



DALLAS COUNTY
COUNTY AUDITOR

To: The Honorable Craig Watkins, District Attorney
Commissioners Court

From: Virginia Porter, County Auditor *Virginia Porter*

Date: November 17, 2014

Re: District Attorney –Federal Forfeiture FY2014

Scope

We performed a review of financial records relevant to the District Attorney's use of Federal forfeiture funds. The *Guide to Equitable Sharing for State and Local Law Enforcement Agencies* controls and limits expenditures. The forfeiture activity includes \$9,629 federal sharing funds received and \$127,643 expended during the fiscal year ending September 30, 2014. Forfeited funds are held in a special account in the treasury, to be used by the attorney solely for the purposes of his office.

Procedures

Ministerial check signing authorization by the Auditor for fund distributions is evidenced on an ongoing basis indicating Auditor tests of approved budget and availability of cash. Internal controls for financial management by the District Attorney including purchasing, accounting, compliance, 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:

- A. Purchasing
 - Bids: for compliance with statutory provisions
 - Approvals: documented prior to allocations or purchase/obligation
 - Policies/Travel (hotel – meals – transportation)
- B. 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
- C. Compliance – used by attorney solely for law enforcement purposes of his office subject to laws, regulations, and orders of the state or local jurisdiction governing the use of public funds
 - Define "permissible" and "impermissible" uses (see *Guide to Equitable Sharing for State and Local Law Enforcement Agencies*)
 - Budget/Categories: filed with Commissioners Court at sufficient level
 - Determine if shared funds used to supplant or supplement appropriated resources
- D. Reporting
 - Budget and Categories: consistent with *Equitable Sharing Agreement and Certification* format
 - Audit: timely signed and remitted
 - 1099: timely remitted if required

Consideration of Internal Control

Tests were performed for limited purpose of compiling financial transactions in format required by the Department of Justice (DOJ) and Department of Treasury. 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 noted the following control deficiencies:

- Inadequate design of internal control over a significant process
 - requisition and encumbrance process manually recorded
 - budget classification for official purposes not reasonably detailed
 - account coding not mapped to the Federal's reporting requirements
- Inadequate segregation of duties for a significant process
 - transaction approval (pre- and post-purchase) processing (check writing), and reconciliation (bank/General Ledger) not separated
- Justification files for reimbursement of recorded expenditures not up-to-date or inter-referenced
 - funding with potential reimbursement options from other sources inconsistently reconciled

Response District Attorney (DA) Administrative Attorney: The DA's office will change current processing procedures to adhere to all Dallas County published policies and procedures regarding accounting and purchasing. A new accounting structure matching the reporting categories of the Department of Justice will be established. The DA's office will begin utilizing the Dallas County Purchasing department for processing requisitions, purchase orders, and receiving reports so as to fully adhere to the County's purchasing policies and procedures for all state and federal sharing fund purchases.

We will prepare the paperwork to process a reimbursement check from the State forfeiture funds to the Equitable sharing funds for the two years of State Bar Dues (considered impermissible use by DOJ) paid out of Equitable sharing funds.

Compliance with Laws and Regulations

Tests and inquiry produced reasonable support or explanation for most expenditures albeit insufficient quotes or approval as a sole source by Commissioners Court not obtained. Amended budget was not filed to support expenditures in various categories or to increase budgeted amounts for over-expended line items.

Uses of shared funds were consistent with supplementing rather than supplanting.

Summary

We obtained a reasonable assurance about whether support exists for financial transactions. We reviewed and affirmed workflow and approval processes exist. We compiled records for audit report and approved a list of agreed adjustments.

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 District Attorney. Testing was limited to controls and regulations that have a direct and material effect on financial reporting of federal forfeiture funds.

District Attorney Administration is responsible for the establishment and maintenance of effective internal control and compliance with applicable laws, regulations, and contracts. Ongoing risks are inherent in accounting for high level budget categories and limited segregation of duties for disbursement/approvals.

Development of a detailed budget with account distribution codes directly correlating with the Equitable Sharing Agreement and Certification reporting format and an updated financial tracking system (conversion of federal funds to full use of Oracle requisition, purchasing, accounts payable, and general ledger accounting applications) should be considered. Management emphasis toward reduction of control deficiencies should provide for improved departmental processes.

