

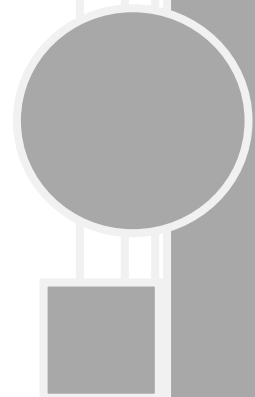


# AUDIT REPORT

DALLAS COUNTY

SHERIFF - CHAPTER 59 FY2018

Darryl D. Thomas  
Dallas County Auditor  
ISSUED: February 08, 2019  
RELEASED: February 08, 2019



# SHERIFF - CHAPTER 59 FY2018

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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 Marian Brown  
Dallas County Sheriff  
Dallas, Texas

Attached is the County Auditor's final report entitled "**Sheriff - Chapter 59 FY2018**" 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,

A handwritten signature in blue ink that reads "Darryl D. Thomas". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Darryl D. Thomas  
County Auditor

## **EXECUTIVE SUMMARY**

FY2018 the Sheriff's uses of State Forfeiture were performed according to state requirements as contained in V.T.C.A., Code of Criminal Procedure, Article 59.06 (g). The certified reports are to be delivered to the Criminal Prosecutions Division of the Office of the Attorney General no later than 60 days after the end of the County's fiscal year end or November 30<sup>th</sup>. According to statute, the audits shall be completed annually by the Commissioners Court on a form provided by the Office of the Attorney General. New procedures implemented by the Office of the Attorney General require the forms to be completed and electronically certified/submitted online by the Auditor (preparer certification) and the elected official (head of agency certification). The Chapter 59 audits included a review of the proceeds, expenditures and property from criminal seizures for the various offices and the corresponding cases filed by the Dallas County District Attorney's Office. We obtained reasonable assurance that support exists for financial transactions. We also compiled records for the financial report. 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. Testing was limited to controls and regulations that have a direct and material effect on financial reporting of state forfeiture funds. The forfeiture activity includes \$98,940 seized, \$34,043 forfeited, and \$45,258 expended during the state fiscal year ending September 30, 2018. Forfeited funds are held in a special account in the treasury, to be used by the Sheriff's office solely for law enforcement purposes. Internal Control weaknesses which need consideration by management are:

### **Summary of Significant Observations:**

- Seized Funds and found money deposited into the seizure bank account are controlled by the Financial Management Section, which does not adhere to C.C.P. Art. 59.08(a), Attorney General of Texas Opinion No. GA-0588.
- Abandoned and found money deposited in the seizure account have not been reviewed for escheatment, release, and disposition consistent with C.C.P. Art.18.17 (h), Property Code, §72 and §76, and the Sheriff Property and Evidence Room procedures for found property.
- The Financial Management Section deposits seized funds into a non-county controlled bank account, inconsistent with C.C.P. Art. 59.08(a), Attorney General of Texas Opinion No. GA-0588.
- Management did not ensure State Forfeiture accounting entries were applied to the correct account and project code.
- The department does not require sections purchasing law enforcement equipment and items with forfeiture proceeds to record them in the department's asset tracking system.

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

- Seized Funds and found money deposited into the seizure bank account are controlled by the Financial Management Section, which does not adhere to C.C.P. Art. 59.08(a), Attorney General of Texas Opinion No. GA-0588.
- Abandoned and found money deposited in the seizure account have not been reviewed for escheatment, release, and disposition consistent with C.C.P. Art.18.17 (h), Property Code, §72 and §76, and the Sheriff Property and Evidence Room procedures for found property.
- The Financial Management Section deposits seized funds into a non-county controlled bank account, inconsistent with C.C.P. Art. 59.08(a), Attorney General of Texas Opinion No. GA-0588.

- Management did not ensure State Forfeiture accounting entries were applied to the correct account and project code.

## **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 review covered fiscal year ending September 30, 2018.

Tests were performed for limited purpose of compiling financial transactions in format required by the Attorney General. Internal controls for financial management by the Constable 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.

## DETAILS

### **Seizure Account**

We reviewed all the Seizure Account activities (period ending September 30, 2018) and identified FY13 and prior abandoned funds totaling \$22,050.39, not held as evidence, remain in the seized account.; found funds totaling \$511 remain in the seizure account; and the department deposits seized money in a bank other than the county's contracted depository bank.

Article 59.08(a) of the Code of Criminal Procedure (C.C.P.) states "If money that is contraband is seized, the attorney representing the state may deposit the money in an interest-bearing bank account in the jurisdiction of the attorney representing the state until a final judgment is rendered concerning the contraband." As stated in the Attorney General of Texas Opinion No. GA-0588, "while article 59.08(a) plainly grants an attorney representing the state discretionary authority to deposit seized money in an interest-bearing account... a law enforcement agency does not have independent authority to deposit and maintain money seized as contraband in an interest-bearing account, and may do so only pursuant to court order."

