




DALLAS COUNTY
COUNTY AUDITOR

To: The Honorable Ray Nichols, Constable
Commissioners Court

From: Darryl D. Thomas, County Auditor 

Date: February 28, 2017

Re: Constable Precinct No. 2 - Federal Forfeiture FY2015

Scope

We performed a review of financial records relevant to the Constable's 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 \$0 federal sharing funds received and \$158 expended during the fiscal year ending September 30, 2015. Forfeited funds are held in a special account in the treasury, to be used by the Constable's office solely for law enforcement purposes of his office. The period of October 1, 2014 through December 31, 2014 was during the term of the Honorable Michael Gothard.

Procedures

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. 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: Constable's office records vs. General Ledger and outstanding entries
- C. Compliance – used by the Constable solely for official 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 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 and 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 the 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 control deficiency was identified during testing:

- One hundred eight out of 136 items were determined missing after a physical inventory was performed on a sample selection of assets **purchased with federal forfeiture funds in 2014 during the prior Constable's administration.** Missing items included: range bags, covert backpacks, covert assault packs, grip pods, flashlights, ammo cans, and batons. All items purchased with federal forfeiture funds should be documented on a Master Inventory spreadsheet with an item identification number, item description, officer in possession of item, quantity, and location of item. Transferring or terminating deputies should be required to turn in all trackable assets belonging to Dallas County including items purchased with federal forfeiture funds. The precinct should initiate retrieval of items from deputies that are no longer with the precinct (in other County departments, employed by a non-Dallas County agency, or have retired). DOJ should be contacted on guidance for items that cannot be recovered.

The following findings were identified during the walkthrough:

- The office does not have a tracking system to record purchases made with federal forfeiture funds. Trackable assets (both capital and non-capital County property) should be tracked according to UGMS 2 CFR section 215.34, tagged and recorded promptly once it is received on a Master Inventory spreadsheet with an item identification number, description, officer in possession, quantity, cost, and item location. County property should be maintained according to Dallas County Code Chapter 90 Article III. Inventories should be performed annually.
***Response:** The office currently maintains an inventory log of all deputies' property which is returned to the department upon separation from Precinct No. 2 employment.*
- The Chief Clerk requests and approves purchase requisitions, systematically sent through the Oracle Financial System to the Purchasing Department for processing, after obtaining verbal approval from the Constable. The Constable's office requested that the Purchasing Department change the approval hierarchy within the Oracle requisition workflow which would require the purchase requisition preparer/requester be someone other than the approver within the Precinct. Electronic approval of purchase requisitions should be routed to the Constable or Chief Deputy Constable, as back-up, when submitting expenditures through Oracle to the Purchasing Department.
***Response:** The Purchasing Department has been notified on several occasions to change the approval hierarchy. The Chief Clerk submits requisitions and the Chief Deputy and/or Constable are the approver.*

Compliance with Laws and Regulations

Audit examination, observation, and inquiry produced reasonable support or explanation for expenditures. A sample inventory of items purchased with forfeiture funds within the last 3 years was also tested for existence. Assets purchased with federal forfeiture funds during the prior administration were missing, and an asset tracking system in accordance with UGMS 2 CFR section 215.34 was not maintained during the period under review.

Summary

We obtained a reasonable assurance that support exists for financial transactions. We completed a walk-through of the accounting, recordkeeping, log maintenance and retention of copies for all Forms DAG-71 forwarded to the Department of Justice, inventory tracking, and procurement processes noting: an inadequate separation of duties in the requisition creation and approval process due to Purchasing not adding an approval hierarchy within Oracle for the Precinct; lack of asset tracking system; and, missing assets from the prior administration. 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 Constable's office. Testing was limited to controls and regulations that have a direct and material effect on financial reporting of federal forfeiture funds.

The Constable'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.

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