

**DISTRICT ATTORNEY  
DISTRICT 2**

**PROPERTY  
FORFEITURE FUND**

**FOR THE YEAR ENDED  
JUNE 30, 2009**

**STATUTORY  
REPORT**



Oklahoma State Auditor  
& Inspector

**DENNIS SMITH, DISTRICT ATTORNEY  
DISTRICT 2  
STATUTORY REPORT  
PROPERTY FORFEITURE FUND  
FOR THE YEAR ENDED JUNE 30, 2009**

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# STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA  
State Auditor

MICHELLE R. DAY, ESQ.  
Chief Deputy



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April 22, 2010

Dennis Smith  
District Attorney, District 2  
Custer County Courthouse  
Arapaho, Oklahoma 73620

Transmitted herewith is the statutory report for the District Attorney of District 2, Beckham, Custer, Ellis, Roger Mills, and Washita 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 "Steve Burrage".

STEVE BURRAGE, CPA  
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

Dennis Smith  
District Attorney, District 2  
Custer County Courthouse  
Arapaho, Oklahoma 73620

For the purpose of complying with 74 O.S. §212 (E) and 63 O.S. §2-506, we have performed each of the following procedures as they relate to the records of the Property Forfeiture Fund for the fiscal year 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. §§ 2-506 and 2-508.
- 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 and 2-508.
- 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 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 Beckham, Custer, Ellis, Roger Mills, or Washita County.

Based on our procedures performed, the District maintains a true and accurate inventory of all property seized; was properly 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; expenditures were supported by approved claims, invoices, and independent verification that goods or services paid for were received; and the District Attorney prepared and submitted an annual report to the Board of County Commissioners. With respect to the District Attorney reconciling the balance of the Property Forfeiture Fund with the County Treasurer's records and segregation of duties, our findings are presented in the accompanying schedule of findings and responses.

We have included in this report a detailed analysis of the Property Forfeiture Fund.

This report is intended for the information and use of the District Attorney and Beckham, Custer, Ellis, Roger Mills, and Washita County officials. However, this report is a matter of public record and its distribution is not limited.

Sincerely,



STEVE BURRAGE, CPA  
STATE AUDITOR & INSPECTOR

March 1, 2010

**DENNIS SMITH, DISTRICT ATTORNEY  
DISTRICT 2  
STATUTORY REPORT  
JUNE 30, 2009**

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**PROPERTY FORFEITURE FUND ANALYSIS**

**BEGINNING CASH BALANCE ON JULY 1, 2008** \$ 4,112

**INCOME**

Cash forfeited	163,317
Court ordered assessments	200
Value non-cash assets forfeited and sold	<u>48,448</u>

**TOTAL INCOME (before distributions)** 211,965

**DISTRIBUTION TO OTHER AGENCIES**

Cash returned to other agencies	<u>158,156</u>
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**TOTAL DISTRIBUTIONS** 158,156

**EXPENDITURES BY DISTRICT ATTORNEY**

Operating expense	<u>1,381</u>
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**TOTAL EXPENDITURES** 1,381

**ENDING CASH BALANCE ON JUNE 30, 2009** \$ 56,540

## **SCHEDULE OF FINDINGS AND RESPONSES**

### **Finding 2009-1—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, the duties of receiving, receipting, recording, depositing cash and checks, reconciliations, and transaction authorization should be segregated.

Condition: The District Attorney's office has one employee who prepares deposit slips, takes the deposit slip to the County Treasurer, and reconciles the annual report to Treasurer's official depository balance.

Effect: These conditions could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of funds.

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 management review and approval of accounting functions.

Views of responsible officials and planned corrective actions: Management chose not to respond.

### **Finding 2009-2 – Reconciliation to the County Treasurer's Records**

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, reconciliations of accounts to County Treasurer balances should be prepared on a monthly basis to ensure the annual report activity is accurate. Reconciliations should also be reviewed and approved by someone other than the preparer.

Condition: The District Attorney's Property Forfeiture Annual Report was not reconciled with the County Treasurer's Official Depository Ledger at June 30, 2009. After further research, it was determined that an accounting error occurred in the District Attorney's disbursement ledger.

Effect: Absent or inaccurate documentation could result in misappropriation of funds, undetected errors, and misstated financial reports.

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Recommendation: OSAI recommends the District Attorney implement policies and procedures to ensure accurate financial ledgers for the Property Forfeiture Account, and that ledgers be reconciled to the Treasurer's ledger on a monthly basis in order to provide assurance that the financial activity on the annual report is accurate.

Views of responsible officials and planned corrective actions: The District Attorney has amended the Annual Report and reconciled the report to the County Treasurer's records.



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