

STATUTORY REPORT

**DISTRICT ATTORNEY
DISTRICT 19
PROPERTY FORFEITURE PROGRAM**

For the period of July 1, 2007 through 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

**EMILY REDMAN, DISTRICT ATTORNEY
DISTRICT 19
STATUTORY REPORT
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Oklahoma State Auditor & Inspector

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

April 11, 2012

Emily Redman, District Attorney
District 19
Bryan County Courthouse
Durant, Oklahoma 74701

Transmitted herewith is the statutory report for the District Attorney of District 19, Atoka, Bryan and Coal Counties, Oklahoma (the District) for the period of July 1, 2007 through 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.

The goal of the State Auditor and Inspector is to promote accountability and fiscal integrity in state and local government. Maintaining our independence as we provide this service to the taxpayers of Oklahoma is of utmost importance.

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

Sincerely,

A handwritten signature in blue ink that reads "Gary A. Jones".

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

**EMILY REDMAN, DISTRICT ATTORNEY
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STATUTORY REPORT
FOR THE PERIOD OF JULY 1, 2007 THROUGH JUNE 30, 2009**

TABLE OF CONTENTS

Introductory Information ii

Statutory Report of State Auditor and Inspector 1

Schedule of Findings and Responses 2

**EMILY REDMAN, DISTRICT ATTORNEY
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STATUTORY REPORT
FOR THE PERIOD OF JULY 1, 2007 THROUGH JUNE 30, 2009**

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 substance 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

Emily Redman, District Attorney
District 19
Bryan County Courthouse
Durant, Oklahoma 74701

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 period of July 1, 2007 through June 30, 2009:

- Examine a group of receipts and deposit slips for propriety.
- Determine that the District Attorney maintains a true and accurate inventory of all property seized in accordance with 63 O.S. § 2-506.K.
- 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. §§ 2-506 and 2-508.
- Review the distribution of proceeds of the sale for selected cases to determine the distribution was in accordance with court orders pursuant to 63 O.S. §§ 2-506.K and 2-508.
- Test expenditures to determine they are supported by approved claims, invoices, and independent verification that goods or services paid for were received.
- Determine if 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 if the District Attorney reconciles the balance with the County Treasurer.

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 basic financial statement of Atoka, Bryan, or Coal County.

Based on our procedures performed, we have presented our findings in the accompanying schedule.

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

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

February 2, 2012

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SCHEDULE OF FINDINGS AND RESPONSES

Finding1 – Segregation of Duties – Property Forfeiture Program

Criteria: Demonstration of accountability and stewardship are goals used in evaluating management's accounting for funds. A basic component of adequate internal controls is the segregation of duties so that one individual cannot perpetuate and conceal errors and irregularities in the normal course of his/her duties.

Condition: We noted instances in which a single employee is responsible for the recording, authorization, custody, and execution of expenditure transactions: The following are concerns that were noted:

- **(Bryan and Atoka Counties)** – The property forfeiture coordinators prepare expenditure claims, issue vouchers, receipt goods and/or services, and maintain the ledgers.

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.

Management Response: In regards to the above-noted concern that "the property forfeiture coordinator receipts money from seizing agencies, deposits the money with the County Treasurer and maintains the ledgers" in each of District 19's three counties, the Office of the District Attorney would take exception. In fact, our office accepts no cash from law enforcement officers who have seized such for purposes of forfeiture. Instead, the policy of the Office of the District Attorney requires such law enforcement officers to deposit seized monies with the Office of the County Treasurer and then to present the corresponding receipt and police report for consideration of filing forfeiture cases.

In regards to concerns that "the property forfeiture coordinators prepare expenditure claims, issue vouchers, receipt goods and/or services, and maintain the ledgers," the District Attorney recognizes the importance of segregation of duties but would note that all expenditure claims and vouchers are reviewed and approved by the District Attorney after having been prepared by the finance coordinator.

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DISTRICT 19
STATUTORY REPORT
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Finding 2 - Property Forfeiture Inventory

Criteria: 63 O.S. § 2-506 K:

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.

Condition: The Bryan, Coal and Atoka County District Attorney's office did not have an inventory list documenting all items seized and their disposition.

Effect: The District Attorney's office is not in compliance with state statutes.

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.

Management Response: The Office of the District Attorney recognizes that while each individual forfeiture file contained a list of items seized, there was no master list. This issue has been remedied and a complete and accurate master list is now updated regularly by the Finance Coordinator.

Finding 3 – Internal Control Environment Regarding Collections, Expenditures, Account Balances, and Reporting

Criteria: Effective internal controls are essential to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting, and compliance with applicable laws and regulations. An effective internal control system has in place policies and procedures that reduce the risk of errors and fraud within an organization.

In addition, demonstration of accountability and stewardship are goals used in evaluating management's accounting for funds. To help ensure proper accounting of funds, the office should maintain records that accurately reflect financial transactions.

Condition: As part of our review of District Attorney accounts and records, we tested receipts, disbursements, defendant files, and fund balances. The District Attorney does not have written policies and procedures and/or has not designed and implemented internal controls for the safeguarding and reporting of program funds. As a result, deficiencies were noted in several areas which include the following:

**EMILY REDMAN, DISTRICT ATTORNEY
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STATUTORY REPORT
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Bryan County:

- One claim for the payment of a motel bill was not supported by documentation (ie. invoice, etc.).
- The Property Forfeiture Annual Report did not reconcile with the County Treasurer's balance at June 30, 2008 and June 30, 2009. We noted a variance of \$5,454.72 and \$141.01, respectively.
- Property Forfeiture ledger balances are not reconciled to the County Treasurer on a monthly basis.

Coal County:

- Generic receipts are maintained which do not reflect the program or office that monies are derived. In addition, receipts are not pre-numbered and in duplicate form.
- A Property Forfeiture account ledger is not maintained; therefore, a monthly reconciliation to the County Treasurer is not performed to ensure accuracy of account balances.
- The sole property forfeiture expenditure was for the repair of an Oklahoma Highway Patrol radar unit, which does not comply with 63 O.S. §2-506.L.3.

Atoka County:

- Two purchase orders tested did not have a receiving report attached to verify that goods and/or services had been received.
- Property Forfeiture ledger balances are not reconciled to the County Treasurer on a monthly basis.

Effect: This condition could result in inaccurate and incomplete files, unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of funds. In addition, collections are not safeguarded and could result in misappropriation of funds.

Recommendation: We recommend management identify, analyze and manage risks. The District Attorney should implement policies and procedures to help ensure necessary actions are taken to address the potential risks involved in accomplishing the department's objectives. Management should also assess the quality and effectiveness of the organization's internal control process over time and implement appropriate controls and oversight of each programs daily transactions and recordkeeping. This will ensure that management has taken the necessary steps in safeguarding the department's assets.

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DISTRICT 19
STATUTORY REPORT
FOR THE PERIOD OF JULY 1, 2007 THROUGH JUNE 30, 2009**

Management Response: The Office of the District Attorney recognizes the above listed concerns and believes that honest staff oversight is the cause. Staff has been reminded to be more mindful of the importance of attaching receiving reports, documenting travel expenditure, etc. Respectfully, the Office of the District Attorney has a different interpretation of 63 O.S. §2-506.L.3 and believes the above described expenditure is authorized; however, in the future, such expenditures will be discussed with the OSAI before approval.



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