



Audit of the Orange County Sheriff's Department's Equitable Sharing Program Activities, Santa Ana, California



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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 Orange County Sheriff's Department's response, and is of an individual's name.



EXECUTIVE SUMMARY

Audit of the Orange County Sheriff's Department's Equitable Sharing Program Activities, Santa Ana, California

Objective

The U.S. Department of Justice (DOJ) Office of the Inspector General has completed an audit to assess whether the Orange County Sheriff's Department (OCSD) accounted for DOJ equitable sharing funds and used such assets for permissible purposes as defined by applicable guidelines.

Results in Brief

As a result of our audit, we concluded that OCSD recorded equitable sharing fund receipts accurately, filed Equitable Sharing Agreement and Certification (ESAC) reports timely, reported expenditures accurately by categories, and retained evidence of the reviews. However, we found that OCSD's ESAC reports for FYs 2019 and 2020 contained errors. We also identified \$6,991 in unallowable equitable sharing fund expenditures as well as potential improvements to OCSD's policies and procedures regarding its inventory controls. Finally, we determined that OCSD did not maintain its equitable sharing funds in the same manner as its appropriated funds, as required by the applicable guidelines.

Recommendations

Our report includes seven recommendations to assist the DOJ Criminal Division, which oversees the equitable sharing program. Responses to our draft report from the Criminal Division and OCSD can be found in Appendices 3 and 4, respectively. Our analysis of these responses can be found in Appendix 5.

Audit Results

This audit covered OCSD's fiscal years (FY) 2019 and 2020. OCSD began the audit period with a reported balance of \$1,771,986 in equitable sharing funds. During the period of July 1, 2018 through June 30, 2020, OCSD received \$12,758,685 in equitable sharing funds and expended \$2,134,740 equitable sharing funds, primarily on overtime salaries, payments to informants, construction and renovation costs, car rentals, aircraft insurance, law enforcement equipment, training, and travel.

Equitable sharing revenues represent a share of the proceeds from the forfeiture of assets seized in the course of certain criminal investigations. We found that OCSD accurately recorded its equitable sharing fund receipts, but overstated its FYs 2019 and 2020 ESAC reports. We also determined that OCSD must establish better controls over equitable sharing expenditures and assets purchased with equitable sharing funds.

Equitable Sharing Agreement and Certification Report

OCSD accurately accounted for its equitable sharing fund receipts, expenditures, and other incomes on its ESAC reports. However, we found that OCSD reported ESAC balances that were overstated by \$184,291 for both FY 2019 and FY 2020.

Equitable Sharing Resources

OCSD spent \$6,991 on unallowable expenses related to laboratory storage renovation costs because it failed to obtain the Criminal Division's approval prior to incurring the costs. Through our testing, we also found that OCSD incurred \$56,209 in other questionable costs, maintained an inaccurate inventory of items purchased with equitable sharing funds, failed to ensure that all vendors weren't suspended or debarred from doing business with the government, and did not maintain such funds in the same manner as its appropriated funds, as required by the Equitable Sharing Program guidelines.

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Introduction

The Department of Justice (DOJ) Office of the Inspector General (OIG) completed an audit of the equitable sharing funds received by the Orange County Sheriff's Department (OCSD) in Santa Ana, California. The objective of the audit was to assess whether the cash received by OCSD through the Equitable Sharing Program were accounted for properly and used for permissible purposes as defined by applicable regulations and guidelines. OCSD began the audit period with a reported balance of \$1,771,986. The audit covered July 1, 2018, through June 30, 2020.¹ During that period, OCSD received \$12,758,685 and spent \$2,134,740 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 (Asset Forfeiture Program). The Guide to Equitable Sharing for State, Local, and Tribal Law Enforcement Agencies (Equitable Sharing Guide), issued in July 2018, describes the Asset Forfeiture Program as 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.² The DOJ Equitable Sharing Program allows any state or local law enforcement agency that directly participated in an investigation or prosecution resulting in a federal forfeiture to claim a portion of federally forfeited cash, property, and proceeds.

Although several DOJ agencies are involved in various aspects of the seizure, forfeiture, and disposition of equitable sharing revenues, three DOJ components work together to administer the Equitable Sharing Program – the United States Marshals Service (USMS), the Justice Management Division (JMD), and the Criminal Division's Money Laundering and Asset Recovery Section (MLARS). The USMS is responsible for transferring asset forfeiture funds from DOJ to the receiving state or local agency. JMD manages the Consolidated Asset Tracking System (CATS), a database used to track federally seized assets throughout the forfeiture life cycle. Finally, MLARS tracks membership of state and local participants, updates the Equitable Sharing Program rules and policies, and monitors the allocation and use of equitably shared funds.

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

¹ OCSD's fiscal year begins July 1 and ends June 30.

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

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 permissible law enforcement purposes. The Equitable Sharing Guide outlines categories of permissible and impermissible uses for equitable sharing funds and property.

Orange County Sheriff's Department

Established in 1889, OCSD located in Santa Ana, California serves a population of over 3 million residents. As of July 2021, OCSD had a workforce of 1,850 sworn officers and 1,764 non-sworn staff. OCSD has been a member of the DOJ Equitable Sharing Program since 1995. OCSD's equitable sharing activities were due to the Sheriff's Narcotics Program (SNP)'s investigative units' participation in DOJ investigations. OCSD's task force, the Regional Narcotics Suppression Program (RNSP), was a separate member of the DOJ Equitable Sharing Program from 1995 until 2019, at which time it was folded into OCSD, its fiduciary agency, for the purposes of the DOJ equitable sharing program.

According to MLARS's July 2018 Equitable Sharing Guide and subsequent Equitable Sharing Wire, dated September 24, 2018, equitable sharing disbursements would no longer be made directly to task forces. Rather, the fiduciary agencies of task forces were required to submit sharing requests and receive funds on behalf of their task forces. Thus, OCSD as the fiduciary of its task force, the RNSP, agreed to earmark funds for RNSP operational expenses.

