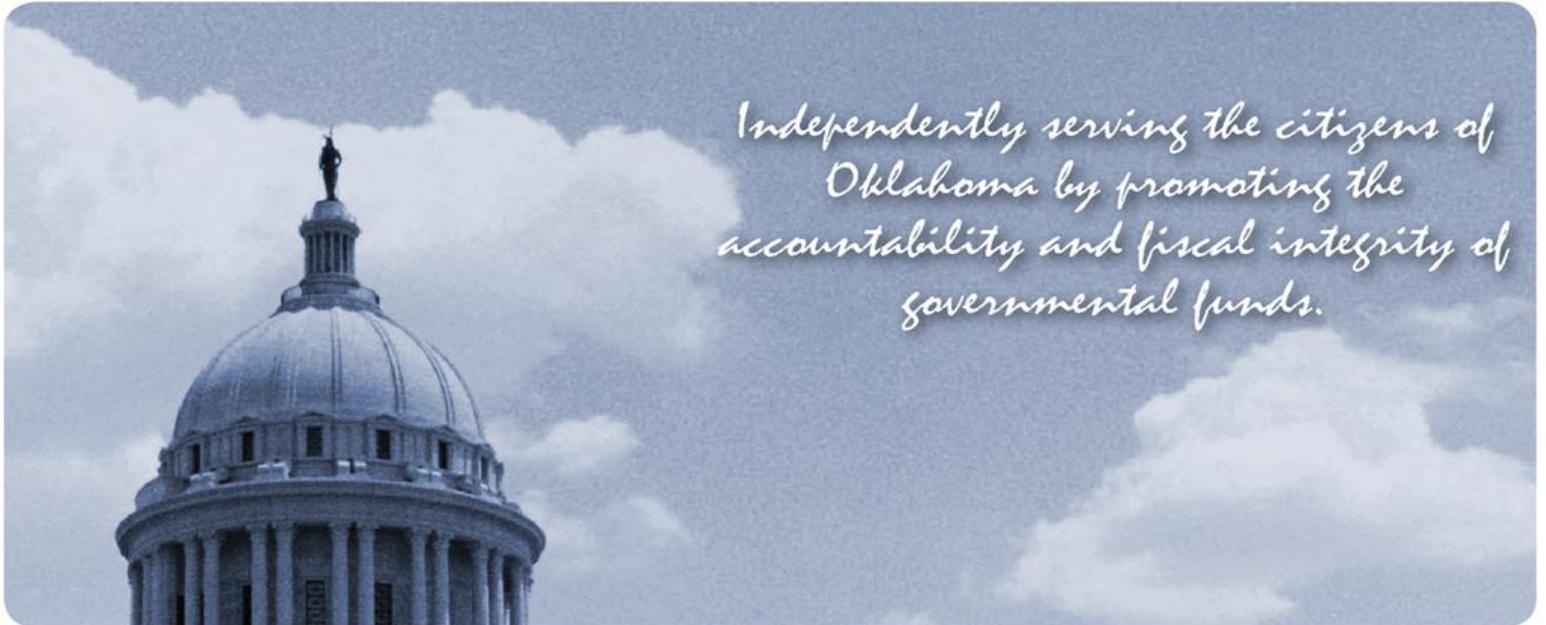


STATUTORY REPORT

**DISTRICT ATTORNEY
DISTRICT 15
BOGUS CHECK RESTITUTION PROGRAM
SUPERVISION PROGRAM
PROPERTY FORFEITURE PROGRAM**

For the period of July 1, 2011 through June 30, 2013



*Independently serving the citizens of
Oklahoma by promoting the
accountability and fiscal integrity of
governmental funds.*



Oklahoma State
Auditor & Inspector
Gary A. Jones, CPA, CFE

**LARRY MOORE, DISTRICT ATTORNEY
DISTRICT 15**

**STATUTORY REPORT
BOGUS CHECK RESTITUTION PROGRAM
SUPERVISION PROGRAM
PROPERTY FORFEITURE PROGRAM**

FOR THE PERIOD OF JULY 1, 2011 THROUGH JUNE 30, 2013

This publication, issued by the Oklahoma State Auditor and Inspector's Office as authorized by 74 O.S. § 212.E and 22 O.S. §§ 114, 991d, 991f-1.1, and 63 O.S. § 2-506 has not been printed, but is available on the agency's website (www.sai.ok.gov) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital Collection, pursuant to 74 O.S. § 3105.B.



Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

October 16, 2014

Larry Moore, District Attorney
District 15
Muskogee County Courthouse
Muskogee, Oklahoma 74401

Transmitted herewith is the statutory report for the District Attorney of District 15, Muskogee County, Oklahoma (the District) for the period of July 1, 2011 through June 30, 2013.

A report of this type is critical in nature; however, we do not intend to imply that there were not commendable features in the present accounting and operating procedures of the District.

The goal of the State Auditor and Inspector is to promote accountability and fiscal integrity in state and local government. Maintaining our independence as we provide this service to the taxpayers of Oklahoma is of utmost importance.

We wish to take this opportunity to express our appreciation for the assistance and cooperation extended to our office during our engagement.

Sincerely,

A handwritten signature in blue ink that reads "Gary A. Jones".

GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

**LARRY MOORE, DISTRICT ATTORNEY
DISTRICT 15
STATUTORY REPORT
FOR THE PERIOD OF JULY 1, 2011 THROUGH JUNE 30, 2013**

TABLE OF CONTENTS

Introductory Information ii

Statutory Report of State Auditor and Inspector 1

Schedule of Findings and Responses 3

**LARRY MOORE, DISTRICT ATTORNEY
DISTRICT 15
STATUTORY REPORT
FOR THE PERIOD OF JULY 1, 2011 THROUGH JUNE 30, 2013**

INTRODUCTORY INFORMATION

BOGUS CHECK PROGRAM

The bogus check program was created by the Oklahoma Legislature in 1982 as a special type of deferred prosecution program and every district attorney is required to operate a bogus check program. The program provides an alternative way to handle bogus check cases without any additional cost to courts, prosecutors, or the state prison system. The primary emphasis of the program is collecting restitution for the victim of the crime, rather than punishing the offender.

Bogus checks are a significant cost to business, a cost that is passed on to the consumer and paid by all citizens and taxpayers in the state. The bogus check program has been an effective way to address the economic problem caused by bogus checks. The program offers a way to address criminal conduct without sending a large number of offenders to state correctional facilities.

DISTRICT ATTORNEY SUPERVISION PROGRAM

The district attorney supervision program was created by the Oklahoma Legislature in 2005 as an alternative from supervision by the Department of Corrections. When the court imposes a deferred or a suspended sentence for any offense and does not order supervision by the Department of Corrections, the offender shall be required to pay the district attorney a monthly supervision fee. However, the legislation provides that in hardship cases, the district attorney shall expressly waive all or part of the fee.

DISTRICT ATTORNEY PROPERTY FORFEITURE PROGRAM

Most district attorneys in the state have a Property Forfeiture Fund. The fund is not subject to fiscal year limitations and is to be used for enforcement of controlled dangerous substance laws, drug abuse prevention and education, and is maintained by the District Attorney to be used at his or her discretion for those purposes. The revenues for said fund come from the proceeds of forfeited assets.

Any cash, vehicles, real property, or other assets used in the commission of or acquired as a result of a crime as described in the Uniform Controlled Dangerous Substances Act is presumed to be forfeitable.

Asset forfeiture is an effective law enforcement tool used by local district attorneys to deprive criminals of their ill-gotten gains by seizing the proceeds of criminal activity and property used to facilitate crime. The proceeds of seized, forfeited assets make a substantial contribution to the investigation and prosecution of drug related offenses.



Oklahoma State Auditor & Inspector

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Statutory Report

Larry Moore, District Attorney
District 15
Muskogee County Courthouse
Muskogee, Oklahoma 74401

For the purpose of complying with 74 O.S. § 212.E and 22 O.S. §§ 114, 991d, and 63 O.S. § 2-506, we have performed the following procedures as they relate to the records of the District Attorney's programs for the period of July 1, 2011 through June 30, 2013.

Bogus Check and Supervision Programs:

- Determine that internal controls are designed and operating over the collections and expenditures process.
- Examine fees to determine that the correct fees are assessed, receipted, and deposited in compliance with 28 O.S. § 153, 22 O.S. §§ 114, 991d, and 19 O.S. § 215.11.
- Determine whether expenditures are used to defray the expenses of the District Attorney's office in accordance with 22 O.S. §§ 114 and whether expenditures are supported by approved claims, invoices, and verification that goods or services paid for were received.
- Determine whether the District Attorney reconciles all accounts with the County Treasurer's ledgers.
- Determine whether the District Attorney prepares and submits an annual report to the District Attorneys Council that shows total deposits and total expenditures for the Bogus Check Restitution Program and Supervision Program.

