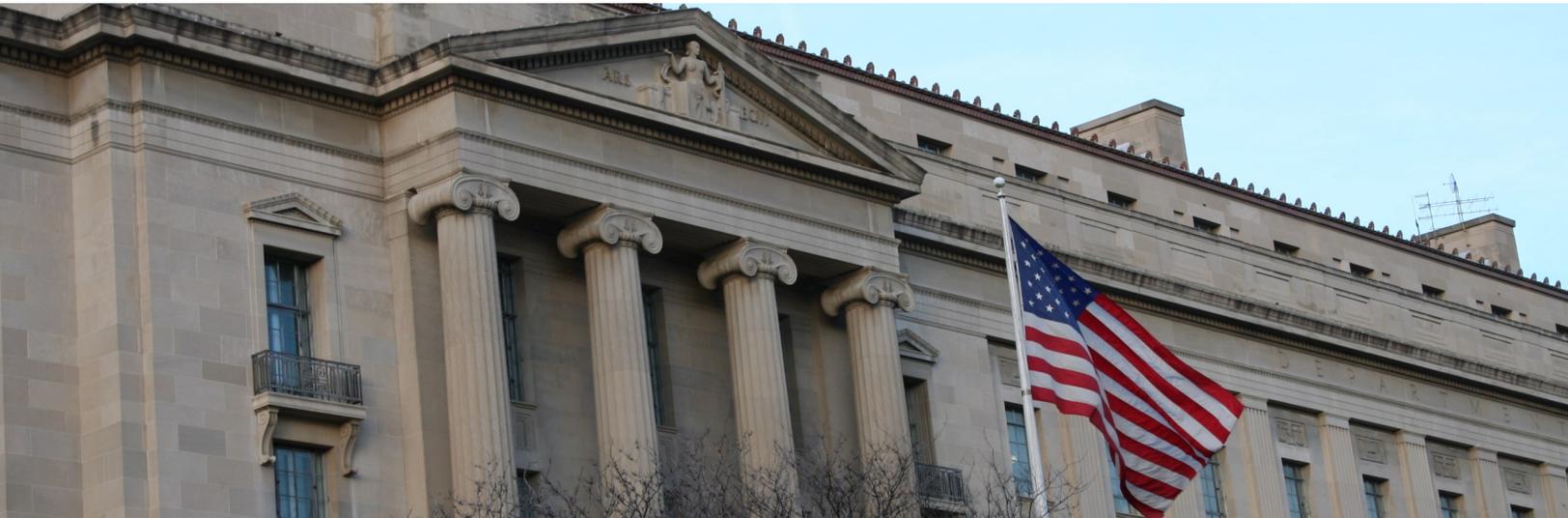




Office of the Inspector General U.S. Department of Justice

OVERSIGHT ★ INTEGRITY ★ GUIDANCE



Audit of the Prince George's County Police Department's Equitable Sharing Program Activities Landover, Maryland

REDACTED FOR PUBLIC RELEASE

Redactions were made to the full version of this report for privacy reasons. The redactions are contained only in Appendix 2, the auditee's response, and are of an individual's name and phone number.

Audit Division GR-30-18-003

May 2018



Executive Summary

Audit of the Prince George's County Police Department's Equitable Sharing Program Activities, Landover, Maryland

Objectives

The U.S. Department of Justice (DOJ) Office of the Inspector General (OIG) has completed an audit to assess whether the Prince George's County Police Department (PGCPD) accounted for DOJ equitable sharing funds and used such assets for allowable purposes, as defined by applicable guidelines.

Results in Brief

The PGCPD used DOJ equitable sharing funds to purchase allowable, law enforcement-related equipment and services. However, the PGCPD did not submit its annual program agreement and certifications within 60 days after the end of its fiscal year (FY), as required. The PGCPD also tracked interest income under a single accounting code established for both the DOJ and Department of the Treasury (Treasury) equitable sharing interest income. Additionally, the PGCPD did not post its equitable sharing cash receipts to its accounting records on time. Finally, the Single Audit prepared by Prince George's County for its FY 2015 and FY 2016 inaccurately reported PGCPD's equitable sharing expenditures.

Recommendations

Our report includes four recommendations to assist the DOJ Criminal Division, which oversees the equitable sharing program.

