

**HOLLIS THORP, DISTRICT ATTORNEY
DISTRICT 26
STATUTORY REPORT
PROPERTY FORFEITURE FUND
FOR THE YEAR ENDED
JUNE 30, 2008**

This publication is printed and issued by the State Auditor and Inspector as authorized by 74 O.S. § 212 (E) and 63 O.S. §2-506. Pursuant to 74 O.S. § 3105.B, six (6) copies have been prepared and distributed at a cost of \$13.34. Copies have been deposited with the Publications Clearinghouse of the Oklahoma Department of Libraries.



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

July 9, 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, 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
Deputy State Auditor and Inspector

TABLE OF CONTENTS

Introductory Information ii
Statutory Report of State Auditor and Inspector 1
Property Forfeiture Fund Analysis..... 3
Schedule of Findings and Responses 4

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 2008:

- 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
Deputy State Auditor and Inspector

July 7, 2008

**HOLLIS THORP, DISTRICT ATTORNEY
DISTRICT 26
STATUTORY REPORT
JUNE 30, 2008**

PROPERTY FORFEITURE FUND ANALYSIS

BEGINNING CASH BALANCE ON JULY 1, 2007 \$ 40,251

INCOME

Cash forfeited	45,008
Court ordered assessments	8,296
Other	<u>2,753</u>

TOTAL INCOME (before distributions) 56,057

DISTRIBUTION TO OTHER AGENCIES

Cash returned to other agencies	24,178
Equipment purchased for other agencies	<u>2,800</u>

TOTAL DISTRIBUTIONS 26,978

EXPENDITURES BY DISTRICT ATTORNEY

Cost of prosecution/investigation	840
Equipment	699
Operating expense	<u>1,068</u>

TOTAL EXPENDITURES 2,607

ENDING CASH BALANCE ON JUNE 30, 2008 \$ 66,723

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2008-1 - 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, 2008, we noted the following exception:

\$1,000.00 cash is unaccounted for.

After the former District Attorney Investigator passed away another Investigator discovered, in a safe, an envelope with an attached receipt indicating the envelope contained \$2,900.00 in confidential funds. When the Investigator opened the envelope he found it only contained \$1,900.00, which was subsequently deposited into a District Attorney account. We are unable, due to a lack of records, to determine if the \$1,000.00 was subsequently used in other undercover narcotics investigations.

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

Recommendation: We recommend that forfeited funds be deposited intact by the administrative staff and that notations are made as to the amount and denomination of funds being deposited. Using forfeited cash that has not been deposited for "buy money" should never occur, in that the "buy money" cannot be adequately accounted for when it is the result of forfeited cash from another case.

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 2008-2 - 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.

Condition: The agency did not use a voucher claim or an independent receiving report.

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. 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:

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.



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

WWW.SAI.STATE.OK.US