

**AUDIT OF THE NEW YORK CITY  
POLICE DEPARTMENT'S  
EQUITABLE SHARING PROGRAM ACTIVITIES  
NEW YORK, NEW YORK**

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

Audit Report GR-70-14-003  
April 2014

**REDACTED – FOR PUBLIC RELEASE**

# **AUDIT OF THE NEW YORK CITY POLICE DEPARTMENT'S EQUITABLE SHARING PROGRAM ACTIVITIES NEW YORK, NEW YORK**

## **EXECUTIVE SUMMARY<sup>1</sup>**

The Department of Justice Office of the Inspector General, Audit Division, completed an audit of equitable sharing funding received by the New York, New York Police Department (NYPD). The Department of Justice Equitable Sharing Program allows any state or local law enforcement agency which directly participated in an investigation or prosecution resulting in a federal forfeiture to claim a portion of federally forfeited cash, property, or proceeds.

The objective of this audit was to assess whether the equitably shared cash and property received by the NYPD were accounted for properly and used for allowable purposes as defined by applicable regulations and guidelines. During the three fiscal years reviewed, the period covering July 1, 2008 through June 30, 2011, the NYPD received \$14,437,545 through its participation in the Department of Justice Equitable Sharing Program.<sup>2</sup>

Overall, we found that the NYPD generally complied with equitable sharing guidelines regarding the accounting and safeguarding of equitable sharing receipts, the use of equitable sharing funds, and reporting and audit requirements. We noted that equitable sharing request identification numbers were not always properly entered into the equitable sharing database, and as a result, the database could not be updated when the NYPD received equitable sharing receipts. We also found that the NYPD did not submit its Agreement and Certification Forms in a timely fashion, potentially inhibiting the Criminal Division Asset Forfeiture and Money Laundering Section's management of the equitable sharing program implemented by the NYPD.

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.

We discussed the results of our audit with NYPD officials and have included their comments in the report, as applicable. In addition, we provided a copy of our draft report to NYPD and the Department of Justice Criminal Division for comment. These responses are appended to this report as Appendix II and III, respectively. Our analysis of both responses, as well as a summary of actions necessary to close the recommendations can be found in Appendix IV of this report.

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<sup>1</sup> The full version of this report contains information that may be protected by the Privacy Act of 1974, 5 U.S.C. §552(a) or may implicate the privacy rights of identified individuals. Therefore, the Office of the Inspector General redacted portions of the full report to create this public version of the report.

<sup>2</sup> The NYPD fiscal year begins on July 1 and ends on June 30.

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## **INTRODUCTION**

The Department of Justice (DOJ) Office of the Inspector General, Audit Division, completed an audit of the equitable sharing funds received by the New York City Police Department (NYPD). The audit covered the NYPD's Fiscal Years (FYs) 2009 through 2011, beginning on July 1, 2008, and ending on June 30, 2011. According to the United States Marshals Service (USMS) electronic payment reports, during that 3-year period, the NYPD received \$14,437,545 as a participant in the DOJ Equitable Sharing Program.

The objective of the audit was to assess whether the cash and property received by the NYPD through the Equitable Sharing Program were accounted for properly and used for allowable purposes as defined by applicable regulations and guidelines.

### **Background**

The Comprehensive Crime Control Act of 1984 authorized the implementation of the DOJ Asset Forfeiture Program (Asset Forfeiture Program). The Asset Forfeiture Program is a nationwide law enforcement initiative that removes the tools of crime from criminal organizations, deprives wrongdoers of the proceeds of their crimes, recovers property that may be used to compensate victims, and deters crime. One of the key elements in the Asset Forfeiture Program is the Equitable Sharing Program. The Equitable Sharing Program allows any state or local law enforcement agency which directly participated in an investigation or prosecution resulting in a federal forfeiture to claim a portion of federally forfeited cash, property, and proceeds.

