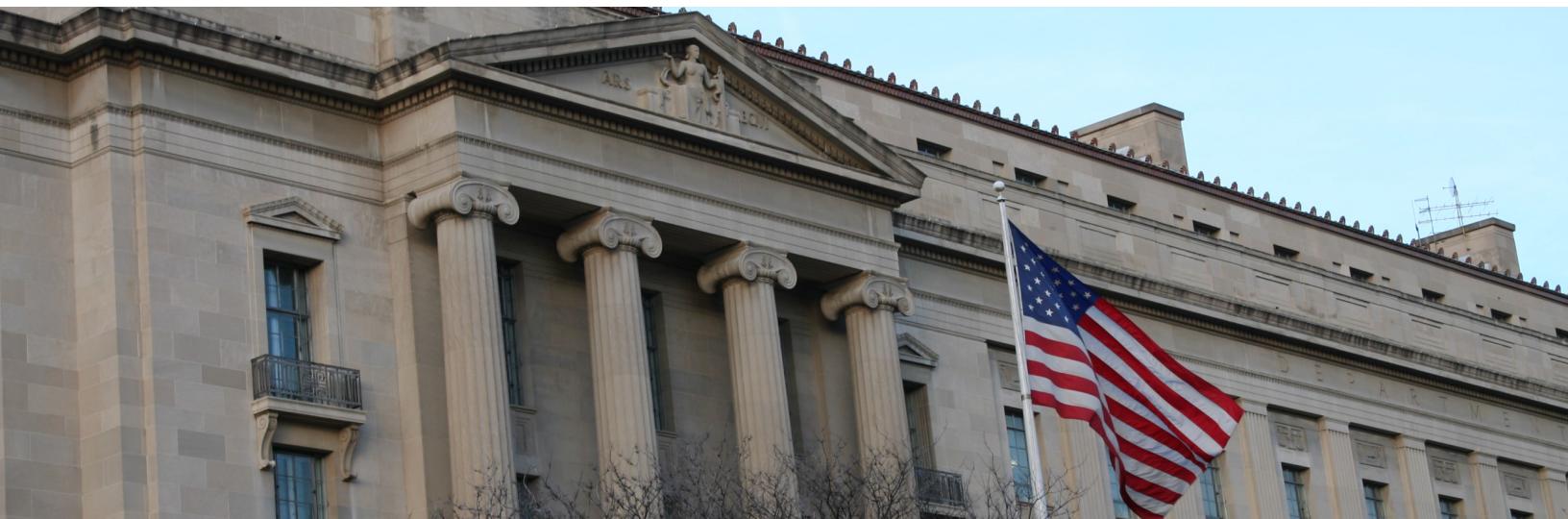




Office of the Inspector General U.S. Department of Justice

OVERSIGHT ★ INTEGRITY ★ GUIDANCE



Audit of the City of Atlanta Police Department's Equitable Sharing Program Activities, Atlanta, Georgia

REDACTED FOR PUBLIC RELEASE

Redactions were made to the full version of this report for privacy reasons. The redactions are contained only in Appendix 3, the grantee's response, and are of individuals' names.

Audit Division GR-40-18-001

February 2018



Executive Summary

Audit of the City of Atlanta Police Department's Equitable Sharing Program Activities, Atlanta, Georgia

Objective

The U.S. Department of Justice (DOJ) Office of the Inspector General (OIG) has completed an audit to assess whether the cash and property received by the City of Atlanta Police Department (APD) through the DOJ Equitable Sharing Program were accounted for properly and used for allowable purposes as defined by applicable regulations and guidelines.

Results in Brief

We found that the APD submitted reports required under the program that were late and also unsigned by appropriate officials. The APD did not track or reconcile equitable sharing requests to equitable sharing receipts. We questioned 17 expenditures totaling \$1,445,864 in equitable sharing funds because the expenditures were not allowable under the program. We also found that a vehicle acquired with equitable sharing funds was not properly recorded in the APD's equitable sharing property records. In addition, the APD did not provide us with the City of Atlanta's Single Audit Report for FY 2016 until our audit was nearly complete in December 2017. The Single Audit Report was due on March 31, 2017, and was more than 8 months late because it was held by the independent auditor performing the audit.

Recommendations

We made five recommendations to the DOJ Criminal Division (Criminal Division), which oversees the equitable sharing program. We discussed the results of our audit with APD officials and have included their comments in the report, as applicable. In addition, we requested a response to our draft report from the APD and the Criminal Division, and their responses are appended to this report as Appendices 3 and 4, respectively. Our analysis of the responses, as well as a summary of actions necessary to close the report can be found in Appendix 5 of this report.

Audit Results

This audit covered the APD's fiscal years (FY) 2013 through 2017. The APD began the audit period with a balance of \$5,503,741 in equitable sharing funds. During the period of July 1, 2012, through April 21, 2017, the APD received an additional \$5,753,437 and spent \$11,194,534 in equitable sharing funds primarily on operations and investigations, facilities, equipment, travel, and other costs. We identified several areas for improvement including reporting, accounting, use of funds, recordkeeping, and compliance with audit requirements. As consequence of our findings, we could not be assured that the APD used all of its equitable sharing funds in accordance with program requirements.

APD's Compliance with Equitable Sharing Program Requirements

Requirements - We identified several weaknesses related to the APD's compliance with DOJ Equitable Sharing Program requirements for reporting, accounting, use of funds, recordkeeping, and compliance with audit requirements.

Reporting - We found that the APD submitted two Equitable Sharing Agreement and Certification Reports that were not signed by appropriate officials and were 6 and 24 days late.

Accounting - We found that the APD did not track or reconcile equitable sharing requests to equitable sharing receipts.

Use of Funds - We determined that the APD expended \$1,445,864 in equitable sharing funds for unallowable construction-related expenditures.

Recordkeeping - We found that the APD acquired a vehicle from equitable sharing funds that was missing in the department's equitable sharing property records.

Compliance with Audit Requirements - The APD provided the City of Atlanta's Single Audit Report for FY 2016 in December 2017, which was more than 8 months late. The City of Atlanta stated that the report was late because it was held by the independent auditor performing the audit. Because the delay was not caused by or within the control of the APD, we make no recommendation for the late report.

