



DALLAS COUNTY, TEXAS

State Single Audit

September 30, 2014

DALLAS COUNTY, TEXAS

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Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Honorable County Judge
and the Commissioners' Court:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Governmental Activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Dallas County, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise Dallas County's basic financial statements, and have issued our report thereon dated March 23, 2015. Our report includes a reference to another auditor who audited the financial statements of the Dallas County Hospital District of Dallas County, which represents all of the discretely component unit, as described in our report on Dallas County's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Dallas County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Dallas County's internal control. Accordingly, we do not express an opinion on the effectiveness of Dallas County's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of 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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether Dallas County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Dallas County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Dallas County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

March 23, 2015



KPMG LLP
Suite 3100
717 North Harwood Street
Dallas, TX 75201-6585

Independent Auditors' Report on Compliance for Each Major State Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of State Awards Required by the State of Texas Uniform Grants Management Standards

The Honorable County Judge
and the Commissioners' Court:

Report on Compliance for Each Major Federal Program

We have audited Dallas County, Texas' (Dallas County) compliance with the types of compliance requirements described in the State of Texas Uniform Grants Management Standards (UGMS) that could have a direct and material effect on each of Dallas County's major State programs for the year ended September 30, 2014. Dallas County's major State programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Dallas County's major State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State of Texas Uniform Grants Management Standards (UGMS). Those standards and UGMS require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about Dallas County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified and modified audit opinions on compliance. However, our audit does not provide a legal determination of Dallas County's compliance.

Basis for Qualified Opinion on the State and Local Narcotics Control Assistance program

As described in the accompanying schedule of findings and questioned costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of Dallas County with the State and Local Narcotics Control Assistance program as described in finding number 2014-002 for Equipment and Real Property Management, because we were unable to obtain a complete listing of equipment. Consequently, we were unable to determine whether Dallas County complied with the requirements applicable to that program.



As described in the accompanying schedule of findings and questioned costs, Dallas County did not comply with requirements regarding the State and Local Narcotics Control Assistance program as described below:

Finding number	Program (or cluster) name	Compliance requirement
2014-001	State and Local Narcotics Control Assistance program	Activities Allowed or Unallowed/Allowable Costs
2014-003	State and Local Narcotics Control Assistance program	Procurement Suspension and Debarment

Compliance with such requirements is necessary, in our opinion, for Dallas County to comply with the requirements applicable to that program.

Qualified Opinion on the State and Local Narcotics Control Assistance program

In our opinion, except for the possible effects of the matter related to finding number 2014-002 and the noncompliance related to findings number 2014-001 and 2014-003 described in the Basis for Qualified Opinion paragraph, Dallas County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the State and Local Narcotics Control Assistance program for the year ended September 30, 2014.

Unmodified Opinion on Each of the Other Major State Programs

In our opinion, Dallas County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major state programs for the year ended September 30, 2014.

Other Matters

Dallas County's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Dallas County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of Dallas County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Dallas County's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with UGMS, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Dallas County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.



A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2014-001, 2014-002 and 2014-003 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We did not identify any significant deficiencies.

Dallas County's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Dallas County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of UGMS. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of State Awards Required by UGMS

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Dallas County, Texas (the County) as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 23, 2015, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state awards is presented for purposes of additional analysis as required by UGMS and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state awards is fairly stated in all material respects in relation to the financial statements as a whole.

KPMG LLP

Dallas, Texas

April 21, 2015, except for our report on the Schedule of Expenditures of State Awards Required by UGMS, for which the date is March 23, 2015.

