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Asset Forfeitures Audit

May 8, 2015



**City of Fort Worth
Department of Internal Audit**

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The Asset Forfeitures Audit was conducted as part of the Department of Internal Audit's Fiscal Year 2015 Annual Audit Plan.

Audit Objectives

The objectives of this audit were to:

- verify compliance with applicable laws, regulations, policies and procedures;
- determine whether internal controls are sufficient and effective for the safeguarding, accounting, and reporting of asset forfeitures; and,
- verify the recording and reporting of revenue and expenditure transactions of federal and state asset forfeitures.

Audit Scope

This audit included a review of asset forfeiture awards and expenditures during FY2013 and FY2014.

Opportunities for Improvement

- Written policies and procedures
 - Minimize errors in completing deposits of funds
- Improved accounting and tracking of state and federal cases
- Timely completion and submittal of annual reports
- Clearance of federal escrow account balance

Executive Summary

As a part of our FY2015 Annual Audit Plan, the Department of Internal Audit conducted an audit of the Fort Worth Police Department's Asset Forfeiture Program. Our audit covered the periods FY2013 and FY2014.

The Fort Worth Police Department (FWPD) is responsible for the receipt, expenditure, and oversight of asset forfeitures. Our audit results indicated that physical and accounting controls, designed to prevent loss of state and federal assets, appear adequate to safeguard seized property and records. There is also an adequate segregation of duties among personnel.

The FWPD benefitted from the spending of \$1.8 million and \$3.5 million in forfeited funds in FY2013 and FY2014, respectively, with \$2.8 million of those funds spent on a new public safety training facility. FWPD also identified, reported, and corrected errors in prior federal reports and has made a significant effort to correct identified errors.

Based on the audit work performed, FWPD did not fully comply with State of Texas Code of Criminal Procedure Chapter 59 Forfeiture of Contraband, or Department of Justice and Department of Treasury federal forfeiture guidelines. For example, proceeds from tangible property were not deposited into the specified fund and account, and logs were not maintained as required by federal regulations.

There are no departmental written policies and procedures for the processing and accounting for seizures and forfeitures. The Department of Internal Audit also reported a lack of written policies and procedures within an asset forfeitures audit completed in FY2008.

The FWPD uses various internal files to record and account for state and federal awards. However, some records contain errors. Our examination of revenues revealed that some checks were deposited into the wrong fund/account, making the FWPD's reconciliation process more difficult and increasing the likelihood of reporting errors. The FWPD's fiscal section has had staff turnover including a vacancy in the Asset Forfeiture Coordinator function since November 2013.

We also noted that the balance of the escrow account, used to disburse seized assets based on equitable shares, had not been transferred. Approximately \$226,000 had not been transferred from escrow to a City revenue account; approximately \$49,000 had not been transferred to known participating agencies, and the remaining \$203,000 had not been transferred to participating agencies and/or to a CFW revenue account. These findings are discussed, in further detail, within the [Detailed Audit Findings](#) section of this report.

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Background

Asset forfeiture involves the seizure and forfeiture of property of any nature, including real, personal, tangible, or intangible. Asset forfeiture has been, and remains, a highly effective tool for targeting criminals, including drug dealers and white-collar criminals. State and federal laws provide for the forfeiture of assets related to law enforcement initiatives in which criminal activity is involved, but also cover civil, judicial and administrative forfeitures.

One of the most important provisions of asset forfeiture is the authorization to share forfeited assets with participating law enforcement and federal agencies. Any state or local law enforcement agency that directly participates in an investigation or prosecution in a federal forfeiture by the Department of Treasury (Treasury) or the Department of Justice (DOJ) may request an equitable share of the net proceeds of the forfeiture. The FWPDP is one of many local participating law enforcement agencies awarded cash, property and/or proceeds from state and federal asset forfeitures.

The DOJ and the Treasury Asset Forfeiture Programs are nationwide law enforcement initiatives that deprive criminals of property used in or acquired through illegal activities. These programs encourage joint operations among law enforcement agencies at various levels of government, and strengthen law enforcement. Participating agencies, as part of the Equitable Sharing Agreement, are required to account separately for federal equitable sharing funds received. The approved percentage is based on the degree of direct participation in the total effort leading to the forfeiture. Ultimately, final forfeiture dispositions of federal awards are based upon the actual participation of police officers and other resources committed. The forfeiture dispositions are shared among participating agencies and vary for each seizure.

