Oak Lawn Finance Department established the Police Investigations and Confiscations account for all asset forfeiture funds – federal, state, and county – received by the Oak Lawn PD. The Finance Department used three distinct subsidiary ledger codes to denote whether individual receipts and expenditures were related to state, county, or federal seizure activity. While the Oak Lawn PD was responsible for executing financial transactions, the Finance Department was responsible for posting and maintaining the accounting ledgers.

During the audit, we determined that the Finance Department and the Oak Lawn PD were using the federal equitable sharing account as a cash account to immediately fund transactions associated with an unrelated reimbursable federal grant and another unrelated reimbursable federal program. Although the Finance Department and the Oak Lawn PD were reimbursing the federal equitable sharing account as soon as payments from the federal program and grant were received, neither entity specifically tracked the transactions associated with these activities. As a result, transactions associated with these other activities were included in the federal equitable sharing ledger and were inaccurately reported to AFMLS in the annual certification reports. These issues, as well as other record-keeping discrepancies, are discussed in detail below.

### *Inappropriate Use of Equitable Sharing Funds*

Unrelated to its equitable sharing activities, the village of Oak Lawn received a non-DOJ federal grant to provide funding for expenses associated with emergency preparedness activities. During our fieldwork, we determined that the village of Oak Lawn Finance Department used the federal equitable sharing account as a cash account to pay for training, travel, and equipment grant expenses, which would later be reimbursed through the emergency preparedness grant program. The Oak Lawn PD approved of the village of Oak Lawn Finance Department using the equitable sharing account in this way because Oak Lawn PD officials believed that the equitable sharing funds were only paying for police expenses. However, we found that the Oak Lawn PD equitable sharing manager was unaware that some of the expenditures were made on behalf of the Fire Department and were not law enforcement related. Because the Guide requires that equitable sharing funds only be used by law enforcement agencies for law enforcement purposes and the program guidelines do not provide for using equitable sharing funds as an advance against future reimbursements, we believe that the village of Oak Lawn's use of the equitable sharing funds in this way is inappropriate.

Moreover, the village of Oak Lawn Finance Department did not establish a unique accounting code to identify on the federal equitable sharing subsidiary ledger all transactions associated with the federal grant program, and the Oak

Lawn PD did not provide the village of Oak Lawn Finance Department with its list of all expenditures associated with the federal grant. As a result, it was not possible to readily determine specific federal grant expenses that the Finance Department initially paid with equitable sharing funds. Although the village of Oak Lawn Finance Department and the Oak Lawn PD provided the OIG with documentation of all of the federal grant expenditures and reimbursements, we found that this documentation was irreconcilable.

The Oak Lawn PD also participates on a federally administered drug task force in the local area. The Oak Lawn PD had two officers participate on the local task force during the scope of our audit. If the task force operations result in seized assets that are then forfeited, the Oak Lawn PD receives a share of the proceeds from the assets through the DOJ equitable sharing program. The Oak Lawn PD signs a yearly task force agreement that stipulates that the federal agency agrees to pay up to \$17,202 per year in overtime expense for each police officer assigned to the local task force. However, the Oak Lawn PD did not cap their participating officers to \$17,202 in overtime per year. Instead, once the participating officers reached the maximum amount of federal reimbursement for overtime, the village of Oak Lawn Finance Department continued to pay the overtime expenses with equitable sharing funds, which is an allowable use of equitable sharing funds.

We found, however, that the village of Oak Lawn Finance Department also used equitable sharing funds to initially pay all of the overtime of the two officers assigned to the task force and later reimbursed the equitable sharing account when it received the task force's payment. Like the situation detailed in the previous discussion, the village of Oak Lawn Finance Department was inappropriately using the Oak Lawn PD federal equitable sharing account as a cash account to immediately pay for reimbursable services associated with the federal task force program. Moreover, our review identified that the reimbursement payments for task force officer overtime were not accurately reflected on the federal equitable sharing account ledger.

When we questioned Finance Department officials about this error, they stated that they incorrectly tracked overtime expenses and miscalculated the task force's reimbursement amount. Although Finance Department officials were aware of this discrepancy, they never informed the Oak Lawn PD of the issue and did not update the equitable sharing ledger with the corrected amounts. As a result, the federal equitable sharing ledger contained errors that went undetected until our review.

According to Oak Lawn Finance Department officials, as of February 2014 they corrected the federal equitable sharing ledger to properly reflect the task force overtime expenses. Moreover, these officials and Oak Lawn PD officials stated that they would no longer use equitable sharing funds to pay for reimbursable overtime expenses associated with the task force program. We confirmed that the Oak Lawn PD made appropriate corrections to the federal equitable sharing ledger and

that the corrected transactions accurately reflected federal equitable sharing account activity.

In our opinion, insufficient communication, lack of documented procedures, and poor internal controls allowed the village of Oak Lawn Finance Department to use the equitable sharing account as though it were an unrestricted cash account to advance funds for other reimbursable federal expenses, some of which were not associated with law enforcement activities. Therefore, we recommend that the Oak Lawn PD and the village of Oak Lawn Finance Department establish procedures to ensure that they account for DOJ equitable sharing funds separately from all other funds in their accounting system and only post federal equitable sharing transactions to the federal equitable sharing ledger. We also recommend that the Oak Lawn PD and the village of Oak Lawn Finance Department reexamine the equitable sharing ledger and ensure that all federal grant fund expenditures and reimbursements have been identified, removed from the federal equitable sharing ledger, and properly accounted for elsewhere.

