

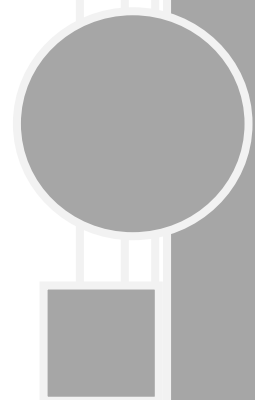


# AUDIT REPORT

DALLAS COUNTY

DISTRICT ATTORNEY CHAPTER 59 STATE FORFEITURE - FY2019

Darryl D. Thomas  
Dallas County Auditor  
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# DISTRICT ATTORNEY CHAPTER 59 STATE FORFEITURE - FY2019

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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 - FY2019**" 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**

- Fifty-four cases with judgment amounts totaling \$42,581.65 had no payments or collections between 36 to 236 days after the case close dates.
  - No follow up was performed on unpaid invoices.

### **Repeat observations from Previous Audits:**

- Department did not maintain a vehicle inventory lists.

**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, 2018 through August 31, 2019.

Auditor tests of approved budget and availability of cash. Internal controls for financial management by the District Attorney including purchasing, accounting, compliance, inventory, and reporting are tested at year-end. A random sampling of the total budget activity was selected for certain procedures, while some categories were reviewed in entirety. Review steps included, but were not limited to:

### Purchasing

- Bids: for compliance with statutory provisions
- Approvals: documented prior to allocations or purchase/obligation
- Policies/Travel (hotel – meals – transportation)

### Accounting

- Approvals/Support: documented on receipt of service/goods
- Check Request/Signature: electronic processing
- Allocation/Justification: category coding
- Transfers/Loans: activity between other District Attorney or County funds
- Bank Reconciliation: District Attorney's records vs. General Ledger vs. bank and outstanding entries

Compliance – used by attorney solely for official purposes office

- Define "official purposes" and "purposes of his office." (see Attorney General's opinions)
- Budget/Categories: filed with Commissioners Court at sufficient level

Reporting

- Budget and Categories: consistent with Attorney General's format
- Audit: timely signed and remitted
- 1099: timely remitted

Inventory

- Existence of awarded vehicles
- Sample review of trackable items purchased over the past four years

## **DETAILS**

### **Billing**

A review of 393 closed case billings and the corresponding payments received during fiscal year 2019 revealed that 54 cases with judgment amounts totaling \$42,581.65 had no payments or collections between 36 to 244 days after the case close dates; the department does not perform any follow-up on unpaid invoices; 12 cases were closed with underpayment amounts totaling \$783.92; 24 cases were closed with overpayment amounts totaling \$174.69; one case reflects an incorrect award amount; the case number for one defendant was not recorded on the department's Forfeiture Cases Closed report; five cases recorded with the incorrect case numbers resulting in misapplied payments; and the local agreements were not reviewed annually and do not reflect current authorized signatures.

Per local agreement terms, "Payments to the Prosecuting Attorney shall be made no later than 30 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 30% of all money (cash or negotiable instruments) forfeited and 30% of the final sum received from the sale of real estate and personal property (if applicable) and the sum of \$750 for each motor vehicle forfeited, 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**

#### **Billing**

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 is working on the procedure to enhance the internal control of billing process, and also working with the Auditor's office and the Treasurer's office to recognize the account receivables through Oracle. The billing and tracking process will be implemented for all unpaid invoices by the financial division when the personnel allowed. As well, we have updated our asset sharing agreements, and circulated the updated agreements to our partner law enforcement agencies for execution.

### **Auditors Response**

None

### **No Vehicle Inventory List**

A review of the District Attorney Chapter 59 seized and awarded vehicles for fiscal year 2019 revealed that the department did not maintain a list for seized/forfeited vehicles. Best practices and/or statute regarding inventory procedures should include capital and non-capital property be tracked according to UGMS 2 CFR Section 200.313 and property be maintained according to Dallas County Code Chapter 90 Article III. The lack of trained personnel and written procedures may result in inaccurate/incomplete forfeiture reporting for seized/forfeited property, funds deposited into wrong account, and/or civil penalties up to \$100,000 for non-compliance with provisions related to the disposition of proceeds or property received under chapter 59 of the Code of Criminal Procedures.

### **Recommendation**

#### **No Vehicle Inventory List**

Management should:

- Maintain an electronic spreadsheet with tracking elements including, but not limited to: the purchase order or invoice number, date of purchase or date acquired, funding source, purchase price per unit, the Dallas County property tag number and IT asset tag number (if either are applicable), and the date and manner of disposal.
- Ensure that the inventory list includes an accurate description of all forfeiture property received and any other information that could be useful in identifying and tracking the property.

### **Management Action Plan**

Vehicles were tracked but not on the electronic format. Our office is tracking vehicles according to UGMS 2 CFR Section 200.313 and the vehicle list is maintained



in an electronic spreadsheet with tracking elements including the purchase order or invoice number, date of purchase or date acquired, funding source, purchase price per unit, Vehicle number and the date and manner of disposal according to Dallas County Code Chapter 90 Article II & III.

**Auditors Response**

None

cc: Darryl Martin, Commissioners Court Administrator