

**POLICE DEPARTMENT
REVIEW OF FEDERAL FORFEITURE PROCEEDS**

**Office of Public Integrity
Date: August 7, 2013**

I. EXECUTIVE SUMMARY

The Office of Public Integrity (OPI) examined accountability of federal forfeiture proceeds, related internal controls, and compliance with federal, City, and Rochester Police Department (RPD) policies. The results of this review indicate, in general, adequate internal control procedures over federal forfeiture proceeds and compliance with prescribed policies. However, we noted the following finding that requires management attention to improve administrative and internal control and to ensure compliance with federal policies.

- ◆ OPI noted that RPD personnel do not match forfeiture funds that they receive to a specific case. As a result, it is often not possible to know the status of each case or the amount of forfeiture funds that RPD is expecting but has not yet received. The primary reason for this is that the U.S. Marshals Service does not always provide RPD with enough information to match payments with a specific case. RPD personnel indicated that beginning July 1, 2013, the U.S. Marshals Service will include additional information for each payment that they submit to the City. This should enable RPD personnel to better be able to match payments to specific cases.

II. BACKGROUND, OBJECTIVES AND SCOPE

A. Assignment

The Office of Public Integrity routinely reviews cash handling procedures and compliance with prescribed policies within City departments. We performed the last review of this area in 2001.

B. Background

In 1984 the federal government passed the Comprehensive Crime Control Act which allows the government to seize assets in particular types of criminal cases. One of the provisions of this law allows the sharing of federal forfeiture proceeds with cooperating state and local law enforcement agencies. In April 2009, the Office of the Deputy Attorney General issued Guide to Equitable Sharing of Federally Forfeited Property for State and Local Law Enforcement Agencies (hereinafter referred to as the Guide). The Guide outlines the basic principles and requirements of federal forfeitures including minimum monetary thresholds, ways in which an agency can participate, how to apply for an equitable share, how to calculate the sharing percentages, required accounting procedures, required internal controls for assets received, and allowable uses of assets received.

For the period July 1, 2011 through December 31, 2012 the Police Department received 77 federal forfeiture wire transfers totaling \$272,078. Additionally, at June 30, 2013, the amount in the RPD forfeiture fund was \$445,434.

Rochester Police Department Administrative Order A-17 regulates the Department's process for expending forfeiture funds. This Order requires a Forfeiture Expenditure Committee to examine all expenditure requests. The committee consists of the Executive Deputy Chief, the Deputy Chiefs of Operations and Administration, the Commander of the Special Operations Division, the Commanding Officer of Research and Evaluation, the Budget Director, and the Commanding Officer of the Special Investigation Section. The Committee forwards, for approval, a recommended expenditure package to the Chief of Police, Management and Budget and the Mayor prior to submission to City Council.

For the period July 1, 2011 through December 31, 2012, police personnel expended federally forfeited funds totaling \$319,989 for law enforcement purchases. Additionally, during each fiscal year, the Police Department legally utilizes forfeited funds of \$100,000 for police overtime.

C. Objectives and Scope

The objectives of the review were to evaluate cash accountability, internal controls over federally forfeited assets and compliance with federal, City, and departmental policies. The review included evaluation of the internal control procedures applicable to cash collections, and the Police Department's compliance with the Guide to Equitable Sharing of Federally Forfeited Property for State and Local Law Enforcement Agencies, City Cash Handling Policies, and Police Administrative Order A-17 (Forfeiture Expenditures).

OPI examined records of all forfeiture assets received and expended by RPD for the period July 1, 2011 to December 31, 2012. During this period, RPD was involved in 92 seizure cases and forwarded to federal agencies 87 requests for forfeited property totaling \$1,667,268 in cash and \$613,074 in property.

Management is responsible for establishing and maintaining a system of internal accounting and administrative control. Fulfilling this responsibility requires estimates and judgments by management to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with

management's authorization and recorded properly to permit the preparation of accurate, informative reports that are fairly stated.

Because of inherent limitations in any system of internal accounting and administrative control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any system evaluation to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with procedures may deteriorate.

The recommendations presented in this report include the more significant areas of potential improvement that came to our attention during the course of the examination, but do not include all possible improvements that a more extensive review might develop.

III. RESULTS OF REVIEW

The results of the review indicate that, in general, the Police Department is in compliance with federal and local policy requirements, and that internal controls over forfeiture funds appear adequate. However, we noted one deficiency that requires management attention to improve administrative and internal control and to ensure compliance with federal policies.

A. Forfeiture Receipts Not Matched to Specific Cases

In order to receive funds from federal forfeitures, RPD personnel complete a Form DAG-71, Application for Transfer of Federally Forfeited Property, and submit it to the federal seizing agency which is usually the U.S. Marshals Service. RPD personnel assign a case number to each DAG-71 that they submit and maintain a list of these cases. This list includes the amount they expect to receive from each forfeiture.

Tracking the status of each case is an important control component to help ensure that funds are received and properly accounted for. Failure to adequately track the status of a case creates a situation in which the City is not aware of funds that it is due but has not yet received. Additionally, the Guide to Equitable Sharing for State and Local Enforcement Agencies states "All participating state and local enforcement agencies must implement standard accounting procedures and internal controls (e.g. tracking share requests and receipts, electronically depositing shares into separate revenue account or accounting code) to track equitably shared monies and tangible property".

OPI noted that RPD personnel do not match forfeiture funds that they receive to a specific case. As a result, it is often not possible to know the

status of each case. There are several factors that have contributed to this situation including:

1. The U.S. Marshals Service assigns a federally issued DAG number to each case it receives and they use this DAG number in all subsequent correspondence with the City. The U.S. Marshals case number assigned by the City is not included in this correspondence.
2. RPD personnel estimate the amount that they expect to receive from each case. However, the federal seizing agency frequently deducts additional fees and charges. Therefore, the amount the City ultimately receives does not always agree with the amount expected.
3. There is usually a significant amount of time between the City's submission of a DAG-71 and the receipt of the related forfeiture funds.

As a result of these factors, it is difficult for RPD personnel to reconcile forfeiture funds that they receive to a specific case.

RPD personnel indicated that beginning July 1, 2013, the U.S. Marshals Service will include the defendant's name for each payment that they submit to the City. This should enable RPD personnel to match payments to specific cases.

◆ Recommendation

RPD personnel should match all federal forfeiture payments they receive to a specific case. If the information received from the federal seizing agency is not enough to match the payment to a case, then RPD personnel should contact the agency for additional information.

V. DEPARTMENTAL RESPONSE

The Police Department response to this report begins on the next page.



**City of Rochester – Police Department
Inter-Departmental Correspondence**

TO: Anthony Grugnale, Office of Public Integrity

FROM: James M. Sheppard, Chief of Police

DATE: July 25, 2013

SUBJECT: Review of Federal Forfeiture Procedures

We have reviewed the result of the review of federal forfeiture procedures conducted by the Office of Public Integrity (OPI). The report notes one finding, that forfeiture receipts are not matched to specific cases.

We are now receiving a unique case identification number, and the defendant's name, with all forfeiture funds received from the U.S. Marshal's Service. This will enable us match payments to specific cases.

If you have any further questions, or require additional information, please feel free to contact me.