Audit Results

Between July 2014 and June 2017, the PGCPD received \$2,229,806 as a participant in the DOJ Equitable Sharing Program. During this time, it also spent \$2,393,583 in DOJ equitable sharing funds to purchase law enforcement equipment, crime laboratory tools, and other permissible items.

Equitable sharing funds represent a share of the proceeds derived from the forfeiture of assets seized in the course of certain criminal investigations. The Criminal Division establishes the guidelines that govern the proper use and tracking of DOJ equitable sharing funds by program participants. In determining whether the PGCPD complied with applicable guidelines, we found that the PGCPD generally used DOJ equitable sharing funds for appropriate purposes. However, we identified the following areas in which the PGCPD can improve its records and tracking of equitable sharing funds.

Equitable Sharing Agreement and Certifications (ESAC) – We found that the PGCPD prepared annual ESACs that generally reported accurate receipts and expenditures. However the PGCPD submitted its ESACs in an untimely fashion. Specifically, the PGCPD submitted its: (1) FY 2015 ESAC 32 days late, (2) FY 2016 ESAC 85 days late, and (3) FY 2017 ESAC 59 days late.

Accounting for Equitable Sharing Receipts – The PGCPD commingled its interest income under an accounting code established for both DOJ and Treasury equitable sharing interest income. Additionally, the PGCPD did not timely post its equitable sharing cash receipts to its accounting system. We also found that the Single Audit prepared for Prince George's County's FY 2015 and FY 2016 inaccurately reported PGCPD's equitable sharing expenditures.

**AUDIT OF THE PRINCE GEORGE’S COUNTY POLICE
DEPARTMENT’S EQUITABLE SHARING PROGRAM ACTIVITIES
LANDOVER, MARYLAND**

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AUDIT OF THE PRINCE GEORGE'S COUNTY POLICE DEPARTMENT'S EQUITABLE SHARING PROGRAM ACTIVITIES LANDOVER, MARYLAND

INTRODUCTION

The Department of Justice (DOJ) Office of the Inspector General (OIG) completed an audit of equitable sharing funds received by the Prince George's County Police Department (PGCPD) in Landover, Maryland. The objective of the audit was to assess whether the cash and property received by the PGCPD through the Equitable Sharing Program were accounted for properly and used for allowable purposes as defined by applicable regulations and guidelines. The audit covered July 2014 through June 2017, during which time the PGCPD reported receiving \$2,229,806 and spending \$2,393,583 in equitable sharing revenues, and no property as a participant in the DOJ Equitable Sharing Program.¹

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 seeks to remove the tools of crime from criminal organizations, deprive wrongdoers of the proceeds of their crimes, recover property that may be used to compensate victims, and deter crime. A key element of the Asset Forfeiture Program is the Equitable Sharing Program, which allows a 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.²

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 United States 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.

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

¹ The PGCPD's fiscal year begins on July 1 and ends on June 30. The PGCPD began the audit period with a balance of \$5,625,689.

² The U.S. Department of the Treasury (Treasury) also administers a federal asset forfeiture program, which includes participants from the U.S. Department of Homeland Security. This audit was limited to equitable sharing revenues received through the DOJ Equitable Sharing Program.

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

Prince George's County Police Department

The PGCPD is located in Landover, Maryland. Established in 1931, the PGCPD serves a county-wide population of over 900,000 residents. As of March 2018, it had a workforce of 1,800 sworn officers and 300 civilian employees. The PGCPD became a member of the DOJ Equitable Sharing Program in 1996.

OIG Audit Approach

We tested the PGCPD's compliance with what we considered 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 and the Interim Policy 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 PGCPD's compliance with the following:

- **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.
- **Monitoring of applications for transfer of federally forfeited property** to ensure adequate controls were established.

Appendix 1 details additional information on the objective, scope, and methodology of this audit.

AUDIT RESULTS

Equitable Sharing Agreement and Certifications (ESAC)

A law enforcement agency participating in the Department of Justice (DOJ) Equitable Sharing Program must submit an ESAC within 60 days after the end of its respective fiscal year regardless of whether it received or spent equitable sharing funds that year. Additionally, the ESAC 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, the signatories agree to be bound by and comply with the statutes and guidelines that regulate the Equitable Sharing Program.

