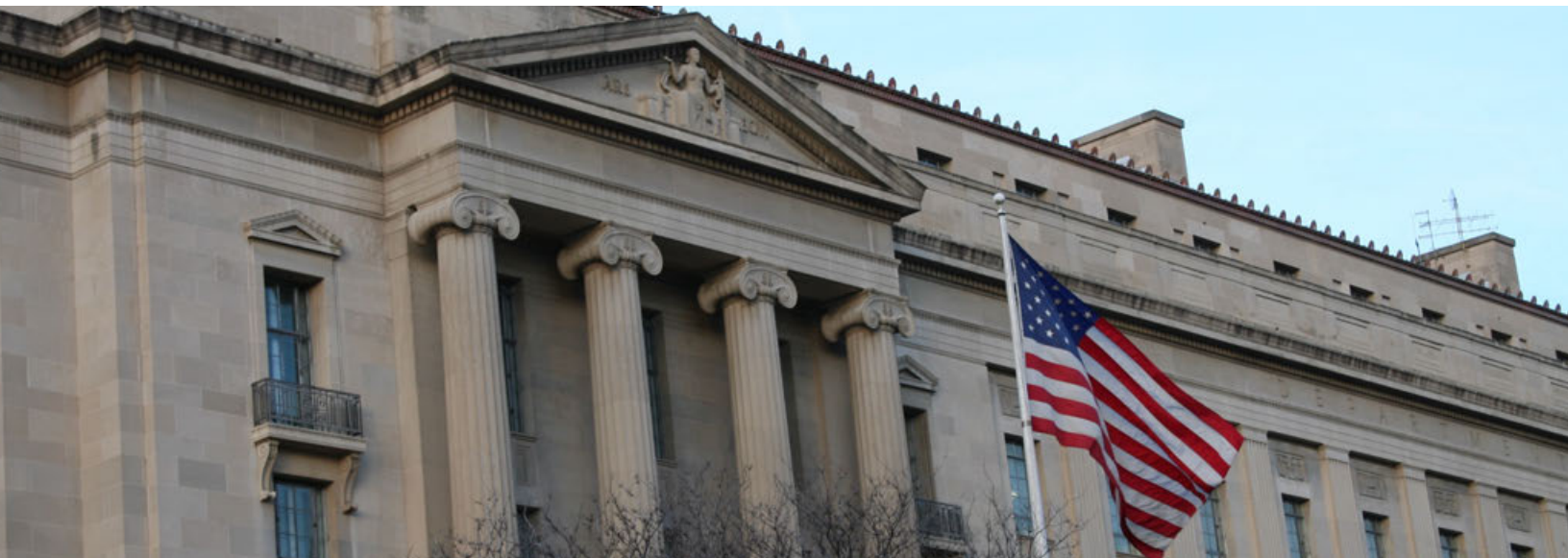




**Office of the Inspector General**  
U.S. Department of Justice

**OVERSIGHT ★ INTEGRITY ★ GUIDANCE**



**Audit of the Houston Police  
Department's Equitable Sharing  
Program Activities, Houston, Texas**



# Executive Summary

*Audit of the Houston Police Department's Equitable Sharing Program Activities, Houston, Texas*

## Objective

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

## Results in Brief

As a result of our audit, we concluded that the HPD did not fully comply with the requirements of the DOJ Equitable Sharing Program. To best ensure that the HPD properly accounts for and manages its use of the DOJ equitable sharing funds, we determined that the HPD needs to ensure that its staff is aware of, and makes certain improvements to, its policies and procedures. We also identified unallowable and unsupported personnel expenditures that resulted in \$2,488 in questioned costs.

## Recommendations

Our report includes four recommendations to assist the DOJ Criminal Division, which oversees the equitable sharing program, in ensuring the HPD sufficiently accounts for equitable sharing expenditures and resources. We requested a response to our draft audit report from the Criminal Division and the HPD, which can be found in Appendices 3 and 4, respectively. Our analysis of those responses is included in Appendix 5.

## Audit Results

This audit covered the HPD's fiscal years (FY) 2016 and 2017. The HPD began the audit period with a balance of \$3,785,423. During the period of July 2015 through June 2017, the HPD received \$4,489,273 and spent \$6,071,085 in equitable sharing funds, primarily on equipment, officer apparel, computer supplies, and overtime.

Equitable sharing revenues represent a share of the proceeds from the forfeiture of assets seized in the course of certain criminal investigations. In determining whether the HPD complied with applicable equitable sharing guidelines, we identified several areas for improvement, including accounting for equitable sharing receipts, expenditures, and accountable property, and its processes for completing timely and accurate certification reports.

### ***Accounting for Equitable Sharing Resources***

We found that the HPD policies and procedures to properly account for and manage the use of the DOJ equitable sharing funds needs improvement. Further, HPD staff responsible for processing equitable sharing expenditures were not aware that HPD had written equitable sharing procedures. We also identified one item within the HPD accounting and receipt database that was incorrectly recorded by the HPD as a receipt.

### ***Equitable Sharing Resources***

We found the expenditures tested generally were allowable and supported. However, we identified \$2,231 in personnel expenses that were not supported and \$257 that were unallowable. In addition, we found that the HPD does not maintain a complete and centralized inventory of all accountable property purchased with equitable sharing funds and the documented assigned location of some of the property was inaccurate.

### ***Equitable Sharing Agreement and Certification (ESAC) Reports***

We found that the FYs 2016 and 2017 ESAC reports submitted by the HPD were not submitted timely and were inaccurate, which affects DOJ's ability to perform effective oversight of equitable sharing funds.

**AUDIT OF THE HOUSTON POLICE DEPARTMENT'S  
EQUITABLE SHARING PROGRAM ACTIVITIES  
HOUSTON, TEXAS**

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# **AUDIT OF THE HOUSTON POLICE DEPARTMENT'S EQUITABLE SHARING PROGRAM ACTIVITIES HOUSTON, TEXAS**

## **INTRODUCTION**

The Department of Justice (DOJ) Office of the Inspector General (OIG) completed an audit of the equitable sharing funds received by the Houston Police Department (HPD) in Houston, Texas. The objective of the audit was to assess whether the funds received by the HPD through the Equitable Sharing Program were accounted for properly and used for allowable purposes as defined by applicable regulations and guidelines. The audit generally covered July 2015, through June 2017.<sup>1</sup> During that period, the HPD received \$4,489,273 and spent \$6,071,085 in equitable sharing revenues as a participant in the DOJ Equitable Sharing Program.<sup>2</sup>

### **DOJ Equitable Sharing Program**

The Comprehensive Crime Control Act of 1984 authorized the implementation of the DOJ Asset Forfeiture Program (Asset Forfeiture Program). The Asset Forfeiture Program is a nationwide law enforcement initiative that 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.<sup>3</sup> 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).<sup>4</sup> 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

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<sup>1</sup> HPD's fiscal year begins July 1 and ends June 30.

