AUDIT OF THE LANSING POLICE DEPARTMENT'S EQUITABLE SHARING PROGRAM ACTIVITIES LANSING, MICHIGAN

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

Audit Report GR-50-14-002
December 2013
EXECUTIVE SUMMARY

The U.S. Department of Justice (DOJ), Office of the Inspector General, Audit Division, has completed an audit of the use of DOJ equitable sharing revenues by the Lansing, Michigan, Police Department (Lansing PD). Equitable sharing revenues represent a share of the proceeds from the forfeiture of assets seized in the course of certain criminal investigations. During the period of July 1, 2008, through June 30, 2012, the Lansing PD received $823,960 in DOJ equitable sharing revenues to support law enforcement operations.

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

- The Lansing PD commingled DOJ equitable sharing funds with state of Michigan asset forfeiture funds.
- The Lansing PD did not maintain a DAG-71 log for reconciling equitable sharing receipts.
- The Lansing PD improperly used $3,061 in equitable sharing funds to pay for overtime of a civilian employee.
- The Lansing PD used $12,563 in equitable sharing funds for officers’ uniform allowance without having proper supporting documentation.

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

2 The Lansing PD fiscal year begins on July 1 and ends on June 30.
In total, we identified $15,624 in questioned costs related to the Lansing PD’s management of equitable sharing funds. Our report contains six recommendations to address the weaknesses we identified. Our findings are discussed in detail in the Findings and Recommendations section of the report. The audit objective, scope, and methodology are included in Appendix I.
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INTRODUCTION

The U.S. Department of Justice (DOJ), Office of the Inspector General, Audit Division, has completed an audit of the use of DOJ equitable sharing receipts by the Lansing, Michigan, Police Department (Lansing PD). The audit covered the Lansing PD’s fiscal years (FY) 2009, 2010, 2011, and 2012. During that period, the Lansing PD received DOJ equitable sharing revenues totaling $823,960 to support law enforcement operations.

The objective of the audit was to assess whether equitably shared cash and property received by the requesting agency was accounted for properly and used for allowable purposes as defined by the applicable regulations and guidelines.

Background

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

Another purpose of the DOJ Asset Forfeiture Program is to enhance cooperation among federal, state, and local law enforcement agencies by sharing federal forfeiture proceeds through the DOJ Equitable Sharing Program. State and local law enforcement agencies may receive equitable sharing revenues by participating directly with DOJ agencies in joint investigations leading to the seizure or forfeiture of property. The amount shared with the state and local law enforcement agencies in joint investigations is based on the degree of the agencies’ direct participation in the case. The U.S. Department of the Treasury administers its own asset forfeiture program. Our audit was limited to equitable sharing revenues received through the DOJ equitable sharing program.

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

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3 Lansing’s fiscal year begins on July 1 and ends on June 30. Therefore, our review period was July 1, 2008, through June 30, 2012.
funds. Generally, the use of equitable sharing revenues by state and local recipient agencies is limited to law enforcement purposes. However, under certain circumstances, up to 15 percent of equitable sharing revenues may be used for the costs associated with drug abuse treatment, drug and crime prevention education, housing and job skills programs, or other nonprofit community-based programs or activities. This provision requires that all expenditures be made by the law enforcement agency and does not allow for the transfer of cash.

**Lansing Police Department**

Lansing, Michigan, is the capital of the state of Michigan. It is located mostly in Ingham County, although small portions of the city extend into Eaton County. According to the 2010 census, the city’s population is 114,297, making it the fifth largest city in the state of Michigan. The Lansing PD was formed in 1893 and had a law enforcement budget of $30,029,430 in FY 2012.

The city of Lansing Finance Department administers and coordinates financial services for the Lansing PD. The Lansing PD submits all expenditure requests to the city of Lansing Finance Department for approval. Both the Chief of Police and the Mayor of Lansing sign the Equitable Sharing Agreement and Certification Reports.

**OIG Audit Approach**

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

To conduct the audit, we tested the Lansing PD’s compliance with the following aspects of the DOJ equitable sharing program:

- **Accounting for equitably shared resources** to determine whether standard accounting procedures were used to track equitable sharing assets.

