Performance Audit:

Federal and State Asset Forfeiture

Durham County Internal Audit Department

December 5, 2022

Internal Audit Department

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December 5, 2022

Dr. Kimberly Sowell
County Manager

Dear Dr. Sowell:

Internal Audit completed its audit of Federal and State Asset Forfeiture performed by the Sheriff's Department. The audit objectives focused on determining whether:

- Internal controls provide reasonable assurance that funds/assets received from Federal, or State forfeitures are managed in compliance with Federal and State statutes and regulations, as well as internal guidelines,
- Any relevant corrective actions from previous audits have been appropriately addressed,
- Written policies sufficiently explain the department's policies and procedures regarding funds/assets received from Federal or State forfeitures, and those policies are consistently followed,
- Related journal entries are entered and reviewed timely and appear accurate,
- Funds received from Federal, or State forfeitures were spent in accordance with all regulations and guidelines,
- All required forms were submitted timely and appear accurate, and
- Document retention requirements are being met.

Overall, we found that the Federal and State Asset Forfeiture program met some of these objectives, while improvements are needed in the following areas:

- Documentation of policies, procedures, and controls,
- Timely posting of financial entries, and
- Accurate annual reporting.

This report describes findings related to the audited areas, and the management response to each. **Please note that none of the findings are material.**

The audit team appreciates the Sheriff and his team's cooperation and assistance during this audit engagement.

Sincerely,

Darlana M. Moore

Darlana M. Moore,
Internal Audit Director

INTRODUCTION

The Audit Oversight Committee approved this audit in the fiscal year 2023 Annual Audit Plan. This audit was conducted to identify and examine the operational process for receiving Federal and State Asset Forfeitures in the Durham County Sheriff's Office (DCSO).

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 the audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.[1]

Performance audits are defined as audits that provide findings or conclusions based on an evaluation of sufficient, appropriate evidence against criteria. Performance audits provide objective analysis to assist management and those charged with governance and oversight in using the information to improve program performance and operations, reduce costs, facilitate decision-making by parties responsible for overseeing or initiating corrective action, and contribute to public accountability.[2]

BACKGROUND

Federal Forfeitures

The U.S. Attorney General is authorized (but not required) to transfer federally forfeited assets to state and local law enforcement agencies that have participated in cases leading to seizure or forfeiture of assets. The Durham County Sheriff's Office (DCSO) must follow *the Guide to Equitable Sharing for State, Local, and Tribal Law Enforcement Agencies* (The Guide), issued by the US Department of Justice (DOJ) and the US Department of the Treasury (DOT), to maintain eligibility.

The DOJ and DOT are separate government agencies with two different forfeiture funds. However, *The Guide to Equitable Sharing for State, Local, and Tribal Law Enforcement Agencies* applies to both Programs. The DOJ and DOT may make further decisions and issue guidance independent of the Guide to ensure the integrity of the Program.[3]

Federal law authorizes the Attorney General and the Secretary of Treasury to share the federally forfeited property with participating state and local law enforcement agencies.[4]

The Guide describes the required financial, administrative, and audit procedures and controls that must be in place. The Senior Administrative Officer and other staff use this document to ensure they stay eligible. DCSO may request an equitable share of the federally forfeited property via the

[1] Comptroller General of the United States, *Government Auditing Standards*, Washington D.C.: U.S. Governmental Accountability Office, 2018, p.194.

[2] Comptroller General of the United States, *Government Auditing Standards*, Washington D.C.: U.S. Governmental Accountability Office, 2018, p.217.

[3] The Guide to Equitable Sharing for State, Local, and Tribal Law Enforcement Agencies, page 1. 2018

[4] 21 U.S.C. § 881(e)(1)(A), 18 U.S,C, § 981(e)(2), 19 U.S.C. § 1616a; 31 U.S.C. 9705 § (b)(4)(A) and (b)(4)(B),

Equitable Sharing Request form (DAG-71, used for DOJ cases) or Treasury TD F 92-22.46 form (TD F, used for DOT cases).

Participation in investigations with one of the following agencies may result in equitable sharing that DOJ Forfeiture Funds pay.