<sup>2</sup> The HPD began the audit period with a balance of \$3,785,423.

<sup>3</sup> The U.S. Department of the Treasury also administers a federal asset forfeiture program, with participating agencies including the Internal Revenue Service, U.S. Immigration and Customs Enforcement, U.S. Customs and Border Protection, U.S. Secret Service, and U.S. Coast Guard. This audit was limited to equitable sharing revenues received through the DOJ Equitable Sharing Program.

<sup>4</sup> Non-DOJ components also fall under the auspices of the DOJ Equitable Sharing Program, including the U.S. Postal Inspection Service, U.S. Department of Agriculture, Defense Criminal Investigative Service, U.S. Department of State Bureau of Diplomatic Security, and U.S. Food and Drug Administration.

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. In addition, law enforcement agencies participating in the Equitable Sharing Program are required to use the eShare portal.<sup>5</sup>

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 equitable share allocated to that agency.

To request a share of seized assets, a state or local law enforcement agency must first become a participant of the DOJ Equitable Sharing Program. Agencies become participants of the program by signing and submitting an annual Equitable Sharing Agreement and Certification (ESAC) report to MLARS. As part of each annual agreement, officials of participating agencies certify that they will use equitable sharing funds for allowable law enforcement purposes. The Guide to Equitable Sharing for State and Local Law Enforcement Agencies (Equitable Sharing Guide), issued by MLARS in April 2009, and the Interim Policy Guidance Regarding the Use of Equitable Sharing Funds (Interim Policy Guidance), issued by MLARS in July 2014, outline categories of allowable and unallowable uses for equitable sharing funds and property.

## **Houston Police Department**

The HPD is located in Houston, Texas, the fourth largest city in the United States. Established in 1841, the HPD serves a population of more than 2.3 million residents. As of July 2018, the HPD had a workforce of 5,100 sworn officers and 1,000 civilian employees. The HPD became a participant of the DOJ Equitable Sharing Program in 1989. The HPD police services are contained within the Investigative and Support Operations and Field Operations with a total of eight commands and multiple divisions within each command. The commands include: Criminal Investigations Command, Special Investigations Command, Organizational Development Command, Support Services Command, Homeland Security Command, and three Patrol Region Commands. The HPD also has the following Offices: Planning, Technology Services, Legal Services, Public Affairs, and Budget and Finance. The HPD Office of Budget and Finance is responsible for the fiscal management of the department and the oversight of its budget. With respect to the DOJ Equitable Sharing Program, the HPD Office of Budget and Finance is also

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<sup>5</sup> The eShare portal enables a participating agency to submit equitable sharing requests, view the status of its pending equitable sharing requests, and submit their annual Equitable Sharing Agreement and Certification report. The data within the eShare distribution reports is pulled from CATS.

responsible for administering grant and special funds, which includes the equitable sharing funds received and expended by the HPD.

### **OIG Audit Approach**

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

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

## Internal Control Environment

At the start of the audit, we requested any policies and procedures used by the HPD in the administration of equitable sharing funds. We were provided with general accounting and internal control policies from the city of Houston and the HPD grant, revenue, and procurement standard operating procedures (SOPs), which were applied to its equitable sharing programs. HPD officials explained that the HPD also followed the Equitable Sharing Guide for all equitable sharing program aspects and did not have any specific equitable sharing procedures. However, approximately 2 months after the start of our audit, the HPD provided specific equitable sharing procedures written in 2009. While these procedures provide some details on the requirements for receiving, expending, and reporting federally shared funds; we found the equitable sharing procedures related to the accounting for and management of the DOJ equitable sharing funds needs improvement. For example:

- there are no procedures related to the request for equitable sharing funds;
- there are no procedures related to the reconciliation between the requests and receipts;
- there are no procedures related to accountable property received by the HPD; and
- there are no procedures related to the process of preparing the ESAC reports.

Moreover, according to an HPD official, these equitable sharing procedures were to be accessible through an internal HPD employee portal. However, we spoke with several individuals within the HPD and found that the HPD employees responsible for different aspects of the HPD equitable sharing program were not aware of these procedures, despite the fact that they perform these procedures on a regular basis.

We believe that the HPD procedures can be enhanced by including equitable sharing processes to ensure compliance with DOJ Equitable Sharing Program guidelines so when applicable personnel are unavailable, or other changes resulting in the loss of institutional knowledge occur, the HPD is compliant with equitable sharing requirements.

Therefore, we recommend that the Criminal Division ensure that the HPD update and adhere to formal, written procedures for the administration of DOJ equitable sharing funds and that those procedures are provided to all staff with responsibility for the administration of the equitable sharing program.



## Accounting for Equitable Sharing Resources

The Equitable Sharing Guide requires that law enforcement agencies implement standard accounting procedures and internal controls to track DOJ Equitable Sharing Program receipts and expenditures. This includes establishing a separate revenue account or accounting code through the agency's finance department for the DOJ equitable sharing program proceeds, or receipts. 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.

We found the HPD's revenues and expenditures are maintained and managed through the city of Houston's accounting system. We also confirmed that the HPD maintains a unique accounting code used for equitable sharing receipts, equitable sharing interest income earned, and equitable sharing expenditures.

### *Equitable Sharing Receipts*

As previously mentioned, law enforcement agencies are required to use the eShare portal. The eShare Portal enables a participating agency to receive proceeds by direct deposit and the agencies receive an email notification of the deposit. According to HPD officials, when a receipt is deposited via electronic fund transfer (EFT) or check form it is coded with the DOJ Equitable Sharing Program accounting code.

