

**HOLLIS THORP, DISTRICT ATTORNEY
DISTRICT 26
STATUTORY REPORT
PROPERTY FORFEITURE FUND
FOR THE YEAR ENDED
JUNE 30, 2007**

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

July 1, 2008

Hollis Thorp, District Attorney
District 26

Transmitted herewith is the statutory report for the District Attorney of District 26, Woodward, Alfalfa, Major, Dewey, and Woods Counties, Oklahoma (the District), for the fiscal year ended June 30, 2007. 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 and 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.



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

Statutory Report

Hollis Thorp
District Attorney, District 26
Woodward County Courthouse
Woodward, Oklahoma 73801

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 it relates to the records of the Property Forfeiture Fund for the fiscal year 2007:

- 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 used for enforcement of controlled dangerous substance laws, drug abuse prevention and education in accordance with 63 O.S. §2-506.L.3.
- Determine whether expenditures tested were supported by approved claims, invoices, and independent verification that goods or services paid for were received in accordance with 63 O.S. §2-508.C.3.
- 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 in accordance with 63 O.S. §2-508.C.3.

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 Woodward, Alfalfa, Major, Dewey, or Woods County.

Based on our procedures performed, the District was properly receipting 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 made for lawful uses; the District Attorney prepared and submitted an annual report to the Board of County Commissioners; expenditures are properly classified and the District Attorney reconciles the balance of the Property Forfeiture Fund with the County Treasurer's records monthly. With respect to matters of depositing proceeds of forfeitures and expenditures from the revolving account, our findings are presented in the attached 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 Woodward, Alfalfa, Major, Dewey, and Woods 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 and Inspector

April 22, 2008

PROPERTY FORFEITURE FUND ANALYSIS

BEGINNING CASH BALANCE ON JULY 1, 2006 **\$ 34,273**

INCOME

Cash forfeited	25,401
Court ordered assessments	9,769
Other	<u>4,541</u>

TOTAL INCOME (before distributions) **39,711**

DISTRIBUTION TO OTHER AGENCIES

Grant match	<u>10,000</u>
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TOTAL DISTRIBUTIONS **10,000**

EXPENDITURES BY DISTRICT ATTORNEY

Equipment	17,393
Operating expense	<u>6,340</u>

TOTAL EXPENDITURES **23,733**

ENDING CASH BALANCE ON JUNE 30, 2007 **\$ 40,251**

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2007-1 - Daily Deposit of Funds and Unaccounted for Funds

Criteria: Effective accounting controls include funds received by an official or his/her employee be deposited in a timely manner and deposited intact to provide effective internal controls over the receipt and deposit of funds and the safeguarding of those assets for the governmental entity.

Condition: For the fiscal year ended June 30, 2007, there were proceeds received from eight property forfeiture cases by the District 26 Property Forfeiture Fund. We audited each case to determine that the funds received were receipted and deposited intact and in a timely manner. The following exceptions were noted:

Delaying the deposit of forfeited funds.

- On November 21, 2006, the District Court ordered the forfeiture of \$1,108.00. Nearly three months later, on February 14, 2007, the forfeited funds were deposited.
- On June 26, 2007, the District Court ordered the forfeiture of \$1,482.89. These funds were not deposited until April 1, 2008, ten months later.

Effect: Assets deposited with the District Attorney have not been adequately safeguarded.

Recommendation: We recommend that forfeited funds be deposited with the County Treasurer as soon as possible by the District Attorney's administrative staff, and those deposits be accounted for using pre-numbered duplicate receipts.

Views of responsible officials and planned corrective actions: Beginning in July 2008, the following changes will be implemented:

All funds received in forfeiture actions or other related matters will be deposited as soon as possible with the Woodward County Treasurer's Office. The deposit record will contain the register number of such deposit.

All funds received for deposit into the forfeiture account will be adequately protected until they can be deposited.

