



DALLAS COUNTY
COUNTY AUDITOR

To: The Honorable Lupe Valdez, Dallas County Sheriff
Commissioners Court

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

Date: *Issued: November 2, 2017*
Released: November 28, 2017

Re: Dallas County Sheriff's Office – Federal Forfeiture FY2017

Scope

We performed a review of financial records relevant to the Dallas County Sheriff's Office use of Federal forfeiture funds. 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) controls and limits expenditures. The forfeiture activity includes \$106,610.67 federal sharing funds received and \$264,137.23 expended during the fiscal year ending September 30, 2017. Forfeited funds are held in a special account in the treasury, to be used by the Sheriff's office solely for law enforcement purposes of her office.

Procedures

Auditor tests of approved budget and availability of cash. Internal controls for financial management by the Sheriff's office 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
 - 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
 - Reconciliation: Sheriff's office records vs. General Ledger and outstanding entries
- C. Compliance – used by Sheriff solely for official law enforcement purposes of her 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 Guides to Equitable Sharing)
 - 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
- 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 Department of Justice 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.

The following findings were identified during test work:

- The department spent \$264,137, but expense accounts were inadequately budgeted for \$26,023:
 - \$30,128 spent for general liability and auto liability for the Sheriff K-9 Unit, but not budgeted in the general liabilities expense account (7541).
 - \$69,419 spent on cellular phones, but not budgeted in the cellular phone expense account (7213).
 - \$153,970 spent on tasers, data cords, cartridges, holders, and the warranty, but not budgeted in the property under \$5,000 expense account (2090).
- Two (2) revenue deposits totaling \$714.00 were coded to the incorrect project account.
 - *Status: On 10/20/2017 audit posted a journal entry to correct the coding error.*
- Three (3) expenditures totaling \$990.00 were coded to the incorrect expense account.
 - *Status: On 10/20/2017 audit posted a journal entry to correct the coding error.*
- The office does not have an asset tracking system to record purchases of track-able items made with forfeiture funds.

The following are recommendations made from test work:

- Expenditures should be budgeted in accordance with Dallas County Code Sec. 70-53. Operating and maintenance expenditures should be formatted by object code; major expense categories, functionally related department and program summaries. Additionally, the department should clarify and communicate the requirements for all sections to formally document their budgetary assumptions, source information and justifications for all planned expenditures to be charged against the federal forfeiture fund.
- Expenditure and revenue coding should be reviewed by management for appropriateness and accuracy. Management should ensure that procedures are established to identify and record correct GL account codes on requisitions and that training is provided to staff to reinforce proper accounting procedures.
- Assets should be tracked according to UGMS 2 CFR section 215.34, tagged and recorded promptly once received. Inventory records should be complete with a description, serial number, model number, stock number, source of equipment, acquisition date, location and condition, unit cost, and disposition data (when applicable). A physical inventory should be periodically taken where results are reconciled to equipment records and differences between physical inspection and inventory records investigated. A control system should also ensure safeguards to prevent loss, damage, or theft of equipment.

Compliance with Laws and Regulations

Audit examination, observation, and inquiry produced reasonable support or explanation for expenditures. The department's use of shared funds was consistent with the Department of Justice's description of supplementing the resources of the department rather than supplant the appropriated resources.

A sample inventory of items purchased with forfeiture funds within the last 3 years were also tested for existence with no exceptions noted. However, an asset tracking system, in accordance with UGMS 2 CFR Section 215.34, was not maintained. Amended budget was not filed to support expenditures in various categories or to increase budgeted amounts for over-expended line items.

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 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 Sheriff's office. Testing was limited to controls and regulations that have a direct and material effect on financial reporting of federal forfeiture funds.

Dallas County Sheriff's administration is responsible for the establishment and maintenance of effective internal control and compliance with applicable laws, regulations, and contracts, including an asset tracking system, in accordance with UGMS 2 CFR Section 215.34.

Development of a detailed budget with account distribution codes directly correlating with the Equitable Sharing Agreement and Certification reporting format should be considered.

Management emphasis toward reduction of control weaknesses should provide for improved departmental processes.