

STATUTORY REPORT

**DISTRICT ATTORNEY
DISTRICT 17
PROPERTY FORFEITURE FUND**

For the fiscal year ended June 30, 2009



*Independently serving the citizens of
Oklahoma by promoting the
accountability and fiscal integrity of
governmental funds.*



Oklahoma State
Auditor & Inspector
Gary A. Jones, CPA, CFE

**LAURA ROSS WALLIS, DISTRICT ATTORNEY
DISTRICT 17
STATUTORY REPORT
PROPERTY FORFEITURE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

This publication, issued by the Oklahoma State Auditor and Inspector's Office as authorized by 74 O.S. § 212.E and 63 O.S. § 2-506, has not been printed, but is available on the agency's website (www.sai.ok.gov) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital Collection, pursuant to 74 O.S. § 3105.B



Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

June 20, 2011

Laura Ross Wallis, District Attorney
District 17
McCurtain County Courthouse
Idabel, Oklahoma 74745

Transmitted herewith is the statutory report for the District Attorney of District 17, Choctaw, McCurtain and Pushmataha Counties, Oklahoma (the District), for the fiscal year ended June 30, 2009. A report of this type is critical in nature; however, we do not intend to imply that there were not commendable features in the present accounting and operating procedures of the District.

We wish to take this opportunity to express our appreciation for the assistance and cooperation extended to our office during the conduct of our procedures.

The Office of the State Auditor and Inspector is committed to serve the public interest by providing independent oversight and to issue reports that serve as a management tool to the State to ensure a government which is accountable to the people of the State of Oklahoma.

Sincerely,

A handwritten signature in blue ink that reads "Gary A. Jones". The signature is fluid and cursive, with a long horizontal stroke at the end.

GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

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INTRODUCTORY INFORMATION

Most district attorneys in the state have a Property Forfeiture Fund. The fund is not subject to fiscal year limitations and is to be used for enforcement of controlled dangerous substances laws, drug abuse prevention and education, and is maintained by the District Attorney to be used at his or her discretion for those purposes. The revenues for said fund come from the proceeds of forfeited assets.

Any cash, vehicles, real property, or other assets used in the commission of or acquired as a result of a crime as described in the Uniform Controlled Dangerous Substances Act is presumed to be forfeitable.

Asset forfeiture is an effective law enforcement tool used by local district attorneys to deprive criminals of their ill-gotten gains by seizing the proceeds of criminal activity and property used to facilitate crime. The proceeds of seized, forfeited assets make a substantial contribution to the investigation and prosecution of drug related offenses.



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Statutory Report

Laura Ross Wallis, District Attorney
District 17
McCurtain County Courthouse
Idabel, Oklahoma 74745

For the purpose of complying with 74 O.S. § 212.E and 63 O.S. § 2-506, we have performed the following procedures as they relate to the records of the Property Forfeiture Fund for the fiscal year ended June 30, 2009:

- Determine that the District Attorney maintains a true and accurate inventory of all property seized in accordance with 63 O.S. § 2-506.K.
- Examine a group of receipts and deposit slips for propriety.
- Review sale documentation for selected cases to determine whether forfeited assets were sold after due notice at public auction to the highest bidder in accordance with 63 O.S. §2-508.C.3.
- Review the distribution of proceeds of the sale for selected cases to determine the distribution was in accordance with Court order pursuant to 63 O.S. §2-506.K.
- Determine whether expenditures tested were supported by approved claims, invoices, and independent verification that goods or services paid for were received.
- Determine whether the District Attorney prepared and submitted an annual report to the Board of County Commissioners showing the total deposits, total expenditures, beginning and ending balances in accordance with 63 O.S. §2-506.L.3.
- Determine whether expenditures were properly classified and whether the District Attorney reconciles the balance with the County Treasurer monthly.

Our engagement was limited to the procedures performed above and was less in scope than an audit performed in accordance with accounting standards generally accepted in the United States of America. Accordingly, we do not express an opinion on any general-purpose financial statements of Choctaw, McCurtain or Pushmataha Counties.