The amount of direct participation in an investigation and whether the seizure was part of a joint investigation or part of an adopted seizure will determine the state or local agency's amount or percentage of equitable sharing funds. Joint investigations are those in which federal agencies work with state or local law enforcement agencies, and the equitable sharing funds distributed to the state or local agency are related to the agency's direct participation. An adoption occurs when a seizure is made by the state or local law enforcement agency without the assistance of a federal agency and requests one of the federal seizing agencies to adopt the seizure and proceed with federal forfeiture. In adoptive cases where the state or local agency performed 100 percent of pre-seizure activity, the federal agency will generally receive 20 percent of the equitable sharing proceeds.

Three DOJ components work together to administer the Equitable Sharing Program – the United States Marshals Service (USMS), the Justice Management Division's Asset Forfeiture Management Staff (AFMS), and the Criminal Division's Asset Forfeiture and Money Laundering Section (AFMLS). The USMS is responsible for transferring the equitable sharing funds from the DOJ to the receiving state or local agency. The AFMS manages the Consolidated Asset Tracking System, a database used to track federally seized assets throughout the forfeiture life-cycle.

The AFMLS tracks the membership of the state and local Equitable Sharing Program participants, updates the Equitable Sharing Program rules and policies, and monitors the allocation and use of the equitable sharing funds.

In order to participate in the Asset Forfeiture Program and receive equitable sharing funds, a state or local law enforcement agency must become a member of the Equitable Sharing Program and submit an annual Equitable Sharing Agreement and Certification Form. The Equitable Sharing Agreement and Certification Form is submitted to AFMLS by the state or local law enforcement agency within 60 days after the end of the agency's fiscal year. By signing the form, the officials of the participating agency certify that agency will comply with the equitable sharing guidelines and statutes.

### **New York City Police Department**

Established in 1845, the NYPD is the largest police department in the United States with approximately 34,500 police officers, as of November 2012. The NYPD provides law enforcement to the population within the five boroughs of New York City.<sup>3</sup> As of July 2011, the population of New York, New York was approximately 8.2 million.

The mission of the NYPD is to enhance the quality of life within the city by working in partnership with the community and in accordance with constitutional rights to enforce the laws, preserve the peace, reduce fear, and provide for a safe environment.

### **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 (Equitable Sharing Guide), issued in April 2009 as our primary criteria. The Equitable Sharing Guide provides information and guidelines about the Asset Forfeiture Program and the Equitable Sharing Program; identifies accounting procedures and requirements for tracking equitable sharing cash and property; establishes reporting and audit requirements; and defines the permissible uses of equitable sharing resources.

To conduct this audit, we tested the NYPD's compliance with the following aspects of the Equitable Sharing Program:

- **Requests for Equitable Sharing Funds** to determine if the requests for equitable sharing funds were properly tracked and updated.

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<sup>3</sup> The five boroughs within New York City include: Manhattan, Bronx, Brooklyn, Queens, and Staten Island.

- **Accounting for and Safeguarding of Equitable Sharing Receipts** to determine whether the equitable sharing cash and property received were properly recorded and safeguarded.
- **Use of Equitable Sharing Funds** to determine if equitable sharing cash and property received were adequately supported and used for allowable purposes.
- **Reporting and Audit Requirements** to determine whether the NYPD submitted complete, accurate, and timely Federal Equitable Sharing Agreement and Certification Reports and received single audits as required.

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

## FINDINGS AND RECOMMENDATIONS

We found that the New York City Police Department generally complied with equitable sharing guidelines regarding accounting for and safeguarding equitable sharing receipts, the use of equitable sharing funds, and the reporting and audit requirements. However, we found equitable sharing request identification numbers were not always properly inputted into the equitable sharing database. As a result, the database could not be updated when the NYPD received the equitable sharing request's corresponding equitable sharing payment receipt. In addition, the NYPD submitted the annual Agreement and Certification Forms during FY 2009 through FY 2011 an average of 3 months late. Although, an AFMLS Official noted that it is not unusual for larger agencies to need additional time to submit their Agreement and Certification Forms. Clearly, AFMLS' ability to ensure effective management, promote public confidence in the integrity of the Equitable Sharing Program, and protect the Asset Forfeiture Program is compromised when the established guidelines are not followed.

