



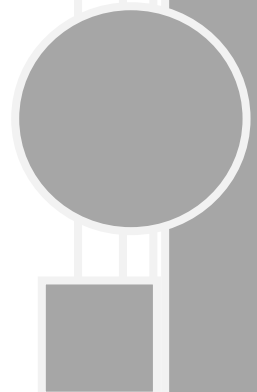
AUDIT REPORT

DALLAS COUNTY

STATE FORFEITURE - SHERIFF'S DEPARTMENT - FY2023

Wendwessen Stefanos, CPA
First Assistant County Auditor

ISSUED: 6/4/2024
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State Forfeiture - Sheriff's Department - FY2023

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This report is intended for the information and use of the agency/department. While we have reviewed internal controls and financial reports, this review will not necessarily disclose all matters of a material weakness. It is the responsibility of the department to establish and maintain effective internal control over compliance with the requirements of laws, regulations, and contracts applicable to the department.



DALLAS COUNTY
COUNTY AUDITOR

MANAGEMENT LETTER

Honorable Marian Brown
Dallas County Sheriff
Dallas, Texas

Attached is the County Auditor's final report entitled "**State Forfeiture - Sheriff's Department - FY2023**" Report. In order to reduce paper usage, a hard copy will not be sent through in-house mail except to the auditee.

If you prefer that released reports be emailed to a different (or additional) recipient, please inform me of the name and the change will be made.

Respectfully,

wessen Stefanos

Wendwessen Stefanos, CPA
First Assistant County Auditor

EXECUTIVE SUMMARY

A review of the FY2023 Sheriff's Office use of state forfeiture funds was performed according to state requirements as contained in V.T.C.A., Code of Criminal Procedure (CCP), Article 59.06 (g). The Chapter 59 audit included a review of the proceeds, expenditures, and property from criminal seizures for the various offices and the corresponding cases filed by the Dallas County District Attorney's Office.

Summary of Significant Observations:

- **Seizure Account:** Seized money is deposited in a bank account that is not controlled by Dallas County. The account is controlled solely by the Sheriff's Office. In addition, prior years' funds totaling \$23,638 reported found or abandoned that were not held as evidence remain in the seizure account.

Repeat observations from Previous Audits:

- **Seizure Account:** Abandoned and found funds deposited in the seizure account have not been reviewed for escheatment, release, or disposition consistent with CCP Article 18.17 (h) and Property Code, §72 and §76.
- **Inventory Tracking:** Twelve items could not be located. The department does not require sections to record, track and inventory law enforcement equipment and items purchased with forfeiture funds.
- **Expenses:** Management did not review expenditure coding, did not compare expenditures to the budget, and did not budget for six expense categories.

Only those weaknesses which have come to our attention as a result of the audit have been reported. It is the responsibility of the department management to establish and maintain effective internal control over compliance with the requirement of laws, regulations, and contracts applicable to the department.

INTRODUCTION

Dallas County Auditor's Office mission is to provide responsible, progressive leadership by accomplishing the following:

- Comply with applicable laws and regulations.
- Safeguard and monitor the assets of the County utilizing sound fiscal policies.
- Assess risk and establish and administer adequate internal controls.
- Accurately record and report financial transactions of the County.
- Ensure accurate and timely processing of amounts due to County employees and vendors.
- Set an example of honesty, fairness, and professionalism for Dallas County government.
- Provide services with integrity.
- Work in partnership with all departments to resolve all issues of the County.
- Strive to utilize the latest efficient and effective technology in the performance of tasks.
- Provide technical support and training in the development, implementation, and maintenance of information systems.
- Hold ourselves accountable to the citizens of the County at all times.
- Be responsive to the elected officials and department heads of Dallas County.

The objectives of this audit are to:

1. Ensure compliance with statutory requirements
2. Evaluate internal controls
3. Verification of accuracy and completeness of reporting
4. Review controls over safeguarding of assets

This audit covered the period of October 1, 2022 through September 30, 2023.

The audit procedures may include interviews with key process owners, observation of transactions processing, data analysis and sample testing of transactions. The main system used may have been reviewed and incorporated as part of the testing of transactions.



DETAILS

Expenses

Criteria

Per Government Finance Officers Association best practices related to budget monitoring, it is recommended that all governments establish a formal set of processes for comparing budget to actual results to monitor financial performance. Budget monitoring should include analysis of a diverse set of indicators to best inform the analysis and facilitate evaluation of a government's overall performance.

Standard internal control procedures require that management review expenditure coding and perform regular budget reconciliations to provide reasonable assurance that transactions are authorized, reasonable, allowable, and within approved amounts.

Review

A review of the general ledger coding for all expenditures paid with state forfeiture funds during fiscal year 2023 revealed:

- Six expenditure categories exceeded the budgeted categories by a total of \$22,699.
- 11 expenditures totaling \$6,456 were coded to the incorrect expense accounts.

Status: On October 26, 2023, a journal entry was posted to correct the coding errors.

