



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



Audit of the Stafford County Sheriff's Office Equitable Sharing Program Activities Stafford, Virginia

**AUDIT OF THE STAFFORD COUNTY SHERIFF'S OFFICE
EQUITABLE SHARING PROGRAM ACTIVITIES
STAFFORD, VIRGINIA**

EXECUTIVE SUMMARY

The Department of Justice (DOJ) Office of the Inspector General (OIG) conducted an audit of the Stafford County Sheriff's Office's (SCSO) accounting for and use of equitable sharing funds during its fiscal years (FY) 2013 and 2014. Equitable sharing funds derive from the DOJ Asset Forfeiture Program, which uses the proceeds from assets seized as part of DOJ-related law enforcement actions. This program seeks to deter crime by depriving criminals of the proceeds from illegal activities, while also enhancing the cooperation between federal, state, and local law enforcement agencies. State and local law enforcement agencies that participate in the seizure of property and funds may receive a portion the proceeds—an equitable share of the forfeiture—to use for law enforcement purposes. During FYs 2013 and 2014, SCSO received \$1,199,308 from the DOJ Equitable Sharing Program and spent \$129,222 in equitable sharing funds.

The objective of the audit was to assess whether SCSO properly accounted for equitable sharing funds and used such revenues for allowable purposes defined by applicable guidelines. Although we found that SCSO complied with DOJ guidelines for submitting equitable sharing requests and using equitable sharing funds, our audit determined that Stafford County commingles SCSO's DOJ equitable sharing funds with state, and local asset forfeiture funds in a single bank account. Because there are specific guidelines established for the accounting of DOJ equitable sharing funds, this report recommends that Stafford County separately track DOJ equitable sharing deposits from funds derived from other sources.

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AUDIT OF THE STAFFORD COUNTY SHERIFF'S OFFICE EQUITABLE SHARING PROGRAM ACTIVITIES STAFFORD, VIRGINIA

INTRODUCTION

The Department of Justice (DOJ) Office of the Inspector General (OIG) conducted an audit of the Stafford County Sheriff's Office (SCSO), Stafford, Virginia, equitable sharing program activities. The audit covered Stafford County's fiscal years (FY) 2013 and 2014, a period beginning July 1, 2012, and ending June 30, 2014. During this period, SCSO received \$1,199,308 from the DOJ and spent \$129,222 in equitable sharing funds.

DOJ Equitable Sharing Program

The DOJ Equitable Sharing Program is a national law enforcement initiative that seeks to remove the tools of crime from criminal organizations, deter crime and deprive offenders of the proceeds of their crimes.¹ As part of the program, the DOJ and its components may provide a portion, or equitable share, of federally forfeited cash, property, and proceeds to state and local law enforcement agencies that directly participate in a federal forfeiture investigation or prosecution.

Three central DOJ components work together to administer the Equitable Sharing Program: (1) the U.S. Marshals Service, (2) the Justice Management Division, and (3) the Criminal Division's Asset Forfeiture and Money Laundering Section (AFMLS). These three components are responsible for issuing policy statements, implementing governing legislation, and monitoring the use of DOJ equitable sharing funds. The U.S. Marshals Service is responsible for transferring asset forfeiture funds from DOJ to the receiving state or local agency. The Justice Management Division manages the Consolidated Asset Tracking System, a database used to track federally seized assets throughout the forfeiture lifecycle. AFMLS tracks membership of state and local participants, updates the equitable sharing program rules and policies, and monitors the allocation and use of equitable sharing funds.

Stafford County

Stafford County is located about 40 miles south of Washington, D.C., and has a population of over 134,000 residents living across 277 square miles. SCSO is responsible for animal control, emergency communications, criminal investigations, field operations, and court and civil processes. SCSO has been a member of the

¹ The Comprehensive Crime Control Act of 1984 authorized the implementation of a national asset forfeiture program, P.L. 98-473. The U.S. Department of the Treasury also administers its own asset forfeiture programs. This audit was limited to equitable sharing revenues received through the DOJ equitable sharing program.

DOJ Equitable Sharing program since 1999 and has participated in investigations with the Bureau of Alcohol, Tobacco, Firearms and Explosives.

OIG Audit Approach

The objective of the audit was to assess whether SCSO properly accounted for equitable sharing funds and used such revenues for allowable purposes defined by applicable guidelines. We tested compliance with what we considered the most important conditions of the DOJ equitable sharing program. We applied the AFMLS *Guide to Equitable Sharing for State and Local Law Enforcement Agencies* (Equitable Sharing Guide), issued in April 2009, as our primary criterion. The Equitable Sharing Guide provides procedures for submitting sharing requests, defines permissible uses, and establishes appropriate tracking and accounting requirements for equitable sharing assets.