### Requests for Equitable Sharing Funds

The Equitable Sharing Guide requires that law enforcement agencies implement standard accounting procedures to track all equitable monies and tangible property received. This includes maintaining a log using a consecutive numbering system for control purposes. The log should include seizure type, seizure amount, share amount requested, amount received, and date received for each share request. Since the amount received may differ from the amount requested, the log should be updated after receiving an equitable sharing payment receipt notification from the USMS.

The Asset Forfeiture Unit (AFU) within the NYPD is responsible for: tracking all seized assets valued at \$1,000 or more; reviewing, approving, and submitting all of the NYPD equitable sharing requests; and maintaining the NYPD Asset Forfeiture Log and the AFU tracking database.<sup>4</sup> The NYPD uses an Asset Forfeiture Log to establish a consecutive numbering system and a tracking database to track all submitted equitable sharing requests. Unique numbers established within the Asset Forfeiture Log are then entered into the AFU tracking database for a particular equitable sharing request.

We reviewed the Asset Forfeiture Log and the AFU tracking database to ensure that the NYPD captured all elements required in the Equitable Sharing Guide. We found all of the required elements were captured by the Asset Forfeiture Log and the AFU tracking database.

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<sup>4</sup> According to the Equitable Sharing Guide, state or local law enforcement agencies must submit to the federal seizing agency a separate Form DAG-71, "Application for Transfer of Federally Forfeited Property," for each equitable sharing request.

The USMS electronically transfers funds to participating agencies' bank accounts when making equitable sharing payments, known as E-Shares. While the Equitable Sharing Guide states that participating agencies should receive a receipt notification when an E-Share transfer is made, according to an NYPD official, the NYPD did not receive any notifications during our audit period, but did receive E-Share transfers. Absent such notifications during our audit period, we found that the NYPD used monthly bank statements to update its tracking database with E-Share payments, including the date and amount of each payment.

We judgmentally selected and tested 79 E-Share receipts totaling \$7,038,865, or about 49 percent of the total equitable sharing funding received, to determine whether E-Share receipts and corresponding equitable sharing requests were properly tracked in the NYPD's tracking database. We then compared the E-Share receipts in the tracking database to the USMS E-Share Report.<sup>5</sup> Initially, we found that 22 of the 79 E-Share receipts were not updated in the tracking database, or about 28 percent of the receipts we tested. According to an NYPD Official, the corresponding equitable sharing requests for those 22 E-Share receipts were in the tracking database, but their identification numbers had not been appropriately entered into the system. As a result, the equitable sharing requests in the tracking database were not identified when the corresponding E-Share was received. After being notified of this issue, an NYPD official obtained and entered the identification numbers into the tracking database.

Without appropriately entered identification numbers for equitable sharing requests, the NYPD was not readily able to identify and update its tracking database when payment was received. As a result, we recommend that the NYPD implement policies and procedures to ensure that its tracking database is properly updated with the equitable sharing request identification number when requests are made.

### **Accounting For and Safeguarding of Equitable Sharing Receipts**

According to the USMS E-Share Report, during the period of our review covering NYPD's FYs 2009 to 2011 the NYPD received 787 E-Share receipts totaling \$14,437,545, as shown below. Also according to the E-Share Report, the NYPD did not receive any equitable sharing tangible assets during this period.

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<sup>5</sup> The USMS E-Share Report documents all equitable sharing receipts received by the NYPD during our audit period.



**E-Share Receipts to the NYPD  
July 1, 2008 through June 30, 2011**

| <b>Fiscal Year</b>       | <b>Cash or Proceeds</b> |
|--------------------------|-------------------------|
| 2009                     | \$ 3,675,146            |
| 2010                     | 3,644,129               |
| 2011                     | 7,118,269               |
| <b>Total<sup>6</sup></b> | <b>\$14,437,545</b>     |

Source: USMS E-Share Report

The Equitable Sharing Guide requires agencies to establish a separate revenue account, or an accounting code, to track the E-Shares and to implement standard accounting procedures to track equitable sharing receipts. We found that the NYPD established a separate revenue code for the E-Share receipts it received.

