

**C. WESLEY LANE, II
DISTRICT ATTORNEY, DISTRICT 7
STATUTORY REPORT
PROPERTY FORFEITURE FUND
FOR THE YEAR ENDED
JUNE 30, 2003**

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

September 7, 2004

C. Wesley Lane, II, District Attorney
District 7

Transmitted herewith is the statutory report for the District Attorney of District 7, Oklahoma County, Oklahoma (the District), for the fiscal year ended June 30, 2003. 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,


JEFF A. McMAHAN
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

JEFF A. McMAHAN
State Auditor and Inspector

Statutory Report

C. Wesley Lane, II
District Attorney, District 7
Oklahoma County Courthouse
Oklahoma City, Oklahoma 73102

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 2003.

- We examined a group of receipts and deposit slips for propriety.
- We reviewed 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.
- For selected cases, the distribution of proceeds of the sale was reviewed to determine the distribution was in accordance with Court order pursuant to 63 O.S. §2-506.K.
- We determined 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.
- We determined whether accountability relative to the expenditures of the fund as required by 63 O.S. §2-508.C.3 is practiced with respect to approvals, invoices, and independent verification that goods or services paid for were received.
- We determined 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.
- We determined whether accountability relative to the expenditures of the fund as required by 63 O.S. §2-508.C.3 is practiced with respect to proper classification and whether the District Attorney reconciles the balance with the County Treasurer monthly in accordance with 63 O.S. §2-508.C.3.

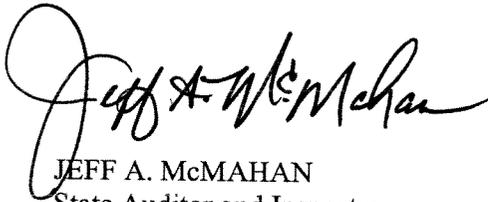
Our engagement was limited to the procedures performed above and was less in scope than an audit performed in accordance with accounting standards generally accepted in the United States of America. Accordingly, we do not express an opinion on any general-purpose financial statements of Oklahoma County.

Based on our procedures performed, District 7 is 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 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 District 7 accountability relative to expenditures, our finding is presented in the attached Schedule of Findings and Recommendations.

A detailed analysis of the Property Forfeiture Account is also attached.

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

Sincerely,

A handwritten signature in black ink, reading "Jeff A. McMahán". The signature is written in a cursive style with a large initial "J".

JEFF A. McMAHAN
State Auditor and Inspector

August 5, 2004

**DRUG ASSET FORFEITURE ANNUAL REPORT
PROPERTY FORFEITURE ACCOUNT ANALYSIS**

Beginning Cash Balance on July 1, 2002 \$ 245,155

INCOME

Cash Forfeited	735,672	
Court Ordered Assessments	667,843	
Value Non-Cash Assets Forfeited and Sold	40,576	
Other Income (reimbursements, etc.)	<u>28,193</u>	
Total Income (before distributions)		<u>1,472,284</u>

DISTRIBUTION TO OTHER AGENCIES

Cash Returned to Other Agencies	338,627	
Equipment Purchased for Other Agencies	-	
Task Force Match	<u>-</u>	
Total Distributions		<u>338,627</u>

EXPENDITURES BY DISTRICT ATTORNEY

Personnel and Benefits	1,027,834	
Equipment	152,020	
Operating Expense	39,459	
Cost of Prosecution/Investigation	25,958	
Rent and Utilities	37,531	
Expenses to be Reimbursed	22,179	
Grant Cash Match	13,721	
Miscellaneous	9,510	
Education	3,397	
Travel	<u>2,166</u>	
Total Expenditures		<u>1,333,775</u>
Ending Cash Balance on June 30, 2003		<u><u>\$ 45,037</u></u>

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

Criteria: Safeguarding controls are an aspect of internal controls. Safeguarding controls relate to the prevention or timely detection of unauthorized transactions and unauthorized access to assets. Failure to perform tasks that are part of internal controls, such as; filing an approved cash voucher claim with each cash voucher or requiring an original itemized invoice or receipt be filed are deficiencies in internal control.

Condition: Of the 286 Revolving Fund expenditures for fiscal year 2003, one hundred three (103) claims were tested in our sample. Of the claims tested, ten (10) exceptions were found. Seven (7) were reconciled with documents not found in the file and three (3) were noted for the following reasons:

1) Voucher #53713

An unsigned copy of the voucher was all the documentation available to verify this expenditure. There was not a claim, invoice or verification on file to support this voucher.

