



**Travis County Sheriff's Office
Forfeited Property Examination
#13-29**

**Report Date: January 8, 2014
Issue Date: May 1, 2014**

TRAVIS COUNTY
AUDITOR'S OFFICE

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January 8, 2014

The Honorable Greg Hamilton
Travis County Sheriff

RE: Examination of the Forfeited Property Account

Scheduled as part of our statutory requirements, particularly those in Section 115 of the Local Government Code and Article 59 of the Texas Code of Criminal Procedure, the Risk Evaluation and Consulting (REC) Division of the Travis County Auditor's Office has completed an examination of the Forfeited Property Account (FPA) maintained by the Travis County Sheriff's Office. This includes state, federal, and inter-local funds, which are accounted for separately and are consolidated for financial reporting purposes. We conducted our examination in accordance with the applicable statutes governing the County Auditor's Office, and those relating to County financial and accounting protocols. As a result of our examination, we are providing this report on our findings and recommendations.

BACKGROUND

The Sheriff's Office serves as the primary law enforcement agency for the County, with jurisdiction on civil and criminal cases. In some of these cases, assets are seized from accused parties. These assets are held in escrow until the case is settled. Depending on the ruling in the case, the Sheriff's Office can receive a portion of these seized funds under the applicable state and federal forfeited property laws or inter-local agreements. In the period, the Sheriff's Office received \$61,442 in state forfeiture funds, \$20,133 in federal forfeiture funds, and \$31,716 in inter-local funds. The Sheriff's Office can use these funds (under certain restrictions) in future efforts to investigate felonies.

SCOPE OF EXAMINATION

This examination included an assessment of the adequacy and effectiveness of the overall system of financial controls in place for the Sheriff Office's Forfeited Property Account during the

period October 1, 2012 to September 30, 2013. The scope of this examination included an examination of the overall internal controls in place with respect to compliance with state guidelines, as well as deposits and disbursements of forfeited funds, including any accrued interest.

EXAMINATION METHODOLOGY

Our work was based on applying sampling procedures to office records and on verbal and written representations from this office. Sampling relates to examining, on a test basis, evidence supporting the amounts and disclosures in the financial records and statements. The use of sampling techniques would not necessarily disclose all matters in the Sheriff Office's Forfeited Property financial statements, financial records, and financial controls that might be material weaknesses or misstatements. In regards to the written and verbal representations made by this office, unless otherwise noted in this report, office management maintains that the assertions we relied upon in the examination were correct to the best of their knowledge.

SUMMARY OF FINDINGS & RECOMMENDATIONS

We noted that the Sheriff's Office did not maintain an inventory of all seized and forfeited nonmonetary property in the office's possession. We recommended that the Sheriff's Office maintain a formal inventory of seized and forfeited assets in the office's possession, thereby helping to ensure that seizures and forfeitures are properly tracked and safeguarded from loss. We also recommended that the Sheriff's Office perform periodic inventory verifications.

OVERVIEW OF RESPONSES BY MANAGEMENT TO NOTED FINDINGS

Overall, the Sheriff's Office agreed with the findings of this examination and has taken the necessary steps to correct these issues.

OPINION OF INTERNAL CONTROL SYSTEM

Based upon our examination, we gave the overall system of financial controls for forfeited funds a rating of "Adequate," indicating an overall solid system of internal controls that outweighs the relatively minor findings from the examination.

ATTACHMENTS

Attachment A: This attachment contains descriptions for each of the ratings we use to describe the effectiveness of the internal controls environment for the functional area under review.

Attachment B: Details of our findings, our recommendations, and management's responses to these issues can be found in Attachment B. Immediately after the title of each control issue listed in this attachment, we have placed our assessment of the severity of that particular issue in parenthesis. These items are assessed as having "Most Serious", "Serious" or "Less Serious" Significance.

Attachment C: Copies of this office's financial statements for September 30, 2013 are provided in Attachment C. These statements include a detailed statement of revenues, expenditures and changes in fund balance, and a balance sheet for the forfeited property accounts. The express purpose of presenting these statements is to provide feedback to Travis County officials. These financial statements were audited by Travis County's external auditors in conjunction with their annual audit of the County's Comprehensive Annual Financial Report (CAFR).

EXAMINATION TEAM

Lisa Denton, Senior Auditor
Woody Whitten, Staff Auditor
Joshua Kubiak, Staff Auditor

CLOSING

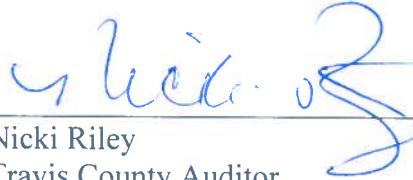
This report is intended solely for the information and use of your office and the Commissioners' Court. We greatly appreciate the cooperation and assistance received from the management and staff of the Travis County Sheriff's Office during this examination. Please contact us if you have any questions or concerns regarding this report.