**AUDIT OF THE CITY OF ATLANTA POLICE DEPARTMENT'S
EQUITABLE SHARING PROGRAM ACTIVITIES,
ATLANTA, GEORGIA**

TABLE OF CONTENTS

INTRODUCTION	3
DOJ Equitable Sharing Program	3
City of Atlanta Police Department.....	4
OIG Audit Approach	4
AUDIT RESULTS.....	7
Equitable Sharing Agreement and Certification Reports.....	7
Completeness and Timeliness of ESAC Reports	7
Accuracy of ESAC Reports	8
Accounting for Equitable Sharing Resources	8
Equitable Sharing Resources	9
Use of Equitable Sharing Funds.....	11
Accounting for Equitable Sharing Property.....	12
Use of Equitable Sharing Property	13
Supplanting.....	13
Compliance with Audit Requirements.....	14
CONCLUSION AND RECOMMENDATIONS	16
APPENDIX 1 - OBJECTIVE, SCOPE, AND METHODOLOGY	17
APPENDIX 2 - SCHEDULE OF DOLLAR-RELATED FINDINGS	19
APPENDIX 3 - CITY OF ATLANTA POLICE DEPARTMENT'S RESPONSE TO THE DRAFT AUDIT REPORT	20
APPENDIX 4 - CRIMINAL DIVISION RESPONSE TO THE DRAFT AUDIT REPORT	23
APPENDIX 5 - OFFICE OF THE INSPECTOR GENERAL ANALYSIS AND SUMMARY OF ACTIONS NECESSARY TO CLOSE THE REPORT	24

AUDIT OF CITY OF ATLANTA POLICE DEPARTMENT'S EQUITABLE SHARING PROGRAM ACTIVITIES ATLANTA, GEORGIA

INTRODUCTION

The Department of Justice (DOJ) Office of the Inspector General (OIG) completed an audit of the equitable sharing funds received by the City of Atlanta Police Department (APD) in Atlanta, Georgia. The objective of the audit was to assess whether the cash and property received by the APD through the DOJ Equitable Sharing Program were accounted for properly and used for allowable purposes as defined by applicable regulations and guidelines. The audit covered July 1, 2012, through April 21, 2017.¹ During this period, the APD received \$5,753,437 in shared funds, spent \$11,194,534 in equitable sharing revenues, and received a vehicle valued at \$14,975 as a participant in the program.²

DOJ Equitable Sharing Program

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. A key element of the Asset Forfeiture Program is the Equitable Sharing Program.³ The DOJ Equitable Sharing Program allows any state or local law enforcement agency that directly participated in an investigation or prosecution resulting in a federal forfeiture to claim a portion of federally forfeited cash, property, and proceeds.

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 U.S. Marshals Service (USMS), the Justice Management Division (JMD), and the Criminal Division's Money Laundering and Asset Recovery Section (MLARS). The USMS is responsible for transferring asset forfeiture funds from 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, MLARS 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.

¹ The APD's fiscal year begins July 1 and ends June 30.

² The APD began the audit period with an equitable sharing fund balance of \$5,503,741.

³ The U.S. Department of the Treasury also administers a federal asset forfeiture program, which includes participants from the U.S. Department of Homeland Security components. This audit was limited to equitable sharing revenues received through the DOJ Equitable Sharing Program.

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 equitable share allocated to that agency.

To request a share of seized assets, a state or local law enforcement agency must first become a member of the DOJ Equitable Sharing Program. Agencies become members of the program by signing and submitting an annual Equitable Sharing Agreement and Certification (ESAC) report to MLARS. As part of each annual agreement, officials of participating agencies certify that they will use equitable sharing funds for allowable law enforcement purposes.

MLARS has issued guidance that outlines categories of allowable and unallowable uses for equitable sharing funds and property. The first is the Guide to Equitable Sharing for State and Local Law Enforcement Agencies (Equitable Sharing Guide), issued by MLARS in April 2009. The second is the Interim Policy Guidance Regarding the Use of Equitable Sharing Funds (Interim Policy Guidance), issued by MLARS in July 2014.

City of Atlanta Police Department

Established in 1873, and located in Atlanta, Georgia, the APD serves a population of more than 472,000 residents. As of October 2013, the APD had a workforce of about 2,000 sworn officers and 530 civilian employees, and became a member of the DOJ Equitable Sharing Program in 1996. The APD's police services include uniform patrol operations, criminal investigations, technical and administrative support services, and the regulation of vehicles for hire.

OIG Audit Approach

We tested the APD's compliance with what we consider to be the most important conditions of the DOJ Equitable Sharing Program to assess whether it accounted for equitable sharing funds properly and used such revenues for allowable purposes. Unless otherwise stated, we applied the Equitable Sharing Guide, the Interim Policy Guidance, and Office of Management and Budget (OMB) guidance as our primary criteria. The Equitable Sharing Guide provides procedures for submitting sharing requests and discusses the proper use of and accounting for equitable sharing assets. To conduct the audit, we tested the APD's:

- **Equitable Sharing Agreement and Certification reports** to determine if these documents were complete and accurate;
- **accounting for equitable sharing resources** to determine whether standard accounting procedures were used to track equitable sharing assets;

- **use of equitable sharing resources** to determine if equitable sharing cash and property were used for allowable law enforcement purposes;
- **compliance with audit requirements** to ensure the accuracy, consistency, and uniformity of audited equitable sharing data; and
- **monitoring of applications for transfer of federally forfeited property** to ensure adequate controls were established.

We expanded our audit testing based on our review of the City of Atlanta's FY 2015 Single Audit Report, and a lawsuit filed against the city in April 2017 by a former APD employee. The FY 2015 Single Audit Report cited several material weaknesses or significant deficiencies pertaining to the management or administration of major federal programs, including the DOJ Equitable Sharing Program. In the report, auditors found that the city did not comply with federal equipment and property management requirements and a DOJ Equitable Sharing Program requirement for recipients to obtain prior approval before expending funds on construction-related costs.⁴

In the complaint filed for the April 2017 lawsuit, the former APD employee alleged that the city used funds from federal drug seizures to fund an incentive program to reward police officers working overtime during the holiday season. Additionally, the former employee alleged that funds dedicated to purchasing city patrol vehicles were used to purchase vehicles for the Mayor's personal use.⁵ Both the Single Audit Report and the complaint raised concerns regarding the APD's compliance with DOJ Equitable Sharing Program requirements. As a result, we expanded our testing of the APD's accounting for equitable sharing receipts, use of equitable sharing funds, and accounting for property purchased using equitable sharing funds or acquired through participation in the program.