In performing our testing of the 79 E-Share receipts, that totaled \$7,038,865, we compared the E-Share receipts in the NYPD's Financial Management System (FMS) to the USMS E-Share Report. We found that the E-Share receipts were accurately recorded in the FMS. To ensure the receipts were appropriately deposited into the separate revenue code used by the NYPD, we reviewed the bank statements associated with the sampled receipts and found all 79 receipts were electronically transferred into the account in a timely manner.

**Use of Equitable Sharing Funds**

We found the NYPD expended a total of \$9,652,929 in equitable sharing funds during its FYs 2010 and 2011. Prior to expending equitable sharing funds, each year the NYPD's Deputy Commissioner Committee prepared an annual budget plan outlining the estimated amount of equitable sharing funds that were to be received and the permitted uses of the funds. We found that the NYPD's equitable sharing funds received were disbursed to ten commands within the NYPD and those commands used the funds to purchase training, communications equipment, computers, firearms, surveillance equipment, vehicles, and supplies.

Overall, the oversight of the NYPD's use of equitable sharing funds followed the NYPD's normal course of business. The NYPD Budget and Management Analysis Section was responsible for ensuring that each command remained within its allotted equitable sharing budget. The NYPD Quartermaster was responsible for overseeing the procurement process, which included ensuring that, for any procurement using equitable sharing funds, the correct policies were followed and purchase orders were properly prepared. The NYPD Audits and Accounts Unit was responsible for maintaining the invoice and other supporting documentation for each purchase. Finally, the NYC Office of the Comptroller was responsible for paying each invoice.

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<sup>6</sup> The total amount difference is due to rounding.

We judgmentally selected and tested 47 transactions totaling \$2,144,859, or 22 percent of the total expended, to determine if the expenditures were supported by adequate documentation and allowable as defined in the Equitable Sharing Guide. The sample transactions included high-dollar purchases and an assortment of expenditure types within the different commands that received funds. To determine if the expenditures were adequately supported, we reviewed invoices, purchase orders, receiving reports, and contracts the NYPD Audits and Accounts Unit maintained for equitable sharing expenditures. According to the Equitable Sharing Guide, adequate support should indicate that the state or local law enforcement agency: (1) obtained approval for the purchase, (2) issued contracts or purchase orders to formally disburse deposited assets for goods or services, (3) deducted purchase orders and contracts from the account balance, and (4) maintained a record of all equitable sharing expenditures.

Based on our review of the supporting documentation, we determined that the NYPD maintained adequate documentation of the expenditures using equitable sharing funds.

The Equitable Sharing Guide requires state and local agencies to use equitable sharing funds received for law enforcement purposes. The table below summarizes some of the allowable and unallowable uses of equitable sharing funds as outlined in the Equitable Sharing Guide.<sup>7</sup>

**Summary of Allowable and Unallowable  
Uses for Equitable Sharing Funds**

| Allowable Uses                            | Unallowable Uses   |
|---|--|
| Law Enforcement Investigations            | Extravagant Expenditures                                     |
| Law Enforcement Training                  | Food and Beverages   |
| Law Enforcement Equipment                 | Education-Related Costs                                      |
| Asset Accounting and Tracking             | Uses Contrary to the Laws of the State or Local Jurisdiction |
| Law Enforcement Awards and Memorials      | Non-Official Government Use of Shared Assets                 |
| Law Enforcement Travel and Transportation | Use of Forfeited Property by Non-Law Enforcement Personnel   |
| Law Enforcement and Detention Facilities  | Salaries and Benefits of Current Law Enforcement Personnel   |

Source: Equitable Sharing Guide

Based on our review of the sampled expenditure transactions, we found that the NYPD used equitable sharing funds to purchase general office equipment and supplies, motor vehicles, automotive supplies and materials, automotive maintenance and repair, contractual and professional services, and the leasing or renting of equipment. We determined that the NYPD used the equitable sharing funds for allowable purposes.