OIG Audit Approach

We tested OCSD's compliance with what we considered to be the most important conditions of the DOJ Equitable Sharing Program to assess whether it accounted for equitable sharing funds properly and used such revenues for permissible purposes. Unless otherwise stated, we applied the Equitable Sharing Guide as our primary criteria. The Equitable Sharing Guide provides procedures for submitting sharing requests and discusses the proper use of and accounting for equitable sharing assets. To conduct the audit, we tested OCSD's compliance with the following:

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

Equitable Sharing Agreement and Certification Reports

Law enforcement agencies who participate in the Equitable Sharing Program are required to submit an ESAC report, on an annual basis, within 2 months after the end of an agency's fiscal year. This must be accomplished regardless of whether equitable sharing funds were received or maintained that year. If an ESAC report is not submitted before the end of the 2-month filing timeframe, the law enforcement agency will be moved into a non-compliance status. Additionally, the ESAC report must be signed by the head of the law enforcement agency and a designated official of the local governing body. By signing and submitting the ESAC report, the signatories agree to be bound by and comply with the statutes and guidelines that regulate the Equitable Sharing Program.

As previously discussed, OCSD is the fiduciary agency for its RNSP task force. OCSD's SNP and RNSP maintain separate direct administrative staff who submit their own sharing requests under OCSD's National Crime Information Center number. When MLARS disburses equitable sharing funds, OCSD matches the disbursement with the corresponding equitable sharing request, determines the appropriate shares between SNP and RNSP, and then processes the journal transactions that result in the Orange County's Auditor-Controller's Office applying funds to the appropriate general ledger accounts. For equitable sharing expenditures, SNP or RNSP personnel will initiate purchase orders that are entered into OCSD's Expediter program for the Investigations Division Captain's approval. Purchasing requests greater than \$3,000 must have electronic approval from the Executive Command. Once approved, OCSD's Purchasing Department processes the purchase request or expenditure. Annually, OCSD's Administrative Manager prepares a combined annual ESAC form for both SNP and RNSP. OCSD's equitable sharing funds are maintained in a non-interest-bearing account. Finally, on a biennial basis, the Property Officer works with the Orange County Auditor-Controller's Office to perform a physical inventory of assets, including those purchased with equitable sharing funds.

Completeness and Timeliness of ESAC Reports

We tested OCSD's compliance with ESAC reporting requirements to determine if OCSD's reports were complete and submitted in a timely manner. We obtained OCSD ESAC reports submitted for FYs 2019 and 2020 and found that the reports were complete and signed by appropriate officials. We also determined that the ESAC reports were submitted within the required timeframe.

Accuracy of ESAC Reports

To verify the accuracy of the annual ESAC reports, we compared the total sharing receipts reported on OCSD's FYs 2019 and 2020) ESAC reports to the total amounts listed as disbursed on the MLARS eShare distribution report for the same time periods. According to our analysis, OCSD's most recent ESAC reports indicated receipts of \$2,491,581 and \$5,177,176 for FYs 2019 and 2020, respectively, which matched the receipts listed on the MLARS eShare distribution report.

Within our audit scope, OCSD also reported funds received from other law enforcement agencies, task forces, and other income. In its FY 2019 ESAC report, OCSD reported a \$4,993,940 transfer of funds from the RNSP and a \$30,371 transfer from the Orange County's Pro-Active Methamphetamine Laboratory Task

Force. We reviewed OCSD's accounting records to confirm the transfer of funds from both the RNSP's and the Orange County's Pro-Active Methamphetamine Laboratory Task Force dedicated accounts to the account created to manage OCSD's DOJ equitable sharing fund.³ We also reviewed and confirmed the accuracy of a receipt of \$1,680 from the United States Postal Inspection Services and proceeds of \$63,938 from the sale of an asset previously purchased with equitable sharing funds.

To verify the total expenditures listed on OCSD's two most recent ESAC reports, we compared those expenditure amounts to OCSD's accounting records for each period. Specifically, the total expenditures reported in OCSD's two most recent ESAC reports were \$412,941 and \$1,721,799 in FYs 2019 and 2020, respectively and both amounts matched OCSD's accounting records.

In addition, we reviewed for accuracy the sections of the ESAC reports that summarized shared monies spent by specific category, such as law enforcement operations and investigations, travel and training, and law enforcement equipment. To do so, we asked OCSD officials for documentation reflecting its equitable sharing expenditures by category. Using this documentation, we computed the total expenditures by category for each fiscal year and compared the results to the amounts reflected on the ESAC reports. We found that the category totals reflected on the ESAC reports match the expenditure category totals as provided by the auditee.

In addition to summarizing the shared monies spent by category on the ESAC reports, entities are required to report the amount of interest income earned during the given reporting period. OCSD did not report any interest income on either its FY 2019 or 2020 ESAC reports as its equitable sharing funds are not maintained in an interest-bearing account. We further discuss interest in the Equitable Sharing Funds Management section.

We found that reported ESAC funds balances were overstated by \$184,291 in both FYs 2019 and 2020 when compared to its accounting system reports. The OCSD Budget Analyst stated that these ESAC reports were filed prior to her tenure, so upon our inquiry, she too had difficulty reconciling the FY 2019 beginning balance to the accounting system records. She later determined that the discrepancy stemmed from three equitable sharing receipts in FY 2018, where a portion was earmarked as RNSP task force expenses. The full amount of the three receipts were incorrectly reported on OCSD's FY 2018 ESAC report because the RNSP's earmarked portions were not recorded in OCSD's equitable sharing general ledger account. This resulted in an overstated FY 2018 ESAC report ending balance and subsequently, overstatements on the FY 2019 and FY 2020 ESAC reports. Consequently, the balances of the FYs 2019 and 2020 ESAC reports for the fiduciary (OCSD) did not match OCSD's corresponding accounting system report. OCSD did not correct this discrepancy until FY 2021, when it closed the RNSP account in its accounting system by transferring all remaining funds to OCSD's unique general ledger account for both SNP and RNSP. We reviewed OCSD's Asset Forfeiture Equitable Sharing Procedure and determined that it did not include reconciliation procedures to ensure accuracy of beginning and ending equitable sharing fund balances. Without such procedures, OCSD is at risk of over- or under-stating its equitable sharing funds. Thus, we recommend that

³ The 2018 Equitable Sharing Guide and as clarified by an Equitable Sharing Program Wire, stipulated that MLARS would only make disbursements to a fiduciary agency or to individual member agencies. To comply with the 2018 Equitable Sharing Guide, OCSD, with MLARS's written acknowledgment, consolidated equitable sharing funds under one account, to include funds from the RNSP and Orange County's Pro-Active Methamphetamine Laboratory task forces, both under the auspices of the OCSD as the fiduciary.

the Criminal Division require OCSD to revise its ESAC reporting procedures to include reconciliation of the beginning and ending balances of its equitable sharing funds. We also recommend that the Criminal Division require OCSD to submit amended FYs 2018, 2019, and 2020 ESACs to reflect accurate balances of its equitable sharing accounting records.