Federal

Several agencies and programs are involved in asset forfeitures. The High-Intensity Drug Trafficking Areas (HIDTA) Program allocates federal resources to link local, state, and federal drug enforcement efforts in countering illegal drug trade in local areas. There are currently 26 designated HIDTA regions throughout the United States.

- The North Texas HIDTA was designated in 1998. Geographic areas of responsibility include Dallas, Tarrant, Collin, Denton, Kaufman, Navarro, Ellis, Johnson, Hood, Parker and Smith counties. Asset forfeitures carried out through North Texas HIDTA initiatives are shared equitably with local, state, and federal agencies that participate in the seizure. The CFW serves as the lead agency that passes federal awards onto other local agencies, which include the cities of Arlington, Grand Prairie, Denton, White Settlement, and the Collin County Sheriff's Office.
- The Drug Enforcement Agency HIDTA Group 2 utilizes the FWPDP as the "pass through agency" to further distribute forfeited assets.

State

The Tarrant County District Attorney represents the City of Fort Worth in all state forfeiture proceedings. As part of the working agreements between the Tarrant County Narcotics Unit (TCNU) and FWPDP, seizures of property may be conducted by regular FWPDP police officers and/or officers assigned to the TCNU. The CFW currently has two sharing agreements in place with the Tarrant County District Attorney.

- The earlier agreement, dated 8/13/1990, required that proceeds be divided with the District Attorney's Office on a 50/50 basis, after certain costs (including those for litigation) are deducted. This Memorandum of Agreement only applies to seizures that do not involve other agencies.



- The second Memorandum of Agreement, signed 4/25/2008, proposed that the CFW agree to assign ten (10) police officers to the TCNU. This agreement only applies to property seized under Chapter 59 of the Texas Code of Criminal Procedure by the assigned Fort Worth Police Officers. Awarded assets are to be shared 60% TCNU and 40% FWPD. This Memorandum of Agreement does not affect the aforementioned agreement dated August 13, 1990, which remains in effect.

Seizures of property subject to forfeiture at the local level are conducted by FWPD as authorized by Chapter 59, Title 1 of the Texas Code of Criminal Procedure. Seizures of cash and property under Chapter 59 are submitted to the CFW's Property and Evidence Warehouse. Tangible property not returned to the owner or not sold, may be reassigned to FWPD for official use by requesting the item(s) and the stated purpose. Once FWPD no longer has a need to utilize the property for the stated purpose, the property is returned and scheduled for disposal or reassignment to another unit. If tangible property is not reassigned and has no value, it may be destroyed. Otherwise, the property may be sold via PropertyRoom.com, the City's contracted on-line auction contractor. Seized motor vehicles are processed through the City's Auto Pound.