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<sup>7</sup> The Equitable Sharing Guide includes the complete list of allowable and unallowable uses for equitable sharing funds.

We also examined whether the accountable property purchased with equitable sharing funds was properly inventoried and at its assigned location.<sup>8</sup> We judgmentally selected 49 pieces of accountable property for further testing. The sample included items such as vehicles, cameras, metal detectors, and copiers. Because the sampled accountable property was located at different commands, we sent each command a letter requesting confirmation that the property was in its custody. We received responses from all of the NYPD commands verifying that the accountable property was in its possession.

### *Supplanting*

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

In determining whether the NYPD supplanted equitable sharing funds, we examined the law enforcement agency's total budget for five fiscal years – FY 2009 through FY 2013. Using analysis criteria DOJ developed, agencies are allowed to use equitable sharing funds for any permissible purpose as long as the funds increased the entire law enforcement budget for the fiscal years tested. We found the NYPD's budget increased during the years tested and equitable sharing funds appeared to supplement the budget. As a result, no further analysis was warranted.

## **Reporting and Audit Requirements**

To ensure effective management, promote public confidence in the integrity of the Equitable Sharing Program, and protect the Asset Forfeiture Program against potential waste, fraud, and abuse, the Equitable Sharing Guide requires participating law enforcement agencies to annually submit an Equitable Sharing Agreement and Certification Form (Agreement and Certification Form) and, if applicable, an audit report.

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<sup>8</sup> The NYPD is not required to have a centrally located inventory system documenting all accountable property purchased with equitable sharing funds. According to the Equitable Sharing Guide, law enforcement agencies are required to track tangible assets received as part of the Equitable Sharing Program. However, the Equitable Sharing Guide does not require an inventory system for tracking purchased accountable property.

### *Equitable Sharing Agreement and Certification Form*

In order to participate in the Equitable Sharing Program, a state or local law enforcement agency must annually submit a signed Agreement and Certification Form. We tested the compliance of the Agreement and Certification Form requirements to determine if the NYPD's Agreement and Certification Forms were complete, accurate, and submitted timely.

The Agreement and Certification Form has two sections – the agreement and the certification. The certification section of the form details the equitable sharing activity of that fiscal year. The agreement portion must be signed by the head of the law enforcement agency and a designated official of the governing body. By signing and submitting the Affidavit, 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.

We reviewed the three NYPD Agreement and Certification Forms for FYs 2009 through 2011 to determine if the Agreement and Certification Forms were completed and signed by the applicable officials. The Police Commissioner and the Mayor of New York signed the three Agreement and Certification Forms. We determined that the forms were complete and signed by the proper officials.

To assess the accuracy of the revenue reported on the NYPD's Agreement and Certification Form, we reconciled the total revenue reported on the Agreement and Certification Form in FY 2011 to the AFMLS Detailed Distribution Report. We found that the FY 2011 Agreement and Certification Form showed \$7,118,269 in revenue while the AFMLS Detailed Distribution Report showed \$7,112,039 a difference of \$6,230. According to an AFMLS official, the payment of \$6,230 was made, but it was not uploaded to the AFMLS system, therefore we relied on the USMS E-Share Report to reconcile the revenue reported on the Agreement and Certification Form. We found the revenue listed on the FY 2011 Agreement and Certification form was accurate.

