



STATE OF OKLAHOMA
OFFICE OF THE STATE AUDITOR & INSPECTOR

S
P
E
C
I
A
L
A
U
D
I
T

SALLISAW POLICE DEPARTMENT
CONFIDENTIAL INFORMANT FUNDS

APRIL 1, 1999 THROUGH APRIL 18, 2005



JEFF A. MCMAHAN, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR



Sallisaw Police Department Confidential Informant Funds Special Audit April 1, 1999 – April 18, 2005

JEFF A. McMAHAN, CFE

OKLAHOMA OFFICE

OF THE

STATE AUDITOR & INSPECTOR

Why the audit was performed

The Sallisaw City Commission requested the audit pursuant to
74 O.S. 2001, § 227.8.

Audit Summary:

- ✓ Drug fund records were not turned over to the city in a timely manner due, in part, to a reluctance by the successor to accept the records. **Page 6**
- ✓ Receipts provided by the former chief were questionable. Two receipts of the same number indicated different dates and amounts. One confidential informant provided a statement to the Sallisaw Police Department indicating some of the receipts were falsified. **Pgs 7 & 8**
- ✓ We were unable to identify where evidence purchased was submitted to either the O.S.B.I. or was turned in to the Sallisaw Police Department evidence room. **Pgs 7 & 8**
- ✓ Receipts, when considering receipt numbers and dates, are out-of-sequence. **Page 8**
- ✓ The former chief did not record all advances paid by the city, record for advances from the chief to the detectives have conflicting amounts. **Pgs 10 & 11**
- ✓ Itemized expenditures and balance sheets used by the former police chief contain mathematical errors, incorrect receipt amounts and incorrect transfer amounts. **Page 11**
- ✓ Due to conflicting amounts reflected in the drug fund records we are unable to determine an exact variance amount. However, it appears an amount between \$650.00 and \$1,340.00 in drug fund monies are unaccounted for. **Pgs 11 & 12**

**SALLISAW POLICE DEPARTMENT
CONFIDENTIAL INFORMANT FUNDS
SPECIAL AUDIT
APRIL 1, 1999 THROUGH APRIL 18, 2005**

This publication is printed and issued by the State Auditor and Inspector as authorized by 74 O.S. 2001 § 227.8. Pursuant to 74 O.S. § 3105 thirty-five copies have been prepared and distributed at a cost of \$111.00. Copies have been deposited with the Publications Clearinghouse of the Oklahoma Department of Libraries.



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

December 12, 2005

Mr. Bill Baker, City Manager
City of Sallisaw Board of Commissioners
P.O. Box 525
Sallisaw, Oklahoma 74955

Transmitted herewith is the Special Audit Report of the Sallisaw Police Department Drug Fund, Sequoyah County, Oklahoma. We performed our special audit in accordance with the requirements of **74 O.S. 2001, § 227.8**.

A report of this type is critical in nature; however, we do not intend to imply that our report failed to disclose commendable features in the present accounting and operating procedures of the Police Department.

The Office of the State Auditor and Inspector is committed to serve the public interest by providing independent oversight and by issuing reports that serve as a management tool to the State. Our goal is to insure a government, which is accountable to the people of the State of Oklahoma.

We wish to take this opportunity to express our appreciation for the assistance and cooperation extended to our Office during the course of our special audit.

Sincerely,

A handwritten signature in cursive script that reads "Jeff A. McMahan".

JEFF A. McMAHAN, CFE
State Auditor and Inspector

TABLE OF CONTENTS

STATE AUDITOR AND INSPECTOR'S REPORT 4
INTRODUCTION 5
AUDITOR'S REPORT 6



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

Mr. Bill Baker, City Manager
City of Sallisaw Board of Commissioners
P.O. Box 525
Sallisaw, Oklahoma 74955

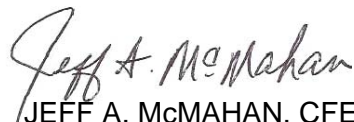
Pursuant to the City of Sallisaw Board of Commissioners' request, in accordance with the requirements of **74 O.S. 2001, § 227.8**, we performed a special audit with respect to the Sallisaw Police Department Drug Fund, Sequoyah County, for the period April 1, 1999 through April 18, 2005.

The objectives of our special audit primarily included, but were not limited to, the areas noted in the Commissioners' request dated June 27, 2005. Our findings and recommendations related to these procedures are presented in the accompanying report.

