



Audit of the Saint Charles County Police Department's Equitable Sharing Program Activities, O'Fallon, Missouri



AUDIT DIVISION

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Redactions were made to the full version of this report for privacy reasons. The redactions are contained only in Appendix 4, the Saint Charles County, Missouri, Police Department's response, and are of individuals' names.



Executive Summary

*Audit of the Saint Charles County Police Department's
Equitable Sharing Program Activities, O'Fallon, Missouri*

Objective

The U.S. Department of Justice (DOJ) Office of the Inspector General (OIG) has completed an audit to assess whether the Saint Charles County Police Department (SC County PD) accounted for DOJ equitable sharing funds properly and used such assets for allowable purposes as defined by applicable guidelines.

Results in Brief

We found that the SC County PD did not fully comply with the requirements of the DOJ Equitable Sharing Program as it did not separately account for its DOJ equitable sharing revenues and had not established policies and procedures to manage its Equitable Sharing Program. Additionally, while we were able to determine that the Equitable Sharing Agreement and Certification (ESAC) reports submitted during our review period were timely and DOJ receipts were generally reported accurately, we could not reconcile the other reported figures because of the commingled accounting records. Further, we reviewed a sample of expenditures paid for with equitable sharing funds and found that all non-personnel expenditures we examined were allowable. However, we identified \$161,907 in unallowable personnel expenditures and determined that the SC County PD did not exercise adequate internal controls over time and attendance reporting.

Recommendations

Our report includes five recommendations to assist the DOJ Criminal Division, which oversees the DOJ Equitable Sharing Program, with its oversight of the SC County PD's equitable sharing activities.

We requested a response to our draft audit report from the Criminal Division and the SC County PD, which can be found in Appendices 3 and 4, respectively.

Audit Results

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, 2016, through July 31, 2019, the SC County PD received \$3,074,392 in DOJ equitable sharing funds and, according to its accounting records, spent \$3,148,529 in commingled equitable sharing funds. According to reports submitted to DOJ, the SC County PD used equitable sharing funds to pay for law enforcement operations and investigations, training and education, law enforcement equipment, contracting for services, and salaries.

In determining whether the SC County PD complied with applicable equitable sharing guidelines, we identified several areas in need of improvement.

Accounting for and Use of Equitable Sharing Funds – We found that the SC County PD did not implement required accounting procedures and adequate internal controls over DOJ equitable sharing funds. Specifically, we found that the SC County PD commingled DOJ equitable sharing funds and did not properly account for interest or other income related to these DOJ funds. We also found that the SC County PD did not adhere to its established record retention schedule and had to contact third parties in order to provide adequate support for some training expenditures. Additionally, while equitable sharing guidelines allow participants to pay the salaries of officers hired to replace other officers assigned to task forces, we found that the SC County PD improperly paid the salary of an officer who had not been hired to replace a task force officer. As a result, we are questioning as unallowable \$161,907 in salary and benefit payments. Moreover, we found that the SC County PD did not exercise adequate internal controls over time and attendance reporting.

Equitable Sharing Agreement and Certification Reports – We found that the ESACs submitted during our review period were timely and that the receipts were generally accurately reported. However, we could not reconcile some of the figures on the ESACs due to the SC County PD's commingled accounting records.

**AUDIT OF THE SAINT CHARLES COUNTY POLICE DEPARTMENT'S
EQUITABLE SHARING PROGRAM ACTIVITIES
O'FALLON, MISSOURI**

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AUDIT OF THE SAINT CHARLES COUNTY POLICE DEPARTMENT'S EQUITABLE SHARING PROGRAM ACTIVITIES O'FALLON, MISSOURI

INTRODUCTION

The Department of Justice (DOJ) Office of the Inspector General (OIG) completed an audit of equitable sharing funds received by the Saint Charles County Police Department (SC County PD) in O'Fallon, Missouri. The objective of the audit was to assess whether the revenue received by the SC County PD through the DOJ Equitable Sharing Program was accounted for properly and used for allowable purposes as defined by applicable regulations and guidelines. The audit covered the period of January 1, 2016, through July 31, 2019.¹ During that period, the SC County PD received \$3,074,392 in equitable sharing revenues as a participant in the DOJ Equitable Sharing Program.

DOJ Equitable Sharing Program

The Comprehensive Crime Control Act of 1984 authorized the implementation of the DOJ Asset Forfeiture Program.² The Asset Forfeiture Program is a nationwide law enforcement initiative that removes the tools of crime from criminal organizations, deprives wrongdoers of the proceeds of their crimes, recovers property that may be used to compensate victims, and deters crime. A key element of the Asset Forfeiture Program is the Equitable Sharing Program. The DOJ Equitable Sharing Program allows state or local law enforcement agencies that directly participate in an investigation or prosecution resulting in a federal forfeiture to claim a portion of federally forfeited cash, property, and proceeds.

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).³ 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. 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.

¹ The SC County PD's fiscal year is based upon the calendar year.

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

³ A few non-DOJ components also fall under the auspices of the DOJ Equitable Sharing Program, including the U.S. Postal Inspection Service (USPIS).

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 that one of the DOJ agencies adopt the seizure and proceed with federal forfeiture. The assisting state or local law enforcement agencies can request a share of the net proceeds of the forfeiture. 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, issued by the U.S. Department of Justice, Criminal Division, Asset Forfeiture and Money Laundering Section (AFMLS) in April 2009; the Interim Policy Guidance Regarding the Use of Equitable Sharing Funds, issued by AFMLS in July 2014; and the Guide to Equitable Sharing for State, Local, and Tribal Law Enforcement Agencies, issued by the U.S. Department of Justice and the U.S. Department of the Treasury in July 2018 (Equitable Sharing Guide), outline categories of allowable and unallowable uses for equitable sharing funds and property.⁴

Saint Charles County Police Department

Saint Charles County is part of the Saint Louis metropolitan statistical area, and the SC County PD was originally part of the SC County Sheriff's Department. In November 2012 the SC County PD was created through legislative action so that it could police the unincorporated areas of Saint Charles County while the Sheriff's Department would focus on courthouse security, prisoner transports, and service of court documents within the county. On January 1, 2015, the SC County PD was officially established. The Saint Charles County Sheriff's Department had been a participant in the Equitable Sharing Program. Currently the Saint Charles County Sheriff's Department is not an active participant in the Program, but it does have old cases for which it still receives disbursements that it then transfers to the SC County PD.

The SC County PD is led by a Chief of Police who reports to the Director of Administration, a member of the Saint Charles County Executive Staff. However, a different official, the Saint Charles County Executive, is the SC County PD's governing body head that signs the ESACs. As of August 21, 2019, the SC County PD had a workforce of 143 sworn officers and 39 civilian employees.

⁴ The July 2018 Guide to Equitable Sharing for State, Local, and Tribal Law Enforcement Agencies covers both DOJ and U.S. Department of the Treasury equitable sharing programs. Because the scope of our audit was focused on activities that occurred during FYs 2016, 2017, and 2018, we relied upon all three referenced pieces of criteria in carrying out the audit.

