



**AUDIT OF WEST METRO DRUG TASK FORCE
EQUITABLE SHARING PROGRAM ACTIVITIES
JEFFERSON COUNTY, COLORADO**

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

Audit Report GR-60-13-010
July 2013

AUDIT OF THE WEST METRO DRUG TASK FORCE EQUITABLE SHARING PROGRAM ACTIVITIES JEFFERSON COUNTY, COLORADO

EXECUTIVE SUMMARY

The U.S. Department of Justice (DOJ), Office of the Inspector General (OIG), Audit Division, has completed an audit to assess whether the West Metro Drug Task Force (WMDTF) accounted for DOJ equitable sharing funds and property, and used such revenues for allowable purposes as defined by applicable guidelines. The audit covered the WMDTF's fiscal years (FYs) 2011, 2012, and most of 2013.¹ During the audit period, the WMDTF received \$1,485,827 and spent \$414,922 in equitable sharing funds, primarily on task force facility rent and computer equipment.

We found that the WMDTF primarily spent these monies to enhance and support law enforcement capabilities of the task force. However, we found WMDTF's Equitable Sharing Agreement and Certification reports for FYs 2011 and 2012 were submitted late and were inaccurate. We also found weaknesses with WMDTF's reconciliation of equitable sharing funds requested compared to those received. We identified \$80,000 in questioned costs related to expenditures that were not adequately supported.

This audit report includes four recommendations to the Criminal Division, which oversees the use of equitable sharing funds by recipients. Our findings are discussed in greater detail in the Findings and Recommendations section of the report. The audit objectives, scope, and methodology are contained in Appendix II.

¹ WMDTF's fiscal year begins July 1 and ends June 30. We tested expenditures for the entirety of WMDTF's FY 2011 and FY 2012, and for FY 2013 through May 20, 2013.

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JEFFERSON COUNTY, COLORADO**

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INTRODUCTION

The Department of Justice (DOJ), Office of the Inspector General (OIG), Audit Division, has completed an audit of the use of DOJ equitable sharing funds by the West Metro Drug Task Force (WMDTF) in Jefferson County, Colorado. The objectives of the audit were to assess whether the WMDTF accounted for equitable sharing funds and property, and used such revenues for allowable purposes as defined by applicable guidelines. The audit covered WMDTF's completed fiscal years (FY) 2011 and 2012, and the majority of 2013, beginning on July 1, 2010, and ending on May 20, 2013.² During that period, the WMDTF received \$1,485,827 as a participant in the DOJ equitable sharing program. WMDTF's reported equitable sharing fund balances, expenditures, and revenues for FY 2011 and 2012 are displayed in Exhibit 1.

EXHIBIT 1: WMDTF REPORTED EQUITABLE SHARING FUND ACTIVITY, FYS 2011-2012³

FISCAL YEAR	BEGINNING BALANCE	EXPENDITURES	FUNDS RECEIVED	INTEREST INCOME	ENDING BALANCE
2011	\$897,110	\$71,598	\$543,296	\$2,340	\$1,371,148
2012	\$1,371,148	\$88,171	\$424,927	\$1,075	\$1,708,978

Sources: WMDTF ESACs

DOJ Equitable Sharing Program

Since the Comprehensive Crime Control Act of 1984 authorized the implementation of a national asset forfeiture program, asset forfeiture has become one of the most powerful tools available to law enforcement agencies because it deprives criminals of the profits and proceeds derived from their illegal activities. A key element of the DOJ's asset forfeiture initiative is the equitable sharing program whereby the DOJ and its components share a portion of federally forfeited cash, property, and proceeds with state and local law enforcement agencies.⁴

² WMDTF's fiscal year begins July 1 and ends June 30. We tested expenditures for the entirety of WMDTF's FY 2011 and FY 2012, and for FY 2013 through May 20, 2013.

³ Throughout this report, differences between individual amounts and totals are due to rounding.

⁴ Federal asset forfeiture programs are also administered by the U.S. Department of the Treasury. This audit was limited to equitable sharing revenues received through the DOJ equitable sharing program.