To verify that the expenditures reported on the NYPD FY 2011 Agreement and Certification Form accurately reflected the NYPD's equitable sharing activities, we compared the expenditures on the Agreement and Certification Form to the expenditures in the NYPD accounting records. Our initial review found that all categories except for the "total spent on other law enforcement expenses" reflected the NYPD's equitable sharing activities. The NYPD accounting records reflected \$15,238 more in expenditures than what was reported on the Agreement and Certification Form. We asked the NYPD to provide additional documentation. We reconciled the information the NYPD provided with the accounting records and found that the dollar amount reported on the Agreement and Certification Form represented a period in time. The NYPD was able to identify the expenditures included in the Agreement and Certification Form with minor differences which were deemed immaterial.

According to the Equitable Sharing Guide, state and local law enforcement agencies must submit the annual Agreement and Certification Form within 60 days after the end of an agency's fiscal year, regardless of whether funds were received or maintained during the fiscal year. To assess the timeliness of the Agreement and Certification Forms, we reviewed the three Agreement and Certification Forms submitted by the NYPD for FYs 2009 through 2011.

We found that the NYPD submitted all three Agreement and Certification Forms late – 108, 93, and 85 days, respectively. According to an AFMLS Official, AFMLS routinely allows additional time for agencies to file the Agreement and Certification Forms. In addition, the AFMLS Official noted it is not unusual for larger agencies to need additional time to submit their Agreement and Certification Forms. While we recognize that the NYPD's equitable sharing program funding is substantial, AFMLS criteria clearly establishes the timeframes for submitting Agreement and Certification Forms and the NYPD did not meet the established timeframes for any of its reports during the period of our review. Without the timely submission of these forms, AFMLS' ability to ensure effective management, promote public confidence in the integrity of the Equitable Sharing Program, and protect the Asset Forfeiture Program against potential waste, fraud, and abuse is compromised. As a result, we recommend that the NYPD ensure that its Agreement and Certification Forms are submitted timely.

### *Single Audits*

The Equitable Sharing Guide requires that state and local law enforcement agencies that receive equitable sharing cash, proceeds, or tangible property perform an audit consistent with the Single Audit Act Amendments of 1996 and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

To determine if the city's single audits reported any internal control weaknesses or instances of noncompliance with laws and regulations relating to the NYPD equitable sharing activity, we reviewed the city's Single Audits from FY 2009 through FY 2011. The city's single audit encompasses the operations of the city's five counties, which includes the NYPD. We found no findings pertaining to the NYPD's activities that may be relevant to its handling of or accounting for equitable sharing funds.

### **Conclusions**

We found that the NYPD generally complied with the equitable sharing guidelines for the accounting and safeguarding equitable sharing receipts, the use of the funds, and the reporting and auditing requirements. However, we found equitable sharing request identification numbers were not always properly inputted into the equitable sharing database. In addition, while AFMLS may routinely allow additional time for the submission of the annual Agreement and Certification Forms, the NYPD was an average of 3 months late submitting their reports for FY 2009 through FY 2011.

## **Recommendations**

We recommend that the Criminal Division:

1. Ensure the NYPD implements policies and procedures to ensure that the tracking database is properly updated with the equitable sharing request identification number when requests are made.
2. Ensure the NYPD submits its annual Agreement and Certification Forms within required timeframes.

### 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 our audit objective.

The objective of the audit was to assess whether the equitably shared cash and property received by the NYPD were accounted for properly and used for allowable purposes as defined by applicable regulations and guidelines. We tested compliance with what we considered to be the most important 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 the Guide to Equitable Sharing for State and Local Law Enforcement Agencies, dated April 2009. Unless, otherwise stated in our report, the criteria we audit against are contained in these documents.

Our audit concentrated on, but was not limited to, equitable sharing funds received by the NYPD from July 1, 2008 through June 30, 2011. During this period, the NYPD received \$14,437,545 in equitable sharing funds. To test the equitable sharing funds received, we judgmentally selected and tested 79 E-Share receipts totaling \$7,038,865, or 49 percent of the total equitable sharing funds received.

