



WHY WE DID THIS AUDIT

This audit was requested by the Scottsdale Police Department (SPD) to assist with verifying unresolved differences in the fund balances and meeting federal reporting requirements. The audit evaluated the effectiveness of controls over the reporting of federal forfeiture funds, including the accuracy and completeness of the reported amounts.

BACKGROUND

The Equitable Sharing Program allows asset forfeiture proceeds resulting from federal cases to be shared with state, local, or tribal law enforcement agencies that participated in the related investigation.

Two federal asset forfeiture programs administer equitable sharing funds: **Department of Justice** and **Department of Treasury**. Each year SPD reports program activity on the **Equitable Sharing Agreement and Certificate (ESAC)**.

Scottsdale PD's federal forfeiture funds are maintained by the **Maricopa County Attorney's Office (MCAO)** in accordance with state laws. Funds are transferred to the City through an application for reimbursement of expenses.

Ongoing differences between information reported on the ESAC and MCAO account balances have resulted in a hold on deposits of SPD's share of federal forfeitures.

AUDIT HIGHLIGHTS

August 2024

Police Equitable Sharing Program Financial Reporting

Audit No. 2415

WHAT WE FOUND

Past ESAC reports have not accurately reflected the funds' balances, revenues, and expenditures. Improved controls are needed to prevent future errors.

For the period between FY 2015/16 through FY 2023/24, City records of federal forfeiture expenditures and reimbursements matched transactions reported by MCAO. However, amounts reported on the ESAC by SPD during this same period contained inaccuracies:

- Overall, Justice program interest income was over-reported by \$4,151 and Treasury interest was under-reported by \$4,334.
- Expenditures totaling \$48,550 were not reported, though reimbursed by MCAO, and another \$24,000 was reported under the wrong federal program.
- MCAO corrections to forfeiture allocations were incorrectly reported on the ESAC, resulting in over-reporting of Justice forfeitures by \$37,351 and under-reporting of Treasury by \$12,283.

Improvements to SPD's reconciliation process are needed to minimize errors.

Separately accounting for each federal program's activity, as required by the Equitable Sharing Program, would help ensure more accurate reporting.

The City's accounting of federal forfeiture revenues and expenditures combine Justice and Treasury program activity, making accurate reporting for these federal programs more difficult.

WHAT WE RECOMMEND

We recommend the Police Department:

- Work with the federal forfeiture programs to correct past reporting of fund revenues and expenditures as needed.
- Update the asset forfeiture tracking worksheets to require reconciliation to MCAO reports and additional documentation.
- Work with Accounting to update financial system codes to improve program reporting.