#### *Accounting for Equitable Sharing Receipts*

The Oak Lawn PD receives all cash receipts from AFMLS via electronic fund transfer (EFT) from the USMS E-Share program, and funds are deposited directly into the village of Oak Lawn's asset forfeiture account. As previously stated, this bank account is specifically reserved for county, state, and federal asset forfeiture funds. The village of Oak Lawn Finance Department maintains separate subsidiary ledgers for each funding source (county, state, or federal). The Finance Department reconciles these subsidiary ledgers to the asset forfeiture bank account.

Whenever the Oak Lawn PD is going to receive equitable sharing funds, the USMS sends an e-mail to the Oak Lawn Police Chief notifying him of the upcoming receipt. The Police Chief forwards that e-mail to the Division Chief of Investigations, who is responsible for updating the asset forfeiture request log to reflect the receipt. However, the Police Chief does not as a matter of regular practice forward these e-mails to the Finance Department to ensure that the federal equitable sharing subsidiary ledger is updated. Moreover, the Oak Lawn PD does not reconcile the federal equitable sharing subsidiary ledger to asset forfeiture funds requested, received, and deposited.

During the audit, we reconciled the DOJ's Consolidated Asset Tracking System (CATS) report to the EFT log from the USMS and found that the individual receipts recorded in the two sources were identical. To determine whether the Oak Lawn PD adequately tracked equitably shared receipts and property and separately accounted for DOJ equitable sharing funds, we compared the AFMLS equitable sharing distribution reports to the Oak Lawn PD's accounting records. Finally, to verify the total amount of equitable sharing funds received during our review period, we compared the receipts listed on the Oak Lawn PD's Equitable Sharing Agreement and Annual Certification Reports (certification report) to the total

amounts listed as disbursed on the EFT log.<sup>5</sup> We also considered the results of our work performed as reported in the Use of Equitably Shared Resources section of this report.

During our review of receipts, we noted that the Oak Lawn PD did not receive equitably shared tangible property during FYs 2011 and 2012. However, the FY 2013 EFT log identified that the Oak Lawn PD received a vehicle. Our testing of non-cash assets is addressed in the Equitable Sharing Agreement and Annual Certification Report section of this report.

As shown in Exhibit 1, we reviewed all equitable sharing cash receipts from FY 2011 through FY 2013, totaling \$529,278, which had been posted to the federal equitable sharing ledger, and confirmed it was the same amount identified on the AFMLS report of DOJ equitable sharing distributions to the Oak Lawn PD.

**EXHIBIT 1: OAK LAWN PD  
EQUITABLE SHARING RECEIPTS**

OAK LAWN FY	CASH RECEIPTS
2011	\$203,275
2012	187,296
2013	138,707
<b>Total</b>	<b>\$529,278</b>

Source: E-Share Log

We traced the receipts from AFMLS and E-Share reports to the village of Oak Lawn’s federal equitable sharing ledger and found that the Oak Lawn PD appropriately deposited its asset forfeiture receipts and recorded them in its accounting records in a timely manner. Exhibit 2 displays the top six receipts that we reviewed, which cover over 50 percent of the total receipts.

**EXHIBIT 2: OAK LAWN PD SAMPLED RECEIPTS**

SAMPLE COUNT	E-Share LOG DISBURSEMENT DATE	OAK LAWN GENERAL LEDGER DEPOSIT DATE	AMOUNT RECEIVED
<b>1</b>	12/09/2011	12/09/2011	\$ 58,195
<b>2</b>	11/25/2011	11/25/2011	48,007
<b>3</b>	09/06/2011	09/08/2011	40,209
<b>4</b>	04/26/2012	04/26/2012	64,891
<b>5</b>	04/26/2012	04/26/2012	40,407
<b>6</b>	09/10/2013	09/11/2013	21,655
<b>TOTAL</b>			<b>\$273,364</b>

Source: E-Share Log and Oak Lawn PD Accounting Records

<sup>5</sup> At the time of our review, the Oak Lawn PD’s certification report for FY 2013 was not due, so we could not review or reconcile the receipts from E-Share to the certification report for that year.

During our review, we also found that two equitable sharing receipts – totaling \$4,941 – were mistakenly identified as task force receipts in the federal equitable sharing ledger. According to Oak Lawn PD officials, these transactions were incorrectly identified because the Oak Lawn PD began receiving payments to cover administrative costs associated with work that it conducted with a federal task force, but the Oak Lawn PD did not inform the Finance Department of the difference between DAG-71 receipts and these administrative payments. As a result, the Finance Department coded the payments incorrectly on the federal equitable sharing subsidiary ledger.

In addition, we identified a receipt for \$10,730 posted to the federal equitable sharing ledger and listed on the Oak Lawn PD’s FY 2012 certification report and noted that these funds were not included in the CATS report of equitable sharing funds provided to the Oak Lawn PD. Oak Lawn PD officials explained that this discrepancy occurred because in December 2012, the USMS mistakenly deposited funds that were meant for another recipient into the Oak Lawn PD’s equitable sharing account. On February 28, 2013, the USMS notified the Oak Lawn PD of the error and the Oak Lawn PD transferred the money to the correct recipient. Although the Oak Lawn PD provided support that in March 2013 the Finance Department transferred the \$10,730 to the correct recipient, we noted that as of March 2014 there was no offsetting correction to its federal equitable sharing subsidiary ledger.