Although several DOJ agencies are involved in various aspects of the seizure, forfeiture, and disposition of equitable sharing revenues, 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 Asset Forfeiture and Money Laundering Section (AFMLS). The USMS is responsible for transferring asset forfeiture funds from the DOJ to the receiving state or local agency. The JMD manages the Consolidated Asset Tracking System (CATS), a database used to track federally seized assets throughout the forfeiture life-cycle. Finally, AFMLS tracks membership of state and local participants, updates the equitable sharing program rules and policies, and monitors the allocation and use of equitably shared funds.

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

To request a share of the seized assets, a state or local law enforcement agency must first become a member of the DOJ equitable sharing program. Agencies can become members of the program by signing and submitting an annual Equitable Sharing Agreement and Certification (ESAC) form to AFMLS. As part of each annual agreement, officials of participating agencies certify that they will use equitable sharing funds for law enforcement purposes.

As summarized in Exhibit 2, the *Guide* outlines categories of allowable and unallowable uses for equitable sharing funds and property.

EXHIBIT 2: SUMMARY OF ALLOWABLE AND UNALLOWABLE USES FOR EQUITABLE SHARING FUNDS

ALLOWABLE USES	UNALLOWABLE USES
Salaries for new and temporary appointments of law enforcement personnel	Salaries for existing positions
Overtime for officers and investigators, payments to informants, reward money, and the purchase of evidence	Uses contrary to the laws of the state or local jurisdiction
Training of officers, investigators, prosecutors, and law enforcement support personnel necessary to perform official law enforcement duties	Use of shared vehicles, forfeited property, or items purchased with shared funds by non-law enforcement agency personnel
Purchase, lease, construction, expansion, improvement, or operation of law enforcement or detention facilities	Capital improvements on leased property or space, and capital expenditures without AFMLS approval
Support of eligible community-based programs through direct purchase of supplies, equipment and/or services	Cash transfers to community-based programs
Law enforcement equipment, travel and transportation costs, awards and memorials, and language assistance services	Use of federally forfeited luxury vehicles for other than undercover law enforcement purposes
Drug and Gang Education and Awareness Programs	Education-related costs such as scholarships, financial aid, and non-law enforcement classes
Accounting, auditing, and tracking of expenditures for federally shared cash, proceeds, and tangible property (excludes salaries for agency personnel)	Extravagant expenditures and non-law enforcement use of shared assets
Transfers to other law enforcement agencies, matching contributions or shares to law enforcement related federal grant programs, and pro rata funding for costs supporting multi-agency items or facilities	Purchase of food and beverages, unless part of a conference package policy or if state or local law or rules permit officers to be reimbursed for such expenses

Source: *Guide to Equitable Sharing for State and Local Law Enforcement Agencies*

West Metro Drug Task Force

The WMDTF is located in the western suburbs of Denver, Colorado. WMDTF was established in 1995 and represents six local law enforcement and prosecutorial agencies. WMDTF has a staff of 22 and is governed by an executive board, made up of the executive leadership of each member agency.

WMDTF became a member of the DOJ asset forfeiture program in 1998. It is also a member of a task force with the Drug Enforcement Administration (DEA) where its officers participate in DEA-led investigations. At the time of our audit, asset forfeitures resulting from task force investigations were the WMDTF's sole source of DOJ asset forfeiture funds.

OIG Audit Approach

We tested compliance with what we considered to be the most important conditions of the DOJ equitable sharing program. Unless otherwise stated, we applied the *Guide to Equitable Sharing of Federally Forfeited Property for State and Local Law Enforcement Agencies*, (*Guide*) issued by AFMLS in April 2009, as our primary criteria. The *Guide* identifies the accounting procedures and requirements for tracking equitable sharing monies and tangible property, establishes reporting and audit requirements, and defines the permissible uses of equitable sharing resources.

To conduct the audit, we tested the WMDTF's compliance with the following three aspects of the DOJ equitable sharing program:

- **Equitable Sharing Agreement and Certification Forms** to determine if these documents were complete and accurate.
- **Accounting for equitable sharing receipts** to determine whether standard accounting procedures were used to track equitable sharing assets.
- **Use of equitable sharing funds** to determine if equitable sharing funds were used for law enforcement purposes.

See Appendix II for more information on the audit objectives, scope and methodology.

FINDINGS AND RECOMMENDATIONS

The West Metro Drug Task Force primarily used equitable sharing funds to enhance and support law enforcement activities of the task force. However, the Equitable Sharing Agreement and Certification reports for FY 2011 and FY 2012 were submitted late and neither report accurately stated periodic expenditures. In addition, the WMDTF did not reconcile its equitable sharing request log when funds were received. Finally, \$80,000 in equitable sharing expenditures was not supported with adequate documentation.