We identified several weaknesses related to the APD's compliance with DOJ Equitable Sharing Program requirements for reporting, accounting, use of funds, recordkeeping, and compliance with audit requirements. We determined that the APD submitted Equitable Sharing Agreement and Certification reports that were late and unsigned by appropriate officials. The APD did not track or reconcile equitable sharing requests to equitable sharing receipts. We question 17 expenditures totaling \$1,445,864 in funds the APD spent on unallowable construction-related expenditures. The APD's equitable sharing property records did not contain a

⁴ Auditors noted that during an observation of equipment, 2 out of 40 items selected for observation had been disposed of but not removed from an equipment listing and that a physical inventory count of federal equipment had not been performed since 2007. Auditors also found that during a review of 18 invoices, 7 invoices collectively totaling \$907,091 were for construction costs for which no approval was obtained from MLARS as required.

⁵ We made interview requests to the attorney of the former APD employee for the purpose of obtaining additional details of the allegations. However, as of December 2017 we have received no response to our requests. In her complaint, the former employee provided no information on whether vehicles used for the Mayor's personal use were purchased with federal forfeiture funds. However, as a result of our audit, we found no evidence that DOJ equitable sharing funds were used to purchase vehicles for the Mayor's personal use.

vehicle acquired with equitable sharing funds. Lastly, the City of Atlanta's Single Audit Report for FY 2016 was completed late.

AUDIT RESULTS

Equitable Sharing Agreement and Certification Reports

Law enforcement agencies that participate in the Equitable Sharing Program are required to submit the Equitable Sharing Agreement and Certification report, on an annual basis, within 60 days after the end of an agency's fiscal year. This must be accomplished regardless of whether equitable sharing funds were received or maintained that year. Additionally, the ESAC report must be signed by the head of the law enforcement agency and a designated official of the local governing body. By signing and submitting the ESAC report, the signatories agree to be bound by and comply with the statutes and guidelines that regulate the Equitable Sharing Program.

Two officials, the APD's Business Manager and a City of Atlanta Senior Accounting Manager, prepare the ESAC report using data from the city's official accounting system. The Business Manager told us that after the report is prepared it is reviewed within the city's Department of Finance. Next, the report is reviewed and signed by the Chief of Police and Mayor. The APD then submits the ESAC report to the Money Laundering Asset Recovery Section (MLARS) using eShare, an online DOJ system that allows agencies to enter, submit, decline, restore, and track equitable sharing requests. We tested for completeness, timeliness, and accuracy ESAC reports the APD submitted for FYs 2015 and 2016.

Completeness and Timeliness of ESAC Reports

We tested the APD's compliance with ESAC reporting requirements to determine if the reports were complete and submitted timely. We obtained the APD's reports for FYs 2015 and 2016 and found that they were complete but unsigned by responsible officials. The APD's FY 2015 ESAC report was initially submitted on September 4, 2015, then resubmitted on July 15, 2016, to correct miscoded accounting entries. The APD's FY 2016 EASC report was initially submitted on September 22, 2016, and then resubmitted later that year on September 26 and November 22 to revise previously reported equitable sharing expenditures and disclose non-DOJ equitable sharing funds received from Clayton County, Georgia, a separate law enforcement agency.⁶ The final submissions for the FYs 2015 and 2016 ESAC reports did not contain the required signatures of the Mayor and Chief of Police. The APD submitted a revised ESAC report to MLARS dated November 6, 2017, for FY 2016 that contained signatures of the Mayor and Chief of Police.

Guidance available on the MLARS website discusses the purpose of obtaining signatures of responsible officials and the requirement that signatures be obtained

⁶ According to the APD's records, Clayton County transferred \$35,895 in U.S. Department of the Treasury equitable sharing funds to the APD to create a joint anti-drug task force to operate within the Hartsfield-Jackson International Airport.

annually.⁷ Although actual signatures are not required to be submitted to MLARS, equitable sharing recipients must still obtain approval from their agency and governing body heads.⁸ Moreover, recipients should establish internal policies and procedures for obtaining such signatures. Without signatures, MLARS has no assurance that the APD's participation in the DOJ Equitable Sharing Program has been authorized and that any revisions to previously reported equitable sharing activity has been appropriately reviewed and is accurate. We recommend the Criminal Division ensure that the APD has its annual ESAC reports, and any revised ESAC reports, signed by authorized officials.

To determine the timeliness of the ESAC reports, we compared the initial submission date to the deadline date, which is 60 days from the end of the fiscal year (June 30). Both reports were late. The FY 2015 report was submitted 6 days late, while the FY 2016 report was submitted 24 days late. APD officials could not provide an explanation as to why the FY 2015 report was submitted late because the official who prepared and submitted the report is longer with the APD. The APD Business Manager told us the FY 2016 report was late because a previous report preparer was overloaded with tasks at that time. Timely reporting is necessary to permit MLARS to perform scheduled reviews. Therefore, we recommend that the Criminal Division ensure that the APD submits its annual ESAC reports timely in accordance with equitable sharing guidelines.

Accuracy of ESAC Reports

To verify the accuracy of the ESAC reports, we compared the receipts listed on the APD's two most recent reports to the total disbursement amounts shown on the CATS report for the same period. The reports showed receipts of \$2,332,470 and \$884,613 for FYs 2015 and 2016, respectively, which matched the CATS report. Participating law enforcement agencies are also required to report the amount of interest income earned during the given reporting period. We tested this requirement by comparing the APD's reporting of interest income on its FYs 2015 and 2016 reports to the accounting records. We found that the reported interest income was accurate.

Accounting for Equitable Sharing Resources

The Equitable Sharing Guide requires that law enforcement agencies use standard accounting procedures to track equitable sharing receipts. This includes establishing a separate revenue account or accounting code through the agency's finance department for DOJ equitable sharing program proceeds. In addition, agencies must deposit any interest income earned on equitable sharing funds into the same revenue account or under the accounting code established solely for the shared funds.

⁷ Department of Justice, *Equitable Sharing Wire*, October 18, 2013.

⁸ Department of Justice, *Equitable Sharing Wire*, February 5, 2015.

The APD accounts for its equitable sharing funds using an accounting code specifically designated for equitable sharing funds. Interest income earned on equitable shared funds is deposited into the same account. Funds are placed into a specific payment account from the U.S. Treasury by electronic fund transfer.