To accomplish the objective of the audit, we tested SCSO's compliance with three aspects of the DOJ equitable sharing program:

- **Equitable Sharing Agreement and Certification Forms** to determine if these documents were complete and accurate.
- **Accounting for equitable sharing receipts** to determine whether standard accounting procedures were used to track equitable sharing assets.
- **Use of equitable sharing funds** to determine if equitable sharing funds were used for law enforcement purposes.

Appendix 1 contains additional information on our audit objective, scope, and methodology.

FINDINGS AND RECOMMENDATION

SCSO received \$1,199,308 in equitable sharing funds from the DOJ during the two-year period beginning July 1, 2012, and ending June 30, 2014. We found that SCSO's annual equitable sharing agreement and certification forms were complete, accurate, and submitted on time. Additionally, we found that SCSO was able to account for individual receipts and expenditures of DOJ equitable sharing funds. We also tested SCSO's use of these funds and found that the office appropriately used funds to support law enforcement activities. However, we observed that Stafford County commingles DOJ equitable sharing funds with local and state-level forfeiture funds, which conflicts with DOJ guidelines for managing equitable sharing funds.

Equitable Sharing Agreements and Certification Forms

The Equitable Sharing Guide requires participating law enforcement agencies to submit an equitable sharing agreement and certification form within 60 days after the end of the agency's fiscal year. The head of the law enforcement agency and a designated official of the local governing body must sign the form. By signing the form, the signatories agree to follow the statutes and guidelines that regulate the equitable sharing program.

We obtained copies of SCSO's certification forms for FYs 2013 and 2014 and determined that the forms were complete, signed by the appropriate Stafford County officials, and submitted within the 60-day requirement. We also verified that the total amount of equitable sharing funds SCSO reports receiving during FYs 2013 and 2014 was accurate. We compared SCSO's documents with the amounts listed in the AFMLS Consolidated Asset Tracking System to verify these amounts. We found that the agreement and certification forms matched the AFMLS report.

Accounting for Equitable Sharing Receipts

DOJ's Equitable Sharing Guide requires that law enforcement agencies use standard accounting procedures and internal controls to track and account for equitable sharing receipts. Such accounting procedures include establishing a separate revenue account or accounting code to track DOJ equitable sharing funds. The Equitable Sharing Guide also requires that recipients avoid commingling DOJ equitable sharing funds with funds from any other sources.

During FYs 2013 and 2014, SCSO reported receiving one electronic funds transfer for \$1,199,308 from the United States Marshals Service through the

Service's E-Share.² We obtained an AFMLS Consolidated Asset Tracking System report that details this disbursement.

Stafford County deposits DOJ equitable sharing funds into one bank account with U.S. Department of the Treasury, state, and local asset forfeiture revenues. We found that Stafford County uses one accounting code for these funds rather than assigning separate accounting codes for each source. Although the SCSO records how it uses DOJ equitable sharing funds, the method of using a single bank account and accounting code for all deposits does not comply with DOJ guidelines to avoid commingling DOJ funds with funds from any other sources. The Criminal Division has specific guidelines governing the proper use of DOJ equitable sharing funds, and the guidelines require recipients to segregate or otherwise separately account for these funds. As such, we recommend that the Criminal Division ensure that Stafford County segregate or otherwise separately account for DOJ equitable sharing revenues from other sources of forfeiture proceeds.

Additionally, SCSO deposits funds for certain drug enforcement investigation activities, such as "buy money" to procure illegal drugs, into a second bank account containing DOJ equitable sharing funds, state, and locally seized funds. SCSO has established controls over this account by ensuring that officers use all of the commingled funds in accordance with DOJ's equitable share guidelines regardless of funding source. For example, while state and local guidelines allows officers to purchase food, the SCSO prohibits using any of the funds in the commingled account to purchase food. Although the SCSO has established controls for managing asset forfeiture and its investigations accounts, these controls are not aligned with the requirements from DOJ's Equitable Sharing Guide. We believe that SCSO should segregate or establish separate accounting codes for DOJ equitable sharing revenues in this investigations account in order to comply with equitable sharing program guidelines.

Use of Equitable Sharing Funds

The Equitable Sharing Guide requires participating agencies to use equitable sharing funds for law enforcement purposes. Table 1 summarizes the Equitable Sharing Guide's allowable and unallowable uses for equitable sharing funds.

² E-Share is the United States Marshals Service program used to make equitable sharing payments to federal, state, and local law enforcement agencies through electronic funds transfers. E-Share changes equitable sharing payments from a paper U.S. Treasury check to a direct deposit into the state or local law enforcement agency's bank account.

Table 1
Summary of Allowable and Unallowable Uses
for Equitable Sharing Funds

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

Source: DOJ Equitable Sharing Guide

We found that SCSO used \$129,222 in equitable sharing funds in 10 transactions to support its Criminal Investigation Division's counter-narcotics operations, and to purchase law enforcement equipment, forensic equipment, and multimedia training materials. Table 2 summarizes SCSO expenditures.