2) Voucher #53888

The only documentation provided as an invoice had various hand written changes to the line items and account totals. The manual corrected total does not reconcile with the voucher amount. Supporting documentation for the line item tested was not included.

3) Voucher #53898

A preprinted, pre-numbered receipt was not provided to support the reimbursement to attend this competition. A hand written note was attached to the voucher to be used as a receipt with a notation stating that a signature comparison could be found on the attached document. The attached documents did not contain the needed signature verification.

Cause: Current filing system is inadequate and/or incomplete.

Effect: Adequate documentation was not maintained for the Revolving Fund expenditures.

Recommendation: We recommend that the current filing system be improved to ensure that adequate documentation is maintained for revolving fund expenditures.

OKLAHOMA COUNTY
SEVENTH DISTRICT
STATE OF OKLAHOMA



320 ROBERT S. KERR AVE., SUITE 505
OKLAHOMA CITY, OKLAHOMA 73102
(405) 713-1600
FAX (405) 235-1567

C. WESLEY LANE II
DISTRICT ATTORNEY

JOHN M. JACOBSEN
FIRST ASSISTANT DISTRICT ATTORNEY

August 20, 2004

Oklahoma State Auditor and Inspector
Attention: Marla Latham
Oklahoma State Auditor's Office
Oklahoma County Audit Manager
217 N. Harvey, Suite 209
Oklahoma City, Oklahoma 73102

RE: Oklahoma County District Attorney's Office Response
To Reportable Condition

Dear Ms. Latham:

This Office has received and reviewed with you the three (3) reportable conditions found in the audit of Oklahoma County District Attorney's Property Forfeiture. This office will attempt to follow your recommendations and implement the safeguards you have indicated.

By way of explanation concerning the three (3) reportable conditions, let me comment on them individually. First, your audit reviewed 103 Revolving Fund expenditures and found only three (3) conditions needed the attention of this office. Of the three conditions noted in the audit, the first one centered on failure to provide a copy of the Sharing Agreement with the expenditure allocating monies back to the Oklahoma City Police Department pursuant to a court order in the civil case of CJ-02-9463. It is interesting to note you audited several other court-ordered allocations to various police agencies and found no problem. I can only assume that all other audited allocations of drug forfeiture monies given to police agencies pursuant to the sharing agreement satisfied you that sufficient documentation was provided. Indeed, you examined 14 transactions which distributed funds pursuant to the sharing agreements this office has in place with police agencies. All of those 14 transactions, as was the one in question, were handled according to the terms of the sharing agreement and the court-ordered

distribution of monies. While this office will certainly make available any and all sharing agreements for your inspection, all sharing agreements are available in our office and can be provided at any time upon request.

In regard to the other two reportable findings, one centered on Voucher #53888, a receipt for payment from this office to Kinko's for copying expenses. Your finding stated such expenditure "has no claim, invoice or verification." Attached to your audit findings is an invoice statement from Kinko's detailing the copying expenses incurred by this office. Our office provided you with that statement as supporting documentation of the expense. While it may need to be more detailed, this office was able to provide documentation as to the expense in question. An office this size has considerable need to use commercial printing and copying services for the hundreds of cases we prosecute. Because this office uses commercial printing services on a regular basis, the billing statements may indicate a revolving account balance. In all respects, this office has supporting documentation to support not only the expense incurred, but the payment made.

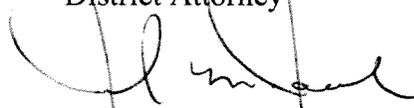
The final reportable condition involves Voucher #53898 and details an expense this office incurred in allowing our investigators to participate in the United States Department of Air Force, 72d Security Forces Squadron's National Police Week, Law Enforcement Pistol Competition. The competition was held on May 4, 2003, at Tinker Air Force base. In order to register for the competition, one of the investigators paid \$40.00 out of his own pocket. He was given a hand-written receipt from SRA Terry A. Gotley (sic). Your audit recommends we should have demanded a printed, numbered receipt from this Tinker Air Force official. We can only do what we can do. While we agree with you that there could be an appearance that the handwritten receipt from the Tinker official was manufactured, attached to the handwritten receipt was a memorandum from Larry Andrews, our Chief Investigator, to Cordelia Matheny, our financial officer, explaining the expense and need for reimbursement.

This Office will consider your recommendations and attempt to implement your requests. If you have any questions, please contact me.

Respectfully,



C. Wesley Lane II
District Attorney



John M. Jacobsen
First Assistant District Attorney

cc: file