DOJ participating agencies and components include:

Bureau of Alcohol, Tobacco, Firearms, and Explosives (ATF)

Drug Enforcement Administration (DEA)

Federal Bureau of Investigation (FBI)

U.S. Department of Agriculture – Office of Inspector General (USDA-OIG)

U.S. Department of Defense – Defense Criminal Investigative Service (DCIS)

U.S. Department of State – Bureau of Diplomatic Security (DSS)

U.S. Food and Drug Administration – Office of Criminal Investigations (FDA-OCI)

U.S. Postal Inspection Service (USPIS)

Participation in investigations with one of the following agencies may result in equitable sharing that DOT Forfeiture Funds pay.

DOT participating agencies and components include:

U.S. Immigration and Customs Enforcement – Homeland Security Investigations (HSI)

Internal Revenue Service – Criminal Investigation (IRS-CI)

U.S. Secret Service (USSS)

U.S. Customs and Border Protection (CBP)

State Unauthorized Substances Tax Background

Article V Section 2(1) of the North Carolina Constitution grants State and local taxation power. Only the General Assembly can classify property for taxation and does so on a State-wide basis.[5] Under this power, the General Assembly has created General Statute Section 105, titled "The Revenue Act." The purpose of Chapter 105 is to raise and provide revenue for the necessary uses and purposes of the government and the State of North Carolina.[6] Within Chapter 105 is Article 2D, which addresses Unauthorized Substances Taxes. The purpose of Article 2D is to levy an excise tax to generate revenue for State and local law enforcement agencies and the State General Fund.[7]

[5] North Carolina Constitution Article V Section 2(1)
[6] NC General Statute Chapter 105
[7] NC General Statute 105-113.105

Local law enforcement agencies and State law enforcement agencies must report to the NC Department of Revenue (DOR) within 48 hours after seizing an unauthorized substance or arresting an individual in possession of an unauthorized substance. This is done with Form BD-4.

Information obtained by the DOR while administering this tax is confidential tax information subject to the provisions of General Statute 105-259.[8]

Seventy-five percent of unencumbered tax proceeds collected by assessment will be distributed to the State or local law enforcement agency that investigated a dealer that led to the assessment. This portion is split if multiple State or local law enforcement agencies were involved in the investigation. The remaining twenty-five percent of unencumbered tax proceeds will go to the State General Fund.[9] Penalties and interest collected are not included in the seventy-five percent distribution to the participating agency. These are considered "civil penalties," and the State pays this portion to public schools.[10]

AUDIT OBJECTIVE

The audit objectives were to determine whether: (1) Internal controls provide reasonable assurance that funds/assets received from Federal or State forfeitures are managed in compliance with Federal and State statutes and regulations, as well as internal guidelines, (2) Any relevant corrective actions from previous audits have been appropriately addressed, (3) Written policies sufficiently explain the department's policies and procedures regarding funds/assets received from Federal or State forfeitures, and those policies are consistently followed, (4) Related journal entries are entered and reviewed timely and appear accurate, (5) Funds received from Federal, or State forfeitures were spent in accordance with all regulations and guidelines, (6) All required forms were submitted timely and appear accurate, and (7) Document retention requirements are being met.

AUDIT SCOPE AND METHODOLOGY

The audit scope included activities completed during fiscal years 2020 through 2021 (7/1/19 - 6/30/21). To conduct our audit, we:

1. Reviewed documented policies and procedures as well as federal, state, and internal reports, spreadsheets, and forms.
2. Researched and reviewed regulations related to Federal and State Asset Forfeiture.
3. Inquired of management regarding any investigations or legal proceedings of potential fraud.
4. Inquired of program managers concerning Federal and State Asset Forfeiture processes.

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[8] NC General Statute 105-113.112
[9] NC General Statue 105-113.113
[10] AG Letter July 28, 2008; wp B.1.12

We established testing criteria by using The Guide, NC General Statutes, and other information obtained through discussion with relevant staff. We performed testing over federal and state revenues and expenditures, as well as the annual Federal ESAC (Equitable Sharing Agreement and Certification) form. Due to small population sizes, we performed testing over 100% of revenues and expenditures recorded for the two years under audit, as well as both annual ESAC forms submitted for these years.

CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

Overall, Internal Audit found that procedure documentation, annual form accuracy and supporting schedules, and timeliness of revenue entry posting need improvement. In addition, we found other areas that the Sheriff's Office can improve relating to Federal and State Asset Forfeiture. Internal Audit identified findings and discussed conclusions and recommendations below.

