



**USE OF EQUITABLE SHARING REVENUES BY
THE IOWA DEPARTMENT OF PUBLIC SAFETY
DES MOINES, IOWA**

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

Audit Report GR-50-07-002
December 2006

USE OF EQUITABLE SHARING REVENUES BY THE IOWA DEPARTMENT OF PUBLIC SAFETY

EXECUTIVE SUMMARY

The U.S. Department of Justice (DOJ), Office of the Inspector General, Audit Division, has completed an audit of the use of DOJ equitable sharing revenues by the Iowa Department of Public Safety (Iowa DPS). Equitable sharing revenues represent a share of the proceeds from the forfeiture of assets seized in the course of certain criminal investigations.¹ During the period of July 1, 2003, through June 30, 2005, the Iowa DPS was awarded DOJ equitable sharing revenues totaling \$2,917,926 and property valued at \$65,175 to support law enforcement operations.

The Iowa DPS generally complied with equitable sharing guidelines with respect to accounting for equitable sharing receipts, use of equitably shared property, interest earned on equitable sharing funds, and supplanting. However, we found weaknesses related to the Iowa DPS's Federal Annual Certification Reports, tracking and reconciliation of sharing requests, and the use of equitable sharing revenues. Overall, we identified \$589,970 in dollar-related findings, which is about 19 percent of total equitable sharing funds expended by the Iowa DPS during FYs 2004 and 2005. Our findings include:

- The Iowa DPS did not adequately track equitable sharing requests and receipts, and receipts were not deposited in a timely manner.
- We identified \$589,970 in questioned costs relating to equitable sharing funds, consisting of \$536,820 in unsupported expenditures and \$53,150 in unallowable costs.

The results of our work are discussed in greater detail in the Findings and Recommendations section of the report. The audit objectives, scope, and methodology appear in Appendix I.

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

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INTRODUCTION

The U.S. Department of Justice (DOJ), Office of the Inspector General, Audit Division, has completed an audit of the use of DOJ equitable sharing revenues by the Iowa Department of Public Safety (Iowa DPS). The audit covered the Iowa DPS's 2004 and 2005 fiscal years (FY), specifically the period of July 1, 2003, through June 30, 2005. During that period, the Iowa DPS was awarded DOJ equitable sharing revenues totaling \$2,917,926 and property valued at \$65,175 to support law enforcement operations.

Background

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

The primary purpose of the DOJ Asset Forfeiture Program is to deter crime by depriving criminals of the profit and proceeds from illegal activities. A secondary purpose of the program is to enhance cooperation among federal, state, and local law enforcement agencies by sharing federal forfeiture proceeds through the DOJ equitable sharing program. State and local law enforcement agencies may receive equitable sharing revenues by participating directly with DOJ agencies in joint investigations leading to the seizure or forfeiture of property. The amount shared with the state and local law enforcement agencies in joint investigations is based on the degree of the agencies' direct participation in the case. The U.S. Department of Treasury (Treasury) administers a similar equitable sharing program. Our audit was limited to equitable sharing revenues received through the DOJ equitable sharing program.

Although several DOJ agencies are involved in various aspects of the seizure, forfeiture, and disposition of equitable sharing revenues, the DOJ Criminal Division, Asset Forfeiture and Money Laundering Section, is responsible for issuing policy statements, implementing governing legislation, and monitoring the use of DOJ equitable sharing funds. Generally, the use of equitable sharing revenues by state and local recipient agencies is limited to law enforcement purposes. However, under certain circumstances, up to 15 percent of equitable sharing revenues may be used for the costs associated with drug abuse treatment, drug and crime prevention education, housing and job skills programs, or other nonprofit

community-based programs or activities. This provision requires that all expenditures be made by the law enforcement agency and does not allow for the transfer of cash.

The Iowa DPS is located in Des Moines, Iowa. The Iowa DPS's approved law enforcement budgets were \$62,136,865 in FY 2004 and \$67,398,134 in FY 2005.

