



DALLAS COUNTY
COUNTY AUDITOR

To: The Honorable Ben Adamcik, Constable
Commissioners Court

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

Date: May 26, 2017

Re: Constable Precinct 3 – State Forfeiture FY2016

Scope

A review was performed 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 \$604 expended for Constable Precinct 3 during the state fiscal year ending September 30, 2016. Forfeited funds are held in a special account in the treasury, to be used by the Constable solely for the 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
 - Bank Reconciliation: Constable Precinct 3 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.

Findings

The following control deficiency was identified during testing:

- Five (5) out of 22 items were unaccounted for during a physical inventory of trackable assets purchased with state forfeiture funds within the last 3 years. Reportedly, terminated employees were allowed to keep the five electronic earmuffs which are considered by the precinct as 'personal' items.

Response: A request was made for the items to be turned back in.

The following findings were identified during the walkthrough:

- The office does not have written procedures regarding the seizure and forfeiture of property. The office does not have an asset tracking system to record purchases of track-able items made with forfeiture funds.
- Certain items purchased with forfeiture funds are provided to deputies to keep as 'personal' property.
- Officers do not count seized cash at the seizure location.
- There is limited oversight of seized property when one officer transports the evidence and assets to the Constable's office from a crime scene.
- 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.

Recommendations

- Capital and non-capital property should be tracked according to UGMS 2 CFR section 215.34(f) for items purchased with forfeiture funds under Code of Criminal Procedure, Chapter 59. Items should be tagged as received and recorded on a Master Inventory spreadsheet with an item identification number, description, officer in possession of item, quantity, cost, and item location.
- 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 transferred to surplus with completion of property transfer Form no. 280.
- Transferring or terminating deputies should be required to turn in all trackable assets belonging to Dallas County including items purchased with forfeiture funds. The precinct should initiate retrieval of electronic earmuffs from deputies that are no longer with the precinct (in other County departments, employed by a non-Dallas County agency, or have retired).
- The Constable's office should develop a written process for asset seizure and forfeiture property. The Forfeiture process should include a workflow describing how officers seize assets at the crime scene, document assets at the crime scene, transport assets to the Constable's office, store seized assets, deposit seized money in escrow, hold auctions after case adjudication, deposit money in the forfeiture account, and manage the use of forfeiture funds for purchases.
- The Constable's office should count all seized cash at the seizure location in the presence of another officer or arrestee, when sufficiently practical, and complete all required fields of the evidence bag prior to sealing it. When circumstances such as officer safety, volume of cash, or available resources make an immediate count and verification unfeasible, it is permissible to photograph the cash reasonably estimate

the amount of cash, secure the cash and count and verify it at another location. In all circumstances, the count should be verified by another officer.

- Seized evidence and assets should be photographed in the evidence bags with the bag # and description of evidence visible in the photo when limited officers are available. Additionally, a different officer than the transporting officer should seal the bag to ensure assets cannot be removed without breaking or tampering with the seal.
- The Constable's office should implement a procedure that requires the purchase requisition preparer/requester to be someone other than the approver. 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.

Compliance with Laws and Regulations

Audit examination, observation, inspection, and inquiry produced reasonable support or explanation for Chapter 59 conclusions and findings. A random sample of expenditures was examined to verify the existence of property purchased with state forfeiture funds. Five electronic earmuffs were not accounted for. An asset tracking system, in accordance with UGMS 2 CFR Section 215.34 and Dallas County Code Sec. 90-373, was not maintained.

Funds used supplemented versus supplanted the County budget. We did not identify expenditures inconsistent with permissible uses of Code of Criminal Procedure, Article 59.06 for "law enforcement purposes" (also see Attorney General Opinions GA-1059, DM-162, DM-246, and GA-613).

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; instances of missing trackable assets; and, lack of an asset tracking system. 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. 3 office. Testing was limited to controls and regulations that have a direct and material effect on financial reporting of state forfeiture funds.

Constable Precinct 3 administration is responsible for the establishment and maintenance of effective internal control and compliance with applicable laws, regulations, and contracts.