Accounting for Equitable Sharing Resources

The Equitable Sharing Guide requires 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 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.⁴

MLARS's compliance reviews reported in June 2014 and February 2015 that OCSD had commingled equitable sharing funds with other non-DOJ equitable sharing funds. As a result, OCSD created a separate bank account to deposit shared receipts from DOJ as well as a unique general ledger account to separately account for the funds. When a deposit is received from MLARS, OCSD's Administrative Manager will receive notification and review the original sharing request to determine whether the shared funds should be further divided between SNP and RNSP, as appropriate, and initiate a deposit journal voucher in the accounting system. The OCSD Financial Operations Manager will review the deposit journal voucher request and then submit it to the Orange County's Auditor-Controller's Office for processing. The Orange County's Auditor-Controller's Office will post the fund deposit to OCSD's DOJ equitable sharing funds general ledger account. OCSD provided confirmation from its bank's Public Funds Collateral Management Team that its equitable sharing fund balances are secured beyond the FDIC's threshold of \$250,000 and are collateralized at 110 percent in accordance with applicable California state law.

We also reviewed equitable sharing receipts for OCSD's FYs 2019 and 2020 in its accounting system. We determined that OCSD received DOJ equitable sharing revenues totaling \$7,668,757 to support law enforcement operations during these 2 fiscal years. We reconciled the eShare receipts recorded in OCSD's general ledger with the MLARS's eShare report and found that the 81 asset forfeiture receipts matched.

As shown in Table 1, we also selected a sample of five of the highest-valued receipts from FY 2019 and 2020 to ensure that these monies were properly deposited and recorded by OCSD in a timely manner. These five receipts account for 27 percent of the total receipts that OCSD received. Although two of our sampled receipts were recorded 13 and 15 days after the disbursement receipt date, the OCSD Administrative Manager explained that one delay was due to a staff member being on leave and the other delay was due to staffing shortfalls following the COVID-19 pandemic shutdown. We deemed these delays reasonable and do not take issue with the delayed recording of receipts into OCSD's accounting system.

⁴ The eShare portal enables a participating agency to view the status of its equitable sharing requests and distributions made by the DOJ.

Table 1

Sample of OCSD's Highest Valued Receipts
FY 2019 – FY 2020

Sample Count	Date Received According to eShare	Amount	Date Funds were posted to OCSD Accounting System	Amount	Number of Days between receipt and recording of funds
1	04/22/19	\$381,337	05/07/19	\$381,337	15
2	06/24/19	\$414,518	06/28/19	\$414,518	4
3	06/24/19	\$487,688	06/28/19	\$487,688	4
4	03/25/20	\$341,986	03/31/20	\$341,986	6
5	04/21/20	\$446,284	05/04/20	\$446,284	13
	Total	\$2,071,813	Total	\$2,071,813	

Source: OIG analysis.

Equitable Sharing Resources

The Equitable Sharing Guide 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. Table 2 reflects examples of permissible and impermissible uses under these guidelines.

Table 2

Summary of Permissible and Impermissible Uses of Equitable Sharing Funds

Permissible Uses
Matching grants
Contracts for services
Law enforcement equipment
Law enforcement travel and per diem
Support of community-based organizations
Law enforcement awards and memorials
Law enforcement training and education
Joint law enforcement/public safety operations
Law enforcement operations and investigations
Law enforcement, public safety, and detention facilities
Drug, gang, and other prevention or awareness programs
Impermissible Uses
Loans
Supplanting
Costs related to lawsuits
Extravagant or wasteful expenditures and entertainment
Money laundering operations
Purchase of food and beverages
Creation of endowments or scholarships
Personal or political use of shared assets
Transfers to other law enforcement agencies (MLARS may consider a waiver in limited circumstances.)
Cash on hand, secondary accounts, and stored value cards
Purchase of items for other law enforcement agencies
Uses contrary to state or local laws
Use of forfeited property by non-law enforcement personnel
<i>With some exceptions, salaries and benefits of sworn or non-sworn law enforcement personnel</i>

Source: The Equitable Sharing Guide.

Use of Equitable Sharing Funds

According to its accounting records, OCSD expended DOJ equitable sharing funds totaling \$412,941 in FY 2019 and \$1,721,799 in FY 2020, for a total of \$2,134,740. We judgmentally selected and tested 16 transactions totaling \$1,383,719, or approximately 65 percent of the total funds expended, to determine if the expenditures of DOJ equitable sharing funds were permissible and supported by adequate documentation. We determined that, of the sampled transactions, OCSD spent equitable sharing funds on law enforcement related items such as overtime salaries, payments to informants, construction and renovation costs, task force car rentals, aircraft insurance, law enforcement equipment, training courses, and associated travel. Based upon our review of the supporting documentation provided by OCSD, we determined that most of the DOJ equitable sharing fund expenditures we reviewed were supported by adequate documentation and were used for appropriate purposes. However, we identified: (1) one sampled transaction for which OCSD failed to obtain MLARS approval prior to expending the funds,

(2) another sampled transaction which was not an allowable expenditure, (3) incorrect information in OCSD's inventory of property purchased with equitable sharing funds, and (4) OCSD did not perform verification of a vendor's suspension and debarment status. We also determined that OCSD does not maintain equitable sharing funds in the same manner as its appropriated funds, as required in the Equitable Sharing Guide.