FINDINGS AND RECOMMENDATIONS

The Iowa DPS generally complied with equitable sharing guidelines with respect to accounting for equitable sharing receipts, use of equitably shared property, interest earned on equitable sharing funds, and supplanting. However, we found weaknesses related to the Iowa DPS's Federal Annual Certification Reports, tracking and reconciliation of sharing requests, timeliness of deposits, and the use of equitable sharing revenues. Overall, we identified \$589,970 in dollar-related findings, which is about 19 percent of total equitable sharing funds expended by the Iowa DPS during FYs 2004 and 2005.

Federal Sharing Agreements and Annual Certification Reports

The *Addendum to A Guide to Equitable Sharing*, dated March 1998, (March 1998 Addendum), requires that any state or local law enforcement agency that received forfeited cash, property, or proceeds as a result of a federal forfeiture shall submit a Federal Sharing Agreement and an Annual Certification Report. The submission of the agreements and reports is a prerequisite to the approval of any equitable sharing request. Noncompliance may result in the denial of the agency's sharing request.

The Federal Sharing Agreement must be submitted every 3 years on or before October 1. The agreement must be signed by the head of the law enforcement agency and a designated official of the local governing body. By signing the agreement, the signatories agree to be bound by the statutes and guidelines that regulate the equitable sharing program and certify that the law enforcement agency will comply with these guidelines and statutes.

The Annual Certification Report is due 60 days after the close of the requesting agency's fiscal year. The Annual Certification Report must also be signed by the head of the law enforcement agency and a designated official of the local governing body. By signing the report, the signatories certify that the accounting of funds received and spent by the law enforcement agency is accurate and in compliance with the guidelines and statutes that govern the equitable sharing program.

We tested compliance with the Federal Sharing Agreement and Annual Certification Report requirements to determine if the required agreements and reports were submitted, complete, accurate, and signed by the appropriate officials. We determined that the Iowa DPS submitted the required Federal Sharing Agreements for the 3-year periods ending June 30, 2005, and June 30, 2008.

The FY 2004 and 2005 Annual Certification Reports were complete, submitted in a timely manner, and signed by the appropriate officials. In addition, Iowa DPS officials provided documents to support receipts and expenditures recorded on the Annual Certification Reports. However, Iowa DPS officials could not provide budget documents to support total annual law enforcement and non-law enforcement funding for the current or prior years. In an attempt to locate this information, we accessed publicly available budget information, but were still unable to support the amounts listed on the Annual Certification Reports. As a result, we cannot verify the accuracy of the budget information in these reports.

Accounting for Equitable Sharing Receipts

A Guide to Equitable Sharing of Federally Forfeited Property for State and Local Law Enforcement Agencies, dated March 1994 (1994 Equitable Sharing Guide), requires that all participating state and local law enforcement agencies implement standard accounting procedures to track equitably shared revenues and property. We reviewed procedures for tracking equitable sharing requests against sharing receipts, reconciled the agency's accounting records to DOJ records of equitable sharing funds and property shared with the agency, and reviewed equitable sharing receipts to determine if the funds were properly accounted for and deposited.

The Iowa DPS had 178 receipts of equitable sharing funds totaling \$2,917,926 during FYs 2004 through 2005. We judgmentally selected a total of 25 receipts to review. Our sample included 10 percent of the highest dollar assets for each fiscal year.

The Iowa DPS had one account in which it combined all federal equitable sharing receipts and disbursements from DOJ and Treasury. The Iowa DPS maintained a subsidiary ledger, by year, which tracked DOJ and Treasury equitable sharing fund activities in separate columns.

We determined that the Iowa DPS accounted for all equitably shared revenues and property received during FYs 2004 and 2005. However, we noted the following issues:

- The Iowa DPS did not have adequate recordkeeping procedures in place to track all of its equitable sharing activities. We found that during our review period, the Iowa DPS did not consistently: (1) track its requests for equitable sharing assets, and (2) reconcile its receipts against its requests. In addition, during our reconciliation of equitable sharing receipts, we found that all funds listed as issued on the United

States Marshals Service Consolidated Asset Tracking System (CATS) report were deposited, with one exception. Asset ID Number 02-DEA-419396, in the amount of \$267, which was issued on March 17, 2004, and reported on the FY 2004 CATS Report, was not deposited by the Iowa DPS in FY 2004 or FY 2005. Further review of Iowa DPS records revealed that the original check was never received or redeemed by the Iowa DPS. A replacement check was issued on July 29, 2005, and deposited on August 26, 2005.

