AUDIT OF THE OKLAHOMA HIGHWAY PATROL'S EQUITABLE SHARING PROGRAM ACTIVITIES

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EXECUTIVE SUMMARY

The U.S. Department of Justice (DOJ), Office of the Inspector General (OIG), Audit Division, has completed an audit to assess whether the Oklahoma Highway Patrol (OHP) accounted for DOJ equitable sharing funds and property, and used such revenues for allowable purposes as defined by applicable guidelines. The audit covered the OHP's fiscal years (FY) 2010 through 2012, beginning on July 1, 2009, and ending on June 30, 2012. During the audit period, the OHP received $7,987,242 in equitable sharing funds and spent $7,763,489, primarily on communications equipment and computers, buildings and improvements, salaries and overtime, and miscellaneous expenses.

We found that the OHP complied with equitable sharing guidelines with respect to maintaining and updating a DAG-71 log to track its equitable sharing requests and receipts, submitting its most recent Equitable Sharing Agreement and Certification form on time, and adhering to non-supplanting requirements.[1] However, our audit identified weaknesses in the OHP's accounting for equitable sharing resources. Specifically, the OHP: (1) maintained accounting records that did not adequately identify the personnel whose salaries, benefits, and other payroll costs were being paid with equitable sharing funds, and combined the salaries and benefits of two OHP employees; (2) commingled its DOJ and Department of Treasury (Treasury) equitable sharing funds in the same expenditure ledger; (3) commingled its DOJ and Treasury equitable sharing revenues in the same interest-bearing account, and overstated the DOJ share of earned interest income; and (4) did not have internal controls to track tangible property purchased with equitable sharing funds. OHP also did not request approval from the Asset Forfeiture and Money Laundering Section (AFMLS) prior to making a capital expenditure with equitable sharing funds.

In addition, we identified $1,697,433 in unallowable questioned costs and $210,216 in unsupported questioned costs related to expenditures and the use of seized tangible property including: (1) construction and renovation costs; (2) salaries, benefits and overtime paid to OHP non-law enforcement personnel; (3) fees paid to contractors; (4) fuel and other vehicle

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[1] A Form DAG-71, Application for Transfer of Federally Forfeited Property, is submitted by a state or local agency to request a share of seized property from the federal seizing agency. A DAG-71 log is used to track its requests and should contain the seizure type, amount, share amount requested, amount received, and date received.

expenditures; (5) pickup trucks used by Oklahoma Department of Public Safety non-law enforcement personnel; and (6) use of a seized semi-tractor and trailer for non-law enforcement purposes.

This audit report includes eight recommendations to the Criminal Division, which oversees the use of equitable sharing funds by recipients. Our findings are discussed in greater detail in the Findings and Recommendations section of the report. The audit objectives, scope and methodology are contained in Appendix II.

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INTRODUCTION

The U.S. Department of Justice (DOJ), Office of the Inspector General (OIG), Audit Division, has completed an audit of the use of DOJ equitable sharing funds by the Oklahoma Highway Patrol (OHP). The objectives of the audit were to assess whether the OHP accounted for equitable sharing funds and property, and used such revenues for allowable purposes as defined by applicable guidelines. The audit covered the OHP's fiscal years (FY) 2010 through 2012.[2] During that period, the OHP received $7,987,242 in proceeds as a participant in the DOJ Equitable Sharing Program. OHP's equitable sharing fund balances, expenditures, and revenues are displayed in Exhibit 1.

EXHIBIT 1: OHP EQUITABLE SHARING FUND INFORMATION FYs 2010 - 2012[3]

Fiscal Year	Beginning Fund Balance	Equitable Sharing Expenditures[4]	Equitable Sharing Funds Received	Interest Income	Other Income	Ending Fund Balance
2010	$4,820,163	($5,155,556)	$2,920,485	$146,775	$500	$2,732,367
2011	$2,732,367	($1,182,501)	$3,215,980	$105,894	$43,750	$4,915,490
2012	$4,915,490	($1,426,003)	$1,850,777	$142,571	$176,359	$5,659,194
Total	**N/A**	**($7,764,060)**	**$7,987,242**	**$395,239**	**$220,609**	**N/A**

Source: OHP certification forms

DOJ Equitable Sharing Program

Since the Comprehensive Crime Control Act of 1984 authorized the implementation of a national asset forfeiture program, asset forfeiture has become one of the most powerful tools available to law enforcement agencies because it deprives criminals of the profits and proceeds derived from their illegal activities. A key element of the DOJ's asset forfeiture program is the DOJ Equitable Sharing Program, whereby the DOJ and its components share a portion of federally forfeited cash, property, and proceeds with state and local law enforcement agencies.

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[2] OHP's fiscal year begins on July 1 and ends on June 30.

[3] Throughout this report, differences between the individual amounts and totals are due to rounding.

[4] OHP's certification forms reported $7,764,060 in total expenditures from FYs 2010 through 2012 which was $571 greater than the $7,763,489 in total expenditures that we identified in its accounting records. We did not break down this difference because its amount was immaterial.

State and local law enforcement agencies may receive equitable sharing revenues by either participating directly with DOJ agencies in joint investigations leading to the seizure or forfeiture of property, or by seizing property and requesting one of the DOJ agencies to adopt the seizure and proceed with federal forfeiture. In joint investigations, the amount shared with the state and local law enforcement agencies is based on the degree of the agencies' direct participation in the case. In adoptive seizures, the state and local law enforcement agencies may receive all of the forfeiture funds other than the DOJ's share, which is generally 20 percent of the net proceeds. The U.S. Department of the Treasury (Treasury) administers a similar equitable sharing program; our audit was limited to equitable sharing revenues received through the DOJ Equitable Sharing Program.

Although several DOJ agencies are involved in various aspects of the seizure, forfeiture, and disposition of equitable sharing revenues, the DOJ Criminal Division, Asset Forfeiture and Money Laundering Section (AFMLS), is responsible for issuing policy statements, implementing governing legislation, and monitoring the use of DOJ equitable sharing funds. Generally, the use of equitable sharing revenues by state and local recipient agencies is limited to law enforcement purposes. However, under certain circumstances, up to 15 percent of equitable sharing revenues may be used for the costs associated with drug abuse treatment, drug and crime prevention education, housing and job skills programs, or other nonprofit community-based programs or activities. This provision requires that all expenditures be made by the law enforcement agency and does not allow for the transfer of cash.

As summarized in Exhibit 2, the Guide to Equitable Sharing for State and Local Law Enforcement Agencies, dated April 2009 (Equitable Sharing Guide) outlines categories of allowable and unallowable uses for equitable sharing funds and property.