Equitable Sharing Agreement and Certification Forms

The *Guide* requires participating law enforcement agencies to submit the ESAC report within 60 days of the end of the agency's fiscal year, regardless of whether equitable sharing funds were received or maintained that year. Additionally, the ESAC must be signed by the head of the law enforcement agency and a designated official of the local governing body. By signing and submitting the ESAC, the signatories agree to follow statutes and guidelines that regulate the equitable sharing program and certify the accuracy of the agency's accounting of equitable sharing funds and property.

Completeness and Timeliness of ESAC Reports

We tested WMDTF's compliance with ESAC reporting requirements to determine if its reports were accurate, complete and submitted in a timely manner. We obtained a copy of WMDTF's ESACs submitted for FYs 2011 and 2012 and found that the reports were complete and signed by appropriate officials. However, we determined that the FY 2011 ESAC was submitted 84 days late and the FY 2012 ESAC was submitted 45 days late, as shown in Exhibit 3.

EXHIBIT 3: ESAC TIMELINESS

FY	FY END DATE	ESAC DUE DATE	INITIAL SUBMISSION	DAYS LATE
2011	06/30/11	08/29/11	11/21/11	84
2012	06/30/12	08/29/12	10/13/12	45

Sources: *Guide to Equitable Sharing for State and Local Law Enforcement Agencies* and WMDTF ESACs

ESACs should be submitted within 60 days of the end of WMDTF's

fiscal year, as required by the *Guide*. Therefore, we recommend that the Criminal Division ensure that the WMDTF submits ESACs timely in accordance with equitable sharing guidelines.

Accuracy of ESAC Reports

To verify the total amount of equitable sharing funds received, we compared the receipts listed on the ESACs to the total amount listed as disbursed on the DOJ's CATS report. For both periods, this comparison showed that the ESAC listed the same amount of receipts as the CATS report, as shown in Exhibit 4.

EXHIBIT 4: RECEIPTS COMPARISON

DATES PER ESAC	RECEIPTS PER ESAC	DISBURSEMENTS PER CATS REPORT	DIFFERENCE
07/01/10 – 06/30/11	\$543,296	\$543,296	-
07/01/11 – 06/30/12	\$424,927	\$424,927	-

Sources: WMDTF ESACs and CATS reports

To verify the total expenditures listed on the ESACs, we analyzed the WMDTF's equitable sharing accounting records. We noted that the total expenditures reported on the accounting records did not match the expenditures listed on the ESACs, as shown by Exhibit 5.

EXHIBIT 5: EXPENDITURES COMPARISON

DATES PER ESAC	EXPENDITURES PER ESAC	EXPENDITURES PER ACCOUNTING RECORDS	DIFFERENCE
07/01/10 – 06/30/11	\$71,598	\$78,480	\$6,882
07/01/11 – 06/30/12	\$88,171	\$114,206	\$26,035

Sources: WMDTF ESACs and accounting records

We determined that the \$6,882 difference between the ESAC ending June 30, 2011, and WMDTF's accounting records for that period occurred because the July 2011 facility rent payment, which was paid June 29, 2011, was not included in the report; however, that payment did not appear to be accounted for in the subsequent report. We determined that the \$26,035 difference between the ESAC ending June 30, 2012, and WMDTF's accounting records for that period occurred because two expenditures, for \$20,000 and \$6,035, were not included in the report. We discussed the differences with WMDTF's commander, who stated that the three expenditures had not been accounted for in the ESACs due to an oversight when completing each report.

ESACs should accurately reflect expenditures for the reporting period.

Inaccurate reporting of equitable sharing fund activity on the ESAC report may adversely affect DOJ equitable sharing fund program efforts. Therefore, we recommend that the Criminal Division work with the WMDTF to ensure that it develops and implements procedures to accurately report equitable sharing expenditures on ESACs.

Accounting for Equitable Sharing Receipts

The *Guide* requires that law enforcement agencies use standard accounting procedures to track equitable sharing program receipts. Participating agencies should also maintain a log of all sharing requests that consecutively number the requests while listing the seizure type, seizure amount, share amount requested, amount received, and date received for each request.⁵ The amount received may differ from the amount requested. Therefore the receiving agency should update the log when an E-Share notification is received. Additionally, DOJ equitable sharing funds must be accounted for separately from other funds.

