

A Review of
**The Department of Public Safety's
Fiscal Year 2002 Seized Assets Report**

November 6, 2002

Members of the Legislative Audit Committee:

The Department of Public Safety (Department) complied with the seized asset reporting requirements in Rider 13, page V-48, the General Appropriations Act (77th Legislature) for fiscal year 2002. However, we identified three areas in which the Department can clarify future seized assets reports that it prepares:

The Department Should Exclude Interest Income from the Amount of Cash Available That It Reports on Its Seized Assets Report

The Department should reduce the amount of available cash from seized or forfeited assets by the amount of interest income generated. In fiscal year 2002, the Comptroller placed all of the \$177,418.38 in interest generated from seized or forfeited assets in the State's General Revenue Fund. This interest income was not available to the Department, yet the Department included this amount in the cash available that it reported on its seized assets report.

Including interest income within the amount of cash available overstates the actual cash the Department can use to make expenditures. Therefore, to provide an accurate cash balance figure in its seized assets report, the Department should reduce total cash available by the amount of interest income generated, for all applicable fiscal years, in both the Balance Sheet and the Cash Balance Statement.

**Rider 13, Page V-48
General Appropriations Act
(77th 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.

The Department Should Correct Wording Inconsistencies on Its Seized Assets Report

We identified certain wording inconsistencies within the financial statements that comprise 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 also should consider providing reference annotation information for detailed supporting statements.

The Department Should Correct Prior-Year Cash Amounts That It Overstated on Its Seized Assets Report

We identified fiscal year 2001 cash amounts that the Department overstated on its seized assets report. However, these overstatements did not affect the Department's compliance with seized assets reporting requirements for fiscal year 2002. The Department reports prior year information only for comparison purposes. The specific fiscal year 2001 balance sheet cash amounts for State Seized Funds, the U.S. Department of Justice, and the U.S. Department of Treasury did not reflect the

correct ending cash balance amounts that were stated in the cash balances statement for fiscal year 2001. Because of this, the Department overstated the 2001 contingency cash available amount on the fiscal year 2001 balance sheet.

These overstatements could lead a reader to misinterpret financial trends in seized assets activity. We have provided the Department with the specific overstatements we identified so that it can make the necessary corrections and so that readers of future seized assets reports can make proper comparisons of prior and current year amounts.

The Department agrees with our observations, and we appreciate its cooperation during this review. If you have any additional questions, please contact Julie Ivie, 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 identify areas for further clarification.

Our scope covered the Department's fiscal year 2002 seized assets report.

Our methodology consisted of analyzing the seized assets report, comparing the information in the report's attachments with that in the 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.