



OKLAHOMA BUREAU OF NARCOTICS AND DANGEROUS DRUGS CONTROL

Operational Audit

For the period January 1, 2018 through June 30, 2022

Cindy Byrd, CPA
State Auditor & Inspector

**Audit Report of the
Oklahoma Bureau of Narcotics and Dangerous Drugs Control**

**For the Period
January 1, 2018 through June 30, 2022**



September 25, 2023

TO THE OKLAHOMA BUREAU OF NARCOTICS AND DANGEROUS DRUGS CONTROL

We present the audit report of the Oklahoma Bureau of Narcotics and Dangerous Drugs Control for the period January 1, 2018 through June 30, 2022. 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.

This report is a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.) and shall be open to any person for inspection and copying.

Sincerely,

A handwritten signature in blue ink that reads "Cindy Byrd".

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

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Background

The Oklahoma Bureau of Narcotics (OBN or the Agency) is authorized by Title 63 of the Oklahoma Statutes to enforce the Uniform Controlled Dangerous Substances Act. OBN is also authorized to investigate criminal offenses related to human trafficking and money laundering.

OBN is composed of four investigative divisions: Diversion, Enforcement West, Enforcement Central, and Enforcement East. The Legal Department, Public Information Office, and the Administrative Services Division report to the Director and provide support to all divisions of OBN.

OBN is governed by a seven-member commission (the Commission), which consists of one sheriff, one police chief, one district attorney, and four lay members. Commission members are appointed by the Governor with the advice and consent of the Oklahoma Senate and serve seven-year, staggered terms.

Board members as of August 2023 are:

Todd Gibson, Police Chief Member	Chair
Greg Mashburn, District Attorney Member	Vice-Chair
Derek Manning.....	Sheriff Member
John Coonce	Member
Jan Miller	Member
Micah Sherman.....	Member
Kevin Cates	Member

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The following table summarizes the Agency's sources and uses of funds for fiscal years 2021 and 2022 (July 1, 2020 through June 30, 2022).

Sources and Uses of Funds for FY 2021 and FY 2022

	2021	2022
Sources:		
Licenses, Permits, Fees	\$ 17,111,236	\$ 20,486,428
Net Appropriations	3,174,357	3,145,330
Inter-Agency Transfer From Treasury Fund	0	5,000,000
Federal Grants, Reimbursements	1,446,197	1,698,780
Seized Cash and Property	876,800	1,912,780
Fines, Forfeits, Penalties	122,760	138,266
Other Non-Revenue Receipts	30,628	46,397
Sale of Surplus Property	27,822	0
Donations, Refunded Money, Reimbursements	676	18,165
Records Search and Copies	7,650	5,950
Total Sources	\$ 22,798,126	\$ 32,452,096
Uses:		
Personnel Services	\$ 14,689,570	\$ 16,501,237
Administrative Expenses	3,348,528	5,058,802
Property, Furniture, Equipment	911,213	2,440,264
Professional Services	982,631	604,217
Travel	104,224	230,452
Assistance, Payments to Local Govn'ts	63,049	252,516
Total Uses	\$ 20,099,215	\$ 25,087,488

Source: Oklahoma statewide accounting system (unaudited, for informational purposes only)

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Scope and Methodology

Our audit was conducted in response to 74 O.S. § 212, which requires the State Auditor and Inspector's office to audit the books and accounts of all state agencies whose duty it is to collect, disburse, or manage funds of the state.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In planning our audit, we focused on the major financial-related areas of operations based on assessment of materiality and risk for the period January 1, 2018 through June 30, 2022. To assess risk and develop our audit objective, we held discussions with management, distributed surveys to Agency personnel, and performed data analysis and prior audit follow-up. These procedures included:

- Reviewing revenue, expenditure, and asset-related data from the statewide accounting system and information gathered from Agency personnel to assess the related financial processes and trends for any notable risks.
- Discussing the expenditure processes with staff and reviewing evidence of a detailed expenditure review by management.
- Reviewing inventory listings and discussing the inventory process with staff.
- Reviewing the Agency's HR All Actions Report from the State Accounting System to assess personnel changes.
- Reviewing pertinent statutes and regulations and assessing related risks.

