



DALLAS COUNTY
COUNTY AUDITOR

To: The Honorable Ray Nichols, Constable
Commissioners Court

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

Date: February 27, 2017

Re: Constable Precinct 2 – State Forfeiture FY2015

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 \$0 expended for Constable Precinct 2 during the state fiscal year ending September 30, 2015. 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 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
 - Transfers/Loans: activity between other Constables or County funds
 - Bank Reconciliation: Constable Precinct 2 records vs. General Ledger vs. bank and outstanding entries
- C. Compliance – used by Constable solely for law enforcement purposes (see Attorney General's opinions on "official law enforcement purposes")
 - Budget/Categories: filed with Commissioners Court at sufficient level both for investigation and non-investigation disclosure
- D. Reporting
 - Budget and Categories: consistent with Attorney General's format
 - Audit: timely signed and remitted
- E. Walkthrough
 - Documents internal controls for the complete procurement process
 - Document internal controls for handling 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 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 deficiency was 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.

Response: The Precinct contacted the District Attorney for guidance and will move forward with disbursing the funds as unclaimed to the State Comptroller.

The following findings were identified during the walkthrough:

- The office does not have a tracking system to record purchases made with 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.

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

No State seizure or forfeiture activity occurred in fiscal year ending September 30, 2015. 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 and walked through the process and procedures for seizing currency and property, storing seized assets, accounting for seized and forfeited assets, depositing seized and forfeited state funds in the seizure and forfeiture account, procuring supplies, assets, and services, expending forfeited funds, and tracking capital and non-capital items 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; and, lack of asset tracking system for items purchased with forfeiture funds. 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.