Based on our procedures performed, with respect only to the items tested, District 17 was receipting and depositing the proceeds of forfeitures; forfeited assets were sold after proper notice at public auction to the highest bidder; the proceeds of forfeitures were distributed as directed by Court orders; and expenditures were properly classified. With respect to maintaining a true and accurate inventory and record of all such property seized, expenditures being supported by approved claims, invoices, and independent verification that goods or services paid for were received; preparing and submitting an annual report to the Board of County Commissioners in accordance with 63 O.S. §2-506.L.3; and the District Attorney reconciling the balance of the Property Forfeiture Fund with the County Treasurer's records monthly, our findings are presented in the accompanying schedule of findings and responses. Also, while performing the procedures, we noted a matter regarding segregation of duties and our finding is presented in the schedule of findings and responses.

We have included in this report a copy of the Drug Asset Forfeiture Annual Report and the Civil Forfeiture Annual Report prepared by District 17, which were submitted to the District Attorneys Council.

This report is intended for the information and use of the District Attorney and Choctaw, McCurtain and Pushmataha County officials. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

A handwritten signature in blue ink, appearing to read "Gary A. Jones", with a long horizontal flourish extending to the right.

GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

May 11, 2011

**LAURA ROSS WALLIS, DISTRICT ATTORNEY
DISTRICT 17
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Finding 2009-1—Segregation of Duties (Repeat Finding)

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud. No one individual should have the ability to authorize transactions, have physical custody of property, and record transactions.

Condition: It was noted that asset custody, transaction authority, bookkeeping, and reconciliations were not properly segregated to assure adequate internal control structure.

Receipts

The McCurtain Property Forfeiture coordinator is the only employee who receipts, deposits and maintains ledgers for Property Forfeitures. There is no independent oversight of these duties and ledgers are never reconciled to the Treasurer's balance.

Disbursements

The McCurtain Property Forfeiture Coordinator is the only employee who requisitions, prepares and authorizes claims, receipts goods and services, and maintains ledgers. There is no independent oversight of these duties and ledgers are never reconciled to the Treasurer's balance.

Effect: This condition could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of assets.

Recommendation: OSAI recommends that the District Attorney's Office maintain oversight into the duties of employees. The duties of receipting and depositing should be separated. Ledgers maintained by employees should be reconciled and approved by management. The duties for the requisition and for the receiving of goods and services should be separate. Claims prepared by employees should be approved by management.

Views of responsible officials and planned corrective actions: Please note the District 17 District Attorney's Office is now under new administration by newly elected Mark Matloff as of January 1, 2011. As stated in the past, the offices of the District 17 District Attorney's Office are aware of this condition and realize that concentration of duties and responsibilities to a limited number of individuals is not desired but due to the size of the personnel it is not feasible to segregate the duties as recommended by OSAI. We have segregated duties to the best of our abilities.

Finding 2009-2-Annual Report

Criteria: Title 63 O.S. § 2-506.L.3 states in part:

The balance to a revolving fund in the office of the county treasurer of the county wherein the property was seized, said fund to be used as a revolving fund solely for

**LAURA ROSS WALLIS, DISTRICT ATTORNEY
DISTRICT 17
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

enforcement of controlled dangerous substances laws, drug abuse prevention and drug abuse education, and maintained by the district attorney in his or her discretion for those purposes with a yearly accounting to the board of county commissioners in whose county the fund is established and to the District Attorneys Council; provided, one hundred percent (100%) of the balance of the proceeds of such sale of property forfeited due to nonpayment of a fine imposed pursuant to the provisions of Section 2-415 of this title shall be apportioned as provided in Section 2-416 of this title. The revolving fund shall be audited by the State Auditor and Inspector at least every two (2) years in the manner provided in Section 171 of Title 19 of the Oklahoma Statutes. Said audit shall include, but not be limited to, a compliance audit. A district attorney may enter into agreements with municipal, tribal, county or state agencies to return to such an agency a percentage of proceeds of the sale of any property seized by the agency and forfeited under the provisions of this section. The District Attorneys Council shall adopt guidelines which ensure that such agencies receive a reasonable percentage of such proceeds, considering the relative contribution of each agency to the drug enforcement and prosecution operations relating to the seizure. In formulating said guidelines, the District Attorneys Council shall examine federal guidelines on asset distribution and use said guidelines as a basis for establishing guidelines for this state. The Attorney General is hereby authorized to mediate disputes between district attorneys and such agencies concerning the application of said guidelines in particular instances. Any agency that receives proceeds from an asset distribution shall maintain a true and accurate record of all such assets.

