



DALLAS COUNTY
COUNTY AUDITOR

To: The Honorable Roy Williams, Jr., Constable Precinct No. 4
Commissioners Court

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

Date: March 9, 2017

Re: Constable Precinct No. 4 - Federal Forfeiture FY2016

Scope

A review was performed of the 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 \$18,625 expended 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 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 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 deficiencies were identified from testing:

- Eighteen (18) out of 104 expenditures were incorrectly coded as other professional fees or business travel for badges, monthly satellite television charges, or registration fees.

The following findings were identified during the walkthrough:

- A single comprehensive asset tracking list is not maintained; however, the precinct maintains individual folders for items purchased with forfeiture funds assigned to deputies. Once a deputy's employment has been terminated with the precinct, all items are returned and a Returned Equipment check list is completed. Assets should be tracked according to UGMS 2 CFR section 215.34 and Dallas County Code Sec. 90-373, tagged and recorded promptly once it is received.
- 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 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.

Management Response

Findings were discussed with staff and corrective actions have been implemented.

Compliance with Laws and Regulations

Audit examination, observation, and inquiry produced reasonable support or explanation for expenditures. The department's use of shared funds was consistent with the Department of Justice's description of supplementing the resources of the department rather than supplant the appropriated resources.

A sample inventory of items purchased with forfeiture funds within the last 3 years were also tested for existence with no exceptions noted. However, a single comprehensive asset tracking list is not maintained. Amended budget was not filed to support expenditures in various categories or to increase budgeted amounts for over-expended line items.

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; and, individual folders for tracking assets

without compilation of a single comprehensive asset tracking system in electronic format. 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.

Constable's administration is responsible for the establishment and maintenance of effective internal control and compliance with applicable laws, regulations, and contracts, including a single comprehensive asset tracking system in electronic format, in accordance with UGMS 2 CFR Section 215.34 and Dallas County Code Sec. 90-373.

Development of a detailed budget with account distribution codes directly correlating with the Equitable Sharing Agreement and Certification reporting format should be considered. Management emphasis toward reduction of control deficiencies should provide for improved departmental processes.