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**DISTRICT ATTORNEY'S ASSET FORFEITURE TRUST FUND  
AUDIT REPORT  
FOR THE PERIOD JULY 1, 2005 THROUGH JUNE 30, 2006**

**I. BACKGROUND**

The District Attorney's Asset Forfeiture Trust Fund (the Fund) was established to account for seized funds and proceeds received from the sale of forfeited assets associated with narcotics arrests. These monies are held pending the outcome of narcotics civil forfeiture cases. When a court makes a judgment supporting forfeiture, the forfeited funds are distributed according to the formula stipulated in the Health and Safety Code Section 11489. Otherwise, the funds are returned to the parties from whom they were seized.

**II. PURPOSE AND SCOPE**

We reviewed the accounting records and procedures adopted by the Office of the District Attorney for the distribution of the Fund for the fiscal year ended June 30, 2006. Our examination was made in accordance with the standards established by the Institute of Internal Auditors and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The scope of the audit included a review of the internal control system and compliance with appropriate policies, procedures, laws and regulations relative to the Fund.

Our review would not necessarily disclose all weaknesses in the internal control system, or all instances of noncompliance with policies, procedures, laws, and regulations that might have occurred during the audit period because the examination was based on selective tests of accounting records and related data. Based upon the results of our examination, it is our opinion that internal controls over the deposits and distribution of forfeited funds and proceeds from the sale of forfeited properties are adequate and operating effectively.

The fieldwork was completed on January 30, 2007.

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**III. CURRENT AUDIT COMMENTS**

**A. Asset Forfeiture Trust Fund**

The Fund's balance as of June 30, 2006 was computed as follows:

Holding Account Balance, July 1, 2005	\$ 710,320
Less: Excess Disbursements Over Receipts	(305,765)
Holding Account Balance, June 30, 2006	<u>404,555</u>
 Narcotics Trust Sub-Account Balance, July 1, 2005	 905,201
Less: Excess Disbursements Over Receipts	<u>(56,238)</u>
 Narcotics Trust Sub-Account Balance, June 30, 2006	 <u>848,963</u>
Total Fund Balance, June 30, 2006	<u><u>\$1, 253,518</u></u>

We noted that the fund balance per the District Attorney's subsidiary accounting records as of June 30, 2006 agreed to the County's general ledger system. Monthly reconciliations were also performed on a regular basis during the audit period.

**B. Narcotics Trust Sub-Account**

The Narcotics Trust Sub-Account was established to segregate the District Attorney's portion of forfeited funds from the funds held for pending cases. We reviewed the activities of the sub-account and noted that transactions were properly recorded, supported and authorized. Our review disclosed that the District Attorney's portion of forfeited funds was correct and computed as follows:

Narcotics Trust Sub-Account Balance, July 1, 2005	\$ 905,201
Less: Excess Disbursements Over Receipts	<u>(56,238)</u>
 Narcotics Trust Sub-Account Balance, June 30, 2006	 <u>\$ 848,963</u>

We noted that the Narcotics Trust Sub-Account balance per the District Attorney's subsidiary accounting records as of June 30, 2006 was in agreement with the County's general ledger system. Monthly reconciliations were performed on a regular basis during the audit period.

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**C. Distribution of Forfeited Funds and Proceeds from the Sale of Forfeited Properties**

The distribution of forfeited funds and proceeds from the sale of forfeited properties is computerized based on the narcotics forfeiture interest/disbursement application program.

Based on our test sample, we were satisfied that the distribution of forfeited funds and proceeds from the sale of forfeited properties was correct and in accordance with Health and Safety Code Sections 11489 and 11494. We also reviewed the records of distribution to various arresting agencies to determine whether there were complaints regarding allocation of their shares of forfeited funds. Our review disclosed no complaints.

**D. Remittance to the State**

The State Controller's letter dated September 6, 1994 requires that the State share of the distribution under the Health and Safety Code Section 11489, effective January 1, 1994, be:

- Remitted on the State remittance Advice Form (TC31); and
- Identified as H & S 11489 - 24%.

Based upon our test sample, we were satisfied that State remittances were correctly reported on the State Remittance Form (TC31), and identified as H & S 11489 - 24%.

We wish to express our appreciation for the courtesy and cooperation extended to us by the District Attorney's Office during the course of the audit.

*County of San Mateo Controller*

January 30, 2007