COMMISSIONERS COURT BRIEFING



DATE: 11/11/2014

SUBMITTING DEPARTMENT: Auditor

THROUGH:

SUBJECT: Federal Equitable Sharing Agreement Filings

BACKGROUND:

FY2014 District Attorney, Sheriff, and Constables federal forfeiture audits were performed according to requirements contained in the *Guide to Equitable Sharing for State and Local Law Enforcement Agencies* (Department of Justice) and the *Guide to Equitable Sharing for Foreign Countries and Federal, State, and Local Law Enforcement Agencies* (Department of Treasury). The certified reports are to be delivered to the U.S. Department of Justice and the U.S. Department of Treasury no later than 60 days after the fiscal year end. According to the Federal Equitable Sharing Agreement, the head of the law enforcement agency and designated official of the governing body are required to sign the annual Certification Report certifying that the accounting of funds received and spent by the law enforcement agency is accurate and in compliance with the guidelines and statutes that govern the equitable sharing program. The federal equitable sharing audit includes a review of the shared funds and property received from federal agencies and federal forfeiture expenditures by Dallas County Agencies

OPERATIONAL IMPACT:

N/A

FINANCIAL IMPACT:

N/A

LEGAL IMPACT:

According to the Federal Equitable Sharing Agreement, the head of the law enforcement agency and designated official of the governing body are required to sign the annual Certification Report certifying that the accounting of funds received and spent by the law enforcement agency is accurate and in compliance with the guidelines and statutes that govern the equitable sharing program.

PROJECT SCHEDULE:

The certified reports are to be delivered to the U.S. Department of Justice and the U.S. Department of Treasury no later than 60 days after the fiscal year end.

M/WBE PARTICIPATION:

N/A

RECOMMENDED BY:	Auditor	PREPARED BY:	Virginia Porter
		APPROVED BY DEPT HEAD:	Virginia Porter

STRATEGIC PLAN COMPLIANCE:

This briefing is consistent with Dallas County's Strategic Plan Vision 3. Local and state law enforcement officials coordinated to reduce crime resulting in a share of forfeited assets to be used for future law enforcement purposes.

RECOMMENDATION:

The County Auditor remits for Commissioner Court certification the FY2014 Federal Equitable Sharing Filings and transfer to the appropriate law enforcement agency for the additional required certification and remittance to controlling agency.

Forfeiture and seizure records included in the audit were for:

- 535 & 540 - District Attorney Forfeiture
- 91002 - Sheriff, Federal Asset Sharing
- 91001 - Constable Precinct No. 4 Forfeiture
- 91004- Constable Precinct No. 2 Forfeiture
- 91005 - Constable Precinct No. 1 Forfeiture
- 91006 - Constable Precinct No. 3 Forfeiture

**COURT ORDER
2014-1574**



Federal Equitable Sharing Agreement Filings

On a motion made by Commissioner Dr. Theresa M. Daniel, District 1, and seconded by Commissioner John Wiley Price, District 3, the following order was passed and adopted by the Commissioners Court of Dallas County, State of Texas:

BRIEFING DATE: 11/11/2014
FUNDING SOURCE: N/A

Be it resolved and ordered that the Dallas County Commissioners Court does hereby approve certification of FY2014 Federal Equitable Sharing Filings which will be forwarded to the appropriate law enforcement agency for the additional required certification and final remittance.

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535 & 540 - District Attorney Forfeiture
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91001 - Constable Precinct No. 4 Forfeiture
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91005- Constable Precinct No. 1 Forfeiture
91006- Constable Precinct No. 3 Forfeiture

Done in open court November 18, 2014, by the following vote:

IN FAVOR: Honorable Clay Lewis Jenkins, County Judge
Commissioner Dr. Theresa M. Daniel, District 1
Commissioner John Wiley Price, District 3
Commissioner Dr. Elba Garcia, District 4
OPPOSED: None
ABSTAINED: None
ABSENT: Commissioner Mike Cantrell, District 2

Recommended by: Virginia Porter
Originating Department: Auditor

**COURT ORDER
2014-1574**



Original

Federal Equitable Sharing Agreement Filings

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IN FAVOR: Honorable Clay Lewis Jenkins, County Judge
Commissioner Dr. Theresa M. Daniel, District 1
Commissioner John Wiley Price, District 3
Commissioner Dr. Elba Garcia, District 4

OPPOSED: None

ABSTAINED: None

ABSENT: Commissioner Mike Cantrell, District 2

Recommended by: Virginia Porter
Originating Department: Auditor

Summary of Shared Funds Spent		Justice Funds	Treasury Funds
a	Total spent on salaries under permitted salary exceptions		
b	Total spent on overtime		
c	Total spent on informants, "buy money", and rewards		
d	Total spent on travel and training	\$2,142.15	
e	Total spent on communications and computers	\$48,654.07	
f	Total spent on weapons and protective gear	\$6,103.90	
g	Total spent on electronic surveillance equipment		
h	Total spent on buildings and improvements		
i	Total transfers to other participating state and local law enforcement agencies (To populate, complete Table C)		
j	Total spent on other law enforcement expenses (To populate, complete Table D)	\$70,743.02	
k	Total Expenditures in Support of Community-Based Programs (To populate, complete Table E)		
l	Total Windfall Transfers (To populate, complete Table F)		
m	Total spent on matching grants (To populate, complete Table G)		
n	Total	\$127,643.14	\$0.00
o	Did your agency receive non-cash assets? <input type="radio"/> Yes <input checked="" type="radio"/> No If yes, complete Table H.		