OIG Audit Approach

We tested the SC County PD's compliance with what we considered to be the most important conditions of the DOJ Equitable Sharing Program to assess whether the SC County PD accounted for equitable sharing funds properly and used such revenues for allowable purposes. Unless otherwise stated, we applied the Guide to Equitable Sharing for State and Local Law Enforcement Agencies, issued by AFMLS in April 2009; the Interim Policy Guidance Regarding the Use of Equitable Sharing Funds, issued by AFMLS in July 2014; and the Guide to Equitable Sharing for State, Local, and Tribal Law Enforcement Agencies, issued by DOJ and U.S. Department of the Treasury in July 2018, as our primary criteria. These documents, which applied during various portions of our review period, provide procedures for submitting sharing requests and discuss the proper use of and accounting for equitable sharing assets. To conduct the audit, we tested the SC County PD's compliance with the following:

- **Accounting for equitably shared resources** to determine whether standard accounting procedures were used to track equitable sharing assets.
- **Equitable Sharing Agreement and Certification Reports** to determine if these documents were complete and accurate.
- **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.

See Appendix 1 for more information on our objective, scope, and methodology.

AUDIT RESULTS

Accounting for Equitably Shared Resources

Equitable sharing guidelines require that law enforcement agencies use standard accounting procedures and internal controls to track DOJ Equitable Sharing Program receipts. This includes establishing a separate revenue account or accounting code through the agency's finance department 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. Further, law enforcement agencies participating in the Equitable Sharing Program are required to use the eShare Portal.⁵ Based upon our review of documentation and interviews with the auditee, we identified internal control weaknesses in the SC County PD's accounting for and reporting of financial activity related to equitably shared funds.

Internal Control Environment

Equitable sharing guidance states that all participating state and local law enforcement agencies must implement standard accounting and internal controls to track equitably shared funds and tangible property. We used observations, discussions, and analysis to gain an understanding of the SC County PD's internal control environment. During our audit we identified internal control weaknesses related to the accounting and reporting of financial activity, the retention of certain records, and time and attendance reporting; these findings are discussed in detail in the relevant sections of this report.

During our discussions with officials from the SC County PD and Saint Charles County, we inquired whether they had any policies or procedures for administering the DOJ Equitable Sharing Program, to include properly identifying receipts, as required by equitable sharing guidelines. SC County PD officials stated that they did not have any formal, written policies or procedures specific to their DOJ equitable sharing activities. When we asked who was responsible for establishing and changing agency equitable sharing policies, an SC County PD official responded, "No one. [The] Police Department follows policies established by the DOJ."

We recommend that the DOJ Criminal Division require the SC County PD to establish formal, written policies that establish standard accounting procedures and internal controls that are consistent with the DOJ guidelines set forth to track equitably shared funds and tangible property. These policies should address the accounting for and reporting of financial activity, record retention, and time and attendance-related weaknesses detailed below.

⁵ The eShare Portal is a web-based tool that enables a participating agency to view the status of its pending equitable sharing requests and run reports on disbursed equitable sharing funds, as well as to submit its ESAC reports. The eShare portal is also the mechanism used to process electronic payments. Use of the eShare Portal for these equitable sharing activities is mandatory.

Receipts and Disbursements

Equitable sharing guidelines require the participating state or local law enforcement agency to establish separate DOJ and U.S. Department of the Treasury accounts or accounting codes to track both revenue and expenditures for each respective program. No other funds may be commingled in these accounts or with these accounting codes. We found that the SC County PD received receipts via electronic funds transfer from the USMS's eShare Portal, and we confirmed that these deposits were timely.

However, we also found that the SC County PD did not segregate its DOJ equitable sharing receipts or disbursements or have accounting codes designated solely for DOJ Equitable Sharing Program activities. Instead, the SC County PD commingled DOJ equitable sharing receipts with similar revenue from the SC County Sheriff's Department and the U.S. Department of the Treasury and made all of its equitable sharing-related disbursements from this single account without mitigating controls such as separate accounting codes.

According to the SC County PD's accounting records, between January 1, 2016, and July 31, 2019, the SC County PD deposited into its equitable sharing account a total of \$3,122,618 in receipts. Conversely, according to the DOJ CATS reports, during the same period, the SC County PD received \$3,074,392 in DOJ equitable sharing fund disbursements. In order for us to determine the amount of DOJ equitable sharing fund disbursements the SC County PD deposited into its account during our audit period, we had to work closely with PD officials because the DOJ, U.S. Department of the Treasury, and SC County Sheriff's Department receipts were not always easily identifiable in the SC County PD's accounting records. After working with a PD official, we were able to confirm that, during our audit period, \$3,074,392 in DOJ equitable sharing fund disbursements and \$48,226 in non-DOJ funds were deposited into the SC County PD's equitable sharing account.

Overall, we confirmed that, of the total funds deposited into the SC County PD's commingled equitable sharing account during our review period, the vast majority—approximately 96 percent—was from DOJ. We determined that this high percentage of DOJ funds in the account provided adequate assurance that we could use these records to audit the SC County PD's DOJ equitable sharing financial activity.

When we informed SC County officials that the Guide expressly prohibited commingling, they told us that the County Finance Department was not aware of the need for separate accounting and that all equitable sharing funds from all sources were managed within one account. In response to this finding, SC County officials provided documentation that they had established separate accounting codes for DOJ and U.S. Department of the Treasury equitable sharing funds. However, because there was no activity in the account following this account structure modification while our audit was ongoing, we were unable to confirm that the PD was, in fact, no longer commingling its equitable sharing funds. We therefore recommend that the DOJ Criminal Division ensure that the SC County PD

is separately accounting for DOJ equitable sharing funds and that these funds are not commingled with other revenue.

Interest Income

The Guide to Equitable Sharing states that the participating state or local law enforcement agency must deposit all interest earned on DOJ equitable sharing funds into the respective account or accounting code, and that this interest is subject to the same use restrictions as equitable sharing funds. We reviewed the accounting records for the SC County PD and determined that there was interest earned on the commingled funds. An SC County Finance official stated that the process had been to allocate interest each month to the commingled fund as a whole. Because of this, we could not distinguish interest on DOJ funds from interest on other sources of revenue, and we also could not ensure that the commingled interest was separately held to the use restrictions on equitable sharing funds. We recommend that the DOJ Criminal Division require the SC County PD to establish policies and procedures to ensure that interest earned on DOJ equitable sharing funds is handled in accordance with DOJ Equitable Sharing Program guidance.

Other Income

During our review of the SC County PD's financial records, we determined that the SC County PD included in its comingled equitable sharing account "other income" earned during the scope of our audit. According to SC County PD officials, the "other income" was a combination of reimbursements, refunds, money received from recycling ammunition, and transfers related to equitable sharing funds. The "other income" records we reviewed were labeled inconsistently, and we were unable to verify that the amounts recorded as "other income" in the accounting records were accurate and correct. We therefore recommend that the DOJ Criminal Division require the SC County PD to establish policies and procedures for properly handling other income in accordance with DOJ Equitable Sharing Program guidance.