**EXHIBIT 3: RECEIPTS COMPARISON**

FY	Receipts Per Certification	Receipts Per CATS/E-Share Log	Difference
<b>2011</b>	\$203,275	\$203,275	\$0
<b>2012</b>	\$198,025	\$187,295	\$10,730
<b>TOTAL</b>	<b>\$401,300</b>	<b>\$390,570</b>	<b>\$10,730</b>

Source: Oak Lawn PD Certifications and E-Share Log

We believe that the errors identified during our review of receipts and the equitable sharing ledger were the result of insufficient coordination and communication between the Oak Lawn PD and the village of Oak Lawn Finance Department. As a result, individuals responsible for managing various aspects of the equitable sharing program in the Oak Lawn PD and the village of Oak Lawn Finance Department were unaware of the work performed by others and how their work impacted the management of the equitable sharing program as a whole. Our earlier recommendation to develop formalized procedures for the administration of DOJ equitable sharing activities should address this need for coordination.

*Interest Income Allocation*

As previously mentioned, the Oak Lawn PD received all DOJ asset forfeiture funds via EFT from the USMS. The equitable sharing funds were deposited into a general interest-bearing bank account for federal, state, and county seized asset forfeiture receipts. Because DOJ asset forfeiture funds are deposited into a general,

interest-bearing bank account, the village of Oak Lawn must ensure that it properly accounts for the interest income earned specifically on the DOJ asset forfeiture funds. We found that the village of Oak Lawn attributed the total of \$1,011 in interest earned on the account during the audit period to the federal equitable sharing account. Because funds from other sources contributed to the overall balance in this account, this amount does not represent the interest earned specifically on federal forfeiture funds.

We discussed this issue with the Oak Lawn Finance Director who explained that all interest was recorded to the DOJ federal equitable sharing account because the amount of interest earned was nominal and it was easier for officials to record the interest to one account instead of dividing it among all sources of funding. However, the village of Oak Lawn should have separately accounted for interest income earned on DOJ federal equitable sharing funds. We therefore recommend that the village of Oak Lawn and the Oak Lawn PD establish procedures to ensure that interest earned on the general asset forfeiture account is accurately allocated among the county, state, and federal equitable sharing funding sources.

### **Federal Equitable Sharing Agreements and Certification Forms**

The Guide requires that any state or local law enforcement agency that receives forfeited cash, property, or proceeds because of a federal forfeiture submit a certification report. The submission of this form is a prerequisite to the approval of any equitable sharing request. Noncompliance may result in the denial of the agency's sharing request(s). The certification report must be submitted every year within 60 days after the end of the agency's fiscal year regardless of whether funds were received or maintained during the fiscal year. In addition, the head of the law enforcement agency and a designated official of the local governing body must sign the certification report. By signing the form, the signatories agree to be bound by the statutes and guidelines that regulate the equitable sharing program and certify that the law enforcement agency will comply with these guidelines and statutes.

As part of our audit, we reviewed the methods by which the Oak Lawn PD prepares its annual certification report. We found that the village of Oak Lawn Finance Director prepares the certification report on behalf of the Oak Lawn PD and submits it to AFMLS without discussing the accuracy of the information with the Oak Lawn PD equitable sharing manager.

We found that the Oak Lawn PD certification reports for FYs 2011 and 2012 were submitted on time and signed by the appropriate officials. However, as previously reported, we found that the Oak Lawn PD inappropriately included on its FY 2012 certification reports a receipt for an accidental deposit that was subsequently transferred to the correct recipient. Moreover, the Oak Lawn PD's FYs 2011 and 2012 certification reports included expenses associated with other reimbursable federal programs because the Oak Lawn PD used the DOJ equitable sharing account to advance funds to those programs while it was awaiting reimbursement from the responsible funding agencies. Finally, the Oak Lawn PD included in the certification reports interest earned on funds that were not specific

to its federal equitable sharing receipts. As a result, the actual equitable sharing expenses and receipts reported to AFMLS were overstated. We recommend that the Oak Lawn PD submit revised certification reports for FYs 2011 and 2012.

### **Use of Equitably Shared Resources**

The Guide requires that equitable sharing funds or tangible property received by state and local agencies be used for law enforcement purposes. However, under certain circumstances, up to 15 percent of the total equitable sharing revenues the agency received in the last 2 fiscal years may be used for the costs associated with nonprofit community-based programs or activities, such as drug abuse treatment, drug and crime prevention education, and housing and job skills programs. Law enforcement agencies can also transfer cash to another law enforcement agency.

#### *Use of Equitable Sharing Funds*

The Guide states that cash transfers to community-based programs are not permitted and that state and local law enforcement agencies are prohibited from making donations to support community-based programs. It also states that receiving agencies should use federal equitable sharing monies prudently, and in such a manner as to avoid any appearance of extravagance, waste, or impropriety.

Prior to our audit, AFMLS determined that the Oak Lawn PD used equitable sharing funds to pay for impermissible expenses, which included the building of a 9/11 memorial, a gun buyback program not operated by the Oak Lawn PD, the purchase of Christmas ornaments, and a donation to a dance program. AFMLS requested that the Oak Lawn PD reimburse the equitable sharing account \$6,815 for these expenses. We confirmed that the Oak Lawn PD reimbursed the equitable sharing fund \$6,815 on July 25, 2013.