WMDTF is a member of a task force with the Drug Enforcement Administration (DEA) and two of its officers are assigned to a DEA-led group. For seizures from DEA group investigations in which WMDTF participated, WMDTF received an agreed fixed percentage of proceeds from each seized asset.

We reviewed how the WMDTF requested and tracked DOJ equitable sharing receipts. When an asset was seized, an officer serving on the task force prepared a form requesting a portion of the forfeiture. Each request form was signed and certified by the WMDTF commander and a member of WMDTF's executive board. To facilitate the request, the WMDTF task force officer worked in conjunction with a local DEA asset forfeiture specialist. We determined that WMDTF maintained a log of anticipated seizure funds.

After the requested assets went through legal proceedings and were forfeited, the USMS disbursed the assets or proceeds from the sale of forfeited property to the WMDTF. The WMDTF received receipts via Electronic Fund Transfer (EFT) into a savings account specifically reserved for federal asset forfeiture funds, and the task force commander was notified by email when funds were deposited into the WMDTF bank account; deposits greater than the \$250,000 FDIC threshold were secured by a collateral agreement with the bank. The WMDTF commander then moved equitable

⁵ Under AFMLS rules in effect during the audit period, a law enforcement agency submitted separate share requests on form number DAG-71, "Application for Transfer of Federally Forfeited Property" for each shared asset request.

sharing funds into an operating account to pay expenses as needed, after approval by the task force executive board.

Although the WMDTF separated the requesting and accounting functions with regard to its equitable sharing receipts, we found it did not update its seizure log when equitable sharing funds were actually received. Without performing that reconciliation, we believe that the WMDTF could not ensure that it had received and accounted for all equitable sharing funds properly. Therefore, we recommend that the Criminal Division ensure that the WMDTF has a process in place to reconcile its equitable sharing requests log when EFT notifications are received to ensure that the WMDTF: (1) receives requested funds, and (2) maintains accurate records.

We reviewed equitable sharing receipts for WMDTF's two most recently completed fiscal years. From July 1, 2010, through June 30, 2012, the EFT log reported 155 equitable sharing receipts for the WMDTF, totaling \$968,222, as shown in Exhibit 6. We reconciled the EFT log with the CATS report and found that the receipts matched.

EXHIBIT 6: WMDTF RECEIPTS

WMDTF FY	CASH/ PROCEEDS	PROPERTY	TOTAL
2011	\$543,296	\$0	\$543,296
2012	\$424,927	\$0	\$424,927
TOTAL	\$968,222	\$0	\$968,222

Source: CATS report

As shown by Exhibit 7, we also sampled five of the highest receipts from FY 2011 and 2012 to ensure that these monies were properly deposited and recorded in a timely manner.

EXHIBIT 7: WMDTF SAMPLED RECEIPTS

SAMPLE COUNT	DATE RECEIVED PER USMS EFT LOG	DATE RECEIVED PER WMDTF RECORDS	AMOUNT RECEIVED
1	09/27/10	09/27/10	\$298,077
2	11/24/10	11/24/10	\$77,931
3	02/25/11	02/25/11	\$44,387
4	04/27/12	04/27/12	\$37,700
5	06/22/12	06/22/12	\$39,709
TOTAL			\$497,803

Source: EFT log from USMS and Accounting Records from WMDTF

Our testing determined that the WMDTF accurately recorded the five asset forfeiture receipts in its accounting records; however, we were only

able to trace two of the five sample receipts to the WMDTF's log of seizure receipts. As previously stated, lack of periodic reconciliation of receipts to the seizures log does not ensure that the WMDTF has received and documented all equitable sharing funds.

Use of Equitable Sharing Funds

Generally, participating agencies should use equitable sharing funds for law enforcement purposes. Under certain circumstances, however, up to 15 percent of the total of shared monies received by an agency in the last 2 fiscal years may be used to pay for costs associated with drug abuse treatment, drug and crime prevention efforts, housing and job skills programs, or other nonprofit community-based activities. However, the *Guide* requires that the participating agency directly purchase these items and services. Law enforcement agencies can also transfer equitable sharing monies to another law enforcement agency.

