



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



Audit of Rowlett Police Department's Equitable Sharing Program Activities Rowlett, Texas

AUDIT OF ROWLETT POLICE DEPARTMENT'S EQUITABLE SHARING PROGRAM ACTIVITIES ROWLETT, TEXAS

EXECUTIVE SUMMARY

The Department of Justice (DOJ) Office of the Inspector General (OIG) has completed an audit of the DOJ equitable sharing revenues received by the Rowlett Police Department (RPD) in Rowlett, Texas. The audit covered fiscal years (FY) 2012 through 2014. During the audit period, RPD received \$1,938,521 in DOJ equitable sharing cash disbursements and \$16,837 in tangible property to support law enforcement operations.

The objective of the audit was to assess whether RPD accounted for equitable sharing funds properly and used such revenues for allowable purposes as defined by applicable guidelines. We found that RPD generally accounted for equitable sharing funds properly and used the funds for allowable purposes. Our audit disclosed that RPD did not maintain an equitable sharing log recording requests and receipts as required by equitable sharing guidelines, and that the FY 2012 Equitable Sharing Agreement and Certification form was not accurate. However, as a result of our audit, RPD immediately created and implemented an equitable sharing receipts log. Further, the inaccurate amount reported on the certification form was immaterial. As a result, we do not make any recommendations regarding these issues.

We discussed the results of our audit with RPD officials and have included their comments in the report, as applicable. In addition, we provided RPD and the Criminal Division's Asset Forfeiture and Money Laundering Section (AFMLS) the opportunity to provide written responses to the draft audit report. However, since the draft report did not contain any recommendations that need to be addressed, both Rowlett and CRM declined to provide written responses.

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 1.

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EQUITABLE SHARING PROGRAM ACTIVITIES
ROWLETT, TEXAS**

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INTRODUCTION

The Department of Justice (DOJ) Office of the Inspector General (OIG) has completed an audit of the DOJ equitable sharing revenues received by the Rowlett Police Department (RPD) in Rowlett, Texas. The audit covered fiscal years (FY) 2012 through 2014. During the audit period, RPD received \$1,938,521 in DOJ equitable sharing cash disbursements and \$16,837 in tangible property to support law enforcement operations. The objective of the audit was to assess whether RPD accounted for equitable sharing funds properly and used such revenues for allowable purposes as defined by applicable guidelines.

Background

The DOJ Asset Forfeiture Program is a nationwide law enforcement initiative that removes the tools of crime from criminal organizations, deprives criminals of the proceeds of their crimes, recovers property that may be used to compensate victims, and deters crime. Because asset forfeiture deprives criminals of the profits and proceeds derived from their illegal activities, it is one of the most powerful tools available to law enforcement agencies. A key element of the DOJ's asset forfeiture initiative is the equitable sharing program whereby the DOJ and its components share a portion of federally forfeited cash, property, and proceeds with state and local law enforcement agencies.

State and local law enforcement agencies may receive equitable sharing funds by participating directly with DOJ agencies on investigations that lead to the seizure and forfeiture of property, or by seizing property and requesting one of the DOJ agencies to adopt the seizure and proceed with federal forfeiture. Once an investigation is completed and the seized assets are forfeited, the assisting state and local law enforcement agencies can request a share of the forfeited assets or a percentage of the proceeds derived from the sale of forfeited assets. Generally, the degree of a state or local agency's direct participation in an investigation determines the amount or percentage of funds shared with that agency.

Although several DOJ agencies are involved in various aspects of the seizure, forfeiture, and disposition of equitable sharing revenues, three DOJ components work together to administer the equitable sharing program – the United States Marshals Service (USMS), the Justice Management Division (JMD), and the Criminal Division's Asset Forfeiture and Money Laundering Section (AFMLS). The USMS is responsible for transferring asset forfeiture funds from the DOJ to the receiving state or local agency. JMD manages the Consolidated Asset Tracking System (CATS), a database used to track federally seized assets throughout the forfeiture life-cycle. Finally, AFMLS tracks membership of state and local participants,

updates the equitable sharing program rules and policies, and monitors the allocation and use of equitably shared funds.