In addition to confirming that the impermissible costs were reimbursed to the equitable sharing account, we tested a sample of 84 transactions totaling \$135,488 to assess whether these expenditures were allowable under equitable sharing guidelines. The number and amount of transactions we tested are summarized in Exhibit 4.<sup>6</sup>

#### **EXHIBIT 4: EXPENDITURE TESTING**

<b>Expenditures Tested</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>Total</b>
Amount	\$35,356	\$66,077	\$34,055	<b>\$135,488</b>
Number	21	45	18	<b>84</b>

Source: OIG Analysis of Oak Lawn PD's Accounting Records

The Oak Lawn PD maintained documents that adequately supported each tested transaction. However, our review identified \$13,796 in impermissible or

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<sup>6</sup> Details on our sampling methodology can be found in Appendix I. The exact expenditure amounts may be greater or less than the amounts shown due to rounding.

unallowable expenses. These unallowable expenses included \$11,906 in reimbursement for travel costs for the provision of honor guards detailed to other cities.<sup>7</sup> AFMLS staff stated that the provision of honor guards detailed outside of the Oak Lawn PD's enforcement area were voluntary and expenditures for this purpose could not be paid for with equitable sharing funds. We also identified \$1,890 for expenses related to participation in charity fundraising events and charitable donations. According to the Guide, cash transfers and donations to support community based programs are prohibited. Therefore, the costs associated with these fundraising events and charitable donations are deemed impermissible expenses. We recommend that AFMLS remedy the \$13,796 associated with these questioned costs for honor guard details and charitable donations.

#### *Use of Equitable Sharing Property*

The Guide requires that any forfeited tangible property transferred to a state or local agency for official use must be used for law enforcement purposes only. Further, vehicles and other tangible property transferred for official law enforcement use must be used accordingly for at least 2 years. However, if the property becomes unsuitable for such stated purposes before the end of the 2-year period, it may be sold with approval from AFMLS and the proceeds are to be deposited in the agency's DOJ equitable sharing revenue account.

In FY 2013, the Oak Lawn PD received a vehicle through the equitable sharing program. We observed that the vehicle was on site and was being used for an appropriate law enforcement purpose.

#### *Supplanting*

The Guide 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 Oak Lawn PD's budgets for FYs 2011 through 2013 and sampled expenditures from these years.

As shown in Exhibit 5, we found that the Oak Lawn PD's total budgeted appropriations have steadily increased from FYs 2011 through 2013. Moreover, our testing of sampled expenditure transactions did not reveal any evidence of supplanting. Therefore, we did not identify any indications that the village of Oak Lawn used DOJ equitable sharing funds to supplant the Oak Lawn PD's budget.

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<sup>7</sup> An honor guard is a designated unit to perform ceremonial functions at a formal event, such as a parade or a funeral for a fallen law enforcement official.

**EXHIBIT 5: OAK LAWN PD BUDGET FY 2011 TO FY 2013**

Description	FY 2011	FY 2012	FY 2013
Budget (\$)	\$13,887,382	\$15,830,008	\$16,565,607

Source: Oak Lawn Municipal Historical Budget Expenditures

**Compliance with Audit Requirements**

The Guide requires the Oak Lawn PD to comply with audit requirements of the Single Audit Act and Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (OMB Circular A-133). 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, provided that they have expended \$500,000 or more in federal funds in a given year. The Schedule of Expenditures of Federal Awards is included within the entity's Single Audit Report.

To determine if the Oak Lawn PD accurately reported DOJ equitable sharing fund expenditures on its Schedule of Expenditures of Federal Awards, we reviewed the Oak Lawn PD's accounting records and the village of Oak Lawn Single Audit Reports for FYs 2011 and 2012. While federal equitable sharing funds were omitted on the 2011 single audit, the village of Oak Lawn took corrective action by issuing an amended FY 2011 report on June 28, 2013, which was prior to the start of our audit. In addition, we found that the village of Oak Lawn included equitable sharing funds on the FY 2012 single audit report.

The village of Oak Lawn's single audit reports for FYs 2011 and 2012 contained a finding related to a lack of policies and procedures manuals, which caused problems following the loss of a key accounting employee. We found that this position was still vacant at the time of our review. Although its response to the FYs 2011 and 2012 Single Audit Reports stated that the village of Oak Lawn would make every effort toward finalizing a policies and procedures manual, this action had not occurred at the time of our audit.

**Monitoring Applications for Transfer of Federally Forfeited Property**

An agency must complete a Form DAG-71 when requesting its portion of equitable sharing funds.<sup>8</sup> The Guide states that all participating agencies should maintain a DAG-71 log of all sharing requests that consecutively numbers the requests and includes, for each request, the seizure type, seizure amount, share amount requested, amount received, and date received. In addition, the Guide requires that the DAG-71 log be updated when an E-Share notification is received.

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<sup>8</sup> The Form DAG-71, Application for Transfer of Federally Forfeited Property (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.

The Oak Lawn PD received most of its equitable sharing funds through its involvement with a local drug task force. As previously mentioned, during the audit review period, the Oak Lawn PD had two officers assigned to the task force. According to Oak Lawn PD officials, Oak Lawn PD task force officers who participated in an investigation resulting in a seizure were responsible for submitting a DAG-71 requesting a portion of the forfeiture. The police officer would submit the request directly to the task force sponsor and send a copy to the Oak Lawn PD Division Chief of Investigations. The Division Chief of Investigations maintained copies of the DAG-71s and kept a DAG-71 log. However, during interviews, Oak Lawn PD staff identified each other as the one performing the reconciliations, resulting in no one performing the task. As a result, numerous errors went undetected until our review. In our opinion, the absence of documented procedures previously discussed under the Internal Controls Assessment section, as well as the lack of communication between staff resulted in the absence of a process to reconcile the DAG-71 log to the subsequent EFT deposits and to the federal equitable sharing subsidiary ledger.