- **Compliance with audit requirements** to ensure the accuracy, consistency, and uniformity of audited equitable sharing data.
• **Equitable Sharing Agreement and Annual Certification Reports** to determine if these documents were complete and accurate.

• **Monitoring of Applications for Transfer of Federally Forfeited Property** to ensure adequate controls were established.

• **Use of equitably shared resources** to determine if equitable sharing funds were spent for permissible uses.

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

We found that the Lansing PD commingled DOJ equitable sharing funds with state of Michigan asset forfeiture funds within its accounting system. Additionally, we found inaccuracies in some of the annual reports the Lansing PD submitted. Further, we found that the Lansing PD failed to maintain a log of its equitable sharing request forms in accordance with equitable sharing guidelines. We also determined that the Lansing PD used $3,061 in equitable sharing funds to pay for unallowable overtime for a civilian employee, as well as $12,563 in equitable sharing funds to pay for an unsupported uniform allowance for its officers.

Accounting for Equitably Shared Receipts

The Equitable Sharing Guide requires that all participating state and local law enforcement agencies implement standard accounting procedures to track equitably shared revenues and property. Additionally, DOJ equitable sharing funds must be accounted for separately from any other funds. We reviewed equitable sharing receipts to determine if the funds were properly accounted for and deposited, and we reconciled the agency’s accounting records to DOJ records of equitable sharing funds provided to the agency.

We determined that during FYs 2009 through 2012, the Lansing PD had 34 receipts of equitable sharing funds totaling $823,960. We reviewed all 34 receipts, and we found that the Lansing PD accurately accounted for its deposits of all equitably shared revenues received during these fiscal years.

According to the Equitable Sharing Guide, agencies receiving equitable sharing funds are required to maintain separate accounting records for DOJ equitable sharing funds. We found that the Lansing PD had commingled its DOJ equitable sharing funds with state asset forfeiture funds in its accounting records and could not separately identify the funds as DOJ or state monies. We recommend the city of Lansing Finance Department establish procedures to ensure that it maintains its DOJ equitable sharing funds separately from all other funds in its accounting system.
Compliance with Audit Requirements


To determine if the Lansing PD accurately reported DOJ equitable sharing fund expenditures on its Schedule of Expenditures of Federal Awards, we reviewed the Lansing PD’s accounting records and the city of Lansing Single Audit Reports for the fiscal years ended 2009, 2010, 2011, and 2012. We found that the city of Lansing did not report any of its DOJ equitable sharing fund expenditures on its Schedule of Expenditures of Federal Awards for FYs 2009, 2010, and 2011. The city of Lansing did report DOJ equitable sharing fund expenditures for FY 2012. However, the expenditure amount was not accurate. We recommend that AFMLS ensure that the city of Lansing establishes procedures to ensure that it accurately reports its equitable sharing expenditures on its Schedule of Expenditures of Federal Awards.

Furthermore, the city of Lansing’s Single Audit for FY 2012 contained a repeat finding related to the capitalization of property purchased with federal awards, a condition that resulted in the city of Lansing’s capital asset records being incomplete. Because of this finding, during our testing we reviewed all property the Lansing PD purchased with equitable sharing funds during the time period covered by our audit. This testing is further discussed in the Use of Equitably Shared Funds section of this report.

Equitable Sharing Agreement and Annual Certification Reports

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

As part of our audit, we reviewed the methods by which the Lansing PD prepares its Equitable Sharing Agreement and Annual Certification Reports. According to city of Lansing officials, after the fiscal manager prepares the Certification Report, the fiscal manager submits it to the accounting manager for review. After the accounting manager approves the Certification Report, it is submitted to the Finance Director for review and then to the Lansing PD Chief of Police for review.