Our audit also concentrated on, but was not limited to, equitable sharing funds expended by the NYPD from July 1, 2009 through June 30, 2011. We concentrated on FYs 2010 and 2011 for the funds expended by the NYPD because the NYPD upgraded the accounting system in FY 2009 and the expenditure detail for FY 2009 was not readily available. Although we were not able to test the FY 2009 expended equitable sharing funds, we believe there is no effect based on the low risk and no findings or recommendations were found during testing. In FYs 2010 and 2011, the NYPD expended \$9,652,929 of equitable sharing funds. We judgmentally selected and tested 47 expenditure transactions totaling \$2,144,859, or 22 percent of the total amount of equitable sharing funds expended. We did not review the expenditure contracts found in our testing sample.

Judgmental sampling design was applied to obtain broad exposure to numerous facets of disbursements reviewed, such as dollar amount, categories, and commands. These non-statistical sample designs do not allow projection of the test results to the entire universe of equitable sharing receipts during our audit period.

We performed audit work at the NYPD Headquarters located in New York, New York. We interviewed NYPD, the city's Department of Finance, and the city's Office of the Comptroller Officials and examined records related to revenue and expenditures of DOJ equitable sharing funds received by the NYPD. In addition, we relied on computer-generated data contained in the USMS E-Share Report for determining equitable sharing revenues awarded to the NYPD during our audit

period. As discussed in the "Reporting and Audit Requirements" Section, the AFMLS Detailed Distribution Report was not accurate and therefore we relied on the USMS E-Share Report to better represent the NYPD E-Share receipts. However, we did not establish the reliability of the data contained in the USMS or the AFMLS systems as a whole. Nevertheless, when the data we 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 the compliance of the NYPD with what we considered to be essential equitable sharing guidelines, relating to the following: equitable sharing requests, accounting for equitable sharing receipts, use of equitable sharing funds, and reporting and audit requirements. In planning and performing our audit, we considered internal controls established and used by the NYPD over the equitable sharing funds to accomplish our audit objective. However, we did not assess the reliability of the city's financial management system, internal controls, or whether it, as a whole, complied with laws and regulations.

Our audit included an evaluation of supplanting. In determining whether NYPD supplanted equitable sharing funds we examined the law enforcement agency's budget as a whole. Using analysis criteria DOJ developed, agencies are allowed to use equitable sharing funds for any permissible purpose as long as the funds increased the entire law enforcement budget for the fiscal years tested.

Our audit also included a review of the New York City FY 2009 through FY 2011 Single Audits and found no internal control weaknesses or significant non-compliance issues related specifically to the NYPD equitable sharing activity.



# NEW YORK POLICE DEPARTMENT RESPONSE TO THE DRAFT AUDIT REPORT



POLICE DEPARTMENT

Office of Management Analysis and Planning  
Room 804B  
One Police Plaza  
New York, NY 10038

March 4, 2014

Thomas O. Puerzer  
Regional Audit Manager  
DOJ/Office of the Inspector General  
Philadelphia Regional Audit Office  
701 Market Street  
Philadelphia, PA 19106

**Re: NYC Police Department  
Audit and Equitable  
Sharing Funds**

Dear Mr. Puerzer,

I am responding to the findings and recommendations relating to the Police Department's participation in the Equitable Sharing (E-Share) program. I was pleased to find that the NYPD was found to be in general compliance with E-Share guidelines. With regards to the audit's findings, we have contacted the appropriate commands and the following will serve as our explanation.

1. **Finding (#1):** *The Equitable Sharing (E-Share) tracking database could not always be updated due to missing identification numbers.*

**Response:** Prior to the audit, the NYPD did not receive email payment notifications. Since the audit, the NYPD has gained access to the E-Share database and can now run queries. As a result, timelier reconciliations and updates of the tracking database now occur.