Separate Accounting Codes

Federal forfeitures are comingled in a single cost center. *The Guide to Equitable Sharing for State, Local, and Tribal Law Enforcement Agencies*, issued by the US Department of Justice and the Department of the Treasury, requires that agencies "Establish separate Department of Justice and Department of the Treasury accounts or accounting codes to track both revenues and expenditures for each respective Program. No other funds may be commingled in these accounts or with these accounting codes." In addition, it was determined after speaking with a DOJ representative that the inclusion of additional descriptions with journal entry memos or text fields is not sufficient separation between Department of Justice and Department of the Treasury revenues and expenditures. Comingling of funds is not compliant with Federal requirements and could cause the agency to be ineligible to continue receiving funds from this program.

Recommendation: We recommend that an additional cost center be created and that each of the two Federal cost centers are assigned to only one Federal Department – Department of Justice or Department of the Treasury.

Management Response:

<u>County Finance</u> –

After Finance completed our due diligence, County Finance is in agreement with the recommendation.

Finance downloaded the complete "Guide to Equitable Sharing for State, Local, and Tribal Law Enforcement Agencies" provided by the U.S. Department of Justice and the U.S. Department of the Treasury. This guide had not been provided to County Finance. Finance then reviewed the entire guide to ensure we understood the terms, restrictions, reporting requirements, etc. regarding the federal forfeiture restricted funding source for local law enforcement agencies in order to adequately respond to this comment/finding.

Per the guide: "Separate accounts or account codes must be established for Department of Justice and Department of the Treasury funds."

County Finance's interpretation of this was that there should be "either" two separate bank accounts or separate general ledger (g/l) account codes. Finance's initial opinion was to set up two separate bank accounts so that the interest earned would go to the correct agency (e.g., U.S. Department of Justice (DOJ) or the U.S. Department of the Treasury (Treasury) without an additional cost center being needed because the activity would be separated at the bank account detail transactions per each bank account.

However, after further thought, County Finance's opinion is to create two separate bank accounts as well as an additional cost center. This is because of the issues noted in this internal audit from previous fiscal years that Finance's additional recommendation would further reduce the risk of any error in postings to the g/l (e.g., posting DOJ revenues and/or expenditures to Treasury or vice versa). With the additional bank account as well, the Sheriff's Office assigned staff can match the bank account activity to the postings to that particular cost center in the g/l as an added "checks and balances" in their monthly bank reconciliation to ensure/confirm that has not occurred. This would be an added internal control/safeguard to ensure appropriate spending, accounting and financial reporting of both federal forfeiture funding sources.

In addition, the guide includes:
"Department of Justice and Department of the Treasury equitable sharing funds must be tracked and maintained separately."

County Finance's opinion is that it will be more difficult for the Sheriff's Office to track and maintain separately in one bank account even with having two separate cost centers.

However, County Finance will defer to the Sheriff's Office regarding having two separate bank accounts. If the Sheriff's Office staff is in agreement with two bank accounts, then, in the implementation of this process, it will be the responsibility of Sheriff's Office staff to determine in the existing balance of these unspent funds, what amount is DOJ and what amount is Treasury. Also, updated ACH forms will need to be sent to each federal agency.

In addition to County Finance's Response:
Section VII. What Are the Reporting and Audit Requirements?
C. Audit Requirements

Per this section:
"State and local law enforcement agencies that receive equitable sharing must comply with the applicable Single Audit Act Amendments of 1996 and OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards or any subsequent updates to this guidance. Per those guidelines, state or local governments that expend more than the applicable threshold in federal 24 | Guide to Equitable Sharing funds (e.g., Department of Justice and/or Department of the Treasury equitable sharing funds, grants, cooperative agreements) per fiscal year are required to conduct an independent audit. Department of Justice and Department of the Treasury equitable sharing funds are direct payments for specified use. Auditors should consult the Catalog of Federal Domestic Assistance (CFDA) number 16.922 for Department of Justice equitable sharing funds and CFDA number 21.016 for Department of the Treasury equitable sharing funds to determine applicable audit guidance. Expenditures of these funds must be included on the jurisdiction's Schedule of Expenditures of Federal Awards (SEFA) as federal financial assistance."