- Two deposits of DOJ funds totaling \$21,112 were erroneously recorded as Treasury funds on the Iowa DPS subsidiary ledger.
- The Iowa DPS received \$1,139 from Treasury, but this receipt was recorded as a DOJ transaction.
- The Iowa DPS did not deposit equitable sharing receipts in a timely manner. For example, we reviewed a receipts log maintained by one bureau within the Iowa DPS and found that 56 of 64 receipts listed were not deposited within 1 business day, as required by the 1994 Equitable Sharing Guide. This occurred because the receipts were initially received by units within the Iowa DPS and later forwarded to a separate Iowa DPS unit for deposit. Moreover, in conjunction with the State of Iowa's FY 2004 Single Audit Report, the Office of the Auditor of State provided Iowa DPS a supplemental report that included a finding of untimely deposits at the Iowa DPS. Iowa DPS officials believed that this issue had been corrected within one DPS office, but were unaware it was an issue with another department.

Use of Equitably Shared Property

The 1994 Equitable Sharing Guide requires that any forfeited tangible property transferred to a state or local agency for official use must be used for law enforcement purposes only. Further, vehicles and other tangible property transferred for official law enforcement use must be so used for at least 2 years. However, if the property becomes unsuitable for such stated purpose before the end of the 2-year period, it may be sold.

During FY 2004, the Iowa DPS received five equitably shared vehicles to be placed into official law enforcement use. We tested the equitably shared property and determined that it was accounted for properly, included in the agency's inventory, used for law enforcement purposes, and maintained for the required 2-year period.

Use of Equitable Sharing Funds

Generally, the 1994 Equitable Sharing Guide requires that the use of equitable sharing funds received by state and local agencies is limited to law enforcement purposes. However, under certain circumstances, up to 15 percent of equitable sharing revenues may be used for the costs associated with drug abuse treatment, drug and crime prevention education, housing and job skills programs, or other nonprofit community-based programs or activities. The March 1998 Addendum requires that all expenditures be made by the law enforcement agency and does not allow for the transfer of cash.

During FYs 2004 and 2005, the Iowa DPS expended \$3,182,889 in DOJ equitable sharing revenues. We tested 50 transactions to determine if the expenditures of DOJ equitable sharing funds were allowable and supported by adequate documentation. We also determined if equipment purchases were properly included on the agency's inventory and if the items were used for law enforcement purposes. Our sample of 50 transactions totaled \$3,028,240; 50 percent of the sample consisted of high-dollar transactions and the remaining 50 percent was selected judgmentally. We determined that in general, transactions were supported by adequate documentation, equipment purchases were properly included in the inventory records, items were used for law enforcement purposes, and the expenditures were allowable and in accordance with the guidelines. However, we identified \$589,970 in questioned costs related to unsupported (\$536,820) or unallowable (\$53,150) expenditures, as detailed below.

- The Iowa DPS expended \$499,091 in DOJ equitable sharing funds on a project to upgrade its existing Automated Fingerprint Identification system (AFIS). The project was funded from multiple sources and the DOJ equitable sharing funds represented payments against a larger contract. The auditee provided a project narrative and the supporting invoices, but did not provide a copy of the contract to verify the cost of the project or the payment schedule.
- The Iowa DPS spent \$466 on full-face respirators. These costs were unsupported because the Iowa DPS could not produce the items for verification and could not track to whom the respirators were assigned.
- The Iowa DPS expended \$1,737 on medical expenses for a dog. These costs were unsupported because the documentation was insufficient to determine if this was an allowable expense. Specifically, the

documentation did not state how the dog was used for law enforcement purposes.