MLARS guidance requires that participating law enforcement agencies use eShare. eShare enables a participating agency to receive payments by direct deposit and receive an e-mail notification of the deposit. We determined that the APD received a combined \$3,217,083 in equitable sharing revenues during FY 2015 (\$2,332,470) and FY 2016 (\$884,613). We reviewed the APD's equitable sharing receipts to determine if the revenue was properly accounted for and deposited, and we reconciled the APD's accounting records to DOJ records of equitable sharing funds. We also compared eShare receipts with the CATS report and found that the receipts matched.

We also sought to determine how the APD reconciled and tracked its equitable sharing receipts. We asked an APD Investigator who was responsible for making equitable sharing requests for the department's process for tracking equitable sharing requests to equitable sharing receipts. The Investigator told us the APD uses a commercial database software, which allows the APD to keep up with the status of equitable sharing receipts. We requested the software documentation to test the completeness and accuracy of the documents. However, the APD was unable to locate all of its documentation. As a result, we could not perform a complete reconciliation of equitable sharing requests to receipts and concluded that the APD would also not be able to perform a complete reconciliation.

The Equitable Sharing Guide requires recipients to implement standard accounting procedures and internal controls over equitable sharing funds, which includes controls that allow for the tracking of equitable sharing requests and receipts. Although we were able to reconcile the APD's equitable sharing receipts to its accounting records, the absence of a reconciliation process or procedure within the APD increases the risk of mismanaged or unaccounted for equitable sharing funds. Therefore, we recommend that the Criminal Division ensure the APD develops procedures for tracking and reconciling equitable sharing requests to equitable sharing receipts.

To ensure equitable sharing funds were deposited properly and recorded timely, we selected for testing the five highest equitable sharing receipts, which totaled \$1,118,213 from July 1, 2014, through April 21, 2017. We also judgmentally selected for testing an additional 10 receipts totaling \$461,555 from the same period. The 15 receipts we tested totaled \$1,527,090 and accounted for 47 percent of the APD's \$3,217,083 in receipts over the review period. All receipts were deposited properly and recorded timely.

Equitable Sharing Resources

The Equitable Sharing Guide requires recipients to establish an internal procedure to recommend expenditures from the equitable sharing revenue account, and an agency head must authorize all expenditures. We reviewed the APD's

written policy for using equitable sharing funds to make purchases. According to the policy, a purchase requisition must be submitted to APD management for review prior to the expenditure of equitable sharing funds. The requisition must be reviewed and approved by the APD's Chief of Police or designee. Table 1 summarizes some of the allowable and unallowable uses of equitable sharing funds as outlined in the Equitable Sharing Guide.

Table 1
Summary of Allowable and Unallowable
Uses of Equitable Shared Funds

Allowable Uses
Matching funds
Contracting services
Law enforcement equipment
Law enforcement travel and per diem
Support of community-based programs
Law enforcement awards and memorials
Law enforcement training and education
Transfers to other law enforcement agencies
Joint law enforcement/public safety operations
Law enforcement operations and investigations
Law enforcement, public safety, and detention facilities
Drug and gang education and other awareness programs
Unallowable Uses
Loans
Bayonets
Supplanting
Camouflage Uniforms
Costs related to lawsuits
Extravagant expenditures
Tracked Armored Vehicles
Money laundering operations
Purchase of food and beverages
Creation of endowments or scholarships
Personal or political use of shared assets
Petty cash accounts and stored value cards ^a
Firearms and Ammunition of .50-Caliber or Higher
Purchase of items for other law enforcement agencies
Weaponized Aircraft, Vessels and Vehicles of Any Kind
Uses contrary to the laws of the state or local jurisdiction
Use of forfeited property by non-law enforcement personnel
Grenade Launchers: Firearm or firearm accessory designed to launch small explosive projectiles
<i>With some exceptions, salaries and benefits of sworn or non-sworn law enforcement personnel.</i>

^a Prepaid credit cards may be purchased for use as a form of payment for buy-back programs.

Source: Equitable Sharing Guide and Interim Guidance.

Use of Equitable Sharing Funds

As shown in Table 2, the APD expended a combined \$11,194,534 in DOJ equitable sharing funds from FYs 2013 through 2016.

Table 2
**The APD's Expenditure of
Equitable Sharing Funds by Fiscal Year**

FY	Expenditures ^a
2013	\$3,854,542
2014	\$4,821,542
2015	\$848,619
2016	\$1,669,831
Total	\$11,194,534

^a Amounts were truncated

Source: The APD's accounting records

We judgmentally selected for testing 59 transactions totaling \$7,228,537 or 65 percent of the \$11,194,534 expended to determine if the APD's expenditures were properly authorized, allowable, and adequately supported. We question as unallowable 17 expenditures totaling \$1,445,864 in funds the APD spent to construct a crime laboratory as shown in Table 3. The Interim Policy Guidance requires recipients to obtain approval from MLARS to build new facilities or make structural changes to existing facilities. The APD did not obtain the required approval.⁹ Using equitable sharing funds for impermissible purposes or in a manner that does not comply with established controls is contrary to the Guide and its goal of promoting and maintaining the integrity of the DOJ Equitable Sharing Program to merit public confidence and support.¹⁰ We recommend the Criminal Division ensure that the APD remedies \$1,445,864 in unallowable construction-related expenditures.

⁹ This was a reportable finding cited in the City of Atlanta's FY 2015 Single Audit Report. In that report, the identified construction costs were not questioned.

¹⁰ The City of Atlanta Single Audit Report for FY 2015 identified \$907,091 in construction costs the APD paid from DOJ equitable sharing funds that were not approved by MLARS. We discussed these costs with a MLARS official who also provided an equitable sharing compliance review report of the APD that MLARS completed in March 2015. In the report, MLARS found that the APD paid \$265,491 from shared funds to construct a shooting range, a building, and a crime lab without prior MLARS approval. Neither the Single Audit nor the compliance review questioned the unapproved construction costs.