We tested compliance with the certification report requirements to determine if the required Certification Reports for FYs 2009, 2010, 2011, and 2012 were submitted timely, accurately completed, and were signed by the appropriate officials. To assess the accuracy of the Certification Reports, we reconciled the total receipts and expenditures reported to the Lansing PD general ledger and other documents used by Lansing personnel to prepare the form. We determined that the Lansing PD Certification Reports for FYs 2009, 2010, 2011, and 2012 were signed by the appropriate officials. We also determined that the FY 2009, 2010, and 2011 Certification Reports were submitted on time, but that the form for FY 2012 was submitted 5 months late.

While we found that the FY 2012 Certification Report accurately reported the Lansing PD’s equitable sharing expenditures, we found that despite the multiple reviews described above, Lansing PD officials did not notice that when they initially submitted the FY 2009, 2010, and 2011 Certification Reports, the reported figures were inaccurate. Specifically, the initial Certification Reports for FYs 2009 and 2010 did not reflect any expenditures of equitable sharing funds, while the initial FY 2011 Certification Report did not reflect the correct amount of expenditures of equitable sharing funds. According to the city of Lansing fiscal manager, prior to FY 2009, the city of Lansing Finance Department eliminated some accounting positions and assigned the duties and responsibility of managing the Equitable Sharing Program to another departmental staff member. According to the fiscal manager, this staff member did not know how to complete the Certification Reports and therefore failed to complete the reports correctly. In February 2013, the fiscal manager resubmitted the FY 2009, 2010, and 2011 Certification Reports with corrected information. We reviewed the re-submitted Certification Reports and found that they accurately reported Lansing PD equitable sharing expenditures.
Monitoring Applications for Transfer of Federally Forfeited Property

According to the Equitable Sharing Guide, the agency that submits the Form DAG-71, Application for Transfer of Federally Forfeited Property (DAG-71), should maintain a log and copies of all DAG-71s. 4 A consecutive numbering system should be used for control purposes, and the log should contain the date and the amount received. We found that although the Lansing PD did maintain copies of the DAG-71s, it did not maintain a log to reconcile its equitable sharing requests with its receipts. The program manager of the Lansing PD’s Equitable Sharing Program told us that the Lansing PD Special Operations Unit (Unit) completes the DAG-71s and keeps copies of the forms, but that no one reconciles the requests to the bank statements because neither the Unit nor the program manager receives the e-share notifications. 5 We contacted AFMLS and, after consulting with Lansing PD officials, determined that the Lansing PD e-share notifications were being sent to the e-mail account of a retired Lansing PD administrator. We recommend that the Lansing PD begin maintaining the required DAG-71 log, including copies of the DAG-71s, and reconcile the e-share notifications (i.e., receipts) to the sharing requests.

Use of Equitably Shared Funds

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

According to its corrected Certification Reports, the Lansing PD expended $847,358 in DOJ equitable sharing funds during FYs 2009 through 2012. We judgmentally selected and tested 80 transactions totaling $276,292, as shown in Table 1. 6

4 The DAG-71 is the DOJ form submitted by a state or local agency to the federal seizing agency to request a share of seized assets.

5 E-share notification is the process of electronic payment from the United States Marshals Service. Participation in the process is mandatory.

6 Details on our sampling methodology can be found in Appendix I.
TABLE 1: EXPENDITURE TESTING

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equitable</td>
<td>$167,303</td>
<td>$204,203</td>
<td>$325,014</td>
<td>$150,838</td>
<td>$847,358</td>
</tr>
<tr>
<td>Sharing Expenditures</td>
<td>$41,630</td>
<td>$40,097</td>
<td>$162,301</td>
<td>$32,264</td>
<td>$76,292</td>
</tr>
<tr>
<td>Amount of Expenditures Tested</td>
<td>$17</td>
<td>$17</td>
<td>$24</td>
<td>$22</td>
<td>80</td>
</tr>
<tr>
<td>Number of Expenditures Tested</td>
<td>17</td>
<td>17</td>
<td>24</td>
<td>22</td>
<td>80</td>
</tr>
</tbody>
</table>

Source: OIG analysis of Lansing PD accounting records

As previously discussed, the Single Audit for FY 2012 contained a finding related to inventory controls over property purchased with DOJ funds. In light of this, we included in our testing sample all 18 property items the Lansing PD purchased with DOJ equitable sharing funds during our review period, which included vehicles, riflescope, and fencing. We found that all property purchase transactions were supported, all property was included on the Lansing PD’s inventory records, as appropriate, and all property was being used for law enforcement purposes.