EXHIBIT 2: SUMMARY OF ALLOWABLE AND UNALLOWABLE USES OF EQUITABLE SHARING FUNDS AND PROPERTY

ALLOWABLE USES	UNALLOWABLE USES
Salaries for new and temporary appointments of law enforcement personnel	Salaries for existing positions
Overtime for officers and investigators, payments to informants, reward money, and the purchase of evidence	Uses contrary to the laws of the state or local jurisdiction
Training of officers, investigators, prosecutors, and law enforcement support personnel necessary to perform official law enforcement duties	Use of shared vehicles, forfeited property, or items purchased with shared funds by non-law enforcement agency personnel
Purchase, lease, construction, expansion, improvement, or operation of law enforcement or detention facilities	Capital improvements on leased property or space, and capital expenditures without AFMLS approval
Support of eligible community-based programs through direct purchase of supplies, equipment and/or services	Cash transfers to community-based programs
Law enforcement equipment, travel and transportation costs, awards and memorials, and language assistance services	Use of federally forfeited luxury vehicles for other than undercover law enforcement purposes
Drug and Gang Education and Awareness Programs	Education-related costs such as scholarships, financial aid, and non-law enforcement classes
Accounting, auditing, and tracking of expenditures for federally shared cash, proceeds, and tangible property (excludes salaries for agency personnel)	Extravagant expenditures and non-official government use of shared assets
Transfers to other law enforcement agencies, matching contributions or shares to law enforcement related federal grant programs, and pro rata funding for costs supporting multi-agency items or facilities	Purchase of food and beverages, unless part of a conference package policy or if state or local law or rules permit officers to be reimbursed for such expenses

Source: Equitable Sharing Guide

The Oklahoma Highway Patrol

OHP is a state law enforcement agency within the Oklahoma Department of Public Safety and has almost 800 troopers statewide. OHP is organized into several troops and sections that are responsible for traffic enforcement, vehicle crash enforcement along the state's highways and turnpikes, and for providing specialized law enforcement activities such as bomb squad disposal and special operations. OHP headquarters is located in Oklahoma City, Oklahoma. OHP's law enforcement budgets were $104.8 million in FY 2010, $99.9 million in FY 2011, and $104.1 million in FY 2012.

OHP's equitable sharing efforts are administered by its Special Operations Troop (Troop SO), and equitable sharing revenues are generally used for Troop SO costs. Troop SO has an Asset Forfeiture Coordinator whose primary responsibilities include maintaining DOJ equitable sharing accounting records; ensuring that purchase requisitions are for permissible goods and services, in accordance with applicable guidance; completing the necessary AFMLS forms; and tracking its requests for federally forfeited assets.

OIG Audit Approach

We tested compliance with what we considered to be the most important conditions of the DOJ Equitable Sharing Program. Unless otherwise stated, we applied the Equitable Sharing Guide as our primary criteria. The Equitable Sharing Guide identifies the accounting procedures and requirements for tracking equitable sharing monies and tangible property, establishes reporting and audit requirements, and defines the permissible uses of equitable sharing resources.

To conduct the audit, we tested the OHP's compliance with the following three primary aspects of the DOJ Equitable Sharing Program:

1. **Accounting for Equitable Sharing Resources** to determine whether standard accounting procedures were used to track equitable sharing assets.

2. **Equitable Sharing Agreement and Certification Forms** to determine if these documents were complete, accurate, and filed in a timely manner.

3. **Use of Equitable Sharing Resources** to determine if equitable sharing funds were spent for permissible uses.

We also performed tests to determine whether the OHP used its equitable sharing funds to supplement rather than supplant local funding. See Appendix II for more information on the audit objectives, scope and methodology.

FINDINGS AND RECOMMENDATIONS

OHP complied with equitable sharing guidelines with respect to maintaining and updating a DAG-71 log to track its equitable sharing requests and receipts, submitting its most recent Equitable Sharing Agreement and Certification form on time, and adhering to non-supplanting requirements. However, the OHP's accounting records did not adequately identify the personnel whose salaries, benefits and other payroll transactions were being paid with equitable sharing funds, and combined the salaries and benefits of two OHP employees. In addition, the OHP commingled DOJ and Department of Treasury (Treasury) asset forfeiture revenues and expenditures; and incorrectly credited all combined earned interest income to the DOJ Asset Forfeiture Program, thereby overstating its actual share. OHP also did not obtain AFMLS approval to remodel a building and had not established internal controls to track tangible property purchased with equitable sharing funds, which would enable the OHP to reasonably ensure that tangible property continued to be used for law enforcement purposes.

This audit also identified $1,697,433 in unallowable questioned costs and $210,216 in unsupported questioned costs related to expenditures and the use of seized tangible property including: (1) construction and renovation costs; (2) salaries, benefits and overtime paid to OHP non-law enforcement personnel; (3) fees paid to contractors; (4) fuel and other vehicle expenditures; (5) pickup trucks used by Oklahoma Department of Public Safety (DPS) non-law enforcement personnel; and (6) use of a seized semi-tractor and trailer for non-law enforcement purposes.

Accounting for Equitable Sharing Resources

The Equitable Sharing Guide requires that participating state and local law enforcement agencies implement standard accounting procedures to track equitable sharing monies and property. Additionally, DOJ equitable sharing funds must be accounted for separately from any other funds. To determine whether the OHP's accounting procedures adequately tracked equitable sharing monies and property, and separately accounted for DOJ equitable sharing funds, we reviewed the OHP's accounting records, Equitable Sharing

Agreement and Certification forms, accounting for tangible property, and tracking of equitable sharing requests and receipts.[5]

Accounting Records

OHP uses PeopleSoft software to account for its DOJ equitable sharing funds and maintains an expenditure ledger comprised of: (1) non-payroll transactions, such as for supplies, equipment, training, and contractor costs; (2) salaries, fringe benefits and other payroll costs; and (3) overtime. We found that the OHP's expenditure ledger lacked sufficient detail for its salaries, fringe benefits, and other payroll transactions. These transactions did not contain a field identifying the personnel being charged or the payment dates, and the salaries and benefits of two OHP employees were combined so we could not readily identify which costs belonged to each individual. OHP officials explained that this was due to a limitation of the financial system query and that allocating these costs to each individual would require reconciliation between the expenditure ledger and a separate summary report containing each employee's names and total fiscal year charges. We performed this reconciliation and were able to allocate the payroll costs to each employee; however, we do not consider this methodology a substitute for maintaining a detailed payroll ledger containing payroll costs sorted by individual employee, and including pay periods and payment dates.[6] We recommend that the Criminal Division require the OHP maintain a detailed payroll ledger, similar to its non-payroll ledger that provides information on individual payroll transactions and includes the OHP employee's name or identification number, and pay period or payment date.

Commingling of Federal Forfeiture Funds

According to the Equitable Sharing Guide, a state or local participating law enforcement agency must not commingle DOJ equitable sharing funds. OHP's Equitable Sharing Agreement and Annual Certification forms for FYs 2010 through 2012 indicated that the OHP spent $7,764,060 and $543,734 in DOJ and Treasury equitable sharing funds, respectively. However, our audit determined that the OHP commingled the transactions for DOJ and Treasury equitable sharing funds in the same expenditure ledger and did not have any internal controls, such as fields or accounting codes to

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[5] The Equitable Sharing Agreement and Certification form contains a section that summarizes a participating agency's equitable sharing activity, including the amount of funds received, shared monies spent across several expenditure categories, and interest income accrued.

[6] During the reconciliation, the salaries, fringe benefits and other payroll transactions (expenditure ledger) did not match the separate summary report because the expenditure ledger included flexible benefits, worker's compensation, and other payroll expenditures that were not included in the separate summary report. Additionally, the summary report included overtime costs that were not included in the expenditure ledger.

distinguish the funding source. OHP officials informed us that the Treasury funds had typically been used to purchase vehicles, which are required to be itemized in the Annual Certification Reports. Because of this itemization, we were able to identify and separate out nearly all of the transactions related to Treasury funds. Regardless, commingling of equitable sharing fund expenditures is unallowable and complicates the audit trail by not distinguishing what transactions were charged to the DOJ fund.