Equitable Sharing Agreement and Certification Reports

Law enforcement agencies that participate in the Equitable Sharing Program are required to submit annual ESAC reports within 60 days after the end of that agency's fiscal year. This must be accomplished regardless of whether equitable sharing funds are received or maintained that year. Additionally, the head of the law enforcement agency and a designated official of the local governing body must sign the ESAC report. By signing and submitting the ESAC report, the signatories agree to be bound by and comply with the statutes and guidelines that regulate the DOJ Equitable Sharing Program.

Accuracy of ESAC Reports

By signing the ESACs, SC County PD officials certified that the information submitted on the reports were an accurate accounting of funds received and spent. In this case, because the funds in the equitable sharing account were commingled

from several different sources, we were initially unable to reconcile all of the amounts reported on the SC County PD's FY 2016, 2017, and 2018 ESACs to the SC County PD's accounting records. However, by working with SC County PD officials to scrutinize individual transactions and compare the amounts to the amounts reported as disbursed to the SC County PD per the CATS reports, we were able to determine that the amounts reported on the ESACs for DOJ funds received were generally correct on each ESAC submitted during the review period.⁶

In contrast to the receipts, because the expenditures reported on the ESACs submitted during our review period originated from the SC County PD's commingled equitable sharing account, we were not able to determine if all of them were, in fact, expenditures of DOJ funds. However, as we noted earlier, 96 percent of the funds deposited into the SC County PD's equitable sharing fund during our review period were DOJ funds.

In concert with what we described in the *Accounting for Equitably Shared Resources* section of the report, we believe that if the SC County PD had followed the Guide and established formal policies for administering its DOJ Equitable Sharing Program (including not commingling funds in its DOJ equitable sharing account), we would have been able to reconcile all amounts reported on the ESACs to the SC County PD accounting records. Therefore, we recommend that the DOJ Criminal Division require the SC County PD to correct its accounting records and if necessary submit corrected ESAC forms for FYs 2016, 2017, and 2018 that accurately depict the SC County PD's DOJ Equitable Sharing Program activity. We also recommend that the DOJ Criminal Division require the SC County PD to develop policies and procedures for completing ESAC reports to help ensure that financial activity is reported correctly.

Timeliness of ESAC Reports

We tested the SC County PD's compliance with ESAC reporting requirements to determine if its reports were submitted in a timely manner. We found that the reports for FYs 2016, 2017, and 2018 were approved and submitted within the 60-day required timeframe.

Use of Equitable Sharing Resources

Guidance governing the Equitable Sharing Program requires that equitable sharing funds or tangible property received by state and local agencies be used for law enforcement purposes that directly supplement the appropriated resources of the recipient law enforcement agency. Also, participating agencies must use the funds prudently to avoid any appearance of extravagance, waste, or impropriety. During FYs 2016, 2017, 2018, and through July 2019 the SC County PD did not receive any forfeited tangible property.

⁶ We found that on its 2018 ESAC, the SC County PD erroneously reported a USPS receipt in the amount of \$140 as a U.S. Department of the Treasury receipt. It should have been reported as a DOJ receipt. All other receipts were reported accurately.

According to its commingled accounting records, the SC County PD expended equitable sharing funds totaling \$3,148,529 for January 1, 2016, through July 31, 2019. Of this total amount, the SC County PD used \$2,520,046 to pay for non-personnel items such as training, travel, and police equipment, while it spent \$625,920 for personnel-related costs.⁷

To determine if non-personnel expenditures of DOJ equitable sharing funds were allowable and supported by adequate documentation, we judgmentally selected and tested a sample of non-personnel transactions. When we attempted to review personnel transactions, however, we encountered difficulty due to a lack of available information and the SC County PD's practices for time and attendance reporting. The results of our expenditure testing are discussed in the sections below.

Non-Personnel Expenditures

We selected a judgmental sample of 33 non-personnel transactions totaling \$849,810, or 27 percent of the total expenditures in the period we reviewed. In general, we determined that all 33 non-personnel transactions that we tested were allowable and properly posted to the accounting records. However, we found that the SC County PD did not always maintain complete supporting documentation for expenditures paid for with DOJ equitable sharing funds. Specifically, the SC County PD could not readily provide us with independent verification, such as certificates of completion, for police officer attendance at several training events paid for with equitable sharing funds. In order to provide acceptable support for these expenditures, the SC County PD had to request training verification from the training vendors and then provide this documentation to us. We also learned that the SC County internal auditor had previously identified a similar issue regarding supporting documentation related to a training conference.

According to Equitable Sharing Program guidelines, state and local law enforcement agencies shall retain for a period of at least 5 years all documents and records pertaining to their participation in the DOJ Equitable Sharing Program and their receipt and expenditure or use of shared cash, proceeds, real property, or tangible personal property, including but not limited to forms, accounting and bookkeeping documents, logs and records, bank records and statements, and audit reports. Additionally, the SC County PD has a policy that requires it to retain an employee's training records. Despite both federal and internal policies requiring that these records be maintained, SC County PD did not maintain the required documents. Therefore, we recommend that the DOJ Criminal Division reiterate to the SC County PD the importance of following its own internal record retention

⁷ As previously discussed, we found that during our review period, 96 percent of the funds deposited into the SC County PD's commingled equitable sharing account were DOJ funds. Because almost all of the funds placed in the account were DOJ funds, we determined that, for testing purposes, we could consider all of the expenditures from the account to be DOJ expenditures. Additionally, when we spoke to SC County PD officials about this issue, they confirmed that they considered all of the expenditures from the commingled account to be expenditures of DOJ funds, and that in spending the funds they did so with an intent to follow DOJ Equitable Sharing Program guidance.

policies, adhering to Equitable Sharing Program guidelines, and retaining all necessary documentation.

Personnel Expenditures

In addition to non-personnel expenditures, according to its accounting records, the SC County PD used equitable sharing funds to pay salaries, fringe benefits, and overtime costs. According to the Equitable Sharing Guide, using DOJ equitable sharing funds for these purposes is generally impermissible, however there are some exceptions. Three exceptions in particular were applicable to the SC County PD's situation: (1) payment of overtime and related benefits of current sworn and non-sworn law enforcement personnel involved in law enforcement operations, (2) salaries and benefits for sworn officers assigned to a specialized program that does not generally involve traditional law enforcement functions, and (3) salaries and benefits for current sworn and non-sworn law enforcement personnel hired to fill vacancies that are created when a law enforcement agency assigns personnel to a federal task force. The SC County PD expended equitable sharing funds totaling \$625,920 for the salaries, fringe benefits, and overtime costs of six different police officers during the period we reviewed. SC County PD officials said they used their DOJ equitable sharing funds to pay the salaries of two officers who were assigned to a specialized program and four "replacement officers" who backfilled officers assigned to task forces.

We requested from the SC County PD supporting documents that showed the assignments of task force officers and their replacements in order to verify that the SC County PD's use of equitable sharing funds for personnel costs was in compliance with the Equitable Sharing Guide. In response to our request, the SC County PD struggled to provide us sufficient support that illustrated which officers were assigned to a task force and for how long. The SC County PD also struggled with providing information about replacement officers. After the provision of multiple variations of the information we requested, the SC County PD provided us information that we could use to conduct our analysis. We found that the salary and benefits costs for one of the four replacement officers were impermissible because the replacement officer did not meet the criteria stated in the Equitable Sharing Guide.