We reviewed the eShare distribution reports and found during our review period the HPD received receipts from the Drug Enforcement Administration (DEA); Federal Bureau of Investigation (FBI); Alcohol, Tobacco, Firearms & Explosives Bureau (ATF); and the U.S. Postal Inspection Service (USPIS). As shown in Table 1, the HPD received DOJ equitable sharing revenues, all cash receipts, totaling \$4,489,273 during FYs 2016 and 2017. To determine whether the funds received were properly accounted for, we compared and reconciled the HPD accounting records and the internal HPD Receipts Database for each year to the eShare distribution reports.

We found that the HPD accurately accounted for all of the DOJ equitably shared revenues; however, within the HPD accounting records and the internal HPD Receipts Database there were two additional entries labeled as receipts, totaling \$4,040, that were not shown on the eShare distribution reported during FY 2016.

**Table 1**  
**HPD Equitable Sharing Receipts**

FY	eShare Distribution Report		HPD Accounting Records		Difference
	# of Receipts	Receipts	# of Receipts	Receipts	
2016	149	\$2,820,009	151	\$2,824,049	\$4,040
2017	87	\$1,669,264	87	\$1,669,264	\$0
<b>Total</b>	<b>236</b>	<b>\$4,489,273</b>	<b>238</b>	<b>\$4,493,313</b>	<b>\$4,040</b>

Source: eShare Distribution Reports and the HPD accounting records.

We contacted MLARS to determine the reason for the FY 2016 discrepancy. According to an MLARS official, \$450 of the \$4,040 was distributed to the HPD in June 2015, and was associated with a USPS administrative forfeiture. USPS receipt distributions at that time were sent by check. Consequently, the check was not deposited into the HPD bank account until July 2015. As a result, this receipt was included in the FY 2016 HPD accounting records. MLARS officials could not determine why the remaining \$3,590 amount was not included in the FY 2016 eShare distribution report. According to the HPD officials, the \$3,590 was also from the USPS. A USPS official explained that the amount was not an equitable sharing receipt, but was provided to the HPD via the disposition of unclaimed evidence from a joint investigation that was processed using the Postal Services' abandoned property regulations and was incorrectly labeled as an equitable sharing receipt.

When we reviewed the HPD accounting records, we found 40 USPS receipts, totaling \$166,434. As a result, we examined all USPS equitable sharing receipts to determine if the HPD receipts were deposited properly and recorded timely. We confirmed that each receipt was deposited into the HPD bank account, and that each receipt was properly recorded to the accounting code designated for the DOJ Equitable Sharing program activities. However, we found that unlike other DOJ equitable sharing receipts received via EFT from the eShare program that were deposited and recorded in the HPD accounting system on the same day, USPS distributions were not deposited in a timely manner. On average, it took 33 days from the date recorded on the eShare distribution report to the date the funds were deposited and recorded in the HPD accounting records.

In August 2017, the USPS began distributing equitable sharing funds via EFT. However, according to the HPD, physical checks from the USPS were still being received as of May 2018. We spoke to a USPS official, who explained that the first of several requests to set up the EFT distributions were sent to the HPD in May 2017. The USPS official explained that they had not received a response. We determined that the USPS did not have the correct contact information for the HPD. USPS immediately sent the paperwork to the correct HPD contact and as of December 2018, the HPD completed the process to begin receiving the USPS distributions by EFT.

The Equitable Sharing Guide requires recipients to implement standard accounting procedures and internal controls over equitable sharing funds, which includes controls that allow for the tracking of equitable sharing requests and receipts. As previously mentioned, in our judgment the HPD does not maintain adequate policies and procedures related to the equitable sharing program receipts. Although we were able to reconcile the HPD's equitable sharing receipts from all agencies, with the exception of USPS, to its accounting records and the receipts were deposited properly and timely, the absence of a formal process or procedure within the HPD increases the risk of mismanaged or unaccounted for equitable sharing funds. Therefore, we recommend that the Criminal Division ensure the HPD develops formal written procedures for requesting, tracking, and reconciling equitable sharing requests to equitable sharing receipts.

### *Investment of Equitable Sharing Funds*

According to a June 2013 Equitable Sharing Wire promulgated by MLARS, equitable shared receipts are required to be deposited into an interest or non-interest bearing federally insured depository account. In addition, the Equitable Sharing Guide requires that any interest earned must be deposited into the agency's equitable sharing revenue account, used for law enforcement purposes, and is subject to the same use restrictions as equitable shared funds. Based on our review, we found that the HPD deposited equitable sharing receipts into an interest bearing federally insured depository account. In addition, we confirmed that the DOJ equitable sharing program accounting code was used for the equitable sharing interest income earned.

### **Equitable Sharing Resources**

The Equitable Sharing Guide and Interim Policy Guidance require that equitable sharing funds or tangible property received by state and local agencies be used for law enforcement purposes that directly supplement the appropriated resources of the recipient law enforcement agency. Table 2 reflects examples of allowable and unallowable uses under these guidelines. According to the Equitable Sharing Guide, law enforcement agencies shall retain for a period of at least 5 years all documents and records pertaining to their participation in the DOJ Equitable Sharing Program.

**Table 2**  
**Summary of Allowable and Unallowable Uses**  
**of Equitable Shared Funds**

<b>Allowable Uses</b>
Matching funds
Contracting services
Law enforcement equipment
Law enforcement travel and per diem
Support of community-based programs
Law enforcement awards and memorials
Law enforcement training and education
Transfers to other law enforcement agencies
Joint law enforcement/public safety operations
Law enforcement operations and investigations
Law enforcement, public safety, and detention facilities
Drug and gang education and other awareness programs
<i>With some exceptions, salaries and benefits of sworn or non-sworn law enforcement personnel.</i>
<b>Unallowable Uses</b>
Loans
Bayonets
Supplanting
Camouflage Uniforms
Costs related to lawsuits
Extravagant expenditures
Tracked Armored Vehicles
Money laundering operations
Purchase of food and beverages
Creation of endowments or scholarships
Personal or political use of shared assets
Petty cash accounts and stored value cards <sup>a</sup>
Firearms and Ammunition of .50-Caliber or Higher
Purchase of items for other law enforcement agencies
Weaponized Aircraft, Vessels and Vehicles of Any Kind
Uses contrary to the laws of the state or local jurisdiction
Use of forfeited property by non-law enforcement personnel
Grenade Launchers: Firearm or firearm accessory designed to launch small explosive projectiles

<sup>a</sup> Prepaid credit cards may be purchased for use as a form of payment for buy-back programs.