After review of this guide, County Finance looked in both the g/l and the Compliance Reports and this federal financial assistance funding has never been coded to grant master data within the County g/l. No grant master data for this federal financial assistance funding has ever been created in the Grants Management (GM) Module in the County's ERP financial system and there has never been a request from the department (e.g., Sheriff's Office) to do so. Part of the County's award process is once a department is awarded a federal or state award or grant, it is the department's responsibility to notify the Compliance Division in Finance to create the master data and to post that activity to the correct grant when posting the financial activity of revenues and expenditures to the County's g/l and to provide a copy of the award letter. The County's single audit, preparation of the SEFA and Compliance Report is performed utilizing (e.g., exporting) the financial activity for the entire County from the g/l and inclusion based on grant master data postings.

Therefore, going forward:

- Both the federal and state forfeiture funding should have grant master data created working in conjunction with County Finance staff in the Compliance Division of Finance.
- Sheriff's Office staff should receive training regarding the recording of grant financial activity to both the revenue and expenditure g/l accounts to ensure that both the Sheriff's Office and the County are compliant regarding not just use of the funds but also the reporting on the County's annual SEFA.

County Finance staff can work with the Sheriff's Office staff and provide this training once the Sheriff's Office contacts County Finance and the training is scheduled.

<u>Sheriff's Office</u> –

Management agrees with the finding, and we have taken the following actions prior to the submission of this Management response.

1. A formal request was made to Durham County Finance on November 16, 2022, to create an additional cost center with the naming convention of SHRF DOJ Fed Forfeitures.

2. A formal request was made to Durham County Finance on November 16, 2022, to rename the existing cost center to SHRF TREAS Fed Forfeitures.

3. Informed staff to begin separating deposits into each cost center accordingly once the additional cost center is created. In addition, staff was directed to include the new procedure of separating deposits into the appropriate cost center into the new procedure manual for asset forfeitures within 90 days of this response.

Interest

Neither the Durham County Sheriff's Office nor County Finance is allocating interest earned on forfeiture funds back to the asset forfeiture G/L accounts. *The Guide to Equitable Sharing for State, Local, and Tribal Law Enforcement Agencies*, issued by the US Department of Justice and the Department of the Treasury, requires that agencies "Deposit all interest earned on equitable sharing funds into the respective account or accounting code. All interest is subject to the same use restrictions as equitable sharing funds. Losses to funds maintained in investment accounts in accordance with the jurisdiction's policies may not be allocated to or deducted from the equitable sharing account." Not allocating interest is not compliant with Federal requirements and could cause the agency to be ineligible to continue receiving funds from this program.

Recommendation: We recommend that the Durham County Sheriff's Office open a separate bank account for forfeiture funds so that interest may be appropriately allocated.

Management Response:

County Finance –
After Finance completed our due diligence, County Finance is in agreement with the recommendation.

Per the guide:
"Separate accounts or account codes must be established for Department of Justice and Department of the Treasury funds."

In addition, the guide includes:
"Department of Justice and Department of the Treasury equitable sharing funds must be tracked and maintained separately."

County Finance's opinion and additional recommendation is to create two separate bank accounts as well as an additional cost center. This is because of the issues noted in this internal audit regarding previous fiscal years that Finance's additional recommendation would further reduce the risk of any error in postings to the g/l (e.g., posting DOJ revenues and/or expenditures to Treasury or vice versa). With the additional bank account as well, the Sheriff's Office assigned staff can match the bank account activity to the postings to that particular cost center in the g/l as an added "checks and balances" in their monthly bank reconciliation to ensure/confirm that has not occurred. This would be an added internal control/safeguard to ensure appropriate spending, accounting and financial reporting of both federal forfeiture funding sources.

County Finance's opinion is that it will be more difficult for the Sheriff's Office to track and maintain separately in one bank account even with having two separate cost centers.

However, County Finance will defer to the Sheriff's Office regarding having two separate bank accounts. If the Sheriff's Office staff is in agreement with two bank accounts, then, in the implementation of this process, it will be the responsibility of Sheriff's Office staff to determine in the existing balance of these unspent funds, what amount is DOJ and what amount is Treasury. Also, updated ACH forms will need to be sent to each federal agency.

<u>Sheriff's Office</u> –

We agree with the finding and as a result of this finding, on November 16, 2022, DCSO made a formal request to Durham County Finance to open a separate bank account so that interest could be appropriately allocated. In addition, staff has been informed of the requirement and will begin making interest allocations once the bank account is operational and bank statements are received. The forfeiture procedure manual will be updated to include the steps to properly account for the interest earned on forfeiture funds within 90 days of this response.

