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State Auditor

A Review of The Department of Public Safety's Fiscal Year 2003 Seized Assets Report Format

June 28, 2004

Members of the Legislative Audit Committee:

The Department of Public Safety (Department) did not fully meet the seized assets reporting format requirements in Rider 11 of the General Appropriations Act (78th Legislature, page V-48) for fiscal year 2003 because it did not include the specific intended use of its non-cash seized assets. The report did, however, contain all other information required by Rider 11. We also identified areas in which the Department can clarify future seized assets reports.

The Department Should Include the Specific Intended Use of Its Non-Cash Seized Assets

In fiscal year 2003, the Department did not provide a specific intended use for its non-cash assets. For example, the Department was awarded a Lincoln Electric Power Generator/Welder and did not note its intentions for using the power welder. Instead, the Department provided only a blanket statement for all seized assets—"for Law Enforcement purposes in accordance with all applicable State and Federal requirements." The Department should document the intended use of its non-cash seized assets in its seized assets report in compliance with the rider.

Additionally, the Department should group its seized assets by cash and non-cash items, specifically in its Deposits of State and Federal Awarded Assets subreport. This would assist with the flow between the summary reports and the more detailed subreports.

Enhancements to the Seized Assets Report

The Department should complete a physical inventory of its non-cash assets and include the results in the Inventory of Non-Cash Assets Awarded. Currently, the Department fills out the Inventory of Non-Cash Assets Awarded without performing a physical inventory of the items on the list. As a result, the list does not reflect whether the items are actually in the Department's possession. Although the list provides spaces to note the specific locations of the items and a contact name for each, the Department does not fill in these spaces. Therefore, the Department and other readers have no assurance that the items the Department reports as being in its possession actually are. Performing a physical inventory and including the location and contact name for each item in the list would provide this assurance.

Rider 11, Page V-48 General Appropriations Act (78th Legislature)

Seized Assets Report The Department of Public Safety shall file with the Governor and the Legislative Budget Board, no later than the first Friday of October of each year and in a manner approved by the State Auditor's Office, a report disclosing information on seized/forfeited assets. The report shall contain a summary of receipts, disbursements, and fund balances for the fiscal year derived from both federal and state sources and supporting detail. The detail information shall, at a minimum, include the following:

- a. Regarding receipts: the court in which the case was adjudicated, the nature of the assets, the value of the assets, and the specific, intended use of the assets; and
- b. Regarding disbursements: the departmental control number, the departmental category, the division making the request, the specific item and amount requested, the amount the department approved, and the actual amount expended per item.

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The Department should clarify which funds it has the authority to spend. To clarify the cash balance in its seized assets report, the Department should add a note or footnote in both the balance sheet and the cash balance statement to explain that the state-seized funds and the interest income generated from seized or forfeited assets are not available to the Department.

Before September 1, 2003, the Department had the authority to spend state-seized funds. Additionally, the interest income generated on seized funds is not appropriated to the Department; therefore, it cannot use (and did not use) any of the interest income generated from seized or forfeited assets. In fiscal year 2003, the Comptroller placed all of the \$117,950.63 in interest generated from seized or forfeited assets in the State's General Revenue Fund.

The Department should correct wording inconsistencies in its seized assets report. We identified certain wording inconsistencies within the financial statements that compose the Department's seized assets report. These inconsistencies could lead a reader to misinterpret some of the financial details in the report. We have provided the Department with the specific wording inconsistencies we identified so that it can correct this wording on future seized assets reports.

The Department agrees with our observations, and we appreciate its cooperation during this review. If you have any additional questions, please contact Nicole Guerrero, Audit Manager, at (512) 936-9500.

Sincerely,

Lawrence F. Alwin, CPA
State Auditor

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cc: Members of the Public Safety Commission
Colonel Thomas A. Davis, Jr., Director, Texas Department of Public Safety

**Summary of
Objective, Scope, and Methodology**

Our objective was to review the format of the Department's seized assets report to ensure all elements required in DPS Rider 11 are included and to identify areas for further clarification.

Our scope covered the Department's fiscal year 2003 seized assets report.

Our methodology consisted of analyzing the seized assets report and identifying specific report components that the Department could clarify.

We did not audit the accuracy of the Department's seized assets report. The information used in this report has not been subjected to the tests and confirmations that would be performed in an audit.