We attempted to verify that all the receipts from FY 2011 through FY 2013 were accounted for in the DAG-71 log, EFT deposit records, and federal equitable sharing subsidiary ledger. We identified a variety of errors in the DAG-71 log when we compared it to the USMS EFT reports and the federal equitable sharing subsidiary ledger maintained by the village of Oak Lawn Finance Department. These errors included incorrect or missing DAG-71 information and duplicate DAG-71 entries. Following the OIG's review, Oak Lawn PD officials corrected the DAG-71 log errors and provided an updated log that adequately accounted for all of the receipts from FY 2012 through September 30, 2013. Nevertheless, we recommend that the Oak Lawn PD establish formal, written procedures to ensure the DAG-71 log is periodically reconciled to the EFT deposit records and its own federal equitable sharing subsidiary ledger.

### **Views of Responsible Officials**

We discussed the results of our review with officials from the Oak Lawn PD and the village of Oak Lawn Finance Department 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 Criminal Division:

1. Ensure that the Oak Lawn PD develops written procedures for the administration of the federal equitable sharing program through the development of formalized policies that address the needs for cross-training and a back-up person to learn and oversee the program in the event of an extended absence of officials responsible for managing the equitable sharing program.

2. Ensure that the village of Oak Lawn Finance Department establishes procedures to ensure that it accounts for DOJ equitable sharing funds separately from all other funds in its accounting system and only posts federal equitable sharing transactions to the federal equitable sharing ledger.
3. Ensure that the Oak Lawn PD and the village of Oak Lawn Finance Department reexamine the equitable sharing ledger and ensure that all non-equitable sharing federal program expenditures and reimbursements have been identified, removed from the federal equitable sharing ledger, and properly accounted for elsewhere.
4. Ensure that the village of Oak Lawn Finance Department establishes procedures to ensure that interest earned on the federal equitable sharing funds is appropriately allocated.
5. Ensure that the Oak Lawn PD submits amended certification reports for FYs 2011 and 2012 to show actual federal equitable sharing receipts and expenditures, as well as the appropriate amount of interest earned on DOJ equitable sharing funds.
6. Remedy the \$13,796 in questioned costs associated with impermissible expenses.
7. Ensure that the Oak Lawn PD establishes a formal, written procedure that requires the DAG-71 log to be periodically reconciled with the EFT receipts and its federal equitable sharing ledger to ensure all receipts are accurately recorded.

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

### Objective

The objective of this audit was to assess whether equitably shared cash and property received by the requesting agency were accounted for properly and used for allowable purposes as defined by the applicable regulations and guidelines. We tested compliance with the conditions of the DOJ equitable sharing program. We reviewed laws, regulations, and guidelines governing the accounting for and use of DOJ equitable sharing receipts, including:

- Guide to Equitable Sharing for State and Local Law Enforcement Agencies, dated April 2009; and
- OMB Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations, revised June 2003.

Unless otherwise stated in our report, the criteria we audited against are contained in these documents.

### Scope and Methodology

Our audit concentrated on, but was not limited to, equitable sharing receipts received by the Oak Lawn PD from January 1, 2011, through September 30, 2013. During that period, the Oak Lawn PD received a total of \$553,653 in cash and property. We performed audit work mainly at the Oak Lawn, Illinois, PD located in Oak Lawn, Illinois. We interviewed Oak Lawn PD and village of Oak Lawn Finance Department officials and examined their records of federal asset forfeiture revenues and expenditures of DOJ equitable sharing funds.

We judgmentally determined which transactions had the potential of being high risk and selected a sample that contained the highest dollar transactions for each fiscal year. Specifically, we selected 21 transactions from FY 2011 totaling \$35,356, 45 transactions from FY 2012 totaling \$66,077, and 18 transactions from FY 2013 totaling \$34,055. In total, we reviewed 84 transactions totaling \$135,488.

We relied on computer-generated data contained in the DOJ CATS and the USMS EFT system for determining equitably shared revenues and property awarded

to the Oak Lawn PD during the audit period. We did not establish the reliability of the data contained in these systems as a whole. However, when the data used is viewed in context with other available evidence, we believe the opinions, conclusions, and recommendations included in this report are valid.

In planning and performing our audit, we considered internal controls established and used by the Oak Lawn PD and the village of Oak Lawn Finance Department in managing the DOJ equitable sharing program. We did not assess the reliability of the Oak Lawn PD's financial management system or the internal controls of that system. Moreover, we did not assess internal controls and compliance with laws and regulations for the village of Oak Lawn government as a whole.

Our audit included an evaluation of the village of Oak Lawn's Single Audit Reports for FYs 2011 and 2012. The Single Audit Reports were prepared under the provisions of OMB Circular A-133. We found that the independent auditor's assessment for both FYs 2011 and 2012 disclosed one internal control weakness related to the village of Oak Lawn that potentially affected the Oak Lawn PD. This weakness specifically identified that the village of Oak Lawn did not have documented policies and procedures manuals. We have addressed this weakness in our report as it relates to the Oak Lawn PD equitable sharing program.

### SCHEDULE OF DOLLAR-RELATED FINDINGS

Description	Amount	Page
Questioned Costs <sup>9</sup>		
Unallowable Honor Guard Details	\$11,906	11
Unallowable Charitable Donations and Fundraising Activities	1,890	11
<b>Net Questioned Costs.....</b>	<b>\$13,796</b>	<b>10</b>
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<b>TOTAL NET DOLLAR-RELATED FINDINGS.....</b>	<b>\$13,796</b>	<b>10</b>

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<sup>9</sup> **Questioned Costs** are expenditures that do not comply with legal, regulatory or contractual requirements, or 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 the provision of supporting documentation.