- The Iowa DPS used \$27,937 to support the relocation of an Iowa DPS employee. These costs were unsupported because the documentation provided did not adequately support that this was an allowable law enforcement expense.
- The Iowa DPS spent \$1,809 for travel expenses, including airfare, lodging, and travel costs, for one special agent's training. These costs were unsupported because there was no documentation, such as receipts, to support the claim.
- The Iowa DPS transferred \$5,779 from its Equitable Sharing account to the State of Iowa's Department of Administrative Services to cover "general services expenses," which is a 1-percent fee the State of Iowa charges all departments to process financial transactions. These costs were unsupported because the documentation provided did not identify the transactions included in the fee. Thus, we could not determine if the fee had been appropriately calculated, nor confirm that transactions were not double-billed.
- The Iowa DPS expended \$53,150 for respirators used to train firefighters. The equipment was accounted for and was located at the Fire Training Service Bureau. These costs were unallowable because the items were not used for law enforcement purposes. Iowa DPS officials stated that they were aware that firefighter-related expenditures should be limited to investigative matters, not general fire-fighting.

Interest Earned On Equitable Sharing Funds

The 1994 Equitable Sharing Guide states that interest earned on equitable sharing funds is subject to the same use restrictions as shared funds. We determined whether equitable sharing funds were placed in interest-bearing accounts, calculated the amount of interest earned, and determined whether the interest earned was accurately added to the equitable sharing fund balance.

Equitable sharing funds were placed in an interest-bearing account and were invested with other state/local funds by the State Treasurer through a pooled money approach. Monthly interest rates were not available from the Iowa DPS. However, the Iowa DPS provided printouts of monthly interest earned, which included Treasury and DOJ equitable sharing funds. The

Iowa DPS pro-rated the interest earned on its ledgers and its accounting records reconciled to official bank reports. DOJ equitable sharing funds earned interest amounting to \$33,617 in FY 2004 and \$47,443 in FY 2005. All interest earned by the Iowa DPS was accounted for and added to the equitable sharing fund balance.

Supplanting

Pursuant to the 1994 Equitable Sharing Guide, equitable sharing revenues must be used to increase or supplement the resources of the receiving state or local law enforcement agency. Equitably shared funds shall not be used to replace or supplant the resources of the recipient. To test whether equitable sharing funds were used to supplement rather than supplant local funding, we interviewed local officials and reviewed the agency's local budgets for FYs 2004, 2005, and 2006.

Based on the results of our review of the State of Iowa budget documents, we did not find any indications that the Iowa DPS was using equitable sharing funds to supplant local funding. Overall local funding for the Iowa DPS increased in each of the fiscal years reviewed, from \$62.1 million in FY 2004, to \$67.4 million in FY 2005, to \$71.6 million in FY 2006.

Views of Responsible Officials

We discussed the results of our review with Iowa DPS officials throughout the audit and at a formal exit conference. Their comments on specific issues have been included in the appropriate sections of the report.

Recommendations

We recommend that the Assistant Attorney General, Criminal Division:

1. Require the Iowa DPS to provide supporting documentation for the budget section of the Federal Annual Certification Reports for FYs 2004 and 2005.
2. Require the Iowa DPS improve its recordkeeping system for tracking equitable sharing requests and receipts.
3. Require that the Iowa DPS improve its deposit procedures to ensure that checks are deposited in a timely manner.

4. Require the Iowa DPS to remedy the \$589,970 in questioned costs related to the unsupported (\$536,820) and unallowable (\$53,150) expenditures.

APPENDIX I

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of the audit were to assess whether equitably shared cash and property received by the requesting agency were accounted for properly and used for allowable purposes as defined by the applicable regulations and guidelines. We conducted our audit in accordance with *Government Auditing Standards* and included such tests as were considered necessary to accomplish our objectives. Our audit covered the period of July 1, 2003, through June 30, 2005.

