



## DEPARTMENT OF THE TREASURY

UNDER SECRETARY FOR TERRORISM AND FINANCIAL INTELLIGENCE

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Charles Noblin, Jr.  
Sheriff  
Granville County Sheriff's Office  
143 Williamsboro Street  
Oxford, NC 27565

### **Re: Report on the Granville County Sheriff's Office Equitable Sharing Compliance Review**

Dear Sheriff Noblin, Jr.:

We have completed a review of the Granville County Sheriff's Office (GCSO) compliance with the requirements of the Department of the Treasury (Treasury) Equitable Sharing Program (Program). This correspondence contains the results of our review.

#### **Review Objectives**

The objectives of the review were to assess the GCSO's compliance with Program requirements.

#### **Review Approach**

The review covered operating practices, transactions and balances pertaining to the GCSO years ending in 2015, 2016, 2017, 2018 and 2019. The approach involved discussions with staff; reviewing internal controls; verifying equitable sharing receipts, expenditures and purchased assets; reconciling Equitable Sharing Agreement and Certification (ESAC) forms with the agency accounting records; and identifying any compliance issues and necessary corrective actions.

#### **Conclusions**

Our review identified the following issues related to the controls or procedures associated with management of equitable sharing funds. The issues identified, and the required corrective actions are as follows:

#### **Failure to Properly Account for Receipts/Expenditures**

#### **ESAC Issues**

The receipt and expenditure of Treasury equitable sharing funds must be accurately reported on the ESAC. In addition, state and local overtime (SLOT) reimbursements received by an agency pursuant to their participation in the Joint Operations Program are not to be confused with equitable sharing payments.

Our review found the following errors:

- The GCSO improperly deposited SLOT reimbursements to the agency's forfeiture bank account. This resulted in the improper reporting of three SLOT reimbursements, totaling \$1,631.69, as receipts on its Fiscal Year 2015 ESAC form and three additional SLOT reimbursements totaling \$1,729.59 as receipts on its Fiscal Year 2016 ESAC form.
- In fiscal year 2017, ESAC reported Treasury receipts were overstated by \$1,690.91.
- In fiscal year 2018, ESAC reported Treasury receipts (\$33,839.40) represent total deposits to the special bank account. However, these deposits consisted only of payments from the North Carolina Department of Revenue and the County of Granville.
- In fiscal year 2019, ESAC reported Treasury receipts (\$16,018.05) represent payments from the North Carolina Department of Revenue that were deposited into the special bank account.
- The fiscal year 2017 and 2019 ESAC forms reported Treasury expenditures totaling \$40,300.18 and \$54,911.19, respectively, all of which were made from the special bank account, which did not contain any Treasury equitable sharing funds. In addition, it appears that an accounting error added an additional \$2,000 to the 2017 total, resulting in a reported total of \$42,300.18 for that year.
- In Fiscal Year 2013, the GCSO failed to report Treasury equitable sharing funds received totaling \$22,531.45 and the agency overreported receipts in Fiscal Year 2014 by \$1,541.42.
- In Fiscal Years 2012 and 2013, the GCSO reported the expenditure of Treasury equitable sharing funds totaling \$56,455.50 and \$16,506.43, respectively, that cannot be verified.

**To correct for the above errors, the GCSO must report \$136,253.69 as "Other Income" on the next-to-be-filed ESAC form and describe the reason under "Other Income" on page two (e.g. to correct for errors identified by Treasury during review).**

### **Failure to Use Agency Official Financial Management System to Account for Treasury Equitable Sharing Funds**

### **Inadequate Segregation of Treasury Equitable Sharing Funds**

### **Failure to Properly Account for Interest Income**

Treasury policy requires that Treasury equitable sharing funds be maintained by the same entity that maintains the agency's appropriated funds and administers procurement actions. Bank accounts, checkbooks, purchase cards, and other financial instruments or documents must be maintained in the same manner as appropriated funds. Furthermore, Treasury funds must be segregated (via a unique account code) from all other funding sources within the agency's official financial management system. This requirement pertains to the tracking of

both revenue and expenditures. This accounting code should also be credited with any interest income generated by the funds.