In addition, the OHP also commingled its DOJ and Treasury equitable sharing revenues in the same interest-bearing fund managed by the Oklahoma State Treasurer's Office. This fund accrues monthly interest based on the average daily balance of the account for each month. This does not comply with the Equitable Sharing Guide which states that participating state and local agencies must establish a separate revenue account through the agency's finance department for the proceeds from the DOJ Equitable Sharing Program. No other funds may be included in this account or with this accounting code. Because the fund contained both DOJ and Treasury equitable sharing revenues, the OHP should have allocated the interest income earned between DOJ and Treasury. However, no such allocation occurred and from FYs 2010 through 2012, the OHP incorrectly allocated all $395,239 of the interest income to the DOJ Asset Forfeiture Program, thereby overstating DOJ's share of the accrued equitable sharing interest income.

As a result of these findings, we recommend that the Criminal Division require that the OHP maintain separate accounting records for its DOJ equitable sharing funds; establish a separate revenue account through OHP's finance department for its DOJ equitable sharing revenues; and require that the OHP reallocates its $395,239 in equitable sharing interest income earned in FYs 2010 through 2012, between the DOJ and Treasury equitable sharing funds and submit amended Certification forms with the correct interest income.

Accounting for Tangible Property

According to the Equitable Sharing Guide, law enforcement agencies must implement standard accounting procedures and internal controls to track equitable sharing tangible property, which can only be used for law enforcement purposes. Such internal controls typically include an inventory of equitable sharing tangible property that provides law enforcement agencies the ability to identify and locate the tangible property and ensure it is being used and continues to be used for law enforcement purposes.

We determined that the OHP maintained an inventory of *seized* tangible property, but not tangible property that had been *purchased* with equitable sharing funds. During our review of the OHP's expenditure ledgers, we selected seven transactions involving vehicles and pieces of equipment that had been purchased and should have been tracked. OHP was able to locate these items through its general inventory records, but those records did not indicate that the tangible property had been purchased with equitable sharing funds. Because the OHP did not have internal controls to track tangible property purchased with equitable sharing funds, it could not reasonably ensure that the tangible property continued to be used for law enforcement purposes. In fact, as we will discuss later, we determined that two pickup trucks were being used by non-law enforcement personnel. Additionally, although outside the scope of our audit, we found that one of the vehicles purchased with Treasury equitable funds was not being used for law enforcement purposes.[7] We recommend that the Criminal Division ensure that the OHP maintains an inventory that easily identifies all equitable sharing property, both seized and purchased.

DAG-71s

After the seizure in a joint investigation or in an adoption case, a participating state or local law enforcement agency may request a share of the property by submitting a Form DAG-71, Application for Transfer of Federally Forfeited Property, to the federal seizing agency. According to the Equitable Sharing Guide, state or local participating law enforcement agencies must maintain a log and copies of all Form DAG-71s. The log should contain the seizure type, amount, share amount requested, amount received, date received, and should be updated whenever an E-Share notification is received.[8] We determined that the OHP kept copies of its Form DAG-71s and properly maintained and updated a log to track its equitable sharing requests and receipts.

Equitable Sharing Agreement and Certification Forms

AFMLS requires that any state or local law enforcement agency that receives forfeited cash, property, or proceeds because of a federal forfeiture submit an Equitable Sharing Agreement and Certification form. The submission of this form is a prerequisite for the approval of any equitable sharing request and noncompliance may result in the denial of the agency's sharing request. The form has two sections – the agreement and the certification. The agreement portion of the form must be signed by both the head of the law enforcement agency and a designated official of the local governing body. By signing and submitting the agreement, the signatories agree to be bound by the statutes and guidelines that regulate the DOJ

[7] A 2006 Jeep Grand Cherokee was in the possession of a Project Manager within DPS' Electronic Services section.

[8] E-Share is the United States Marshals Service program used to make equitable sharing payments to federal, state, and local law enforcement agencies through electronic funds transfer (EFT).

Equitable Sharing Program. The certification section of the form lists the beginning and end of year fund balance; equitable sharing funds received; and a summary of funds spent, organized across several spending categories.

We tested compliance with the Equitable Sharing Agreement and Certification form requirements to determine if the OHP's forms for FYs 2010 through 2012 were accurate, completed and submitted in a timely manner. We noted that the agreement portions of the forms were signed by the appropriate officials. To assess the accuracy and completeness, we verified that the total receipts and expenditures reported on the forms reconciled to the OHP's accounting records, CATS Disbursement Reports, and E-Share logs. Despite the fact that the DOJ and Treasury equitable funds were commingled in the same expenditure ledger, as stated previously, we were able to identify and separate out nearly all of the transactions related to Treasury funds. Based on that analysis, we determined that the OHP's equitable sharing revenues and expenditures reported on its certification forms were supported by its accounting records, with only small and immaterial differences. However, as previously described, from FYs 2010 through 2012, the OHP incorrectly allocated all of its commingled interest income to the DOJ asset forfeiture program.

We also reviewed whether the OHP's Equitable Sharing Agreement and Certification forms were submitted on time. The Equitable Sharing Guide states that participating law enforcement agencies must submit the agreement and certification form within 60 days of the end of the applicable fiscal year. We found that the OHP submitted its FY 2010 and FY 2012 certification forms on time, but submitted the FY 2011 certification form 23 days late. Since the most recent certification form was submitted timely, we are not making a recommendation related to this issue.

Use of Equitable Sharing Resources

Generally, the Equitable Sharing Guide requires that equitable sharing funds received by state and local agencies be used for law enforcement purposes. However, under certain circumstances, up to 15 percent of the total of shared monies received by an agency in the last 2 fiscal years may be used for the costs associated with nonprofit community-based programs or activities, such as drug abuse treatment, drug and crime prevention education, and housing and job skills programs. Law enforcement agencies can also transfer cash to another law enforcement agency.

To ensure that the OHP complied with the Equitable Sharing Guide, we assessed the OHP's use of equitable sharing funds and equitable sharing property. Our analysis revealed that the OHP had unallowable costs totaling $1,697,433 and unsupported costs totaling $210,216, as described in the following two sections.

Use of Equitable Sharing Funds

OHP expended DOJ equitable sharing funds totaling $7,763,489 during FYs 2010 through 2012 for payroll, overtime, and non-payroll expenditures for communications equipment and computers, salaries and overtime, vehicles, construction, travel, and miscellaneous expenses. To assess whether expenditures were recorded accurately and were allowable under equitable sharing guidelines, we sampled 43 expenditures totaling $3,382,902, or approximately 44 percent of total expenditures during the audit period. The sample included high-dollar and judgmentally selected expenditures. Our results are described below.

- **Construction of a troop headquarters owned by the Oklahoma Turnpike Authority (OTA) and licensed to the Oklahoma Department of Public Safety (DPS).**[9] In June 2007, DPS (licensee) entered into an exclusive long term restricted occupancy license with OTA (licensor) that granted the OHP the occupancy and use of a soon to be constructed troop headquarters that would house OHP turnpike and non-turnpike troops. As part of the agreement, DPS agreed to share the costs of construction and in November 2009 the OHP paid $996,088 in DOJ equitable sharing funds to OTA for what was characterized in the license agreement as an "initial license fee," but was in substance a 45 percent share of the construction costs. These construction costs are unallowable without AFMLS approval; according to the Equitable Sharing Guide, "capital improvements should not be made on leased property or space since the law enforcement agency will not benefit from the improvements upon termination of the lease." This rule is just as applicable to licensed property or space, because similar to the termination of a lease, when the license is terminated, the OHP would no longer benefit from the building that equitable sharing funds were used to construct because the OHP has no ownership interest in the premises. Therefore, absent any documentation of AFMLS approval, we question all $996,088 of unallowable construction costs.