The WMDTF commander decided how to use asset forfeiture funds for purchases valued at less than \$5,000. Executive board approval was required for purchases valued above \$5,000, although the commander requested board approval for some smaller expenditures as well. The WMDTF spent a total of \$414,922 in equitable sharing funds during the audit period for computer equipment replacement, hazardous waste cleanup, and facility rent.⁶

We tested 42 transactions, which represented all expenditures for WMDTF's FYs 2011 through May 2013, to assess whether these expenditures were allowable under equitable sharing guidelines. For 38 transactions, the WMDTF maintained documents that adequately supported each tested transaction.

However, our review of equitable sharing expenses identified four \$20,000 transfers from the WMDTF's equitable sharing savings account to the operations account; we were unable to trace those transfers to specific expenditures. WMDTF officials stated the transfers were to pay for law enforcement activities and operating expenses related to the task force facility, but were unable to provide specific expenditures. WMDTF officials stated an expenditure log would be maintained in the future to document expenditures paid by transfers. Because we were unable to verify the four transfers to supporting documents, we consider the expenditures to be

⁶ Appendix III includes a list of items the WMDTF purchased with equitable sharing funds during the audit period.

unsupported equitable sharing program expenses. Therefore, we recommend that the Criminal Division remedy the \$80,000 in unsupported expenditures associated with the four transfers.

Recommendations

We recommend that the Criminal Division:

1. Ensure that the WMDTF submits Equitable Sharing Agreement and Certification reports timely in accordance with equitable sharing guidelines.
2. Work with the WMDTF to ensure that it develops and implements procedures to accurately report equitable sharing expenditures on its annual certification form.
3. Ensure that the WMDTF has a process in place to reconcile its equitable sharing funds request log when funds are received.
4. Remedy the \$80,000 in questioned costs due to unsupported expenditures.

STATEMENT ON INTERNAL CONTROLS

As required by the *Government Auditing Standards*, we tested, as appropriate, internal controls significant within the context of our audit objectives. A deficiency in an internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to timely prevent or detect: (1) impairments to the effectiveness and efficiency of operations, (2) misstatements in financial or performance information, or (3) violations of laws and regulations. Our evaluation of West Metro Drug Task Force (WMDTF) internal controls was *not* made for the purpose of providing assurance on its internal control structure as a whole. WMDTF management is responsible for the establishment and maintenance of internal controls.

As noted in the Findings and Recommendations section of this report, we identified deficiencies in the WMDTF's internal controls that are significant within the context of the audit objectives and based upon the audit work performed that we believe adversely affect the WMDTF's ability to adequately track equitable sharing funds requested. Although WMDTF maintained a log of seizure requests, it did not reconcile equitable sharing funds received to those that were requested, and the WMDTF's seizure log was not consistently updated. As a result, the WMDTF could not reasonably ensure that equitable sharing funds requested were later received.

Because we are not expressing an opinion on the WMDTF's internal control structure as a whole, this statement is intended solely for the information and use of the WMDTF. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

STATEMENT ON COMPLIANCE WITH LAWS AND REGULATIONS

As required by the *Government Auditing Standards* we tested, as appropriate given our audit scope and objectives, selected transactions, records, procedures, and practices, to obtain reasonable assurance that the West Metro Drug Task Force's (WMDTF) management complied with federal laws and regulations, for which noncompliance, in our judgment, could have a material effect on the results of our audit. WMDTF's management is responsible for ensuring compliance with applicable federal laws and regulations. In planning our audit, we identified the following laws and regulations that concerned the operations of the auditee and that were significant within the context of the audit objectives:

- the *Guide to Equitable Sharing for State and Local Law Enforcement Agencies (Guide)*, dated April 2009; and
- OMB Circular No. A-133, *Audits of States, Local Governments and Non-Profit Organizations*, dated June 26, 2007.

Our audit included examining, on a test basis, the WMDTF's compliance with the aforementioned laws and regulations that could have a material effect on the WMDTF's operations, through interviewing WMDTF officials, examining WMDTF documentation, analyzing WMDTF data, and assessing WMDTF internal controls.