Please fill out the following tables, if applicable.

Table A: Members of Task Force

Agency Name	NCIC/ORI/Tracking Number

Table B: Equitable Sharing Funds Received from other Agencies

Transferring Agency Name, City, and State	Justice Funds	Treasury Funds
Agency Name: <input type="text"/>		
NCIC/ORI/Tracking Number: <input type="text"/>		

Table C: Equitable Sharing Funds Transferred to Other Agencies

Receiving Agency Name, City, and State	Justice Funds	Treasury Funds
Agency Name: <input type="text"/>		
NCIC/ORI/Tracking Number: <input type="text"/>		

Table D: Other Law Enforcement Expenses

Description of Expense	Justice Funds	Treasury Funds
Forensic Fieldstation Kit	\$1,595.05	
Forensics Imaging Solution	\$1,000.00	
Furniture	\$3,450.00	
Regional Organized Crime Information Center Annual Fee	\$300.00	
Software	\$13,156.97	
State of Texas Bar Dues	\$51,191.00	
Vehicle-Maintenance	\$50.00	

Table E: Expenditures in Support of Community-Based Programs

Recipient	Justice Funds	

Table F: Windfall Transfers

Recipient	Justice Funds	Treasury Funds

Table G: Matching Grants

Matching Grant Name	Justice Funds	Treasury Funds

Table H: Other Non-Cash Assets Received

Source	Description of Asset
Justice <input type="radio"/>	
Treasury <input type="radio"/>	

Table I: Civil Rights Cases

Name of Case	Type of Discrimination Alleged			
		<input type="checkbox"/> Race	<input type="checkbox"/> Color	<input type="checkbox"/> National Origin
	<input type="checkbox"/> Disability	<input type="checkbox"/> Age	<input type="checkbox"/> Other	

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Equitable Sharing Agreement

This Federal Equitable Sharing Agreement, entered into among (1) the Federal Government, (2) the above-stated law enforcement agency ("Agency"), and (3) the governing body, sets forth the requirements for participation in the federal Equitable Sharing Program and the restrictions upon the use of federally forfeited cash, property, proceeds, and any interest earned thereon, which are equitably shared with participating law enforcement agencies. By its signatures, the Agency agrees that it will be bound by the statutes and guidelines that regulate shared assets and the following requirements for participation in the federal Equitable Sharing Program. Receipt of the signed Equitable Sharing Agreement and Certification (this "Document") is a prerequisite to receiving any equitably shared cash, property, or proceeds.

1. Submission. This Document must be submitted to aca.submit@usdoj.gov within 60 days of the end of the Agency's fiscal year. This Document must be submitted electronically with the Affidavit/Signature submitted by fax. This will constitute submission to the Department of Justice and the Department of the Treasury.

2. Signatories. This agreement must be signed by the head of the Agency and the head of the governing body. Examples of Agency heads include police chief, sheriff, director, commissioner, superintendent, administrator, chairperson, secretary, city attorney, county attorney, district attorney, prosecuting attorney, state attorney, commonwealth attorney, and attorney general. The governing body's head is the person who allocates funds or approves the budget for the Agency. Examples of governing body heads include city manager, mayor, city council chairperson, county executive, county council chairperson, director, secretary, administrator, commissioner, and governor.

3. Uses. Any shared asset shall be used for law enforcement purposes in accordance with the statutes and guidelines that govern the federal Equitable Sharing Program as set forth in the current edition of the Department of Justice's *Guide to Equitable Sharing for State and Local Law Enforcement (Justice Guide)*, and the Department of the Treasury's *Guide to Equitable Sharing for Foreign Countries and Federal, State, and Local Law Enforcement Agencies (Treasury Guide)*.

4. Transfers. Before the Agency transfers cash, property, or proceeds to other state or local law enforcement agencies, it must first verify with the Department of Justice or the Department of the Treasury, depending on the source of the funds, that the receiving agency is a current and compliant Equitable Sharing Program participant.