However, our review identified issues related to the allowability of certain transactions and a lack of supporting documentation for other transactions. Specifically, we found that the Lansing PD used equitable sharing funds to pay for overtime expenses of $29,970 in FY 2009, $79,906 in FY 2010, $60,088 in FY 2011, and $5,378 in FY 2012. We questioned Lansing PD officials regarding these overtime expenses and were told the overtime expenses were for officers assigned to the Special Operations Unit. However, we determined that a portion of the overtime pay was for a non-sworn, civilian employee of the Lansing PD assigned to the Special Operations Unit. According to the Equitable Sharing Guide, DOJ equitable sharing funds may be used to pay the overtime expenses for sworn personnel, not civilians. For the period reviewed, the total amount of overtime paid to the non-sworn employee was $3,061. We recommend that this $3,061 in unallowable overtime compensation be remedied.

In addition, we found that the Lansing PD used $12,563 in equitable sharing funds to help pay its standard uniform allowance in FY 2009 through FY 2012. In previous correspondence with AFMLS officials, the OIG was informed that a standard uniform allowance expense was permissible as long as the administering agency received receipts for the items purchased. According to Lansing PD officials, officers did not have to provide receipts in order to receive their uniform allowance; a portion of their uniform allowance was automatically prorated to their pay during each pay period.
We recommend that the Lansing PD be required to remedy a total of $12,563 in unsupported costs related to its use of equitable sharing funds for uniform allowance.

*Cash Log*

The Lansing PD Special Operations Unit (Unit) is responsible for drug investigations and undercover operations. The Unit uses funds from the Lansing PD’s commingled asset forfeiture fund as buy money for special operations and to pay informants. In order to obtain cash for these operations, Unit personnel request the amount needed, have this request approved by senior managers in the Unit, and forward the request to the city Finance Department. Once approved at the city level, a check is prepared and provided to an officer from the Unit, who cashes it and brings the currency to the Unit, where it is secured in a safe.

We found that the Lansing PD maintained a handwritten log at the Unit that recorded amounts deposited and amounts removed from the special operations cash fund. However, after reviewing the cash log, we found that it was insufficient to ensure the safety of the funds because officials at the Unit never reconciled it to ensure that the appropriate amount of cash was in the safe at any given time. We believe this method of handling cash constituted a risk because there was no way to determine at a particular time that someone had not improperly removed funds from the safe, even temporarily.

We discussed this issue with city of Lansing Finance Department officials, who said that someone from the Finance Department maintained a record of the amount disbursed to the Unit and twice a year reconciled the amount in the safe and the handwritten cash log to the amount recorded in the Finance Department’s records. After we discussed this issue with Finance Department officials, the Accounting Manager developed an electronic cash log for the Unit. We observed that this new log contains a function to allow Unit supervisors to reconcile the log, the log was being used, and that the log was accurate in comparison to the amounts kept at the city Finance Department.

*Supplanting*

Pursuant to the Equitable Sharing Guide, equitable sharing revenues must be used to increase or supplement the resources of the receiving state or local law enforcement agency. Equitably shared funds shall not be used to replace or supplant the resources of the recipient. To test whether equitable sharing funds were used to supplement rather than supplant local
funding, we interviewed local officials and reviewed the agency’s local budgets for FYs 2009, 2010, 2011, and 2012. We found that while the Lansing PD’s budget decreased from FY 2009 through 2012, it increased from FY 2012 to FY 2013.