The Equitable Sharing Guide states that, "Shared funds may be used to pay the salary and benefits of current, sworn, and non-sworn law enforcement personnel hired to fill vacancies created when a law enforcement agency assigns personnel to a task force." For the replacement officer in question, while we confirmed that the SC County PD did assign an officer to a task force, we found that it did not use its equitable sharing funds to pay a new officer hired to fill the vacancy created by the officer's move to the task force, as required by the Equitable Sharing Guide. Rather, in 2014, the SC County PD assigned one of its officers to a task force and began using DOJ equitable sharing funds to pay the salary and benefits of an officer designated as a "replacement" for the task force officer. However, the individual the SC County PD designated as the "replacement" officer was an existing SC County PD officer who had been hired in 2007.

We analyzed the information provided, and we determined that during the scope of our audit (specifically from January 2016 through October 2018), the SC County PD used \$161,907 in equitable sharing funds to pay salary and benefits to this "replacement" officer who had been hired 7 years before he was designated as such. As a result, we are questioning \$161,907 as unallowable, and we recommend that the DOJ Criminal Division remedy these questioned costs and require the SC County PD to establish procedures to ensure Equitable Sharing Program funds are used only for permissible expenses, including procedures specific to assigning task force officers and hiring replacement officers.

Time and Attendance Reporting

The Equitable Sharing Guide states that participating law enforcement agencies must maintain and follow written policies for accounting, bookkeeping, inventory control, and procurement that comply with the applicable provisions of the OMB Uniform Administrative Requirements, Costs, Principles, and Audit Requirements for Federal Awards (Uniform Guidance). The applicable section on internal controls in the Uniform Guidance (2 C.F.R. §200.303) states that a non-federal entity is responsible for establishing and maintaining effective internal controls that provides reasonable assurance that the non-federal entity is managing funds in compliance with federal statutes, regulations, and the terms and conditions of the award. Further, these internal controls should be in compliance with guidance outlined in the "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework," issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

According to the standards established by the Comptroller General, management is responsible for ensuring that internal controls individually and in combination with other controls are capable of achieving stated objectives and addressing related risks, such as fraud, waste, and abuse. When evaluating implementation, management determines if the control exists, and if the entity has placed the control into operation. A control cannot be effectively implemented if it was not effectively designed. A deficiency in design exists when: (1) a control necessary to meet a control objective is missing, or (2) an existing control is not properly designed so that even if the control operates as designed, the control objective would not be met.

We identified significant weaknesses in the SC County PD's exercise of internal controls over time and attendance reporting. The SC County PD's Personnel Records Maintenance policy manual states that time sheets, time cards, attendance reports, absence reports, sign in/sign out cards, work assignment schedules, work schedules, and work assignment files shall be retained for a period of at least 3 years. However, the SC County PD does not require its officers to complete or submit time sheets or timecards, nor are officers required to attest that they worked the hours for which they were paid. Rather, the SC County PD uses an exception-based payroll system. Specifically, every 2 weeks, a payroll clerk uses a previously developed monthly schedule to enter into the payroll system the number of hours for each officer on each day the officer is scheduled to work. The payroll

clerk then adjusts the payroll system to account for days off or overtime, based on forms completed by the officer and approved by management. The department director then “approves” the payroll in a batch sign-off.

Although the method the SC County PD uses to enter information into the payroll system complies with the county’s Payroll Time and Attendance Entry Procedures, which discuss the same exception-based process, it prevented us from conducting detailed personnel transaction testing. While we did confirm that time and attendance information was entered for the six officers who were paid with equitable sharing funds, without time sheets, time cards, officer certification, or individual supervisory review, we could not test the accuracy of the hours entered into the payroll system.

We believe that the SC County PD did not exercise effective controls over its payroll processes, as required. In our opinion, the exception-based method increases the risk that time and attendance recording errors or malfeasance could go undetected. Because of this, we recommend that the DOJ Criminal Division work with the SC County PD to develop time and attendance reporting and payroll procedures that provide adequate assurance that public funds are protected from fraud, waste, and abuse.

Supplanting

Equitable sharing guidelines require that shared resources be used to increase or supplement the resources of the recipient agency and prohibit the use of shared resources to replace or supplant the appropriated resources of the recipient. In other words, the recipient agency must benefit directly from the equitable sharing funds. To test whether equitable sharing funds were used to supplement rather than supplant local funding, we interviewed local officials and reviewed the total budgets for the SC County PD for FYs 2015 through 2018.

We determined that both the SC County PD and the Saint Charles County budgets increased from one fiscal year to the next from FY 2015 to FY 2018. Because both budgets increased, we determined that there was a low risk that the SC County PD was supplanting its budget with equitable sharing funds during our period of review. Moreover, our testing of the sampled expenditure transactions did not reveal any evidence of supplanting.

Compliance with Audit Requirements

Equitable Sharing guidelines require 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. 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. The Single Audit Report is required to include a Schedule of Expenditures of Federal Awards 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.

We reviewed the Saint Charles County Single Audit Reports for FYs 2016, 2017, and 2018, and we determined that all the reports were submitted on time and none contained any findings regarding the SC County PD's financial statements or federal awards.⁸

⁸ The FY 2019 Single Audit Report was not yet due at the time of our review.

CONCLUSION AND RECOMMENDATIONS

We tested the SC County PD's compliance with what we considered to be the most important conditions of the DOJ Equitable Sharing Program to assess whether the SC County PD accounted for equitable sharing funds properly and used such revenues for allowable purposes. Overall, we found that the SC County PD lacked formal, written policies and procedures governing its DOJ Equitable Sharing Program. In addition, the SC County PD did not properly account for equitable sharing funds because it commingled its DOJ equitable sharing funds with revenue from the SC County Sheriff's Department and the U.S. Department of the Treasury. As a result, the SC County PD's financial records did not adequately separate receipts, disbursements, interest, and other income related to DOJ equitable sharing activity, as required by DOJ Equitable Sharing Program guidance. We were also unable to confirm as accurate all of the amounts reported on the SC County PD's FY 2016, 2017, and 2018 ESACs. However, our review of the SC County PD's financial records and other Equitable Sharing Program documentation provided adequate assurance that we could use these records to audit the SC County PD's expenditure of DOJ equitable sharing funds. In doing so, while we determined that the sample of non-personnel DOJ equitable sharing fund expenditures we reviewed were allowable, we found that the SC County PD had not followed its internal policies to retain certain training records. We also questioned unallowable personnel expenditures totaling \$161,907 and found that the SC County PD did not exercise adequate internal controls over time and attendance reporting.