[9] The Oklahoma Department of Public Safety (which contains the OHP) contracts with the Oklahoma Turnpike Authority to ensure that Oklahoma's turnpikes are as safe as possible for patrons of the turnpike system and that all turnpike Highway Patrol related costs are reimbursed to the Oklahoma Department of Public Safety.

- **Renovation costs of a DPS facility shared by both OHP and non-law enforcement sections.** The Equitable Sharing Guide lists as a permissible use, "law enforcement and detention facilities," referring to the costs associated with the purchase, lease, construction, expansion, improvement, or operation of law enforcement or detention facilities used or managed by the recipient agency. It also states that approval from AFMLS is required prior to making such capital expenditures. In 2012, the OHP paid $20,862 in equitable sharing funds for engineering services related to the renovation of DPS's "South Licensing Facility." OHP's Asset Forfeiture Coordinator said the building was to be shared by the OHP and other DPS entities, but instead of the OHP paying a pro rata share; it had paid the entire cost of the engineering services. We requested further information on this arrangement on several occasions, but the OHP did not respond. Furthermore, the OHP had not obtained AFMLS approval for its renovations, as required by the Equitable Sharing Guide. As a result, this renovation charge is unallowable and we are questioning all $20,862, and we recommend that the Criminal Division ensure that the OHP establish written procedures to request AFMLS approval prior to making capital expenditures with equitable sharing funds.

- **Fees paid to contractors performing functions unrelated to the DOJ Equitable Sharing Program.** While the use of equitable sharing funds to pay salaries is generally unallowable, the Equitable Sharing Guide states that permissible uses include the costs associated with the accounting, auditing and tracking of expenditures for federally shared cash, proceeds, and tangible property - such as paying the fees associated with the contracting of a bookkeeper. From FYs 2010 through 2012, the OHP paid $143,903 to contractors performing administrative tasks and web design, as well as data entry functions for OHP's Special Operations Troop. Because these functions were unrelated to the DOJ Equitable Sharing Program, we are questioning all $143,903 in unallowable contractor fees.

- **Salaries, benefits and overtime costs for non-law enforcement OHP personnel.** In order to prevent the appearance that one's salary is contingent upon and potentially motivated by money that is seized; participating agencies are not permitted to use equitable sharing funds to pay the salaries and benefits of existing positions, except in limited circumstances involving law enforcement officers. From FYs 2010 through 2012, the OHP paid a combination of salaries, benefits, and overtime totaling $382,623 to its Asset Forfeiture Coordinator, an Administrative Programs Officer, and a Communications Officer. These were all non-law enforcement personnel and as a result we are questioning all $382,623 in unallowable salaries, benefits, and overtime.

- **Fuel and other vehicle expenditures for DPS sections not primarily responsible for law enforcement activities.** According to the Equitable Sharing Guide, permissible costs include those associated with the purchase, lease, maintenance, or operation of law enforcement equipment for use by law enforcement personnel, which includes vehicles (e.g. patrol cars and surveillance vehicles). OHP used DOJ equitable sharing funds to pay for the fuel and other vehicle expenditures of several sections and subdivisions across the DPS, many of which were primarily comprised of non-law enforcement personnel. We reviewed five consolidated invoices totaling approximately $1.37 million and found that some of the costs were for OHP Troops' fuel expenditures; however, the OHP had also paid $116,512 in unallowable fuel expenditures for DPS components such as Property Management, Legal, Driver Improvement, Administration, Wrecker Licensing, Records Management, and several other components. Furthermore, in three instances the OHP used equitable sharing funds to pay fuel and other vehicle related expenditures totaling $210,216 but there was not enough information to identify the DPS sections and subdivisions for which the purchases were made.[10] We brought this to the OHP's attention and on several occasions requested further information to identify the sections and subdivisions for which these costs were incurred, but the OHP did not respond. As a result, we consider this $210,216 unsupported. Overall, we are questioning $116,512 in unallowable fuel expenditures and $210,216 in unsupported fuel and other vehicle expenditures.

- **Purchased vehicles used by non-law enforcement personnel.** The Equitable Sharing Guide requires that law enforcement equipment purchased with equitable sharing funds be used by law enforcement personnel only. In August 2009, the OHP purchased two Ford F-150 pickup trucks for $39,442 for its Special Operations Troop. However, in March 2012 the two pickup trucks were transferred to a DPS Field Services Technician and a DPS Senior Radio Technician, respectively. OHP officials stated that the transferred vehicles were used to maintain radio towers throughout the state. Although these personnel provided support services to the OHP, they are not law enforcement personnel, nor are they employed by the OHP, and should therefore not be using the vehicles purchased with asset forfeiture funds. Furthermore, the Equitable Sharing Guide states that the law enforcement agency may transfer tangible property to another governmental department or agency to support drug abuse treatment, drug and crime prevention and

[10] OHP had three transactions for fuel and other vehicle expenses totaling $689,771 of which $210,216 was paid with equitable sharing funds. The associated invoices contained approximately 200 line items, organized by DPS section or subdivision. However, there was no indication of which DPS sections or subdivisions had incurred the fuel and other vehicle expenses that were paid with equitable sharing funds.

education, housing, and job skills programs, or other community-based programs. However, the OHP did not transfer the property to DPS for any of these purposes. As a result, we are questioning the $24,899 current market value of the pickup trucks as unallowable.[11]

Use of Equitable Sharing Property

The Equitable Sharing Guide requires that any forfeited tangible property transferred to a state or local agency for official use must be used for law enforcement purposes only. Further, vehicles and other tangible property transferred for official law enforcement use must be used accordingly for at least 2 years. However, if the property becomes unsuitable for such stated purposes before the end of the 2-year period, it may be sold with approval from AFMLS and the proceeds deposited in the agency's DOJ equitable sharing revenue account. During FYs 2009 through 2010, the OHP received the following three forfeited assets.

- 2004 Ford F-350 Truck
- 1998 Freightliner Semi-Tractor
- 1995 Semi Utility Trailer

We physically located all 3 assets and confirmed that the 2004 Ford F-350 Truck was being used for allowable law enforcement purposes. However, the Freightliner semi-tractor and utility trailer were being used by the Oklahoma Department of Public Safety for commercial driver's license skills testing, a non-law enforcement use and therefore, unallowable purpose. A senior OHP official noted that the OHP had used the semi-tractor and trailer to set up a road block on one occasion. Regardless of the single instance of law enforcement use of the assets, the Equitable Sharing Guide states that any forfeited tangible property (other than real estate) transferred to a state or local agency for official use must be used for law enforcement purposes only. As a result, we questioned $12,546, which represents the appraised value of the semi-tractor and trailer and investigative agency administrative fees, as displayed in Exhibit 2.

[11] We were unable to determine the market value of the vehicles as of the time of the transfer in March 2012. As a result, we based the unallowable amount on the private party market value using the Edmunds.com used car appraisal feature, and based on actual mileage, no optional equipment, and a vehicle condition of "average."