DALLAS COUNTY, TEXAS
Schedule of Expenditures of State Awards
September 30, 2014

State grantor / pass-through grantor / other grantor / program title / grant title	Grant number	Expenditure	Amounts passed to through subrecipients
State of Texas:			
Attorney General of Texas:			
Program:			
Victim Information and Notification Everyday:			
Direct:			
240014 Victim Information Notification Everyday	1445378	\$ 85,231	—
Total Direct		85,231	—
Total Program		85,231	—
Program:			
Other Victim Assistance			
Direct:			
690014 Family Violence Victim Caseworker	1442532	36,591	—
690015 Family Violence Victim Caseworker	1556059	5,757	—
Total Direct		42,348	—
Total Program		42,348	—
Department of State Health Services:			
Program:			
Centers for Disease Control & Prevention:			
Direct:			
872914 Infectious Disease Control Unit/FLU Lab	2014-001095-00	4,365	—
874414 Infectious Disease Control Unit/Foodborne	2014-045530-001	21,869	—
874415 Infectious Disease Control Unit/Foodborne	2015-046130-001	6,502	—
Total Direct		32,736	—
Total Program		32,736	—
Department of State Health Services:			
Program:			
HIV Care Formula Grant:			
Direct:			
6550114 DSHS – HIV Services (State Services)	2014-001459	1,548,408	1,548,408
Total Direct		1,548,408	1,548,408
Total Program		1,548,408	1,548,408
Department of State Health Services:			
Program:			
Preventive Health and Health Services Block Grant:			
Direct:			
871214 RLSS-Local Public Health System	2014-000029-00	178,926	—
871215 RLSS-Local Public Health System	2015-000029-00	17,998	—
Total Direct		196,924	—
Total Program		196,924	—
Department of State Health Services:			
Program:			
Tuberculosis Control:			
Direct:			
870114 TB State African American	2014-001458-00	876,593	—
870115 TB State African American	2015-001458-00	75,719	—
Total Direct		952,312	—
Total Program		952,312	—
Department of State Health Services:			
Program:			
HIV Prevention			
Direct:			
870615 VD Epidemiology	2015-047005-001	96,142	—
874115 HIV Prevention Special Projects	2015-047005-001	(231)	—
Total Direct		95,911	—
Total Program		95,911	—
Department of State Health Services:			
Program:			
Immunization Grants:			
Direct:			
870815 Immunization Registry	2015-001068-00	66,361	—
871015 Immunization Registry P.I.	2015-001068-00	7,467	—
Total Direct		73,828	—
Total Program		73,828	—
Department of State Health Services:			
Program:			
African American TB:			
Direct:			
871314 TB State African American Project	2014-001458-00	106,978	—
871315 TB State African American Project	2015-001458-00	8,894	—
Total Direct		115,872	—
Total Program		115,872	—
District Court:			
Program:			
State and Local Narcotics Control Assistance:			
Direct:			
91052 State: Constable 4 Forfeiture Funds	N/A	5,242	—
91047 Confiscated Funds Pct. 3 – State	N/A	5,738	—
91042 Sheriff – Narcotics Seizure/Forfeiture	N/A	446	—
Total Direct		11,426	—

