

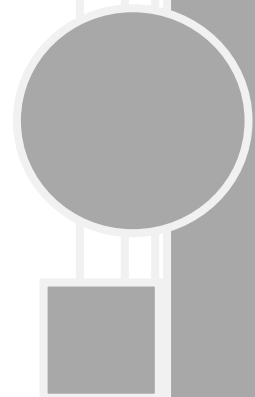


AUDIT REPORT

DALLAS COUNTY

SHERIFF - FEDERAL FORFEITURE FY2018

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



SHERIFF - FEDERAL FORFEITURE FY2018

TABLE OF CONTENTS

MANAGEMENT LETTER.....	3
EXECUTIVE SUMMARY.....	4
INTRODUCTION.....	5
DETAILS.....	6
Deposits.....	6
Expenses.....	6
Trackable Inventory Purchases	8

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 - Federal Forfeiture 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, reading "Darryl D. Thomas".

Darryl D. Thomas
County Auditor

EXECUTIVE SUMMARY

FY2018 Sheriff's uses of Federal Forfeiture funds 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 a 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. 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:

- Lack of management review of expenditure coding and performing regular budget reconciliations to provide reasonable assurance that transactions are authorized, reasonable, allowable, and correct.
- Limited staff training and section management to reinforce proper accounting procedure.
- An asset tracking system was not implemented.
- Non-adherence to the Dallas County Sheriff's Department's General Orders and Code of Conduct Manual.

Repeat observations from Previous Audits:

- Lack of management review of expenditure coding and performing regular budget reconciliations to provide reasonable assurance that transactions are authorized, reasonable, allowable, and correct.
- Limited staff training and section management to reinforce proper accounting procedure.
- An asset tracking system was not implemented.
- Non-adherence to the Dallas County Sheriff's Department's General Orders and Code of Conduct Manual.

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 Department of Justice and Department of Treasury. The auditor tested the approved budget and availability of cash. Internal controls for financial management by the Constable'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.

DETAILS

Deposits

We reviewed all forfeiture revenue posted to the Oracle General Ledger (GL) from the Department of Justice and Treasury distribution reports and identified: Two revenue deposits totaling \$6,195.31 were coded to the incorrect revenue accounts (Treasury portion is \$5,838.31, DOJ is \$357). **Status: On 10/17/18, a journal entry was posted to correct the coding error.** 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. Coding errors were not detected due to a lack of a sufficient revenue posting review and non-adherence to the Dallas County Sheriff's Department's 2017 General Orders and Code of Conduct Manual. Revenue may be incorrectly reported, misapplied, or misappropriated, preventing the department from utilizing the funds for expenditures when revenue is not sufficiently reviewed.

Recommendation

Deposits

Management should adhere to the Dallas County Sheriff's Department's 2017 General Orders and Code of Conduct Manual and best practices by:

- Ensuring revenues agree to distribution reports and bank statement coding.
- Reviewing revenue posted by a separate preparer.
- Training staff and section management to reinforce proper accounting procedures, best practices and the department's policy.
- Periodically reviewing Oracle financial reports to ensure revenue is properly recorded, coding is accurate, and financial records are complete.

Management Action Plan

Auditors Response

Expenses

We reviewed the General Ledger (GL) coding for all expenditures paid with Federal (Department of Justice and Treasury) forfeiture funds and compared actual expenditures to approved budgets and identified: two expenditures totaling \$151.72 were coded to the incorrect expense account (**Status: On 10/17/2018, audit posted a journal entry to correct the coding error**), and five expenditure categories exceeded the budgeted categories by a total of \$79,124.54. See table below.

Account	Account Name	Budgeted Amount	Actual Amount Expended	Variance
2093	Computer Hardware	1,000	11,032.75	(10,032.75)
2462	Registration Fees - Training	-	900.00	(900.00)
4210	Conference Travel	-	2,975.99	(2,975.99)
7213	Cellular Phones	-	48,964.80	(48,964.80)
7541	General Liabilities	-	16,251.00	(16,251.00)
				(\$79,124.54)

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. 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. Clerical errors were not detected due to lack of a sufficient expenditure and budgetary review and non-adherence to the Dallas County Sheriff's Department's 2017 General Orders and Code of Conduct Manual. Expenditure categories may be incorrectly reported, not authorized, not allowable, not reasonable, and 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 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.
- Ensuring sections formally document their budgetary assumptions, source information and justifications for all planned expenditures to be charged against the federal forfeiture fund.
- Performing 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 sampled items purchased with forfeiture funds and vouched their existence with no exceptions noted. However, the department does not have an asset tracking system to record purchases of track-able items made with forfeiture funds. Assets should be tracked according to Uniform Grant Management Standards (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. This occurred because an asset tracking system was not implemented. As a result, there is a potential that assets purchased with forfeited funds may be lost, misappropriated, or not considered when additional purchases are made.

Recommendation

Trackable Inventory Purchases

Management should adhere to UGMS 2 CFR Section 215.34 by:

- Using existing software to inventory assets purchased with forfeiture funds.
- Tagging and recording the description, serial number, model number, stock number, source of equipment, acquisition date, location and condition, unit cost, and disposition data (when applicable) of assets purchased with forfeiture funds.
- Periodically performing a physical inventory of asset purchases.

Management Action Plan

Auditors Response

cc: Darryl Martin, Commissioners Court Administrator