EXHIBIT 2: QUESTIONED COSTS FOR UNALLOWABLE USE OF FORFEITED PROPERTY

FORFEITED PROPERTY	APPRAISED VALUE[12] (AS OF JUNE 2010)	INVESTIGATIVE AGENCY FEES	TOTAL
1998 FREIGHTLINER SEMI-TRACTOR	$7,000	$198	$7,198
1995 SEMI UTILITY TRAILER	$5,150	$198	$5,348
QUESTIONED COSTS	**$12,150**	**$396**	**$12,546**

Source: OHP & AFMLS

Supplanting

Pursuant to the Equitable Sharing Guide, equitable sharing revenues must be used to increase or supplement the resources of the recipient agency and prohibits the use of shared resources to replace or supplant the appropriated resources of the recipient. To test whether equitable sharing funds were used to supplement rather than supplant local funding, we reviewed the OHP's law enforcement budgets for FYs 2010 through 2012 in order to identify any decreases in local dollars budgeted. In addition, we sampled expenditures from FYs 2010 through 2012.

During our review of the OHP's budget documents, we found that the OHP's law enforcement budget decreased by $4,896,713 from FY 2010 to FY 2011. However, through our review of the OHP's budget documents we determined this was caused due to a decrease in federal grants funds. Further, our testing of sampled expenditure transactions did not reveal any evidence of supplanting. Based on our analysis, we did not find any evidence that would suggest that equitable sharing funds were used to supplant local funding.

Recommendations

We recommend that the Criminal Division:

1. Ensure that the OHP maintains a detailed payroll ledger that provides information on individual payroll transactions and includes the OHP employee's name or identification number, and pay period or payment date.

2. Ensure that the OHP maintains separate accounting records for its DOJ equitable sharing funds.

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[12] The Appraised Value includes the 20 percent federal share that the OHP paid to the United States Marshals Service in 2010.

3. Require that the OHP reallocates its $395,239 in equitable sharing interest income earned in FYs 2010 through 2012, between the DOJ and Treasury equitable sharing funds and submit amended Certification forms with the correct interest income.

4. Ensure that the OHP establishes a separate revenue account through the agency's finance department for its DOJ equitable sharing revenues.

5. Ensure that the OHP maintains an inventory that easily identifies all tangible equitable sharing property, both seized and purchased.

6. Ensure that the OHP establish written procedures to request AFMLS approval prior to making capital expenditures with equitable sharing funds.

7. Remedy $1,697,433 in questioned costs related to unallowable equitable sharing expenditures and unallowable use of equitable sharing property.

8. Remedy $210,216 in unsupported costs related to fuel and other vehicle related expenditures for which the OHP could not produce adequate documentation.

STATEMENT ON INTERNAL CONTROLS

As required by the *Government Auditing Standards*, we tested, as appropriate, internal controls significant within the context of our audit objectives. A deficiency in an internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to timely prevent or detect: (1) impairments to the effectiveness and efficiency of operations, (2) misstatements in financial or performance information, or (3) violations of laws and regulations. Our evaluation of the Oklahoma Highway Patrol's (OHP) internal controls was *not* made for the purpose of providing assurance on its internal control structure as a whole. OHP management is responsible for the establishment and maintenance of internal controls.

As noted in the Findings and Recommendations section of this report, we identified deficiencies in the OHP's internal controls that are significant within the context of the audit objectives and based upon the audit work performed that we believe adversely affects the OHP's ability to track tangible property purchased with equitable sharing funds and account for equitable sharing resources. Although the OHP had an inventory of *seized* tangible property, it did not maintain an inventory of tangible property that had been *purchased* with equitable sharing funds. As a result, the OHP could not reasonably ensure that its tangible property continued to be used for law enforcement purposes. In addition, the OHP unallowably commingled Department of Justice (DOJ) and Department of Treasury asset forfeiture revenues and expenditures and incorrectly credited all combined earned interest income to the DOJ Asset Forfeiture Program, thereby overstating its actual share.

Because we are not expressing an opinion on the OHP's internal control structure as a whole, this statement is intended solely for the information and use of the OHP. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

STATEMENT ON COMPLIANCE WITH LAWS AND REGULATIONS

As required by the *Government Auditing Standards* we tested, as appropriate given our audit scope and objectives, selected transactions, records, procedures, and practices, to obtain reasonable assurance that the Oklahoma Highway Patrol's (OHP) management complied with federal laws and regulations, for which noncompliance, in our judgment, could have a material effect on the results of our audit. OHP's management is responsible for ensuring compliance with applicable federal laws and regulations. In planning our audit, we identified the following laws and regulations that concerned the operations of the auditee and that were significant within the context of the audit objectives:

- *A Guide to Equitable Sharing for State and Local Law Enforcement Agencies* (Equitable Sharing Guide), dated April 2009 and

- *OMB Circular No. A-133*, *Audits of States, Local Governments and Non-Profit Organizations*, dated June 26, 2007.

Our audit included examining, on a test basis, the OHP's compliance with the aforementioned laws and regulations that could have a material effect on the OHP's operations, through interviewing OHP officials, obtaining OHP documentation, analyzing OHP data, and assessing OHP internal controls.

As noted in the Findings and Recommendations section of this report, we found that the OHP did not always comply with the Equitable Sharing Guide with respect to accounting for equitable sharing resources, requesting AFMLS approval prior to making a capital expenditure, and using equitable sharing funds and seized tangible property for allowable purposes.

SCHEDULE OF DOLLAR-RELATED FINDINGS

QUESTIONED COSTS:[13]	AMOUNT	PAGE(S)
Unallowable construction costs	$996,088	10
Unallowable renovation costs	$20,862	11
Unallowable contractor fees	$143,903	11
Unallowable salaries, benefits, and overtime payments to three non-law enforcement OHP personnel[14]	$382,623	11
Unallowable fuel expenditures	$116,512	12
Unallowable use of two purchased 2010 Ford F-150 pickup trucks	$24,899	12
Unallowable use of a seized 1998 Freightliner Semi-Tractor	$7,198	13
Unallowable use of a seized 1995 Semi-Utility Trailer	$5,348	13
Total Unallowable	***$1,697,433***	
Unsupported fuel and other vehicle expenditures	$210,216	12
Total Unsupported	***$210,216***	
TOTAL DOLLAR-RELATED FINDINGS:	**$1,907,649**	

[13] *Questioned Costs* are expenditures that do not comply with legal, regulatory or contractual requirements, or are not supported by adequate documentation at the time of the audit, or are unnecessary or unreasonable. Questioned costs may be remedied by offset, waiver, recovery of funds, or the provision of supporting documentation.

[14] The three non-law enforcement personnel were the Asset Forfeiture Coordinator, an Administrative Programs Officer, and a Communications Officer.

APPENDIX II

OBJECTIVES, SCOPE, AND METHODOLOGY

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.

The objectives of the audit were to assess whether the Oklahoma Highway Patrol (OHP) accounted for equitable sharing funds properly and used such revenues for allowable purposes as defined by applicable guidelines. We tested compliance with what we considered were the most important conditions of the Department of Justice's (DOJ) Equitable Sharing Program. We reviewed laws, regulations, and guidelines governing the accounting for and use of DOJ equitable sharing receipts, including the Guide to Equitable Sharing for State and Local Law Enforcement Agencies, dated April 2009.

Scope and Methodology

Our audit concentrated on, but was not limited to, equitable sharing receipts received by the OHP during its fiscal years 2010 through 2012, covering the period from July 1, 2009, through June 30, 2012. We performed audit work at OHP headquarters located in Oklahoma City, Oklahoma; we interviewed OHP officials and examined records of federal asset forfeiture revenues and expenditures. The U.S. Department of the Treasury administers a similar equitable sharing program, for which the OHP participated. However, our audit reviewed equitable sharing revenues received through only the DOJ Equitable Sharing Program.