Source: Equitable Sharing Guide and Interim Guidance.

*Use of Equitable Sharing Funds*

According to its accounting records, the HPD expended DOJ equitable sharing funds totaling \$2,755,435 in FY 2016 and \$3,315,650 in FY 2017, for a total of \$6,071,085. We judgmentally selected and tested 78 expenditures totaling \$1,965,440 or 32 percent of the total funds expended, to determine if the DOJ equitable sharing fund expenditures were allowable and supported by adequate documentation. We found, of the tested expenditures, the HPD spent equitable sharing funding on expenditures including: equipment, officer apparel, computer supplies, and overtime.

### Non-Personnel Expenditures

Of the 78 judgmentally selected and tested expenditures, 68 were non-personnel related expenditures totaling \$1,729,329. To determine the allowability of and support for these expenditures, we reviewed invoices, purchase orders, receiving reports, and contracts that the HPD maintained to support the expenditures. We determined that the HPD expenditures we reviewed were generally allowable and supported. However, we found seven expenditures that were labeled incorrectly within the accounting records. We discuss these expenditures in greater detail in the ESAC reports section of this report.

### Personnel Expenditures

According to the Equitable Sharing Guide, using equitable sharing funds to pay salary costs is generally impermissible, but there are a few exceptions. The exceptions include payments for matching purposes on federal grants, overtime of current sworn and non-sworn law enforcement personnel involved in law enforcement operations, paying the salary of an officer hired to backfill the position of an officer assigned to a task force, and officers working on specialized programs.

During the period reviewed, we found the HPD used equitable sharing funds to pay \$3,107,819, or 51 percent of the total equitable sharing funds received, for the overtime of sworn and non-sworn law enforcement personnel. According to HPD officials, in order to obtain overtime, law enforcement personnel complete an overtime sheet that details the date and times for which they obtained overtime. The overtime sheet also details the employee's normal duty hours and the days they are not scheduled to work. The overtime sheet is then reviewed, approved, and signed by the employee's supervisor and commander.

We reviewed 10 overtime expenditures totaling \$236,111 from FYs 2016 and 2017 to determine if: (1) the overtime hours were outside of the employee's normal duty hours, (2) the overtime hours and amount matched the accounting records, and (3) the overtime sheet was approved. We found \$1,293 of claimed overtime expenses that were worked during the employees' documented normal duty hours. We are questioning the amount of time during the normal duty hours as unallowable. We also found \$2,231 of claimed personnel expenses where the number of overtime hours on the overtime sheets did not match the number of hours in HPD accounting records.

Subsequent to the issuance of the draft report, the HPD provided timesheets and additional supporting documentation for \$1,036 of the \$1,293 overtime expenditures. As a result, we question \$2,488 and recommend that the Criminal Division ensure that the HPD remedy \$257 and \$2,231 in unallowable and unsupported personnel expenditures, respectively.

### *Accountable Property*

The Equitable Sharing Guide requires that standard internal controls be implemented to track tangible property received or purchased. Further, the HPD's

procedures require that an inventory log of all items purchased with equitable sharing funds or obtained for official use is maintained and it should detail the up-to-date location or assignment of the equipment, whether or not items are disposed of, by what method, and the value of the items. In order to determine whether the HPD was maintaining adequate inventory records and using property for allowable purposes per the Equitable Sharing Guide, we judgmentally selected 15 accountable property expenditures totaling \$19,699. Our sample included, among other things, computers, cameras, and leased vehicles.

We found that the HPD is not following its own procedures by not maintaining a complete or accurate centralized inventory of all equitable sharing purchases. During our fieldwork, HPD provided two different inventories, including the overall HPD inventory list and a second HPD Communications Intelligence Unit's inventory list. We reviewed both inventory lists for completeness and accuracy. We found that some of the items within the HPD Unit's inventory were not included in the overall HPD inventory. In addition, the assignment location for two of the tested accountable property items was not accurate.

In our judgment, by not adhering to its own procedures, the HPD cannot ensure that its accountable property is used for its intended purpose. Therefore, we recommend the Criminal Division ensure the HPD update and implement formal written procedures for accurately reflecting accountable property that was acquired with DOJ Equitable Sharing 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. In other words, the recipient agency must benefit directly from the equitable sharing funds. To test whether equitable sharing funds were used to supplement rather than supplant local funding, we interviewed local officials and reviewed the total budgets for the City of Houston and the operational budgets for the HPD for FYs 2014 through 2018.

We determined that the City of Houston's budget had increased an average of 1.81 percent, with the exception of a 1 percent decrease between FYs 2016 and 2017. We then reviewed the HPD's operational budgets for FYs 2014 through 2018 and determined that the budget had increased slightly each FY. In addition, equitable sharing funds made up 0.37 percent of the HPD's operational budget, and the agency expended an average of 0.37 percent of those funds for FYs 2016 through 2017.

There did not appear to be a significant decrease in the City of Houston's budget that was off-set by the HPD's operational budget. Nor was there any decrease in the HPD's operational budget that coincided with a proportional increase in equitable sharing revenue. Therefore, we determined that there was a low risk that the HPD was supplanting its budget with equitable sharing funds during our period of review.

## **Equitable Sharing Agreement and Certification Reports**

Law enforcement agencies who participate in the Equitable Sharing Program are required to submit the ESAC report, on an annual basis, within 60 days 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 is not accepted before the end of the 60-day 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.

### *Completeness and Timeliness of ESAC Reports*

We tested the HPD's compliance with ESAC reporting requirements to determine if its reports were complete and submitted in a timely manner. We obtained the HPD's ESAC reports submitted for FYs 2016 and 2017 and found that the reports were complete and signed by appropriate officials. However, we also determined that the ESAC reports were not submitted within the required timeframe.

Despite the fact that the HPD's equitable sharing procedures state that the ESACs must be filed through the eShare Portal within 60 days of the close of the HPD's FY, we found that the FY 2016 ESAC report was submitted 23 days late and the FY 2017 ESAC report was submitted 34 days late. According to HPD officials, the FY 2016 ESAC report was filed late due to a defect in the submission software, while the FY 2017 ESAC report was filed late due to Hurricane Harvey. HPD officials explained that they spoke with MLARS about the circumstances regarding the FY 2017 ESAC submission and they said that MLARS put a note in the file, but did not grant an extension. We did confirm the software error relating to the submission of the FY 2016 ESAC report, but the HPD could not provide any supporting documentation that MLARS approved an extension on the deadline for the submission the FY 2017 ESAC report. We also reached out to MLARS, and officials explained that there were no records to indicate the reason for the late FY2017 ESAC submission or approval for an extension for the submission of the report.