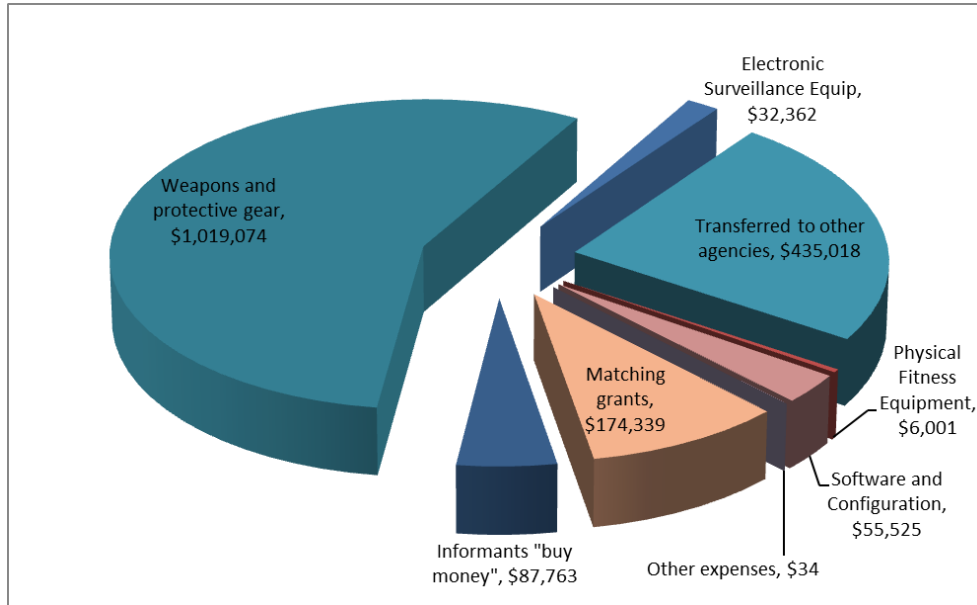
Funding

Forfeiture dispositions are to be deposited into specific funds and accounts. The CFW currently uses the following four special revenue funds to account for asset forfeitures. Collectively, the four funds are referred to as Asset Forfeiture Funds.

Fund	Seizure Reporting Type	Funding Source Level
R104	Department of Treasury	Federal
R107	Department of Justice	Federal
R108	State of Texas	State
R190	North Texas HIDTA	Federal

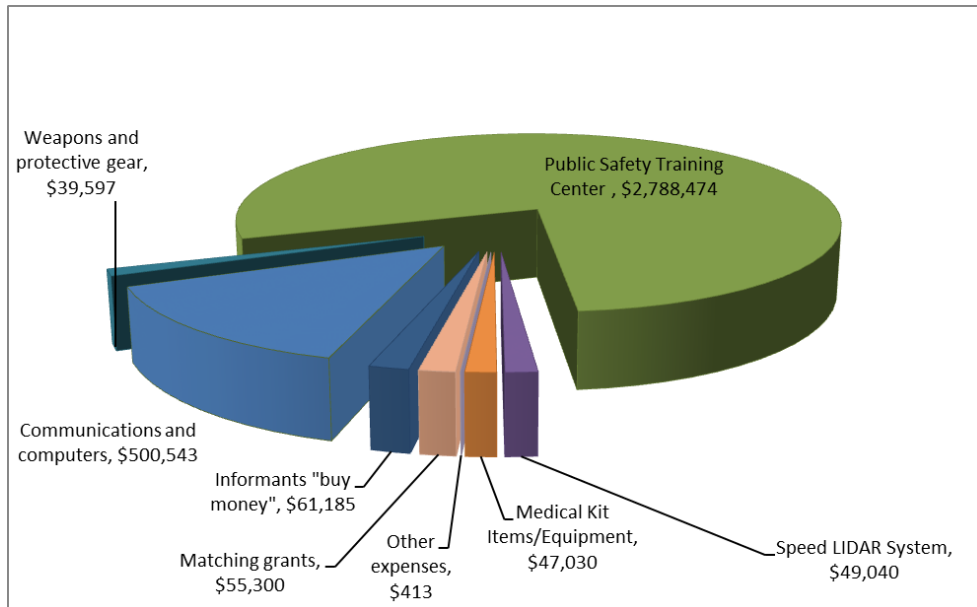
Total federal funds expended and transferred during FY2013 and FY2014 totaled \$1,810,116 and \$3,541,582, respectively, as noted in the following charts.

Asset Forfeiture Federal Funds FY2013 Expenditures/Transfers



Source: Federal Annual Certification Reports

Asset Forfeiture Federal Funds FY2014 Expenditures



Source: Federal Annual Certification Reports



Objectives

The objectives of this audit were to:

- verify compliance with applicable laws, regulations, policies and procedures;
- determine whether internal controls are sufficient and effective for the safeguarding, accounting, and reporting of asset forfeitures; and,
- verify the recording and reporting of revenue and expenditure transactions of federal and state asset forfeitures.

Scope

This audit included a review of asset forfeiture awards and expenditures during FY2013 and FY2014.

We conducted this audit in accordance with generally accepted government auditing standards, except for peer review¹. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Methodology

To achieve the audit objectives, the Department of Internal Audit performed the following:

- interviewed FWPD staff (Property and Evidence Warehouse, Property Records Management Division and Budget and Finance Section) concerning relevant internal controls and operating procedures;
- contacted the TCNU to inquire regarding payments (from Tarrant County) for state seizures, and items sold at auction;
- reviewed local, state, and federal asset forfeiture guidelines;
- examined FWPD asset forfeiture records, spreadsheets, and corresponding transactions to determine whether the accounting records properly reflected economic events that occurred;
- observed operating procedures related to forfeited cash and property processed through the CFW's Property and Evidence Warehouse;
- traced sampled state seizures through the complete life cycle to ensure that they were processed correctly;
- reviewed annual reports submitted to appropriate agencies; and,
- compared annual asset forfeiture reports, documents, and spreadsheets to the general ledger.

