



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



Audit of the Macomb County Sheriff's Office Equitable Sharing Program Activities Mount Clemens, Michigan

Audit Division GR-50-16-002

November 2015

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**AUDIT OF THE MACOMB COUNTY SHERIFF'S OFFICE
EQUITABLE SHARING PROGRAM ACTIVITIES
MOUNT CLEMENS, MICHIGAN**

EXECUTIVE SUMMARY*

The Department of Justice (DOJ) Office of the Inspector General (OIG) conducted an audit of the Macomb County Sheriff's Office's (the MCSO) accounting for and use of equitable sharing funds from January 1, 2012, through June 29, 2015. 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 January 1, 2012, through June 29, 2015, the MCSO received \$1,851,205 in DOJ equitable sharing revenues to support law enforcement operations.¹ During the same period, the MCSO expended \$2,386,550 in equitable sharing funds.²

The objective of the audit was to assess whether the MCSO properly accounted for equitable sharing funds and used such revenues for allowable purposes defined by applicable guidelines in place from January 1, 2012, through June 29, 2015. Our testing revealed that the MCSO complied with DOJ guidelines for submitting equitable sharing requests and using equitable sharing funds. However, our audit determined that Macomb County lacked formal, written internal control procedures for administering equitable sharing funds.

Our report contains one recommendation to address the weakness we identified. Our findings are discussed in detail in the Findings and Recommendation section of the report. The audit objective, scope, and methodology are included in Appendix 1.

* Redactions were made to the full version of this report for privacy reasons. The redactions are contained only in Appendix 2, the grantee's response, and are of individuals' identities.

¹ The MCSO's fiscal year begins on January 1 and ends on December 31.

² The MCSO began the audit period with an equitable sharing balance of \$845,358. At the end of the audit period, the balance was \$310,013.

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INTRODUCTION

The Department of Justice (DOJ) Office of the Inspector General (OIG) conducted an audit of the Macomb County Sheriff's Office's (MCSO), equitable sharing program activities. The audit covered the MCSO's participation in the DOJ Equitable Sharing Program between January 1, 2012, and June 29, 2015.³ During this period, the MCSO received \$1,851,205 from the DOJ Equitable Sharing Program and reported expenditures of \$2,386,550 in equitable sharing funds.⁴

DOJ Equitable Sharing Program

Because asset forfeiture deprives criminals of the profits and proceeds derived from their illegal activities, it is considered by DOJ to be one of the most powerful tools available to law enforcement agencies. A key element of DOJ's asset forfeiture initiative is the equitable sharing program where the Department and its components share a portion of federally forfeited cash, property, and proceeds with state and local law enforcement agencies.⁵

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

Three DOJ components work together to administer the equitable sharing program: (1) the U.S. Marshals Service (USMS), (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 USMS 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 life cycle. Finally, AFMLS tracks membership of state and local participants, updates the equitable sharing program rules and policies, and monitors the allocation and use of equitable sharing funds.

³ The MCSO's fiscal year begins on January 1 and ends on December 31.

⁴ The MCSO began the audit period with an equitable sharing balance of \$845,358. At the end of the audit period, the balance was \$310,013.

⁵ Federal asset forfeiture programs are also administered by the U.S. Department of the Treasury and the U.S. Department of Homeland Security.

Before requesting a share of the seized assets, a state or local law enforcement agency must first become a member of the DOJ equitable sharing program. To participate in the program, agencies sign and submit to DOJ an equitable sharing agreement and certification form. The agreement must be renewed annually, and by signing and submitting the agreement, the officials of participating agencies certify that they will use equitable sharing funds for law enforcement purposes.

Macomb County

Macomb County is located 27 miles north of Detroit, Michigan, and has a population of over 860,000 residents living across 480 square miles. The MCSO is responsible for criminal investigations, field operations, animal control, emergency communications, and court and civil processes. The MCSO has been a member of the DOJ Equitable Sharing program since 2007 and has participated in investigations with the Drug Enforcement Agency.