To accomplish the objectives of the audit, we interviewed OHP officials and examined OHP accounting records. We relied on data contained in the DOJ Consolidated Asset Tracking System (CATS) to determine the amount of equitably shared revenues and property awarded to the OHP during the audit period. We did not establish the reliability of the data contained in the CATS system as a whole. However, when the data we relied upon is viewed in context with other available evidence, we believe the opinions, conclusions, and recommendations included in this report are valid.

Our audit specifically evaluated OHP compliance with three essential equitable sharing guidelines: (1) accounting for equitable sharing resources, (2) Equitable Sharing Agreement and Certification Forms, and (3) use of equitable sharing resources. In planning and performing our audit, we considered internal controls established and used by the OHP and the Oklahoma Department of Public Safety (DPS) over DOJ equitable sharing receipts to accomplish our audit objectives. However, we did not assess the reliability or internal controls of the OHP's or the DPS' financial management systems, or otherwise assess their internal controls and compliance with laws and regulations for the State of Oklahoma as a whole.

Our audit included an evaluation of the Single Audit Reports for the State of Oklahoma for FYs 2010 and 2011, which included the OHP under the umbrella of the DPS.[15] The Single Audit Reports were prepared under the provisions of Office of Management and Budget Circular A-133. We reviewed the independent auditor's assessments, which disclosed no control weaknesses or significant noncompliance issues specifically related to the DPS' or OHP's management or administration of equitable sharing funds or DOJ grant funds.

[15] At the time of our audit fieldwork, the 2012 Single Audit Report for the State of Oklahoma was not available.

CRIMINAL DIVISION RESPONSE TO THE DRAFT REPORT

U.S. Department of Justice

Criminal Division

Washington, D.C. 20530

MEMORANDUM

TO: David Sheeren
Regional Audit Manager
Denver Regional Audit Office
Office of the Inspector General (OIG)

FROM: Gene Patton, Assistant Deputy Chief
Asset Forfeiture and Money Laundering Section (AFMLS)

SUBJECT: Draft Audit Report for the Oklahoma Highway Patrol's Equitable Sharing Program Activities

In a memorandum to Mythili Raman, dated June 25, 2013, your office summarized the status of the above referenced report and detailed actions necessary for final closure of the outstanding audit report recommendations. The following is a list of the audit report recommendations pertaining to the Oklahoma Highway Patrol's (OHP) equitable sharing program activity:

Recommendations:

1. **Ensure that the OHP maintains a detailed payroll ledger that provides information on individual payroll transactions and includes the OHP employee's name or identification number, and pay period or payment date.**

2. **Ensure that the OHP maintains separate accounting records for its DOJ equitable sharing funds.**

3. **Require that the OHP reallocates its $395,239 in equitable sharing interest income earned in fiscal years 2010 through 2012, between the DOJ and Treasury equitable sharing funds and submit amended Certification forms with the correct interest income.**

4. **Ensure that the OHP establishes a separate revenue account through the agency's finance department for its DOJ equitable sharing revenues.**

5. **Ensure that the OHP maintains an inventory that easily identifies all tangible equitable sharing property, both seized and purchased.**

6. **Ensure that the OHP establish written procedures to request AFMLS approval prior to making capital expenditures with equitable sharing funds.**

7. **Remedy $1,697,433 in questioned costs related to unallowable equitable sharing expenditures and unallowable use of equitable sharing property.**

8. **Remedy $210,216 in unsupported costs related to fuel and other vehicle related expenditures for which OHP could not produce adequtate**

The Asset Forfeiture and Money Laundering Section (AFMLS) does not have sufficient information at this time to determine whether it fully concurs with recommendation 6 and a part of recommendation 7.

AFMLS concurs with all other findings and will request that the OHP provide further information and implement the recommended policies and procedures and provide documentation verifying that the corrective actions have been taken.

cc: Louise M. Duhamel, Ph. D.
Assistant Director
Audit Liaison Group
Justice Management Division

Denise Turcotte
Audit Liaison
Criminal Division

APPENDIX IV

OKLAHOMA HIGHWAY PATROL RESPONSE TO THE DRAFT REPORT

MICHAEL C. THOMPSON
COMMISSIONER

MARY FALLIN
GOVERNOR

STATE OF OKLAHOMA
DEPARTMENT OF PUBLIC SAFETY

July 15, 2013

U.S. Department of Justice
Office of Inspector General
David Sheeren, Regional Audit Manager
Denver Regional Audit Office
1120 Lincoln, Suite 1500
Denver, CO 80203

Dear Mr. Sheeren,

Please find below and the Oklahoma Highway Patrol's responses to the Office of Inspector General Draft Audit Report recommendations.

1. **Ensure that OHP maintains a detailed payroll ledger that provides information on individual payroll transactions and includes the OHP employee's name or identification number, and pay period or payment date.**

   We will ensure that all payroll being paid from the equitable sharing fund is now being recorded in a payroll ledger that details the employee and the month of payment.

2. **Ensure that OHP maintains separate accounting records for its DOJ equitable sharing funds.**

   We will ensure that a separate set of records for purchases and expenditures will be maintained by the Asset Forfeiture Coordinator.

3. **Require OHP to reallocate $395,239 in interest income so that it is reallocated between the DOJ and Treasury funds and submit amended Certification forms with the correct interest income.**

   We agree and once a new fund has been established for the Treasury sharing funds the interest will be reallocated.

4. **Ensure OHP establishes a separate revenue account through the agency's finance department for its DOJ equitable sharing revenues.**

We agree and a new fund will be established for the Treasury equitable sharing funds received once the Oklahoma Legislature reconvenes.

5. **Ensure OHP maintains an inventory that easily identifies all tangible equitable sharing property, both seized and purchased.**

We will ensure that an inventory log will be created and it will be maintained to list all property purchased and seized.

6. **Ensure that OHP establish written procedures to request AFMLS approval prior to making capital expenditures with equitable sharing funds.**

We will ensure that procedures are established for seeking prior approval on any future capital expenditure that uses equitable sharing funds.

7. **Remedy $1,697,433 in questioned costs related to unallowable equitable sharing expenditures and unallowable use of equitable sharing property.**

* **Unallowable construction costs of $996,088**

DPS respectfully requests an exemption from the prohibition of using asset forfeiture funds as construction costs for a building affixed to leased land for the following reasons.

The critical reasoning set out in the audit report justifying the refusal to allow the use of asset forfeiture monies for construction costs on leased property is:

"These construction costs are unallowable; according to the Equitable Sharing Guide, 'capital improvements should not be made on leased property or space since the law enforcement agency will not benefit from the improvements upon termination of the lease'."

(1) In §4 of the license [lease], one of the reasons for termination is the license terminates after the expiration of the full 50 years period of the license. There the Department obtains the use of the building over the full useful life of the building [as set out in the agency's GAAP report] prior to termination of the license. Therefore, DPS will have then received the full benefit of the building upon termination of the license, and there is no further useful improvement upon termination of the 50 year license [lease]. In fact, the normal useful life of a concrete or masonry building is 50 years; however, since this building is all metal its normal useful or depreciable life is most probably less, not more than the 50 year usage to which DPS is entitled. Therefore, if the license runs its full 50 years, there is no further value to this improvement nor benefit to DPS in any further occupancy. DPS will have then received full benefit from its portion of the building's construction costs.