Renovation Costs

The Equitable Sharing Guide allows for costs associated with the purchase, lease, construction, expansion, improvement, or operation of law enforcement, public safety, or detention facilities used or managed by the recipient agency. However, agencies must contact MLARS for its approval prior to using DOJ equitable sharing funds for all improvement and expansion projects. Also, OCSD's Asset Forfeiture Equitable Sharing Procedure's Section 5.2.1 on purchasing requisition and work requests preparation and approval states that any Purchasing Requisitions or Work Requests that are improvement or expansion projects must have prior approval from MLARS.

OCSD spent \$6,991 on a renovation project of a laboratory storage room without notifying and obtaining approval from MLARS, as required by the Equitable Sharing Guide. An OCSD Administrative Manager informed us that approval was obtained verbally for this emergency renovation project. However, an MLARS program analyst informed us that there was no record of OCSD obtaining approval for this project. Also, the program analyst explained that all MLARS approvals are granted via electronic mail. Without MLARS's review of construction or renovation related costs, OCSD is at risk of expending equitably shared funds on impermissible expenses in violation of the Guide and is at risk of having its status suspended by MLARS. Therefore, we recommend that the Criminal Division work with OCSD to remedy the \$6,991 in unallowable renovation questioned costs.

Fleet Services Equipment Replacement Costs

The Equitable Sharing Guide allows for maintenance costs, including repairs or service agreements of law enforcement equipment for use by law enforcement personnel, that support law enforcement activities. However, in response to our audit inquiry regarding \$1,813 in expenses for fleet services equipment replacement costs, OCSD Administrative Manager told us that these costs were depreciation charges applied by Orange County Public Works Department for OCSD's use of a surveillance vehicle. The recurring monthly depreciation charges started in December 2018 and had an accumulated total of \$56,209 through June 2021. OCSD determined that these depreciation charges could not be singled out from other fleet depreciation charges by Orange County and thus were unallowable. The OCSD Administrative Manager explained that, due to a miscommunication between OCSD and the Orange County Public Works, OCSD was led to believe that the vehicle would not have any depreciation charges. Subsequently, the OCSD Fleet Manager issued a memorandum to the Orange County Public Works to apply future charges to OCSD's Transportation Fleet Maintenance fund rather than the equitable sharing fund. OCSD provided us with evidence that it recorded a correcting journal entry crediting the total amount charged for depreciation back to the equitable sharing fund.

OCSD's Asset Forfeiture Equitable Sharing Procedures do not contain procedures on the review of internal journal voucher transactions for expenditures processed for costs applied by other Orange County departments to ensure compliance with the Equitable Sharing Guide. Also, without proper review procedures to ensure expenditures and charges are allowable, allocable, and proportionate, OCSD is at risk

of expending equitable sharing funds on impermissible expenditures. Thus, we recommend that the Criminal Division ensure that OCSD establish policies and procedures to ensure that recurring journal voucher transactions are properly reviewed for compliance with the Equitable Sharing Guide.

Accountable Property

The Equitable Sharing Guide requires that standard internal controls be implemented to track tangible property received or purchased. The Guide states that participating law enforcement agencies maintain and follow written policies for accounting, bookkeeping, inventory control, and procurement that comply with the applicable provisions of the Office of Management and Budget (OMB) Uniform Administrative Requirements, Costs, Principles, and Audit Requirements for Federal Awards or any subsequent updates and jurisdiction policies. Further, the agencies must ensure distribution of relevant policies to all appropriate personnel. For inventory verification, we judgmentally selected 11 property items purchased with equitable sharing funds during the scope of our audit, to include an aircraft seat, night observation monoculars, mobile devices, and surveillance camera housings. As a result of the COVID-19 pandemic response, we performed our audit fieldwork exclusively in a remote manner and did not conduct a physical inventory. Rather, we obtained photographic evidence of the sampled property items that included identifying information, such as serial numbers. As a result, we remotely verified all 11 property items in our sample. We also had the Sheriff complete a Property Acknowledgement Letter, attesting to having possession of the sampled property items that were purchased with equitable sharing funds.

In response to our audit inquiries, OCSD discovered that its inventory records contained incorrect serial numbers and dollar values for the six monoculars within our sample. OCSD explained that these were typographical errors. OCSD subsequently corrected the serial numbers and dollar values of the monoculars in its controlled assets list, which we reviewed and confirmed. According to OMB requirements: (1) equipment records shall be maintained, (2) a physical inventory of equipment shall be taken at least once every 2 years and reconciled to the equipment records, (3) an appropriate control system shall be used to safeguard equipment, and (4) equipment shall be adequately maintained. OCSD's Asset Forfeiture Equitable Sharing Procedures contained biennial inventory policies and procedures of capital assets but did not contain policies and procedures to ensure adequate accountability of other property purchased with equitable sharing funds, such as controlled assets.⁵ Also, OCSD's biennial capital assets inventory certification was scheduled for January 2020. Although OCSD completed its physical inventory in March 2021, the certification is pending approval from the Board of Supervisors as of July 2021. Without appropriate and effective controls in place, OCSD's equipment that was purchased with equitable sharing funds is at risk of misuse or loss. Thus, we recommend that the Criminal Division ensure that OCSD implement policies and procedures to ensure timely and accurate physical inventories are conducted of all property purchased with equitable sharing funds, to include controlled assets, as appropriate.

Vendor Verification

According to 2 C.F.R. § 200.214, non-federal entities are subject to the non-procurement debarment and suspension regulations implementing Executive Orders 12549 and 12689, as well as 2 C.F.R. part 180. These regulations restrict awards, subawards, and contracts with certain parties that are debarred, suspended, or otherwise excluded or ineligible from participating in federal assistance programs or activities. MLARS issued an Equitable Sharing Wire on January 28, 2020, stating that equitable sharing funds may not be used

⁵ Controlled assets are assets between \$2,500 and \$5,000, whereas capital assets are assets over \$5,000.

to purchase goods and services from entities prohibited from receiving federal funds due to a suspension or debarment. Consequently, agencies were required to establish and implement procedures to ensure that, before doing business with any vendor, agencies review the System for Award Management to determine whether a vendor has an exclusion status. This requirement ensures that the federal government and recipients of equitable sharing funds conduct business only with persons who are not prohibited from receiving federal funds.

