



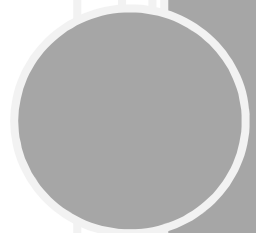
AUDIT REPORT

DALLAS COUNTY

FY2021 State Forfeiture (Ch 59)-Sheriff's Department

Darryl D. Thomas
Dallas County Auditor

ISSUED: 1/6/2022
RELEASED: MARCH 2, 2022



FY2021 State Forfeiture (Ch 59)-Sheriff's Department

TABLE OF CONTENTS

MANAGEMENT LETTER	3
EXECUTIVE SUMMARY.....	4
INTRODUCTION	5
DETAILS	6

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 "FY2021 State Forfeiture (Ch 59)-Sheriff's Department" Report. In order to reduce paper usage, a hard copy will not be sent through in house mail except to the auditee.

In 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,

Darryl D. Thomas

Darryl D. Thomas
County Auditor

EXECUTIVE SUMMARY

A review of the 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, Article 59.06 (g). The Chapter 59 audits 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. Internal Control weaknesses which need consideration by management are:

Summary of Significant Observations:

- **Seizure Account:** (1) Prior year reported abandoned funds totaling \$22,296.39, not held as evidence, remain in the seized account. (2) Prior reported found funds totaling \$803 remain in the seizure account, and (3) Seized money is deposited in a bank account that is not controlled by the County. The account is controlled solely by the Sheriff's Office.

Repeat observations from Previous Audits:

1. **Expenses:** Management did not review expenditure coding, did not compare expenditures to the budget, and did not budget for six expense categories.
2. **Forfeiture Account:** The department did not review three cases for final judgment and notified the Financial Management Section to transfer forfeited funds to the County- operated Sheriff Forfeiture Account.
3. **Seizure Account:** Abandoned and found deposited in the seizure account has not been reviewed for escheatment, release, and disposition consistent with C.C.P. Art.18.17 (h), Property Code, §72 and §76, and the Sheriff Property and Evidence Room procedures for found property.
4. **Inventory Tracking:** we noted the department does not track and inventory law enforcement equipment and items purchased with forfeiture funds in its assets tracking system FileOnQ .The department does not require sections purchasing law enforcement equipment and items with forfeiture proceeds to record them in the department's asset tracking system.

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, 2020, through September 30, 2021.

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**Expenses**

We reviewed the General Ledger (GL) coding for all expenditures paid with State forfeiture funds (period ending September 30, 2021) and identified:

1. Thirteen expenditures totaling \$6,842 were coded to the incorrect expense accounts. **Status: On 10/13/2021, a journal entry was posted to correct the coding errors.**
2. Six expenditure categories exceeded the budgeted categories by a total of \$9,940.04.

Chapter 2.5 of the Dallas County Sheriff's Department's 2021 General Orders and Code of Conduct Manual, states "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; and ensure the legitimacy of all expenditures." Per Code of Criminal Procedures (CCP) Article 59.06 (d) proceeds awarded may be spent after a budget for the expenditure of the proceeds has been submitted to the Commissioners Court. The budget must be detailed and clearly list and define the categories of expenditures. Additionally, expenditures should be budgeted in accordance with Dallas County Code Sec. 70-53 (a) (2) which state "Operating and maintenance expenditures should be formatted by object code; major expense categories, functionally related department and program summaries."

Management did not review expenditure coding, did not compare expenditures to the budget, and did not budget for six expense categories. As a result, expenditure categories may be incorrectly reported, not authorized, not allowable, not reasonable, and may result in an incorrect analysis of expenditures for forecasting when not sufficiently reviewed and reconciled to the budget.

Recommendation**Expenses**

Management should make the following corrective actions:

- Review expenditures and transactions for accuracy, appropriate GL coding, and consistency with the approved budget.
- Adhere to the Dallas County Sheriff's Department's 2021 General Orders and Code of Conduct Manual, CCP Art. 59.06 (d).
- Require sections to document budgetary assumptions, source information, and justifications for all planned expenditures for the state forfeiture fund.
- Perform regular budget reconciliations and review Oracle financial reports to ensure transactions are authorized, reasonable, allowable, and correct.



Management Action Plan

- Recommendations are noted. Budget presentation of forfeiture account each fiscal year is based mainly on assumed numbers/expenses/revenue; we do follow a continuous adjustment to already approved budget. Interim review of budget numbers will be followed going forward.

Auditors Response

- None

Seizure Account

We reviewed all the Seizure Account activities (period ending September 30, 2021) and identified:

- Prior reported abandoned funds totaling \$22,296.39, not held as evidence, remain in the seized account (Dallas Sheriff's Office Service #09-090116, 09-094905, 09-127479, 09-133428, 10-002742, 10-039184, 10-039184, 10-150543, 11-031361, 11-11143, 11-146518, 11-149173, 12-072446, 12-093018, 17-092891).
- Prior reported found funds totaling \$803 remain in the seizure account (Service #18-027111, 20-059389, 20-065239).
- Seized money is deposited in a bank account that is not controlled by the County. The account is controlled solely by the Sheriff's Office.