We recommend that the Criminal Division:

1. Require the SC County PD to develop written policies and procedures for Equitable Sharing Program activities that establish standard accounting procedures and internal controls that address tracking equitably shared funds and tangible property and recording equitable sharing receipts and disbursements; recording other income and interest earned on DOJ equitable sharing funds; accurately completing ESAC reports; ensuring that Equitable Sharing Program funds are used only for permissible expenses, such as to pay the salary of officers hired to replace other officers assigned to task forces; and exercising payroll procedures that provide adequate assurance that public funds are protected from fraud, waste, and abuse.
2. Ensure the SC County PD is separately accounting for DOJ equitable sharing funds to include recording interest earned on DOJ equitable sharing funds, as well as other equitable sharing-related income.
3. Require the SC County PD to correct its accounting records and if necessary submit corrected ESAC forms for FYs 2016, 2017, and 2018 that accurately reflect the SC County PD's equitable sharing activity.

4. Reiterate to the SC County PD the importance of following its own internal record retention policies, adhering to the equitable sharing guidelines, and retaining all necessary Equitable Sharing Program activity documentation.
5. Remedy \$161,907 in unallowable salary and benefits costs.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

The objective of the audit was to assess whether the Saint Charles County, Police Department (SC County PD), in Missouri, accounted for equitable sharing funds properly and used such revenues for allowable purposes defined by applicable guidelines.

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 and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. We discussed the results of our review with officials from the SC County PD throughout the audit and at a formal exit conference. As appropriate, their input has been included in the relevant sections of the report.

Our audit concentrated on, but was not limited to, equitable sharing receipts received by the SC County PD between January 1, 2016, and July 31, 2019. Our audit was limited to equitable sharing revenues received through the DOJ Equitable Sharing Program, and we tested compliance with what we considered to be the most important conditions of the DOJ Equitable Sharing Program. We reviewed laws, regulations, and guidelines governing the accounting for and use of DOJ equitable sharing receipts, including the Guide to Equitable Sharing for State and Local Law Enforcement Agencies, issued by the Criminal Division's Asset Forfeiture and Money Laundering Section (AFMLS) in April 2009; the Interim Policy Guidance Regarding the Use of Equitable Sharing Funds, issued by AFMLS in July 2014; and the Guide to Equitable Sharing for State, Local, and Tribal Law Enforcement Agencies, issued by the U.S. Department of the Treasury in July 2018. Unless otherwise stated in our report, the criteria we audited against are contained in these documents.

We performed audit work at the SC County PD's headquarters located in O'Fallon, Missouri. We interviewed SC County PD and Saint Charles County officials and examined records, related revenues, and expenditures of DOJ's 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 awarded to the SC County PD during the audit period. We did not establish the reliability of the data contained in 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 the SC County PD's compliance with three essential equitable sharing guidelines: (1) accounting for equitable sharing receipts, (2) Equitable Sharing Agreement and Certification reports, 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 SC County PD. However, we did not assess the reliability of the SC County PD's financial management system, or the extent to which the financial management system complied with internal controls, laws, and regulations overall.

During the scope of this audit, the SC County PD had 227 cash receipts totaling \$3,074,392. In the same period, the SC County PD had 2,253 expenditures totaling \$3,148,529. We found that during our review period, 96 percent of the funds deposited into the SC County PD's commingled equitable sharing fund were DOJ funds. Because almost all of the funds placed in the account were DOJ funds, we determined that for testing purposes, we could consider all of the expenditures from the account to be DOJ expenditures. Additionally, when we spoke to SC County PD officials about this issue, they stated that they considered all of the expenditures from the commingled account to be expenditures of DOJ funds, and that in spending the funds they did so with the intent of following DOJ Equitable Sharing Program guidance. We reviewed the top 5 receipts for each fiscal year during the audit period, which totaled \$1,393,552, and we reviewed a judgmental sample of 33 expenditures totaling \$849,810. A judgmental sampling design was applied to capture numerous aspects of the disbursements reviewed, such as dollar amounts and expenditure categories. This non-statistical sample design does not allow projection of the test results to all disbursements.

Our audit included an evaluation of the SC County PD's most recent annual audits. The results of these audits were reported in the Single Audit Reports that accompanied the SC County PD's basic financial statements for FYs 2016, 2017, and 2018. The Single Audit Reports were prepared under the provisions of 2 C.F.R. §200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. We reviewed the independent auditors' assessments, which disclosed no internal control weaknesses or significant noncompliance issues related to the DOJ Equitable Sharing Program.

Internal Controls

In this audit, we performed testing of internal controls significant within the context of our audit objectives. We did not evaluate the internal controls of the SC County PD to provide assurance on its internal control structure as a whole. SC County PD management is responsible for the establishment and maintenance of internal controls in accordance with the Equitable Sharing Guide and 2 C.F.R. §200.303. Because we do not express an opinion on the SC County PD's internal control structure as a whole, we offer this statement solely for the information and use of the SC County PD and the DOJ Criminal Division.⁹

⁹ This restriction is not intended to limit the distribution of this report, which is a matter of public record.

In planning and performing our audit, we identified the following internal control components and underlying internal control principles as significant to the audit objective:

Internal Control Components & Principles Significant to the Audit Objectives
Control Activities Principles
Management should design control activities to achieve objectives and respond to risks.
Management should implement control activities through policies.
Information & Communication Principles
Management should use quality information to achieve the entity’s objectives.
Management should externally communicate the necessary quality information to achieve the entity’s objectives.
Monitoring
Management should remediate identified internal control deficiencies on a timely basis.

APPENDIX 2

SCHEDULE OF DOLLAR-RELATED FINDINGS

<u>Description</u>	<u>Amount</u>	<u>Page</u>
Questioned Costs:		
Unallowable Salary and Benefit Expense	<u>\$161,907</u>	10
Unallowable Costs	\$161,907	
Total Questioned Costs¹⁰	\$161,907	
TOTAL DOLLAR-RELATED FINDINGS	<u>\$161,907</u>	

¹⁰ **Questioned Costs** are expenditures that do not comply with legal, regulatory or contractual requirements, or are not supported by adequate documentation at the time of the audit, or are unnecessary or unreasonable. Questioned costs may be remedied by offset, waiver, recovery of funds, the provision of supporting documentation, or contract ratification, where appropriate.

**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

July 20, 2020

MEMORANDUM

TO: Carol S. Taraszka, Regional Audit Manager
Chicago Regional Audit Office
Office of the Inspector General

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

A handwritten signature in cursive script, reading "Jennifer Bickford", enclosed in a light gray rectangular box.

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

In a memorandum dated June 3, 2020, your office provided a draft audit report for the Saint Charles County Police Department (SC County PD), 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 SC County PD to correct all identified findings.

cc: Jessica Schmaus, Audit Liaison
U.S. Department of Justice
Criminal Division

Louise Duhamel
Acting Assistant Director, Audit Liaison Group
Internal Revenue and Evaluation Office
Justice Management Division

Ashley Hines, Audit Liaison
Audit Liaison Group
Internal Revenue and Evaluation Office
Justice Management Division

THE SAINT CHARLES COUNTY, MISSOURI,
POLICE DEPARTMENT'S
RESPONSE TO THE DRAFT AUDIT REPORT



Chief Kurt L. Frisz

St. Charles County, Missouri Police Department Official Response to the Draft Audit Report of the Department of Justice - Chicago Regional Audit Office as Requested by the DOJ Office of the Inspector General, Audit Division

This letter is in response to the Draft Audit Report provided on Wednesday, June 3, 2020 regarding the Equitable Sharing Fund Program audit originated by the Department of Justice - Chicago Regional Audit Office on Monday, July 29, 2019. The Draft Audit Report notes findings and recommendations for the development of written policies and procedures for Equitable Sharing Program activities, separately accounting for DOJ Equitable Sharing Funds, record retention of Equitable Sharing Funds activity, and permissible use of Equitable Sharing Funds. St. Charles County understands the findings and recommendations provided in the report. In response, and as instructed by the Regional Audit Office, St. Charles County PD herein provides a statement of whether or not we are in agreement with the finding and we then set forth the action the County has taken to improve internal controls and prevent any future noncompliant activity, if applicable.