¹ Government auditing standards require audit organizations to undergo an external peer review every three years. A peer review is planned in 2017 for the three-year period ending December 31, 2016.



Audit Results

The Department of Internal Audit concluded that there are no written policies and procedures governing how the FWPD's Property Room staff should process Chapter 59 seizures, nor how the FWPD's Budget and Finance Section should properly record, account for, and administer the Asset Forfeiture Program. While the "Asset Forfeiture Coordinator" position would be responsible for finance and budget-related duties, the position was vacant during this audit and FWPD staff indicated that the position had been vacant since November 2013. During the audit, the Coordinator's duties were temporarily assigned to an Administrative Assistant.

Although federal assets were awarded and received during FY2014, none were distributed to other agencies. A total of \$435,018 was distributed to other agencies in FY2013.

Federally-awarded expenditures, from FY2013 and FY2014, totaled \$5,351,698. The Department of Internal Audit concluded that sampled expenditures were allowable per federal guidelines. There were no expenditures from state awards. Instead, there was only a FY2014 journal entry to transfer \$1,083,340.41 from the City's "State of Texas Asset Forfeiture Fund" (R108) to the City's:

- DOJ Asset Forfeiture Fund - \$615,405.90;
- Department of Treasury Asset Forfeiture Fund - \$444,700.56; and,
- North Texas HIDTA Asset Forfeiture Fund - \$23,233.95.

This correcting entry was made after the FWPD self-reported amendments to FY2009, FY2010, and FY2011 reports to match equitable sharing agreements and certification forms.

The tracing of state seizures was sometimes difficult because of partial court awards, case status information not updated on files, missing invoice numbers and input errors. We were, however, able to locate or view notes and source documents within the Tiburon Inventory Control System where the Property Control Specialist made correcting adjustments or provided reasonable explanations.

Except for the FY2014 ending balance in Fund R107 that did not match the general ledger balance, federal reports were accurate and agreed with supporting documents.

There were no logs to track federal awards, as required by federal guidelines. The Department of Internal Audit was unable to locate all federal equitable sharing requests. FWPD indicated that they do not always receive sharing request copies from the awarding agencies. Per FWPD, they rely on reports made available by the DOJ and Treasury.

Amended FY2013 and FY2014 state reports were not completed as of the end of audit fieldwork. Draft state reports, provided during audit fieldwork, did not include auction proceeds. This omission could be attributed to auction proceeds being erroneously deposited into the General Fund.

The Department of Internal Audit also noted that the Fund R190, used to escrow and transfer equitable shares to participating agencies, had an escrow account balance in excess of \$400,000 that had not been distributed. Documentation reviewed indicated that \$48,674.41 of the approximate \$400,000 was due to other cities and \$226,212.57 should have been transferred to a City revenue account. Documentation was unavailable to support how the remaining escrow balance of \$203,261 should have been distributed.



Overall Evaluation

High	Medium	Low
<u>No written policies and procedures for processing property and/or accounting for cash turned in or seized</u>		
<u>PD staff not recognizing that proceeds from auctioned forfeited property should be deposited into the respective fund/account</u>		
<u>Recurring problem with depositing state and federal cash awards in wrong fund/account</u>		
<u>Required log(s) not maintained to track equitably shared monies and tangible property for federal awards</u>		
<u>Unreconciled account balance for Fund R190 that is used to escrow and transfer equitable shares</u>		
		<u>State Chapter 59 Forfeiture reports contained errors</u>



Detailed Audit Findings

1. FWPD had no current written policies and procedures for the processing of state or federal forfeitures.

In March 2012, the FWPD notified the Department of Justice, Department of Treasury, and the State of Texas Office of the Attorney General that federal asset forfeiture awards had been incorrectly deposited into (comingled with) the state asset forfeiture fund. One measure proposed as a corrective action was to revise the standard operating procedures (SOPs).