Condition: The District Attorney's office is not presenting the Property Forfeiture Annual Report to the Board of County Commissioners.

Effect: This condition results in noncompliance with state statutes.

Recommendation: OSAI recommends that the District Attorney present the Property Forfeiture Annual Report to the Board of County Commissioners

Views of responsible officials and planned corrective actions: Please note the District 17 District Attorney's Office is now under new administration by newly elected Mark Matloff as of January 1, 2011. The District Attorney's office was not aware that the Property Forfeiture Annual Report was to be presented to the Board of County Commissioners. Per OSAI recommendation we will present the Property Forfeiture Annual Report to the Board of County Commissioners when completed at the end of the fiscal year.

Finding 2009-3-Inventory

Criteria: Title 63 O.S. § 2-506.K states in part:

Property taken or detained under this section shall not be repleviabale, but shall be deemed to be in the custody of the office of the district attorney of the county wherein the

**LAURA ROSS WALLIS, DISTRICT ATTORNEY
DISTRICT 17
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

property was seized, subject only to the orders and decrees of the court or the official having jurisdiction thereof; said official shall maintain a true and accurate inventory and record of all such property seized under the provisions of this section.

Condition: While reviewing property forfeitures to the District Attorney's office, the following was noted

- The DA's Office did not have an inventory list documenting all items seized.
- Local agencies maintained custody of seized property until settlement of the court case. Seized property should have been maintained in the District Attorney's office.

Effect: This condition results in noncompliance with state statutes and could result in the loss of seized items.

Recommendation: OSAI recommends that the District Attorney maintain a true and accurate list of all items seized. Furthermore, OSAI recommends that all seized inventory be kept in a secure location, in the office of the District Attorney, in the county the property was seized.

Views of responsible officials and planned corrective actions: Please note the District 17 District Attorney's Office is now under new administration by newly elected Mark Matloff as of January 1, 2011. Procedures have been implemented to maintain a true and accurate list of all items seized. All seized inventory is kept in a secured location.

Finding 2009-4-Expenditures

Criteria: Effective internal controls are necessary to ensure stewardship and accountability of public funds. Effective accounting procedures included all expenditures of the Property Forfeiture Fund be supported by approved claims and supporting documentation, such as invoices and independent verification of goods and services.

Condition: Of Property Forfeiture expenditures tested in McCurtain County, three of the ten vouchers tested did not have supporting documentation and independent verification of goods and services received.

Effect: This condition could result in inaccurate or incomplete records.

Recommendation: OSAI recommends that expenditures be supported by invoices/supporting documentation and reflect evidence of receipt of goods and services received.

Views of responsible officials and planned corrective actions: Please note the District 17 District Attorney's Office is now under new administration by newly elected Mark Matloff as of January 1, 2011. Procedures have been implemented to obtain invoices/supporting documentation and that evidence of receipt of goods and services be received prior to payment.

**LAURA ROSS WALLIS, DISTRICT ATTORNEY
DISTRICT 17
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Finding 2009-5-Reconciliation/Detailed Ledgers

Criteria: Effective internal controls are necessary to ensure stewardship and accountability of public funds. Effective accounting procedures include reconciling funds with the County Treasurer on a monthly basis.

Condition: The District Attorney's office is not reconciling the Property Forfeiture Funds (DTF and DAFF) with the County Treasurer on a monthly basis. The District Attorney's office does not adequately maintain ledgers in enough detail to identify revenue sources within the DTF Fund.