As noted in the Findings and Recommendations section of this report, we found that the WMDTF did not always comply with the *Guide* with respect to accuracy and timeliness of annual Equitable Sharing Agreement and Certification reports, the adequacy of supporting documentation for expenditures of equitable sharing funds, the reconciliation of equitable sharing funds requested and received, and consistently updating the seizure log.

APPENDIX I

SCHEDULE OF DOLLAR-RELATED FINDINGS

	<u>AMOUNT</u>	<u>PAGE</u>
QUESTIONED COSTS: ⁷		
Unsupported expenditures	\$80,000	10
Total Questioned Costs:	<u>\$80,000</u>	
TOTAL DOLLAR RELATED FINDINGS:	\$80,000	

⁷ *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, or the provision of supporting documentation.

OBJECTIVES, SCOPE, AND METHODOLOGY

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate, evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Objective

The objective of the audit was to assess whether the West Metro Drug Task Force (WMDTF) accounted for equitable sharing funds properly and used such revenues for allowable purposes defined by applicable guidelines. We tested compliance with what we considered were the most important conditions of the Department of Justice’s (DOJ) equitable sharing program. We reviewed laws, regulations, and guidelines governing the accounting for and use of DOJ equitable sharing receipts, including the *Guide to Equitable Sharing for State and Local Law Enforcement Agencies*, dated April 2009.

Scope and Methodology

Our audit concentrated on, but was not limited to, equitable sharing receipts received by the WMDTF between July 1, 2010, and May 20, 2013. The U.S. Department of the Treasury administers a similar equitable sharing program; we did not identify any Treasury funds shared with WMDTF. Our audit included equitable sharing revenues received through only the DOJ equitable sharing program.

We performed audit work at the WMDTF facility in Jefferson County, Colorado. To accomplish the objectives of the audit, we interviewed WMDTF officials and examined records, related revenues, and expenditures of equitable sharing revenues and expenditures. In addition, we relied on computer-generated data contained in the DOJ Consolidated Asset Tracking System (CATS) for determining equitably shared revenues and property awarded to the WMDTF during the audit period. We did not establish the reliability of the data contained in the CATS system as a whole. However, when the data we relied upon is viewed in context with other available evidence, we believe the opinions, conclusions, and recommendations included in this report are valid.

Our audit specifically evaluated WMDTF compliance with three essential equitable sharing guidelines: (1) Equitable Sharing Agreement and Certification reports; (2) accounting for equitable sharing receipts; and (3) use of equitable sharing funds. In planning and performing our audit, we considered internal controls established and used by the WMDTF over DOJ equitable sharing receipts to accomplish our audit objectives. However, we did not assess the WMDTF's financial management system's reliability, internal controls, or whether it, as a whole, complied with laws and regulations.

In the scope of this audit, WMDTF had 207 cash/proceeds receipts totaling \$1,485,827. WMDTF did not receive any equitably shared property in the scope of this audit. We tested a judgmental sample of 5 receipts totaling \$497,803. In the same period, WMDTF had 42 expenditures totaling \$414,922. We selected all 42 expenditures for testing. A judgmental sampling design was applied to obtain broad exposure to numerous facets of the disbursements reviewed, such as dollar amounts. This non-statistical sample design does not allow projection of the test *results to all disbursements*.

The WMDTF was not required to submit Single Audit Reports during the scope of this audit. However, WMDTF was audited quarterly by the WMDTF's member agencies. We reviewed the auditors' assessments, which disclosed no control weaknesses or significant noncompliance issues.