## AUDITEE RESPONSE

# OAK LAWN POLICE DEPARTMENT

9446 S. Raymond Avenue • Oak Lawn, Illinois 60453 • Phone (708) 422-8292  
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**Michael Murray**  
Chief of Police  
SPSC 207th



**Roger Pawlowski**  
Division Chief Administrative  
SPSC 123rd



**Michael Kaufmann**  
Division Chief Investigations  
FBI/NA 212th

**Thomas Simon**  
Division Chief Patrol  
SPSC 175th

July 30, 2014

Ms. Carol S. Taraszka  
Regional Audit Manager  
U.S. Department of Justice  
Office of the Inspector General  
Chicago Regional Audit Office  
500 West Madison Street, Suite 1121  
Chicago, Illinois 60661-2590

Re: Response from the Village of Oak Lawn Police Department to the Draft Audit Report

Dear Ms. Taraszka:

The Village of Oak Lawn Police Department ("OLPD") has received the letter from your office dated July 10, 2014 and reviewed the copy of the Draft Audit Report attached with your correspondence. The OLPD and the Village's Finance Department understand the assertions made within this report with respect to the OLPD's Equitable Sharing Program Activities ("Equitable Sharing") and would like to address the recommendations made by your office to the Criminal Division within the Department of Justice ("DOJ") an official response as summarized below:

**Recommendation 1:**

Ensure that the Oak Lawn PD develops written procedures for the administration of the federal equitable sharing program through the development of formalized procedures that address the needs for cross-training and a back-up person to learn and oversee the program in the event of an extended absence of officials responsible for managing the equitable sharing program.

**Response:**

The OLPD and the Village's Finance Departments agree with the recommendation and will develop improved and more formal written administrative procedures. We are in contact with AFMLS for the purpose of obtaining a template from which to begin this process. While the OLPD and the Village Finance Department believe that the administrative procedures that the audit team is addressing were already in place, we

certainly recognize the need to formalize the process in writing. The final written policy and procedures will contain instructions on additional cross-training and the identification of additional personnel already employed by the Village. As requested by your office, this cross-training will identify additional employees to back-up the three primary OLPD officials (Chief of Police and Two Division Chiefs) and in the Finance Department (Director of Finance & Administrative Services) already responsible for the administrative duties for the Equitable Sharing Program Activities but who may not be able to perform those duties for any reason.

**Recommendation 2:**

Ensure that the Village of Oak Lawn Finance Department establishes procedures to ensure that it accounts for DOJ equitable sharing funds separately from all other funds in its accounting system and only posts federal equitable sharing transactions to the federal equitable sharing ledger.

**Response:**

The Village of Oak Lawn's Finance Department currently has procedures in place to ensure that it accounts for DOJ equitable sharing funds separately from all other funds in its accounting system. The OLPD and the Finance Departments have met on this matter and agree to more closely follow the official Guide to Equitable Sharing for State and Local Law Enforcement Agencies when disbursing the funds for various permissible uses thereby ensuring that only federal equitable sharing transactions will be posted to the federal equitable sharing account in the Village's general ledger.

**Recommendation 3:**

Ensure that the Oak Lawn PD and the village of Oak Lawn Finance Department reexamine the equitable sharing ledger and ensure that all federal program expenditures and reimbursements have been identified, removed from the federal equitable sharing ledger, and properly accounted for elsewhere.

**Response:**

A full review of the expenditures made under non-DOJ federal grant described in the audit report will be conducted with the goal of classifying those expenditures associated with this grant. Once that determination is made and agreed to the recommendations made in the audit report, both the OLPD and the Village's Finance Department will make any necessary adjustments to the federal equitable sharing accounts.

**Recommendation 4:**

Ensure that the village of Oak Lawn Finance Department establishes procedures to ensure that interest earned on the federal equitable sharing funds is appropriately allocated.

**Response:**

The Village's Finance Department agrees with the audit recommendation and will develop an accounting procedure to more accurately allocate interest earned to the fund that properly earned the interest income based on the cash balance in the bank account.

**Recommendation 5:**

Ensure that the Oak Lawn PD submits amended certification reports for FYs 2011 and 2012 to show actual federal equitable sharing receipts and expenditures, as well as the appropriate amount of interest earned on DOJ equitable sharing funds.

**Response:**

The OLPD and the Village's Finance Department agree to submit amended annual reports for the FYs 2011 and 2012 as well as 2013 in conjunction with a preliminary review of the amended report by the DOJ's Criminal Division. This amendment will be based on the various adjustments and recommendations indicated in the audit report.

**Recommendation 6:**

Remedy the \$13,796 in questioned costs associated with impermissible expenses.

**Response:**

The OLPD and the Village's Finance Department agree to reimburse the federal equitable sharing fund from the Village's general operating fund for all disbursements that have been deemed impermissible by the DOJ's audit staff. The OLPD and the Village's Finance Department, however, believe that the determination by the DOJ's audit staff that the \$13,796 was for "impermissible" uses, was not in accordance with the "spirit" of the official Guide to Equitable Sharing. With all due respect, the funds used by the OLPD for expenditures such as the DARE dance and for attendance by the Village's law enforcement personnel at annual Honor Guard ceremonies held in Washington, D.C. was interpreted by those administering the federal equitable sharing fund as permissible uses, and the Village still stands behind that interpretation, but will nevertheless reimburse the equitable sharing fund as recommended in the audit report.

**Recommendation 7:**

Ensure that the Oak Lawn PD establishes a formal, written procedure that requires the DAG-71 log to be periodically reconciled with the EFT receipts and its federal equitable sharing ledger to ensure all receipts are accurately recorded.

**Response:**

The OLPD will take immediate steps to remedy this with a more formal reconciliation process as recommended in the audit report findings. Additional reconciliation oversight will be provided by the cash manager in the Village's Finance Department. Finally, as indicated in an earlier response to the audit report's recommendations, written procedures will be established to cover the regular reconciliation process for equitable sharing fund deposits from the DAG-71 log to the EFT receipts and deposited into the proper bank account.

