Travis County Sheriff's Office
Forfeited Property Examination
#16-32

December 5, 2016

TRAVIS COUNTY
AUDITOR'S OFFICE

NICKI RILEY, CPA
COUNTY AUDITOR

TRAVIS COUNTY
700 LAVACA
P.O. BOX 1748
AUSTIN,TX 78767
(512) 854-9125
FAX: (512)854-9164

To: Greg Hamilton
Travis County Sheriff

From: Nicki Riley, CPA
Travis County Auditor

Date: December 5, 2016

Subject: Forfeited Property Account Examination

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 interlocal 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 interlocal agreements. For the examination period, the Sheriff's Office received $15,133 in state forfeiture funds, $80,620 in federal forfeiture funds, and $78,708 in interlocal 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, 2015 to September 30, 2016. 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

During our annual review of TCSO's forfeited property accounts, we noted that TCSO was unable to provide an accurate and complete inventory of all seized property in this office's possession. For a detailed audit comment and management response, see Attachment B.

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: A copy of the original audit comment and management response is provided in Attachment B. This includes detailed findings by the examination team and management's proposed action plan and implementation timeline.

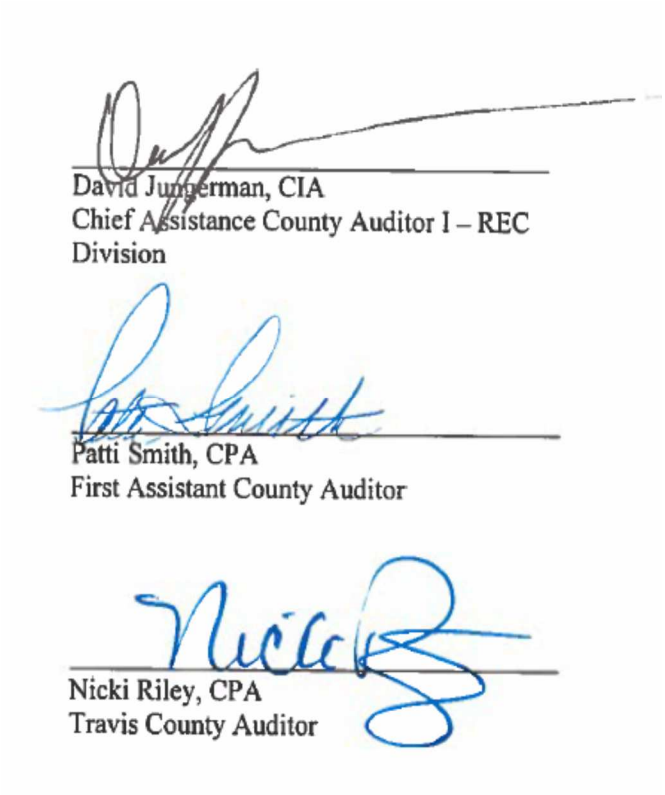
Attachment C: Copies of this office's financial statements for September 30, 2016 are provided in Attachment C. These statements include a balance sheet and a detailed statement of revenues, expenditures, and changes in fund balance for the forfeited property accounts. The express purpose of presenting 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

Amanda Muehlberg, 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, CIA
Chief Assistance County Auditor I – REC Division

Patti Smith, CPA
First Assistant County Auditor

Nicki Riley, CPA
Travis County Auditor

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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 – AUDIT COMMENT & MANAGEMENT RESPONSE

CONDITIONS/FACTS:
In order to deny resources to defendants and limit the furtherance of their criminal activities, property is often seized from accused parties. If the applicable case results in a conviction, these seized items may subsequently be forfeited under the applicable state and federal laws. Forfeited property is either destroyed or sold, with proceeds from all sales being allocated across the governmental entities involved in the applicable investigation, arrest, and prosecution.

During our annual review of TCOS's forfeited property accounts, we noted that TCSO was unable to provide an accurate and complete inventory of all seized property in this office's possession. We first compared TCSO's inventory lists to the applicable Notices of Seizure and Affidavit, legal documents that detail items seized, noting that 37 firearms, four televisions, and one set of night vision goggles detailed on these Notices were not included in the inventory lists. All of these items related to case #s 15-005746 and 15-32390.

SIGNIFICANCE:
To help ensure that seizures and forfeitures are properly tracked and safeguarded from loss, a complete and accurate inventory list should be maintained for all physical property on hand.

RECOMMENDATION:
When seizure packets are remitted to the District Attorney's Office, we recommend that TCSO Finance and the Evidence Warehouse be included on the applicable notification email. This will help TCSO personnel maintain the formal inventory of seized assets. We also recommend that Evidence Warehouse personnel perform periodic inventory verifications, the results of which could then be communicated to TCSO Finance.

MANAGEMENT RESPONSE:
We will put in a request to ITS to create an email alias assetforfeiture@traviscountytx.gov that includes the DA's office, Sgt. over Vice, Finance Manager, and evidence staff emails. We can add anyone else who needs to be on that alias as well. All forfeiture packets will be sent to the email alias allowing all of the people listed above to get a copy of the packet.

This allows evidence staff to separate out foreited property from regular evidence to ensure it is not released, auctioned, or destroyed. It will also allow us to catch any mistakes between the seizure packet details and what was actually submitted to us as evidence (i.e., the correct number of weapons). This allows the Finance Manager to know that it is reportable and the Vice Sgt. will know what is being forfeited.

Once the email is set up, we will communicate the process changes to all relevant parties. The expectation is that this new process will begin by January 2017.

TCSO Consolidated FPA Accounts
Special Revenue Fund
Balance Sheet
September 30, 2016

Assets

Cash	$ 136,105
Other receivables	-
Total assets	$ 136,105

Liabilities and Fund Balance

Liabilities:	
Accounts payable	$ 7,080
Other liabilities	192
Total liabilities	7,272
Fund balance:	
Reserved for encumbrances	-
Unreserved-undesignated	128,833
Total fund balance	128,833
Total liabilities and fund balance	$ 136,105

NOTE: The express purpose of presenting this financial statement and the appropriate findings is to comply with the 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, 2016. 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, 2016

Revenues:	
Fines and forfeits	$ 174,462
Other revenue	558
Interest	216
Total revenues	175,236
Expenditures:	
Current:	
Supplies	106,274
Other charges	46,966
Capital Outlay	74,469
Total Expenditures	227,708
Excess (deficiency) of revenues over expenditures	(52,472)
Other financing sources (uses):	
Transfers in	-
Transfers out	-
Total financing sources (uses)	-
Net change in fund balance	(52,472)
Fund balance - beginning of year	181,305
Fund balance - end of year	$ 128,833

NOTE: The express purpose of presenting this financial statement and the appropriate findings is to comply with the 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, 2016. This statement is included in the scope of that audit.