All forfeited cash will be deposited in a lump sum, and the denominations of such cash will be noted on the deposit document.

The Property Forfeiture Account will be monitored by the Finance Coordinator for District 26.

Finding 2007-2 - Reimbursements from Property Forfeiture Accounts

Criteria: Effective internal controls are designed to ensure good stewardship of taxpayer's dollars, prevent fraud, waste and abuse as well as provide accountability for funds expended and equipment purchased.

Effective internal controls include proper documentation of purchases by providing original itemized receipts and/or invoices or statements. A critical component of internal controls relies on having a purchase approval process performed independent of the person actually making the purchase and receiving a reimbursement. In addition, an employee or other person not related to the purchase should verify the items being purchased were received.

Conditions:

Disbursement vouchers were issued from the District Attorney's Accounts (105 and 107) to a former District Attorney employee for purchases of gasoline, automotive parts and other miscellaneous equipment. The following exceptions were noted:

1. Invoices used as documentation to reimburse the employee did not have a description of the items purchased.
 - The former employee was reimbursed \$1,201.64 by voucher 1139 dated 9/26/2006. Although the voucher documentation reflects the purchase was for a winch, the supporting receipt appears to indicate some kind of quote was given. While the receipt reflects a serial number, it does not reflect what was purchased.
 - The former employee was reimbursed \$47.57 by voucher 1127 on 7/8/2006. The voucher documentation reflects "FLOOR MATS". Two receipts were used to support the purchase, including a receipt from a department store that is not itemized.
 - The former employee was reimbursed \$250.73 by voucher 2130 on 7/13/2006. The total amount was supported by numerous receipts, including a partial phone bill, conference registrations, and fuel tickets. One of the fuel tickets was a \$53.60 non-itemized credit card charge slip.
 - The former employee was reimbursed \$106.24 by voucher 2176 on 8/30/2006. Included in support of this reimbursement was a non-itemized credit card charge slip in the amount of \$32.00.
2. Gasoline purchases were reimbursed to the employee but not supported by a travel claim.
 - The former employee was reimbursed \$44.25 and \$52.85 for fuel (voucher 2130). Included in the documentation, supporting the purchase, was a conference registration for an A-One conference August 1 – 4, 2006. The fuel purchases occurred on July 7 and 9, 2006, with no indication as to the purpose of the fuel or the trip.

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- On July 16, 2006, fuel in the amount of \$15.50 was purchased. Included on the receipt was a deli item for \$0.99 and tax in the amount of \$0.08. There was no indication as to the purpose of the purchased items.
 - On 9/8/2006 the former employee was issued a voucher in the amount of \$109.85 supported by two fuel purchases in the amounts of \$78.85 and \$31.00. There was no indication of the purpose of the fuel purchases.
3. The former employee was reimbursed for Internet service at his residence.
- Voucher 2130, in the amount of \$250.73, included a \$49.95 Internet service charge. The documentation supporting the claim included a partial bill reflecting a telephone number. Using the Internet service Whitepages.com, this phone number is shown to belong to the former employee. It appears this reimbursement was for Internet service at the residence.
 - Similar reimbursements for \$49.95 Internet service occurred in September, October and December, 2006.
4. Local and state sales tax was charged to the former employee and reimbursed from the District Task Force (105) account.
- Purchases made by means of cash sales included sales tax. These purchases were submitted for and were reimbursed to the employee. For example, on September 11, 2006, a reimbursement voucher was issued to the former employee in the amount of \$64.88. The supporting documentation for the reimbursement included cash receipts from local auto parts dealers including \$4.92 in sales tax.
5. The former employee was a cosigner on some of the reimbursement checks being paid to himself (previous audit finding).

Some of the reimbursement vouchers, from both accounts, were payable to and signed by the employee being reimbursed.