Thank you for your time and attention to this matter and in ultimately reaching resolution between the DOJ and the Village. Please do not hesitate to me by email or at (708) 499-7727 with any questions or additional issues that you may have in this regard.

Very truly yours,



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## U.S. DEPARTMENT OF JUSTICE RESPONSE



U.S. Department of Justice

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 Washington, D.C. 20530

JUL 18 2014

MEMORANDUM

TO: Carol S. Taraszka  
Regional Audit Manager  
Chicago Regional Audit Office  
Office of the Inspector General

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

SUBJECT: DRAFT OIG AUDIT REPORT- Audit of the Village of Oak Lawn Police  
Department's Equitable Sharing Activities  
Oak Lawn, Illinois

In a memorandum for Leslie R. Cardwell dated July 10, 2014, your office provided a draft of the above referenced report, and requested comments and a response from the Criminal Division. The Asset Forfeiture and Money Laundering Section (AFMLS) concurs with each of the following recommendations:

1. Ensure that the Oak Lawn PD develops written procedures for the administration of the federal equitable sharing program through the development of formalized procedures that address the needs for cross-training and a back-up person to learn and oversee the program in the event of an extended absence of officials responsible for managing the equitable sharing program.
2. Ensure that the village of Oak Lawn Finance Department establishes procedures to ensure that it accounts for DOJ equitable sharing funds separately from all other funds in its accounting system and only posts federal equitable sharing transactions to the federal equitable sharing ledger.
3. Ensure that the Oak Lawn PD and the village of Oak Lawn Finance Department reexamine the equitable sharing ledger and ensure that all federal program expenditures and reimbursements have been identified, removed from the federal equitable sharing ledger, and properly accounted for elsewhere.

4. **Ensure that the village of Oak Lawn Finance Department establishes procedures to ensure that interest earned on the federal equitable sharing funds is appropriately allocated.**
5. **Ensure that the Oak Lawn PD submits amended certification reports for FYs 2011 and 2012 to show actual federal equitable sharing receipts and expenditures, as well as the appropriate amount of interest earned on DOJ equitable sharing funds.**
6. **Remedy the \$13,796 in questioned costs associated with impermissible expenses.**
7. **Ensure that the Oak Lawn PD establishes a formal, written procedure that requires the DAG-71 log to be periodically reconciled with the EFT receipts and its federal equitable sharing ledger to ensure all receipts are accurately recorded.**

Upon submission of the final report for the above referenced audit, AFMLS will work with the Village of Oak Lawn Police Department to take the necessary actions to close out the audit report recommendations. Please feel free to contact me at (202) 514-1470 with any further questions.

cc: Denise Turcotte, Audit Liaison  
Criminal Division

Richard P. Theis, Assistant Director  
Audit Liaison Group  
Internal Review and Evaluation Office  
Justice Management Division

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

The OIG provided a draft of this audit report to the Oak Lawn Police Department (Oak Lawn PD) and the U.S. Department of Justice, Criminal Division, Asset Forfeiture and Money Laundering Section (AFMLS). The Oak Lawn PD's response is incorporated in Appendix III of this final report, and AFMLS's response is incorporated in Appendix IV. The following provides the OIG analysis of the responses and summary of actions necessary to close the report.

**Recommendation:**

- 1. Ensure that the Oak Lawn PD develops written procedures for the administration of the federal equitable sharing program through the development of formalized policies that address the needs for cross-training and a back-up person to learn and oversee the program in the event of an extended absence of officials responsible for managing the equitable sharing program.**

Resolved. Both the Oak Lawn PD and AFMLS concurred with our recommendation. AFMLS stated in its response that it will work with the Oak Lawn PD to ensure the necessary actions are taken to address this recommendation. In its response, the Oak Lawn PD stated that it will work with officials from the village of Oak Lawn Finance Department and AFMLS to develop formal written procedures for the administration of the federal equitable sharing program. The Oak Lawn PD stated that these formalized procedures will identify additional employees to back up officials who are responsible for equitable sharing program administration and will contain instructions on additional cross-training for current employees.

This recommendation can be closed when we receive evidence that the Oak Lawn PD has implemented formal, written program procedures that contain instructions on additional cross-training that will identify additional employees to back up officials responsible for equitable sharing program administration.

- 2. Ensure that the village of Oak Lawn Finance Department establishes procedures to ensure that it accounts for DOJ equitable sharing funds separately from all other funds in its accounting system and only posts federal equitable sharing transactions to the federal equitable sharing ledger.**

Resolved. Both the Oak Lawn PD and AFMLS concurred with our recommendation. In its response, AFMLS stated that it will work with the Oak Lawn PD to ensure the necessary actions are taken to address the

recommendation. The Oak Lawn PD stated in its response that the village of Oak Lawn Finance Department has procedures in place to ensure that it accounts for equitable sharing funds separately from all other funds in the accounting system. During our audit, we found that the auditee had established adequate transaction coding procedures that could be used to identify DOJ equitable sharing activities separately from other activities. However, these procedures had not been formalized into a written policy. In addition, we found these procedures to be ineffective in practice because, as detailed in the Findings and Recommendations section of the report, we found that the Oak Lawn PD and the village of Oak Lawn Finance Department used equitable sharing funds as a cash account to pay for expenses not related to the program. As a result, non-program expenditures were posted to the federal equitable sharing account and not sufficiently tracked for easy identification.

