




DALLAS COUNTY
COUNTY AUDITOR

To: The Honorable Ray Nichols, Constable
Commissioners Court

From: Darryl D. Thomas, County Auditor 

Date: June 14, 2017

Re: Constable Precinct No. 2 - Federal Forfeiture FY2016

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 \$4,257 (Justice) funds expended and \$1,291 in expenditure accruals during the fiscal year ending September 30, 2016. 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.

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.

Findings

Status of Prior Fiscal Year Finding:

- 180 (valued @ \$11,700.65 for items purchased in June and July 2014) out of 252 items were unaccounted for or not presented to audit staff in order to confirm existence during a physical inventory of trackable assets **purchased with federal forfeiture funds in 2014 during the prior Constable's administration.** Missing items include: range bags, covert backpacks, covert assault packs, binoculars, handcuffs, slings, rifle scopes, grip pods, flashlights, ammo cans, reflective jackets, gloves, rain pants, scabbards, and batons. Results of officer interviews, (employed by the former administration) whom are current County employees, were inconclusive as to a precinct need for certain items purchased in June and July 2014. Reportedly, no officers reported were asked to sign for items presented to them or left at their work stations.

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 following findings were identified during the walkthrough:

- The office maintains a limited tracking system to record purchases made with federal forfeiture funds.
- The Chief Clerk requests purchase requisitions, systematically sent through the Oracle Financial System to the Purchasing Department for processing, after obtaining written instruction from the Assistant Chief Deputy. Once the requisitions are submitted by the Chief Clerk, they are routed to the Constable for electronic approval.

Recommendations

- Capital and non-capital property should be tracked according to UGMS 2 CFR section 215.34(f) for items purchased with federal forfeiture funds under the *Guides to Equitable Sharing*. Items should be tagged as received and recorded on a Master Inventory spreadsheet with an item identification number, description, officer in possession of item, date assigned, quantity, cost, and item location. Consider having deputies sign forms acknowledging receipt of items assigned.
Status: *While a 'property assigned' by officer listing has been created, additional tracking elements are still needed.*
- Property should be maintained according to Dallas County Code Chapter 90 Article III.
- Inventories should be performed annually.
- County assets no longer useable by the precinct should be disposed of in accordance with the *Guides to Equitable Sharing*. If sold at a County auction through the Purchasing Department, proceeds should be returned to the respective federal forfeiture account for future use.
- 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, resigned, retired, or otherwise terminated). DOJ should be contacted on guidance for items that cannot be recovered.

Compliance with Laws and Regulations

Audit examination, observation, and inquiry produced reasonable support or explanation for expenditures. A sample inventory of items purchased with federal forfeiture funds within the last three (3) years was also tested for existence. Assets purchased with federal forfeiture funds during the last administration were missing, and an asset tracking system in accordance with UGMS 2 CFR section 215.34 and Dallas County Code Sec. 90-373 was partially maintained.

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: a limited asset tracking system for items purchased with federal forfeiture funds (*Status: While a 'property assigned' by officer listing has been created, additional tracking elements are still needed.*); and, missing assets purchased during 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.