

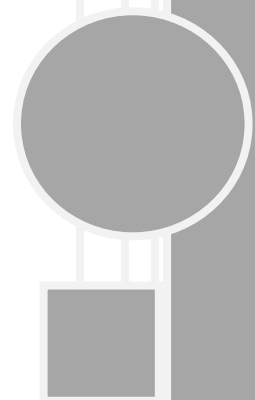


AUDIT REPORT

DALLAS COUNTY

DISTRICT ATTORNEY CHAPTER 59 STATE FORFEITURE - FY2020

Darryl D. Thomas
Dallas County Auditor
ISSUED: February 22, 2021
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DISTRICT ATTORNEY CHAPTER 59 STATE FORFEITURE - FY2020

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This report is intended for the information and use of the agency/department. While we have reviewed internal controls and financial reports, this review will not necessarily disclose all matters of a material weakness. It is the responsibility of the department to establish and maintain effective internal control over compliance with the requirements of laws, regulations, and contracts applicable to the department



DALLAS COUNTY
COUNTY AUDITOR

MANAGEMENT LETTER

Honorable John Creuzot
District Attorney
Dallas, Texas

Attached is the County Auditor's final report entitled "**District Attorney Chapter 59 State Forfeiture - FY2020**" Report. In order to reduce paper usage, a hard copy will not be sent through in-house mail except to the auditee.

If you prefer that released reports be emailed to a different (or additional) recipient, please inform me of the name and the change will be made.

Respectfully,

Darryl D. Thomas

Darryl D. Thomas
County Auditor

EXECUTIVE SUMMARY

The District Attorney's (DA) Office manages cases in court for other departments and other cities within Texas. In order to obtain money and property that was seized due to illegal activity, the District Attorney Civil section must go to court on behalf of the city /department wanting to take ownership of seized items. Most cities and county agencies maintain their seized funds while cases are pending. However, the District Attorney's Office maintains funds seized by the Department of Public Safety (DPS). Seized funds cannot be spent until an order of forfeiture is signed by a judge. The District Attorney's Office receives a fee of 20% to 30% of the forfeited funds depending on agreements between the District Attorney's Office and the law enforcement agencies. The office also receives a designated amount for property. The District Attorney's Office retains 100% of forfeited property and/or cash on cases initiated by the DA's Office. The summary of significant observations is below:

Summary of Significant Observations

- None identified

Repeat observations from Previous Audits:

- Delays in receiving/collecting payment on closed cases.

Tests were performed for the limited purpose of compiling financial transactions in format required by the Texas Attorney General. A deficiency in internal control exists when the design or operation of control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of control deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. Only those weaknesses which have come to our attention as a result of the audit have been reported. It is the responsibility of the department management to establish and maintain effective internal control over compliance with the requirement of laws, regulations, and contracts applicable to the department.

INTRODUCTION

Dallas County Auditor's Office mission is to provide responsible, progressive leadership by accomplishing the following:

- Comply with applicable laws and regulations
- Safeguard and monitor the assets of the County utilizing sound fiscal policies
- Assess risk and establish and administer adequate internal controls
- Accurately record and report financial transactions of the County
- Ensure accurate and timely processing of amounts due to County employees and vendors
- Set an example of honesty, fairness and professionalism for Dallas County government
- Provide services with integrity
- Work in partnership with all departments to resolve all issues of the County
- Strive to utilize the latest efficient and effective technology in the performance of tasks
- Provide technical support and training in the development, implementation, and maintenance of information systems
- Hold ourselves accountable to the citizens of the County at all times
- Be responsive to the elected officials and department heads of Dallas County

The objectives of this audit are to:

1. Ensure compliance with statutory requirements
2. Evaluate internal controls
3. Verification of accuracy and completeness of reporting
4. Review controls over safeguarding of assets

This audit covered the period of September 1, 2019 through August 31, 2020.

The audit procedures will include interviews with key process owners, observation of transactions processing, data analysis and sample testing of transactions. The main system used will also be reviewed and incorporated as part of the testing of transactions.

DETAILS

Closed Cases Billings

A review of 321 closed case billings and the corresponding payments received during fiscal year 2020 revealed that 15 cases with judgment amounts totaling \$27,488.56 had no payments or collections including eleven cases without payments more than 100 days after the case close date; three cases were closed with underpayment amounts totaling \$229.49; and 15 cases were closed with overpayment amounts totaling \$396.04.

Per local agreement terms, "Payments to the Prosecuting Attorney shall be made no later than 60 days after receipt of judgment", as well as, "If payment is not made by the Agency at the expiration of sixty (60) days after receipt of judgment, the Agency agrees to pay to Prosecuting Attorney 40% of the value of the Normal Currency, Currency Equivalent, Real Property, Motor Vehicles, or Collectibles forfeited and \$75.00 for each item of Personal Property (if applicable) plus all interest earned from the date of seizure until the date of payment, on a pro rata basis.

Specific controls related to state forfeiture invoices and payments should include establishing billing and payment procedures, including but not limited to the collection of monies from other agencies, the application of credit to cases, and the calculation of penalties for past due amounts. The department should research any unidentified payments in order to apply proper credit. Local agreements should be reviewed annually, updated as necessary and enforced. Clerical errors and the lack of supervisory review has resulted in inaccurate financial records. A lack of internal controls related to processing accounts receivable and the absence of a computerized billing system to track unpaid invoices has resulted in uncollected revenues.

Recommendation

Closed Cases Billings

Management should:

- Develop and implement internal control procedures for managing accounts receivables. Amounts due should be tracked and follow-up performed on any unpaid invoices.
- Correct recorded case numbers and apply the proper credit to invoices.
- Research any unidentified payments received and contact agency who sent check to get correct case information.
- Update all local agreements with current authorized signatures.
- Enforce contract terms.

Management Action Plan

The District Attorney's Office continues to improve upon its processes and protocols to timely bill and collect all funds due and owing to the office per actions filed under Chapter

59 (State Forfeitures). The Office has further recently renewed its agreements with all law enforcement agencies participating in the program to maximize consistencies across all agencies, as well as to renegotiate terms and conditions that more fairly compensate the office for the efforts expended.

It should be duly noted that each of the law enforcement agencies with whom we partner in these efforts have internal operations and systems that sometimes conflict with our schedules and adherence to time guidelines. We continue to work with all agencies involved to notify timely of judgments, bill timely, and subsequently to collect our portions of the proceeds timely.

On our end, we are specifically working to reassign billing processes in our financial services division to streamline these processes, to consolidate systems and to achieve better internal controls and outcomes.

Regarding specific findings, 73% of the total award amounts billed for the period of review have been collected. Follow up invoices have been sent to all agencies with outstanding balances. Thirteen of the fifteen noted overpayments are attributable to timing of payment, i.e. interest adjustments, as well as the addition of citation expenses being paid by the agencies that were not factored into the allocation premised from the judgment amounts. Regarding the three underpayments noted, totaling \$229.49, one account for results from a rounding error. The most significant noted, in the amount of \$219.65 appears to result from an erroneous understanding of the payment obligation. This transaction, involving the Dallas County Sheriff's Office, netted 20% to Dallas County District Attorney, as opposed to the 25% presumed. The amount collected by the office appears to be correct.

Auditors Response

None

cc: Darryl Martin, Commissioners Court Administrator