



DALLAS COUNTY
COUNTY AUDITOR

To: The Honorable Ray Nichols, Constable
Commissioners Court

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

Date: *Issued:* October 25, 2017
Released: November 15, 2017

Re: Constable Precinct No. 2 - State Forfeiture FY2017

Scope

We performed a review of financial records relevant to the Constable's use of State forfeiture funds in accordance with Code of Criminal Procedure, Article 59. The forfeiture activity includes \$0 seized, \$0 forfeited, and \$11,412 expended for Constable Precinct 2 during the state fiscal year ending September 30, 2017. Forfeited funds are held in a special account in the treasury, to be used by the Constable 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

Consideration of Internal Control

Tests were performed for limited purpose of compiling financial transactions in format required by the Attorney General. 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 deficiencies were identified during testing:

- Funds from dismissed cases, carried over from the prior Constable's administration, remain in the seized account and were not returned to defendants or processed as unclaimed money.
- Nine (9) out of 13 expenditures were incorrectly coded as expense code Other instead of Ammunition/Explosive and Auto Parts & Supplies.
- Four out of four items were unaccounted for or not presented to confirm existence during a physical inventory of trackable assets purchased with state forfeiture funds in Fiscal Year 2017. Items not verified during inventory included: ballistic vests and helmets.

Compliance with Laws and Regulations

No State seizure or forfeiture activity occurred in fiscal year ending September 30, 2017; however, funds were expended in accordance with Code of Criminal Procedure, Chapter 59. Audit examination, observation, inspection, and inquiry produced reasonable support or explanation for Chapter 59 audit conclusions and findings.

Summary

We obtained a reasonable assurance that support exists for financial transactions noting: errors in recording expenditure codes on requisitions; and, a limited asset tracking system for items purchased with state forfeiture funds (*Status: While a 'property assigned' by officer listing has been created, additional tracking elements are still needed.*) 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 Dallas County Constable Precinct No. 2 office. Testing was limited to controls and regulations that have a direct and material effect on financial reporting of state forfeiture funds.

Constable Precinct 2 administration is responsible for the establishment and maintenance of effective internal control and compliance with applicable laws, regulations, and contracts.



DALLAS COUNTY
COUNTY AUDITOR

To: The Honorable Ray Nichols, Constable
Commissioners Court

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

Date: *Issued:* October 25, 2017
Released: November 15, 2017

Re: Constable Precinct No. 2 - Federal Forfeiture FY2017

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 \$22,802 (Justice) funds expended during the fiscal year ending September 30, 2017. 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

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:

- 226 (valued @ \$14,413.81 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** as of October 18, 2017. 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.

The following control deficiencies were identified during testing:

- The office maintains a limited tracking system to record purchases made with federal forfeiture funds.
- Eight (8) out of 52 expenditures were incorrectly coded as expense code Other instead of Auto Parts & Supplies.
- Twenty-two (22) out of 53 items purchased during Fiscal Year 2017 were unaccounted for or not presented to confirm existence during a physical inventory of trackable assets purchased with federal forfeiture funds within the last 3 years. Items not verified during inventory included: handguns, single launcher, headsets, rear sights, rifle sights, and flashlights.

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 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.