To request a share of the seized assets, a state or local law enforcement agency must first become a member of the DOJ equitable sharing program. Agencies can become members of the program by signing and submitting an annual equitable sharing agreement and certification form to AFMLS. As part of each annual agreement, officials of participating agencies certify that they will use equitable sharing funds for law enforcement purposes.

Rowlett Police Department

Incorporated in 1952, the City of Rowlett covers approximately 20 square miles in eastern Dallas and western Rockwall Counties in Texas. The City of Rowlett has a population of over 54,000 residents. The Rowlett Police Department (RPD) was established in 1971 and has been under the leadership of the current Police Chief since 2012. According to an AFMLS official, RPD has been a member of the DOJ equitable sharing program since 2001.

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) as our primary criteria. The Guide outlines the accounting procedures and requirements for tracking equitably shared monies and tangible property, establishes reporting and audit requirements, and defines permissible uses of equitably shared resources.

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

- **Accounting for equitable sharing receipts** to determine whether standard accounting procedures were used to track equitable sharing assets.
- **Federal 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 Appendix 1 for more information on our objectives, scope and methodology.

FINDINGS AND RECOMMENDATIONS

The objective of the audit was to assess whether RPD accounted for equitable sharing funds properly and used such revenues for allowable purposes as defined by applicable guidelines. As discussed in the following sections, we found that RPD generally accounted for equitable sharing funds properly and used the funds for allowable purposes.

Accounting for Equitably Shared Resources

The Guide requires that law enforcement agencies use standard accounting procedures to track equitable sharing program receipts. We reviewed the AFMLS Distribution Report for FYs 2012 through 2014 and determined RPD received \$1,938,521 in DOJ equitable sharing cash disbursements and \$16,837 in tangible property to support law enforcement operations, as shown in Table 1.

TABLE 1

Rowlett Police Department Equitable Sharing Receipts¹

FY	CASH OR PROCEEDS	TANGIBLE ASSETS	TOTAL
2012	\$ 623,552	-	\$ 623,552
2013	1,008,536	-	1,008,536
2014	306,432	\$ 16,837	323,269
TOTAL	\$1,938,520	\$16,837	\$1,955,357

Source: AFMLS DOJ Detail Distribution Report

We determined that RPD was separately accounting for DOJ equitable sharing receipts and expenditures as required by the Guide. A City of Rowlett official stated that funds are direct deposited into an account solely dedicated to seizure funds. In addition, we were told that a notification is received from the Finance Department that equitable sharing funds have been received via electronic mail or a monthly reconciliation report. The corresponding DAG-71 is pulled and placed in a binder. Further, the deposit is noted in a federal seizure spreadsheet maintained by RPD for each fiscal year.²

According to the Guide, the USMS electronically transfers equitable sharing payments to a state or local law enforcement agency's bank account. To determine if RPD properly accounted for DOJ equitable sharing funds, we reviewed and traced five equitable sharing receipts totaling \$1,043,172 listed on the AFMLS Distribution Report through the corresponding DAG-71s and bank records. Our review indicated that RPD properly accounted for DOJ equitable sharing funds.

¹ Throughout this report differences in the amounts are due to rounding.

² According to the Equitable Sharing Guide, a state or local agency completes and submits a separate Form DAG-71, "Application for Transfer of Federally Forfeited Property" for each shared asset request.

Equitable sharing guidelines also require that participants use property acquired via the program for appropriate, law enforcement purposes. We identified one tangible property receipt from the AFMLS Distribution Report for FYs 2012 through 2014. We reviewed the tangible property item and found that it was listed on the inventory and used for allowable law enforcement purposes.