We selected eight vendors associated with our judgmental expenditure sample and found that OCSD did not have records that SAM verifications were performed on two vendors. OCSD's Asset Forfeiture Equitable Sharing Procedures state that, prior to issuing a contract or purchase order, the Deputy Purchasing Agent must validate all vendors to ensure compliance with SAM to ensure that the vendor is not debarred from conducting business with the government. The SAM verification is then placed in OCSD's purchasing folder for that contract or purchase order. Despite having procedures in place, our testing found two instances where OCSD could not produce evidence that it verified the suspension and debarment status of enlisted vendors for renovation work and training. In the first instance, the OCSD Purchasing Manager stated that the contract for renovation work occurred prior to his tenure, so he could not explain why the SAM verification was not conducted. The second purchase, for training registration, was processed by the OCSD Travel Coordinator rather than the Purchasing Department, and thus a SAM verification was not performed. Without controls to ensure its procedures are followed, OCSD is at risk of doing business with vendors who are excluded from doing business with the government due to a history of violations such as failure to perform, false statements, or fraud. We also believe that OCSD's procedures to verify vendor suspension and debarment status should include all vendors, to include training providers. Thus, we recommend that the Criminal Division ensure that OCSD implement controls to ensure suspension and debarment verification is performed and documented on vendors paid with equitable sharing funds, to include training vendors.

Equitable Sharing Fund Management

During FYs 2019 and 2020, OCSD received \$12,758,685, of which 43 percent was allocated to SNP and 57 percent was allocated to RNSP. Between FYs 2019 and 2020, OCSD spent \$2,134,740 of its equitable sharing funds, about 8 percent of its available funds, and as of the end of FY 2020 OCSD still had a balance of \$12,395,930. When we asked the Sheriff if OCSD had any specific large purchases that it may have been saving for, the Sheriff said he was not aware of any funds earmarked for large purchases. We also asked the Captain supervising both SNP and RNSP, and he stated that there was no specific spending plan for a large project or purchase, other than training. The April 2009 Equitable Sharing Guide stated that shared monies should not be retained unnecessarily and should be expended as they are may be retained in a holding account for up to 3 years to satisfy future needs or retained longer for major long-term expenditures such as capital improvements. However, MLARS explained that it removed this requirement in July 2018 because it did not want agencies with large sums of equitable sharing funds to spend frivolously.

MLARS does not have a requirement for participating agencies to maintain their equitable sharing funds in an interest-bearing account, but requires agencies to administer and maintain equitable sharing funds in the same manner as county funds. According to the Equitable Sharing Guide, participating agencies must maintain its equitable sharing funds with the same entity that maintains the agency's appropriated funds and administers procurement actions. Bank accounts, checkbooks, purchase cards, and other financial instruments or documents must be maintained in the same manner as appropriated funds.

We determined that OCSD is depositing its equitable sharing receipts in a non-interest-bearing account, unlike Orange County funds, which are maintained in an interest-bearing account. OCSD explained that prior to MLAR's compliance reviews in 2014 and 2015, OCSD maintained its equitable sharing funds in the same bank account as the Orange County funds, which earned interest. Subsequent to MLAR's finding that OCSD was commingling its equitable sharing funds with Department of Treasury equitable sharing funds and state funds, OCSD created a separate general ledger account and established a separate bank account that did not earn interest to separately maintain its equitable sharing funds. The OCSD explained that it opted to maintain its equitable sharing funds in a non-interest-bearing account since it had received guidance from MLARS in 2016, which referred to a June 2013 Equitable Sharing Wire, that equitable sharing funds may be deposited in either an interest or non-interest-bearing bank account. MLARS opined that it requires equitable sharing funds to be maintained in accordance with county policies; if the county permits non-interest-bearing accounts, MLARS considered that practice in compliance with county policy. We determined that the Codes of California identify four instances where public funds would not need to earn interests, none of which applies to equitable sharing funds: (1) revolving funds less than \$250,000, (2) District Attorney's Special Fund, (3) Sheriff's special appropriations established by the Board of Supervisors, and (4) deposit of a superior court judge or officer. Thus, by not maintaining its shared funds in the same manner as Orange County funds, which are earning interest, OCSD is not in compliance with the Equitable Sharing Guide. We recommend that the Criminal Division ensure that OCSD make the necessary adjustments to maintain its equitable sharing funds in the same manner as appropriated funds.

Supplanting

The Equitable Sharing Guide requires that shared resources be used to increase or supplement the resources of the recipient agency and prohibits the use of shared resources to replace or supplant the appropriated resources of the recipient. To test whether equitable sharing funds were used to supplement rather than supplant local funding, we interviewed local officials and reviewed the overall budgets for Orange County and the operational budgets for OCSD for FYs 2019 through 2021.

We determined that the Orange County budget had increased by 17 percent during this time. We then reviewed OCSD's operational budgets for the same period and determined that it had increased. In addition, we compared OCSD's equitable sharing funds to its operational budget and found that these were less than two percent of the agency's own resources. As we previously discussed, OCSD only expended an average of 8 percent of its equitable sharing funds for the years we reviewed.

There did not appear to be a significant decrease in the Orange County's budget that was offset by OCSD's operational budget. There also did not appear to be a significant decrease in OCSD's operational budget that coincided with a proportional increase in equitable sharing revenue. Therefore, we did not identify any indication that OCSD used DOJ equitable sharing funds to supplant its budget.

Compliance with Audit Requirements

The Equitable Sharing Guide requires that state and local law enforcement agencies that receive equitable sharing cash, proceeds, or tangible property comply with the Single Audit Act Amendments of 1996 and 2 C.F.R. §200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). The Single Audit Act requires recipients of federal funding above a certain threshold to receive an annual audit of their financial statements and federal expenditures. Under the

Uniform Guidance, such entities that expend \$750,000 or more in federal funds within the entity's fiscal year must have a "single audit" performed annually covering all federal funds expended that year. 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.