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

We performed audit work mainly at the Iowa DPS office located in Des Moines, Iowa, and verified inventory throughout the state. To accomplish the objectives of the audit, we interviewed Iowa DPS officials and examined records-related revenues, interest earned, and expenditures of DOJ equitable sharing revenues and property received by the Iowa DPS. In addition, we reviewed laws, regulations, and guidelines governing the accounting for and use of DOJ equitable sharing receipts, which included the three major guidelines issued by DOJ:

- *Accounting for Federal Asset Forfeiture Funds, A Guide for State and Local Law Enforcement Agencies*, dated July 1991;
- *A Guide to Equitable Sharing of Federally Forfeited Property for State and Local Law Enforcement Agencies*, dated March 1994; and
- *Addendum to A Guide to Equitable Sharing of Federally Forfeited Property for State and Local Law Enforcement Agencies*, dated March 1998.

We did not test internal controls and compliance with laws and regulations for the state of Iowa as a whole. Our audit included an evaluation of the Iowa DPS, a unit of the state of Iowa, which was included

in a statewide audit conducted by Iowa's Office of Auditor of State. The results of this audit were reported in the Single Audit Report that accompanied the Comprehensive Annual Financial Report for the year ended June 30, 2004. The Single Audit Report was prepared under the provisions of Office of Management and Budget Circular A-133. We reviewed the independent auditor's assessment, which disclosed no control weaknesses or significant noncompliance issues related specifically to the Iowa DPS. However, a separate report to the Iowa DPS indicated an internal control issue specifically relating to the timeliness of deposits. During our audit, we verified that the Iowa DPS did not correct this issue. This is discussed in the Accounting for Equitable Sharing Receipts section of our report.

Our audit specifically evaluated the Iowa DPS compliance with six essential equitable sharing guidelines. We did not determine the reliability of the Iowa DPS financial management system or internal controls of that system because it was not practical for us to do so.

During FYs 2004 and 2005, there were 178 receipts totaling \$2,917,926. We tested a judgmental sample of 25 of these receipts, totaling \$2,470,135. Our receipts testing included 10 percent of receipts for each fiscal year (18 transactions) and 7 additional transactions.

During FYs 2004 through 2005, there were 391 disbursements totaling \$3,182,889. We selected a judgmental sample of 50 of these disbursements, totaling \$3,028,240, for testing. We designed our sample to ensure that 50 percent of our sample consisted of high-dollar transactions; the remaining transactions were judgmentally selected.

APPENDIX II

SCHEDULE OF DOLLAR-RELATED FINDINGS

	<u>AMOUNT</u>	<u>PAGE</u>
QUESTIONED COSTS:		
Unsupported Expenditures	\$536,820	6
Unallowable Expenditures	53,150	6
Total Questioned Costs:	\$589,970	
TOTAL DOLLAR RELATED FINDINGS:	\$589,970	

Questioned Costs are monies spent that, at the time of the audit, do not comply with legal requirements, or are unsupported, or are unnecessary or unreasonable. They can be recoverable or non-recoverable.

AUDITEE RESPONSE

Thomas J. Vilsack
Governor
Sally J. Pederson
Lt. Governor



Kevin W. Techau
Commissioner

November 7, 2006

US Department of Justice
Office of the Inspector General
Chicago Regional Office
500 West Madison Street, Suite 3510A
Chicago, Illinois 60661-2590

Dear Mr. Gagliardi:

This letter is in response to the draft report of the Equitable Sharing activities of the Iowa Department of Public Safety during the period of State Fiscal Years 2004 and 2005. We understand, as a result of discussions with Lisa Chan, that these comments are an initial step in developing a formal response and work toward final resolution of the findings contained in the draft audit report.

The attached responses are organized by comment included in the draft report and the Department's response is immediately following the comment. Several of the responses include actions taken on the part of the Iowa Department of Public Safety that, in our opinion, constitute substantial resolution of the issues raised in particular findings. We intend to see through to successful resolution of most, if not all, of the findings contained in the draft report, and look forward to working with your office in that endeavor.

I hope you find this response acceptable. We would like to thank you for your time and attention on the grants audited and look forward to your reply. Should you have any questions regarding the Department's responses please call me at (515) 281-8387 or email heuton@dps.state.ia.us.

Sincerely,

A handwritten signature in black ink, appearing to read "David Heuton".