One objective related to seized cash was developed as a result of these procedures. Due to a process change related to seizing cash in the field, this objective focused on the period of October 2019 through June 2022; see further discussion in the report. No other significant risks or findings were identified as a result of these procedures.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, errors or fraud may occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

Internal Control Considerations

The Government Accountability Office (GAO) emphasizes the importance of internal controls at all levels of government entities. Their *Standards for Internal Control*¹ outline the five overarching components of internal control: the control environment, risk assessment, information and communication, monitoring, and detailed control activities. Any component considered significant to our audit objectives is assessed during our procedures and included as appropriate in this report.

The *Standards for Internal Control* underscore that an internal control system is effective only when the five components of internal control are operating together in an integrated manner. They also stress that documentation is a necessary part of an effective internal control system and is required to demonstrate its design, implementation, and operating effectiveness.

¹ *Standards for Internal Control in the Federal Government*, or the “Green Book,” sets standards and the overall framework for an effective internal control system in federal agencies and is treated as best practices for other levels of government. Last update 2014, accessible online at <https://www.gao.gov/products/GAO-14-704G>.

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OBJECTIVE Determine whether effective internal control activities are in place to ensure all the funds seized in the field are being deposited in line with GAO *Standards for Internal Control*.

Conclusion Effective internal control activities are not in place and documented to ensure all funds seized in the field are being deposited in line with GAO *Standards for Internal Control*.

Background The Agency has seven district offices located in Ada, Ardmore, Lawton, McAlester, Ponca City, Tulsa, and Woodward. Prior to 2019, policy required that all seized funds be driven to OBN headquarters in Oklahoma City to be processed and deposited. In October 2019, OBN policy changed to allow seized funds under \$10,000 to be deposited by the district office in the district where the cash was seized. Our objective focused on the time period since this change (October 2019 through June 2022) to provide the Agency with the most useful recommendations.

Methodology To accomplish our objective, we performed the following:

- Documented our understanding of the seizure of funds processes through discussion with management and staff and review of documentation.
- Evaluated those processes and identified and assessed significant internal controls related to our objective.

FINDINGS AND RECOMMENDATIONS

Formal Reconciliation of Seized Cash Documentation to Bank Deposits Needed

- Agents in the districts seize money as part of a narcotics investigation. Forfeiture forms are completed by the seizing agent and signed by the agent in charge. The seizing agent enters the case information into the Agency's internal database, the Augmented Criminal Investigative Support System (ACISS). Both the seizing agent and the agent in charge take the seized cash to the bank for deposit. The forfeiture form and the bank receipt are uploaded into the ACISS system and sent to the Administrative Services Division Manager and the Legal Department. The Administrative Service Manager enters the deposit into the state accounting system, transfers the total to Fund 8477D, and tracks the seized funds in an Excel spreadsheet.
- Reportedly, the Administrative Services Manager compares the forfeiture form to the bank receipt; however, evidence of this review is not retained. In addition, we noted that the

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Administrative Services Manager does not have access to the ACISS System to verify the seized cash amount posted in the system agrees with the seized cash documentation.

- Legal Division staff assigned to investigations involving seized cash also reportedly reconcile the forfeiture form, bank receipt, and reports from the ACISS System. However, documentation of this review is not retained either.

We acknowledge there is a certain level of risk inherent in agents seizing cash funds. These risks increase without a formal, documented review of seizure documentation and bank deposits. Without this review, the seizing agent and the agent in charge could make a mistake or misappropriate funds without detection.

According to GAO *Standards for Internal Control*:

- Management may design a variety of transaction control activities for operational processes, including verifications, reconciliations, authorizations and approvals, physical control activities, and supervisory control activities.
- If segregation of duties is not practical within an operational process because of limited personnel or other factors, management designs alternative control activities to address risks in the operational process.
- Management should remediate identified internal control deficiencies on a timely basis.

Recommendation

Management should ensure the seized funds reconciliation includes the forfeiture forms, bank deposit receipts, and reports from the ACISS System. Whether this is accomplished by Legal or Administrative Services or both, management should ensure the review is formally documented. Documentation of the review should be retained for audit and accountability purposes.

Views of Responsible Officials

As noted above, the recommended reconciliation process is occurring although it is not formally documented. The forfeiture form will be amended to add a statement that the reconciliation process has occurred and provide a space for the person who performed the reconciliation to sign or initial and date.

O·K·L·A·H·O·M·A
SAI
STATE AUDITOR & INSPECTOR



Cindy Byrd, CPA | State Auditor & Inspector

2300 N. Lincoln Blvd., Room 123, Oklahoma City, OK 73105 | 405.521.3495 | www.sai.ok.gov