Table 3
The APD's Unallowable Construction-Related Expenditures

	Invoice Date	Check Number	Description	Amount^a
1	02/28/2014	3036230	Crime lab construction (13-R-3679/FC-6928)	\$48,355
2	02/28/2014	3036275	Crime lab construction	\$43,519
3	04/23/2014	3036275	Crime lab construction	\$82,665
4	05/30/2014	3037479	Crime lab construction	\$184,275
5	06/12/2014	3038748	Crime lab construction	\$239,371
6	02/03/2014	3046504	Crime lab construction (13-R-3679/FC-6928)	\$4,855
7	02/28/2014	3046504	Crime lab construction	\$4,835
8	04/23/2014	3046504	Crime lab construction	\$9,185
9	05/30/2014	3046504	Crime lab construction	\$20,475
10	06/27/2014	3070532	Crime lab construction	\$26,596
11	07/07/2014	3040123	Crime lab construction	\$180,525
12	08/01/2014	3041166	Crime lab construction	\$254,826
13	09/11/2014	3044207	Crime lab construction	\$115,114
14	10/06/2014	3044880	FC-6928 ADP crime lab construction change order no. 1 renovations	\$54,348
15	04/22/2015	3051991	FC-6928 ADP crime lab construction change order no. 1 renovations	\$23,553
16	05/02/2012	2217106	Project Manager 3 24 at \$180	\$126,795
17	05/02/2012	2268823	Project Manager 3 24 at \$180	\$26,572
Total				\$1,445,864

^a Amounts were truncated

Source: OIG Analysis

Accounting for Equitable Sharing Property

The Equitable Sharing Guide requires participating law enforcement agencies to track their tangible property. Additionally, OMB Uniform Guidance requires recipients to maintain property records that include the description of the property, serial number or other identification number, and the location of the property.¹¹ The City of Atlanta has a capital assets policy that, in addition to requiring each city department to review the Uniform Guidance, requires all departments to apply inventory tags to assets immediately upon receipt.¹²

To test whether the APD maintained adequate inventory records and used property for allowable purposes, we requested from the APD Business Manager inventory records of all property purchased or acquired through participation with the DOJ Equitable Sharing Program for FYs 2013 through 2016. For this period, the

¹¹ 2 C.F.R. § 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, (2014).

¹² City of Atlanta, Department of Finance, *Capital Assets Policies and Procedures* (June 2017).

APD purchased 61 property items totaling \$2,507,179 in equitable sharing funds and acquired an Acura TL sedan valued at \$14,975. For the purchased property, we judgmentally selected 22 property items totaling \$1,348,594 to test by assessing if each property item was adequately accounted for in the APD's equitable sharing inventory records. We also physically verified the property by comparing each item's asset tag number to the APD's inventory records. We found that the Acura sedan was not adequately recorded in the APD's records. We were eventually directed to the location of the vehicle. When we asked why the sedan was missing from the records, we were told that the vehicle was miscoded. Later, the APD provided documentation showing the vehicle was transferred to the equitable sharing project code.

Missing or incomplete property records increase the risk that property acquired through the program is lost, stolen, or used for unallowable purposes. Therefore, we recommend that the Criminal Division ensure that the APD implements a process to ensure that all property purchased with equitable sharing funds or acquired through equitable sharing program participation is accurately recorded and maintained in the APD's equitable sharing inventory records. Our finding is consistent with the City of Atlanta's FY 2015 Single Audit Report, which found the city did not comply with federal equipment and property management requirements that we discuss later in this report.

Use of Equitable Sharing Property

The Equitable Sharing Guide requires agencies that receive forfeited property to only use the property for law enforcement purposes. Vehicles and other tangible property transferred for official law enforcement use must be used accordingly for at least 2 years. We concluded from our property sample testing that the APD's property was used for allowable law enforcement purposes.

Supplanting

The Equitable Sharing 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. The recipient agency must benefit directly from the equitable sharing funds. To test whether the APD used its equitable sharing funds to supplement rather than supplant local funding, we interviewed APD and city officials and reviewed the APD's budgets for FYs 2013 through 2018.

We determined that, with the exception of FYs 2015 and 2016, the APD's budget increased during the 6-year period. We reviewed the APD's operational budgets for the same period and determined that it had decreased by less than 1 percent from FY 2015 to FY 2016 and increased an average of 4 percent from FY 2016 to FY 2018.¹³ Based on our review, we found no evidence that equitable

¹³ Additionally, we determined that the APD's equitable sharing funds made up an average of .65 percent of its operational budget, and the APD expended an average of 1.09 percent of those funds for the years we reviewed.

sharing funds were used to supplant local funding. We also found no evidence of supplanting from our sample testing of the APD's expenditures.

Compliance with Audit Requirements

The Equitable Sharing Guide requires that state and local law enforcement agencies that receive equitable sharing cash, proceeds, or tangible property comply with the Single Audit Act Amendments of 1996 and Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (OMB Circular A-133). The Single Audit Act provides for recipients of federal funding above a certain threshold to receive an annual audit of their financial statements and federal expenditures. Under OMB Circular A-133, such entities that expend \$500,000 or more in federal funds within the entity's fiscal year must have a "single audit" performed annually covering all federal funds expended that year.¹⁴ The Single Audit Report is required to include a Schedule of Expenditures of Federal Awards for the period covered by the auditee's financial statements. In addition, an entity must submit its Single Audit Report no later than 9 months after the end of the fiscal year covered by the audit.

To determine if the APD accurately reported DOJ equitable sharing expenditures on its Schedule of Expenditures of Federal Awards, we reviewed the APD's accounting records and the City of Atlanta's Single Audit Report for FY 2015. We found that the report matched the APD's accounting records.

The FY 2015 report cited several material weaknesses or significant deficiencies over the city's management or administration of major federal programs, including the DOJ Equitable Sharing Program. Independent auditors noted that the city did not comply with federal equipment and property management requirements. The report also noted a DOJ Equitable Sharing Program requirement for recipients to obtain prior MLARS approval for construction costs totaling \$907,091.¹⁵ Auditors stated that during an observation of equipment, 2 out of 40 items selected for observation had been disposed, but not removed from an equipment listing. Auditors also found that a physical inventory count of federal equipment had not been performed since 2007.

We worked to determine the status of the city's corrective actions to address the deficiencies related to the management of the equitable sharing program. The

¹⁴ On December 26, 2014, OMB Circular A-133, was superseded by 2 C.F.R. § 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). The new guidance, which affects all audits of fiscal years beginning on or after December 26, 2014, raised the audit threshold from \$500,000 to \$750,000. The Single Audit Report activities included here were conducted under OMB Circular A-133 and the Uniform Guidance.

¹⁵ The FY 2015 Single Audit Report noted other federal program weaknesses and deficiencies that did not involve the equitable sharing program. These issues included noncompliance with equipment and property requirements related to the Executive Office of the President, High Intensity Drug Trafficking Area program; reporting and maintenance of eligibility records related to the Department of Labor, Workforce Investment Act Cluster; subrecipient monitoring related to the Department of Transportation, National Infrastructure Investments Discretionary Grants; and cash management related to the Department of Agriculture, Child and Adult Care Food Program.

city concurred with the equipment and property management finding and stated that the APD will conduct an inventory of all equipment procured with federal funding at least every 2 years. The city also stated that it would maintain a list of property procured and disposed of on an ongoing basis. We obtained a copy of the city's capital assets policies and procedures and noted a requirement for city departments to perform a physical inventory every 2 years. Additionally, a city official told us that the city had contracted with an entity to perform a citywide inventory.