David Heuton, Director
Administrative Services Division
Iowa Department of Public Safety

The FYs 2004 and 2005 Annual Certification Reports were complete, submitted in a timely manner, and signed by the appropriate officials. In addition, Iowa DPS officials provided documents to support receipts and expenditures recorded on the Annual Certification Reports. However, Iowa DPS officials could not provide budget documents to support total annual law enforcement and non-law enforcement funding for the current or prior years. In an attempt to locate this information, we accessed publicly available budget information, but were still unable to support the amounts listed on the Annual Certification Reports. As a result, we cannot verify the accuracy of the budget information in these reports.

Response – The Department recognizes the above as a finding of the audit and will locate the documentation in support of the budget information reported in the Annual Certification Reports.

We determined that the Iowa DPS accounted for all equitably shared revenues and property received during FYs 2004 and 2005. However, we noted the following issues:

- The Iowa DPS did not have adequate recordkeeping procedures in place to track all of its equitable sharing activities. We found that during our review period, the Iowa DPS did not consistently: (1) track its requests for equitable sharing assets, and (2) reconcile its receipts against its requests. In addition, during our reconciliation of equitable sharing receipts, we found that all funds listed as issued on the United States Marshals Service Consolidated Asset Tracking System (CATS) report were deposited, with one exception. Asset ID Number 02-DEA-419396, in the amount of \$267, which was issued on March 17, 2004, and reported on the FY 2004 CATS Report, was not deposited by the Iowa DPS in FY 2004 or FY 2005. Further review of Iowa DPS records revealed that the original check was never received or redeemed by the Iowa DPS. A replacement check was issued on July 29, 2005, and deposited on August 26, 2005.

Response – The Department agrees that this was a finding of the audit. The Department was unaware of the existence of the Consolidated Asset Tracking System's existence and would be interested in utilizing the system as a tool. We will need information as to how to access the system in order to do so.

- Two deposits of DOJ funds totaling \$21,112 were erroneously recorded as Treasury funds on the Iowa DPS subsidiary ledger.

Response – the Department is unable to comment on the validity of this finding. DPS staff was not made aware of which transactions were in question and therefore cannot determine if/what corrective action is required.

- The Iowa DPS received \$1,139 from Treasury, but this receipt was recorded as a DOJ transaction.

Response – the Department is unable to comment on the validity of this finding. DPS staff was not made aware of which transaction is in question and therefore cannot determine if/what corrective action is required.

- The Iowa DPS did not deposit equitable sharing receipts in a timely manner. For example, we reviewed a receipts log maintained by one bureau within the Iowa DPS and found that 56 of 64 receipts listed were not deposited within 1 business day, as required by the 1994 Equitable Sharing Guide. This occurred because the receipts were initially received by units within the Iowa DPS and later forwarded to a separate Iowa DPS unit for deposit. Moreover, in conjunction with the State of Iowa's FY 2004 Single Audit Report, the Office of the Auditor of State provided Iowa DPS a supplemental report that included a finding of untimely deposits at the Iowa DPS. Iowa DPS officials believed that this issue had been corrected within one DPS office, but were unaware it was an issue with another department.

Response – The Department agrees that this is a finding of the audit and has been accepting ACH deposit of funds from the U.S Marshal's Service since July 1, 2006. Therefore, this should not be an issue in the future.

... we identified \$589,970 in questioned costs related to unsupported (\$536,820) or unallowable (\$53,150) expenditures, as detailed below.

- The Iowa DPS expended \$499,091 in DOJ equitable sharing funds on a project to upgrade its existing Automated Fingerprint Identification system (AFIS). The project was funded from multiple sources and the DOJ equitable sharing funds represented payments against a larger contract. The auditee provided a project narrative and the supporting invoices, but did not provide a copy of the contract to verify the cost of the project or the payment schedule.

Response – The Department agrees that this is a finding of the audit and will locate the documentation in support of this expenditure.

- The Iowa DPS spent \$466 on full-face respirators. These costs were unsupported because the Iowa DPS could not produce the items for verification and could not track to whom the respirators were assigned.