Because the above procedures do not constitute an audit conducted in accordance with generally accepted auditing standards, we do not express an opinion on the account balances or financial statements of the Sallisaw Police Department Drug Fund for the period April 1, 1999 through April 18, 2005. Further, due to the test nature and other inherent limitations of a special audit report, together with the inherent limitations of any internal control structure, there is an unavoidable risk that some material misstatements may remain undiscovered. This report relates only to the accounts and items specified above and do not extend to any financial statements of the Police Department taken as a whole.

This report is intended solely for the information and use of the City of Sallisaw Board of Commissioners. This report is also a public document pursuant to the Oklahoma Open Records Act (**51 O.S. 2001, § 24A.1 et. seq.**) and shall be open to any person for inspection and copying.

Sincerely,


JEFF A. McMAHAN, CFE
State Auditor and Inspector

November 9, 2005

INTRODUCTION

In April 2005 the newly elected chief of police took office. After taking office, the chief attempted to reconcile drug fund advances and expenditures. During this reconciliation process, the chief found that expenditures in excess of \$20,000.00 could not be accounted for.

Subsequently, in June 2005, the Sallisaw City Commissioners requested our office perform an audit of the Sallisaw Police Department Drug Fund Money.

CONCERN:

- Failure to provide records to successor.
-

FINDINGS:

- The former chief did not turn records over to successor.
-

The former chief, after leaving office, apparently retained records related to the expenditure of the drug fund money. When the newly elected police chief attempted to reconcile the drug fund expenditures, he was unable to account for some \$23,000.00 in expenditures from the drug fund.

When concerns arose surrounding the expenditure of the funds the former chief attempted to turn the expenditure records over to the current chief. The current chief, and city officials, were reluctant to accept the records.

In June 2005, after the city commissioners voted to have our office perform an audit, the former chief's records were turned over to the city.

Oklahoma State Statutes **51 O.S. § 19** states:

"Upon the death, resignation, suspension or removal from office of any officer, or upon the expiration of his term, all public monies, books, records, accounts, papers, documents and property of other kind in his hands or held by him by virtue of his office, shall be delivered to his successor."

RECOMMENDATION:

We recommend the appropriate legal authority review this finding to determine what action may be necessary.

CONCERN:

- Receipts and expenditure of drug funds by the former police chief.
-

FINDINGS:

- The receipts provided by the former chief are questionable.
 - Receipts appear to have been numbered as an afterthought.
 - We are unable to find corresponding evidence submitted for evidence purchases.
 - An informant has provided a statement to police indicating receipts were falsified.
-

| Expenditure | Amount |
|-------------|-------------|
| Evidence | \$7,305.00 |
| Information | \$15,755.00 |
| Services | \$1,460.00 |
| Total | \$24,520.00 |

Receipts provided by the former chief reflect that he expended \$24,520.00 to confidential informants for the purchase of evidence, information and/or services.

One of the receipts provided by the former chief, number 183, reflects the purchase of \$100.00 of "meth" from two people that are identified by name. This receipt also reflects the name of the informant making the purchase.

During our audit, the current chief provided us with another receipt, also numbered as receipt 183, indicating the purchase of "methamphetamine" in the amount of \$150.00. This receipt indicates the purchase was made from a different person and that a different informant made the purchase. The former chief signed both receipts.

*"I signed the papers that he asked me to sign saying that I had recieved [sic] money for giving information to him, but I never gave him any information on any one but myself."
-CI Statement To SPD.*

In addition we noted two receipts, totaling \$450.00 (\$50.00 for the purchase of evidence, \$400.00 for information), to one confidential informant.

The informant named on these receipts provided a witness statement to the Sallisaw Police Department indicating that these receipts were falsified at the request of the former chief.

The statement goes on to state that *after* leaving office, the former chief paid the informant \$200.00.

The former chief's records reflected 185 purchases of evidence totaling \$7,305.00. We contacted the Oklahoma State Bureau of Investigation (OSBI) and obtained a listing of evidence submitted by the Sallisaw Police Department. The submittal list indicates that the former chief submitted evidence on one occasion.

We contacted the evidence custodian for Sallisaw Police Department to determine if any of the purchased evidence had been turned in to the Sallisaw Police Department evidence room. According to the current and former evidence custodians, the former chief had turned in, on one occasion, a "green leafy substance".

**SALLISAW POLICE DEPARTMENT
CONFIDENTIAL INFORMANT FUNDS
SPECIAL AUDIT
APRIL 1, 1999 THROUGH APRIL 18, 2005**

While we were unable to find corresponding evidence submittals for the evidence purchases reflected on the former chief's records, this does not preclude the possibility that some or all of the evidence may have been submitted by another officer, submitted for destruction without a suspect's name or secured in a location other than the Sallisaw Police Department evidence room.