Although we recognize the HPD's reasons for late submissions were beyond their control, untimely ESACs affect MLARS' ability to perform effective oversight of equitable sharing funds. We recommend that the Criminal Division ensure that the HPD ESAC reports are submitted within 60 days after the fiscal year end.

### *Accuracy of ESAC Reports*

To verify the accuracy of the annual ESAC reports, we reviewed the receipts, total expenditures, and expenditure category amounts reported by the HPD for FYs 2016 and 2017.

We compared the receipts listed on the HPD’s two most recent ESAC reports to the total amounts listed as disbursed on the eShare distribution report for the same time period. Our analysis showed that the HPD’s most recent ESAC reports indicated receipts of \$2,824,049 and \$1,669,264 for FYs 2016 and 2017, respectively. As shown in Table 3 below, the receipt amount reported in FY 2016 did not match the receipts listed in the eShare distribution report.

**Table 3**  
**ESAC Receipts and eShare Disbursements Comparison**

<b>Dates According to ESAC</b>	<b>Receipts According to ESAC</b>	<b>Disbursements According to the eShare Distribution Report</b>	<b>Difference</b>
2016	\$2,824,049	\$2,820,009	\$4,040
2017	\$1,669,264	\$1,669,264	\$0

Source: HPD ESACs and eShare Distribution Reports.

As previously discussed in the Receipts section of this report, the FY 2016 receipt difference of \$4,040 was due to a delayed deposit of a USPS receipt and an amount that was labeled incorrectly as a receipt.

To verify the total expenditures listed on the HPD’s two most recent ESAC reports, we compared expenditures listed on the ESAC reports to the HPD’s accounting records for each period. Our initial analysis showed that the total expenditures reported in the HPD’s two most recent ESAC reports were \$2,755,435 and \$3,286,348 in FYs 2016 and 2017, respectively, which matched the expenditures stated in the HPD’s accounting records. However, we found the expenditure amount within the FY 2017 HPD Single Audit was \$29,302 more than what was reported on the FY 2017 ESAC and the accounting records that were provided, as shown in Table 4. When we inquired as to why this was the case, the HPD explained there were additional expenditures that were not captured by the ESAC and the accounting records.

The HPD explained that the accounting records initially provided to the OIG were the records sent with the ESAC to MLARS when the HPD submitted the FY 2017 original ESAC in October 2017. The HPD provided updated accounting records with the missing expenditures and also submitted an amended ESAC in August 2018 with the correct expenditure amount.



**Table 4**

**Comparison of the Reported Expenditures on the ESAC Reports to the HPD Accounting Records and the City of Houston Single Audits**

<b>ESAC FY</b>	<b>Expenditures According to ESAC</b>	<b>Expenditures According to HPD Accounting Records</b>	<b>Expenditures According to City of Houston Single Audit</b>	<b>Difference</b>
2016	\$2,755,435	\$2,755,435	\$2,755,435	\$0
2017	\$3,286,348	\$3,286,348	\$3,315,650	\$29,302

Source: HPD ESACs, accounting records, and Single Audits.

In addition, we reviewed the accuracy of the section of the ESAC report that summarizes the shared monies spent by specific category, such as law enforcement operations and investigations, travel and training, and law enforcement equipment. As shown in Table 2, the Equitable Sharing Guide details the 13 different categories of the permissible uses of equitable sharing funds and those same categories are listed on the ESAC report. According to the HPD, in order to complete this section of the ESAC report, the HPD employee who prepares the ESAC report obtains all equitable sharing related expenses from the accounting system for that FY and based on each expense's commitment item name, or type of expense, combines similar expenses together to input into the 13 different categories in the ESAC report. Utilizing the HPD accounting records, we sorted each expense into the Equitable Sharing Guide's 13 defined categories for each fiscal year and compared the results to the amounts HPD inputted on the ESAC reports. We found that the category totals reflected on the FYs 2016 and 2017 ESAC reports did not match the expenditure category totals when grouped using the accounting records provided by the auditee, as shown in the following tables.

**Table 5**

**FY 2016 ESAC Reported Funds Spent and Accounting Records by Category Comparison**

	<b>Law Enforcement Operations and Investigations</b>	<b>Law Enforcement, Public Safety and Detention Facilities</b>	<b>Law Enforcement Equipment</b>	<b>Salaries</b>
ESAC	\$400,000	\$0	\$1,547,490	\$807,945
HPD Accounting Records	\$409,965	\$178	\$1,537,348	\$807,945
Difference	\$(9,965)	\$(178)	\$10,143	\$0

Source: HPD ESACs and accounting records.

Within the FY 2016 ESAC report, the HPD reported that equitable sharing funds were spent in three categories, as shown in Table 5 above. However, after we grouped the expenditures into the permissible categories, we found that the HPD had expenses in the Law Enforcement (LE), Public Safety, and Detention Facilities that were not reported in the ESAC report. In addition, the HPD

mis-categorized expenditures in the LE Operations and Investigations and the LE Equipment categories.

Similarly, Table 6 below illustrates that the HPD did not include expenses in three categories and mis-categorized Law Enforcement Equipment expenses.

**Table 6**  
**FY 2017 ESAC Reported Funds Spent and Accounting Records by Category Comparison**

	<b>Law Enforcement Operations and Investigations</b>	<b>Law Enforcement, Public Safety and Detention Facilities</b>	<b>Training and Education</b>	<b>Law Enforcement Equipment</b>	<b>Law Enforcement, Travel &amp; Per Diem</b>	<b>Salaries</b>
ESAC	\$0	\$0	\$11,994	\$974,480	\$0	\$2,299,874
HPD Accounting Records	\$167,964	\$3,990	\$11,994	\$801,283	\$1,242	\$2,299,874
Difference	\$(167,964)	\$(3,990)	\$0	\$173,196	\$(1,242)	\$0

Source: HPD ESACs and accounting records.

As previously stated, we found seven expenditures that were labeled incorrectly within the accounting records as shown in Table 7 below.

