

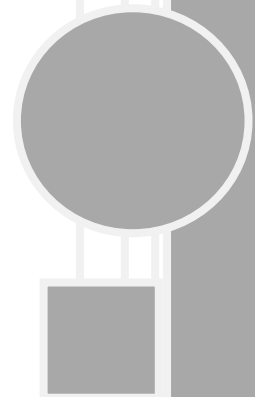


AUDIT REPORT

DALLAS COUNTY

2019 FEDERAL FORFEITURE - SHERIFF'S OFFICE

Darryl D. Thomas
Dallas County Auditor
ISSUED: November 04, 2019
RELEASED: November 04, 2019



2019 FEDERAL FORFEITURE - SHERIFF'S OFFICE

TABLE OF CONTENTS

MANAGEMENT LETTER.....	3
EXECUTIVE SUMMARY.....	4
INTRODUCTION.....	5
DETAILS.....	6
Deposits.....	6
Expenses.....	6
Inventory Tracking.....	7

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 "**2019 Federal Forfeiture - Sheriff's Office**" 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,

A handwritten signature in blue ink that reads "Darryl D. Thomas".

Darryl D. Thomas
County Auditor

EXECUTIVE SUMMARY

An audit of the Sheriff's Office use of Federal Forfeiture funds for FY2019 was performed according to requirements contained in 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). The federal equitable sharing audit includes a review of the shared funds and property received from federal agencies and federal forfeiture expenditures by Dallas County agencies. Internal Control weaknesses which need consideration by management are:

Summary of Significant Observations

- Deposits were not coded to the correct revenue accounts for (DOJ and Treasury fund).
- Budget was not compared to actual expenditures; as a result, one category was exceeded by a total of \$57,063.77.
- Department does not track law enforcement equipment and items purchased with forfeiture funds in its assets tracking system FileOnQ.

Repeat observations from Previous Audits:

- Lack of management review of expenditure coding and performing regular budget reconciliations to provide reasonable assurance that transactions are authorized, reasonable, allowable, and correct.
- Limited staff training and section management to reinforce proper accounting procedure.
- An asset tracking system was not implemented.
- Non adherence to the Dallas County Sheriff's Department's General Orders and Code of Conduct Manual.

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, 2018 through September 30, 2019.

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

DETAILS

Deposits

We reviewed all forfeiture revenue posted to the Oracle General Ledger (GL) from the Department of Justice and Treasury distribution reports and identified: Three revenue deposits totaling \$1,071 were coded to the incorrect revenue accounts (DOJ portion is \$714, Treasury is \$357). **Status: On 10/16/19, a journal entry was posted to correct the coding error.**

Chapter 2.5 of the Dallas County Sheriff's Department's 2017 General Orders and Code of Conduct Manual state "The Financial Services Unit is responsible for managing the Sheriff Department's financial operations; auditing all department receipts and any fiscal, cash, or credit transactions; administering grant funds; and maintaining all department credit cards, accounts, expenditures and payments." As a best practice, management should provide assurance that revenue transactions occurred, coding is accurate, and financial records are complete. This occurred because management did not review the accuracy of revenue coding. Revenue may be incorrectly reported, misapplied, or misappropriated, preventing the department from utilizing the funds for expenditures when revenue is not sufficiently reviewed.

Recommendation

Deposits

Management should adhere to the Dallas County Sheriff's Department's 2017 General Orders and Code of Conduct Manual and best practices by:

- Ensuring revenues agree to distribution reports and bank statement coding.
- Reviewing revenue coding for accuracy posted by a separate preparer.
- Periodically reviewing Oracle financial reports to ensure revenue is properly recorded, coding is accurate, and financial records are complete.

Expenses

We reviewed the General Ledger (GL) coding for all expenditures paid with Federal (Department of Justice and Treasury) forfeiture funds and compared actual expenditures to approved budgets and identified: one expenditure category exceeded the budgeted categories by a total of \$57,063.77 (Account #7213). See the below table.

Account No.	Account Name	Budgeted Amount	Actual Amount Expended	Variance
7213	Cellular Phones	-	57,063.77	(57,063.77)

Expenditures should be budgeted in accordance with Dallas County Code Sec. 70-53 (a)(2): Operating and maintenance expenditures should be formatted by object code; major expense categories, functionally related department and program summaries. Chapter 2.5 of the Dallas County Sheriff's Department's 2017 General Orders and Code of Conduct Manual state "The Financial Services Unit is responsible for managing the Sheriff

Department's financial operations and budget; approving all requisitions issued for expenditures authorized by the Sheriff or designee upon the determination that the funds have been appropriated and are available for the prescribed expenditure, and processing the proper forms for such; Perform purchasing activities and ensure the legitimacy of all expenditures; and maintaining all department credit cards, accounts, expenditures and payments." As a best practice, management should review expenditure coding and perform regular budget reconciliations to provide reasonable assurance that transactions are authorized, reasonable, allowable, and correct. This occurred because management did not review expenditures and compare them to the budget and did not budget for cell phones. Expenditure categories may be incorrectly reported, not authorized, not allowable, not reasonable, and result in an incorrect analysis of expenditures for forecasting when not sufficiently reviewed and reconciled to the budget.

Recommendation

Expenses

Management should adhere to the Dallas County Sheriff's Department's 2017 General Orders and Code of Conduct Manual and best practices by:

- Reviewing expenditures and transactions for sufficient authorization, accuracy, appropriate GL coding, consistency with the approved budget and adequate supporting documentation.
- Ensuring sections formally document their budgetary assumptions, source information and justifications for all planned expenditures to be charged against the federal forfeiture fund.
- Performing regular budget reconciliations and review Oracle financial reports to ensure transactions are authorized, reasonable, allowable, and correct.

Inventory Tracking

We sampled items purchased with forfeiture funds and vouched their existence with no instances of material non-compliance. However, the department does not have an asset tracking system to record purchases of track-able items made with forfeiture funds.

Assets should be tracked according to Uniform Grant Management Standards (UGMS) 2 CFR Section 215.34, tagged and recorded promptly once received. Inventory records should be complete with a description, serial number, model number, stock number, source of equipment, acquisition date, location and condition, unit cost, and disposition data (when applicable). A physical inventory should be periodically taken where results are reconciled to equipment records and differences between physical inspection and inventory records investigated. A control system should also ensure safeguards to prevent loss, damage, or theft of equipment. This occurred because an asset tracking system was not implemented. As a result, it is possible assets

purchased with forfeited funds may be lost, misappropriated, or not considered when additional purchases are made.

Recommendation

Inventory Tracking

Management should adhere to UGMS 2 CFR Section 215.34 by:

- Using existing software to inventory assets purchased with forfeiture funds.
- Tagging and recording the description, serial number, model number, stock number, source of equipment, acquisition date, location and condition, unit cost, and disposition data (when applicable) of assets purchased with forfeiture funds.
- Periodically performing a physical inventory of asset purchases.

cc: Darryl Martin, Commissioners Court Administrator