DALLAS COUNTY, TEXAS
Schedule of Expenditures of State Awards
September 30, 2014

State grantor / pass-through grantor / other grantor / program title / grant title	Grant number	Expenditure	Amounts passed to through subrecipients
Pass Through:			
541 DA Forfeiture – State	N/A	\$ 711,316	—
Total Indirect		711,316	—
Total Program		722,742	—
Office of the Governor, Criminal Justice Division:			
Program:			
Crime Lab Equipment:			
Pass Through:			
300009 DNA Profiling – Program Income	SF97-A03-10139	17,066	—
Total Direct		17,066	—
Total Program		17,066	—
Office of the Governor, Criminal Justice Division:			
Program:			
State Criminal Justice Planning (421) Fund:			
Direct:			
100614 DC Felony Female Offender Program STAR Court	SF-14-A10-19733-07	133,907	—
100615 DC Felony Female Offender Program STAR Court	SF-1973308	11,205	—
100714 Felony DWI Felony DIVERT Court	SF-14-A10-19689-07	65,042	—
100715 Felony DWI Felony DIVERT Court	SF-1968908	5,639	—
201114 Dallas County DWI Misdemeanor DIVERT COURT	SF-14-A10-18681-08	101,838	—
201115 Dallas County DWI Misdemeanor DIVERT COURT	SF-1868109	7,013	—
201414 Legacy Family Court	SF-14-A10-26604-01	24,007	—
261114 Mental Health Diversion Court	SF-11-A10-18046-09	40,009	—
261115 Mental Health Diversion Court	SF-1804610	5,106	—
701614 Family Violence Intervention Program	SF-14-J20-25979-02	73,033	—
701714 Mental Health Court	SF-14-J20-25672-02	54,011	—
701715 Mental Health Court	SF-25672-03	4,981	—
701814 E.S.T.E.E.M Court	SF-14-J20-26956-01	19,054	—
701815 E.S.T.E.E.M Court	SF-2695602	4,908	—
Total Direct		549,753	—
Total Program		549,753	—
Office of the Governor, Criminal Justice Division:			
Program:			
Drug Court Program:			
Direct:			
101014 Dallas County Veterans Court	DC-14-A10-24133-04	59,820	—
101015 Dallas County Veterans Court	DC-2413305	10,592	—
101114 DC Successful Treatment of Addiction Through Collaboration (STAC)Court	DC-14-A10-24134-04	160,131	—
101115 DC Successful Treatment of Addiction Through Collaboration (STAC)CourtDC Successful Treatment of Addiction Through Collaboration (STAC)Court	DC-2413405	13,777	—
260014 Drug Intervention Court	DC-14-A10-16042-13	145,606	—
260015 Drug Intervention Court	DC-1604214	14,545	—
Total Direct		404,471	—
Total Program		404,471	—
Task Force on Indigent Defense:			
Program:			
Indigent Defense Grant:			
Direct			
46645 SB 7 – Indigent Defense Grant	212-02-057	3,928,889	—
660514 Immigration/Criminal Law Program	212-14-D07	2,716	—
Total Direct		3,931,605	—
Total Program		3,931,605	—
Texas Commission on Environmental Quality:			
Program:			
Local Initiative Project:			
Direct:			
200411 Dallas County Clean Air Emissions Task Force	582-8-89951	42,921	—
200412 Dallas County Clean Air Emissions Task Force	2012-1492	117,058	—
200414 Dallas County Clean Air Emissions Task Force	582-14-40120	106,422	—
94072 Dallas County Clean Air Emissions Task Force	N/A	1,282	—
Total Direct		267,683	—
Total Program		267,683	—
Texas Commission on Environmental Quality:			
Program:			
Low Income Repair Assistance, Retrofit, & Accelerated Vehicle Retirement Program:			
Direct:			
200314 LIRAP Retrofit/Accelerated Vehicle Retirement Program	582-12-20270	1,142,843	1,142,843
Total Direct		1,142,843	1,142,843
Total Program		1,142,843	1,142,843
Texas Department of Criminal Justice			
Program:			
Alternative to Transitional Treatment Center Program:			
Direct:			
37014 DC Community Continuum of Care (4C Program)	696-CJ-14-15-L020	453,447	—
37015 DC Community Continuum of Care (4C Program)	696-CJ-14-15-L020	52,100	—
Total Direct		505,547	—
Total Program		505,547	—