During our audit, FWPD Property Room, Property & Records Management, and Budget & Finance staff indicated that they have been revising the Asset Forfeiture Program SOPs. However, they have been unable to complete the revision. Without written procedures, employees and managers involved in the Asset Forfeiture Program may not know the correct fund to use for depositing asset forfeiture proceeds, reports may contain errors, and correcting journal entries may be required.

Based on deposit errors identified, employees did not demonstrate a clear understanding of their key roles and responsibilities. Employees also did not always demonstrate knowledge of the roles of other sections or the specific terms of the sharing agreements. For example, deposits have continued to be made to the wrong fund or account. FWPD financial managers stated that personnel turnover contributed to the problems.

FWPD management is responsible for defining components that make up its internal control. Management must then document its policies and procedures to help them evaluate operational effectiveness of internal controls. Without documented policies and procedures, the training and retention of new employees and managers involved in the Asset Forfeiture Program is more challenging and difficult.

Recommendation 1:

The Chief of Police should establish written policies and procedures (which should include a flowchart of the process) for better management and administration of the Asset Forfeiture Program.

Auditee's Response: Concur. Due to the extended Asset Forfeiture Coordinator vacancy and general short staffing, the SOP updates could not be made. PD Staff concurs that this is essential to creating good controls and procedures.

Target Implementation Date: July 31, 2015

Responsibility: Budget and Finance Manager will be responsible for finishing updates and adopting final SOPs through the Asset Forfeiture Coordinator

2. Proceeds from the sale of state forfeited property were deposited into the General Fund.

Per Chapter 59, Art 59.06 (c), money, securities, negotiable instruments, stocks or bonds, or things of value, or proceeds from the sale of those items, shall be deposited (after the deduction of court costs) into a special fund in the municipal treasury if distributed to a municipal law enforcement agency. The proceeds from the sale of those items are to be used solely for law enforcement purposes, such as salaries and overtime pay for officers; officer training; specialized investigative equipment and supplies; and/or items used by officers in direct law enforcement duties.



Tangible property (seized per Chapter 59 Forfeiture of Contraband) that is forfeited and awarded to the FWPD may be sold at auction or reassigned and used for law enforcement purposes. While motor vehicles are sold at City auctions, tangible personal property is sold through PropertyRoom.com. When reviewing draft state reports, the Department of Internal Audit noted that a “proceeds” component was excluded, although the following issues were noted.

- FWPD Auto Pound records indicated that there were 24 seized vehicle auctions held between 3/18/2013 and 12/23/2014. Gross proceeds from the sale of these seized vehicles totaled \$70,915.
- Further research revealed that tangible forfeited property had been sold via PropertyRoom.com. (NOTE: When Property & Evidence Warehouse staff have the authority to sell CFW-awarded forfeited property, they assign an identifying property SKU number, which allows them to track the property).

The Department of Internal Audit concluded that monies, received from the sale of forfeited assets (for vehicle auctions and via PropertyRoom.com) were erroneously deposited into the General Fund. As of the end of audit fieldwork, FWPD’s Budget & Finance Division was in the process of identifying the sales proceeds amount that should be reflected on the state report.

The FWPD’s noncompliance with Chapter 59 results in the non-reporting of proceeds, which is a separate reporting component of the annual state report. Also, the City’s accounting records are not accurate and the City risks spending funds (that are restricted to law enforcement purposes) for general-purpose use.

Recommendation 2A:

The Chief of Police should require that FWPD key personnel, involved in the Asset Forfeiture Program, are familiar with Chapter 59 guideline requirements for seized and forfeited property, and ensure that proceeds from the sale of property are recorded and reported correctly.

Auditee’s Response: Concur. FWPD Accounts receivable staff were unaware of coding that represented a General Fund deposit vs. a State Asset Forfeiture deposit on vendors’ checks. Corrective action has been implemented through a job aide that was reviewed with the FWPD accounts receivable staff. The corrective journal entry has already been submitted and processed.