The receipts used for payments to confidential informants are photo static copies and not pre-numbered. During our examination of the receipts, we noted instances where comparison of receipt numbers and dates appears to indicate that receipts were numbered only as an afterthought.

In one instance, for example, receipt number 200 was dated 5/1/2002 while receipt number 201 was dated 3/21/2002. We cited the following as additional examples:

| Rec # | Date | Transaction | Amount |
|-------|-----------|--------------------------|----------|
| 23 | 7/15/1999 | Purchase Ev. Inf. or Svc | \$75.00 |
| 24 | 7/21/1999 | Purchase Ev. Inf. or Svc | \$25.00 |
| 25 | 7/25/1999 | Purchase Ev. Inf. or Svc | \$100.00 |
| 26 | 7/15/1999 | Purchase Ev. Inf. or Svc | \$125.00 |
| | | | |
| 116 | 7/25/2000 | Purchase Ev. Inf. or Svc | \$50.00 |
| 117 | 7/27/2000 | Purchase Ev. Inf. or Svc | \$75.00 |
| 119 | 7/28/2000 | Purchase Ev. Inf. or Svc | \$200.00 |
| 120 | 7/20/2000 | Purchase Ev. Inf. or Svc | \$50.00 |
| 121 | 7/22/2000 | Purchase Ev. Inf. or Svc | \$50.00 |
| | | | |
| 195 | 3/21/2002 | Purchase Ev. Inf. or Svc | \$50.00 |
| 196 | 4/16/2002 | Purchase Ev. Inf. or Svc | \$100.00 |
| 197 | 4/21/2002 | Purchase Ev. Inf. or Svc | \$100.00 |
| 198 | 4/21/2002 | Purchase Ev. Inf. or Svc | \$100.00 |
| | | | |
| 229 | 4/17/2003 | Purchase Ev. Inf. or Svc | \$110.00 |
| 230 | 2/22/2003 | Purchase Ev. Inf. or Svc | \$125.00 |
| 232 | 4/24/2003 | Purchase Ev. Inf. or Svc | \$40.00 |

Of the \$24,520.00 in expenditures documented by receipts, \$17,215.00 (70%) indicated expenditures for "information" or "services". Validating these receipts would require us to locate and interview confidential informants used by the Sallisaw Police Department.

Performing this type of investigation would place auditors, who are not law enforcement personnel, in a potentially hazardous endeavor. Additionally this activity may have a direct impact on past, as well as pending, investigations being conducted by the Sallisaw Police Department.

RECOMMENDATIONS:

Any further investigation into the validity of the receipts submitted by the former chief should be performed by a law enforcement agency.

We recommend the appropriate legal authority review this finding to determine what action may be necessary.

CONCERN:

- Inaccuracy and inconsistency in drug fund records.
-

FINDINGS:

- The former chief did not record all funds advanced by the city.
 - Transfers between the former chief and detectives were inconsistent.
-

Funds advanced to the former chief.

We obtained copies of warrants issued from the City of Sallisaw to the former chief for drug related expenditures. Forty-two (42) payments, totaling \$34,900.00, were issued to the former chief. This included forty-one (41) payments from the "Police Drug Cash Account" in the amount of \$34,400.00 and one (1) payment from the city general fund in the amount of \$500.00.

The former chief's records indicate forty (40) advances, totaling \$33,900.00, a variance of \$1,000.00. One advance, in the amount of \$1,000.00, from the city on 5/15/2001, is not reflected on the former chief's records. One advance listed on the former chief's record as \$1,000.00 was from two city warrants in the amounts of \$500.00 each.

Funds advanced to detectives.

When funds were advanced to the former chief by the city, the chief would then advance a portion of those funds to the detectives. Records from the former chief reflect twenty-four (24) advances, totaling \$9,805.00, by the chief to the detectives.

We obtained a "narcotics enforcement monies log" from the detectives. This log, maintained by the detectives, reflects twenty-four (24) advances, totaling \$10,225.00.

In addition to the funds advanced, the detectives would also return a portion of those funds. The former chief's records reflect ten (10) returns totaling \$1,895.00. The records provided by the detectives reflect fifteen (15) returns totaling \$2,965.00.

The former chief's records reflect having advanced \$420.00 less to the detectives than what the detective records reflect, while the detective records reflect the return of \$1,070.00 more than reflected in the chief's records.

We noted instances where the detective records indicated having received advances from the former chief that are not recorded on the former chief's records, as well as instances on the former chief's records indicating advances to the detectives that were not recorded in the detectives records.

In addition to the variance amount, we identified instances where transactions, while mathematically negating each other, only appeared in one set of records. We cite the following:

- Detective records reflect an advance of \$1,000.00, of which \$400.00 was returned. The former chief's records reflect an advance amount of \$600.00.