2. **Finding (#2):** *The NYPD has been on average 3 months late submitting their reports for FY 2009 through 2011.*

**Response:** Due to the City of New York's year-end, financial closing procedures that usually extend to early September (30 days past the 60 day filing date), the Department has been unable to meet the 60 day filing deadline without sacrificing the accuracy of the City's accounting information and data. After conferring with [REDACTED] of the Office

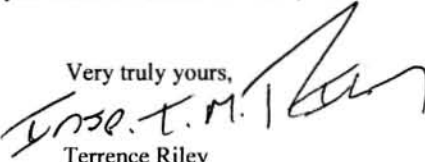
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Website: <http://nyc.gov/nypd>

PD 108-151 (Rev. 4-01) PWR

of the Inspector General, it was determined that the audit did not reveal any instances where this delay inhibited the Criminal Division Asset Forfeiture and Money Laundering Section's management of the E-Share program in any way. Though the DOJ routinely allows additional time for agencies to file the Agreement and Certification forms, the NYPD will continue to strive to reduce the filing time and attain compliance with the 60 day filing deadline. The fact that the NYPD now has access to the E-Share database, with the ability to run specific queries, means that the database will be updated more frequently and should aid in reducing filing time. Furthermore, the NYPD can now request reports from other federal agencies. This new ability makes the tracking of all federally forfeited money possible and will enable NYPD personnel to update the database with greater frequency.

The Police Department will implement these recommendations to address the findings discovered by the audit. If you have any questions concerning this response please contact our audit liaisons, Police Officer Ryan Baer or Catherine Yuan, at the Audit Management Unit at 646-610-8365.

Very truly yours,

A handwritten signature in black ink, appearing to read "Terrence Riley", written over the typed name.

Terrence Riley  
Inspector  
Commanding Officer

CRIMINAL DIVISION RESPONSE TO THE DRAFT AUDIT REPORT



U.S. Department of Justice

Washington, D.C. 20530

FEB 20 2014

**MEMORANDUM**

TO: Thomas O. Puerzer  
Regional Audit Manager  
Philadelphia Regional Audit Office

FROM: Jennifer Bickford *Jennifer Bickford*  
Acting Assistant Deputy Chief *2-20-14*  
Asset Forfeiture and Money  
Laundering Section

SUBJECT: DRAFT OIG AUDIT REPORT- Audit of the New York City Police  
Department's Equitable Sharing Program Activities New York, New York

In a memorandum to Mythili Raman dated January 27, 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 the following recommendations:

1. **Ensure the New York City Police Department (NYPD) implements policies and procedures to ensure that the tracking database is properly updated with the equitable sharing request identification number when requests are made.**
2. **Ensure the NYPD submits its annual Agreement and Certification Forms within required timeframes.**

Upon submission of the final report for the above referenced audit, AFMLS will work with the NYPD 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  
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**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 New York City Police Department (NYPD) and the Criminal Division's Asset Forfeiture and Money Laundering Section (AFMLS). The NYPD's response is incorporated as Appendix II of this final report and AFMLS' response is incorporated in Appendix III of this final report. The following provides the OIG analysis of the responses and summary of actions necessary to close the report.

**Recommendation:**

- 1. Ensure the NYPD implements policies and procedures to ensure that the tracking database is properly updated with the equitable sharing request identification number when requests are made.**

Resolved. The NYPD and AFMLS concurred with our recommendation. The NYPD stated in its response that it now has access to the E-Share database which allows for timely reconciliations and updates to the tracking database.

This recommendation can be closed when we receive evidence that the NYPD has access to the E-Share database and policies and procedures have been implemented to ensure that the tracking database is properly updated with the equitable sharing identification number when requests are made.

- 2. Ensure the NYPD submits its annual Agreement and Certification Forms within required timeframes.**

Resolved. The NYPD and AFMLS concurred with our recommendation. The NYPD stated in its response that it has been unable to meet the filing deadline without sacrificing the accuracy of the accounting information and data. However, the NYPD's response also stated that it will strive to reduce the filing time to the required filing deadline. The NYPD also explained that in addition to the E- Share database access, the NYPD can now request reports from other federal agencies which will allow for easier equitable sharing fund tracking and should reduce filing time.

This recommendation can be closed when we receive evidence that the NYPD has submitted its annual Agreement and Certification Form within the required timeframe.