Property Forfeiture Program:

- Determine that internal controls are designed and operating over the collections and expenditures process.
- Determine that the District Attorney maintains a true and accurate inventory of all property seized in accordance with 63 O.S. § 2-506.K.
- Review sale documentation for selected cases to determine whether forfeited assets were sold after due notice at public auction to the highest bidder in accordance with 63 O.S. §§ 2-506 and 2-508.
- Review the distribution of proceeds to determine the distribution was in accordance with court orders pursuant to 63 O.S. §§ 2-506.K and 2-508.
- Test expenditures to determine they are supported by approved claims, invoices, and independent verification that goods or services paid for were received.

- Determine if the District Attorney prepared and submitted an annual report to the District Attorneys Council showing the total deposits, total expenditures, beginning and ending balances in accordance with 63 O.S. § 2-506.L.3.
- Determine if the District Attorney reconciles account balances with the County Treasurer.

All information included in the financial records of the bogus check restitution program, supervision program, restitution and diversion program, and the property forfeiture program are the representation of the District Attorney for their respective district.

Our engagement was limited to the procedures performed above and was less in scope than an audit performed in accordance with auditing standards generally accepted in the United States of America. Accordingly, we do not express an opinion on any basic financial statement of Muskogee County.

Based on our procedures performed, we have presented our findings in the accompanying schedule.

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

A handwritten signature in blue ink, appearing to read "Gary A. Jones".

GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

July 15, 2014

**LARRY MOORE, DISTRICT ATTORNEY
DISTRICT 15
STATUTORY REPORT
FOR THE PERIOD OF JULY 1, 2011 THROUGH JUNE 30, 2013**

SCHEDULE OF FINDINGS AND RESPONSES

Finding-1 – Inadequate Segregation of Duties – Bogus Check Restitution, Supervision, and DA Property Forfeiture Accounts

Condition: The following are instances of the lack of segregation of duties in personnel within District Attorney accounts:

A lack of segregation of duties exists in the procedural process of the Property Forfeiture Program (DA Law Enforcement and DA Evidence Seizure accounts). One employee receives money, prepares expenditures, and issues vouchers for both accounts. In addition, the same employee maintains ledgers, reconciles monthly to the County Treasurer, and prepares the annual reports. No one other than the preparer reviews the monthly reconciliations and annual report for accuracy.

A lack of segregation of duties exists in the procedural process of the Supervision Fee Program. An employee receives payments and prepares the deposits. No one other than the preparer reviews the deposits for accuracy. In addition, one employee prepares expenditures, maintains ledgers, reconciles monthly to the County Treasurer, and prepares the annual report. No one other than the preparer reviews the monthly reconciliations and annual report for accuracy.

Cause of Condition: Procedures have not been designed and implemented to properly separate key accounting functions.

Effect of Condition: A single person having responsibility for more than one area of recording, authorization, custody of assets, and execution of transactions could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.

Recommendation: The Oklahoma State Auditor & Inspector's Office (OSAI) recommends management be aware of these conditions and realize that concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective controls lie in management's overseeing of office operations and a periodic review of operations. OSAI recommends management provide segregation of duties so that no one employee is able to perform all accounting functions. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and /or critical functions of the office, and having management review and approval of accounting functions.

Management Response:

- The condition of lack of segregation of duties for the Property Forfeiture Program has been caused by the lack of personnel and requisition experience/training. All efforts will be taken to

**LARRY MOORE, DISTRICT ATTORNEY
DISTRICT 15
STATUTORY REPORT
FOR THE PERIOD OF JULY 1, 2011 THROUGH JUNE 30, 2013**

establish a policy and procedure to require another employee other than the person that prepares the reconciliations and annual reports to review this documentation for accuracy.

- The condition of lack of segregation of duties for the Supervision Fee Program has been caused by the lack of personnel and requisition experience/training. All efforts will be taken to establish a policy and procedure to require another employee other than the person that prepares the reconciliations and annual reports to review this documentation for accuracy.