OIG Audit Approach

The objective of the audit was to assess whether the MCSO properly accounted for equitable sharing funds and used such revenues for allowable purposes defined by applicable guidelines from January 1, 2012, through June 29, 2015. 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 the MCSO's compliance with five 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 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

We found that the MCSO's annual equitable sharing agreement and certification forms were complete, accurate, and submitted on time. Additionally, we found that the MCSO was able to account for individual receipts and expenditures of DOJ equitable sharing funds. We also tested the MCSO's use of these funds and found that the tested expenditures illustrated that the office appropriately used funds to support law enforcement activities. However, we found that Macomb County lacks formal, written internal control procedures for administering equitable sharing funds.

Accounting for Equitably Shared Resources

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.

As shown in Table 1, between FY 2012 through June 29, 2015, the MCSO received DOJ equitable sharing revenues totaling \$1,851,205 to support law enforcement operations. We reviewed all receipts of equitably shared revenues, and we found that the MCSO accurately accounted for its deposits of all equitably shared revenues received during these fiscal years in its accounting records. We also confirmed that the MCSO properly accounted for DOJ equitable sharing funds separately from all other funds.

Table 1

MCSO Equitable Sharing Revenues

Fiscal Year	Revenues
2012	\$1,767,317
2013	18,777
2014	56,899
2015 ^a	8,212
Total	1,851,205

^a January 1, 2015, through June 29, 2015.

Source: Consolidated Asset Tracking System (CATS) and MCSO accounting records.

However, when we spoke with the Macomb County Fiscal Services Department, an official told us that Macomb County does not have any written internal control procedures. The official said that there are informal policies and that they are working to develop formal, written internal control policies. We recommend that the Criminal Division require Macomb County to develop and implement formal, written internal control procedures for administering equitable sharing funds.

Compliance with Audit Requirements

The Equitable Sharing Guide requires the MCSO to comply with audit requirements of the Single Audit Act Amendments of 1996 and Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (OMB Circular A-133). OMB Circular A-133 requires non-federal entities with federal expenditures meeting the audit threshold to prepare a Schedule of Expenditures of Federal Awards for the period covered by the auditee's financial statements. The Schedule of Expenditures of Federal Awards is included within the entity's Single Audit Report.

To determine if the MCSO appropriately reported DOJ equitable sharing fund expenditures on its Schedule of Expenditures of Federal Awards, we reviewed the MCSO's accounting records and the county of Macomb's Single Audit Reports for FYs 2012 and 2013.⁶ We found that the county of Macomb did report its DOJ equitable sharing fund expenditures on its Schedule of Expenditures of Federal Awards for FYs 2012 and 2013.

Equitable Sharing Agreement and Annual Certification Reports

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 the MCSO's certification forms for FYs 2012 through 2014 and determined that the forms were complete, signed by the appropriate Macomb County officials, and submitted within the 60-day requirement.⁷ We also verified that the total amount of equitable sharing funds the MCSO reported receiving during FYs 2012 through 2014 was accurate.

Monitoring Applications for Transfer of Federally Forfeited Property

According to guidance in place during most of the audited period, 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.⁸ A

⁶ The single audit for FY 2014 was not yet due at the time of our audit.

⁷ The 2015 Equitable Sharing Agreement and Certification is not due for submission until February 2016.

⁸ 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.

consecutive numbering system should be used for control purposes, and the log should contain the date and the amount received.⁹

During our fieldwork, we found that the MCSO maintained copies of all submitted DAG-71s. We also found that the MCSO maintained a consecutively numbered log of its DAG-71s, which contained all required elements.

Use of Equitable Sharing Funds

The Equitable Sharing Guide requires participating agencies to use equitable sharing funds for permissible law enforcement purposes. In order to verify the use of funds, we reviewed a sample of the 10 largest transactions during our review period to determine whether these expenditures were supported and allowable under the equitable sharing guidelines. These 10 transactions accounted for \$1,789,735 of the total \$2,386,550 in equitable sharing expenditures during the review period. We reviewed the nature and purpose of these expenditures and found that all of the expenditures appeared to be allowable and consistent with DOJ requirements.

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.

To identify indicators of supplanting, we examined the MCSO's total budgets for 5 fiscal years (FYs 2009 through 2013). We found that the MCSO's budget did not decrease during this timeframe and experienced an overall increase of 11 percent during these years. Accordingly, we found no evidence that the MCSO used equitable sharing funds to supplant its local resources.

