



DALLAS COUNTY
COUNTY AUDITOR

To: The Honorable Lupe Valdez, Sheriff
Commissioners Court

From: Darryl D. Thomas, County Auditor *Darryl D. Thomas*
axw

Date: *Issued: October 26, 2017*
Released: November 28, 2017

Re: Clean Air Task Force – State Forfeiture FY2017

Scope

We performed a review of financial records relevant to the Clean Air Task Force's use of State Forfeiture Funds. Code of Criminal Procedure Article 59.06 controls and limits expenditures. The forfeiture activity includes \$1,500 in the Imprest Fund, \$40,386 in new seized funds, \$5,981 in forfeited funds and \$8,988 expended during the county fiscal year ending September 30, 2017. Forfeited funds are held in a special account in the treasury to be used by the Clean Air Task Force solely for law enforcement purposes.

Procedures

Internal controls for financial management by the Clean Air Task Force including purchasing, accounting, compliance, and reporting are tested at year-end. A review of the total budget activity was selected for all categories. Review steps included, but were not limited to:

- A. Purchasing
 - Approvals: documented prior to allocations or purchase/obligation
 - Policies/Travel (hotel – meals – transportation)
- B. Accounting
 - Approvals/Support: documented on receipt of service/goods
 - Allocation/Justification: category coding
 - Transfers/loans: activity between other County funds
 - Reconciliation: Clean Air Task Force's Imprest Fund Ledger vs. General Ledger
- C. Compliance
 - Imprest funds used solely for "buy money" and/or "informant fees"
 - Clean Air Task Force funds used solely for official law enforcement purposes (see Attorney General's opinions on "official law enforcement purposes")
 - Budget/Categories: filed with Commissioners Court at sufficient level both for investigation and non-investigation disclosure
- D. Reporting
 - Budget and Categories: consistent with Attorney General's format
 - Audit: timely signed and remitted
- E. Walkthrough
 - Documents internal controls for the complete procurement process
 - Document internal controls for handling of seized and forfeited funds; handling of seized and forfeited

assets

- Document internal controls for handling of capital and non-capital property (recordkeeping /tracking / tagging)
- Determine if written procedures are in place

Consideration of Internal Control

Tests were performed for limited purpose of compiling financial transactions in format required by the 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.

We identified the following findings during test work:

- Funds forfeited in FY2017 totaling \$3,565.43 were not requested to be transferred from the seizure account to the forfeiture account.
Status: Resolved. Corrections processed via Journal Entry effective September 30, 2017.
 - Seized funds totaling \$34,166.55 were not returned to defendants per the court order.
 - \$1,539.43 to be returned as of February 13, 2017.
 - \$0.10 to be returned as of May 30, 2017.
 - \$517.02 to be returned as of April 17, 2017.
 - \$32,110 to be returned as of July 7, 2017.
 - Expenses totaling \$7,470.42 were charged to the incorrect expense accounts.
 - One expenditure of \$1,504.85 for computer hardware less than \$5,000 incorrectly coded as general equipment to the general ledger.
 - One expenditure of \$3,960 for computer software incorrectly coded as computer software over \$5,000 to the general ledger.
 - Three expenditures totaling \$900.57 for conference travel incorrectly coded as business travel.
 - Four expenditures totaling \$1,105 for registration fees – training incorrectly coded to training fees (\$160) and conference travel (\$945).
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- Status: Resolved. Corrections processed via Journal Entry effective September 30, 2017.*
- Two receipts were not included with the submitted request for payments.
Status: Resolved. Accounts Payable obtained a copy of the receipts in September 2017.
 - A total of \$75 for out-of-county service of process has not been paid to the Dallas County Criminal District Attorney per court order.
 - The Clean Air Task Force does not maintain an inventory list of seized and forfeited property.

The following findings were identified during the walkthrough:

- The detectives do not document: costs associated with the seizure of the property, the civil suit case number, the judgment date, and the sales price or the method used to calculate the fair market value for property sent to auction per 2 CFR section 215.34 (f). The Tracking list should include the costs associated with the seizure of the property, the civil suit case number, the judgment date, and for property sent to auction, and the sales price or the method used to calculate the fair market value.
- Seized money remained in the property room because the seizing officer was unaware of a change in procedure to transfer the money to Fiscal. Evidence policy and procedure changes should be documented and distributed to all parties who handle or care for evidence. Policies and procedures changes should be formally acknowledged by having parties of interest sign an acknowledgment page, reflecting that they have read and understand the policy update. Additionally, policies and procedures should be reviewed at least once a year for updates.

Compliance with Laws and Regulations

Audit examination, observation, inspection, and inquiry produced reasonable support or explanation for Chapter 59 conclusions and findings. The complete population of forfeiture account expenditures was examined to verify compliance with Chapter 59.06, Disposition of Forfeited Property, under the Texas Code of Criminal Procedure. A full inventory on property obtained through past seizures was conducted with all property accounted for.

Funds used supplemented versus supplanted the County budget. We did not identify expenditures inconsistent with permissible uses under Code of Criminal Procedure, Chapter 59.06 for “law enforcement purposes” (also see Attorney General’s Opinions GA-1059, DM-162, DM-246, and GA-613).

Summary

We obtained a reasonable assurance that support exists for financial transactions and walked through the process and procedures for seizing currency and property, storing seized assets, accounting for seized and forfeited assets, depositing seized and forfeited state funds in the seizure and forfeiture accounts, procuring supplies, assets, and services, expending forfeited funds, and tracking seized items and forfeited capital and non-capital items. We also compiled records for the financial report.

This report is intended for the information and use of County Officers. Our review was conducted on a test basis and was not designed to identify all deficiencies in internal control. We did not test compliance with all laws and regulations applicable to the Dallas County Clean Air Task Force. Testing was limited to controls and regulations that have a direct and material effect on financial reporting of state forfeiture funds.

The Clean Air Task Force is responsible for the establishment and maintenance of effective internal control and compliance with applicable laws, regulations, and contracts.