**Table 7**  
**HPD Incorrectly Labeled Expenditures**

<b>Mislabeled Expenditure Type</b>	<b>Correct Expenditure Type</b>
Construction Materials	Mail/Delivery Services
Construction Site Work Service	Security Services
Fire Fighting Equipment	Small Tools & Minor Equipment
Miscellaneous Other Services & Charges	Vehicle Repair & Maintenance Supplies
Miscellaneous Other Services & Charges	Vehicle & Motor Equipment Services and Petty Cash
Miscellaneous Support Services	Information Resource Services
Miscellaneous Support Services	Vehicle Repair & Maintenance Supplies

Source: HPD accounting records.

In our judgment, mislabeling expenditures can affect the accuracy of the ESAC reports. If the expenditures were correctly labeled within the accounting records and the expenditures sorted into the correct categories, the category amount totals on the ESAC would have been accurate.

In addition to summarizing the shared monies spent by category on the ESAC reports, agencies are also required to report the amount of interest income earned during the given reporting period. Based on our review of the supporting documentation provided by the HPD, we found that the interest income reported on the FYs 2016 and 2017 ESAC reports were accurate.

Participants in the DOJ Equitable Sharing Program should prepare ESAC reports that accurately reflect expenditures for the reporting period, as well as

maintain documentation to support the reported expenditures. Inaccurate reporting of equitable sharing fund activity on the ESAC report may negatively impact efforts to monitor the DOJ Equitable Sharing Program. As previously mentioned, the HPD does not maintain any procedures related to the preparation of the ESAC reports. Therefore, we recommend that the Criminal Division ensure that the HPD develop and implement policies and procedures for submitting accurate ESAC reports.

### **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 provides for recipients of federal funding above a certain threshold to receive an annual audit of their financial statements and federal expenditures. Under the Uniform Guidance, such entities that expend \$750,000 or more in federal funds within the entity's fiscal year must have a "single audit" performed annually covering all federal funds expended that year. 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 the HPD accurately reported DOJ equitable sharing fund expenditures on its Schedule of Expenditures of Federal Awards, we reviewed the HPD's accounting records and the city of Houston's Single Audit Reports for the FYs ended 2016 and 2017. We found that the city of Houston 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.

The city of Houston's Single Audit Reports for FYs 2016 and 2017 contained findings related to accounting and financial reporting, which increases the risk that the related accounts and financial statements as a whole would be misstated. We found that the HPD implemented the FY 2016 recommendations and had corrective actions in place for the FY 2017 findings prior to the initiation of our audit.

## CONCLUSION AND RECOMMENDATIONS

Over the course of the audit, we identified deficiencies related to the HPD's management of DOJ equitable sharing funds. Specifically, we found that the HPD's policies and procedures to properly account for and manage the use of the DOJ equitable sharing funds needs improvement. We also found all of the equitable sharing receipts received by the HPD were accounted for and properly deposited, but within the HPD's accounting and receipt database we identified an entry that was mistaken by the HPD as a receipt. Further, we found that the HPD does not maintain a complete and centralized inventory of all equitable sharing purchases and the assigned location of some of the expenses were not accurate. In addition, the HPD submitted late and inaccurate ESAC reports. As a result of these findings, we identified questioned costs and made four recommendations to the Criminal Division to assist in its administration of the HPD's equitable sharing program. Subsequent to the issuance of the draft report, the HPD provided additional supporting documentation for a portion of the unallowable personnel expenditures. As a result, the total unallowable and unsupported personnel expenditures were reduced to \$2,488.

We recommend that the Criminal Division:

1. Ensure that the HPD update and adhere to formal, written procedures for the administration of DOJ equitable sharing funds, including:
  - a. Procedures for requesting, tracking, and reconciling equitable sharing requests to equitable sharing receipts.
  - b. Procedures for accurately reflecting accountable property that was acquired and purchased through the DOJ Equitable Sharing Program.
  - c. Procedures for submitting accurate ESAC reports.
2. Ensure the HPD remedy the remaining \$257 of the original \$1,293 in unallowable personnel expenditures.
3. Ensure the HPD remedy \$2,231 in unsupported personnel expenditures.
4. Ensure that ESAC reports are submitted within 60 days after the fiscal year end.

## OBJECTIVE, SCOPE, AND METHODOLOGY

### Objective

The objective of the audit was to assess whether the HPD accounted for equitable sharing funds properly and used such revenues for allowable purposes defined by applicable guidelines.

### Scope and Methodology

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Our audit concentrated on, but was not limited to, equitable sharing receipts received by the HPD between July 1, 2015, and June 30, 2017. 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 the *Guide to Equitable Sharing for State and Local Law Enforcement Agencies*, dated April 2009, as well as the Interim Policy Guidance Regarding the Use of Equitable Sharing Funds, issued July 2014. Unless, otherwise stated in our report, the criteria we audited against are contained in these documents.

We performed audit work at the HPD's headquarters located in Houston, Texas. We interviewed HPD 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 the HPD during the audit period. We did not establish the reliability of the data contained in the 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 HPD's compliance with three essential equitable sharing guidelines: (1) Equitable Sharing Agreement and Certification reports, (2) accounting for equitable sharing receipts, and (3) the use of equitable sharing funds. In planning and performing our audit, we considered internal controls over DOJ equitable sharing receipts established and used by the HPD. However, we did not assess the reliability of the city of Houston's financial management system, or the extent to which the financial management system complied with internal controls, laws, and regulations overall.

In the scope of this audit, the HPD had 236 cash receipts totaling \$4,489,273. In the same period, the HPD had 1,418 expenditures totaling \$6,071,085. We tested all receipts received by the HPD and we judgmentally selected and tested a sample of expenditures totaling \$1,965,440. A judgmental sampling design was applied to capture numerous aspects of the disbursements reviewed, such as dollar amounts. This non-statistical sample design does not allow projection of the test results to all disbursements.

Our audit included an evaluation of the city of Houston's two most recent annual audits. The results of these audits were reported in the Single Audit Report that accompanied the city of Houston's basic financial statements for the years ended June 2016 and June 2017. The Single Audit Reports were prepared under the provisions of 2 C.F.R. 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. We reviewed the independent auditor's assessment, which disclosed no control weaknesses or significant noncompliance issues as it relates to the HPD's Equitable Sharing Program.

