



MEMORANDUM

TO: CITY OF BAY ST. LOUIS

FROM: MAYOR LES FILINGAME

DATE: TUESDAY, NOVEMBER 24, 2015

SUBJECT: DEPARTMENT OF JUSTICE REVIEW UPDATE AND ATTACHMENTS

The Bay St. Louis Police Department receives asset forfeiture funds from the Department of Justice (DOJ). These proceeds can be used from unbudgeted police department expenses. The City is also required to complete and submit an Equitable Sharing Agreement Certificate (ESAC) on an annual basis which outlines proceeds received and purchases made with the DOJ funds. The proceeds received and spent should be included in the City's annual financial audit as part of the Single Audit. However, certain requirements were inadequately reviewed during prior years' audits, and the City, as directed by the DOJ, will engage a third-party to independently review and reconcile the DOJ funds equitable sharing account.

To fulfill the requirements of the Department of Justice, the City is currently seeking qualified third-parties to review and reconcile the DOJ fund equitable sharing account.

In an effort to keep the City informed, please see the attached correspondence from the Department of Justice concerning the corrective actions.

Attachments:

- 1 – Communication from the DOJ to the Chief of Police expressing thanks for the City's cooperation during the review, and
- 2 – Corrective Actions

Katherine Smith

From: AFMLS.ESRT [AFMLS.ESRT@usdoj.gov]
Sent: Thursday, November 05, 2015 5:13 PM
To: b2denardo@bellsouth.net
Cc: Murphy, Crystal (CRM); ksmith@baystlouis-ms.gov
Subject: City of Bay Saint Louis Police Department - Do-Not-Spend Corrective Actions

Importance: High



DOJ Equitable City of Bay Saint
Sharing Program .. Louis Do Not...

Dear Chief De Nardo,

We appreciate your agency's cooperation throughout the review of the City of Bay Saint Louis Police Department (BSLPD). In response to your question, please refrain from submitting your Equitable Sharing Agreement and Certification form until after your agency has performed its required corrective actions.

On November 2, 2015 the BSLPD was placed under a Do Not Spend (DNS) restriction prohibiting spending, obligating, or committing any equitable sharing funds until the corrective actions are performed. Please refer to the attached file for the rationale for the DNS Letter and the required corrective actions to have the DNS status rescinded. Once all corrective actions are implemented and verified by AFMLS, the current DNS Letter will be rescinded. At that time, BSLPD will be returned to a compliant status and may obligate, transfer, and commit equitable sharing funds in accordance with the Guide, updated guidance issued on July 30, 2014, and Equitable Sharing Wires. In addition, distributions of DOJ equitable sharing funds will occur should you have disbursements pending.

Attached you will find a copy of a best practice policy and procedures to be used as guidance.

Please note that the compliance review report is being finalized and this serves a preliminary list of findings and recommendations for your Agency to begin corrective actions. When the final report is issued, there may be additional finding or corrective actions required.

Please provide all requested documentation in one complete package by December 4, 2015 to the Equitable Sharing Review Team at AFMLS.ESRT@usdoj.gov<mailto:AFMLS.ESRT@usdoj.gov>.

If you have any questions, please contact Brian Boykin, Equitable Sharing Program Manager by phone at 202-598-2306 or by email at Brian.Boykin@usdoj.gov<mailto:Brian.Boykin@usdoj.gov>.

Sincerely,

The Equitable Sharing Review Team

Equitable Sharing Review Team

U.S. Department of Justice
Asset Forfeiture and Money Laundering Section
www.justice.gov/criminal/afmls<<http://www.justice.gov/criminal/afmls>>

From: Mike DeNardo [mailto:b2denardo@bellsouth.net]

Sent: Tuesday, November 3, 2015 2:54 PM
To: Boykin, Brian <Brian.Boykin@CRM.USDOJ.GOV<mailto:Brian.Boykin@CRM.USDOJ.GOV>>
Subject: Yearly certification
Importance: High

Brian,

Received the letter I do have a question our yearly certification agreement is due. Should I submit it or wait until review is finished, and if I do should I use the funds reported ending last year at starting for this FY.