(2) In §17 of the license, another reason justifying termination is if the building burns down and OTA/owner determines it is not feasible to rebuild same. In that event and pursuant to §4 of the license, DPS gets reimbursed on a prorata basis for its loss of use of the building over the 50 year life of the license based on a fair formula set out in the license [lease]. In other words, if the building is destroyed in the license's 10th year and OTA elects not to rebuild same, then DPS is reimbursed 4/5ths or 80% of its construction costs, since it has only received use of the building over 20% of the life of the license. Here, the portion of the construction costs which are attributable to DPS's unused period of the 50 year lease, are returned to DPS; therefore, DPS is getting the full value of the construction costs actually paid based on the full time it used the building.

(3) In § 4 of the license, another reason for termination is termination by agreement of the parties. Such a termination also requires the reimbursement from OTA to DPS of the unused portion of the license [lease] period under the same formula as described in item 2 above, and therefore DPS is receiving its full value for the construction costs ultimately expended.

(4) & (5) This leaves us with the 2 instances mentioned in items 3 & 4 of §4 of the license [lease] which does allow for termination of the license at the request of DPS prior to the license's 50 year period and where DPS is not reimbursed by OTA for a prorata portion of DPS construction costs as the result of DPS's loss of use of the building. One instance of lease termination occurs if the so-called "non-appropriation clause" is invoked by DPS and the 2nd occurs where DPS determines to terminate the lease when its continuance is an impediment to the function of DPS. Here, we can legally withdraw our right to terminate the license in the last mentioned instance *via* contract amendment with OTA. In addition, since the non-appropriation clause is used in virtually every multi-year contract by a state agency and rarely if ever invoked, we suggest OTA be approached to see if it will agree to an amendment whereby a prorata repayment of construction costs will be made to DPS if either this or a modified non-appropriation clause is used.

It should be noted that this contract between DPS and the Turnpike Authority is not a lease of land by DPS from a private company where the lease can be terminated prior to the end of its 50 year term without a prorata repayment of construction costs to DPS, absent approval of DPS. Rather, it is a license [lease] between sister state agencies, and the state Turnpike Authority owner of the property is under a statutory directive to provide for the turnpikes to be "policed and operated by such force of police" [69 O.S. §1716], and DPS is the only statewide traffic/police force authorized by statute.

In conclusion, in all instances of possible license termination, DPS is receiving the full value of its portion of construction costs contributed to the construction of the facility.

* **Unallowable renovation costs of $20,862.00**
We agree that this costs should have been a shared costs and we will remedy the $20,862.00

* **Unallowable contractor fees of $143,903.00.**
  We agree that these costs should not have been charged to the equitable sharing fund. We will remedy the costs of $143,903.00.

* **Unallowable salaries, benefits, and overtime payments to three non-law enforcement OHP personnel of $382,623.**
  We agree that these are unallowable costs and will remedy the $382,623.00. Some of the expenses have been reversed, and we will make sure that the remaining charges are as well.

* **Unallowable fuel expenditures of $116,512.00.**
  We disagree with the total that is unallowable. We feel that the total of unallowable fuel expenses are $20,002.91, for various DPS divisions. There were Troopers assigned to other divisions that were not listed with a Troop heading, such as Recruitment, Command Post, Training Center, Wrecker Licensing, Homeland Security and Highway Safety.

* **Unallowable use of two purchsed 2010 Ford F-150 pickup trucks of $24,899.**
  We disagree that these trucks should not have been charged to the equitable sharing fund. We received conflicting information regarding these vehicles. We checked to see if the trucks could be assigned to the Communication & Electronics Services and used for maintaining the radio towers. We were asked if the functions would be law enforcement related and we answered yes. The Communication & Electronics Services division reports to the law enforcement side of the agency, directly to the Assistant Commissioner. We will work with AFMLS to clarify the situation.

* **Unallowable use of a seized 1998 Freightliner Semi-Tractor of $7,198.00.**

  We agree with the finding of the unallowable use of a seized vehicle. We disagree with the amount that needs to be reimbursed to the equitable sharing fund.

* **Unallowable use of a seized 1995 semi-Utility Trailer of $5,348.00.**

  We agree with the finding of the unallowable use of a seized vehicle. We disagree with the amount that needs to be reimbursed to the equitable sharing fund. This trailer is in use by OHP for storage.

8. **Remedy $210,216 in unsupported costs related to fuel and other vehicle related expenditures for which OHP could not produce adequate documentation.**

   The documentation for the fuel purchased was given to OIG, but the departments where Troopers were assigned was not well defined. Of the $210,216 only $15,841.89 is actually unallowable expenses and the fund will be reimbursed for these charges.

Please let us know if there are any questions or concerns, or if you request any further clarification.

Sincerely,

Kerry Pettingill

COLONEL KERRY PETTINGILL
Chief, Oklahoma Highway Patrol

APPENDIX V

OFFICE OF THE INSPECTOR GENERAL ANALYSIS AND SUMMARY OF ACTIONS NECESSARY TO RESOLVE THE REPORT

The Department of Justice, Office of the Inspector General (OIG) provided a draft of this audit report to the Criminal Division and the Oklahoma Highway Patrol (OHP). The Criminal Division's response is incorporated into Appendix III and the OHP's response is incorporated into Appendix IV of this final report. The Criminal Division concurred with six of the OIG's eight recommendations. However, the Criminal Division stated in its response that it does not have sufficient information to determine whether it fully concurs with recommendations Nos. 6 and 7. As a result, the report is unresolved.

Recommendation Number:

1. **Resolved.** The Criminal Division concurred with our recommendation to ensure that the OHP maintains a detailed payroll ledger that provides information on individual payroll transactions and includes the OHP employee's name or identification number, and pay period or payment date. In response to our recommendation, on page 23 of this report, the OHP stated that it will ensure that all payroll paid from its equitable sharing fund is now recorded in a payroll ledger that details the employee and the month of payment.

   This recommendation can be closed when we receive evidence that the OHP maintains a detailed payroll ledger that provides information on individual payroll transactions and includes the OHP employee's name and the month of payment.

2. **Resolved.** The Criminal Division concurred with our recommendation to ensure that the OHP maintains separate accounting records for its DOJ equitable sharing funds. In response to our recommendation, on page 23 of this report, the OHP stated that it will ensure that a separate set of records for purchases and expenditures are maintained by the Asset Forfeiture Coordinator.

   This recommendation can be closed when we receive evidence that the OHP maintains separate accounting records for its DOJ equitable sharing funds.

3. **Resolved.** The Criminal Division concurred with our recommendation to require the OHP to reallocate $395,239 in equitable sharing interest income earned in FYs 2010 through 2012, between the DOJ and Treasury equitable sharing funds and submit amended Certification forms with the correct interest income. In response to our recommendation, on page 23 of this report, the OHP stated that the interest income will be reallocated once a new fund is established for Treasury equitable sharing funds.

   This recommendation can be closed when we receive evidence that the OHP reallocated the $395,239 in equitable sharing interest income earned in FYs 2010 through 2012, between the DOJ and Treasury equitable sharing funds and submitted amended Certification forms with the correct interest income.

4. **Resolved.** The Criminal Division concurred with our recommendation to ensure the OHP establishes a separate revenue account through the agency's finance department for its DOJ equitable sharing revenues. In response to our recommendation, on page 24 of this report, the OHP stated that a new fund for Treasury equitable sharing revenues will be established once the Oklahoma Legislature reconvenes.