APPENDIX III

SUMMARY OF TESTED EQUITABLE SHARING PURCHASES

No.	ITEM DESCRIPTION	DETERMINED TO BE ALLOWABLE (YES/NO)	JUSTIFICATION	EXPENDITURES AMOUNT
1	Facility rent	Yes	Law enforcement facilities	\$ 7,523
2	Facility rent	Yes	Law enforcement facilities	7,416
3	Facility rent	Yes	Law enforcement facilities	7,416
4	Facility rent	Yes	Law enforcement facilities	7,416
5	Facility rent	Yes	Law enforcement facilities	7,416
6	Facility rent	Yes	Law enforcement facilities	7,416
7	Facility rent	Yes	Law enforcement facilities	6,349
8	Facility rent	Yes	Law enforcement facilities	6,882
9	Facility rent	Yes	Law enforcement facilities	6,882
10	Facility rent	Yes	Law enforcement facilities	6,882
11	Facility rent	Yes	Law enforcement facilities	6,882
12	Facility rent	Yes	Law enforcement facilities	7,011
13	Facility rent	Yes	Law enforcement facilities	7,217
14	Facility rent	Yes	Law enforcement facilities	7,217
15	Computer server	Yes	Law enforcement equipment	8,994
16	Facility rent	Yes	Law enforcement facilities	7,217
17	Facility rent	Yes	Law enforcement facilities	7,217
18	Facility rent	Yes	Law enforcement facilities	7,217
19	Facility rent	Yes	Law enforcement facilities	7,217
20	Facility rent	Yes	Law enforcement facilities	2,217
21	Facility rent	Yes	Law enforcement facilities	12,217
22	Facility rent	Yes	Law enforcement facilities	7,217
23	Reimbursement of buy money	Yes	Law enforcement investigations	6,035
24	Facility rent	Yes	Law enforcement facilities	7,217
25	Facility rent	Yes	Law enforcement facilities	7,217
26	Facility rent	Yes	Law enforcement facilities	7,217
27	Meth waste disposal	Yes	Law enforcement investigations	5,941
28	Facility rent	Yes	Law enforcement facilities	7,549
29	Computer server	Yes	Law enforcement equipment	10,414

No.	ITEM DESCRIPTION	DETERMINED TO BE ALLOWABLE (YES/NO)	JUSTIFICATION	EXPENDITURES AMOUNT
30	Facility rent	Yes	Law enforcement facilities	7,549
31	Facility rent	Yes	Law enforcement facilities	7,549
32	Facility rent	Yes	Law enforcement facilities	7,549
33	Facility rent	Yes	Law enforcement facilities	7,549
34	Computer equipment	Yes	Law enforcement equipment	63,506
35	Facility rent	Yes	Law enforcement facilities	7,549
36	Facility rent	Yes	Law enforcement facilities	7,549
37	Facility rent	Yes	Law enforcement facilities	7,549
38	Facility rent	Yes	Law enforcement facilities	7,549
39	Operating expenses	No	Unsupported	20,000
40	Operating expenses	No	Unsupported	20,000
41	Operating expenses	No	Unsupported	20,000
42	Operating expenses	No	Unsupported	20,000
TOTAL				\$414,922

Source: OIG assessment based on WMDTF accounting records and supporting documents, and the *Guide to Equitable Sharing for State and Local Law Enforcement Agencies*

**CRIMINAL DIVISION RESPONSE TO
THE DRAFT REPORT**



U.S. Department of Justice

Criminal Division

(Drafting source: C. 2013/07)

MEMORANDUM

TO: David Sheeran
Regional Audit Manager
Denver Regional Audit Office
Office of the Inspector General (OIG)

FROM: Gene Barton, Assistant Deputy Chief
Asset Forfeiture and Money Laundering Section (ATM/LS)

SUBJECT: Draft Audit Report on the West Metro Drug Task Force Equitable Sharing
Program Activities

In a memorandum to Mylichi Ramon, dated June 24, 2013, your office summarized the status of the above referenced report and detailed actions necessary for final closure of the outstanding audit report recommendations. The following is a list of the audit report recommendations pertaining to the West Metro Drug Task Force's (WMDTF) equitable sharing program activity:

Recommendations:

1. **Ensure that the WMDTF submits Equitable Sharing Agreement and Certification reports timely in accordance with equitable sharing guidelines.**
2. **Work with the WMDTF to ensure that it develops and implements procedures to accurately report equitable sharing expenditures on its annual certification form.**
3. **Ensure that the WMDTF has a process in place to reconcile its equitable sharing funds request log when funds are received.**
4. **Remedy the \$80,000 in questioned costs due to unsupported expenditures.**

the Asset Forfeiture and Money Laundering Section (AFMLS) concurs with these recommendations and will request that the WMDTF implement the recommended policies and procedures and provide documentation verifying the corrective actions taken.

cc: Louise M. Diamond, Ph.D.
Assistant Director
Audit Liaison Group
Justice Management Division

Dense Threotte
Audit Liaison
Criminal Division

WEST METRO DRUG TASK FORCE RESPONSE TO THE DRAFT REPORT



West Metro Drug Task Force

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June 28, 2013

David M. Sheeren
U.S. Department of Justice
Office of the Inspector General
Denver Regional Audit Office
1120 Lincoln, Suite 1500
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David Sheeren,

This is our official response to the report in reference to the audit of the West Metro Drug Task Force's Equitable Sharing Program Activities.