To prepare an ESAC, the Prince George's County Police Department (PGCPD) Fiscal Management Division first obtains a county-level revenue and expenditure report (financial report) based on DOJ equitable sharing monthly activities that includes the beginning balances, equitable sharing funds received, interest income, equitable sharing funds spent, and ending balances. The PGCPD's Fiscal Management Division then reconciles the financial report to expenditures on file and completes the ESAC based upon the results of the reconciliation. After the ESAC is completed, a transmittal letter is prepared for the signatures of Prince George's County executives and the ESAC is forwarded to a review committee for approval. Once the review committee approves the ESAC report, the PGCPD submits the ESAC to the Criminal Division's Money Laundering and Asset Recovery Section (MLARS).

Timeliness of ESAC Reports

We tested PGCPD's compliance with ESAC reporting requirements to determine if it submitted completed ESACs on time. We found that the PGCPD submitted its: (1) FY 2015 ESAC 32 days late, (2) FY 2016 ESAC 85 days late, and (3) FY 2017 ESAC 59 days late. According to PGCPD officials, the multiple layers of approvals and reconciliations of its ESAC preparation process caused its submissions to be the late.³ Untimely ESACs affect MLAR's ability to perform effective oversight of equitable sharing funds. Therefore, we recommend that the Criminal Division ensure that the PGCPD, in conjunction with the Office of Finance, implements a process to prepare and submit its ESAC no later than 60 days after its fiscal year, as required by equitable sharing guidelines.

Accuracy of ESAC Reports

To verify the accuracy of the ESACs, we compared the total disbursement amounts on the DOJ's eShare distribution report, as well as the expenditures listed in PGCPD's accounting records, to the FY 2015, 2016, and 2017 ESAC reports. While the total expenditures reported in each ESAC matched the expenditures recorded in the PGCPD's accounting records, the amount of equitable sharing funds

³ A July 2011 Criminal Division review of PGCPD's Equitable Sharing Program compliance found that the PGCPD submitted its FY 2009 ESAC 90 days after the required guideline.

the PGCPD reportedly received in its FYs 2015 and 2016 ESACs did not match the funds detailed in DOJ's eShare distribution reports, as shown in Table 1.

Table 1
ESAC Receipts and eShare Disbursements Comparison

PGCPD Fiscal Year	ESAC Receipts (\$)	eShare Disbursements (\$)	Difference (\$)
2015	1,340,765	1,337,245	3,520
2016	324,842	328,842	(4,000)
2017	590,199	590,199	0
Total	\$2,255,806	\$2,256,286	(\$480)

Sources: PGCPD ESACs and DOJ eShare Distribution Report

We interviewed PGCPD and MLARS officials to determine how this discrepancy occurred. A PGCPD official told us that the USMS accidentally disbursed to the PGCPD \$480 twice in July 2014. Similarly, we found that the USMS distributed \$4,000 in proceeds to the PGCPD that the Drug Enforcement Administration requested a refund.⁴ Our review ultimately determined that the 2015 ESAC should have included the second \$480 disbursement. Also, while the 2016 ESAC included the \$4,000 refund, we determined that the PGCPD should have captured this refund in the 2015 ESAC.

Inaccurate ESACs may negatively affect MLARS's efforts to monitor the DOJ equitable sharing program. However, considering: (1) duplicative and refunded payments caused the noted ESAC discrepancies and (2) that the PGCPD accurately reported receipts for FY 2017, we do not make a recommendation.

Additionally, we reviewed for accuracy the section of the ESACs that summarizes the shared monies spent by specific category, such as law enforcement operations and investigations, travel and training, and equipment. Using PGCPD-provided expenditure category support, we computed the total expenditures by category for each fiscal year and compared the results to the amounts reflected on each ESAC. We found that the category totals reflected on each ESAC matched the expenditure category totals as provided by the auditee.

Entities are further required to report on each ESAC the amount of interest income earned during the given reporting period. As discussed in the next section, we found that the PGCPD's 2017 ESAC did not report the correct amount of interest earned because the PGCPD tracked interest derived from both DOJ and U.S. Department of Treasury (Treasury) equitable sharing funds with the same accounting code.

⁴ On occasion, a criminal conviction, forfeiture order, or equitable sharing decision may be reversed after equitable sharing payments have been disbursed to a state and local law enforcement agency. After being notified by the sharing DOJ component, it may be necessary for the law enforcement agency to either: (1) return the funds, or (2) have an equivalent amount off-set against future equitable sharing receipts.