Criteria: Demonstration of accountability and stewardship are goals used in evaluating management's accounting for funds. A basic component of adequate internal controls is the segregation of duties so that one individual cannot perpetuate and conceal errors and irregularities in the normal course of his/her duties. To help ensure a proper accounting of funds and strong internal controls, the duties of receiving, receipting, recording, and depositing cash and checks should be separated among employees.

Finding-2 – Internal Control Environment - Written Policies and Procedures for Bogus Check Restitution, and Supervision Fee Programs

Condition: As part of our review of District Attorney accounts and records, we tested receipts, disbursements and cash balances. The District Attorney does not have written policies and procedures and/or has not designed and implemented internal controls for the safeguarding and reporting of program funds. As a result, we noted the following deficiencies:

Information Technology

- Employees are not required to log out of the system when leaving their workstation.
- Override or write-off reports are not reviewed periodically for unusual activity.
- A time-out security measure has not been assigned in the system.
- IT software audit reports are not reviewed for voided, altered, or deleted receipts.
- Employees receiving payments are able to delete/void payments without prior approval.

Bogus Check Restitution Program

- 3 of the 10 expenditures tested did not have any indication that goods and/or services had been received. (i.e., receiving reports, etc.)

Supervision Fee Program

- 1 of the 10 Supervision payments tested was not deposited daily.
- 3 of the 10 expenditures tested did not have any indication that goods and/or services had been received. (i.e., receiving reports, etc.)

Cause of Condition: The District Attorney's office does not have formal policies in place establishing procedures for collections, disbursements, and financial reporting for the Bogus Check Restitution and Supervision Fee accounts.

**LARRY MOORE, DISTRICT ATTORNEY
DISTRICT 15
STATUTORY REPORT
FOR THE PERIOD OF JULY 1, 2011 THROUGH JUNE 30, 2013**

Effect of Condition: These conditions could result in employee error for the reporting and documentation of the collection of payments, defendant file maintenance, restitution payments, expenditure transactions, and the accounting of funds. In addition, these conditions could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of funds.

Recommendation: OSAI recommends that management adopt written policies and procedures for the accounting of program funds and the maintenance of client files. Implementing this recommendation would ensure that all employees are aware of their duties and responsibilities and that each program is properly accounted for and is in compliance with applicable laws and regulations. Such policies should include the following:

- Guidelines for applying restitution payments to District Attorney fees and remitting restitution payments to merchants/victims. (i.e., merchants/victims are paid restitution before District Attorney fees are collected, etc.)
- Guidelines for the disposition of monies in an account when a merchant cannot be located.
- Guidelines for the oversight of the daily collection process and the deposit of funds.
- Guidelines for the oversight of monthly reconciliations to the County Treasurer's account balances.
- Guidelines for the process of approval and documentation of account expenditures.
- Guidelines for the assignment of IT software administrative rights to an individual not directly associated with the day to day accounting processes.
- Guidelines for the administrative approval and review of IT software deletions, voids, and write-off activity.

Furthermore, we recommend management identify, analyze, and manage risks. Management should also assess the quality and effectiveness of the organizations internal control process over time and implement appropriate controls and oversight of each programs daily transactions and recordkeeping. This will ensure that management has taken the necessary steps in safeguarding the department's assets.

Management Response:

Information Technology

- DAC IT has added a "lock-out" function to each computer which after at least 15 minutes it will automatically "lock-out" and require the user to log back on. This has been implemented so that only the user has access to the computer.
- The new computer software has recently been added for financials and Financial Adjusting Entry/Voided Payments are relatively new procedures. The Financial Adjusting Entry/Voided Payments report has been created for the software and is currently being reviewed at the beginning of the month by the Administrative Assistant to check for accuracy and retained for auditing purposes.
- A 15 minute automatic "lock-out" has been implemented through the IT personnel at DAC.

**LARRY MOORE, DISTRICT ATTORNEY
DISTRICT 15
STATUTORY REPORT
FOR THE PERIOD OF JULY 1, 2011 THROUGH JUNE 30, 2013**

- The Financial Adjusting Entry/Voided Payments report is currently being reviewed monthly by the Administrative Assistant to check for accuracy and retained for auditing purposes.
- A log of all voids/adjustments has been created and will be used to compare to the monthly Financial Adjusting Entry/Voided Payments report by the Administrative Assistant.