The following list includes the recommendations provided by the Department of Justice - Chicago Regional Audit Office and the remedial action/corrective measures taken by St. Charles County.

1. Recommendation: "Require the SC County PD to develop written policies and procedures for Equitable Sharing Program activities that establish standard accounting procedures and internal controls that address tracking equitably shared funds and tangible property and recording equitable sharing receipts and disbursements; recording other income and interest earned on DOJ equitable sharing funds; accurately completing ESAC reports; ensuring that Equitable Sharing Program funds are used only for permissible expenses, such as to pay the salary of officers hired to replace other officers assigned to task forces; and exercising payroll procedures that provide adequate assurance that public funds are protected from fraud, waste, and abuse."

Response and Action by the County: The County breaks down the Recommendation in order to provide a thorough response:

Disagree: The OIG states the SC PD should "develop" written policies and procedures for Equitable Sharing Program activities that establish standard accounting procedures and internal controls that address tracking equitably shared funds and tangible property and recording equitable sharing receipts and disbursements:

- The County has had such policies and procedures for some time and this has not been raised in previous audits. In fact, the OIG is raising for the first time that the County's policy was that all forfeiture funds went into Fund 266, Drug Enforcement Fund. That was the County's procedure for more than 30 years and was not commented on in previous audits. The OIG in this Audit noted on site that Treasury funds: ICE, IRS, CBP, and the USSS should all be deposited to a separate account within the Fund. The County responded while the OIG was on site by creating such



separate account not only for the Police Department, but also for the Sheriff Department and DTF (Drug Task Force). The OIG has acknowledged the accounts were created however, the OIG said they cannot officially acknowledge the County's procedural change because the County has not received funds into the new account.

The DOJ Asset Forfeiture funds vary from year to year depending on the interception of certain types of criminal activity in the County, but often are a million dollars or more to SC County PD account in Fund 266. During the audit period the DOJ Asset Forfeiture fund received a total of \$3,122,618. On the other hand, in that same audit period covering three years and seven months, the County received a total of \$3,409 in non-DOJ Asset Forfeiture funds that would have gone into that new separate account. The OIG said they cannot acknowledge the County's procedural change because the County has not received funds into the new account but the County has been blocked from receiving all forfeiture funds due to the audit, so has not, and cannot, receive funds at this time. The County therefore issues this disagreement with the finding.

Disagree: The OIG states that the County should be required to record other income and interest earned on DOJ equitable sharing funds.

- The County has such policies for recording other income and interest earned on DOJ equitable sharing funds.

Disagree: The OIG indicates it wants the County to "accurately" complete ESAC reports for three years. The OIG is asking for three years of reports to be resubmitted for the allocation of less than \$70 a year in interest attributable to the non- DOJ Asset Forfeiture funds. The County has no problem with providing that going forward, however, asks that it not be instructed to adhere to this new finding retroactively.

Disagree: The OIG states that they want policies and procedures for the SC County PD to ensure that Equitable Sharing Program funds are used only for permissible expenses, such as to pay the salary of officers hired to replace other officers assigned to task forces;

- As noted by the DOJ – Chicago Regional Audit Office, the ES Guide States: *"Shared funds may be used to pay the salary and benefits of current, sworn, and non-sworn law enforcement personnel hired to fill vacancies created when a law enforcement agency assigns personnel to a Federal Task Force."* The OIG is disallowing the salary and benefits of a sworn officer who took the vacancy created when the SC PD assigned personnel to a Federal Task Force. The SC PD and Finance Office understood that the DOJ Guidance document required that they add a sworn FTE to the Department but understood they could fund the actual officer filling the position of the Officer who went to the federal task force. Therefore, the County did expand the Police Department budget by adding a new sworn FTE (filled by newly hired [REDACTED]) to replace the FTE going to the DEA Federal Task Force. However, the County did use forfeiture funds to pay the salary of the officer ([REDACTED]) filling the position of the officer who went to the Task Force. In the OIG statement disallowing [REDACTED], St. Charles County believes only the difference in pay and benefits between [REDACTED] and the new officer hired ([REDACTED]) should be disallowed.

St. Charles County will work with MLARS to resolve this finding and has transferred the difference between the two salaries (\$19,785.87) back to the ES fund on February 20, 2020 to remain compliant with the Guidance as laid out by the on-site auditors.



Disagree: Exercising payroll procedures that provide adequate assurance that public funds are protected from fraud, waste, and abuse.

- The County has a policy and procedure for documentation of time off. No previous audit has required a positive time sheet for officers being paid for by asset funds, but we will do so in the future if required by DOJ.

2. Recommendation: “Ensure the SC County PD is separately accounting for DOJ equitable sharing funds to include recording interest earned on DOJ equitable sharing funds, as well as other equitable sharing-related income.”

Response and Action by the County:

Disagree: As set out in response to #1, above, the County responded while the OIG was on site by creating such accounts. These accounts are as follows:

- **Account 266-33193** for *Treasury Asset Forfeiture-Pol*
- **Account 266-33194** for *Treasury Asset Forfeiture-DTF*
- **Account 266-33196** for *Treasury Asset Forfeiture-Sheriff*

In this audit, the OIG is raising for the first time that it wants a change in the County’s policy and procedures that all forfeiture funds went into Fund 266, Drug Enforcement Fund. This has been the County’s procedure for more than 30 years and was not commented on in previous audits. The OIG in this Audit noted on site that Treasury funds: ICE, IRS, CBP, and the USSS should all be deposited to a separate account within the Fund. The County responded while the OIG was on site by creating such separate accounts listed above. The OIG has acknowledged the accounts were created however, the OIG said they cannot officially acknowledge the County’s procedural change because the County has not received funds into the new account.

The DOJ Asset Forfeiture funds vary from year to year depending on the interception of certain types of criminal activity in the County, but often are a million dollars or more to SC County PD account in Fund 266. During the audit period the DOJ Asset Forfeiture fund received a total of \$3,122,618. On the other hand, in that same audit period covering three years and seven months, the County received a total of \$3,409 in non-DOJ Asset Forfeiture funds that would have gone into that new separate account. The OIG said they cannot acknowledge the County’s procedural change because the County has not received funds into the new account but the County has been blocked from receiving all forfeiture funds due to this pending Audit preventing the approval/deposits of Equitable Sharing Funds, and thus the County has not had any activity in this account to verify the account modification. The County therefore issues this disagreement with the finding.