Accounting for Equitable Sharing Resources

The Equitable Sharing Guide requires that law enforcement agencies use standard accounting procedures to track DOJ Equitable Sharing Program receipts. This includes establishing a separate revenue account or accounting code through the agency's finance department to account for DOJ Equitable Sharing Program proceeds. In addition, agencies must deposit any interest income earned on equitable sharing funds in the same revenue account or under the accounting code established solely for the shared funds. Also, MLARS guidance requires that law enforcement agencies use the eShare portal to receive equitable sharing payments by direct deposit.⁵

The PGCPD received all cash receipts via electronic funds transfer (EFT) from the USMS's eShare program to the Prince George's County bank account.⁶ We reviewed a list of accounting codes used to track equitable sharing funds and confirmed that the Office of Finance maintained a separate revenue account and accounting code for DOJ equitable sharing receipts. However, the PGCPD tracked interest income earned on equitable sharing proceeds under an accounting code established for both DOJ and Treasury equitable sharing interest income. The use of a single accounting code to track interest earned by both DOJ and Treasury equitable sharing receipts adversely affected the accuracy of interest reported on the PGCPD's 2017 ESAC. On this ESAC, the PGCPD reported interest income of \$51,044. While we could not readily trace sources of interest earned and calculate the specific amount attributable to each source, PGCPD officials confirmed to us that only \$37,340 of the reported interest was derived from DOJ equitable sharing funds.⁷ Therefore, we recommend that the Criminal Division ensure that the PGCPD, in conjunction with the Office of Finance, establishes a separate account and unique fund code to track DOJ equitable sharing interest income separately, as required by the Guide.

The PGCPD received DOJ equitable sharing revenues totaling \$2,229,806 from FYs 2014 through 2017. The Prince George's County Office of Finance received eShare notifications on a daily basis and forwarded them to the PGCPD to confirm that the notification is for DOJ equitable sharing funds. Next, the PGCPD checked the eShare distribution report to verify the amount and source of the payment. The Office of Finance then recorded the equitable sharing receipt in the county's accounting system under an accounting code established solely for DOJ equitable sharing funds.

From July 2014 through June 2017, eShare reported 238 equitable sharing receipts, totaling \$2,256,286. We reconciled the PGCPD's cash receipts with the eShare distribution report and found that eShare reported transactions greater than PGCPD revenues. We determined the difference between PGCPD's totaled revenue

⁵ The eShare portal enables a participating agency to receive payments by direct deposit and receive an e-mail notification of the deposit.

⁶ Prince George's County government maintains one bank account.

⁷ The remaining \$13,704 of interest income was derived from Treasury funds.

and the total eShare transactions distributed by DOJ was due to proceeds that the PGCPD, as mentioned previously, returned or refunded to DOJ.

The Office of Finance maintained PGCPD accounting records used to track equitable sharing receipts. We selected a judgmental sample of five of the highest-valued receipts, totaling \$848,503, from FY 2015 to FY 2017 to ensure that these monies were deposited and recorded by the Office of Finance in a timely manner. These receipts accounted for over 38 percent of the total receipts received by the PGCPD.

Table 2
PGCPD Sampled Receipts

Sample Count	eShare Date Distributed	Amount (\$)	Office of Finance Record of Date Received	Amount (\$)	Number of Days between receipt and recording of funds
1	12/09/2014	147,015	12/19/2014	147,015	10
2	05/04/2015	288,027	05/07/2015	288,027	3
3	06/04/2015	104,676	06/23/2015	104,676	21
4	07/12/2016	193,877	08/30/2016	193,877	49
5	02/07/2017	114,908	03/01/2017	114,908	22
Total		\$848,503	Total	\$848,503	

Sources: PGCPD Accounting Records and DOJ eShare Distribution Report

Our testing determined that the Office of Finance accurately recorded the amount for all five asset forfeiture receipts. However, the Office of Finance posted four of the five receipts an average of 21 days after the payment was distributed. As shown in Table 2, the most significant delay was for a receipt in the amount of \$193,877, which took 49 days to be recorded after being received through eShare.

Considering the results of this judgmental sample, we reviewed all PGCPD equitable sharing receipts to ascertain whether the Office of Finance promptly recorded equitable sharing funds. For each transaction, we compared the date listed on DOJ's eShare distribution report to the date that the equitable sharing cash receipts were posted in the Prince George's County accounting system. We determined that 89 of 233 (38 percent) receipts, valued at \$724,409, were recorded between 40 and 370 days after eShare reflected distribution of the funds. Office of Finance officials told us that they did not know there was a specific time limit to post the equitable sharing cash receipts to the county accounting system. Also, these officials told us that due to low staffing levels, the Office of Finance was behind in its efforts to post transactions to its accounting system. Nevertheless, the untimely recordings of DOJ's equitable sharing funds increases the risk of their misuse.