Thanks
Mike

Michael J. De Nardo
Chief of Police
City of Bay St. Louis, Mississippi
698 Highway 90
Bay St. Louis, Ms. 39520
Work 228-466-5476
Fax 228-466-5510
e-mail b2denardo@bellsouth.net<mailto:b2denardo@bellsouth.net>
mdenardo@baystlouis-ms.gov<mailto:mdenardo@baystlouis-ms.gov>

U.S. Department of Justice
Criminal Division

Asset Forfeiture and Money Laundering Section

City of Bay Saint Louis Police Department (BSLPD) Do Not Spend Letter - Corrective Actions (NCIC: MS0230200)

Rationale and Risks for Do-Not-Spend	Relevant Clause in Guide to Equitable Sharing	Required Corrective Actions
<p>Office of Management and Budget (OMB) Circular A-133 Non-Reporting: Equitable sharing fund expenditures were not reported in the Schedule of Expenditures of Federal Awards (SEFA) in all A-133 audits</p>	<p>Pursuant to Section X.B of the Guide, state and local law enforcement agencies that received federally shared cash, proceeds, or tangible property are required to perform an audit consistent with the Single Audit Act Amendments of 1996 and OMB Circular A 133. Equitable Sharing Program expenditures should be accurately included in the governing body's Single Audit and listed on the SEFA, if applicable. In addition, expenditures from the DOJ equitable sharing funds must be listed separately from the U.S. Department of the Treasury (Treasury) equitable sharing funds and all other federal funds.</p>	<p>Agency Requirement: DOJ equitable sharing funds must be accurately reported under Catalog of Federal Domestic Assistance (CFDA) program number 16.922. The agency must update its policies and procedures to ensure that these funds will be reported correctly in the future. These policies and procedures must be approved and signed by the Agency Head, or designee, and the Jurisdiction Finance Point of Contact. The agency must provide a copy of these updated policies and procedures to AFMLS for review.</p>
<p>Impermissible Commingling of DOJ Equitable Sharing Funds: The agency accounted for revenues and expenditures of DOJ equitable sharing funds along non-equitable sharing funds in a single general ledger account within the State's financial system. This accounting practice diminishes the effectiveness of the agency's controls and accounting operations and results in the misstatement of financial reports and the inability to accurately differentiate DOJ expenditures from expenditures paid with other funding sources.</p>	<p>Pursuant to Section IX.A.1 of the Guide, a state or local participating law enforcement agency must establish a separate revenue account or accounting code through the agency's finance department for the proceeds from the Department of Justice Equitable Sharing Program. This account or accounting code will be used solely for funds from the Department of Justice Equitable Sharing Program. No other funds may be included in this account or with this accounting code. In addition, pursuant to Section IX.A.2 of the Guide, state and local law enforcement agencies must not commingle DOJ equitable sharing funds with funds from any other source.</p>	<p>Agency Requirement: AFMLS requires that the agency have an independent review and reconciliation performed on its DOJ equitable sharing account. AFMLS considers an independent reviewer to be external to the Entity responsible for managing or maintaining the agency's equitable sharing funds. DOJ equitable sharing funds to hire a third-party independent auditor is a permissible use of funds.</p> <p>The purpose of the review is to provide a reconciliation of the equitable sharing account balances for each fiscal year that should have been maintained separate from any other funding source and provide an update to the agency's equitable sharing revenues and expenditures reported to AFMLS in prior years. A percentage of revenue is not an approved methodology for reconciliation as the expenditure transactions for the years under review should be assigned to a specific DOJ funding source. In addition, AFMLS requires the retention of all records related to the Program for five years.</p> <p>Additionally, the current year's DOJ equitable sharing bank statement balances must be confirmed and reconciled to the DOJ general ledger utilizing a formal bank confirmation or a verified bank reconciliation. The independent reviewer should use a formal bank confirmation or an authorized bank reconciliation as evidence that the new beginning balance is accurate and supported by the actual cash available in the bank account. Please provide bank balance support (bank account reconciliations and/or bank statements) for the DOJ equitable sharing fund bank accounts.</p> <p>Upon completion of the review, for all fiscal years reviewed by the independent third party, the agency must provide (1) amended ESACs and supporting general ledger reconciliations, and (2) bank confirmation supporting the current equitable sharing balance including confirming the new DOJ equitable sharing balance after the commingling issues have been rectified.</p>