Action: The County changed its accounting procedure to conform to the OIG’s change in position. The DOJ - Chicago Regional Audit Office acknowledged the corrective measure taken by the County in the following statement included in the Draft Audit Report:

- i. *In response to this finding, SC County officials provided documentation that they had established separate accounting codes for DOJ and U.S. Department of the Treasury equitable sharing funds. However, because there was no activity in the account following*



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this account structure modification while our audit was ongoing, we were unable to confirm that the PD was, in fact, no longer commingling its equitable sharing funds.

3. Recommendation: “Require the SC County PD to correct its accounting records and if necessary, submit corrected ESAC forms for FYs 2016, 2017, and 2018 that accurately reflect the SC County PD’s equitable sharing activity.”

Response and Action by the County:

Disagree: As noted above in #1, the OIG is raising for the first time that the County’s policy that all forfeiture funds went into Fund 266, Drug Enforcement Fund is not acceptable. While this has been the County’s procedure for more than 30 years and was not commented on in previous audits, in response to the OIG on site comments during the audit that Treasury funds: ICE, IRS, CBP, and the USSS should all be deposited to a separate account within the Fund, the County responded (while the OIG was on site) by creating such separate accounts as listed above. The OIG has acknowledged the accounts were created however, the OIG said they cannot officially acknowledge the County’s procedural change because the County has not received funds into the new account.

Again, as noted above in #1, the DOJ Asset Forfeiture funds vary from year to year depending on the interception of certain types of criminal activity in the County, but often are a million dollars or more to SC County PD account in Fund 266. During the audit period the DOJ Asset Forfeiture fund received a total of \$3,122,618. On the other hand, in that same audit period covering three years and seven months, the County received a total of \$3,409 in non-DOJ Asset Forfeiture funds that would have gone into that new separate account within the Fund. The OIG indicates it wants the County to “accurately” complete ESAC reports for three years. The OIG is asking for three years of reports to be resubmitted for the allocation of less than \$70 a year in interest attributable to the non-DOJ Asset Forfeiture funds. The County has no problem with providing that going forward, however, asks that it not be instructed to adhere to this new finding retroactively.

Action: If required by DOJ, SC PD will revise the ESACs for 2016, 2017 and 2018. The revision will consist of reallocating interest earned between Treasury funds and DOJ equitable sharing funds to accurately reflect the program activity.

4. Recommendation: “Reiterate to the SC County PD the importance of following its own internal record retention policies, adhering to the equitable sharing guidelines, and retaining all necessary Equitable Sharing Program activity documentation.” (The Audit notes: Specifically, the SC County PD could not readily provide us with independent verification, such as certificates of completion, for police officer attendance at several training events paid for with equitable sharing funds.)

Response and Action by the County:

Disagree: The County has such policies for record retention of program activity. The Audit notes that the auditors selected a “judgmental sample of 33 non-personnel transactions totaling \$849,810, or 27 percent of the total expenditures in the period” reviewed. “In general, we determined that all 33 non-personnel transactions we tested were allowable and properly posted to the accounting records.” The auditors then went on to state that they found that there were not certificates of completion for police officer attendance in the file and the Department has to contact the vendors for a copy of that form.



Action: The Department will ensure that officers provide their training certificates of completion on training they attend and maintain them in the correct file.

5. Recommendation: “Remedy \$161,907 in unallowable salary and benefits costs.”

Response and Action by the County:

Disagree: St. Charles County did not, under the 2009 Guidance, perceive that the Guidance required the new officer to be the police officer funded by equitable sharing dollars. As noted by the DOJ – Chicago Regional Audit Office, the ES Guide States: “*Shared funds may be used to pay the salary and benefits of current, sworn, and non-sworn law enforcement personnel hired to fill vacancies created when a law enforcement agency assigns personnel to a Federal Task Force.*” As stated in #1 above, the OIG is disallowing the salary and benefits of a sworn officer who took the vacancy created when the SC County PD assigned personnel to a Federal Task Force. The SC County PD and Finance Office understood that the DOJ Guidance document required that they add a sworn FTE to the Department but understood they could fund the actual officer filling the position of the Officer who went to the federal task force. Therefore, the County did expand the Police Department budget by adding a new sworn FTE (filled by newly hired [REDACTED]) to replace the FTE going to the DEA Federal Task Force. However, the County did use forfeiture funds to pay the salary of the officer ([REDACTED]) filling the position of the officer who went to the Task Force. In the OIG statement disallowing [REDACTED] St. Charles County asserts that only the difference in pay and benefits between [REDACTED] and the new officer hired ([REDACTED]) should be disallowed.

Action: St. Charles County will work with MLARS to resolve this finding and has transferred the difference between the two salaries (\$19,785.87) back to the ES fund on February 20, 2020 to remain compliant with the Guidance as laid out by the on-site auditors.

St. Charles County would like to thank the DOJ-Chicago Regional Audit Office staff assigned to our audit regarding their courtesy and professionalism during this process.

Respectfully,



Chief Kurt Frisz
St. Charles County Police Department



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

The OIG provided a draft of this audit report to the U.S. Department of Justice Criminal Division and the Saint Charles County, Missouri, Police Department (SC County PD). The Criminal Division's response is incorporated as Appendix 3 of this final report, and the SC County PD's response is incorporated as Appendix 4. The Criminal Division agreed with each recommendation contained in this report. As a result, the report is resolved. The SC County PD disagreed with all five recommendations, as discussed below. The following provides the OIG analysis of the responses and summary of actions necessary to close the report.

Recommendation for the Criminal Division:

- 1. Require the SC County PD to develop written policies and procedures for Equitable Sharing Program activities that establish standard accounting procedures and internal controls that address tracking equitably shared funds and tangible property and recording equitable sharing receipts and disbursements; recording other income and interest earned on DOJ equitable sharing funds; accurately completing ESAC reports; ensuring that Equitable Sharing Program funds are used only for permissible expenses, such as to pay the salary of officers hired to replace other officers assigned to task forces; and exercising payroll procedures that provide adequate assurance that public funds are protected from fraud, waste, and abuse.**

Resolved. MLARS concurred with our recommendation and stated that upon receipt of the final audit report it will work with the SC County PD to correct all identified findings.

The SC County PD disagreed with our recommendation and stated in its response that the county has had policies and procedures for some time and that previous audits had not identified similar deficiencies.

As noted in our report, during our audit both SC County PD and Saint Charles County officials told us that they did not have any formal, written policies or procedures specific to their DOJ equitable sharing activities. Although the SC County PD response indicates that the SC County PD has policies and procedures for managing various aspects of its involvement in the Equitable Sharing Program, this contradicts the information that was given to us during our audit, and the SC County PD did not provide the OIG with evidence that any policies or procedures were formalized in written guidance available to individuals responsible for equitable sharing activities.

Also, regarding the SC County PD's reference to prior audits not raising this issue, the OIG has not previously audited the SC County PD's Equitable Sharing Program.¹¹ The Equitable Sharing Guide states that all participating state and local law enforcement agencies must implement standard accounting procedures and internal controls that are consistent with the guidelines set forth in the guide to track equitable shared funds and tangible property. We believe that the results of our audit – such as the non-compliant commingling of DOJ and Treasury funds and use of equitable sharing funds for certain impermissible salary charges – support the need for formal, written policies and procedures to provide a solid foundation for compliance with guidelines governing the DOJ Equitable Sharing Program.