According to the Guide, local law enforcement agencies must update their equitable sharing log when a USMS E-Share notification is received. Although they were received in the past, according to a City of Rowlett official, RPD has not been receiving E-Share notifications for equitable sharing deposits. We were informed that bank deposits have to be traced back to seizure cases to determine if they are federal equitable sharing disbursements. We informed USMS officials that RPD had not been receiving the E-Share notifications. A USMS official stated that the transition of DOJ's former financial system to the current one may have affected the functionality of the E-Share notifications. In addition, he stated that AFMLS was working on an E-Share query system that state and local agencies can access to view equitable sharing data. An RPD official stated that they have used the E-Share system for inquiry purposes to tie deposits back to a particular DAG-71. Despite the fact that RPD had not received notification of equitable sharing receipts, our work indicated that it has tracked federal equitable sharing receipts deposited into its account and adequately documented them in its accounting records.

According to the Guide, agencies receiving equitable sharing revenues should maintain a log of all sharing requests that lists the seizure type, seizure amount, share amount requested, amount received, and date received for each request. Since the amount actually received may differ from the amount requested on the DAG-71 forms, receiving agencies should periodically update the log to ensure accurate recordkeeping.

We found that RPD did not maintain an equitable sharing log recording requests and receipts. However, RPD did maintain all DAG-71s along with information regarding the seizure type, seizure amount, share amount requested, amount received, and the date received. Although there was no equitable sharing log, the RPD official responsible for maintaining equitable sharing requests documented the date and amount received on each DAG-71. Once we informed RPD officials that the Guide requires agencies to keep a log of equitable sharing receipts, they immediately created and implemented an equitable sharing receipts log. As a result, we do not make any recommendations regarding this issue.

Federal Equitable Sharing Agreements and Certification Forms

According to the Guide, state and local law enforcement agencies must submit Equitable Sharing Agreement and Certification forms within 60 days after the end of an agency's fiscal year. The agreement must be signed by the head of the law enforcement agency and a designated official of the local governing body. Additionally, participating agencies must notify AFMLS of any change in administration at the law enforcement agency and/or its governing body by resubmitting the Agreement and Certification form electronically. By signing and submitting the agreement, the signatories agree to follow statutes and guidelines that regulate the equitable sharing program.

We obtained copies of RPD's certification forms for FYs 2012 through 2014 and found that RPD submitted the certification forms on time. We also noted that the certification forms were signed by appropriate officials.

To verify the total amount of equitable sharing funds RPD received, we compared the receipts listed on the certification forms to the total amounts listed on the AFMLS Distribution Reports for FYs 2012 through 2014. We found that the FY 2013 and 2014 certification forms matched the AFMLS Distribution Reports. However, we found that receipts reported on the FY 2012 certification form were \$335 less than the AFMLS Distribution Report.

According to the RPD official responsible for reviewing and submitting the certification forms, the difference was due to a journal entry error in FY 2010, resulting in the FY 2010 certification form being overstated by \$335. FY 2012 was her first time being tasked with reviewing and submitting the certification form and she caught the error during an audit of the federal seizure account. As a result, she corrected the issue by reducing the deposits reported for FY 2012. When we asked AFMLS officials about how RPD corrected the discrepancy, we were told that RPD should have submitted an amended certification form. However, AFMLS believes that the discrepancy amount is immaterial and it will not require RPD to submit amended certification form. As a result, we do not make any recommendations regarding this issue.

Use of Equitable Sharing Funds

As summarized by Table 2, the Guide outlines allowable and unallowable uses for equitable sharing funds.³

Table 2
Summary of Allowable and Unallowable Uses
for Equitable Sharing Funds

Allowable Uses	Unallowable Uses
Law enforcement investigations	Salaries and benefits for law enforcement personnel
Law enforcement training	Use of forfeited property by non-law enforcement personnel
Law enforcement and detention facilities	Personal or political use of shared assets
Law enforcement equipment	Non-official government use
Law enforcement travel and per diem	Purchase of food and beverages
Law enforcement awards and memorials	Extravagant expenses

Source: Equitable Sharing Guide

Generally, the use of equitable sharing revenues by state and local recipient agencies is limited to law enforcement purposes. However, the 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.