Target Implementation Date: Completed

Responsibility: Budget and Finance Manager will be responsible through the following stakeholders involved:

- Asset Forfeiture Coordinator
- Property Room Staff
- City Purchasing
- PD Accounts Receivable

Recommendation 2B:

The Chief of Police should ensure that FWPD financial managers coordinate with the Financial Management Services Department to transfer the amount of forfeited property auction proceeds from the General Fund to the state-awarded assets fund.



Auditee's Response: Concur. PD staff met with City Purchasing and Auto Pound to discuss corrective action. Staff reconciled Auto Pound documents with purchasing documents to determine the State Forfeiture revenue; however, before the corrective journal entry can be complete PD is awaiting documentation from purchasing. Moving forward, staff has requested the following, so that a monthly reconciliation can take place:

- Requested through vendor file segregated for PD for auction files
- Auto Pound sends monthly reports, so we can reconcile on monthly basis with amount sold to auction report received at purchasing

Target Implementation Date: July 15, 2015

Responsibility: Budget and Finance Manager will be responsible through the following stakeholders involved:

- Asset Forfeiture Coordinator
- Auto Pound Staff
- City Purchasing Staff

3. FWPD continued to deposit federal and state monetary awards into the wrong fund.

Prior to 2013, FWPD had a history of depositing state and federal asset forfeiture monetary awards into the wrong fund and/or account. FWPD self-reported this error to state and federal agencies in March 2012, and began efforts to identify prior year accounting errors. FWPD received authorization to make necessary correction entries in FY2014. These entries covered transactions from as far back as FY2002 and as recent as FY2013. FWPD also proposed corrective action to prevent these accounting errors going forward. However, during our audit work, we discovered that some receipts were still being deposited into the wrong fund and/or account. Two examples are noted below.

- In April 2013 and subsequent to the self-reporting, a \$122,843.44 payment from TCNU (for various cases finalized from July 2012 to February 2013) was erroneously deposited in Fund R107. These funds should have been deposited into Fund R108. FWPD detected the error and moved the deposit to the correct fund in March 2014.
- In December 2013 and January 2014, receipts (totaling \$29,184.06) were deposited into Fund R190. The deposit should have been coded in Account 240001, HIDTA Escrow account. FWPD detected the error and made the correction in March 2014.

Per state and federal guidelines, any state or local participating law enforcement agency must establish a separate revenue account or accounting codes through the agency's finance department for Chapter 59 state funds and for funds from the DOJ and the Treasury. No other receipts may be included in these accounts. Shared funds must be deposited into these special revenue funds and account accounting codes.

Personnel turnover may have contributed to these problems, including a vacancy in the Asset Forfeiture Coordinator position since November 2013. The other employees within FWPD's Budget and Finance Section, who have been tasked to help in carrying out the accounting and tracking of these awards, may not have a full understanding of the various sharing agreements with the state and federal agencies, and employees completing deposits do not always conduct adequate research of funding sources. Furthermore as noted in Finding 1, FWPD does not have written procedures for the accounting, recording and tracking of these funds. As a result, accounting reports and general ledger detail were incorrect and



the financial statements were not accurately stated. Reconciling funds is made more difficult and reports may contain errors.

Recommendation 3:

The Chief of Police should ensure that proceeds from the Asset Forfeiture Program are made to the correct fund as required by state and federal guidelines.

Auditee's Response: Concur. Finding 2 has been corrected and Finding 2B is in process to be corrected.

Target Implementation Date: July 15, 2015

Responsibility: Budget and Finance Manager will be responsible through the following stakeholders involved:

- Asset Forfeiture Coordinator
- Auto Pound Staff
- City Purchasing Staff

4. No logs were maintained to track equitably shared monies and tangible property for Federal awards from the Department of Justice, Department of Treasury, and North Texas HIDTA.

No logs were maintained either by FWPD Budget and Finance Section or by the field supervisors, as required.

The Guides to Equitable Sharing for Federal, State and Local Law Enforcement Agencies, for U.S. Department of Justice (April 2009) and Department of Treasury (April 2004), both have requirements on the accounting for shared cash, proceeds, and tangible property. The Guides require that state or local participating law enforcement agencies maintain a log and copies of applications used to request their share of seized federal funds. The log should contain seizure type (property or currency), amount, share amount requested, amounts received, and date received. Currently, no clearly defined roles exist as to which individuals, group, or section within the FWPD should be tracking the requests for shared monies and tangible property.