Table 2
Summary of SCSO DOJ Equitable Sharing Program
Expenditures FYs 2013 and 2014

Purpose	Expenditure (\$)
1. Forensic Equipment	7,874
2. Training Video Production	19,500
3. Speed Detection Display	4,955
4. Handheld Radar	3,625
5. Drug Enforcement Investigations (08/2012)	20,000
6. Handheld Radar	1,813
7. Surveillance Robot	16,361
8. Drug Enforcement Investigations (03/ 2013)	20,000
9. Drug Enforcement Investigations (08/ 2013)	20,000
10. Flashlights and Tactical Equipment	15,094
Total	\$129,222

Source: SCSO

We reviewed all 10 transactions for fiscal years 2013 and 2014 to determine whether these expenditures were supported and allowable under the equitable sharing guidelines. We evaluated the nature and purpose of these expenditures and found that all of the expenditures appeared to be allowable and consistent with DOJ requirements.

Additionally, we found that SCSO established adequate controls over requesting and using equitable sharing funds. The SCSO process is as follows:

1. All proposed uses of funds are approved by senior-level officers and then presented to the Sheriff for authorization.
2. At least two officials in SCSO's finance department review the proposed use of funds, determine whether the funds are available in the equitable shares fund, and issue a purchase request.
3. Stafford County's Finance and Budget Office reviews SCSO's purchase requests. Once reviewed, Finance and Budget Office sends purchase orders to SCSO, which then purchases the requested items.
4. The SCSO purchasing department receives the items, records the receipt and transfers the item to the requesting officers. The purchasing department reconciles invoices, payments, and verifies the receipt of items to determine their accuracy. SCSO requires at least two officers approve cash disbursements for drug enforcement investigations.

Supplanting

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

We examined SCSO's total budgets for five fiscal years (FYs 2011 through 2015) to determine whether SCSO used equitable sharing funds to supplant its budgets. We found that the SCSO's budget increased during these years at an average of 4.5 percent, and that equitable sharing expenditures appeared to supplement the budget. Accordingly, we found no evidence that SCSO used equitable sharing funds to supplant any portion of its budget.

Conclusion

We found that SCSO properly used equitable sharing funds throughout the scope of the audit. However, we found that the method by which Stafford County and SCSO maintain DOJ equitable sharing receipts in an account with forfeiture receipts from the U.S. Department of the Treasury and state and local agencies, results in commingling DOJ equitable sharing funds. Although SCSO records how it uses DOJ equitable sharing funds, segregating the funds or using separate accounting codes would ensure compliance with the DOJ Equitable Sharing Guide requirements.

Recommendation

We recommend that the Criminal Division:

1. Ensure that Stafford County segregate or otherwise separately account for DOJ equitable sharing revenues from other sources of forfeiture proceeds.

OBJECTIVE, SCOPE, AND METHODOLOGY

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

Objective

The objective of the audit was to assess whether the Stafford County Sheriff's Office (SCSO) accounted for equitable sharing funds properly and used such revenues for allowable purposes defined by applicable guidelines. We tested compliance with the conditions of the Department of Justice's (DOJ) Equitable Sharing Program. We reviewed laws, regulations, and guidelines governing the accounting for and use of DOJ equitable sharing receipts, including the DOJ's *Guide to Equitable Sharing for State and Local Law Enforcement Agencies*, dated April 2009. Unless otherwise stated in our report, the criteria used during the audit were contained in this document.

Scope and Methodology

Our audit concentrated on, but was not limited to, SCSO's equitable sharing receipts from July 1, 2012, to June 30, 2014. SCSO received \$1,199,308 in DOJ equitable sharing funds during this period. We also reviewed all 10 of the SCSO's expenditures during this period, which totaled about \$129,222.

We performed audit work at SCSO's headquarters, located in Stafford, Virginia. To accomplish the objective of the audit, we interviewed Sheriff's Department and County Treasurer's Office officials and examined their records of federal asset forfeiture revenues and expenditures of DOJ equitable sharing funds. In addition, we relied on computer-generated data from DOJ's Consolidated Asset Tracking System to determine the equitable sharing revenues awarded to SCSO during the audit period. We did not establish the reliability of the data contained in the DOJ Consolidated Asset Tracking System as a whole. However, when the data is viewed in context with other available evidence, we believe the opinions, conclusions, and recommendations included in this report are valid.

Our audit specifically evaluated SCSO's compliance with three essential equitable sharing guidelines: (1) Equitable Sharing Agreement and Certification Forms, (2) Accounting for equitable sharing receipts, and (3) Use of equitable sharing funds. In planning and performing our audit, we considered the internal controls established and used by SCSO over DOJ equitable sharing receipts to accomplish our audit objective. We did not assess the reliability of SCSO's financial

management system, the internal controls of that system, or whether the office, as a whole, complied with laws and regulations.