DALLAS COUNTY, TEXAS
Schedule of Expenditures of State Awards
September 30, 2014

State grantor / pass-through grantor / other grantor / program title / grant title	Grant number	Expenditure	Amounts passed to through subrecipients
Texas Department of Motor Vehicles:			
Program:			
Automobile Theft Prevention Authority:			
Direct:			
560014 North TX Auto Theft Task Force	SA-T01-10047-13	\$ 789,485	—
560015 North TX Auto Theft Task Force	SA-T01-10047-14	93,161	—
Total Direct		<u>882,646</u>	—
Total Program		<u>882,646</u>	—
Texas Education Agency:			
Program:			
Juvenile Justice Alternative Education:			
Direct:			
720113 JJAEP School	JBO 2012-113	(14,490)	—
720114 JJAEP School	JBO 2013-082	354,096	—
720115 JJAEP School	JBO 2014-060	3,346	—
Total Direct		<u>342,952</u>	—
Total Program		<u>342,952</u>	—
Texas Juvenile Justice Department:			
Program:			
Juvenile Justice Delinquency Prevention – State:			
Direct:			
710813 State Aid	TJJD-A-13-057	31,747	—
710814 State Aid	TJJD-A-14-057	7,628,572	—
710815 State Aid	TJJD-A-15-057	583,860	—
711614 Special Needs Diversionary Program	TJJD-M-14-057	219,552	—
711615 Special Needs Diversionary Program	TJJD-M-15-057	19,610	—
712514 Commitment Reduction Program	TJJD-C-14-057	2,185,877	—
712515 Commitment Reduction Program	TJJD-C-15-057	120,788	—
712714 Grant "N" Mental Health Services	TJJD-N-14-057	133,651	—
712715 Grant "N" Mental Health Services	TJJD-N-15-057	37,969	—
720114 JJAEP School	TJJD-P-14-057	683,012	—
720115 JJAEP School	TJJD-P-15-057	77,658	—
Total Direct		<u>11,722,296</u>	—
Total Program		<u>11,722,296</u>	—
Grand total state		<u>\$ 23,633,174</u>	<u>2,691,251</u>

See accompanying notes to schedule of expenditures of state awards.

DALLAS COUNTY, TEXAS

Notes to Schedule of Expenditures of State Awards

Year ended September 30, 2014

(1) General

The accompanying schedule of expenditures of state awards (the Schedule) presents the activity of all state award programs of Dallas County, Texas (the County), except for the state award programs of the Dallas County Hospital District (the District), a component unit of the County, which has been excluded. The District issued a separate single audit report for the year ended September 30, 2014. The County's reporting entity is defined in note 1.A to the County's basic financial statements.

(2) Basis of Accounting

The Schedule was prepared using the modified accrual basis of accounting. State award revenues are reported as intergovernmental revenues in the General Fund and the Special Revenue funds in the County's basic financial statements.

DALLAS COUNTY, TEXAS

Schedule of Findings and Questioned Costs

September 30, 2014

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none reported

State Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? yes none reported

Type of auditors’ report issued on compliance for major programs

Qualified

Any audit findings disclosed that are required to be reported in accordance with UGMS?

yes no

Name of state program or cluster

LIRAP Retrofit/Accelerated Vehicle Retirement Program
State and Local Narcotics Control Assistance
Indigent Defense Grant
TB State African American

Dollar threshold used to distinguish between type A and type B programs:

State \$708,995

Auditee qualified as low-risk auditee?

State yes no

Section II – Financial Statement Findings

None Noted.

DALLAS COUNTY, TEXAS

Schedule of Findings and Questioned Costs

September 30, 2014

Section III – State Award Findings and Questioned Costs

<u>Program</u>	<u>Expenditures</u>
State and Local Narcotics Control Assistance	\$ 722,742

Award number: N/A

FINDING #2014-001: Activities Allowed and Allowable Costs

Criteria or Specific Requirement

Per the Texas Code of Criminal Procedure, Chapter 59.06(d-3) Disposition of Forfeited Property, an expenditure of proceeds or property received under this chapter is considered to be for a law enforcement purpose if the expenditure is made for an activity of a law enforcement agency that relates to the criminal and civil enforcement of the laws of this state.

Condition

Control

The County’s policy is to have requests for payment provided to management for review prior to processing. However, the underlying support for the transactions included in the payment requests were not submitted as part of this review for this program. Thus, resulting in a deficiency in the design of this control.