Annual ESAC Form

Annual ESAC forms submitted for fiscal years 2020 and 2021 report beginning balances and funds spent that do not agree to financial data reported in SAP. In addition, there are no supporting schedules to justify the data reported. We also noted that the budget amount reported on the fiscal year 2020 form does not agree to the approved budget noted in the County budget for that year. We did note that there has been turnover in the position responsible for completing this form each year. That, combined with a lack of sufficiently documented policies and procedures, led to inconsistencies and uncertainties in the reporting of financial data for this program. The information submitted on these forms must be accurate. The Sheriff is also responsible for signing each form attesting that the information has been reviewed, is authorized to be submitted, and that the information is true and accurate to the best of his knowledge. Continued incorrect reporting to Federal agencies overseeing this program could be considered noncompliance and risks the agency being ineligible to continue receiving funds from this program.

Recommendation: We recommend that management review previously submitted ESAC forms (through at least 2017) to identify any discrepancies in the data reported. The forms should then be re-submitted to make any necessary corrections. This should be done in conjunction with the federal program representative to ensure no steps are missed and all corrections are accepted. In addition, we recommend that management create a process for the documentation of all data reported on the annual ESAC. If data does not tie to SAP or County Budget, supporting spreadsheets should be maintained to document how the numbers were calculated.

Management Response:

We agree with the auditor’s finding. As a result of this finding, the following actions have been taken to remedy the situation.

1. A review was conducted of previously submitted ESAC forms to identify any discrepancies in the data reported. Work has begun to make the necessary corrections.

2. The Federal program representative has updated the financial contact and the Agency Administrator has reassigned the ESAC Preparer role to the new Finance Manager.

The following actions will be taken in response to the recommendation from the audit. The following actions are:

1. Staff training on ESAC form submissions once access has been granted to the eShare Portal.

2. Resubmitting all ESAC forms with correct financial data within 90 days of this response.

3. Expansion of the policy and procedure manual to include the documentation of all data reported on the annual ESAC within 90 days of this response.

ESAC Electronic Signatures

There are no procedures regarding how to obtain the Sheriff and County Manager approval and e-signatures when completing the annual ESAC form. *The Guide to Equitable Sharing for State, Local, and Tribal Law Enforcement Agencies*, issued by the US Department of Justice and the Department of the Treasury, requires that "The ESAC must be reviewed and approved by the head of the law enforcement agency and a designated official of the governing body prior to submission…In no instance can any individual from the law enforcement agency sign as the governing body head." We also noted that in a 2015 internal audit of the same program, the suggestion was made to improve practices in regard to e-signatures. It was noted at the time that the e-signature concern had been addressed and steps taken to mitigate future occurrences. However, we noted that the staff person responsible for completing this form at the time of the audit was not aware of proper steps to take to obtain these approvals. We also noted that the staff person responsible for completing this form is able, due to the design of the Federal website portal, to click to indicate approval by the Sheriff or County Manager. A lack of documented and enforced policy surrounding e-signatures could lead to inappropriate sign-off on this annual form. This type of situation could risk the agency's eligibility to continue to receive funds from this program.

Recommendation: We recommend that management document, implement, and train relevant staff on e-signature policies and procedures in relation to the ESAC form.

Management Response:

We agree with this finding. A documented procedure regarding obtaining electronic signatures will be included in the policy and procedure manual created within ninety (90) days from the date of this response. This policy will include procedures regarding proper collection and handling of the form. The relevant staff will ensure that the completed ESAC form has been signed by the County Manager prior to submission.

State Revenue Entry Posting Timeliness

Eleven out of 24 (46%) deposits were not posted to SAP in a timely manner. In addition, supporting documentation (ACH deposit notification email) could not be located for one out of 24 (4%) deposits. Best practices require that all general ledger entries be recorded in a timely manner. While the DCSO does not have a documented policy in place for timeliness, in practice they consider this to be approximately three business days. Best practice also requires that supporting documentation be retained to maintain an audit trail. Delays in posting financial data risks forgotten transactions, incorrect postings, and incomplete County records.

Recommendation: We recommend that management formally document required timeliness and record retention in related policies and procedures. We also recommend that management conduct training with staff to ensure a complete understanding of these policies and procedures.