According to PGCPD's accounting policies and procedures manual, the Office of Finance must reconcile all listed deposits on each monthly bank statement to the general ledger. Despite this requirement, we found that the Office of Finance did not perform a monthly reconciliation of accounting records to DOJ equitable sharing receipts and thus did not record DOJ equitable sharing receipts in a timely manner.

Instead, the Office of Finance relies on the fiscal year-end reconciliations to identify and correct errors. At fiscal year-end, the Office of Finance obtains revenue and expense totals from the accounting system for DOJ equitable sharing funds. After the Office of Finance prepares the financial report it is forwarded to the PGCPD to confirm DOJ's equitable sharing revenue and expense amounts. If discrepancies are noted they are researched and discussed with the PGCPD, and corrections are made if necessary.

Therefore, we recommend that the Criminal Division ensure that the PGCPD, in conjunction with the Office of Finance, develops procedures to record and reconcile DOJ's equitable sharing transactions to the county's accounting system promptly.

Use of Equitable Sharing Resources

The Equitable Sharing Guide and Interim Policy Guidance require that equitable sharing funds or tangible property received by state and local agencies be used for law enforcement purposes that directly supplement, and not supplant, the appropriated resources of the recipient law enforcement agency. Table 3 details examples of allowable and unallowable uses under these guidelines.

Table 3
Summary of Allowable and Unallowable Uses
of DOJ Equitable Shared Funds

Allowable Uses	Unallowable Uses
Matching funds	Loans
Contracting services	Camouflage Uniforms
Law enforcement equipment	Costs related to lawsuits
Law enforcement travel and per diem	Extravagant expenditures
Support of community-based programs	Money-laundering operations
Law enforcement awards and memorials	Food and beverages
Law enforcement training and education	Endowments or scholarships
Transfers to other law enforcement agencies	Personal or political uses
Joint law enforcement/public safety operations	Petty cash accounts and stored-value cards ^a
Law enforcement operations and investigations	Firearms and ammunition of .50 caliber or larger
Law enforcement, public safety, and detention facilities	Purchase of items for other law enforcement agencies
Drug, gang education and other awareness programs	Tracked armored vehicles and weaponized aircraft, vessels, or other vehicles
	Use of forfeited property by non-law enforcement personnel
	Firearms or firearm accessories designed to launch small explosive projectiles, such as grenade launchers
	Salaries and benefits ^b

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

^b With some exceptions, such as overtime for a law enforcement, the first year salary of a new hire law enforcement position, or a temporary law enforcement position.

Sources: Equitable Sharing Guide and Interim Guidance.

Use of Equitable Sharing Funds

According to its accounting records, the PGCPD expended a total of \$2,393,583 in DOJ equitable sharing funds from FY 2015 through FY 2017. We judgmentally selected and tested 12 transactions totaling \$655,281, or 27 percent of the total funds expended, to determine if the expenditures were allowable and supported by adequate documentation. We determined that, of the sampled transactions, the PGCPD spent equitable sharing funds on law enforcement equipment and crime laboratory tools as shown in Table 4.

Table 4
Sampled Expenditures

Sample Count	Fiscal Year Purchased	Expenditure	Cost (\$)
1	2016	Driving Simulator	220,500
2	2016	Fire Arms Microscope	50,932
3	2016	Fire Arms Microscope	49,067
4	2016	Crime Light	15,684
5	2016	Night Vision Goggles	22,393
6	2016	Helicopter Display Monitor	14,190
7	2017	Gas Chromatography Instrument	105,688
8	2017	Police Car	37,095
9	2017	Police Car	37,095
10	2017	Police Car	42,516
11	2017	Police Car	29,525
12	2017	Police Car	30,596
Total			\$655,281

Source: OIG Analysis of PGCPD Expenditure Documents

Our review determined that the sampled DOJ equitable sharing fund expenditures were supported by adequate PGCPD documentation, such as invoices, receipts, and accounting records. Moreover, PGCPD used the purchased items for appropriate, allowable purposes.⁸

Use of Equitable Sharing Property

The Equitable Sharing Guide requires that transferred forfeited tangible property must only be used for law enforcement purposes. Unless otherwise approved by MLARS, transferred vehicles and other tangible property must be used accordingly for at least 2 years. We obtained and reviewed the eShare distribution report and determined that the PGCPD did not receive tangible property during our audit period. Additionally, PGCPD officials confirmed that they did not receive seized property for use.