Compliance

During our testwork, we selected a sample of 65 expenditures which totaled \$407,852. We identified two expenditures that did not appear to be for an activity of a law enforcement agency that relates to the criminal and civil enforcement of the laws. The first one for \$47,500 appeared to be related to a vehicle accident settlement and the second one appeared to be for the repairs of the County’s vehicle involved in the same accident.

Questioned Costs

<u>Description</u>	<u>Amount</u>
Maintenance/Vehicles	\$ 47,500.00
Miscellaneous fees/Other	11,372.87
Total	\$ 58,872.87

Possible Asserted Cause and Effect

Management failed to establish an effective control environment to ensure that all costs that are charged to this major program are for allowable activities.

The effect of this absence of effective control procedures is an increased likelihood of noncompliance and questioned costs related to this compliance requirement.

DALLAS COUNTY, TEXAS

Schedule of Findings and Questioned Costs

September 30, 2014

An important element of this control environment is to ensure that there is proper oversight of the expenditures of this program. The individual providing oversight should be knowledgeable of the program and its requirements to understand whether costs are allowed or not.

Recommendation

We recommend the County's management maintain effective control activities to ensure transactions are appropriately reviewed prior to processing.

View of the Responsible Officials

Funds have been deposited in County accounts where the County's management will maintain effective control activities to ensure transactions are appropriately reviewed prior to processing and allow for more transparency. Corrections for past errors have been made.

State forfeiture funds should not be used to pay legal settlements.

The District Attorney's Office will ensure that all vehicle accidents are reported immediately in compliance with Dallas County Code Section 90-137, 90-271, 90-272, 90-273, and 90-274 including the use of the Automotive Service Center (ASC) shop for determination of all repairs.

A control environment has already been put in place to ensure that there is proper oversight of the expenditures of the program by individuals that are knowledgeable of the program's requirements and that understand which activities or costs are permissible or not under the programs. Such transactions will be appropriately reviewed prior to processing and allow for more transparency. The District Attorney's Office will maintain an effective control environment to ensure the procurement for all goods and services are processed through the County's Purchasing Department in accordance with Dallas County Code and State statutes.

DALLAS COUNTY, TEXAS

Schedule of Findings and Questioned Costs

September 30, 2014

<u>Program</u>	<u>Expenditures</u>
State and Local Narcotics Control Assistance	\$ 722,742

Award Number: N/A

FINDING #2014-002: Equipment

Criteria or Specific Requirement

Per 2 CFR section 215.34 (f), which is followed by UGMS:

- (1) Equipment records shall be maintained accurately and shall include the following information:
 - (i) A description of the equipment
 - (ii) Manufacturer's serial number, model number, Federal stock number, national stock number, or other identification number.
 - (iii) Source of the equipment, including the award number.
 - (iv) Whether title vests in the recipient or the Federal Government.
 - (v) Acquisition date (or date received, if the equipment was furnished by the Federal Government) and cost.
 - (vi) Information from which one can calculate the percentage of Federal participation in the cost of the equipment (not applicable to equipment furnished by the Federal Government).
 - (vii) Location and condition of the equipment and the date the information was reported.
 - (viii) Unit acquisition cost.
 - (ix) Ultimate disposition data, including date of disposal and sales price or the method used to determine current fair market value where a recipient compensates the Federal awarding agency for its share.
- (2) Equipment owned by the Federal Government shall be identified to indicate Federal ownership.
- (3) A physical inventory of equipment shall be taken and the results reconciled with the equipment records at least once every two years. Any differences between quantities determined by the physical inspection and those shown in the accounting records shall be investigated to determine the causes of the difference. The recipient shall, in connection with the inventory, verify the existence, current utilization, and continued need for the equipment.

DALLAS COUNTY, TEXAS

Schedule of Findings and Questioned Costs

September 30, 2014

Condition

Control

Management failed to establish an effective control environment to ensure that the population of equipment was complete and accurate as of September 30, 2014.