Cause/Effect

A lack of management oversight in reviewing expenditures and comparing them to the budget prior to payment resulted in posting errors and excessive spending based on budget categories.

Recommendation

Expenses

Management should:

- Establish and conduct regular budget monitoring to promptly adjust for any significant variances.
- Review expenditures and transactions for sufficient authorization, accuracy, appropriate general ledger coding, consistency with the approved budget, and adequate supporting documentation.



- Perform regular budget reconciliations and review Oracle's financial reports to ensure transactions are authorized, reasonable, allowable, and within approved amounts.
- Ensure sections formally document their budgetary assumptions, source information, and justifications for all planned expenditures to be charged against the state forfeiture fund.

Management Action Plan

Findings are noted. Budgeting or forfeiture accounts are projections based on previous years' experience and can exceed or go down (expected). Department will try to get closer numbers to next budget year. Miscoding can happen when account details are similar between two items. Miscoding is a clerical error. Department will pay more attention.

Auditor's Response

- None

Seizure Account

Criteria

Per Attorney General of Texas Opinion GA-0588, "while CCP Article 59.08(a) plainly grants an attorney representing the state discretionary authority to deposit seized money in an interest-bearing account... a law enforcement agency does not have independent authority to deposit and maintain money seized as contraband in an interest-bearing account and may do so only pursuant to court order."

In accordance with CCP Article 18.17 (h), "If the abandoned or unclaimed personal property is money, the person designated by the municipality, the county purchasing agent, or the sheriff of the county, as appropriate, may, after giving notice under subsection (b) or (c) of this article, deposit the money in the treasury of the municipality or county giving notice without conducting the sale as required by subsection (d) of this article."

Per Property Code, §72 and §76, when the owner is known, funds should be returned or escheated to the county treasurer (if \$100 or under) or the State of Texas (if over \$100).

Review

A review of all seizure account activities during fiscal year 2023 revealed:



- Seized funds are deposited in a bank account that is separate from the bank accounts administered by the County Treasurer. The bank account is administered and controlled solely by the Sheriff's Office Financial Management section.
- Prior years reported found or abandoned funds totaling \$23,638.39 remain in the seizure account.
 - Abandoned funds totaling \$18,580.39, which are not held as evidence, remain in the seizure account.
 - Found funds totaling \$5,058 remain in the seizure account.

Cause/Effect

Seized funds and found money deposited into the seizure bank account are controlled by the Financial Management section, which does not adhere to CCP Article 59.08(a) or the Attorney General of Texas Opinion GA-0588. Abandoned and found money in the seizure account have not been reviewed for escheating, release, or disposition consistent with CCP Article 18.17 (h), Property Code, §72 and §76. As a result, there is a risk that assets controlled directly by the department rather than the Treasurer's Office can be misappropriated. Additionally, parties may not be aware of their rightful claim to abandoned funds.

Recommendation

Seizure Account

Management should:

- Return or escheat the \$23,638 found or abandoned funds that remain in the seizure account.
- Review process related to depositing funds in a bank account not controlled by Dallas County and coordinate with the County Treasurer and the County Auditor to establish a bank account within the County depository bank and a new liability account for seized funds (seizure account) within the County depository bank for forfeited funds (forfeiture account). Once established, coordinate for armored service to pick up seized funds from the Sheriff's office and transport funds to the Treasurer's office for deposit.
- Process found and abandoned funds with no known owner after 90 days, consistent with CCP Article 18.17 (h).

Management Action Plan

Undistributed funds will be returned to defendants if those are not tied to any evidence after due diligence to find the defendants. Department will seek Auditor's Office assistance if these funds need to be escheated to the State.



Auditor's Response

- None

Inventory Tracking

Criteria

Per Dallas County Code Chapter 90.373, "All department heads and elected officials are responsible for maintaining property assigned to their department, proper inventory records, and making appropriate reports as required."

Standard internal control procedures require that a physical inventory count is periodically performed. In addition, inventory records should be complete and accurate.

Review

A review of all 106 trackable inventory items that were purchased with state forfeiture funds revealed:

- 12 items totaling \$3,270 could not be located.
 - 10 items totaling \$499 remain missing from the prior year's audit.
- The department does not track and inventory law enforcement equipment and items purchased with forfeiture funds.

Cause/Effect

Incomplete inventory record-keeping controls have resulted in forfeiture equipment that cannot be located.

Recommendation

Inventory Tracking

Management should:

- Locate the 12 missing forfeiture items. If items remain missing, brief the Commissioners Court to remove them from the Sheriff's records.
- Maintain a proper record of forfeiture equipment by performing periodic reviews.
- Tag equipment and items purchased with forfeiture proceeds once received.
- Promptly record the equipment description, serial number, model number, stock number, source of equipment, acquisition date, location and condition, unit cost, and disposition data (when applicable) in an inventory tracking system.



Management Action Plan

Recommendation noted. Department will ask Commissioners Court to remove not located from the list. Also, department will advise division to tag future items purchased with State Forfeiture fund.

Auditor's Response

- None

cc: Darryl Martin, Commissioners Court Administrator