



**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 – State Forfeiture FY2017

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**Scope**

We performed a review of financial records relevant to the Dallas County Sheriff's Office use of State forfeiture funds. Code of Criminal Procedure Article 59.06 controls and limits expenditures. The forfeiture activity includes \$87,117 seized, \$46,506 forfeited, and \$152,534 expended during the state 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.

**Procedures**

Internal controls for financial management by the Sheriff's office 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 Sheriff or County funds
  - Bank Reconciliation: Sheriff's office records vs. General Ledger vs. bank and outstanding entries
- C. Compliance – used by Sheriff 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.

#### Prior Year Status:

- Fourteen instances of FY13 and prior abandoned funds totaling \$22,050.39, not held as evidence, remain in the seized account.

The following findings were identified during current fiscal year test work:

- The department spent \$152,534 but expense accounts were inadequately budgeted for \$40,200:
  - \$34,827.56 spent on audio equipment, cabling, interactive whiteboard projection system and installation, but not budgeted to the computer hardware capital account (8630).
  - \$38,870.67 spent on gun bags, helmets, harnesses, NVG mounts, air pads, and bungees but not budgeted to the weapons – guns & rifles expense account (2098).
  - \$38,492.70 spent on tasers, data cords, cartridges, holders, and the warranty, but not budgeted to the property under \$5,000 expense account (2090).
- Thirty-nine (39) expenditures totaling \$93,439.50 were coded to the incorrect expense account.
  - *Status: On 10/20/2017 audit posted a journal entry to correct the coding error.*
- Two (2) expenditures totaling \$856.00 were incorrectly coded to the State Forfeiture fund instead of the Clean Air Task Force fund.
  - *Status: On 10/20/2017 audit posted a journal entry to correct the coding error.*
- Three (3) revenue deposits totaling \$13,854.50 were incorrectly coded to the general fund and the incorrect revenue account.
  - *Status: On 10/20/2017 audit posted a journal entry to correct the coding error.*
- One (1) revenue deposit for \$3,400 was coded to the incorrect revenue account.
  - *Status: On 10/20/2017 audit posted a journal entry to correct the coding error.*
- The Accounting Clerk III takes seized money to a bank other than the county's contracted depository bank for deposit in the seizure bank account.
- A segregation of duties risk exists as the Accounting Clerk III is responsible for counting the seized money, depositing seized funds, creating seizure check disbursements (Chief Financial Officer {CFO} required to sign checks as a compensating control), receiving the seizure account bank statements, and reconciling the statements.
- 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:

- A good faith effort should be made to return funds to defendants or process the funds as unclaimed money, pursuant to Code of Criminal Procedure, Art. 18.17 (h).
- Develop a detailed budget for expenditures in accordance with the Code of Criminal Procedure, Article 59.06 (d) that clearly list and define the categories of expenditures. Dallas County Code Sec. 70-53 also states that 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.
- The Sheriff's office should coordinate with the County Auditor's Financial Audit section to establish a new liability account for seized funds within the depository bank. We also recommend that the Sheriff's office coordinate with the County Treasurer for armored service to transport seized cash to the Treasurer's office for deposit. In the event a deposit should be expedited, then the Accounting Clerk III and an officer can transport the cash to the Treasurer's office for deposit. However, the Sheriff's office accounting personnel should not transport cash alone or deposit cash outside of the Treasurer's office.
- Duties concerning the seizure and forfeiture deposits, seizure account disbursement process, forfeiture account procurement process, and reconciliation process should be divided among several accounting staff. A separate clerk should open and receive the bank statements than the clerk who reconciles it.

### **Compliance with Laws and Regulations**

Audit examination, observation, inspection, and inquiry produced reasonable support or explanation for Chapter 59 conclusions and findings.

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.

We did not identify expenditures inconsistent with permissible uses of Code of Criminal Procedure, Article 59.06 for "law enforcement purposes" (also see Attorney General 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 capital and non-capital items noting a lack of asset tracking system. 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 Sheriff's Office. Testing was limited to controls and regulations that have a direct and material effect on financial reporting of state 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.

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