Bogus Check Restitution Program

- It is normal practice to have an employee to sign for goods and/or services when delivered/received. However, sometimes due to lack of personnel available when a delivery is made this is not always a possibility which could be the reason for these few expenditures that were tested that do not have a signature for receipt of goods and/or services. It has now been implemented that any goods and/or services received for Bogus Check Office will be signed for by DA Investigator or DA Supervision personnel or an employee in the office other than the person ordering or paying for goods and/or services to verify receipt of goods and/or services, if this includes monthly recurring services the employee responsible for Accounts Payable will authorize.

Supervision Fee Program

- Typically during leave and new employee training there are limited staff members within the Supervision Department and are not able to prepare the deposit daily, although our office strives to make this happen it is not always the case. Oklahoma State Statute Title 19 Section 215.11 requires deposits to be done within 10 days of receipt of money. The days being referred to were during a transition/training period of staff.
- It is normal practice to have an employee to sign for goods and/or services when delivered/received. However, sometimes due to lack of personnel available when a delivery is made this is not always a possibility which could be the reason for these few expenditures that were tested that do not have a signature for receipt of goods and/or services. It has now been implemented that any goods and/or services received for the office will be signed for by an employee in the office other than the person ordering or paying for goods and/or services to verify receipt of goods and/or services, if this includes monthly recurring services the employee responsible for Accounts Payable will authorize.

Criteria: Basic components of effective internal controls include ensuring written policies and procedures for performing essential duties are adequately documented to ensure compliance with laws and regulations, to facilitate efficient transition of duties when changes in personnel occur, and to obtain supporting documentation for transactions and items affecting management decisions.

Finding 3 – Internal Control Environment - Written Policies and Procedures for District Attorney Drug Fund (Property Forfeiture)

Condition: As part of our review of District Attorney accounts and records, we tested receipts, disbursements and cash balances. The District Attorney has established written policies with local

**LARRY MOORE, DISTRICT ATTORNEY
DISTRICT 15
STATUTORY REPORT
FOR THE PERIOD OF JULY 1, 2011 THROUGH JUNE 30, 2013**

agencies but does not have written procedures and/or has not designed and implemented internal controls for the safeguarding and reporting of program funds. As a result, we noted the following deficiencies:

- 5 of the 5 expenditures tested did not have any indication that goods and/or services had been received. (i.e., receiving report, etc.)
- 1 of the 5 expenditures tested did not have an invoice attached to validate the expense.

Cause of Condition: The District Attorney's office does not have formal policies in place establishing procedures for collections, disbursements, and the financial reporting for the Property Forfeiture Program accounts.

Effect of Condition: These conditions could result in employee error for the reporting and documentation of the collection of payments, defendant file maintenance, restitution payments, expenditure transactions, and the accounting of funds. In addition, these conditions could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of funds.

Recommendation: OSAI recommends that management adopt written policies and procedures for the accounting of program funds and the maintenance of files. Implementing this recommendation would ensure that all employees are aware of their duties and responsibilities and that the program is properly accounted for and is in compliance with applicable laws and regulations. Such policies should include the following:

- Guidelines for the oversight and documentation of case file maintenance and status of forfeited inventory.
- Guidelines for the oversight of monthly reconciliations to the County Treasurer's account balances.
- Guidelines for the process of approval and documentation of account expenditures.

Furthermore, we recommend management identify, analyze, and manage risks. Management should also assess the quality and effectiveness of the organizations internal control process over time and implement appropriate controls and oversight of each programs daily transactions and recordkeeping. This will ensure that management has taken the necessary steps in safeguarding the department's assets.

Management Response:

- It is normal practice to have an employee to sign for goods and/or services when delivered/received. However, sometimes due to lack of personnel available when a delivery is made this is not always a possibility which could be the reason for these few expenditures that were tested that do not have a signature for receipt of goods and/or services. It has now been implemented that any goods and/or services received for the office will be signed for by an employee in the office other than the person ordering or paying for goods and/or services to

**LARRY MOORE, DISTRICT ATTORNEY
DISTRICT 15
STATUTORY REPORT
FOR THE PERIOD OF JULY 1, 2011 THROUGH JUNE 30, 2013**

verify receipt of goods and/or services, if this includes monthly recurring services the employee responsible for Accounts Payable will authorize.