Views of Responsible Officials

We discussed the results of our review with MCSO and Macomb County Fiscal 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.

Recommendation

We recommend that the Criminal Division:

1. Ensure that Macomb County develops and distributes to the appropriate employees formal, written internal control procedures for administering equitable sharing funds.

⁹ According to interim AFMLS guidance, as of March 31, 2015, all agencies were required to submit DAG-71s electronically through the AFMLS eShare Portal. According to AFMLS, due to the implementation of this new technology, agencies are no longer required to maintain a manual log of DAG-71s.

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 Macomb County Sheriff's Office (MCSO) 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, the MCSO's equitable sharing receipts from January 1, 2012, to June 29, 2015. During this period, the MCSO received \$1,851,205 in equitable sharing revenue and reported expenditures of \$2,386,550 in equitable sharing funds.

We judgmentally determined which transactions had the potential of being high-risk and selected a sample that contained the highest dollar transactions during the review period. This non-statistical sample design does not allow for the projection of test results to all transactions. Specifically, our sample consisted of 10 transactions totaling \$1,789,735; our review of these transactions is detailed in the Use of Equitable Sharing Funds section of our report.

We performed audit work at the MCSO's headquarters, located in Mount Clemens, Michigan. 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 the MCSO 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 the MCSO's compliance with four essential equitable sharing guidelines: (1) Equitable Sharing Agreement and Certification Forms, (2) compliance with audit requirements, (3) accounting for equitable sharing receipts, and (4) use of equitable sharing funds. In planning and performing our audit, we considered the internal controls established and used by the MCSO over DOJ equitable sharing receipts to accomplish our audit objective. We did not assess the reliability of the MCSO'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 a review of the Macomb County's Comprehensive Annual Financial Reports, which contain Single Audit Reports for FYs 2012 and 2013. 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.

AUDITEE RESPONSE TO THE DRAFT REPORT



ANTHONY M. WICKERSHAM
OFFICE OF THE SHERIFF

KENT B. LAGERQUIST
UNDERSHERIFF

October 20, 2015

Carol S. Taraszka
Regional Audit Manager
Chicago Regional Audit Office
Office of the Inspector General
U.S. Department of Justice
500 West Madison, Suite 1121
Chicago, Illinois 60661

Dear Ms. Taraszka,

I appreciate the time and work put into this audit by [REDACTED]
[REDACTED] It was a good process for us to go through.

We were pleased that they determined we do comply with DOJ guidelines for submitting equitable sharing requests and using equitable sharing funds. Also that we properly account for equitable sharing funds. We are happy to agree with the findings that the Sheriff's Office complies with the DOJ requirements and guidelines.

We acknowledge that the Macomb County Finance Department did not have formal written internal control policies for administering equitable sharing funds. Attached is a letter from the County Finance Director, Stephen Smigiel which explains their action plan.

Please contact me if any other information is needed.

Respectfully,

A handwritten signature in black ink that reads "Anthony M. Wickersham".

Anthony M. Wickersham
Macomb County Sheriff



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Stephen L. Smigol, CPA
Finance Director

Michelle M. Mykytiak
Assistant Finance Director
Fiscal Services

October 19, 2015

United States Department of Justice
Office of the Inspector General

Gentlemen:

I am in receipt of your draft audit report regarding your recent audit of equitable sharing funds administered by the Macomb County Sheriff's Office. Your report contains one finding and recommendation as it relates to formalizing written internal control procedures for administering equitable sharing funds. My office is in the process of formalizing several internal control practices that are in place but not documented in a central location. However, I have attached a memo that was issued by the Finance Department in July 2013 that applies to all grant funds, which would include equitable sharing funds.

Please feel free to contact me at 586-469-58520 should you have any questions regarding this matter.

Sincerely,

Stephen L. Smigol, CPA
Finance Director



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Peter M. Provenzano, CPA, CGMA
Finance Director

Michelle M. Wojcik
Assistant Finance Director
Fiscal Services

Stephen L. Snijder, CPA
Assistant Finance Director
Management & Budget

TO: All Department Heads and Elected Officials

FROM: Peter M. Provenzano
Finance Director *PMP*

DATE: July 22, 2013

SUBJECT: Grant Administration Procedures

The purpose of this memo is to communicate to you certain procedures that should be followed to ensure compliance with the provisions of State and Federal grants. These procedures will be incorporated into the County's policies and procedures.