The Oak Lawn PD further stated in its response that the village of Oak Lawn Finance Department and the Oak Lawn PD have both agreed to more closely follow the official Guide to Equitable Sharing for State and Local Law Enforcement Agencies when disbursing funds to ensure that only federal equitable sharing transactions will be posted to the federal equitable sharing account ledger.

This recommendation can be closed when we receive evidence that the village of Oak Lawn Finance Department and the Oak Lawn PD have implemented formal, written procedures that ensure only DOJ equitable sharing transactions are posted to the federal equitable sharing general ledger.

- 3. Ensure that the Oak Lawn PD and the village of Oak Lawn Finance Department reexamine the equitable sharing ledger and ensure that all non-equitable sharing federal program expenditures and reimbursements have been identified, removed from the federal equitable sharing ledger, and properly accounted for elsewhere.**

Resolved. Both the Oak Lawn PD and AFMLS concurred with our recommendation. AFMLS stated in its response that it will work with the Oak Lawn PD to ensure the necessary actions are taken to address the recommendation. In its response, the Oak Lawn PD stated that it will conduct a full review of expenditures made under a non-DOJ grant to ensure that those expenditures are classified appropriately. Once the Oak Lawn PD completes the review, it will work with the village of Oak Lawn Finance Department to make any necessary adjustments to the federal equitable sharing account. We agree with this approach, but believe that the Oak Lawn PD must ensure that it reconciles the entirety of the equitable sharing ledger to ensure all relevant transactions are identified.

This recommendation can be closed when we receive evidence that the Oak Lawn PD has reexamined the official accounting records for any non-DOJ transactions assigned to the federal equitable sharing account and adjusted the official accounting records.

**4. Ensure that the village of Oak Lawn Finance Department establishes procedures to ensure that interest earned on the federal equitable sharing funds is appropriately allocated.**

Resolved. Both the Oak Lawn PD and AFMLS concurred with our recommendation. AFMLS stated in its response that it will work with the Oak Lawn PD to ensure the necessary actions are taken to address the recommendations. In its response, the Oak Lawn PD stated that the village of Oak Lawn Finance Department will develop an accounting procedure to more accurately allocate interest earned on federal equitable sharing funds based on the cash balance in the bank account.

This recommendation can be closed when we receive evidence that the village of Oak Lawn Finance Department and the Oak Lawn PD have implemented a formal, written procedure to ensure that interest earned on federal equitable sharing funds is appropriately allocated.

**5. Ensure that the Oak Lawn PD submits amended certification reports for FYs 2011 and 2012 to show actual federal equitable sharing receipts and expenditures, as well as the appropriate amount of interest earned on DOJ equitable sharing funds.**

Resolved. Both the Oak Lawn PD and AFMLS concurred with our recommendation. AFMLS stated in its response that it will work with the Oak Lawn PD to ensure the necessary actions are taken to address the recommendation. In its response, the Oak Lawn PD stated that it will submit amended annual reports for FYs 2011 and 2012, as well as FY 2013 in conjunction with a preliminary review of the amended report by the DOJ's Criminal Division.

This recommendation can be closed when we receive evidence that the Oak Lawn PD has submitted revised FYs 2011 and 2012 certification reports that accurately and completely reflect its equitable sharing activities during these time periods, including the appropriate amount of interest earned on DOJ equitable sharing funds.

**6. Remedy the \$13,796 in questioned costs associated with impermissible expenses.**

Resolved. Both the Oak Lawn PD and AFMLS concurred with our recommendation. AFMLS stated in its response that it will work with the Oak Lawn PD to ensure the necessary actions are taken to address the recommendations. In its response, the Oak Lawn PD stated that it agreed to reimburse the federal equitable sharing fund for all disbursements deemed impermissible. However, the Oak Lawn PD's response states that the expenses questioned in the audit report were permissible and were expended in

accordance with the “spirit” of the official Guide to Equitable Sharing for State and Local Law Enforcement Agencies. The OIG disagrees. The OIG reviews all transactions and expenses based on the Guide to Equitable Sharing for State and Local Law Enforcement Agencies. We found that the \$13,796 in questioned costs were mainly associated with expenses for honor guard detailees outside of the village of Oak Lawn, and we discussed this with AFMLS officials who indicated that this was not permissible. The Oak Lawn PD used the remaining funds to pay for fundraising events or charitable donations; according to the Guide these types of cash transfers and donations that support community based programs are prohibited. Therefore, the costs associated with these events and donations are unallowable federal equitable sharing expenses.

This recommendation can be closed when we receive evidence that the \$13,796 in questioned costs has been adequately remedied.

- 7. Ensure that the Oak Lawn PD establishes a formal, written procedure that requires the DAG-71 log to be periodically reconciled with the EFT receipts and its federal equitable sharing ledger to ensure all receipts are accurately recorded.**

Resolved. Both the Oak Lawn PD and AFMLS concurred with our recommendation. AFMLS stated in its response that it will work with the Oak Lawn PD to ensure the necessary actions are taken to address the recommendation. In its response, the Oak Lawn PD stated that it will take immediate steps to establish a more formal reconciliation process. In addition, the Oak Lawn PD stated that the cash manager in the village of Oak Lawn Finance Department will provide additional reconciliation oversight. Moreover, Oak Lawn PD will establish written procedures for reconciling the DAG-71 log to the EFT receipts and ensuring that funds are deposited into the proper bank account.

This recommendation can be closed when we receive evidence that the Oak Lawn PD has implemented formal, written procedures to establish a reconciliation process that requires the DAG-71 log to be periodically reconciled with the EFT receipts and its federal equitable sharing ledger to ensure all receipts are accurately recorded.