Regarding the deficiency on obtaining prior approval for construction costs, city officials concurred that prior approval was not obtained. The officials stated that in the future the APD would follow the approval process. The APD Business Manager provided us with the city's revised policies and procedures, which included a requirement to obtain MLARS approval before incurring construction costs.

We did not review the city's Single Audit Report for FY 2016 because the report was not available during the period we performed our audit work. The APD provided the report in December 2017, which was 8 months after the March 31, 2017 due date. The city's Director of Grants Management told us the report was late because it was held by the independent auditor. Because the delay was not caused by or within the control of the APD, we make no recommendation for the late report.

CONCLUSION AND RECOMMENDATIONS

We identified several weaknesses related to the APD's compliance with DOJ Equitable Sharing Program requirements for reporting, accounting, use of funds, recordkeeping, and compliance with audit requirements. Specifically, the APD submitted ESAC reports that were late and unsigned by appropriate officials. The APD also did not track or reconcile equitable sharing requests to equitable sharing receipts. We question 17 expenditures totaling \$1,445,864 in equitable sharing funds the APD spent on unallowable construction-related expenditures. The APD's equitable sharing property records did not contain a vehicle acquired with equitable sharing funds. Lastly, the City of Atlanta's Single Audit Report for FY 2016 was not completed on time.

We recommend the Criminal Division:

1. Ensure that the APD has its annual ESAC reports, and any revised ESAC reports, signed by authorized officials.
2. Ensure that the APD submits its annual ESAC reports timely in accordance with equitable sharing guidelines.
3. Ensure that the APD develops procedures for tracking and reconciling equitable sharing requests to equitable sharing receipts.
4. Ensure that the APD remedies \$1,445,864 in unallowable construction-related expenditures.
5. Ensure that the APD implements a process to ensure that all property purchased with equitable sharing funds or received through equitable sharing program participation is accurately recorded and maintained in the APD's equitable sharing inventory records.

APPENDIX 1

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

The objective of the audit was to assess whether the City of Atlanta Police Department (APD) accounted for cash and property received through the DOJ Equitable Sharing Program properly and used the cash and property for allowable purposes under the program.

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 and 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.

Our audit concentrated on, but was not limited to, equitable sharing receipts and property received by the APD between July 1, 2012, and April 21, 2017. Our audit was limited to equitable sharing revenues received through the DOJ Equitable Sharing Program. 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, as well as the Interim Policy Guidance Regarding the Use of Equitable Sharing Funds, issued July 2014. Unless, otherwise stated in our report, the criteria we audited against are contained in these documents.

We performed audit work at the APD's headquarters located in Atlanta, Georgia. We interviewed APD and City of Atlanta officials and examined records, related revenues, and expenditures of DOJ equitable sharing funds. In addition, we relied on computer-generated data contained in the DOJ Consolidated Asset Tracking System (CATS) to identify equitably shared revenues and property awarded to the APD during the audit period. We did not establish the reliability of the data contained in the CATS as a whole. However, when 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 APD's compliance with three essential equitable sharing guidelines: (1) Equitable Sharing Agreement and Certification reports, (2) accounting for equitable sharing receipts, and (3) the use of equitable sharing funds. In planning and performing our audit, we considered internal controls over DOJ equitable sharing receipts established and used by the APD. However, we did not assess the reliability of the City of Atlanta's financial

management system, or the extent to which the financial management system complied with internal controls, laws, and regulations overall.

From July 1, 2012, through April 21, 2017, the APD had 390 cash receipts totaling \$5,753,437 and 1 property receipt totaling \$14,975. In the same period, the APD had 189 expenditures totaling \$11,194,534. We judgmentally selected and tested a sample of 15 receipts totaling \$1,527,090 and a sample of 59 expenditures totaling \$7,228,537 or 65 percent of all expenditures. We applied a judgmental sampling design to capture numerous aspects of the disbursements reviewed, such as dollar amounts. This non-statistical sample design does not allow projection of the test results to all disbursements.

Our audit included an evaluation of the APD's most recent annual audit. The results of this audit were reported in the Single Audit Report that accompanied the City of Atlanta's basic financial statements for the year ended June 30, 2015. 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 control weaknesses and noncompliance issues. The single audit considered the finding of monitoring of capital assets as a significant deficiency and non-compliance with requirements regarding equitable sharing for state and local law enforcement agencies as described in findings for equipment and real property management and allowable costs. We have addressed these weaknesses in our report as it relates to the APD's Equitable Sharing Program. We did not review the city's Single Audit Report for FY 2016 as the report was provided to us after we completed our audit work.

We discussed the results of our review with officials from the APD and the city throughout the audit and at a formal exit conference. As appropriate, their input has been included in the relevant sections of the report.

APPENDIX 2

SCHEDULE OF DOLLAR-RELATED FINDINGS

<u>Description</u>	<u>Amount</u>	<u>Page</u>
Questioned Costs:		
Unallowable Construction-Related Expenditures	\$1,445,864	11
Total Unallowable Expenditures	<u>\$1,445,864</u>	
<i>Gross Questioned Costs¹⁶</i>	<i>\$1,445,864</i>	
TOTAL DOLLAR-RELATED FINDINGS	<u>\$1,445,864</u>	

¹⁶ **Questioned Costs** are expenditures that do not comply with legal, regulatory, or contractual requirements; 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.

APPENDIX 3

CITY OF ATLANTA POLICE DEPARTMENT'S RESPONSE TO THE DRAFT AUDIT REPORT¹⁷



C I T Y O F A T L A N T A

Keisha Lance Bottoms
Mayor

226 Peachtree Street, SW
Atlanta, Georgia 30303
(404) 546-6900

Atlanta Police Department
Erika Shields
Chief of Police

February 1, 2018

Ferris B. Polk
Regional Audit Manager
U.S. Department of Justice
Office of the Inspector General
Atlanta Regional Audit Office
75 Ted Turner Drive SW, Suite 1130
Atlanta, Georgia 30303

Dear Mr. Polk:

The Atlanta Police Department has received and reviewed the draft audit report on the City of Atlanta Police Department's Equitable Sharing Program Activities. The audit report identified five areas for improvement and the department requests your agency's consideration to the responses stated below:

Finding One: Ensure that the Annual ESAC Report is Signed by Authorized Officials
Per the draft audit report, the final submissions for the FY2015 and FY2016 ESAC reports did not contain the required signatures of the Mayor and Chief of Police.

