



AUDIT REPORT

DALLAS COUNTY

2020 STATE FORFEITURE - SHERIFF'S DEPARTMENT

Darryl D. Thomas
Dallas County Auditor
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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 "**2020 State Forfeiture - 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.

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". The signature is fluid and cursive, with a long horizontal stroke at the end.

Darryl D. Thomas
County Auditor

EXECUTIVE SUMMARY

FY2020 The Sheriff's Office use of State Forfeiture Funds were 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

- Management did not review expenditure coding, did not compare expenditures to the budget, and did not budget for six expense categories.
- The department did not review three cases for final judgement and notify the Financial Management Section to transfer forfeited funds to the County operated Sheriff Forfeiture Account.
- Abandoned and found deposited in the seizure account have not been reviewed for escheating, release, and disposition consistent with CCP Article 18.17 (h)

Repeat observations from Previous Audits:

- Management did not review expenditure coding, did not compare expenditures to the budget, and did not budget for six expense categories.
- The department did not review three cases for final judgement and notify the Financial Management Section to transfer forfeited funds to the County operated Sheriff Forfeiture Account.
- Abandoned and found deposited in the seizure account have 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.
- 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.

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, 2019 through September 30, 2020.

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, 2020) and identified:

- Ten expenditures totaling \$7,262.76 were coded to the incorrect expense accounts.
Status: On 10/08/2020, a journal entry was posted to correct the coding errors.
- Six expenditure categories exceeded the budgeted categories by a total of \$6,558.37.

Account No.	Account Name	Budgeted Amount	Actual Amount Expended	Difference
2095	Computer Software	\$5,000.00	\$6,500.00	\$(1,500.00)
3080	Refunds	-	3,742.00	(3,742.00)
4210	Conference Travel	-	139.76	(139.76)
5590	Professional Fees	-	165.00	(165.00)
6170	Trial Expense Other Court Costs	-	458.00	(458.00)
7213	Cellular Phones	5,000.00	5,553.61	(553.61)
	Total	\$10,000.00	\$16,558.37	(\$6,558.37)

Chapter 2.5 of the Dallas County Sheriff's Department's 2017 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." These issues were not detected because 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 adhere to the Dallas County Sheriff's Department's 2017 General Orders and Code of Conduct Manual, C.C.P. Art. 59.06 (d) by:

- Reviewing expenditures and transactions for accuracy, appropriate GL coding, and consistency with the approved budget.
- Require sections to document budgetary assumptions, source information, and

justifications for all planned expenditures for the state forfeiture fund.

- Performing regular budget reconciliations and review Oracle financial reports to ensure transactions are authorized, reasonable, allowable, and correct.

Forfeiture Account

We reviewed the listing of closed forfeiture cases and the Oracle Forfeiture Account (period ending September 30, 2020) and identified \$7,995 has not been transferred from the Sheriff's Seizure bank account to the Sheriff Forfeiture account, which include:

- Three forfeiture awards totaling \$7,395 granted per court order (Case #DC1803284, DC1903448, DC1905107).
- \$600 that is to be returned to the defendant per Court Order (Case #DC1803284).

The department should timely comply with Final Judgements of Forfeiture that are ordered and decreed by the District Court, consistent with the Code of Criminal Procedure Article 59.05 and 59.06. Chapter 2.5 of the Dallas County Sheriff's Department's 2019 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." The Financial Management Section deposits seized funds into a non-county controlled bank account, inconsistent with CCP Art. 59.08(a), Attorney General of Texas Opinion GA-0588. Management did not review three cases for final judgement. As a result, the department is not able to expend forfeited funds until they are transferred to the forfeiture account. Additionally, the amount of funds the department can utilize may be understated.

Recommendation

Forfeiture Account

Management should make the following corrective actions:

- Move the \$7,995 from the seized funds bank account to the forfeiture account per court order.
- Return the \$600 to the defendant per court order.
- Establish a County controlled bank account and a liability account for seized funds to be in compliance with CCP Article 59.08 and Attorney General of Texas Opinion GA-0588.
- Require staff timely administer the Final Judgment of forfeiture cases by the District Court.
- Adhere to the CCP Article 59 and the Dallas County Sheriff's Department's 2019

General Orders and Code of Conduct Manual.

- Ensure staff transfer forfeited funds from the Seizure Account to the Forfeiture Account.
- Reconcile forfeiture cases with judgements (with forfeiture awards) to Oracle financial reports to detect errors, ensure coding is accurate, and that financial records are complete.

Seizure Account

We reviewed all the Seizure Account activities (period ending September 30, 2020) and identified:

- Prior reported abandoned funds totaling \$22,050.39, 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).
- Found funds totaling \$511 remain in the seizure account (Service #17-092891, 18-027111).
- 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 court order."

CCP Article 59.04 (a) state "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 deposited in the seizure account 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 \$22,050.39 in abandoned money and \$511 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.

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.

cc: Darryl Martin, Commissioners Court Administrator