⁸ We determined that the sampled crime light instrument, helicopter display monitor, and night vision goggles were missing unique asset tags that the PGCPD standard operating procedures require to track and inventory accountable property. As a best practice and to comply with its own standard operating procedures, we believe that the PGCPD should issue and apply unique asset tags to these items.

Supplanting

The Equitable Sharing Guide also requires that shared funds and forfeited property 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.

To identify indicators of risk that would require additional analysis for supplanting, we examined both the Prince George's County and the PGCPD's total approved budgets for FYs 2014 through 2018. There did not appear to be a significant decrease in the County's budget that was off-set by the PGCPD's operational budget. Nor did there appear to be a significant decrease in the operational budget that coincided with a proportional increase in equitable sharing revenue. Therefore, we determined that there was a low risk that the PGCPD was supplanting its budget with equitable sharing funds during our period of review.

Compliance with Single 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 2 C.F.R. 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). 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 the Uniform Guidance, such entities that expend \$750,000 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.⁹ The Single Audit Report is required to include a Schedule of Expenditures of Federal Awards (SEFA) 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 PGCPD accurately reported DOJ equitable sharing fund expenditures on its SEFAs, we reviewed the PGCPD's accounting records and the Prince George's County Single Audit Reports for the fiscal years ended 2015 and 2016. We compared the expenditures of equitable sharing funds reported on the 2015 and 2016 ESACs to the 2015 and 2016 SEFAs. We found that the total amount of equitable sharing expenditures reflected on the SEFAs were not consistent with the total expenditures reported on the ESACs for both of the fiscal years. The Prince George's County official who prepared the Single Audit Report stated that the report included expended equitable sharing funds derived from both Treasury and DOJ due to an administrative error. The SEFA should have separately reported DOJ and Treasury equitable sharing expenditures. Therefore, we recommend that the Criminal Division ensure that the PGCPD, in

⁹ On December 26, 2014, the Uniform Guidance superseded OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organization. Under OMB Circular A-133, which affected all audits of fiscal years beginning before December 26, 2014, the audit threshold was \$500,000.

conjunction with the Office of Finance, develops procedures to report spent equitable sharing funds properly in the Single Audit's SEFA.

Prince George's County Single Audit Reports for FYs 2015 and 2016 contained findings related to weak internal controls over financial reporting. In addition, the Single Audit Reports were not submitted in accordance with the reporting requirement. Prince George's County's response to the FY 2015 Single Audit Report stated that the cause of the delayed report submission was the result of limited resources and personnel issues and its corrective action plan was scheduled for completion by July 1, 2016. However, we found that the FY 2016 Single Audit Report noted this issue as a repeat finding. Prince George's County requested and obtained an extension to this repeated finding and expects to comply by its FY 2017 Single Audit Report deadline.¹⁰

¹⁰ The FY 2017 Single Audit Report was due by March 31, 2018, which is 9 months after the end of Prince George's County's fiscal year.

CONCLUSION AND RECOMMENDATIONS

Although the PGCPD used equitable sharing funds to purchase allowable, law enforcement-related equipment and services, there are areas in which PGCPD needs to improve in order to comply with equitable sharing guidelines. Specifically, PGCPD needs to ensure that required documentation is submitted on time and that its accounting records promptly reflect the most recent transactions and activity. The PGCPD also needs to ensure that equitable sharing funds are managed in accordance with equitable sharing guidelines, particularly with regard to interest income. Finally, the Single Audit prepared by Prince George's County for FY 2015 and FY 2016 inaccurately reported PGCPD's equitable sharing expenditures.

We recommend that the Criminal Division:

1. Ensure that the PGCPD, in conjunction with the Office of Finance, implements a process to prepare and submit its ESAC no later than 60 days after its fiscal year, as required by equitable sharing guidelines.
2. Ensure that the PGCPD, in conjunction with the Office of Finance, establishes a unique account or fund code to track DOJ equitable sharing interest income separately, as required by the Guide.
3. Ensure that the PGCPD, in conjunction with the Office of Finance, develops procedures to record and reconcile DOJ's equitable sharing transactions to the county's accounting system promptly.
4. Ensure that the PGCPD, in conjunction with the Office of Finance, develops procedures to report spent DOJ equitable sharing funds properly in the Single Audit's Schedule of Expenditures of Federal Awards.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

The objective of the audit was to assess whether the Prince George’s County Police Department (PGCPD) accounted for equitable sharing funds properly and used such revenues for allowable purposes defined by applicable guidelines. We tested compliance with what we considered to be the most important conditions of the Department of Justice (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.