Our review found that Department of Justice (DOJ) and Department of the Treasury equitable sharing funds are comingled in a single bank account and are not being tracked in the county's financial management system. Treasury funds were also comingled with state and local overtime reimbursements in this bank account. Furthermore, the sheriff, deputy sheriff and administrative assistant have signature authority over this bank account, and the GCSO failed to allocate any interest earned on the funds to Treasury in three of the five years reviewed.

In order to comply with Treasury policy, control over the bank account must be transferred to the county finance department, or that account should be closed and all Treasury funds should be received in the general account that is managed by the county. To account for these funds, the county must establish a unique accounting code in the agency's financial management system to track only transactions involving Treasury equitable sharing funds. The balance in this new account should be consistent with a June 30, 2019 balance of \$447,024.71.

**Please provide proof of these actions to this office. The GCSO must also compute the amount of interest income that should have been credited to the Treasury account and provide that accounting to this office. Once we have reviewed and accepted the amount computed, accounting adjustments and ESAC form corrections will need to be made to correct and transfer the interest income wrongly credited to the DOJ equitably shared funds.**

#### **Inability to Track Source of Funds Used to Purchase Assets**

Treasury policy requires that all participating state and local agencies implement standard operating procedures and internal controls to track the receipt and use of Treasury equitable sharing funds, tangible property received from federal agencies that participate in the Treasury Forfeiture Fund, and inventoriable assets purchased with Treasury equitable sharing funds. The agency's inventory system must identify the source of funds used to purchase an asset to ensure that proceeds from the sale of an asset that was purchased with Treasury funds be credited to the Treasury equitable sharing accounting code and the agency must be able to provide proof that regular inventories of assets were conducted.

During the review period, the GCSO did not maintain an inventory nor conduct a physical inventory.

**Please provide this office with confirmation that an inventory policy has been implemented, which includes annual physical inventories, and proof that the agency has implemented an inventory system that identifies and tracks the source of funds for capital assets.**

#### **Unspent Funds Held for a Prolonged Period Without Justification**

Treasury policy requires that Treasury equitable sharing funds be used in a timely manner.

As of June 30, 2019, the GCSO had a corrected unspent Treasury fund balance of approximately \$408,000.00 that has remained unspent for a material period of time.

**Please provide this office with a detailed spending plan for all unspent Treasury funds.**

#### **Potential Non-conforming Use of Equitable Sharing Funds**

Treasury policy states that while Treasury equitable sharing funds may be used **as reimbursement** to the jurisdiction for appropriated funds that have been used for confidential expenditures (e.g. informant payments, the purchase of evidence, buy-back programs, and “buy” money), Treasury funds may not be advanced to any employee for any purpose, and may not be used directly for confidential expenditures.

During the review period, the GCSO advanced special bank account funds to deputies to be used for confidential expenditures. Although our review found that the special bank account did not contain any Treasury funds, agency personnel believed that the account contained Treasury funds. **Please be aware that confidential expenditures cannot be paid directly with Treasury equitable sharing funds, nor can Treasury equitable sharing funds be advanced to an employee for any reason.**

**Within 60 days of the date of this letter, please provide this office with the requested information and documents. Until these issues have been resolved, the GCSO will remain in a do-not-spend status. As such, the agency is prohibited from spending or obligating any on-hand Treasury equitable sharing funds and is precluded from receiving any additional Treasury equitable sharing funds relating to investigations in which the agency participated.**

Thank you for the courtesy and cooperation extended to the reviewer. If you have any questions or would like additional guidance, please feel free to contact reviewer, Margaret Putman, at (301) 525-5102, or Jackie Jackson, TEOAF Equitable Sharing Program Manager, at (202) 622-2755.

Sincerely,

John M. Farley  
Director