By not maintaining logs, FWPD may not know the status of shared cash requests that are outstanding, completed, requested, and received per agreements. This may result in the failure to identify awards due that have not been received, and could jeopardize the City's eligibility to receive future shared awards.

Recommendation 4:

The Police Chief should ensure that FWPD's Budget and Finance Section receives copies of all requests for shared cash and that they record all applications in a log or have the police field supervisors maintain these logs.

Auditee's Response: Concur. Staff was using logs through the Department of Justice Equitable Sharing System and thought that this met the requirement. PD will resume keeping logs of federal fortified property.

Target Implementation Date: June 1, 2015

Responsibility: Budget and Finance Manager will be responsible through the Asset Forfeiture Coordinator



5. Escrowed federal funds were not distributed and/or transferred.

Fund R190 is a fund used to escrow and transfer federally-shared assets seized by investigative and federal agencies participating in the DOJ’s Asset Forfeiture Program. The FWPD serves as the lead agency that is responsible for transferring equitable shares of the seized assets to each participating agency.

During our audit, FWPD provided a spreadsheet summarizing FY2014 awards (totaling \$274,886.98) that had not been distributed as of January 2015. A total of \$226,212.57 was due to the CFW and the remaining \$48,674.41 was due to various participating agencies, as noted in the following chart.

Fund R190 Escrow Account Analysis		
	FY2013	FY 2014
Beginning balance October 1st	(\$35,078.46)	(\$203,260.76)
Transfers and journal entries	(\$521,271.37)	\$0.00
Proceeds received	(\$81,929.07)	(\$245,702.92)
Paid to other agencies	\$435,018.14	\$0.00
Correcting entry	\$0.00	(\$29,184.06)
Ending balance September 30th	<u>(\$203,260.76)</u>	<u>(\$478,147.74)</u>

Escrow Status as of September 30, 2014		
Known amounts due to agencies:		
City of Fort Worth		\$226,212.57
Other Agencies:		
Collin Co Sheriff	\$35,908.19	
Denton Police Dept	3,967.38	
Arlington Police Dept	3,967.38	
White Settlement Police Dept	2,668.17	
Grand Prairie Police Dept	<u>2,163.29</u>	
Due to other Agencies:		<u>\$48,674.41</u>
Subtotal		\$274,886.98
Undetermined		<u>203,260.76</u>
Total due to agencies		<u><u>\$478,147.74</u></u>

Source: General Ledger

With a FY2014 escrow Fund R190 account balance of \$478,147.74, and non-distributed awards totaling \$274,886.98, the remaining \$203,260.76 had not been transferred. This non-transferred amount could represent monies that are due to other agencies and/or monies that can be transferred from the City’s escrow account to a revenue account.



While the Department of Internal Audit saw no specific timeline requirement for transferring other agencies' equitable shares, it is good business practice to do so in a timely manner. The Guide to Equitable Sharing does state that shared monies normally should be expended for their designated use or other permissible law enforcement purpose as they are received. The Guide also states that shared monies may be retained in a holding account for up to three years. The longer these monies reside with the CFW, the less time other agencies have to spend those seized assets, provided those assets are due to other cities.

Recommendation 5A:

The Chief of Police should ensure that \$48,674.41 is transferred to the appropriate agencies.

Auditee's Response: Concur. Due to the extended Asset Forfeiture position vacancy and general short staffing, these payments could not be made. The Asset Forfeiture Coordinator will transfer any necessary funds to the applicable agencies.

Target Implementation Date: June 15, 2015

Responsibility: Budget and Finance Manager will be responsible through the Asset Forfeiture Coordinator

Recommendation 5B:

The Chief of Police should ensure that \$226,212.57 is transferred from the escrow account to the appropriate revenue account.

Auditee's Response: Concur. Due to the extended Asset Forfeiture position vacancy and general short staffing this transfer could not be made. The Asset Forfeiture Coordinator will transfer the necessary funds from escrow to R107 revenue.

Target Implementation Date: June 15, 2015

Responsibility: Budget and Finance Manager will be responsible through the Asset Forfeiture Coordinator

Recommendation 5C:

The Chief of Police should require that FWPD staff research/reconcile the Fund R190 escrow account balance and take appropriate action (e.g., transfer funds to other agencies and/or transfer funds from the escrow account to a revenue account) to clear out the remaining Fund's balance.