Effect: This condition could result in inaccurate or incomplete records.

Recommendation: OSAI recommends that the District Attorney reconcile funds with the County Treasurer monthly. OSAI recommends that the District Attorney maintain detailed ledgers that identify revenue sources within the Drug Task Force fund.

Views of responsible officials and planned corrective actions: Please note the District 17 District Attorney's Office is now under new administration by newly elected Mark Matloff as of January 1, 2011. We will reconcile funds with the County Treasurer to the best of our ability monthly and at the end of the fiscal year. We will also to the best of our ability maintain detail ledgers with balances for sub-funds within the Drug Task Force Fund.

FY09 DRUG ASSET FORFEITURE ANNUAL REPORT

July 1, 2008 - June 30, 2009

District 17

BEGINNING CASH BALANCE ON JULY 1, 2008 \$ 1,263.31

INCOME

Cash Forfeited	<u>\$101,265.04</u>
Court Ordered Assessments	<u>\$442.79</u>
Value Non-Cash Assets Forfeited and Sold	<u>\$0.00</u>
Other (please explain) *	<u>\$29,770.46</u>
TOTAL INCOME (before distributions)	\$ <u>131,478.29</u>

DISTRIBUTION TO OTHER AGENCIES

Cash Returned to Other Agencies	<u>\$4,070.03</u>
Equipment Purchased for Other Agencies	<u>\$2,281.07</u>
Other (please explain)	<u>\$0.00</u>
TOTAL DISTRIBUTIONS	\$ <u>6,351.10</u>

EXPENDITURES BY DISTRICT ATTORNEY

Personnel and Benefits	<u>\$0.00</u>
Confidential Informants	<u>\$6,500.00</u>
Cost of Prosecution/Investigation	<u>\$139.57</u>
Education/Prevention	<u>\$1,254.00</u>
Equipment	<u>\$32,300.22</u>
Operating Expense	<u>\$5,368.21</u>
Rent	<u>\$0.00</u>
Storage & Towing	<u>\$0.00</u>
Travel	<u>\$345.49</u>
Other <u>Returned to Defendant</u>	<u>\$865.10</u>
TOTAL EXPENDITURES	\$ <u>46,772.59</u>

ENDING CASH BALANCE ON JUNE 30, 2009 \$ 79,617.91
(July 1 Balance + Income - Distributions - Expenditures = June 30 Balance)

Prepared by: Jody Wheeler Date: 8/14/2009
Phone#: (580)286-7611

* \$19,250.00 Property Damage settlement
\$10,000.00 Wayco Grant
\$ 520.46 Operation Falcon fuel reimbursement

Act # 11 - Civil Forfeiture

FY07 DRUG ASSET FORFEITURE ANNUAL REPORT

July 1, 2008 - June 30, 2009

District 17

BEGINNING CASH BALANCE ON JULY 1

243.34

INCOME

Cash Forfeited 0
Court Ordered Assessments _____
Value Non-Cash Assets Forfeited and Sold _____
Other (please explain) _____

TOTAL INCOME (before distributions)

\$ 0

DISTRIBUTION TO OTHER AGENCIES

Cash Returned to Other Agencies _____
Equipment Purchased for Other Agencies _____
Other (please explain) _____

TOTAL DISTRIBUTIONS

\$ 0

EXPENDITURES BY DISTRICT ATTORNEY

Personnel and Benefits _____
Confidential Informants _____
Cost of Prosecution/Investigation _____
Education/Prevention _____
Equipment _____
Operating Expense _____
Rent _____
Storage & Towing _____
Travel _____
Other _____

TOTAL EXPENDITURES

\$ 0

ENDING CASH BALANCE ON JUNE 30

(July 1 Balance + Income - Distributions - Expenditures = June 30 Balance)

\$ 243.34

Prepared by:

Debbie Jones

Date:

7-1-09



OFFICE OF THE STATE AUDITOR AND INSPECTOR

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