During interviews with Lansing PD officials, we were told that the city of Lansing does consider equitable sharing revenue when developing budgets for the Lansing PD. In addition, when we reviewed Lansing PD budget documents for the fiscal years covered in our review period, we found that FYs 2009, 2010, and 2011 contained a category called “other.” Lansing PD officials told us that this “other” category reflected existing funds in the Lansing PD’s asset forfeiture fund, of which DOJ equitable sharing revenues were a part.7

We did not identify any additional indicators of potential supplanting. However, we are concerned that conditions in the future could lead to the possibility that supplanting could occur. As noted in the Equitable Sharing Guide, DOJ equitable sharing funds should be used to supplement and not supplant local funding. We recommend that the Criminal Division remind the Lansing PD of the non-supplanting requirement specified in the Equitable Sharing Guide.

Views of Responsible Officials

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

Recommendations

We recommend that the Criminal Division:

1. Require the Lansing PD to account for DOJ equitable sharing funds separately from all other funds.

2. Require the city of Lansing to establish procedures to ensure that it accurately reports its equitable sharing expenditures on its Schedule of Expenditures of Federal Awards.

7 As noted earlier in the report, the Lansing PD commingled its equitable sharing funds with other, non-federal asset forfeiture funds.
3. Require the Lansing PD to establish and properly maintain a DAG-71 log and reconcile sharing requests with receipts.

4. Remedy the $3,061 in unallowable costs related to overtime expense for non-sworn personnel.

5. Remedy the $12,563 in unsupported costs related to uniform allowance expenses.

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

- Guide to Equitable Sharing for State and Local Law Enforcement Agencies, dated April 2009;

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

Scope and Methodology

Our audit concentrated on, but was not limited to, equitable sharing receipts received by the Lansing PD from July 1, 2008, through June 30, 2012. During that period, the Lansing PD received a total of $823,960. We performed audit work mainly at the city of Lansing Police Department located in Lansing, Michigan. We interviewed Lansing PD and city of Lansing Finance Department officials and examined their records of federal asset forfeiture revenues and expenditures of DOJ equitable sharing funds.

We selected 16 transactions from FY 2009 totaling $41,487, and 10 of the sampled transactions were the highest-dollar transactions for FY 2009. For FY 2010, we selected 17 transactions totaling $40,097, and 10 of the sampled transactions were the highest-dollar transactions for FY 2010. For 2011, we selected 16 transactions totaling $156,826, and 10 of the sampled transactions were the highest-dollar transactions for FY 2011.
Finally, for FY 2012 we selected 3 transactions totaling $24,107, and the sampled transactions were among the highest-dollar transactions for FY 2012. In total, we selected 52 transactions totaling $262,517.

Because of a finding in the Single Audit for FY 2012 related to the capitalization of inventory purchased with federal awards, we ensured that our sample included all 18 pieces of property the Lansing PD purchased with DOJ equitable sharing funds during our review period, including vehicles and riflescopes.

In addition, we determined that further testing would be necessary due to our finding that DOJ equitable sharing funds were comingled. We organized by type all of the transactions that we had not selected as part of our original sample. We then reviewed all of these transactions, judgmentally determined which had the potential of being high risk, and selected a second sample that consisted of 28 transactions totaling $13,775. When combined with our initial sample of 52 transactions totaling $262,517, overall we reviewed 80 transactions totaling $276,292.

We relied on computer-generated data contained in the DOJ Consolidated Asset Tracking System (CATS) for determining equitably shared revenues and property awarded to the Lansing PD during the audit period. We did not establish the reliability of the data contained in CATS as a whole. However, when the data used is viewed in context with other available evidence, we believe the opinions, conclusions, and recommendations included in this report are valid.

In planning and performing our audit, we considered internal controls established and used by the Lansing PD and the city of Lansing Finance Department over DOJ equitable sharing receipts. We did not assess the reliability of the Lansing PD financial management system or internal controls of that system or otherwise assess internal controls and compliance with laws and regulations for the city of Lansing government as a whole.