5. Internal Controls. The Agency agrees to account separately for federal equitable sharing funds received from the Department of Justice and the Department of the Treasury. Funds from state and local forfeitures and other sources must not be commingled with federal equitable sharing funds. The Agency shall establish a separate revenue account or accounting code for state, local, Department of Justice, and Department of the Treasury forfeiture funds. Interest income generated must be accounted for in the appropriate federal equitable sharing account.

The Agency agrees that such accounting will be subject to the standard accounting requirements and practices employed for other public funds as supplemented by requirements set forth in the current edition of the *Justice Guide* and the *Treasury Guide*, including the requirement in the *Justice Guide* to maintain relevant documents and records for five years.

The misuse or misapplication of shared resources or the supplantation of existing resources with shared assets is prohibited. Failure to comply with any provision of this agreement shall subject the recipient agency to the sanctions stipulated in the current edition of the *Justice or Treasury Guides*, depending on the source of the funds/property.

6. Audit Report. Audits will be conducted as provided by the Single Audit Act Amendments of 1996 and OMB Circular A-133. The Department of Justice and Department of the Treasury reserve the right to conduct periodic random audits.

Affidavit - Existing Participant

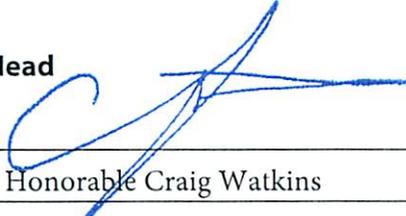
Under penalty of perjury, the undersigned officials certify that **they have read and understand their obligations under the Equitable Sharing Agreement** and that the information submitted in conjunction with this Document is an accurate accounting of funds received and spent by the Agency under the *Justice* and/or *Treasury Guides* during the reporting period and that the recipient Agency is in compliance with the National Code of Professional Conduct for Asset Forfeiture.

The undersigned certify that the recipient Agency is in compliance with the nondiscrimination requirements of the following laws and their Department of Justice implementing regulations: Title VI of the Civil Rights Act of 1964 (42 U.S.C. § 2000d *et seq.*), Title IX of the Education Amendments of 1972 (20 U.S.C. § 1681 *et seq.*), Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. § 794), and the Age Discrimination Act of 1975 (42 U.S.C. § 6101 *et seq.*), which prohibit discrimination on the basis of race, color, national origin, disability, or age in any federally assisted program or activity, or on the basis of sex in any federally assisted education program or activity. The Agency agrees that it will comply with all federal statutes and regulations permitting federal investigators access to records and any other sources of information as may be necessary to determine compliance with civil rights and other applicable statutes and regulations.

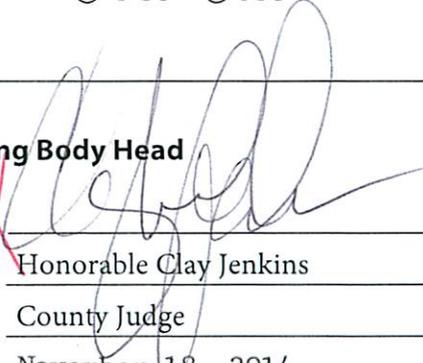
During the past fiscal year: (1) has any court or administrative agency issued any finding, judgment, or determination that the Agency discriminated against any person or group in violation of any of the federal civil rights statutes listed above; or (2) has the Agency entered into any settlement agreement with respect to any complaint filed with a court or administrative agency alleging that the Agency discriminated against any person or group in violation of any of the federal civil rights statutes listed above? Yes No

If you answered yes to the above question, complete Table I

Agency Head

Signature: 
 Name: Honorable Craig Watkins
 Title: District Attorney
 Date: 11.24.2014
 E-mail: Craig.Watkins@dallascounty.org

Governing Body Head

Signature: 
 Name: Honorable Clay Jenkins
 Title: County Judge
 Date: November 18, 2014
 E-mail: Clay.Jenkins@dallascounty.org

Preparer: Virginia Porter - Dallas County Auditor
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Final Instructions:

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- Step 3: Email the XML file to aca.submit@usdoj.gov
- Step 4: Scan & email this Affidavit to aca.affidavit@usdoj.gov
 (Email subject line must include Agency NCIC/ORI Code)

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Entered by _____
 Entered on _____



FY End: 09/30/2014

Date Printed: November 06, 2014 10:11

NCIC: TX057015A Agency: Dallas County District Attorney

Phone: 214-653-7920

State: TX Preparer: Felicia Jones-Harrell

E-mail: Felicia.Jones-Harrell@dallascounty.org