To determine if OCSD accurately reported DOJ equitable sharing fund expenditures on its Schedule of Expenditures of Federal Awards, we reviewed OCSD's accounting records and the Orange County's Single Audit Reports for the FYs ended 2019 and 2020. We found that Orange County accurately reported DOJ equitable sharing fund expenditures on the Schedule of Expenditures of Federal Awards, for both of the fiscal years, as required by the Uniform Guidance.

Although Orange County's Single Audit Reports for FYs 2019 and 2020 reported no deficiencies or weaknesses related to the DOJ equitable sharing funds, the FY 2020 report contained a significant internal control deficiency finding related to unallowable personnel overtime costs claimed by OCSD. The finding noted that OCSD claimed reimbursement of \$5,329 in overtime costs under both the Tobacco Settlement Fund and the Coronavirus Relief Fund. In its response to the FY 2020 Single Audit Report, OCSD stated that its Financial/Administrative Services Division will modify and strengthen its current policies and procedures to ensure that program expenditures are not claimed for reimbursement under multiple programs. During our audit, we found that OCSD had implemented procedures to prevent claiming the same expenditures under multiple programs.

Conclusion and Recommendations

We found that OCSD's ESAC reports were timely and complete. We also found that OCSD accurately recorded its equitable sharing fund receipts and were following single audit requirements. However, OCSD's reported ESAC funds balances were overstated by \$184,291 for both FYs 2019 and 2020. We also identified \$6,991 in unallowable expenses related to a renovation of a laboratory storage room. Additionally, we identified unallowable depreciation expenses related to a surveillance vehicle, which led to OCSD performing a journal transaction to credit \$56,209 to its equitable sharing general ledger account. Further, OCSD could not locate documentation demonstrating that it verified the suspension and debarment status of two vendors on the System for Award Management. Through our inventory testing, OCSD discovered inaccurate serial numbers in its inventory records for several controlled asset items and corrected the errors during our audit. Finally, we determined that OCSD was not following equitable sharing guidelines by maintaining its shared funds in a non-interest-bearing account."

We recommend that the Criminal Division:

1. Require OCSD to revise its ESAC reporting procedures to include reconciliation of the beginning and ending balances of its equitable sharing funds.
2. Require OCSD to submit amended FYs 2018, 2019, and 2020 ESACs to reflect accurate balances of its equitable sharing accounting records.
3. Work with OCSD to remedy the \$6,991 in unallowable renovation questioned costs.
4. Ensure that OCSD establish policies and procedures to ensure that recurring journal voucher transactions are properly reviewed for compliance with the Equitable Sharing Guide.
5. Ensure that OCSD implement policies and procedures to ensure timely and accurate physical inventories are conducted of all property purchased with equitable sharing funds, to include controlled assets, as appropriate.
6. Ensure that OCSD implement controls to ensure suspension and debarment verification is performed and documented on vendors paid with equitable sharing funds, to include training vendors.
7. Ensure that OCSD make the necessary adjustments to maintain its equitable sharing funds in the same manner as appropriated funds.

APPENDIX 1: Objective, Scope, and Methodology

Objective

The objective of the audit was to assess whether the Orange County Sheriff's Department (OCSD) accounted for equitable sharing funds properly and used such revenues for permissible 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, 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.

Our audit concentrated on, but was not limited to, equitable sharing receipts received by OCSD between July 1, 2018, and June 30, 2020. Our audit was limited to equitable sharing revenues received through the DOJ Equitable Sharing Program. 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 MLARS's Equitable Sharing Wires and The Guide to Equitable Sharing for State, Local, and Tribal Law Enforcement Agencies issued in July 2018. Unless, otherwise stated in our report, the criteria we audited against are contained in these documents.

As a result of the COVID-19 pandemic response, we performed our audit fieldwork exclusively in a remote manner. This audit did not include any onsite visit to the OCSD headquarters or Orange County located in Santa Ana, California. We interviewed OCSD officials and examined records, related revenues, and expenditures of DOJ equitable sharing funds. In addition, we relied on computer-generated data contained in eShare to identify equitably shared revenues and property awarded to OCSD during the audit period. We did not establish the reliability of the data contained in eShare 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 OCSD's compliance with three essential equitable sharing guidelines: (1) Equitable Sharing Agreement and Certification reports, (2) accounting for equitable sharing receipts, and (3) the use of equitable sharing funds. In planning and performing our audit, we considered internal controls over DOJ equitable sharing receipts established and used by OCSD. However, we did not assess the reliability of OCSD or Orange County's financial management system, or the extent to which the financial management system complied with internal controls, laws, and regulations overall.

In the scope of this audit, OCSD had 81 cash/proceeds receipts totaling \$7,668,757. In the same period, OCSD had 275 expenditures totaling \$2,134,740. We judgmentally selected and tested a sample of 5 receipts totaling \$2,071,813 and a sample of 16 expenditures totaling \$1,383,719. A judgmental sampling design was applied to capture numerous aspects of the disbursements reviewed, including the dollar

amount of each transaction. This non-statistical sample design does not allow projection of the test results to all disbursements.

Our audit included an evaluation of the Orange County's most recent annual audits. The results of these audits were reported in the Single Audit Reports for the year ended June 30, 2019, and June 30, 2020. The Single Audit Reports were prepared under the provisions of the Uniform Guidance. We reviewed the independent auditor's assessment, which disclosed no control weaknesses or significant noncompliance issues related to DOJ equitable sharing funds.

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

Internal Controls

In this audit, we performed testing of internal controls significant within the context of our audit objective. We did not evaluate the internal controls of OCSD to provide assurance on its internal control structure as a whole. OCSD 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 OCSD's internal control structure as a whole, we offer this statement solely for the information and use by OCSD and the DOJ Criminal Division.⁶

In order to assess OCSD's design, implementation, and operational effectiveness of its internal controls, we reviewed the sufficiency of OCSD's policies and procedures to ensure compliance with the Equitable Sharing Guide requirements. In addition, we interviewed OCSD personnel to discuss practices related to separation of duties, restrictions on the spending of equitable sharing funds, and how OCSD delineates administrative functions and fund management between SNP and RNSP. We reconciled OCSD's submitted ESAC reports to its accounting system records to determine accuracy, reviewed bank statements and journal vouchers to determine whether its accounting of receipts was accurate and timely, and selected a judgmental sample of OCSD's expenditures to ensure proper approval and allowability. Finally, we reviewed OCSD's inventory records for evidence of proper accountability.