Management Response:

We agree with this finding. To address this finding, within 90 days of this response, we will formally document our process to include a policy for timeliness of three business days for all general ledger entries including ACH deposits. We will conduct a brief training with staff to ensure a complete understanding of these policies and procedures.

Written Procedures and Training

Staff who are new to their positions are not familiar with all aspects of executing the asset forfeiture programs. This is largely due to a lack of documented policies and procedures combined with turnover. Procedures which are lacking sufficient documentation include:

- County AP processes surrounding entering expenditures into SAP and the subsequent issuing of checks for Federal and State Asset Forfeiture purchases,
- Completion and submission of TD F, BD-4, DAG-71, and annual ESAC forms,
- Tracking of BD-4 forms and the subsequent warrants to ensure that warrants do not exceed the 10-year tax lien statute of limitations,
- Cash and asset handling procedures,
- Revenue entry posting,
- Auction procedures, and
- Document storage and retention.

The Guide to Equitable Sharing for State, Local, and Tribal Law Enforcement Agencies, issued by the US Department of Justice and the Department of the Treasury, requires that agencies "Maintain and follow written policies for accounting, bookkeeping, inventory control, and procurement that comply with the applicable provisions of the OMB Uniform Administrative Requirements, Costs, Principles, and Audit Requirements for Federal Awards or any subsequent updates and jurisdiction policies. Ensure distribution of relevant policies to all appropriate personnel." Best practice requires documentation of all business practices, processes, and policies. Management is responsible for designing appropriate types of control activities including training aimed at developing and retaining employee knowledge, skills, and abilities to meet current and changing organizational needs. A lack of sufficiently documented procedures and/or training risks inefficiencies and errors.

Recommendation: We recommend that management develop detailed written procedures that address all aspects of the program and hold formal training sessions to ensure that staff who are new to their positions can effectively and efficiently perform their duties as it relates to the asset forfeiture programs. We also recommend that management consider requesting training from and/or including representatives from both the Federal and State asset forfeiture programs to ensure that all aspects of the program are addressed and presented correctly.

Management Response:

Management acknowledges that there have been deficiencies in processes and training. Prior to the audit review, the Finance Manager requested formal training for the relevant staff from the Federal program representative. In addition to the request to the federal program representative, the Finance Manager sought the guidance from a tenured finance manager of another County Sheriff Office. A decision was made to establish meetings on a consistent basis to discuss best practices and process improvements. The meetings, along with the training for asset forfeitures will assist in the creation of the policy and procedure manual for asset forfeitures.

Forfeiture Funds Expenditure Approval

We noted two of 17 expenditures tested (12%) did not have documentation indicating they had been approved by the Sheriff to be spent from forfeiture funds. *The Guide to Equitable Sharing* section A.9 states “Ensure the law enforcement agency head, or designee authorizes all expenditures from the sharing accounts.” Best practice requires that approvals be documented. While we were able to confirm with the Sheriff that these funds had been approved, without documentation there is no proof that the review and approval occurred as required.

Recommendation: We recommend that management implement procedures to ensure that all purchases made with forfeiture funds include documented approval by the Sheriff or his designee prior to the spending of those funds. This approval may be documented on supporting files or via email.

Management Response:

We agree with this finding. Effective immediately, November 17, 2022, prior approval from the Sheriff is required on all purchases including those made with forfeiture funds prior to spending. AP staff will not process any purchase requisitions or pay any pending invoices without the Sheriff’s written approval.

Record Retention Policy Documentation

The "Record Retention and Disposition Schedule" states that federal forfeiture records are to be destroyed after three years. However, The Guide states that "State and local law enforcement agencies must retain all documents and records pertaining to their participation in the Program for a period of at least five years. Such documentation includes, but is not limited to, receipts and procurement documentation for all expenditures of shared funds, bank statements, Forms DAG-71 and TD F, ESACs, accounting and bookkeeping documents, logs and records, bank records and statements, and audit reports." Without properly documented retention policies, the DCSO risks disposing of files that are required to be maintained. If the Department is not in compliance with program requirements as listed in The Guide, it risks ineligibility to continue receiving program funds.

Recommendation: We recommend that management maintain a retention policy in line with the requirements in The Guide.

Management Response:

We agree with this finding. To address this finding, the agency will include a record retention policy in the asset forfeiture procedure manual to satisfy this requirement. In addition, archived files will be labeled with the appropriate shred date to ensure timely destruction of documents.