David Jungerman
Manager - Risk Evaluation and Consulting
Division



Patti Smith
First Assistant County Auditor



Nicki Riley
Travis County Auditor

REPORT DISTRIBUTION

The Honorable Lora Livingston, Judge, 261st Judicial District
The Honorable Julie Kocurek, Judge, 390th Judicial District
The Honorable Brenda Kennedy, Judge, 403rd Judicial District
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The Honorable Bruce Todd, Commissioner, Precinct 2
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The Honorable Margaret Gomez, Commissioner, Precinct 4
Leslie Browder, County Executive, Planning and Budget Office
Jessica Rio, Director, Planning and Budget Office
Paul Matthews, Financial Director
Managers, Travis County Auditor's Office
Examination File

ATTACHMENT A – INTERNAL CONTROLS RATING KEY

A good internal control system reduces the risk of errors, defalcations, and misappropriations of funds. Weak internal control systems provide an environment in which errors, defalcations, and misappropriations of funds can go undetected. The following details the various grades we assign to internal control systems:

RATING	RATING DESCRIPTION
Good	Well-established internal controls with few, if any, minor weaknesses noted
Adequate	The overall solid system of internal controls is sufficient to outweigh noted weaknesses
Requires Improvement	Internal control weaknesses exist that moderately impact the overall system of internal controls
Requires Significant Improvement	Significant internal control weaknesses exist that negatively impact the overall system of internal controls
Inadequate	The existing system of internal controls is materially ineffective

ATTACHMENT B - DETAILED EXAMINATION RESULTS

Finding #1: Seized/Forfeited items inventory (Serious)

The Sheriff's Office does not maintain an inventory of all nonmonetary seized and forfeited property in the office's possession. We were able to physically verify all seized property listed on the District Attorney's asset seizure inventory as being in the possession of TCSO.

Significance:

An inventory list should be maintained for all physical property to help ensure that seizures and forfeitures are properly tracked and safeguarded from loss.

Recommendations:

We recommend that the Sheriff's Office maintain a formal inventory of seized and forfeited assets in the office's possession, and that this office perform periodic inventory verifications.

Management Response:

The Sheriff's Office concurs with the examiner's assessment of the seized/forfeited property inventory, and we immediately implemented the following steps to correct these issues:

- A formal inventory of all seized physical property will be maintained.
- Periodic verifications of this inventory will be conducted.

ATTACHMENT C – FINANCIAL STATEMENTS

**TCSO Consolidated FPA Accounts
Special Revenue Fund
Balance Sheet
September 30, 2013**

Assets

Cash	\$	237,547
Other receivables		<u>3,808</u>
Total assets	\$	<u>241,355</u>

Liabilities and Fund Balance

Liabilities:

Other liabilities	\$	1,098
Due to other governmental entities		<u>3,054</u>
Total liabilities		<u>4,152</u>

Fund balance:

Restricted:		
Special revenue funds		<u>237,203</u>
Total fund balance		<u>237,203</u>
Total liabilities and fund balance	\$	<u>241,355</u>

NOTE: The express purpose of presenting this financial statement and the appropriate findings is to comply with applicable local government code statutes and to provide internal control feedback to Travis County officials. Travis County's external auditors have completed the audit of the County's basic financial statements for September 30, 2013. This statement is included in the scope of that audit.

TCSO Consolidated FPA Accounts
Special Revenue Fund
Detailed Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended September 30, 2013

Revenues:

Fines and forfeitures	\$	113,291
Investment income		388
Total revenues		113,679

Expenditures:

Current:		
Public Safety:		
Supplies		86,536
Other charges		80,131
Capital outlay		12,773
Total expenditures		179,440

Excess (deficiency) of revenues over expenditures		(65,761)
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Other financing sources (uses):

Transfers in		-
Transfers out		-
Total other financing sources (uses)		-

Net change in fund balance		(65,761)
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Fund balance - beginning of year		302,964
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Fund balance - end of year	\$	237,203
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NOTE: The express purpose of presenting this financial statement and the appropriate findings is to comply with applicable local government code statutes and to provide internal control feedback to Travis County officials. Travis County's external auditors have completed the audit of the County's basic financial statements for September 30, 2013. This statement is included in the scope of that audit.