   This recommendation can be closed when we receive evidence that the OHP established a separate revenue account through the agency's finance department for its DOJ equitable sharing revenues.

5. **Resolved.** The Criminal Division concurred with our recommendation to ensure the OHP maintains an inventory that easily identifies all tangible equitable sharing property, both seized and purchased. In response to our recommendation, on page 24 of this report, the OHP stated that it would ensure that an inventory log is created and maintained to list all property purchased and seized.

   This recommendation can be closed when we receive evidence that the OHP maintains an inventory log that identifies all tangible equitable sharing property, both seized and purchased.

6. **Unresolved.** The Criminal Division stated that it did not have sufficient information to determine whether it fully concurs with this recommendation but did not specify in its response to the draft report what information was needed. In an e-mail to the OIG dated August 14, 2013, the Criminal Division stated that it would work with the OIG and OHP to obtain enough information in order to provide an adequate response to this finding. In response to our recommendation,

on page 24 of this report, the OHP stated that it will ensure that procedures are established for seeking prior approval on any future capital expenditure that uses equitable sharing funds.

This recommendation remains unresolved. The OIG will work with the Criminal Division to ensure it has the information necessary to provide an adequate response to this finding.

7. **Unresolved.** The Criminal Division stated that it did not have sufficient information to determine whether it fully concurs with this recommendation but did not specify in its response to the draft report what information was needed. In an e-mail to the OIG dated August 14, 2013, the Criminal Division stated that it would work with the OIG and OHP to obtain enough information in order to provide an adequate response to this finding. In response to our recommendation, the OHP provided the following comments on unallowable expenditures.

Unallowable Expenditure No. 1: $996,088 for construction of a troop headquarters owned by the Oklahoma Turnpike Authority (OTA) and licensed to the Oklahoma Department of Public Safety (DPS).

On page 24 of this report, the OHP requested in its response that DPS be granted an exemption from the Equitable Sharing Guide provisions governing building construction on leased land. Because DPS expended equitable sharing funds to make capital improvements on property to which it has no ownership interest, these expenditures are contrary to the Equitable Sharing Guide. Further, the Equitable Sharing Guide clearly states that approval from AFMLS is required before making any capital expenditures. We were not provided documentation that such approval was requested or granted. Moreover, the Criminal Division's response to this report stated that it has not yet obtained enough information in order to provide an adequate response to this finding.

Unallowable Expenditure No. 2: $20,862 for renovation costs of a DPS facility shared by both OHP and non-law enforcement sections

In response to our recommendation, on page 25 of this report, the OHP stated that these renovations should have been a shared cost and that they would remedy the $20,862.

Unallowable Expenditure No. 3: $143,903 of fees paid to contractors performing functions unrelated to the DOJ Equitable Sharing Program

In response to our recommendation, on page 26 of this report, the OHP explained that these costs should not have been charged to the equitable sharing fund and that it would remedy the costs of $143,903.

Unallowable Expenditure No. 4: $382,623 of Salaries, benefits and overtime costs for non-law enforcement OHP personnel

In response to our recommendation, on page 26 of this report, the OHP stated that some of the $382,623 in expenses had already been reversed and that they would ensure that the remaining charges were reversed as well.

Unallowable Expenditure No. 5: $116,512 of fuel and other vehicle expenditures for DPS sections not primarily responsible for law enforcement activities.

In response to our recommendation, on page 26 of this report, the OHP disagreed with the amount of questioned costs, saying that they believed the unallowable fuel expenditures should have been $20,002.91 for various DPS divisions. OHP said that there were Troopers assigned to other divisions that were not listed with a "Troop" heading on the invoices, such as Recruitment, Command Post, Training Center, Wrecker Licensing, Homeland Security, and Highway Safety.

However, the OIG did not include in its questioned costs the fuel and other vehicle expenditures associated with the DPS Homeland Security office, Highway Safety office, Command Post, and Training Center. The OIG did question the fuel and other vehicle expenditures of the Wrecker Services Division, a civilian DPS component that is not primarily responsible for law enforcement activities and whose personnel, according to the Oklahoma DPS website, "establish and implement procedures for the licensing, supervision, administration and control of wrecker vehicles, and wrecker and towing services." We also questioned fuel and other vehicle expenditures associated with "recruitment" because a DPS component performing such a function is not primarily responsible for law enforcement activities. Furthermore, the OHP did not specify how it calculated what it believed was the $20,002.91 in unallowable fuel expenditures. Based on the available information, we continue to question this expenditure as unallowable under Equitable Sharing Guidelines.

Unallowable Expenditure No. 6: $24,899 of purchased vehicles used by non-law enforcement personnel.

In response to our recommendation, on page 26 of this report, the OHP disagreed with this recommendation, stating that it had received conflicting information regarding these vehicles, and that it had checked to see if the trucks could be assigned to the Communications & Electronics Services section and used to maintain the radio towers. OHP said "we were asked if the functions would be law enforcement related and we answered yes. The Communications & Electronics Services division reports to the law enforcement side of the agency, directly to the Assistant Commissioner." OHP said it would work with AFMLS to clarify the situation. However, the equitable Sharing Guide requires that law enforcement equipment purchased with equitable sharing funds be used by law enforcement personnel only. As a result, we continue to question this expenditure as unallowable under Equitable Sharing Guidelines.

Unallowable Expenditure No. 7: $12,546 of seized vehicles used for non-law enforcement purposes.

In response to our recommendation, on page 26 of this report, the OHP agreed that the seized semi-tractor and trailer were used for unallowable purposes, but disagreed with the questioned amount. However, the OHP did not explain why it disagreed with the OIG's calculation of the $12,546 in questioned costs, which we based on the appraised value of the semi-tractor and trailer at the time of the OHP's receipt of the equipment, and investigative agency administrative fees because the vehicle was primarily used for unallowable purposes. OHP also stated that it is now using the trailer for storage.

This recommendation, comprised of the seven unallowable expenditures described above, remains unresolved. The OIG will work with the Criminal Division to ensure it has the information necessary to provide an adequate response to this finding.

8. **Resolved.** The Criminal Division concurred with our recommendation to ensure the OHP remedy $210,216 in unsupported costs related to fuel and other vehicle related expenditures for which the OHP could not produce adequate documentation. In response to our recommendation, on page 26 of this report, the OHP stated that the documentation for the fuel purchased was given to the OIG, but the department where Troopers were assigned was not well defined. OHP stated that of the $210,216 that was questioned, only $15,841.89 is

actually unallowable and that the fund will be reimbursed for these charges.

As stated on page 12 of this report, the OIG questioned the $210,216 in fuel and other vehicle expenditures because the OHP did not provide sufficient documentation related to the equitable sharing funds used to pay for fuel and other vehicle-related expenditures totaling $210,216. As a result, we were unable to identify the DPS sections and subdivisions for which the purchases were made. Therefore, the OIG could not determine if the $210,216 fuel and other vehicle expenditures were used for allowable purposes. Furthermore, as noted in the OHP's response, they agreed that $15,841.89 of the amount questioned was used for unallowable purposes. However, the OHP did not provide documentation supporting that the remaining $194,374 was used for allowable purposes or documentation supporting how it arrived at the $15,841.89 that it believes is the actual amount of unallowable costs. As a result, we continue to question the $210,216 in unsupported costs related to fuel and other vehicle related expenditures.

This recommendation can be closed when we receive evidence that the OHP remedied the $210,216 in unsupported costs related to fuel and other vehicle related expenditures for which it could not produce adequate documentation.