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 objectives.

Our audit concentrated on, but was not limited to, equitable sharing receipts received by the PGCPD between July 1, 2014 and June 30, 2017. Our audit was limited to equitable sharing revenues received through the DOJ Equitable Sharing Program.

We performed audit work at the PGCPD’s headquarters located in Landover, Maryland. We interviewed PGCPD and MLARS 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 PGCPD 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 PGCPD’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 PGCPD. However, we did not assess the reliability of the PGCPD’s financial management

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

In the scope of this audit, the PGCPD had 233 cash receipts totaling \$2,229,806. In the same period, the PGCPD had expenditures totaling \$2,393,583. We judgmentally selected and tested all 233 receipts totaling \$2,229,806 and a sample of 12 expenditures totaling \$655,281. A judgmental sampling design was applied to capture numerous aspects of the disbursements reviewed, such as funds properly deposited and recorded and 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 Prince George's County Single Audit Reports for FYs 2015 and 2016. The results of this audit were reported in the Single Audit Report that accompanied the PGCPD's basic financial statements for the years ended June 30, 2015 and June 30, 2016. The Single Audit Reports were prepared under the provisions of Office of Management and Budget Circular A-133. We reviewed the independent auditor's assessment, which disclosed control weaknesses or significant noncompliance issues. The most notable non-compliance issue was that the Single Audit Reports were not submitted in accordance with the reporting requirement in both of the fiscal years. We have addressed this weaknesses in our report as it relates to the PGCPD's Equitable Sharing Program.

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

**THE PRINCE GEORGE'S COUNTY POLICE DEPARTMENT'S
RESPONSE TO THE DRAFT AUDIT REPORT**



RUSHERN L. BAKER III
COUNTY EXECUTIVE

PRINCE GEORGE'S COUNTY POLICE DEPARTMENT

FIRST TO SERVE SINCE 1931
7600 BARLOWE ROAD
PALMER PARK, MARYLAND 20785



HENRY P. STAWINSKI III
CHIEF OF POLICE

April 20, 2018

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

Dear Mr. Manning:

The Prince George's County Police Department reviewed the findings and recommendations of the Department of Justice (DOJ) Office of the Inspector General's audit held on October 2, 2017. The four recommendations made by DOJ are listed below with responses from the Prince George's County Police Department (PGCPD) and Office of Finance.

Recommendation 1: Ensure that the PGCPD, in conjunction with the Office of Finance, implements a process to prepare and submit its ESAC no later than 60 days after its fiscal year, as required by equitable sharing guidelines.

- The Fiscal Management Division uses data from the Comprehensive Annual Financial Report (CAFR) to complete the Equitable Sharing Agreement and Certification (ESAC) each year. The Office of Finance is responsible for completing the CAFR. This CAFR is oftentimes not available until after the August 31st deadline. In order to meet the ESAC deadline, the Prince George's County will complete the ESAC within the allotted 60 days. A revision will be made if the financial report (CAFR) changes.

Recommendation 2: Ensure that the PGCPD, in conjunction with the Office of Finance, establishes a separate account and unique fund code to separately track DOJ equitable sharing interest income, as required by the Guide.

- The Office of Finance is responsible for establishing accounts for all County Agencies. In Fiscal Year 2018, the Office of Finance will establish a procedure to separately track DOJ equitable sharing interest income, as required by the Guide.

Recommendation 3: Ensure that the PGCPD, in conjunction with the Office of Finance, develops procedures to record and reconcile DOJ's equitable sharing transactions to the county's account system promptly.

- The Office of Finance is responsible for recording all transactions to the County's financial system. In Fiscal Year 2018, the Office of Finance will develop procedures that will assist in recording and reconciling DOJ's equitable sharing transactions to the County's SAP system more promptly. The Prince George's County Police Department will verify that all transactions are recorded and reconciled each month.