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

**APPENDIX 2**

**SCHEDULE OF DOLLAR-RELATED FINDINGS**

<u>Description</u>	<u>Amount</u>	<u>Page</u>
<b>Questioned Costs:<sup>1</sup></b>		
Unallowable Personnel Cost	<u>1,293</u>	9
Unallowable Costs	\$1,293	
Unsupported Personnel Costs	<u>2,231</u>	9
Unsupported Costs	\$2,231	
Gross Questioned Costs	\$3,524	
Less Remedied Costs <sup>2</sup>	<u>(1,036)</u>	
<b>Net Questioned Costs</b>	<b>\$2,488</b>	
<b>TOTAL DOLLAR-RELATED FINDINGS</b>	<b><u>\$2,488</u></b>	

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<sup>1</sup> **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.

<sup>2</sup> In a draft of this report, we originally identified \$1,293 in unallowable personnel costs. In its response, the HPD provided additional supporting documentation for \$1,036 of these costs, and shown here are the remaining costs for remedy. See Appendix 5 for a more detailed explanation.

THE CRIMINAL DIVISION'S RESPONSE TO THE  
DRAFT AUDIT REPORT



U.S. Department of Justice  
Criminal Division

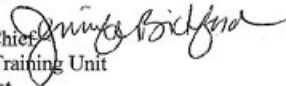
Money Laundering and Asset Recovery Section

Washington, D.C. 20530

DEC 27 2018

MEMORANDUM

**TO:** David M. Sheeren, Regional Audit Manager  
Denver Regional Audit Office  
Office of the Inspector General

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

**SUBJECT:** DRAFT AUDIT REPORT for the Houston Police Department's  
Equitable Sharing Program Activities

In a memorandum dated December 20, 2018, your office provided a draft audit report for the Houston Police Department (HPD), 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 HPD to correct all identified findings.

cc: Denise Turcotte  
Audit Liaison  
Criminal Division

Richard P. Theis  
Assistant Director, Audit Liaison Group  
Internal Revenue and Evaluation Office  
Justice Management Division



THE HPD'S RESPONSE TO THE DRAFT AUDIT REPORT



CITY OF HOUSTON

Houston Police Department

1200 Travis Houston, Texas 77002-6000 713/308-1600

Sylvester Turner, Mayor

CITY COUNCIL MEMBERS: Brenda Stardig Jerry Davis Ellen R. Cohen Dwight A. Boykins Dave Martin Steve Le Greg Travis Karla Cisneros Robert Gallegos Mike Laster Martha Castex-Tatum Mike Knox David W. Robinson Michael Kubosh Amanda K. Edwards Jack Christie CITY CONTROLLER: Chris B. Brown

January 22, 2019

Art Acevedo Chief of Police



David M. Sheeren Regional Audit Manager Denver Regional Audit Office U.S. Department of Justice Office of the Inspector General 1120 Lincoln Street, Suite 1500 Denver, Colorado 80203

Dear Mr. Sheeren:

The City of Houston Police Department ("HPD") is in receipt of the Office of Inspector General's ("OIG") draft report and recommendations as a result of the recently completed audit of our Equitable Sharing Program for the period July 2015 through June 2017. Please accept this letter as HPD's Official Response to the draft audit report.

Before responding to each of OIG's recommendations, we must emphasize that contrary to OIG's statements in the report, the City of Houston has promulgated guidelines that establish HPD's policies, procedures and practices for processing proceeds from all funding sources. These established guidelines comply with the Department of Justice's Guide to Equitable Sharing for State and Local Law Enforcement Agencies for all equitable sharing aspects. That being said, HPD will continue to enhance these guidelines to ensure compliance with the Equitable Sharing Program.

Recommendation #1: Ensure the HPD update and adhere to formal, written procedures for the administration of DOJ equitable sharing funds, including:

#1-(a) Procedures for requesting, tracking, and reconciling equitable sharing requests to equitable sharing receipts.

- HPD Response: HPD disagrees with this recommendation. The City of Houston has an advanced process to report and track expenses and the information provided is consistent with asset forfeiture guidelines. The City has promulgated these procedures under written Administrative Procedures that were previously provided to the OIG auditor. HPD will work with MLARS to enhance these existing procedures as it relates to equitable sharing funds.



HPD also wants to respond to OIG's statement regarding our reconciliation of equitable sharing receipts from the United States Postal Inspection Service (USPIS). Specifically, the report states that HPD inaccurately labeled \$3,950 received by USPIS as "administrative forfeiture" rather than through the Property Disposition System (PDS). Although USPIS acknowledged that it changed its processing of these funds from an administrative forfeiture to PDS, it also confirmed that USPIS never notified HPD of the change. Thus, HPD coded the receipt of funds (\$3,950) as an administrative forfeiture as originally requested in the DAG-71 form.

**#1-(b) Procedures for accurately reflecting accountable property that was acquired and purchased through the DOJ Equitable Sharing Program.**

- **HPD Response:** HPD does not disagree with this recommendation. HPD has written internal control procedures for utilizing its centralized Equipment Asset Management system, and HPD will ensure that all divisions who utilize equitable sharing funds are trained to adhere to HPD's established inventory procedures as well as any exceptions. It will monitor the implementation of these procedures and continue to develop and enhance procedures that assist in accurately reflecting property acquired and purchased through DOJ's equitable sharing program.

**#1-(c) Procedures for submitting accurate ESAC reports.**

- **HPD Response:** HPD does not disagree with this response. To comply with OIG's recommendation, HPD will ensure expenditures are correctly categorized, and seek guidance from MLARS if needed.

**Recommendation #2: Ensure the HPD remedy \$1,293 in unallowable personnel expenditures.**

- **HPD Responses:** Listed below are HPD's responses to records that constitute the \$1,293 in overtime personnel expenditures:
  1. HPD disagrees that \$1,036.02 in personnel expenditures are unallowable for the following:
    - \$882.16 is an allowable expense because it relates to overtime expended to police officers working during a City-approved holiday. HPD's General Order authorizes:

When a holiday occurs on an officer's regular workday, the officer shall be compensated for the holiday and for all hours actually worked on that day. Hours actually worked shall be compensated at the rate of time and a half.

- \$153.86 is an allowable expense because it relates to overtime expended to police officers working during their off-duty hours as indicated in their submitted time slips.
- 2. HPD agrees that \$256.80 in personnel expenditures is unallowable. The identified \$256.80 of unallowable overtime expenses was remedied by reversing the applicable transactions and returning \$256.80 to HPD's DOJ equitable sharing fund.