- Detective records reflect a series of advances and returns in the amounts of \$200.00, \$220.00 advanced and \$200.00, \$200.00 and \$20.00 returned. This series of advances and returns was not reflected in the former chief's records.

When the advances and returns are considered for each set of records, the former chief's records indicate the transfer of a net amount of \$7,910.00 to the detectives. The detective records reflect having received a net amount of \$7,260.00, a variance of \$650.00.

Balance sheets / documented expenditures by the former chief.

The records from the former chief consisted of separate "transaction packets" numbered 1-41. Each of these packets contained:

- A request for funds (attachment A)
- A monthly balance sheet / statement (attachment B).
- An itemized list of expenditures (attachment C).
- Supporting receipts (attachment D).

Each balance sheet includes a total amount expended for each transaction period. The amount expended by the former chief, according to the balance sheets, was \$33,130.00.

We found several inconsistencies in the itemized list of expenditures in these packets including:

- Addition errors in the amounts.
- Instances where detective's expenses were included in the balances as well as instances where detective's expenses were not included in the balances.
- Returns and advances to and from detectives were not recorded.
- One instance where a return amount on the receipt indicated a return of \$25.00 but the balance sheet reflected a return of \$150.00.

Because of the errors in the itemized expenditure sheets, the expenditure amounts carried over to the balance sheets appear to be in error. Because of these errors, we itemized the expenditures based on the actual receipt amounts.

We identified supporting receipts documenting the expenditure of \$32,430.00, a variance of \$700.00 from the amounts reported on the balance sheets.

Repayment of funds by the former chief.

We obtained a copy of a receipt from the city indicating that on 5/13/2005, the former chief repaid \$1,780.00. This receipt included the notation "cash from drug fund".

Variance amounts, inconsistencies and reliance on records.

The former chief was advanced \$34,900.00 from the city. We identified expenditures, based on the former chief's records, of \$32,430.00, a variance of \$2,470.00. The former chief returned to the city \$1,780.00 leaving a total variance amount of \$690.00.

The former chief's documented expenditures included the transfer of \$9,805.00 and subsequent return of \$1,895.00 to the detectives indicating a net amount of \$7,910.00.

The records we obtained from the detectives indicated a transfer amount of \$10,225.00 and a returned amount of \$2,965.00 indicating a net amount of \$7,260.00, a difference of \$650.00.

The total variance between the amount received and the amount expended by the former chief appears to be between \$650.00 and \$1,340.00 based on actual documentation and the conflicting transfer amounts.

RECOMMENDATIONS:

The agency should implement procedures to ensure that complete and accurate documentation exists to support expenditures. The agency should consider implementing procedures to have reconciliations done by someone other than, or in addition to, the person expending funds.

Reconciliations should be performed not only between the funds advanced by the city to the chief, but also performed on funds being transferred from the chief to the detectives.

We recommend the appropriate legal authority review this finding to determine what action may be necessary.

CONCERN:

- Vehicles traded to local car dealer by former chief.
-

FINDING:

- We noted nothing questionable regarding this transaction.
-

On February 4, 2004, the former chief of police submitted a proposal to the city manager requesting that the city trade-in two vehicles and provide an additional \$8,500.00 toward the purchase of two newer vehicles.

The Board of City Commissioners approved the proposal on February 9, 2004. The minutes of this meeting reflect:

The Chief of Police requested to purchase two used vehicles for the Detective Division from Ellis Auto Sales of Sallisaw. He proposed to trade in two vehicles presently used by the Detectives. Staff noted that both of the vehicles used for trade in were seized in drug forfeitures. After trade in, the cost to the city will be \$8,500. Staff noted that funding for this item would come from the Police Drug Fund.

Motion was made by Barnes, seconded by Folks, for approval. Vote: Wells aye; Folks aye; Barnes aye; Stites aye; Vann aye. Motion carried 5-0.

On February 10, 2004 check #184, in the amount of \$8,500.00 was issued to a local car dealership for the purchase of a 1999 Chevrolet Blazer and a 1998 Buick LeSabre.

The basis for this concern appears to have been a question regarding the value of the vehicles traded in, with the additional \$8,500.00, versus the value of the vehicles purchased.

We interviewed one officer who had driven one of the vehicles that had been traded in. According to this officer one of the vehicles, an Isuzu Trooper, had about 170,000 miles on it, was burning oil and had other mechanical issues. He also stated that the second vehicle, a GMC Sonoma pickup, was also not in good condition.