- *Completeness and Timeliness of ESAC Reports*

RESPONSE: (AGREE) The current Commander, Lt. Reggie Marinelli, had been advised that the West Metro Drug Task Forces' fiscal year ended September 30th of each year. She completed the forms and submitted the 2012 documents in October of that year. It was brought to her attention upon completion that they were in fact late and that the fiscal year for West Metro Drug Task Force ends June 30th of each year. This was a mis-understanding of the current and previous Commanders and will not be of issue in the future. All forms will be completed prior to the due dates in the future.
Will be in compliance by July 31, 2013, when 2013 forms are filed

- *Accuracy of ESAC Reports*

RESPONSE: (AGREE) We did in fact leave out three expenditures in the two reported years of the ESAC. We will be more diligent in the future to see that this does not happen.
Will be in compliance by July 31, 2013, when 2013 forms are filed

- *Accounting for Equitable Sharing Receipts*

RESPONSE: (AGREE) The accounting measures used by the West Metro Drug Task Force in reference to requested assets that were forfeited and the amounts received via Electronic Fund Transfer are outdated and not properly accounted for. We will update our system and see to it that all electronic transfers are checked against the requested assets.
Accounting system to be updated by September 02, 2013 and properly monitored

- *Use of Equitable Sharing Funds*

RESPONSE: (AGREE) Prior to the audit, the audit coordinator, Lt. Reggie Marinelli, did not realize that requests based on expenditures for Law Enforcement activities and operational funds was necessary. Attached you will find a document that now traces the mentioned four \$20,000 transfers from the equitable sharing savings account to the operations account. This will also be the accounting method used by the West Metro Drug Task Force for any future transfers of monies from equitable sharing accounts to operations accounts.

Accounting system has been put in place and if approved by the OSC, will be used effective immediately.



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ACTIONS NECESSARY TO CLOSE THE REPORT

We provided copies of the draft audit report to the WMDTF and the Criminal Division. Because the Criminal Division concurred with the report recommendations, we consider all report recommendations resolved.

The following details the actions necessary to close each report recommendation.

Recommendation Number:

- 1. Resolved.** The Criminal Division concurred with our recommendation that it ensure the WMDTF submits ESAC reports timely in accordance with equitable sharing guidelines. The WMDTF also concurred with our recommendation and provided additional explanation regarding the late reports, and stated its assurance that future ESAC reports would be submitted timely.

This recommendation can be closed when we receive evidence that the WMDTF has implemented procedures to submit ESAC reports timely in accordance with equitable sharing guidelines.

- 2. Resolved.** The Criminal Division concurred with our recommendation that it ensure the WMDTF develops and implements procedures to accurately report equitable sharing expenditures on its annual ESAC report. The WMDTF also concurred with our recommendation and stated assurance that future reports will accurately reflect periodic expenditures.

This recommendation can be closed when we receive evidence that the WMDTF has implemented procedures to accurately report equitable sharing expenditures on its annual ESAC report.

- 3. Resolved.** The Criminal Division concurred with our recommendation that it ensure the WMDTF has a process in place to reconcile its equitable sharing funds request log when funds are received. The WMDTF also concurred with our recommendation and explained that its equitable sharing accounting system will be updated by September 2, 2013, and stated that equitable sharing requests will be properly monitored.

This recommendation can be closed when we receive evidence that the WMDTF has implemented procedures to reconcile its equitable sharing funds request log when funds are received.

4. **Resolved.** The Criminal Division concurred with our recommendation that it remedy the \$80,000 in unsupported questioned costs for four \$20,000 transfers that were not traceable to specific expenditures. The WMDTF also concurred with our recommendation, and provided a ledger of 162 transactions totaling \$141,914.36, for the period from June 14, 2012, to May 14, 2013. However, the ledger did not indicate which specific transactions were paid with equitable sharing funds. Every expenditure made with equitable sharing funds must be accounted for and identifiable in accordance with the *Guide to Equitable Sharing for State and Local Law Enforcement*.

This recommendation can be closed when we receive evidence that the WMDTF has identified the specific expenditures paid by the four \$20,000 transfers.