Our audit included an evaluation of the city of Lansing Single Audit Reports for FYs 2009, 2010, 2011, and 2012. The Single Audit Reports were prepared under the provisions of OMB Circular A-133. We found that the independent auditor’s assessment for FY 2012 disclosed one internal control weakness related to the Lansing PD. Single Audit Report finding 2012-SA-4, Capitalization of Property Purchased with Federal Awards, was a repeat finding that caused the city of Lansing’s capital asset records to be incomplete. In response to this finding, we selected and tested all property purchased with equitable sharing funds during our review period, as noted above.
### APPENDIX II

**SCHEDULE OF DOLLAR-RELATED FINDINGS**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Questioned Costs $8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unallowable Civilian Overtime: $3,061</td>
<td>$3,061</td>
<td>8</td>
</tr>
<tr>
<td>Total Unallowable: $3,061</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unsupported Uniform Allowance: $12,563</td>
<td>$12,563</td>
<td>8</td>
</tr>
<tr>
<td>Total Unsupported: $12,563</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Questioned Costs $15,624</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Net Dollar-Related Findings $15,624</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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8 *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.
Dear Ms. Taraszka,

The Lansing Police Department acknowledges and concurs with Office of Inspector General’s findings. Please find the following action plans to the auditors' recommendations listed on page 11 of the audit report.

The Lansing Police Department (LPD) agrees to:

1. Account for equitable sharing funds separately from all other funds. This includes source and use of equitable revenue sharing funds.

2. Establish procedures to ensure that equitable sharing expenditures are accurately reported on the Schedule of Expenditures of Federal Awards. While the Fiscal Year ended June 30, 2012 reported Department of Justice equitable revenue sharing expenditures, the amount listed under the Department of Justice also included Department of Treasury equitable revenue sharing expenditures. This issue has been remedied as of June 30, 2013 by establishing separate accounts and should not be an issue going forward.

3. Establish and properly maintain a DAG-71 log reconciling sharing requests with receipts. The City’s Finance Department will reconcile the DAG-71 requests to receipts.

4. Remedy $3,061 overtime expense for non-sworn personnel. In fiscal year ending June 30, 2014, the City will document, but not report, the appropriate amount of expenses that would otherwise be eligible uses of equitable revenue sharing proceeds.

5. Remedy the $12,563 in unsupported uniform allowance expenses. In fiscal year ending June 30, 2014, the City will document, but not report, the appropriate amount of expenses that would otherwise be eligible uses of equitable revenue sharing proceeds.

Thank you for your consideration of the above.

Sincerely,

Michael Yankowski
Chief of Police
MEMORANDUM

TO: Carol S Taraszka
   Regional Audit Manager
   Chicago Regional Audit Office
   Office of the Inspector General (OIG)

FROM: Gene Patton, Assistant Deputy Chief
       Asset Forfeiture and Money Laundering Section

SUBJECT: DRAFT AUDIT REPORT for the Lansing Police Department’s Equitable Sharing Program Activities

In a memorandum to Mythili Raman, dated November 7, 2013, your office summarized the status of the above referenced report and detailed actions necessary for final closure of the outstanding audit report recommendations. The following is a list of the audit report recommendations pertaining to the Lansing Police Department’s (LPD) equitable sharing program activity:

Recommendations:

1. Require the Lansing PD to account for the DOJ equitable sharing funds separately from all other funds.

2. Require the city of Lansing to establish procedures to ensure that it accurately reports its equitable sharing expenditures on its Schedule of Expenditures of Federal Awards.

3. Require the Lansing PD to establish and properly maintain a DAG-71 log and reconcile sharing requests with receipts.

4. Remedy the $3,061 in unallowable costs related to overtime expense for non-sworn personnel.

5. Remedy the $12,563 in unsupported costs related to uniform allowance expenses.

AFMLS concurs with all findings and will request that the LPD implement the recommended policies and procedures and provide documentation verifying that the corrective actions have been taken. AFMLS will request that LPD reimburse its equitable sharing account for the amounts of $3,061 and $12,563 to remedy the unallowable and unsupported expenditures.

cc: Louise M. Duhamel, Ph. D.
    Assistant Director
    Audit Liaison Group Justice
    Management Division Denise Turcotte, Audit Liaison
    Criminal Division

    Richard P. Theis
    Assistant Director, Audit Liaison Group
    Internal Revenue and Evaluation Office
    Justice Management Division
OFFICE OF THE INSPECTOR GENERAL
ANALYSIS AND SUMMARY OF ACTIONS
NECESSARY TO CLOSE THE REPORT

The OIG provided a draft of this audit report to the U.S. Department of Justice Asset Forfeiture and Money Laundering Section (AFMLS) and the Lansing Police Department (Lansing PD). The Lansing PD’s response letter is incorporated in Appendix III of this final report, and AFMLS’s response is incorporated in Appendix IV of this final report.