C.C.P. Art. 59.04. (a) states "If a peace officer seizes property under this chapter, the attorney representing the state shall commence proceedings under this section not later than the 30th day after the date of the seizure." Funds should be returned or escheated to the County Treasurer (if \$100 or under) or the State of Texas (if over \$100) in accordance with unclaimed property statutes, Property Code, §72 and §76 when the owner is known. In accordance with C.C.P. Art. 18.17 (h) "If the abandoned or unclaimed personal property is money, the person designated by the municipality, the county purchasing agent, or the sheriff of the county, as appropriate, may, after giving notice under Subsection (b) or (c) of this article, deposit the money in the treasury of the municipality or county giving notice without conducting the sale as required by Subsection (d) of this article." It is the Sheriff's office procedure to hold Found Property for 30 days until an owner can be located. A notification is then sent to the owner to retrieve the property. Any property that is not claimed by the owner after 90 days, from the date the notification letter is sent, is auctioned off while money is deposited in the general fund. Seized Funds and found money deposited into the seizure bank account are controlled by the Financial Management Section, which does not adhere to C.C.P. Art. 59.08(a), Attorney General of Texas Opinion No. GA-0588. Abandoned and found deposited in the seizure account have not been reviewed for escheatment, release, and disposition consistent with C.C.P. Art.18.17 (h), Property Code, §72 and §76, and the Sheriff Property and Evidence Room procedures for found property. There is a risk that assets controlled directly by departments other than the Treasurer's Office can be misappropriated. Additionally, parties may not be aware of their rightful claim to found and abandoned funds.

### **Recommendation**

#### **Seizure Account**

Management should adhere to Texas statutes and department policies by:

- Coordinating with the County Auditor's Financial Audit section to establish a new liability account for seized funds (seizure account) within the County depository bank and coordinate with the County Treasurer for armored service to pick up seized funds from the Sheriff's office and transport it to the Treasurer's office for deposit. Expedited deposits can be transported by a deputy and Sheriff Fiscal staff

to the Treasurer's office for deposit.

- Escheating prior year abandoned funds to the State Comptroller as required by Property Code §72 and §76.
- Found Funds with no known owner should be processed after 90 days, consistent with C.C.P. Art. 18.17 (h) and the Sheriff's procedures.

### **Management Action Plan**

### **Auditors Response**

#### **Forfeiture Account**

We reviewed the listing of closed forfeiture cases and the Oracle Forfeiture Account (period ending September 30, 2018) and identified:

- Two revenue deposits totaling \$5,500 were coded to the incorrect revenue account **(Status: On 10/17/2018, the funds were transferred to the correct account and project coding by a journal entry)**.
- Three forfeiture awards totaling \$6,601 have not been transferred from the Non-County depository bank account to the Sheriff's Forfeiture Account.
- One judgement (dated 10/26/16) where the District Court ordered \$1,100 is returned to the defendant, but the Sheriff's Office has not transferred the funds from its Non-County depository bank account.

The department should timely comply with Final Judgements of Forfeiture that are ordered and decreed by the District Court, consistent with the Code of Criminal Procedure Art. 59.05 And 59.06. Chapter 2.5 of the Dallas County Sheriff's Department's 2017 General Orders and Code of Conduct Manual, state "The Financial Services Unit is responsible for managing the Sheriff Department's financial operations; auditing all department receipts and any fiscal, cash, or credit transactions; administering grant funds; and maintaining all department credit cards, accounts, expenditures and payments." As a best practice, management should provide assurance that revenue transactions occurred, coding is accurate, and financial records are complete. The proceeds from forfeited vehicles buy-backs should be recorded to the Other Income account. Clean Air Task Force accounting entries should be recorded to the Clean Air task Force project code (94072). The Financial Management Section deposits seized funds into a non-county controlled bank account, inconsistent with C.C.P. Art. 59.08(a), Attorney General of Texas Opinion No. GA-0588. The department did not review three cases for final judgement. Management did not ensure Clean Air Task Force accounting entries were applied to the correct account and project code. Disbursement of funds to owners or interest holders, legally decreed by Final Judgment, is delayed. The amount of funds the department can utilize may be understated and proceeds from the sale of forfeited property may be incorrectly reported.

### **Recommendation**

#### **Forfeiture Account**

Management should adhere to the C.C.P. Art. 59.05 and 59.06, the Dallas County Sheriff's Department's 2017 General Orders and Code of Conduct Manual and best practices by:



- Drafting formal written policies and procedures for monitoring and administering the Final Judgment of Forfeiture cases by the District Court. Establishing a new liability account for seized funds.
- Complying with Agreed Final Judgments of Forfeiture by the District Court, timely returning funds to interest holders, and transferring forfeited funds from the Seizure Account to the Forfeiture Account.
- Reconciling forfeiture cases with judgements (with forfeiture awards) to Oracle financial reports to detect errors, ensure coding is accurate, and that financial records are complete.
- Reviewing proceeds from sold forfeited vehicles to ensure the funds are recognized and recorded to the Other Income account and correct project code.
- Training staff and section management to reinforce proper accounting procedures, best practices and the department's policy.