Response - The Department agrees that this is a finding of the audit. The Department's documentation indicates that the full-face respirators were purchased for clandestine meth lab teams and are therefore qualified expenses. The documentation also indicates that each unit cost was approximately \$151, far below the value requiring the items be tracked on the inventory system. At this time the Department believes no further action is necessary.

- The Iowa DPS expended \$1,737 on medical expenses for a dog. These costs were unsupported because the documentation was insufficient to determine if this was an allowable expense. Specifically, the documentation did not state how the dog was used for law enforcement purposes.

Response – The Department agrees that this is a finding of the audit and has located the documentation in support of this expenditure.

- The Iowa DPS used \$27,937 to support the relocation of an Iowa DPS employee. These costs were unsupported because the documentation provided did not adequately support that this was an allowable law enforcement expense.

Response – The Department agrees that this is a finding of the audit and will locate the documentation in support of this expenditure.

- The Iowa DPS spent \$1,809 for travel expenses, including airfare, lodging, and travel costs, for one special agent's training. These costs were unsupported because there was no documentation, such as receipts, to support the claim.

Response – The Department agrees that this is a finding of the audit and will locate the documentation necessary to support the expenditure.

- The Iowa DPS transferred \$5,779 from its Equitable Sharing account to the State of Iowa's Department of Administrative Services to cover "general services expenses," which is a 1-percent fee the State of Iowa charges all departments to process financial transactions. These costs were unsupported because the documentation provided did not identify the transactions included in the fee. Thus, we could not determine if the fee had been appropriately calculated, nor confirm that transactions were not double-billed.

Response – The Department agrees that this is a finding of the audit and has the requisite documentation indicating the transactions for which the expense was charged.

- The Iowa DPS expended \$53,150 for respirators used to train firefighters. The equipment was accounted for and was located at the Fire Training Service Bureau. These costs were unallowable because the items were not used for law enforcement purposes. Iowa DPS stated that they were aware that firefighter-related expenditures should be limited to investigative matters, not general fire-fighting.

Response – The Department recognizes this as a finding of the audit and will remedy the unallowable expenditure.

APPENDIX IV

U.S. DEPARTMENT OF JUSTICE RESPONSE

On October 18, 2006, we provided a copy of the draft report to the U.S. Department of Justice, Criminal Division, for comment. We were subsequently informed by the Criminal Division's Asset Forfeiture and Money Laundering Section that it had no comments on the draft report.

APPENDIX V

OFFICE OF THE INSPECTOR GENERAL, AUDIT DIVISION SUMMARY OF ACTIONS NECESSARY TO RESOLVE REPORT

The Iowa Department of Public Safety and the U.S. Department of Justice Criminal Division were previously furnished with copies of the draft report, along with requests for written comments. The Iowa Department of Public Safety's response is included in the report as Appendix III.

As noted in Appendix IV, the Criminal Division declined to provide comments on the draft report. As a result, the status of the report is unresolved.

Recommendation Number

1. **Unresolved.** This recommendation can be resolved when we receive notification that the Criminal Division's Asset Forfeiture and Money Laundering Section agrees with the recommendation or proposes alternative corrective actions to remedy the finding related to supporting documentation for the budget section of the Federal Annual Certification Reports for FYs 2004 and 2005.
2. **Unresolved.** This recommendation can be resolved when we receive notification that the Criminal Division's Asset Forfeiture and Money Laundering Section agrees with the recommendation or proposes alternative corrective actions to remedy the finding related to the Iowa DPS recordkeeping system for tracking equitable sharing requests and receipts.
3. **Unresolved.** This recommendation can be resolved when we receive notification that the Criminal Division's Asset Forfeiture and Money Laundering Section agrees with the recommendation or proposes alternative corrective actions to remedy the finding related to the improvement of the Iowa DPS's deposit procedures to ensure that checks are deposited in a timely manner.
4. **Unresolved.** This recommendation can be resolved when we receive notification that the Criminal Division's Asset Forfeiture and Money Laundering Section agrees with the recommendation or proposes alternative corrective actions to remedy the finding related to questioned costs of unsupported (\$536,820) and unallowable (\$53,150) expenditures.