Recommendation 4: Ensure that the PGCPD, in conjunction with the Office of Finance, develops procedures to report spent DOJ equitable sharing funds properly in the Single Audit's Schedule of Expenditures of Federal Awards.

- Beginning with Fiscal Year 2017, an additional control was added in the Office of Finance to ensure that spent DOJ equitable sharing funds are properly reported in the Single Audit's Schedule of Expenditures of Federal Awards.

If you have any additional questions concerning the findings or corrective action plan, please direct them to [REDACTED] Budget Manager at [REDACTED]

Sincerely,



Henry P. Stawinski, III, Chief of Police

**THE CRIMINAL DIVISION'S RESPONSE TO THE
DRAFT AUDIT REPORT**



U.S. Department of Justice

Criminal Division

Money Laundering and Asset Recovery Section

Washington, D.C. 20530

APR 16 2018

MEMORANDUM

TO: John Manning, Regional Audit Manager
Washington Regional Audit Office
Office of the Inspector General

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

SUBJECT: DRAFT AUDIT REPORT for the Prince George's County Police
Department's Equitable Sharing Program Activities

In a memorandum dated March 30, 2018, your office provided a draft audit report for the Prince George's County Police Department (PGCPD) 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 PGCPD 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

**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 PGCPD and Criminal Division officials. The PGCPD's response is incorporated in Appendix 2 and the Criminal Division's response is incorporated in Appendix 3 of this final report. In response to our draft audit report, the Criminal Division concurred with our recommendations, and as a result, the status of the audit report is resolved. 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 PGCPD, in conjunction with the Office of Finance, implements a process to prepare and submit its ESAC no later than 60 days after its fiscal year, as required by equitable sharing guidelines.**

Resolved. The Criminal Division concurred with our recommendation and stated that it will work with the PGCPD to correct this finding. The PGCPD stated in its response that its fiscal management division uses data from a Comprehensive Annual Financial Report to complete the ESAC each year. The PGCPD stated that the Comprehensive Annual Financial Report is oftentimes not available until after the August 31 deadline. In order to meet the ESAC deadline, the PGCPD stated that it will complete the ESAC within the allotted 60 days, noting that a revision will be made if the financial report changes.

This recommendation can be closed when we receive evidence that the PGCPD has implemented a process to prepare and submit its ESAC no later than 60 days after its fiscal year end.

- 2. Ensure that the PGCPD, in conjunction with the Office of Finance, establishes a unique account or fund code to separately track DOJ equitable sharing interest income, as required by the Guide.**

Resolved. The Criminal Division concurred with our recommendation and stated that it will work with the PGCPD to correct this finding. The PGCPD stated in its response that the Office of Finance is responsible for establishing accounts for all County agencies and that in fiscal year 2018, the Office of Finance will establish a procedure to separately track DOJ equitable sharing interest income, as required by the Guide.

This recommendation can be closed when we receive evidence that the Office of Finance established a procedure to separately track DOJ equitable sharing interest income.

3. Ensure that the PGCPD, in conjunction with the Office of Finance, develops procedures to record and reconcile DOJ's equitable sharing transactions to the county's accounting system promptly.

Resolved. The Criminal Division concurred with our recommendation and stated that it will work with the PGCPD to correct this finding. The PGCPD stated in its response that the Office of Finance is responsible for recording all transactions to the County's financial system. Further, the PGCPD stated that in its Fiscal Year 2018, the Office of Finance will develop procedures that will assist in recording and reconciling DOJ's equitable sharing transactions to the County's accounting system more promptly. The PGCPD stated that it will also verify that all transactions are recorded and reconciled each month.

This recommendation can be closed when we receive evidence that the Office of Finance developed procedures that will assist in promptly recording and reconciling DOJ's equitable sharing transactions to the County's accounting system.

4. Ensure that the PGCPD, in conjunction with the Office of Finance, develops procedures to report spent DOJ equitable sharing funds properly in the Single Audit's Schedule of Expenditures of Federal Awards.

Resolved. The Criminal Division concurred with our recommendation and stated that it will work with the PGCPD to correct this finding. The PGCPD stated in its response that the Office of Finance added an additional control to ensure that spent DOJ equitable sharing funds are properly reported in the Single Audit's Schedule of Expenditures of Federal Awards.

This recommendation can be closed when we receive evidence that the Office of Finance developed and added an additional control to ensure that spent DOJ equitable sharing funds are properly reported in the Single Audit's Schedule of Expenditures of Federal Awards.



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