1. Each department of the County that receives grant funding is ultimately responsible for ensuring compliance with the terms and conditions of those grants.
2. Each department should maintain a central calendar of report due dates and is responsible for ensuring that grant reports are filed in a timely manner.
3. If a grant requires that a separate bank account be established into which grant funds will be deposited, the request for establishing such an account should be routed through the Fiscal Services Manager in the Finance Department, Mary Beth Schenden. The Fiscal Services Manager will coordinate the request with the County Treasurer.
4. All check requests for payment of expenses charged to a grant should be reviewed for allowability and approved by someone other than the person preparing the check request. Each department is responsible for ensuring that expenditures charged to a grant are allowable under the terms of the grant.
5. A reconciliation of the amounts reported on financial reports submitted to the funding agencies and the amounts recorded in the financial accounting system should be performed at least quarterly and approved by the person in your department responsible for administering the grant.
6. Each department is responsible for submitting a summary of grant revenues and expenditures each year to the Finance Department for inclusion in the County's Single Audit report. The Finance Department will provide forms for this purpose at the end of each fiscal year.
7. A standardized grant file should be maintained for each grant. Such files should include, at a minimum, all financial reports submitted to the funding agencies, the grant agreements, including amendments, copies of all check requests for expenditures charged to the grant and proof that the department has ensured that vendors and subrecipients have not been suspended or debarred from participating in Federally funded programs.
8. Subrecipients should be notified in writing that they are receiving Federal funds that may require them to obtain a Single Audit in accordance with Circular A-133.

CRIMINAL DIVISION RESPONSE TO THE DRAFT REPORT



U.S. Department of Justice

Criminal Division

Asset Forfeiture and Money Laundering Section

Washington, D.C. 20530

OCT 22 2015

MEMORANDUM

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

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

SUBJECT: DRAFT AUDIT REPORT for the Macomb County Sheriff's Office Equitable Sharing Program Activities

In a memorandum to Assistant Attorney General, Leslie R. Caldwell, dated September 29, 2015, your office provided a draft audit report for the Macomb County Sheriff's Office (MCSO), which included actions necessary for closure of the audit report findings. The following is a list of the recommendations pertaining to the draft audit report of MCSO's equitable sharing program activity:

Recommendations:

1. Ensure that Macomb County develops and distributes to the appropriate employees formal, written, internal control procedures for administering equitable sharing funds.

The Asset Forfeiture and Money Laundering Section (AFMLS) concurs with the recommendation in the draft audit report. On October 20, 2015, the MCSO provided a response to the draft audit report acknowledging the need for written internal controls and a description of their action plan. Upon issuance of the final audit report, AFMLS will work with the agency to implement corrective action and ensure that the MCSO establishes procedures for the administration of the Department of Justice (DOJ) equitable sharing funds.

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

The Office of the Inspector General (OIG) provided a draft of this audit report to the Criminal Division and the Macomb County Sheriff's Office. The Macomb County Sheriff's Office response is incorporated in Appendix 2 and the Criminal Division's response is incorporated in Appendix 3 of this final report.

Recommendation:

1. **Resolved.** The Criminal Division's Asset Forfeiture and Money Laundering Section stated that it concurs with our recommendation and will work with the Macomb County Sheriff's Office to implement corrective action and ensure that Macomb County establishes procedures for the administration of DOJ equitable sharing funds. In its response to the draft report, the Macomb County Sheriff's Office stated that it concurs with the recommendation. The Macomb County Sheriff's Office also provided an action plan from the County Finance Department that outlines the County's plan for closing this recommendation.

This recommendation can be closed when we are provided evidence that Macomb County has developed and distributed to the appropriate employees formal, written internal control procedures for administering equitable sharing funds.

The Department of Justice Office of the Inspector General (DOJ OIG) is a statutorily created independent entity whose mission is to detect and deter waste, fraud, abuse, and misconduct in the Department of Justice, and to promote economy and efficiency in the Department's operations. Information may be reported to the DOJ OIG's hotline at www.justice.gov/oig/hotline or (800) 869-4499.



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