The following are exceptions from account 105 (District Task Force)

- Voucher 2142, 7/26/2006, \$26.76.
- Voucher 2176, 8/30/2006, \$106.24.
- Voucher 2190, 9/11/2006, \$64.88.
- Voucher 2191, 9/12/2006, \$53.70.
- Voucher 2198, 9/22/2006, \$19.40.
- Voucher 2216, 10/10/2006, \$240.93.
- Voucher 2220, 10/21/2006, \$49.95.
- Voucher 2225, 10/26/2006, \$89.05.

The following are exceptions are from account 107 (Revolving Drug Account):

- Voucher 1139, 9/26/2006, \$1,201.64.
- Voucher 1127, 7/7/2006, \$47.57.

6. There is lack of independence in purchases and payments.

In addition to the reimbursement payments issued to the former employee, we also noted payments wherein the former employee appears to have made purchases, signed receipts and was a cosigner on the voucher payment to the vendor.

Exceptions include:

- Voucher 2209, cosigned and receipt signed by the former employee.
- Voucher 2228, cosigned and receipt signed by the former employee.
- Voucher 2246, cosigned and receipt signed by the former employee
- Voucher 3102, cosigned and receipt signed by the former employee

7. The office did not use a voucher claim or an independent receiving report.

- Purchases included on monthly cellular statements. Walk-in purchases were made on the Pioneer cellular telephone account. These walk-in purchases were paid based on a line item entry on the monthly statement. No documentation was provided to indicate who purchased the items or what the items were.

Effect: The lack of a claim form and lack of a receiving process that includes independent verification of items received creates a significant potential for abuse. The lack of segregation within the functions of purchasing and receiving goods and services does not provide adequate safeguards over disbursements. The reimbursement of funds to a former employee does not provide adequate control over purchasing and does not provide adequate documentation of items purchased.

Recommendation: We recommend that purchasing policies and procedures be formally addressed by the District Attorney's office with regard to segregation of duties regarding purchasing and receiving of goods and services. We would further recommend that the District Attorney implement a receiving report for all purchases as part of the claim for disbursement. We additionally recommend that disbursements be made directly to the vendor. Reimbursement to employees should be only for authorized travel expenses in which a travel claim is completed in accordance with the State Employee Travel Reimbursement Act. And furthermore, we recommend the cosigner of the vouchers be a designated employee outside of the purchasing process.

Views of responsible officials and planned corrective actions: The following changes are being implemented:

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All purchases will be encumbered using a requisition form that has been previously approved by the State Auditor's Office. All such requisition forms will be registered on the "Drug Asset Forfeiture Register" and assigned a number. Encumbrances will be approved by either the District Attorney or the First Assistant. All purchases/expenditures will be receipted by an employee of the Woodward County District Attorney's Office designated as a "Receiving Agent." Prior to the payment of a purchase, final approval of the purchase and authorization for payment will be obtained from either the District Attorney or the First Assistant.

Our office recognizes that the purchasing requirements set out in Oklahoma Statutes Title 74 discourage reimbursement for purchases. However, there are incidents where the best interests of the District Attorney's Office and its duty to provide services to District #26 may necessitate the reimbursement of a purchase. In cases where it is deemed appropriate and necessary by the District Attorney or the First Assistant to reimburse a purchase, such reimbursement will be encumbered on a requisition claim, accompanied by receipts, and be properly receipted. It is and will be the policy of District #26 that such purchases are discouraged and should occur only when absolutely necessary.

SA&I response: Accountability is the cornerstone of all financial reporting in government. Accountability requires governments to answer to the citizenry to justify the raising of public resources, and the purposes for which they are used. Internal control is a process effected by an entities own management. An effective internal control process comes from within the organization. Audit organizations may not perform services that involve performing of management functions or making management decisions, and are not part of the organizations internal control process.



**OFFICE OF THE STATE AUDITOR AND INSPECTOR
2300 N. LINCOLN BOULEVARD, ROOM 100
OKLAHOMA CITY, OK 73105-4896**

WWW.SAI.STATE.OK.US