

**Leslie Wilks Garcia, C.P.A., M.Jur.**  
*First Assistant County Auditor*

**Errika Perkins, C.P.A., C.I.A.**  
*Chief Assistant County Auditor*  
*Audit Division*



1001 Preston, Suite 800  
Houston, Texas 77002-1817  
(832) 927-4600

Fax (713) 755-8932  
Help Line (832) 927-4558

**MICHAEL POST, C.P.A., M.B.A.**  
**HARRIS COUNTY AUDITOR**

June 11, 2021

Mr. Christian Menefee, County Attorney  
Harris County Attorney's Office

Dear Mr. Menefee,

The Harris County Auditor's Office Audit Division has completed an audit of the County Attorney's Federal Seized and Forfeited Assets received during the Fiscal Year 2021. The results of our audit are included in the attached report.

We appreciate the time and attention provided by you and your staff during this engagement. Please anticipate an email request to complete the Audit Division's Post Engagement Survey. We look forward to your feedback. If you have any questions, please contact me or Errika Perkins, Chief Assistant County Auditor, 713-274-5673.

Sincerely,

A handwritten signature in blue ink that reads "Michael Post". The signature is written in a cursive style with a long horizontal stroke at the end.

Michael Post  
County Auditor

Report Copies:  
District Judges  
County Judge Lina Hidalgo  
Commissioners:  
R. Jack Cagle  
Rodney Ellis  
Adrian Garcia  
Tom Ramsey

**AUDIT REPORT**  
**COUNTY ATTORNEY'S FEDERAL SEIZED AND FORFEITED ASSETS**

June 11, 2021

---

## **Executive Summary**

---

### **OVERALL CONCLUSION**

Based on the procedures performed, the bank account was reconciled to the respective balance in the County's financial records (PeopleSoft). In addition, disbursements were properly authorized, documented, and accurately recorded in PeopleSoft. Furthermore, disbursements complied with the U.S. Department of Justice and the U.S. Department of the Treasury Guide to Equitable Sharing for State, Local, and Tribal Law Enforcement Agencies (Guidance). However, the controls to ensure that funds provided by the U.S. Department of Justice are accurately and timely recorded in PeopleSoft need improvement. A management action plan has been developed which will address the issues identified by August 3, 2021.

---

### **SCOPE AND OBJECTIVE**

The Audit Division conducted a compliance audit of the County Attorney's Federal Seized and Forfeited Assets received during Fiscal Year 2021. The objectives of this engagement were to selectively test whether:

- The County Attorney's Federal Seized and Forfeited Bank Account reconciled to the respective balances in PeopleSoft.
- Forfeited assets provided by the U.S. Department of Justice and the U.S. Department of the Treasury were accurately and timely recorded in PeopleSoft.
- Disbursements from the County Attorney's Forfeited Assets Bank Account were properly authorized and documented, accurately recorded in PeopleSoft, and complied with the Guidance.

The scope reviewed transactions for the period of March 1, 2020, through February 28, 2021.

---

### **SUMMARY OF AUDIT ISSUE**

Funds totaling \$360,115 received from the Department of Justice Federal Seized and Forfeited Assets Program were not deposited into the designated County Attorney's Federal Seized and Forfeited Assets Bank Account. In addition, this revenue was not recorded in PeopleSoft.

The audit issue, management's action plan to address the issue, and background information regarding this audit are discussed in detail on the following pages.

**ISSUE: Failure to Adequately Record Revenue Earned**

**What is the Issue:** Funds received from the Department of Justice Program on September 17, 2020, totaling \$360,115 were not deposited into the designated federal seized and forfeited assets bank account. The funds were deposited into the County’s General Concentration Bank Account. In addition, this revenue was not recorded in PeopleSoft.

**Why it Happened:** The U.S. Department of Treasury transferred the funds to the County’s General Concentration bank account as a result of outdated and incorrect bank account information. The County Attorney’s Office had not submitted an updated Form SF 3881, *ACH Vendor/Miscellaneous Payment Enrollment Form* (Form SF 3881) to correct the bank account information.

