



DALLAS COUNTY
COUNTY AUDITOR

To: Honorable Faith Johnson, District Attorney
Commissioners Court

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

Date: March 9, 2017

Re: District Attorney - Federal Forfeiture FY2016

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* and the *Guide to Equitable Sharing for Foreign Countries and Federal, State, and Local Law Enforcement Agencies* controls and limits expenditures. The forfeiture activity includes \$2,249,815.88 federal sharing funds received and \$0 federal sharing funds spent during the fiscal year ending September 30, 2016 during the term of the Honorable Susan Hawk. Forfeited funds are held in a special account in the treasury, to be used by the attorney solely for the purposes of her office.

Background

The District Attorney Department directly participates with federal agencies in an investigation or prosecution that result in a federal forfeiture. As a result the District Attorney Department may request an equitable share of the net proceeds of the forfeiture. The District Attorney Department will request an equitable share by submitting Form DAG-71. The deciding authority will determine the percentage of equitable shares to be distributed to the District Attorney. The amount disbursed to the District Attorney can be verified through eShare portal.

Procedures

Auditor tests of approved budget and availability of cash. Internal controls for financial management by the District Attorney including purchasing, accounting, compliance, inventory, 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* and *Guide to Equitable Sharing for Foreign Countries and Federal, 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
- E. Inventory
 - Existence of awarded vehicles
 - Sample review of trackable items purchased over the past four years

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.

1. A sample review of items purchased from 2012 thru 2014 revealed:
 - Two items not located (wireless keyboard and external hard drive).
 - Yearly inventory not performed.

Recommendations

1. All financial activity related to awarded money or property should adhere to guidelines set forth in the *Guide to Equitable Sharing for State and Local Law Enforcement Agencies* (April 2009 with update on 7/30/2014) and *Guide to Equitable Sharing for Foreign Countries and Federal, State, and Local Law Enforcement Agencies* (April 2004) and Dallas County policies.
2. Inventories should be performed annually.
3. Property should be maintained according to Dallas County Code Chapter 90 Article III.
4. Capital and non-capital property tracked according to UGMS 2 CFR section 215.34(f).

Management Response

The Dallas County District Attorney’s Office (“DCDAO”) agrees with the recommendations. All financial activity related to awarded money or property should adhere to guidelines set forth in the Guide to Equitable Sharing for State and Local law Enforcement Agencies and Guide to Equitable Sharing for Foreign Countries and Federal, State, and local Law Enforcement Agencies and Dallas County policies. The DCDAO has performed the annual inventory audit in December 2016, maintained, and tracked according to Dallas County Code Chapter 90 Article III – Property Management and UGMS 2 CFR section 215.34 –Equipment.

Compliance with Laws and Regulations

A sample inventory of items purchased with federal forfeiture funds from prior years revealed instances of non-compliance with asset tracking required by UGMS 2 CFR Section 215.34.

Summary

We obtained a reasonable assurance about whether support exists for financial transactions. We reviewed and affirmed workflow and approval processes exist.

This report is intended for the 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, including the tracking of assets in accordance with UGMS 2 CFR Section 215.34.