This recommendation can be closed when we receive evidence that the SC County PD has developed formal, written policies and procedures for Equitable Sharing Program activities that address the elements detailed in our recommendation.

2. Ensure the SC County PD is separately accounting for DOJ equitable sharing funds to include recording interest earned on DOJ equitable sharing funds, as well as other equitable sharing-related income.

Resolved. MLARS concurred with our recommendation and stated that upon receipt of the final audit report, it will work with the SC County PD to correct all identified findings.

The SC County PD disagreed with our recommendation, and its response noted that it had been the County's policy for more than 30 years that all forfeiture funds went into its Drug Enforcement Fund. The response also stated that it had responded to this issue while the OIG was onsite and had created separate accounts for each of its sources of asset forfeiture funds (including DOJ and the Treasury Department). The response also stated that the County has been blocked from receiving all forfeiture funds due to the OIG's pending audit.

As noted in our report, we discussed this finding with auditee officials during our audit and in response they provided documentation that they had established separate accounting codes for DOJ and U.S. Department of the Treasury equitable sharing funds. However, because there was no activity in the account following this account structure modification while our audit was ongoing, we were unable to confirm that the SC County PD was, in fact, no longer commingling its equitable sharing funds. As we noted in our report, the commingled funds environment that existed during the period we reviewed resulted in the OIG being unable to: (1) distinguish between

¹¹ In 2012, the OIG issued an audit report on the Equitable Sharing Program Activities of the Saint Charles County, Missouri, Sheriff's Department, which until 2015 was responsible for policing activities for the County government. During the scope of that audit, the Sheriff's Department had not deposited non-DOJ funds into its DOJ Equitable Sharing account, which is our finding in this audit. [U.S. Department of Justice \(DOJ\) Office of the Inspector General \(OIG\) Audit of the St. Charles County Sheriff's Department's Equitable Sharing Program Activities](#), Audit Report GR-50-12-004 (April 2012).

interest on DOJ funds separate from interest on other sources of revenue, (2) ensure that the commingled interest was separately held to the use restrictions on equitable sharing funds, and (3) verify that the amounts recorded as "other income" in the accounting records were accurate and correct. Moreover, because there had been no new receipts during our audit, the OIG could not confirm that the SC County PD's actions to create separate accounting codes was effective in eliminating the commingling of asset forfeiture funds from different sources.

Therefore, this recommendation can be closed when we receive evidence that the SC County PD has separately accounted for DOJ equitable sharing funds, to include recording interest earned on DOJ equitable sharing funds, as well as other equitable sharing-related income.

3. Require the SC County PD to correct its accounting records and, if necessary, submit corrected ESAC forms for FYs 2016, 2017, and 2018 that accurately reflect the SC County PD's equitable sharing activity.

Resolved. MLARS concurred with our recommendation and stated that upon receipt of the final audit report, it will work with the SC County PD to correct all identified findings.

The SC County PD stated that it disagreed with the recommendation and again noted in its response that for more than 30 years all forfeiture funds went into its Drug Enforcement Fund. The response also indicated that the SC County PD's DOJ receipts far outnumbered receipts from other sources and took issue with the OIG's recommendation based upon its understanding that the OIG was, "asking for three years of reports to be resubmitted for the allocation of less than \$70 a year in interest attributable to the non-DOJ" funds. The SC County PD indicated a willingness to do this in the future but asked that it not be required to adhere to this retroactively.

Our recommendation does not ask the SC County PD to re-submit its ESACs; it recommends that MLARS require the SC County PD to correct its accounting records and to then, if necessary, correct and re-submit its ESACs. Moreover, our report explains that because the SC County PD's accounting records reflected DOJ equitable sharing funds commingled with all other asset forfeiture funds, we were not able to determine if the ESACs were accurate, which Equitable Sharing Program guidance requires.

This recommendation can be closed when we receive evidence that the SC County PD has corrected its accounting records and, if necessary, submitted corrected ESAC reports for FYs 2016, 2017, and 2018 that accurately reflect the SC County PD's equitable sharing activity.

4. Reiterate to the SC County PD the importance of following its own internal record retention policies, adhering to the equitable sharing guidelines, and retaining all necessary Equitable Sharing Program activity documentation.

Resolved. MLARS concurred with our recommendation and stated that upon receipt of the final audit report, it will work with the SC County PD to correct all identified findings.

In its response, the SC County PD stated that it disagreed with our recommendation and noted that the county has policies for record retention of Program activity. The SC County PD also stated that it will ensure that officers provide certificates of completion for training they attend and maintain them in the correct file.

This recommendation can be closed when MLARS provides evidence that it has reiterated to the SC County PD the importance of following its own internal record retention policies, adhering to the equitable sharing guidelines, and retaining all necessary Equitable Sharing Program activity documentation.

5. Remedy \$161,907 in unallowable salary and benefits costs.

Resolved. MLARS concurred with our recommendation and stated that upon receipt of the final audit report, it will work with the SC County PD to correct all identified findings.

The SC County PD disagreed with our recommendation and stated in its response that it did not perceive that the 2009 Guidance required the new officer to be the police officer funded by equitable sharing dollars. The response further stated that the SC County PD and Finance Office understood the Program guidance to require a position be added to the Department but that they could use Equitable Sharing Program funds to cover the salary of the actual officer filling the position of the individual serving on the federal task force. The response then asserts that the costs to be disallowed should equate to the difference in pay and benefits between the replacement officer and the cost of the officer in a newly added position. Finally, the response indicates that St. Charles County will work with the Criminal Division's Money Laundering and Asset Recovery Section to resolve this finding and has returned \$19,786 to its account to remain in compliance with Program guidance.

As noted in our report, the Equitable Sharing Guide states that "funds may be used to pay the salary and benefits of current, sworn, and non-sworn law enforcement personnel hired to fill vacancies created when a law enforcement agency assigns personnel to a task force." For the personnel costs in question, while we confirmed that the SC County PD did assign an officer to a task force, we found that it did not use its equitable sharing funds to pay a new officer hired to fill the vacancy created by the officer's move to

the task force, as required by the DOJ Equitable Sharing Guide. Rather, in 2014, the SC County PD assigned one of its existing officers to a task force and began using DOJ equitable sharing funds to pay the salary and benefits of an officer designated as a "replacement" for the task force officer. However, the individual the SC County PD designated as the "replacement" officer was an existing SC County PD officer who had been hired in 2007. Therefore, we found that the equitable sharing funds used to pay this officer were not in compliance with the Equitable Sharing Guide, and we questioned them as unallowable. We brought this to the attention of SC County PD officials during our audit. However, the SC County PD did not subsequently make us aware that it returned \$19,786 to its account, nor did it provide evidence of this action.

This recommendation can be closed when we receive evidence that the \$161,907 in unallowable salary and benefits costs has been appropriately remedied. This should include an examination of the action taken by the SC County PD to return funds to its equitable sharing account.