Compliance

During our testwork over Equipment for this major program, the engagement team requested but was unable to obtain a complete listing of equipment. The listing obtained only included recent purchases and inquiry with management regarding the subject matter did not lead to resolution of the matter.

Questioned Costs

Undetermined

Possible Asserted Cause and Effect

The effect of this absence of effective control procedures is an increased likelihood of noncompliance and questioned costs related to this compliance requirement.

An important element of this control environment is to ensure that there are proper procedures in place for the maintenance of equipment and the related records. Proper procedures would include charging knowledgeable individuals with the responsibilities of maintaining and tracking the equipment and related records.

Recommendation

We recommend the County's management design and implement control activities to ensure proper records are maintained for equipment and that the equipment itself be tracked and accounted for at an appropriately detailed level.

View of the Responsible Officials

The County maintains a listing of property purchases (capital assets) valued at \$5,000 or more in accordance with Dallas County Code Section 70.361. The District Attorney's Office has a list and is developing and maintaining a more complete list (of both capital and non-capital assets) of vehicles, equipment, firearms or personal equipment, furniture, computers, software, etc. for items seized via forfeiture or purchased with forfeiture funds. The District Attorney's Office management has designed and implemented control activities to ensure proper records are maintained in accordance with Dallas County Code Section 90-373 for equipment/property and that the equipment/property itself is accounted for and tracked at an appropriately detailed level.

DALLAS COUNTY, TEXAS

Schedule of Findings and Questioned Costs

September 30, 2014

<u>Program</u>	<u>Expenditures</u>
State and Local Narcotics Control Assistance	\$ 722,742

Award Number: N/A

FINDING #2014-003: Procurement and Suspension and Debarment

Criteria or Specific Requirement

Per 2 CFR Part 215.46, which is followed by UGMS, procurement records and files for purchases in excess of the small purchase threshold shall include the following at a minimum:

- (a) Basis for contractor selection
- (b) Justification for lack of competition when competitive bids or offers are not obtained
- (c) Basis for award cost or price

Per 2 CFR 180.300, an entity shall do the following before entering into a covered transaction with an entity or person:

- (a) Checking SAM Exclusions
- (b) Collecting a certification from that person
- (c) Adding a clause or condition to the contract related to the covered transaction

Condition

Control

The procurement of goods and services for this major program were not processed through the County's Purchasing Department. Therefore, the procurement transactions related to this program were not subject to the County's established control environment.

Compliance

During our testwork, we noted there were three entities with which the County entered into covered transactions which totaled \$168,400. For each of the three entities we noted the procurement documentation of significant history of the procurement, including the rationale for the method of the procurement, selection of the contract type, contractor selection, or rejection, and the basis of the contract price did not exist.

For each of the three entities, there was not any documentation that the County performed the necessary procedures to ensure that the entities were not suspended or debarred as described above. We independently performed a search for the three entities and determined that they were not suspended or debarred.

DALLAS COUNTY, TEXAS

Schedule of Findings and Questioned Costs

September 30, 2014

Questioned Costs

None

Possible Asserted Cause and Effect

Management failed to establish and maintain an effective control environment for the procurement of goods and services related to this major program.

The effect of this absence of effective control procedures is an increased likelihood of noncompliance and questioned costs related to this compliance requirement.

Recommendation

We recommend the County's management maintain an effective control environment to ensure the procurement for all goods and services are processed through the County's Purchasing Department.

View of the Responsible Officials

The District Attorney's Office will maintain an effective control environment to ensure the procurement for all goods and services are processed through the County's Purchasing Department in the future with particular attention that the necessary procedures are followed to ensure that the entities are not suspended or debarred. A control environment has already been put in place to ensure that there is proper oversight of the expenditures of the program by individuals that are knowledgeable of the program's requirements and that understand which activities or costs are permissible or not under the programs. Such transactions will be appropriately reviewed prior to processing.

Checks and balances have been and are being implemented to ensure that proper procedures will be implemented and enforced now and in the future.