Auditee's Response: Concur. Based on a change in legal opinion from the Department of Justice, the Asset Forfeiture Coordinator will make this transfer to conform to the new opinion.

Target Implementation Date: June 15, 2015

Responsibility: Budget and Finance Manager will be responsible through the Asset Forfeiture Coordinator

Recommendation 5D:

The Chief of Police should require that equitable shares be transferred within 30 days.



Auditee's Response: Concur. This is achievable when the Asset Forfeiture Coordinator position is filled.

Target Implementation Date: June 1, 2015

Responsibility: Budget and Finance Manager will be responsible through the Asset Forfeiture Coordinator

6. The amended State Chapter 59 Forfeiture reports provided for review contained errors.

The forfeited amount reported for FY2013 on an amended report was \$118,543, while supporting accounting records totaled \$53,142. FWPD financial managers provided the Department of Internal Audit with draft, amended State Chapter 59 reports because errors had been identified in FY2013 and FY2014 reports initially filed with the State. The draft amended State Chapter 59 reports were incomplete and still contained errors. For example, in sections of the report where proceeds from sales were required, FWPD noted that the amounts were "pending verification." This verification was in reference to [Finding 2](#) of this report. In addition, ending balances did not agree with total funds available per the general ledger.

The lack of written policies and procedures may have contributed to the errors. Personnel turnover, including the vacancy in the Asset Forfeiture Coordinator position, may have also contributed to reporting problems.

Official reports filed with other agencies should be accurate, complete, and timely. Under the Chapter 59 statute, the City could be liable for the cost of an audit performed by the Comptroller of Public Accounts.

It should also be noted that the draft report included an individual employee's email address in response to the state's request for a permanent email contact address.

Recommendation 6A:

The Chief of Police should require that the FWPD Budget and Finance Division prioritize the preparation of accurate State Chapter 59 reports.

Auditee's Response: Concur. The original reports were filed on time. Staff started preparing an amendment to address Finding 2A and Finding 2B. Therefore, the amendment is not complete hence has not been filled. There is no timeline on filing amendments.

Target Implementation Date: July 1, 2015

Responsibility: Budget and Finance Manager will be responsible through the Asset Forfeiture Coordinator

Recommendation 6B:

The Chief of Police should ensure that the contact e-mail address listed on the report include an appropriate Police Department group address to ensure prompt communication, especially if employee job duties and/or positions change.



Auditee's Response: Concur. Corrective action is in progress and a generic email has been requested.

Target Implementation Date: June 1, 2015

Responsibility: Budget and Finance Manager will be responsible through the Asset Forfeiture Coordinator



Acknowledgements

The Department of Internal Audit would like to thank the Police Department and Tarrant County for their cooperation and assistance during this audit.

Exhibit I

Summary of Federal Funds Received, Expended and Transferred for FY2013 and FY2014

	FY2013			FY2014		
	Fund R107	Fund R104	Fund R190	Fund R107	Fund R104	Fund R190
Beg Balance	\$322,426.16	\$1,099,731.78	\$4,302,753.29	\$1,461,444.48	\$1,269,177.85	\$3,223,367.42
Funds Received	29,431.90	159,822.42	181,128.87	53,371.92	81,357.30	274,886.98
Funds received other agencies	1,645,890.10	5,185.48	0.00	2,786,894.46	803.57	0.00
Interest Income	5,110.50	4,438.17	8,187.19	32,455.83	1,054.04	19,893.53
Total Fed funds	2,002,858.66	1,269,177.85	4,492,069.35	4,334,166.69	1,352,392.76	3,518,147.93
Fund Expenditures	541,414.13	0.00	1,268,701.93	3,200,169.70**	341,412.00	2,357,000.00
Ending Balance	\$1,461,444.53	\$1,269,177.85	\$3,223,367.42	\$1,133,996.99*	\$1,010,980.76	\$1,161,147.93***

Source: CFWPD Federal Annual Certification Reports

*Not consistent with General Ledger cash account or fund balance.

**Funds transferred to Fund R107 for the Public Safety Training Center. This amount is, therefore, included in the R107 expenditure total of \$3,200,169.70.