Response One:

For FY2015, the ESAC report was initially submitted on September 4, 2015 and revised and resubmitted on July 15, 2016. Both the Mayor and the Chief of Police electronically signed the aforementioned documents. A copy of the FY2015 electronically signed revised and final submission was emailed to [REDACTED] and [REDACTED], DOJ auditors, on December 28, 2017.

The FY2016 ESAC report was not submitted to the Mayor or the Chief of Police for signature; and this was a direct result of employee turnover and failure to properly cross train. Once the department was made aware of its deficiency, the ESAC report was immediately reviewed, revised and submitted for signatures. The final FY2016 ESAC report contained all the appropriate signatures.

Moving forward, the department is committed to properly familiarizing multiple staff members on the requirements associated with participating in the Equitable Sharing Program to offset employee turnover.

¹⁷ The blue line on each page of the recipient's response appears on the original document. Also, the original document contained a schedule of construction costs that we have removed in this version because the schedule appeared to contain proprietary information. The schedule was not referenced in the recipient's response.

Finding Two: Ensure the Timely Submission of ESAC Reports and in Accordance with Equitable Sharing Guidelines

Per the draft audit report, the FY2015 report was submitted 6 days late and the FY2016 report was submitted 24 days late.

Response Two:

The ESAC reports should have been submitted in a timely manner and the lag time was due to personnel-related issues within the department. The department has made multiple personnel changes as it relates to its Equitable Sharing Program tracking and report submission. The FY2017 ESAC report was submitted on time.

Finding Three: Ensure that APD Develop Procedures for Tracking and Reconciling Equitable Sharing Requests to Equitable Sharing Receipts

Per the draft audit report, APD needs to develop procedures for tracking and reconciling equitable sharing requests to equitable sharing receipts.

Response Three:

APD currently uses the Approach Data Base to track and reconcile equitable sharing requests with equitable sharing receipts. The process that is followed is itemized in an internal document titled, Equitable Sharing Reconciliation Procedures. During its audit of the police department, the 15 receipts selected for testing and that accounted for 47% of APD's receipts for the review period, were found to be deposited properly and recorded in a timely manner. The department recognizes that although the work seems to be getting done with a high degree of accuracy, the reconciliation procedures need to be formalized. The department will coordinate with its Planning and Research Section to identify the most appropriate manner to formalize the process.

Finding Four: Ensure that APD Remedies 17 Unallowable Crime Lab Construction Expenditures Totaling \$1,445,864

Per the draft audit report, APD did not obtain approval for unallowable construction related expenditures.

Response Four:

The Atlanta Police Department built its Annex approximately 10 years ago. The building was designed to accommodate multiple separate police-related functions; to include the department's Property Section (storage of evidence and property), ID Section (fingerprinting of the public, processing of prints for law enforcement), Crime Scene Unit and a Crime Lab. Completion of the Crime Lab took several years and the expenses referenced in the audit were accrued between the years of 2012-2015, with the majority of expenditures occurring 2014.

APD Equitable Sharing Draft Audit Response
February 1, 2018
Page 3 of 3

In reviewing the Equitable Sharing Guide and Interim Guidance Policy, the section in question is (c), and specifically paragraph two: *Approval from AFMLS is required prior to building new facilities or making structural changes to existing facilities. Approval is not required for cosmetic or non-structural improvements such as cabling, electrical, interior walls, carpeting or furniture costs.* The footprint of the Crime Lab did not change as a result of the work that was done. The space that had been allocated was outfitted as a result of what was envisioned during the design of the building (the City of Atlanta owns the building). There was extensive construction completed as the Crime Lab transitioned from an empty space to a fully operational lab. While the department questions whether approval would have been required under the rules as they are written, the work that was done certainly falls in the gray area and therefore, permission should have been requested. Additionally, the City of Atlanta's FY2015 Single Audit Report referenced the construction expenditures. And although the expenditures were not questioned, the department had an obligation to engage in a greater degree of responsiveness than what was afforded.

Finding Five: APD Needs to Implement a Process to Ensure Property Associated with Equitable Sharing is Accurately Tracked

Per the draft audit report, the department's inventory records did not include an Acura sedan.

Response Five:

APD received a vehicle from equitable sharing and it was inadvertently coded to the incorrect account. The vehicle was subsequently found and coded to the correct account. The department is working with City Hall to either obtain a new reconciliation system or upgrade its existing system. Additionally, the department is requiring that an individual in its Fiscal Unit be responsible for ensuring the correct coding of all equitable sharing equipment.

Sincerely,



Erika Shields
Chief of Police

APPENDIX 4

CRIMINAL DIVISION RESPONSE TO THE DRAFT AUDIT REPORT



U.S. Department of Justice

Criminal Division

Money Laundering and Asset Recovery Section

Washington, D.C. 20530

JAN 17 2018

MEMORANDUM

TO: Ferris Polk, Regional Audit Manager
Atlanta Regional Audit Office
Office of the Inspector General

FROM: Jennifer Bickford, Deputy Chief *Jennifer Bickford*
Program Management and Training Unit
Money Laundering and Asset
Recovery Section

SUBJECT: DRAFT AUDIT REPORT for the Atlanta Police Department's
Equitable Sharing Program Activities

In a memorandum dated January 10, 2018, your office provided a draft audit report for the Atlanta Police Department (APD), which included actions necessary for closure of the audit report findings. The Money Laundering and Asset Recovery Section (MLARS) concurs with all findings and recommendations in the draft audit report.

Upon receipt of the final audit report, MLARS will work with APD to correct all identified findings.

cc: Denise Turcotte
Audit Liaison
Criminal Division

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

APPENDIX 5

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

The U.S. Department of Justice (DOJ) Office of the Inspector General (OIG) provided a draft of this audit report to the Criminal Division and the City of Atlanta Police Department (APD). The APD's response is incorporated in Appendix 3, and the Criminal Division's response is incorporated in Appendix 4 of this final report. The Criminal Division concurred with our recommendations, and as a result, the status of the audit is resolved. The APD did not state whether it concurred or did not concur with the recommendations. The following provides the OIG analysis of the responses and summary of actions necessary to close the report.