- It is typically routine practice to have an invoice before any payment can be made however it should be noted that this one occasion is a result of an oversight. It has been reiterated that an invoice will be presented before any payments will be made.

Criteria: Basic components of effective internal controls include ensuring written policies and procedures for performing essential duties are adequately documented to ensure compliance with laws and regulations, to facilitate efficient transition of duties when changes in personnel occur, and to obtain supporting documentation for transactions and items affecting management decisions.

Finding 4 – Annual Reports

Condition: As part of our review of District Attorney Programs, we ensure that amounts on annual reports reconcile with the County Treasurer’s balances, and are accurately reflected in the amounts submitted to the District Attorneys Council (DAC). From our review, the following discrepancies were noted:

- At June 30, 2013, the beginning balance, total collections, and ending balance for the Supervision Fee annual report did not reconcile with the County Treasurer in the amounts of \$20.00, \$1,370.00 and \$1,370.00, respectively.
- At June 30, 2012, the amounts for “collected for victims” and “paid to victims” for the Bogus Check Restitution annual report, were overstated by including DA fees, in the amount of \$109,274.14.

Cause of Condition: When preparing the annual report, program ledger balances were not reconciled to the County Treasurer’s balances to ensure accuracy. In addition, annual reports are reviewed by no one other than the preparer to ensure amounts reported are accurate.

Effect of Condition: These conditions resulted in inaccurate annual reporting of expenditure, income, and account balances submitted to the District Attorney’s Council (DAC) for program fund activity.

Recommendation: OSAI recommends that management adopt written policies and procedures for the accounting and reporting of program funds. Implementing this recommendation would ensure that all employees are aware of their duties and responsibilities and that the program is properly accounted for and is in compliance with applicable laws and regulations. Such policies should include the following:

- Guidelines for the oversight of monthly reconciliations to the County Treasurer’s account balances.
- Guidelines for accurate reporting of annual reports and the review process.

**LARRY MOORE, DISTRICT ATTORNEY
DISTRICT 15
STATUTORY REPORT
FOR THE PERIOD OF JULY 1, 2011 THROUGH JUNE 30, 2013**

Management Response:

- The annual report for the Supervision Fee Account as of June 30, 2013 did not reconcile due to a calculation error. This report has been amended and reconciled.
- The annual report for the Bogus Check Restitution as of June 30, 2012 did not reconcile due to a calculation error and was not amended due to the lapse of time once the error was discovered; however these figures were corrected when the annual report of June 30, 2013 was prepared.

Criteria: Basic components of effective internal controls include ensuring written policies and procedures for performing essential duties are adequately documented to ensure compliance with laws and regulations, to facilitate efficient transition of duties when changes in personnel occur, and to obtain supporting documentation for transactions and items affecting management decisions.

Finding 5 – Unclaimed Bogus Check Restitution

Condition: Balances for the Bogus Check Restitution (Merchant) account had outstanding balances at June 30, 2013. This is a cumulative amount as a result of vouchers not cashed by merchants and subsequently cancelled. They are as follows:

- Bogus Check Merchant outstanding balances at June 30, 2013 totaling \$26,558.96 could not be identified.

Cause of Condition: The District Attorney's office does not have formal policies establishing procedures to ensure that returned or unpaid vouchers are examined to determine the current status of the merchant for the re-issuance of the restitution.

Effect of Condition: This condition resulted in the restitution fund not being properly cleared.

Recommendation: OSAI recommends that management research and determine the location of the merchants so that restitution can be properly remitted. Management should then contact the proper agency for further direction to determine the manner in which the remaining unidentified balance should be distributed.

Management Response:

- This Bogus Check Restitution (Merchant) outstanding balance has been accruing for a period of time. We are currently reviewing and attempting to locate these merchants in order to disburse these monies. This office has recently added a formal policy for procedures to disburse these funds within the Bogus Check Guidelines in accordance with state guidelines.

**LARRY MOORE, DISTRICT ATTORNEY
DISTRICT 15
STATUTORY REPORT
FOR THE PERIOD OF JULY 1, 2011 THROUGH JUNE 30, 2013**

Criteria: Basic components of effective internal controls include ensuring written policies and procedures for performing essential duties are adequately documented to ensure compliance with laws and regulations, to facilitate efficient transition of duties when changes in personnel occur, and to obtain supporting documentation for transactions and items affecting management decisions.



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