The Rowlett Police Department spent a total of \$1,744,705 from its DOJ federal seizure fund account during FYs 2012 through 2014. Purchases included vehicles, body cameras, weapons, fitness equipment, ballistic vests, video equipment, and other law enforcement equipment and supplies.

To assess whether RPD equitable sharing expenditures were allowable and supported by adequate documentation, we judgmentally sampled 35 transactions totaling \$858,807, or approximately 49 percent of the total amount of federal seizure funds expended during the audit period. The sample included high-dollar purchases, as well as other costs we judgmentally selected. We determined that all 35 transactions we tested were allowable and properly supported.

In addition, we physically verified purchased equipment in our expenditure sample and determined that all items we physically verified were listed in RPD's inventory, at the assigned locations, and being put to an allowable use.

³ The Equitable Sharing Guide includes the complete list of allowable and unallowable uses for equitable sharing funds.

Conclusion

We found that RPD generally accounted for equitable sharing funds properly and used the funds for allowable purposes. Our audit disclosed that RPD did not maintain an equitable sharing log recording requests and receipts as required by equitable sharing guidelines and the FY 2012 Equitable Sharing Agreement and Certification form was not accurate. However, as a result of our audit, RPD immediately created and implemented an equitable sharing receipts log. Further, the inaccurate amount reported on the certification form was immaterial. As a result, we do not make any recommendations regarding these issues.

OBJECTIVE, SCOPE, AND METHODOLOGY

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

Objective

The objective of the audit was to assess whether the Rowlett Police Department (RPD) accounted for equitable sharing funds properly and used the funds for allowable purposes defined by applicable guidelines. We tested compliance with what we considered to be 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 pertinent versions of the Criminal Division's Guide to Equitable Sharing for State and Local Law Enforcement Agencies. Unless otherwise stated in our report, the criteria used during the audit were contained in this document.

Scope and Methodology

Our audit concentrated on, but was not limited to, equitable sharing receipts received by RPD between October 1, 2011, and September 30, 2014. During FYs 2012 through 2014, RPD received a total of \$1,955,357 in cash and property. During that period, there were federal equitable sharing fund expenditures of \$1,744,705. We selected a judgmental sample of 35 disbursements, totaling \$858,807, or approximately 49 percent of the total expenditures made with equitable sharing funds during the audit period. We applied our judgmental sampling design to obtain a broad exposure to numerous facets of the disbursements reviewed, such as dollar amounts. This non-statistical sample design did not allow us to project results of our testing to the entire universe of equitable sharing receipts and disbursements made in the scope of our audit.

We performed audit work at RPD headquarters located in Rowlett, Texas. To accomplish the objectives of the audit, we interviewed RPD and City of Rowlett officials and examined records, expenditures of equitable sharing revenues, and property received by RPD. In addition, we relied on computer-generated data contained in the DOJ Consolidated Asset Tracking System (CATS) for determining equitably shared revenues awarded to RPD during the audit period. We did not establish the reliability of the data contained in CATS 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.

Our audit specifically evaluated RPD's compliance with three essential equitable sharing guidelines: (1) accounting for equitable sharing receipts, (2) Federal Sharing Agreements and Annual Certification Reports, and (3) use of equitable sharing funds. In planning and performing our audit, we considered internal controls established and used by RPD and the City of Rowlett, Texas, over DOJ equitable sharing receipts to accomplish our audit objectives. However, we did not assess RPD'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 City of Rowlett's two most recent Single Audit Reports (SAR) for FYs 2012 and 2013. 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 internal control weaknesses or instances of noncompliance.