The internal control deficiencies we found are discussed in the Audit Results section of this report. However, because our review was limited to these internal control components and underlying principles, it may not have disclosed all internal control deficiencies that may have existed at the time of this audit.

⁶ This restriction is not intended to limit the distribution of this report, which is a matter of public record.

APPENDIX 2: Schedule of Dollar-Related Findings

Description	Amount	Page
Questioned Costs: ⁷		
Unallowable Renovation Costs	\$6,991	8
Total Questioned Costs	\$6,991	
TOTAL DOLLAR-RELATED FINDINGS	<u>\$6,991</u>	

⁷ **Questioned Costs** are expenditures that do not comply with legal, regulatory, or contractual requirements; 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.

APPENDIX 3: 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

November 15, 2021

MEMORANDUM

TO: David J. Gaschke, Regional Audit Manager
San Francisco Regional Audit Office
Office of the Inspector General

FROM: Alice W. Dery, Chief **ALICE DERY** Digitally signed by ALICE DERY
Date: 2021.11.15 16:06:12
+05'00'
Program Management and Training Unit
Money Laundering and Asset
Recovery Section

SUBJECT: DRAFT AUDIT REPORT for Orange County Sheriff's Department
Equitable Sharing Program Activities

In a memorandum dated October 15, 2021, your office provided a draft audit report for Orange County Sheriff's Department (OCSD), 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 OCSD 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

APPENDIX 4: The Orange County Sheriff's Department's Response to the Draft Audit Report



ORANGE COUNTY SHERIFF'S DEPARTMENT

SHERIFF-CORONER DON BARNES

November 4, 2021

David J. Gaschke
Regional Audit Manager
San Francisco Regional Audit Office
Office of the Inspector General
U.S. Department of Justice
90 7th Street, Suite 3-100
San Francisco, California 94103

Dear Mr. Gaschke:

Enclosed is the Orange County Sheriff's Department (OCSD) response to the Department of Justice (DOJ) Office of the Inspector General's (OIG) audit of the OCSD's equitable sharing program activities.

If you have any questions, please contact Financial Director Noma M. Crook at (714) 834-6681.

Sincerely,

A handwritten signature in blue ink that reads "Donald D. Barnes".

Don Barnes
Sheriff-Coroner

Enclosure: As stated



Recommendation 1:

Require OCSD to revise its ESAC reporting procedures to include reconciliation of the beginning and ending balances of its equitable sharing funds.

Response:

Concur with finding. OCSD will update the Asset Forfeiture Equitable Sharing Procedures to include reconciliation of the beginning and ending balances of its equitable sharing funds with the Sheriff's Department of Justice Fund balances.

Implementation date: Within 90 days of response.

Recommendation 2:

Require OCSD to submit amended FYs 2018, 2019, and 2020 ESACs to reflect accurate balances of its equitable sharing accounting records.

Response:

Concur with finding. OCSD will amend the ESAC reports for fiscal years 2018, 2019, and 2020 for Sheriff's Office (CA0300000) and RNSP Task Force (CA0300045) to reflect the accurate equitable sharing fund balances.

Implementation date: Within 90 days of OCSD's receiving instructions and access to ePortal from MLARS to file amended ESAC reports.

Recommendation 3:

Work with OCSD to remedy the \$6,991 in unallowable renovation questioned costs.

Response:

Concur with finding. Prior to commencing the renovation project, OCSD received verbal authorization from prior Program Manager [REDACTED] over the telephone; however, a written approval was not completed at the time. OCSD will absorb the renovation cost in the amount of \$6,991 and ensure that written documentation of approvals are obtained in the future.

Implementation date: Within 90 days of response.

Recommendation 4:

Ensure that OCSD establish policies and procedures to ensure that recurring journal voucher transactions are properly reviewed for compliance with the Equitable Sharing Guide.

Response:

Concur with finding. OCSD will revise and communicate changes to its Asset Forfeiture Equitable Sharing Procedures to include review of journal voucher transactions to ensure compliance with the Equitable Sharing Guide.

Implementation date: Within 90 days of response.

Recommendation 5:

Ensure that OCSD implement policies and procedures to ensure timely and accurate physical inventories are conducted of all property purchased with equitable sharing funds, to include controlled assets, as appropriate.

Response:

Concur with finding. OCSD will revise and communicate changes to its Asset Forfeiture Equitable Sharing Procedures to include physical inventory of capital assets and controlled equipment in accordance with OMB guidelines, which is every two years. OCSD's Asset Procedures will also be updated to reflect physical inventories of controlled and capital assets purchased with Equitable Sharing funds in accordance with OMB guidelines. To improve internal controls, a Controlled Equipment Acquisition Form will be implemented to ensure accuracy of information entered into the Controlled Equipment Inventory system and will require management/supervisory review and approval.

Implementation date: Within 90 days of response.

Recommendation 6:

Ensure that OCSD implement controls to ensure suspension and debarment verification is performed and documented on vendors paid with equitable sharing funds, to include training vendors.

Response:

Concur with finding. OCSD will revise and communicate changes to its Asset Forfeiture Equitable Sharing Procedures to include validation of all vendors to ensure compliance with the System for Award Management (SAM), including training and travel vendors.

Implementation date: Within 90 days of response.

Recommendation 7:

Ensure that OCSD make the necessary adjustments to maintain its equitable sharing funds in the same manner as appropriated funds.

Response:

Concur with finding. OCSD is working with the Orange County Treasurer-Tax Collector's Office to obtain recommendations for the adjustments necessary to maintain its equitable sharing funds in the same manner as appropriated funds.

Implementation date: Within 90 days of OCSD's receiving recommendations for implementing the necessary adjustments.