As stated in the Attorney General of Texas Opinion No. GA-0588, "while 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 a court order."

CCP Article 59.04 (a) states "If a peace officer seizes property under this chapter, the attorney representing the state shall commence proceedings under this section not later than the 30th day after the date of the seizure." Funds should be returned or escheated to the County Treasurer (if \$100 or under) or the State of Texas (if over \$100) in accordance with unclaimed property statutes, Property Code, §72 and §76 when the owner is known. 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." It is the Sheriff's office procedure to hold Found Property for 30 days until an owner can be located. A notification is then sent to the owner to retrieve the property. Any property that is not claimed by the owner after 90 days, from the date the notification letter is sent, is auctioned off while money is deposited in the general fund.



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), Attorney General of Texas Opinion GA-0588. Abandoned and found money have not been reviewed for escheatment, release, and disposition consistent with CCP Article 18.17 (h), Property Code, §72 and §76, and the Sheriff Property and Evidence Room procedures for found property. There is a risk that assets controlled directly by departments other than the Treasurer's Office can be misappropriated. Additionally, parties may not be aware of their rightful claim to found and abandoned funds.

Recommendation

Seizure Account

Management should make the following corrective actions:

- Return or escheat the \$22,296.39 in abandoned money and \$803 found funds that remain in the seizure account.
- Coordinate with the County Auditor's Financial Audit section to establish a new liability account for seized funds (seizure account) within the County depository bank and coordinate with the County Treasurer for armored service to pick up seized funds from the Sheriff's office and transport it to the Treasurer's office for deposit. Expedited deposits can be transported by a deputy and Sheriff Fiscal staff to the Treasurer's office for deposit.
- Require department compliance with CCP Article 59 and Attorney General of Texas Opinion GA-0588
- Processing found and abandoned money with no known owner after 90 days, consistent with CCP Article 18.17 (h) and the Sheriff's procedures.

Management Action Plan

- Auditor's findings are noted, and we found discrepancy between audited numbers and actual numbers in record kept by our Section. Qualified funds will be refunded to concerned parties. DSO has been operating/managing bank account for seized money under a departmental bank account for convenience. DSP will continue to manage bank account of seized fund and has no plan (at least for now) to move funds within County Depository Bank.

Auditors Response

- None

Forfeiture Account

We reviewed the listing of closed forfeiture cases and the Oracle Forfeiture Account (period ending September 30, 2021) and identified two revenue deposits totaling \$3,600 were coded to the incorrect revenue account. **Status: On 10/13/2021, a journal entry was posted to correct the coding errors.**

Chapter 2.5 of the Dallas County Sheriff's Department's 2021 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. The proceeds from forfeited vehicles should be recorded to the Other Income account. Management did not ensure proceeds from a sale were correctly coded to the State Forfeiture other income account. As a result, proceeds from the sale of forfeited property may be incorrectly reported when coding errors are not detected by the department and management.

Recommendation

Forfeiture Account

Management should adhere to the Dallas County Sheriff's Department's 2021 General Orders and Code of Conduct Manual and best practices by:

- Reconciling forfeiture cases with judgements (with forfeiture awards) to Oracle financial reports to detect errors, ensure coding is accurate, and that financial records are complete.
- Reviewing proceeds from sold or forfeited vehicles buy-backs to ensure the funds are recognized and recorded to the Other Income account and correct project code.

Management Action Plan

- Recommendations are noted

Auditors Response

- None

Inventory Tracking

We reviewed a sample of equipment and items purchased with proceeds from Ch.59 state forfeitures for existence and identified no instances of material non-compliance. However we noted the department does not track and inventory law enforcement equipment and items purchased with forfeiture funds in its assets tracking system, FileOnQ.

As a best practice, capital and non-capital property should be tracked according to Uniform Grant Management Standards (UGMS) 2 CFR Section 215.34, and maintained according to Dallas County Code Chapter 90 Article III. Management should tag items and record the description, serial number, model number, stock number, source of equipment, acquisition date, location and condition, unit cost, and disposition data (when applicable). Items records should be periodically reviewed for accuracy and completeness by completing an inventory and determining the existence of each item. The department does not require sections purchasing law enforcement equipment and items with forfeiture proceeds to record them in the department's asset tracking system. This may result in potential equipment loss, misappropriation of assets, non-statutory use of forfeiture proceeds, reduced optimization for maintaining equipment levels, and possible waste through repurchasing equipment already on-hand.



Recommendation

Inventory Tracking

Management should adhere to UGMS 2 CFR section 215.34, Dallas County Code Ch. 90 Article III, and best practices by:

- Tagging equipment and items purchased with forfeiture proceeds once received.
- Promptly recording 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 the department's asset tracking system.
- Periodically conducting physical inventories, where results are reconciled to equipment records and differences between physical inspection and inventory records are investigated.

Management Action Plan

- Recommendations are noted. Section doesn't use FileOnQ and has no plan to purchase separate license for the use of FileOnQ (it's not worth paying for a FileOnQ license for such a small operation)

Auditors Response

- None

cc: Darryl Martin, Commissioners Court Administrator