**Recommendation #3: Ensure the HPD remedy \$2,231 in unsupported personnel expenditures.**

- **HPD Response:** HPD agrees that \$2,231 of personnel expenditures for personnel overtime expenditures are unallowable. The identified \$2,231 of unallowable personnel expenditures was remedied by reversing the applicable transactions and returning \$2,231 to HPD's DOJ equitable sharing funds.

**Recommendation #4: Ensure that ESAC reports are submitted within 60 days after the fiscal year end.**

- **HPD Response:** HPD disagrees with this recommendation. HPD acknowledges, and the OIG concurs, that the delay in submission of the FY16 and FY 17 ESAC reports were "out of [HPD's] control." The events that caused the delay were due to a glitch in the eShare portal managed by MLARS (FY16) and the declaration of a state of disaster, *e.g.* Hurricane Harvey (FY17). In fact, the MLARS program manager recently acknowledged that HPD notified MLARS of the delay prior to the FY17 submission due date.

Sincerely,

  
Art Acevedo  
Chief of Police

aa:rs:cj

**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 HPD. The Criminal Division's response is incorporated in Appendix 3 of this final report, and the HPD's response is incorporated as Appendix 4. The Criminal Division agreed with each recommendation contained in this report and discussed the actions it plans to complete in order to address the recommendations. As a result, the report is resolved. The HPD agreed with one recommendation, disagreed with one recommendation, and partially disagreed with two recommendations, as discussed below. The following provides the OIG analysis of the responses and summary of actions necessary to close the report.

**Recommendation for the Criminal Division:**

- 1. Ensure the HPD update and adhere to formal, written procedures for the administration of DOJ equitable sharing funds, including:**
  - a. Procedures for requesting, tracking, and reconciling equitable sharing requests to equitable sharing receipts.**

Resolved. The Criminal Division concurred with our recommendation. The Criminal Division stated in its response that it would coordinate with the HPD to correct the identified finding.

HPD officials disagreed and stated that the City of Houston has an advanced process to report and track expenses and the information provided is consistent with the asset forfeiture guidelines. Within the HPD response, it is also mentioned that the City of Houston has promulgated these procedures under written Administrative Procedures that were provided to the OIG.

During the audit, the OIG reviewed the aforementioned procedures and found that those procedures were specific to asset forfeiture and did not detail procedures related to the equitable sharing receipt process. The HPD did state in its response that they would work with the Criminal Division to enhance the existing procedures as it relates to equitable sharing funds.

This portion of the recommendation can be closed when we receive documentation demonstrating that the HPD updated procedures for requesting, tracking, and reconciling equitable sharing request to equitable sharing receipts.

**b. Procedures for accurately reflecting accountable property that was acquired and purchased through the DOJ Equitable Sharing Program.**

Resolved. The Criminal Division concurred with our recommendation. The Criminal Division stated in its response that it would coordinate with the HPD to correct the identified finding.

HPD officials stated that HPD “does not disagree” with the recommendation and stated that the HPD has written internal control procedures for utilizing its centralized Equipment Asset Management system, and the HPD will ensure that all divisions who utilize equitable sharing funds are trained to adhere to HPD’s established inventory procedures as well as any exceptions. HPD officials also stated that it will monitor the implementation of these procedures and continue to develop and enhance procedures that assist in accurately reflecting property acquired and purchased through the DOJ equitable sharing program.

This portion of the recommendation can be closed when we receive documentation demonstrating that the HPD updated procedures for accurately reflecting accountable property that was acquired and purchased through the DOJ equitable sharing program.

**c. Procedures for submitting accurate ESAC reports.**

Resolved. The Criminal Division concurred with our recommendation. The Criminal Division stated in its response that it would coordinate with the HPD to correct the identified finding.

The HPD stated that HPD “does not disagree” with our recommendation and stated that it will ensure expenditures are correctly categorized and seek guidance from the Criminal Division if needed.

This portion of the recommendation can be closed when we receive documentation demonstrating that the HPD updated procedures for submitting accurate ESAC reports.

**2. Ensure the HPD remedy the remaining \$257 of the original \$1,293 in unallowable personnel expenditures.**

Resolved. The Criminal Division concurred with our recommendation. The Criminal Division stated in its response that it would coordinate with the HPD to correct the identified finding.

A draft of this report originally identified \$1,293 in unallowable questioned costs. HPD officials agreed with \$257 and disagreed with \$1,036 of the \$1,293 questioned unallowable personnel expenditures. The HPD provided additional supporting documentation with its response and after reviewing

the documentation we concluded that \$1,036 of the questioned \$1,293 were allowable personnel expenditures. Criminal Division officials also agreed that the \$1,036 was remedied based on the supporting documentation that was provided.

This recommendation can be closed when we receive documentation that the remaining \$257 in unallowable personnel expenditures have been appropriately remedied.

**3. Ensure the HPD remedy \$2,231 in unsupported personnel expenditures.**

Resolved. The Criminal Division concurred with our recommendation. The Criminal Division stated in its response that it would coordinate with the HPD to correct the identified finding.

The HPD agreed with our recommendation and stated in its response that the identified \$2,231 of unsupported personnel expenditures were remedied by reversing the applicable transactions and returning \$2,231 to the HPD's DOJ equitable sharing funds.

This recommendation can be closed when we receive documentation that the \$2,231 in questioned costs have been appropriately remedied.

**4. Ensure that ESAC reports are submitted within 60 days after the fiscal year end.**

Resolved. The Criminal Division concurred with our recommendation. The Criminal Division stated in its response that it would coordinate with the HPD to correct the identified finding.

HPD officials disagreed, but acknowledged the delay in submission of the ESAC for both FYs 2016 and 2017. The HPD explained the delays were due to a glitch in the eShare portal and due to Hurricane Harvey.

Although we recognize the HPD's reasons for late submissions were beyond their control, neither the HPD nor the Criminal Division provided supporting documentation for approval of the late submissions.

This recommendation can be closed when we receive documentation demonstrating that the HPD updated its procedures to ensure timely submission of future ESAC reports, including the approval of necessary extensions.



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**U.S. DEPARTMENT OF JUSTICE OFFICE OF THE INSPECTOR GENERAL**

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