### **Management Action Plan**

### **Auditors Response**

#### **Expenses**

We reviewed the General Ledger (GL) coding for all expenditures paid with State forfeiture funds (period ending September 30, 2018) and identified: 35 expenditures totaling \$36,961.34 were coded to the incorrect expense accounts (**Status: On 10/17/2018, audit posted a journal entry to correct the coding error**); and nine expenditure categories exceeded the budgeted categories by a total of \$44,737. See table below

Account	Account Name	Budgeted Amount	Actual Amount Expended	Variance
2015	Forfeiture Disbursements	12,110	16,824.31	(4,714.31)
2093	Computer Hardware	-	349.97	(349.97)
2095	Computer Software	-	632.50	(632.50)
2460	Training Fees	-	6,000.00	(6,000.00)
2520	Crime Scene Supplies	-	948.00	(948.00)
2620	Towing/ Road Service	-	17,001.12	(17,001.12)
2825	Animal & Livestock	-	628.78	(628.78)
3080	Refunds	-	13,131.44	(13,131.44)
6170	Trial Expense Other Court Costs	-	1,331.00	(1,331.00)
				(\$44,737.12)

Chapter 2.5 of the Dallas County Sheriff's Department's 2017 General Orders and Code of Conduct Manual, state "The Financial Services Unit is responsible for managing the Sheriff Department's financial operations and budget; approving all requisitions issued for expenditures authorized by the Sheriff or designee upon the determination that the funds have been appropriated and are available for the prescribed expenditure, and processing the proper forms for such; Perform purchasing activities and ensure the legitimacy of all expenditures; and maintaining all department credit cards, accounts, expenditures and payments." As a best practice, management should review expenditure coding and perform regular budget reconciliations to provide reasonable assurance that transactions are authorized, reasonable, allowable, and correct. In accordance with Code of Criminal Procedures (C.C.P.) Art. 59.06 (d). Proceeds awarded under this chapter to a law enforcement agency may be spent by the agency after a budget for the expenditure of the proceeds has been submitted to the commissioners court or governing body of the municipality. The budget must be detailed and clearly list and define the categories of expenditures. Additionally, expenditures should be budgeted in accordance with Dallas County Code Sec. 70-53 (a)(2): Operating and maintenance expenditures should be formatted by object code; major expense categories, functionally related department and program summaries. These issues were not detected due to lack of a sufficient expenditure and budgetary review and nonadherence to the Dallas County Sheriff's Department's 2017 General Orders and Code of Conduct Manual and C.C.P. Art. 59.06 (d). As a result, expenditure categories may be incorrectly reported, not authorized, not allowable, not reasonable, and may result in an incorrect analysis of expenditures for forecasting when not sufficiently reviewed and reconciled to the budget.

### **Recommendation**

#### **Expenses**

Management should adhere to the Dallas County Sheriff's Department's 2017 General Orders and Code of Conduct Manual, C.C.P. Art. 59.06 (d), and best practices by:

- Reviewing expenditures and transactions for sufficient authorization, accuracy, appropriate GL coding, consistency with the approved budget and adequate supporting documentation.
- Training staff and section management to reinforce proper accounting procedures, best practices and the department's policy.
- Communicate that sections formally document their budgetary assumptions, source information and justifications for all planned expenditures to be charged against the state forfeiture fund.
- Perform regular budget reconciliations and review Oracle financial reports to ensure transactions are authorized, reasonable, allowable, and correct.

### **Management Action Plan**

### **Auditors Response**

### **Trackable Inventory Purchases**

We reviewed a sample of equipment and items purchased with proceeds from Ch.59 state forfeitures for existence and identified no instances of material non-compliance. However we noted the department does not track and inventory law enforcement equipment and items purchased with forfeiture funds in its assets tracking system. As a best practice, capital and non-capital property should be tracked according to Uniform Grant Management Standards (UGMS) 2 CFR Section 215.34, and maintained according to Dallas County Code Chapter 90 Article III. Management should tag items and record the description, serial number, model number, stock number, source of equipment, acquisition date, location and condition, unit cost, and disposition data (when applicable). Items records should be periodically reviewed for accuracy and completeness by completing an inventory and determining the existence of each item. The department does not require sections purchasing law enforcement equipment and items with forfeiture proceeds to record them in the department's asset tracking system. This may result in potential equipment loss, misappropriation of assets, non-statutory use of forfeiture proceeds, reduced optimization for maintaining equipment levels, and possible waste through repurchasing equipment already on-hand.

### **Recommendation**

#### **Trackable Inventory Purchases**

Management should adhere to UGMS 2 CFR section 215.34, Dallas County Code Ch. 90 Article III, and best practices by:

- Tagging equipment and items purchased with forfeiture proceeds once received.
- Promptly recording the equipment description, serial number, model number, stock number, source of equipment, acquisition date, location and condition, unit cost, and disposition data (when applicable) in the department's asset tracking system.
- Periodically conducting physical inventories, where results are reconciled to equipment records and differences between physical inspection and inventory records are investigated.

### **Management Action Plan**

### **Auditors Response**

cc: Darryl Martin, Commissioners Court Administrator