Our audit included an evaluation of the Stafford County's Comprehensive Annual Financial Reports, which contain Single Audit Reports for fiscal years 2013 and 2014. The Single Audit Reports were prepared under the provisions of Office of Management and Budget Circular A-133. We found that the independent auditor's assessments did not disclose control weaknesses or significant noncompliance issues related specifically to the auditee.

**STAFFORD COUNTY SHERIFF'S OFFICE
RESPONSE TO THE DRAFT REPORT**



Sheriff Charles E. Jett
Stafford County Sheriff's Office
A State Accredited Law Enforcement Agency



May 19, 2015

Mr. John Manning
Regional Audit Manager
Washington Regional Audit Office
Office of the Inspector General
U.S. Department of Justice
1300 North 17th Street Suite 3400
Arlington, VA 22209

Dear Mr. Manning:

The following is in response to the recommendation of the United States Department of Justice Audit of the Stafford County Sheriff's Office Equitable Sharing Program Activities for the period of July 1, 2012 to June 30, 2014.

- **Ensure that Stafford County segregate or otherwise separately account for DOJ equitable sharing revenues from other sources of forfeiture proceeds.**

Stafford County Finance/Budget Department agrees with the segregations of funds which are received from either DOJ or the Treasury Department. We are currently only separating State and Federal Funds. We will establish new accounting codes by the end of May 2015 to comply with the DOJ Equitable Sharing Guide's requirements.

- After review of the auditor's report, we would like to clarify our current purchasing procedures, which are slightly different than those noted in the report.

Page 9 of the Draft Audit Report states: *The SCSO sends the purchase request to the Stafford County Treasurer's Office, where the Treasurer and County Administrator review the request. These officials approve the use of funds and are responsible for purchasing the item.*

Our current process states: *Purchase requests are reviewed and processed by the Stafford County Finance/Budget Office. The PO is issued by the Purchasing Division in Finance/Budget. The PO is then sent back to the SCSO Finance Office, recorded and given to the SCSO Purchasing Department. Appropriate internal controls are in place and audited by the County's external auditors on a yearly basis.*

Thank you for bringing this matter to our attention. We welcome your help to ensure we are using the Asset Forfeiture Funds in the required manner and adhering to all DOJ Equitable Sharing Guide's requirements.

Sincerely,

Sheriff C.E. Jett

1225 Courthouse Road, Stafford, Virginia 22554

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CRIMINAL DIVISION RESPONSE TO THE DRAFT REPORT



U.S. Department of Justice

Criminal Division

Asset Forfeiture and Money Laundering Section

Washington, D.C. 20530

May 15, 2015

MEMORANDUM

TO: John Manning
Regional Audit Manager
Office of the Inspector General (OIG)

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

SUBJECT: Draft Audit Report – Stafford County Sheriff's Office
Equitable Sharing Program Activities

In a memorandum dated May 6, 2015, your office summarized the preliminary findings from the audit performed on the Stafford County Sheriff's Office (SCSO). This draft report referenced the actions necessary for final closure of the outstanding audit recommendations below.

Recommendations:

1. **Ensure that Stafford County segregate or otherwise separately account for DOJ equitable sharing revenues from other sources of forfeiture proceeds.**

The Asset Forfeiture and Money Laundering Section (AFMLS) concurs with the finding. AFMLS will coordinate with the SCSO to implement the corrective actions after the issuance of the final audit report.

If you have any questions, please contact Brian Boykin, Equitable Sharing Program Manager, at 202-598-2306.

cc: Denise Turcotte, Audit Liaison
Criminal 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 Stafford County Sheriff's Office (SCSO) and U.S. Department of Justice Asset Forfeiture and Money Laundering Section (AFMLS). SCSO's response is incorporated in Appendix 2, and AFMLS' response is incorporated in Appendix 3 of this final report.

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

Analysis of SCSO's Response

In response to our audit report, SCSO concurred with our recommendations and discussed the actions it will implement in response to our findings. Additionally, SCSO provided technical comments clarifying the procedures for purchase requests. We incorporated SCSO's technical comments into this report, as appropriate.

Recommendation:

- 1. Ensure that Stafford County segregate or otherwise separately account for DOJ equitable sharing revenues from other sources of forfeiture proceeds.**

Resolved. Both SCSO and AFMLS concurred with our recommendation. In its response to our recommendation, SCSO stated that currently it only separates state and federal funds, but it would establish new accounting codes to comply with the Equitable Sharing Guide.

This recommendation can be closed when we receive evidence that SCSO segregates or separately accounts for DOJ equitable sharing revenues from other sources of forfeiture proceeds in accordance with Equitable Sharing program requirements.