The error was not identified timely by the County Attorney’s Office because a review of the federal seized and forfeited assets distribution eShare reports is only performed at fiscal year-end.

**What is Expected:** The Guidance requires that all participating state and local law enforcement agencies must establish a separate bank account or accounting codes to track funds and expenditures. No other funds may be commingled in these accounts or with these accounting codes. Expenditures from this fund is limited to the purposes specified in the Standards.

The U.S. Department of Justice requires the submission of updated Form SF 3881 annually from law enforcement agencies participating in the federal Seized and forfeited assets program.

**Why it Matters:** Failure to segregate and adequately account for federal seized and forfeited assets funds and expenditures may lead to non-compliance with the standards. In addition, failure to record revenue into PeopleSoft may result in misappropriation of assets and/or financial misstatement.

**What Action(s) are Suggested:**

The County Attorney’s Office should:

1. Coordinate with the County Treasurer’s Office and other applicable departments to transfer the funds into the designated federal seized and forfeited assets bank account and to properly record the revenue in PeopleSoft.
2. Update the bank account information by submitting Form SF 3881 to the U.S Department of Treasury.
3. Perform a periodic review and education of the federal seized and forfeited assets distribution eShare reports and Guidance to ensure timely and accurate recording of all funds received.

**MANAGEMENT’S ACTION PLAN**

Responsible Party: Nia Austin, Accounts Payable & Purchasing Coordinator

We have coordinated with the County Treasurer’s Office to transfer the \$360,115 to the designated County Attorney Federal Seized & Forfeited bank account. The transfer occurred on April 1, 2021. The County Auditor’s Office Revenue Accounting Division has also been notified to properly record the transaction in PeopleSoft.

In addition, annually, we will review Form SF 3881 and promptly submit updates. We will also conduct internal training and provide site access to the Chief Investigator and his designee(s). Our Finance Department will also monitor the account to ensure proper coverage.

Furthermore, Form SF 3881 is complete and has been faxed to the contact information on the Form. We have received notification that the completed Form SF 3881 was received by the Department of Treasury and forwarded to the Treasury Financial Agent – Customs and Border Protection, National Finance Center on May 26, 2021.

**Due Date:** August 3, 2021

## BACKGROUND

### **Asset Forfeiture Programs**

The Department of Justice and the Department of the Treasury Asset Forfeiture Programs are, first and foremost, law enforcement programs. They remove the tools of crime from criminal organizations, deprive wrongdoers of the proceeds of their crimes, recover property that may be used to compensate victims, and deter crime. The Department of Justice and the Department of the Treasury emphasize these law enforcement purposes to their own law enforcement agencies and all federal, state, local, and tribal partner agencies.

### **Equitable Sharing Program**

One of the ancillary benefits of asset forfeiture is the potential to share federal forfeiture proceeds with cooperating state and local law enforcement agencies through equitable sharing. The Department of Justice and the Department of the Treasury Equitable Sharing Programs enhance cooperation amongst federal, state, local, and tribal law enforcement by providing valuable additional resources to state and local law enforcement agencies. The Program is designed to supplement and enhance, not supplant, appropriated agency resources.

The Department of Justice and the Department of the Treasury are two separate federal agencies with two separate forfeiture funds. However, the Standards apply to both programs. The Standards state that funds for federal forfeitures can only be spent on law enforcement related items.

The Harris County Attorney's Office is a participating agency that receives funds from The U.S. Department of Justice Federal Seized & Forfeited Assets Program.

## ACCOUNTABILITY

The work performed required our staff to exercise professional judgment in completing the engagement's scope. As the engagement's scope did not include a detailed examination of all transactions, there is a risk that fraud, errors, or omissions were not detected during this engagement. The official, therefore, retains the responsibility for the accuracy and completeness of their financial records and for ensuring sufficient controls are in place to detect and prevent fraud, errors, or omissions.