APPENDIX 5: 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 Criminal Division and the Orange County Sheriff's Department (OCSD). The Criminal Division's response is incorporated in Appendix 3 and the OCSD's response is incorporated in Appendix 4 of this final report. In response to our draft audit report, the Criminal Division concurred with our recommendations, and as a result, the status of the audit report is resolved. OCSD also concurred with all seven recommendations. The following provides the OIG analysis of the responses and summary of actions necessary to close the report.

Recommendations for the Criminal Division:

- 1. Require OCSD to revise its ESAC reporting procedures to include reconciliation of the beginning and ending balances of its equitable sharing funds.**

Resolved. The Criminal Division concurred with our recommendation. The Criminal Division stated in its response that it will work with OCSD to correct all identified findings. As a result, this recommendation is resolved.

OCSD concurred with our recommendation and stated in its response that it will update its Asset Forfeiture Equitable Sharing Procedures to include reconciliation of the beginning and ending balances of its equitable sharing funds with the Sheriff's Department of Justice Fund balances. OCSD also indicated that implementation is expected within 90 days of its response.

This recommendation can be closed when we receive evidence that OCSD has revised its ESAC reporting procedures to include reconciliation of the beginning and ending balances of its equitable sharing funds.

- 2. Require OCSD to submit amended FYs 2018, 2019, and 2020 ESACs to reflect accurate balances of its equitable sharing accounting records.**

Resolved. The Criminal Division concurred with our recommendation and stated in its response that it will work with OCSD to correct all identified findings. As a result, this recommendation is resolved.

OCSD concurred with our recommendation and stated in its response that it will amend the ESAC reports for FYs 2018, 2019, and 2020 for the Sheriff's office (CA0300000) and RNSP Task Force (CA0300045) to reflect the accurate equitable sharing fund balances. OCSD also indicated that implementation is expected within 90 days of OCSD receiving instructions and access to ePortal from MLARS to file amended ESAC reports.

This recommendation can be closed when we receive evidence that the ESAC reports for FYs 2018, 2019, and 2020 have been amended, to include accurate equitable sharing fund balances, and submitted.

3. Work with OCSD to remedy the \$6,991 in unallowable renovation questioned costs.

Resolved. The Criminal Division concurred with our recommendation. The Criminal Division stated in its response that it will work with OCSD to correct all identified findings. As a result, this recommendation is resolved.

OCSD concurred with our recommendation and stated in its response that prior to commencing the renovation project, OCSD received verbal authorization from a former Money Laundering and Asset Recovery Program Manager over the telephone; however, a written approval was not provided. OCSD stated that it will absorb the renovation cost in the amount of \$6,991 and ensure that written documentation for approvals are obtained in the future. OCSD also indicated that implementation is expected within 90 days of its response.

This recommendation can be closed when we receive evidence that the OCSD has remedied unallowable renovation questioned costs of \$6,991.

4. Ensure that OCSD establish policies and procedures to ensure that recurring journal voucher transactions are properly reviewed for compliance with the Equitable Sharing Guide.

Resolved. The Criminal Division concurred with our recommendation. The Criminal Division stated in its response that it will work with OCSD to correct all identified findings. As a result, this recommendation is resolved.

OCSD concurred with our recommendation and stated in its response that it will revise its Asset Forfeiture Equitable Sharing Procedures to include review of journal voucher transactions to ensure compliance with the Equitable Sharing Guide and that it will communicate those changes. OCSD also indicated that implementation is expected within 90 days of its response.

This recommendation can be closed when we receive evidence that OCSD has established and implemented policies and procedures to ensure that recurring journal voucher transactions are properly reviewed for compliance with the Equitable Sharing Guide.

5. Ensure that OCSD implement policies and procedures to ensure timely and accurate physical inventories are conducted of all property purchased with equitable sharing funds, to include controlled assets, as appropriate.

Resolved. The Criminal Division concurred with our recommendation. The Criminal Division stated in its response that it will work with OCSD to correct all identified findings. As a result, this recommendation is resolved.

OCSD concurred with our recommendation and stated in its response that it will revise its Asset Forfeiture Equitable Sharing Procedures to include physical inventory of capital assets and controlled equipment in accordance with OMB guidelines, which is every 2 years, and that it will communicate those changes. OCSD's Asset Procedures will also be updated to reflect physical

inventories of controlled and capital assets purchased with Equitable Sharing funds in accordance with OMB guidelines. OCSD also stated that to improve internal controls, a Controlled Equipment Acquisition Form will be implemented to ensure accuracy of information entered into the Controlled Equipment Inventory system and will require management/supervisory review and approval. OCSD also indicated that implementation is expected within 90 days of its response.

This recommendation can be closed when we receive evidence that the OCSD has implemented policies and procedures to ensure that timely and accurate physical inventories are conducted for all property purchased with equitable sharing funds.

6. Ensure that OCSD implement controls to ensure suspension and debarment verification is performed and documented on vendors paid with equitable sharing funds, to include training vendors.

Resolved. The Criminal Division concurred with our recommendation. The Criminal Division stated in its response that it will work with OCSD to correct all identified findings. As a result, this recommendation is resolved.

OCSD concurred with our recommendation and stated in its response that it will revise its Asset Forfeiture Equitable Sharing Procedures to include validation of all vendors to ensure compliance with the System for Award Management, including training and travel vendors, and that it will communicate those changes. OCSD also indicated that implementation is expected within 90 days of its response.

This recommendation can be closed when we receive evidence that the OCSD has implemented controls to ensure suspension and debarment verification is performed and documented on vendors paid with equitable sharing funds, to include training vendors.

7. Ensure that OCSD make the necessary adjustments to maintain its equitable sharing funds in the same manner as appropriated funds.

Resolved. The Criminal Division concurred with our recommendation and stated in its response that it will work with OCSD to correct all identified findings. As a result, this recommendation is resolved.

OCSD concurred with our recommendation and stated in its response that it is working with the Orange County Treasurer Tax Collector's Office to obtain recommendations for the adjustments necessary to maintain its equitable sharing funds in the same manner as appropriated funds.

This recommendation can be closed when we receive evidence that OCSD has made the necessary adjustments to maintain its equitable sharing funds in the same manner as appropriated funds.