U.S. Department of Justice
Criminal Division

Asset Forfeiture and Money Laundering Section

Rationale and Risks for Do-Not-Spend	Relevant Clause in Guide to Equitable Sharing	Required Corrective Actions
<p>Approval of Expenditure Internal Control Deficiency: The agency did not consistently follow internal policies related to documenting the proper approval for expenditures.</p>	<p>Pursuant to Section VIII.A of the Guide, use of equitable sharing funds are subject to the laws, rules, regulations, and orders of the state or local jurisdiction governing the use of public funds available for law enforcement purposes. Additionally, the agency head must authorize all expenditures from the federal sharing revenue account.</p>	<p>Agency Requirement: The agency must follow the internal controls set forth in its procurement policies including the review and approval of all expenditures by the appropriate level of authority. Any future use of Program funds must be in compliance with the Guide and the agency's procurement policies.</p> <p>The agency must provide documentation that adequate controls are in place to ensure future authorization and approval of all expenditures of monies within the federal sharing account.</p> <p>In addition, AFMLS reserves the right to request re-payment/reimbursement for the impermissible expenditures at a later date.</p>
<p>Impermissible Expenditures: Expenditures spent with Department of Justice funds were not in accordance with Guide and were deemed impermissible.</p>	<p>Pursuant to Section IX.A.1 of the Guide, equitable shared funds shall be used by law enforcement agencies for law enforcement purposes only. Subject to laws, rules, regulations, and orders of the state or local jurisdiction governing the use of public funds available for law enforcement purposes, the expenses noted below are pre-approved as permissible uses of shared funds and property.</p> <p>Pursuant to Section V of the Interim Guide issued on July 30th, 2014, equitably shared funds must be used in accordance with this Guide for law enforcement purposes that directly supplement the appropriated resources of the recipient law enforcement agency.</p>	<p>Agency Requirement: The agency must update purchasing policies that ensure the authorizer of expenditures has fully read and understood the Guide and the permissibility around how the funds are spend, etc. The agency must provide AFMLS a copy of the updated policies approved and signed by the Agency Head, or designee, and the Finance Point of Contact to ensure Department of Justice equitable sharing funds will be spent in accordance with the Guide. The agency must provide evidence that policies were distributed to the affected personnel. In addition, AFMLS reserves the right to request re-payment/reimbursement for the impermissible expenditures at a later date.</p>
<p>Record Retention Internal Control Deficiency: The agency was not able to provide sufficient supporting documentation for several expenditures.</p>	<p>Pursuant to Section X.C of the Guide, the agency must retain all documentation pertaining to receipts and expenditures of Equitable Sharing Funds and tangible property for a period of at least five years. Additionally, the agency head must authorize all expenditures from the federal sharing revenue account. Any future use of Program funds must be in compliance with the Guide and the agency's procurement policies.</p>	<p>Agency Requirement: The agency must update document retention policies and procedures to ensure that all documentation pertaining to equitable sharing revenues and expenditures is retained for a period of five years. The agency must provide AFMLS with a copy of the created policies, approved and signed by the Agency Head, or designee, and the Jurisdiction Finance Point of Contact, and distributed to all relevant parties.</p>