Both vehicles that were traded in were titled in the name of the City of Sallisaw. The Board of City Commissioners approved the transaction. We have no means to determine the condition or value, at the time of trade-in, of either vehicle. Therefore we are unable to make any determinations concerning whether or not the city got a "good deal".

RECOMMENDATION:

No recommendation necessary.

ATTACHMENTS

Attachment A

EXHIBIT 2

TRANSACTION RECORD OF EACH
CONFIDENTIAL FUND ADVANCE
(FORM CF-2)

Request

Transaction Number: 6

Name of Receiving Party: _____ Chief of Police

ID Number: SPD 1

Unit: Sallisaw Drug Task Force Police Department

Amount of Request: \$ 900⁰⁰

Intended Purpose: Payment to informant for specific info (P/I)

Payment for the purpose of evidence (P/E)

Payment for services or misc. (P/S)

Date: 8/10/99

Amount of Advance: \$ 900⁰⁰

Written Amount: Nine hundred

SALLISAW POLICE DEPARTMENT
 CONFIDENTIAL INFORMANT FUNDS
 SPECIAL AUDIT
 APRIL 1, 1999 THROUGH APRIL 18, 2005

Attachment B

EXHIBIT 3
 MONTHLY STATEMENT OF
 INVESTIGATIVE DRUG FUNDS
 (FORM CF-3)

TO City of Sallisaw FROM _____ DATE 8-11-99
 REPORT NO. 6 PERIOD FROM: 8/3/99 TO: 8/11/99

| DATE | EXPLANATION | AMOUNT |
|---------|--|---------|
| 8/3/99 | BALANCE ON HAND AT BEGINNING OF PERIOD | 125 00 |
| 8/3/99 | ADVANCES RECEIVED | 500 00 |
| 8/10/99 | | 900 00 |
| | | |
| | | |
| 8/10/99 | TOTAL ADVANCES RECEIVED | 1400 00 |
| | MONIES RETURNED | - 0 - |
| | TOTAL MONEY RETURNED | - 0 - |
| 8/11/99 | TOTAL TO BE ACCOUNTED FOR | 1525 00 |
| 8/11/99 | TOTAL AMOUNT EXPENDED THIS PERIOD | 1375 00 |
| 8/11/99 | BALANCE ON HAND AT END OF PERIOD | 150 00 |

DATE 8/11/99 SIGNATURE _____

Attachment D

REVIEWED BY _____
 SUPERVISOR

EXHIBIT 5

**RECEIPT OF CASH FOR PURCHASE OF
 EVIDENCE, INFORMATION, OR SERVICES
 (FORM CF-5)**

DISTRICT NO. 27 T.F. CASE NO. [REDACTED]
 RECEIPT NO. [REDACTED]

Receipt is hereby acknowledged of the sum of One Hundred and 25/100 \$ 100⁰⁰
 paid to me in cash by [REDACTED], known to me to be an investigator of
 the Sallisaw Police Department ~~in~~ force, said amount of cash being for:

PURCHASE OF EVIDENCE-

| DATE | TYPE OF EVIDENCE | AMOUNT PAID | LOCATION OF PURCHASE |
|------------|------------------|---|----------------------|
| [REDACTED] | <u>Meth.</u> | <u>25⁰⁰</u> | [REDACTED] |
| | | TOTAL PAYMENT \$ <u>25⁰⁰</u> | |

PURCHASE OF INFORMATION-

| DATE | AMOUNT PAID | REMARKS/ LOCATION |
|---|------------------------|-------------------|
| [REDACTED] | <u>75⁰⁰</u> | |
| TOTAL PAYMENT \$ <u>75⁰⁰</u> | | |

PURCHASE OF SERVICES-

| DATE | TYPE OF SERVICE- E.G.: ROOM RENTAL, MILEAGE, SPECIAL TRANSPORTATION, ENTERTAINMENT OR OTHER. (ITEMIZE) | AMOUNT PAID | REMARKS |
|--|--|-------------|---------|
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| TOTAL PAYMENT \$ <u>100⁰⁰</u> | | | |

GRAND TOTAL \$ 100⁰⁰

INFORMANTS NAME (PRINT) _____
 INFORMANT'S SIGNATURE _____ DATE _____
 OFFICER'S SIGNATURE _____ DATE _____
 D OFFICER'S SIGNATURE _____ DATE _____

INFORMANT'S FINGERPRINT

(REQUIRED)



OFFICE OF THE STATE AUDITOR & INSPECTOR
2300 NORTH LINCOLN BOULEVARD, ROOM 100
OKLAHOMA CITY, OKLAHOMA 73105-4896
405-521-3495

WWW.SAI.STATE.OK.US