Recommendations for the Criminal Division:

1. Ensure that the APD has its annual ESAC reports, and any revised ESAC reports, signed by authorized officials.

Resolved. The Criminal Division concurred with our recommendation and stated that it would work with the APD to correct the identified finding. The APD did not state whether it concurred or did not concur with the recommendation. The APD did state that both the Mayor and Chief of Police electronically signed the FY 2015 report and that a copy of that report was sent to us in December 2017. The report we reviewed during our audit fieldwork, and the report sent to us in December 2017, contained on the signature page typed names, titles, and email addresses of the Chief of Police and Mayor. The signature page did not expressly state or indicate that electronic signatures had been applied. As a result, we could not verify that the report was electronically signed. DOJ Equitable Sharing Program guidance requires recipients to retain, for at least 5 years, all documents and records pertaining to recipient participation in the equitable sharing program. Within its records, the APD should maintain documentation or records that can be used to verify its electronic signatures.

The APD stated that its FY 2016 ESAC report was not submitted to the Mayor or the Chief of Police for signature because of employee turnover and failure to properly cross train. The APD added that once the department was made aware of this concern, the report was immediately reviewed, revised, and submitted for signatures. The APD also stated that it is committed to properly familiarizing multiple staff members on the requirements associated with participating in the Equitable Sharing program to offset employee turnover.

This recommendation can be closed when we receive documentation showing that the APD has ensured its annual ESAC reports, and any revised reports, are signed by authorized officials.

2. Ensure that the APD submits its annual ESAC reports timely in accordance with equitable sharing guidelines.

Resolved. The Criminal Division concurred with our recommendation and stated that it would work with the APD to correct the identified finding. The APD did not state whether it concurred or did not concur with the recommendation. The APD did state that the ESAC reports should have been submitted in a timely manner and that the lag time was due to personnel-related issues within the department. The APD also stated that the department has undergone multiple personnel changes as it relates to its equitable sharing program tracking and report submission and that the FY 2017 ESAC report was submitted on time.

This recommendation can be closed when we receive documentation showing that the APD has ensured that annual ESAC reports are submitted timely in accordance with equitable sharing guidelines.

3. Ensure that the APD develops procedures for tracking and reconciling equitable sharing requests to equitable sharing receipts.

Resolved. The Criminal Division concurred with our recommendation and stated that it would work with the APD to correct the identified finding. The APD did not state whether it concurred or did not concur with the recommendation. The APD did state that it uses a database to track and reconcile requests to receipts. The APD added that its process is itemized in its Equitable Sharing Reconciliation Procedures document. The APD also stated that the 15 equitable sharing receipts we selected for testing were found to be deposited properly and recorded in a timely manner.

The APD misinterprets our receipts testing results as evidence that it complied with the program requirement for recipients to establish procedures and controls that, among other things, allow for the tracking of receipts. Although we found that the APD's receipts were properly deposited and timely recorded, the APD's inability to adequately demonstrate its reconciliation process demonstrates that it would be unable to reliably execute its procedures. In our judgment, this increases the risk that not all equitable sharing funds are properly accounted for.

To test the APD's compliance with the receipt tracking requirement, we sought to determine how the APD tracked and reconciled equitable sharing receipts. APD officials directed us to an APD Investigator. We were told that the Investigator was knowledgeable about the APD's reconciliation process and responsible for making the APD's equitable sharing requests. The Investigator explained to us that the APD's commercial database is used for reconciliation. Another APD official provided us with records from the database. We attempted to perform a reconciliation using these records. However, we were unable to reconcile the APD's requests to receipts using the records and, consequently, concluded that the APD would also be unable to perform a complete reconciliation using the records. Additionally, the APD

stated that although it recognizes that the work seems to be getting done with a high degree of accuracy, the reconciliation procedures need to be formalized. The APD added that it would coordinate with its Planning and Research Section to identify the most appropriate manner to formalize the process.

This recommendation can be closed when we receive documentation of the APD's procedures for tracking and reconciling equitable sharing requests to equitable sharing receipts.

4. Ensure that the APD remedies \$1,445,864 in unallowable construction-related expenditures.

Resolved. The Criminal Division concurred with our recommendation and stated that it would work with the APD to correct the identified finding. The APD did not state whether it concurred or did not concur with the recommendation. The APD provided details of the construction project, which was a building designed to accommodate police property and identification sections, a crime scene unit, and a crime laboratory. Also in its response, the APD cited the DOJ Equitable Sharing Program rule for obtaining prior approval for construction costs. The APD also stated that there was extensive construction completed as the laboratory transitioned from an empty space to a fully operational lab. The APD added that, while it questioned whether approval would have been required under the rules as they are written, the work that was done certainly falls in the gray area and therefore, permission should have been requested. Additionally, the APD stated that although the expenditures were not questioned in the City of Atlanta Single Audit Report for FY 2015, it had an obligation to engage in a greater degree of responsiveness than what was afforded. In what appeared to be the APD's reasoning for allowing the construction expenses, it stated that the footprint of the crime laboratory did not change as a result of the work done and that the allocated space was outfitted as a result of what was envisioned during the design of the building.

As we stated in our report, we believe that the APD's construction project costs were costs that required prior approval from the Criminal Division according to program rules. Additionally, program rules do not exempt from prior approval construction costs that do not increase the project footprint or when allocated space has been outfitted based on the building design.

This recommendation can be closed when we receive documentation showing that the \$1,445,864 in unallowable construction-related expenditures are remedied.

5. Ensure that the APD implements a process to ensure that all property purchased with equitable sharing funds or received through equitable sharing program participation is accurately recorded and maintained in the APD's equitable sharing inventory records.

Resolved. The Criminal Division concurred with our recommendation and stated that it would work with the APD to correct the identified finding. The APD did not state whether it concurred or did not concur with the recommendation. The APD did state that it received a vehicle from the equitable sharing program, which was inadvertently coded to the incorrect account. The APD stated that the vehicle was subsequently found and coded to the correct account. The APD added that it is working with City Hall to either obtain a new reconciliation system or upgrade its existing system. The APD also added that it is requiring an individual in its fiscal unit to be responsible for ensuring the correct coding of all equitable sharing equipment.

This recommendation can be closed when we receive documentation showing the APD's process to ensure all property purchased with equitable sharing funds or received through program participation is accurately recorded and maintained in the APD's equitable sharing inventory records.



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