

**DISTRICT ATTORNEY
DISTRICT 17**

**PROPERTY
FORFEITURE FUND**

**FOR THE YEAR ENDED
JUNE 30, 2008**



**STATUTORY
REPORT**



Oklahoma State Auditor
& Inspector

**LAURA ROSS WALLIS, DISTRICT ATTORNEY
DISTRICT 17
STATUTORY REPORT
PROPERTY FORFEITURE FUND
FOR THE YEAR ENDED
JUNE 30, 2008**

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STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA
State Auditor

MICHELLE R. DAY, ESQ.
Chief Deputy



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September 7, 2010

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, 2008. 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 "Michelle R. Day".

MICHELLE R. DAY, ESQ.
DEPUTY 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
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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 it relates to the records of the Property Forfeiture Fund for the fiscal year 2008:

- 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; the District Attorney prepared and submitted an annual report to the Board of County Commissioners; expenditures were properly classified; and the District Attorney reconciles the balance of the Property Forfeiture Fund with the County Treasurer's records monthly. With respect to expenditures being supported by approved claims, invoices, and independent verification that goods or services paid for were received, and maintaining a true and accurate inventory and record of all such property seized, our findings are presented in the accompanying schedule of findings and responses. Also, in performing the procedures, we noted a lack of segregation of duties, and our finding is presented in the accompanying schedule of findings and responses.

We have included in this report information from the Property Forfeiture Fund Annual Report prepared by District 17, which was 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,



MICHELLE R. DAY, ESQ.
DEPUTY STATE AUDITOR & INSPECTOR

April 12, 2010

**LAURA ROSS WALLIS, DISTRICT ATTORNEY
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STATUTORY REPORT
JUNE 30, 2008**

PROPERTY FORFEITURE FUND

BEGINNING CASH BALANCE ON JULY 1, 2007 \$ 17,427

INCOME

Cash forfeited	118,643
Value non-cash assets forfeited and sold	<u>12,675</u>

TOTAL INCOME (before distributions) 131,318

DISTRIBUTION TO OTHER AGENCIES

Cash returned to other agencies	76,455
Equipment purchased for other agencies	1,477
Other	<u>1,389</u>

TOTAL DISTRIBUTIONS 79,321

EXPENDITURES BY DISTRICT ATTORNEY

Personnel and benefits	456
Confidential informants	5,200
Cost of prosecution/investigation	296
Education/prevention	1,624
Equipment	45,417
Operating expense	12,656
Storage & towing	862
Other (Returned to Defendant)	<u>1,650</u>

TOTAL EXPENDITURES 68,161

ENDING CASH BALANCE ON JUNE 30, 2008 \$ 1,263

Source: District 17 Property Forfeiture Fund Annual Report (for informational purposes only)

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2008-1—Segregation of Duties

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 assets, and record transactions.

Condition: The Property Forfeiture Coordinator in McCurtain County receives money, takes forfeited money to the County Treasurer, posts transactions to the ledger, reconciles accounts with the Treasurer, authorizes purchases, prepares claims, receives goods and services, approves claims, and disburses vouchers.

Effect: A single person having responsibility for more than one area of recording, authorization, custody of assets, and execution of transactions could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.

Recommendation: OSAI recommends management be aware of these conditions and realize that concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective controls lie in management's overseeing of office operations and a periodic review of operations. OSAI recommends management provide segregation of duties so that no one employee is able to perform all accounting functions. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having management review and approval of accounting functions.

Views of responsible officials and planned corrective actions: My offices 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 my personnel it is not feasible to segregate the duties as recommended by OSAI. We have segregated duties in regards to transactions, authorizations, bookkeeping, and reconciliation to the best of our abilities.

OSAI Response: As discussed in our recommendation, in the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having management review and approval of accounting functions.

Finding 2008-2—Expenditures (Repeat Finding)

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 with appropriate supporting documentation such as independent confirmation of goods and services received.

Condition: We tested twelve property forfeiture claims and found that the claims did not reflect independent confirmation of goods and services received.

Effect: This condition could result in misappropriation of funds.

Recommendation: OSAI recommends that expenditures reflect evidence of receipt of goods or services received prior to payment.

Views of responsible officials and planned corrective actions: It has been addressed and clarified with the auditor's office regarding what constitutes a receiving report. All efforts will be made to obtain receiving reports on all goods and services received by the District Attorney's office prior to payment.

Finding 2008-3—Inventory and File Documentation of Seized Property

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

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

In addition, property recorded on the inventory should be visually inspected and agreed to file documentation to ensure a true and accurate inventory.

Condition: While testing 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.
- CV-2008-8: An order of default judgment was awarded on 9/24/2008. As of fieldwork on 3/30/09, we could not visually verify \$1,031 in forfeited funds because they were located in a personal safe at a Drug Task Force officer's house.
- CV-2007-63: The court order reflected \$703.08 forfeited. The case file reflected cash of \$670.27 and a money order for \$50 for a total of \$720.27. The forfeited funds reported in the case files were incorrect and \$17.27 had to be returned to the defendant.

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Effect: This condition results in potential misappropriation of seized property and the office not having a true and accurate inventory as required by 63 O.S. § 2-506.K.

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 and appropriate location and that all money seized be counted for accuracy.

Views of responsible officials and planned corrective actions: Procedures have been implemented to maintain a true and accurate list of all items seized and to verify all monies received. Also, all seized inventory is kept in a secured location.



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