The following provides the OIG analysis of the responses and a summary of actions necessary to close the report.

Recommendation Number:

1. **Resolved.** In its response to our recommendation to require the Lansing PD to account for DOJ equitable sharing funds separately from all other funds, the Lansing PD stated that it agreed with the recommendation.

   In its response, AFMLS stated that it concurred with our recommendation and will request that the Lansing PD implement the recommended procedure and provide documentation verifying that corrective action has been taken.

   This recommendation can be closed when we receive evidence that the Lansing PD has implemented procedures to account for DOJ equitable sharing funds separately from all other funds.

2. **Resolved.** In its response to our recommendation to require the city of Lansing to establish procedures to ensure that it accurately reports its equitable sharing expenditures on its Schedule of Expenditures of Federal Awards, the Lansing PD stated that it agreed with the recommendation and has remedied this issue as of June 30, 2013.

   In its response, AFMLS stated that it concurred with our recommendation and will request that the Lansing PD implement the recommended procedure and provide documentation verifying that corrective action has been taken.

   This recommendation can be closed when we receive evidence that the Lansing PD has implemented procedures to ensure that it accurately
reports its equitable sharing expenditures on its Schedule of Expenditures of Federal Awards.

3. **Resolved.** In its response to our recommendation to require the Lansing PD to establish and properly maintain a DAG-71 log and reconcile sharing requests with receipts, the Lansing PD agreed with the recommendation and stated that the city’s finance department will reconcile the DAG-71 requests to receipts.

In its response, AFMLS stated that it concurred with our recommendation and will request that the Lansing PD implement the recommended procedure and provide documentation verifying that corrective action has been taken.

This recommendation can be closed when we receive evidence that the Lansing PD has established and is properly maintaining a DAG-71 log and that the Lansing PD is reconciling its sharing requests with its receipts.

4. **Resolved.** In its response to our recommendation to remedy the $3,061 in unallowable costs related to overtime expense for non-sworn personnel, the Lansing PD stated that it agreed with the recommendation and will, for its fiscal year ending June 30, 2014, document, but not report, the appropriate amount of expenses that would otherwise be eligible uses of equitable revenue sharing proceeds.

In its response, AFMLS stated that it concurred with our recommendation and that it will request that the Lansing PD reimburse its equitable sharing account the $3,061 unallowable overtime expense.

This recommendation can be closed when we receive evidence that the Lansing PD has reimbursed its equitable sharing account the $3,061 unallowable overtime expense.

5. **Resolved.** In its response to our recommendation to remedy the $12,563 in unsupported costs related to uniform allowance expenses, the Lansing PD stated that it agreed with the recommendation and will, for its fiscal year ending June 30, 2014, document, but not report, the appropriate amount of expenses that would otherwise be eligible uses of equitable revenue sharing proceeds.
In its response, AFMLS stated that it concurred with our recommendation and that it will request that the Lansing PD reimburse its equitable sharing account the $12,563 unsupported uniform allowance expense.

This recommendation can be closed when we receive evidence that the Lansing PD has reimbursed its equitable sharing account the $12,563 unsupported uniform allowance expense.

6. **Resolved.** In its response to our recommendation to AFMLS that it remind the Lansing PD of the non-supplanting requirement specified in the Equitable Sharing Guide, the Lansing PD did not comment.

   In its response, AFMLS stated that it concurred with our recommendation.

   This recommendation can be closed when we receive evidence that AFMLS has reminded the Lansing PD of the non-supplanting requirement specified in the Equitable Sharing Guide.