



# DISTRICT ATTORNEY DISTRICT 16

## Statutory Report

For the period of July 1, 2018 through June 30, 2020

**Cindy Byrd, CPA**  
State Auditor & Inspector

**JEFF SMITH, DISTRICT ATTORNEY  
DISTRICT 16**

**STATUTORY REPORT  
BOGUS CHECK RESTITUTION PROGRAM  
DRUG ASSET FORFEITURE PROGRAM  
SUPERVISION PROGRAM  
SUPERVISION 991 PROGRAM**

**FOR THE PERIOD OF JULY 1, 2018 THROUGH JUNE 30, 2020**



Cindy Byrd, CPA | State Auditor & Inspector

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November 17, 2021

Jeff Smith, District Attorney  
District 16  
LeFlore County Courthouse  
Poteau, Oklahoma 74953

Transmitted herewith is the statutory report for the District Attorney of District LeFlore and Latimer County, Oklahoma (the District) for the period of July 1, 2018 through June 30, 2020.

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 "Cindy Byrd". The signature is fluid and cursive, with the first and last names clearly legible.

CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR



**JEFF SMITH, DISTRICT ATTORNEY  
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**INTRODUCTORY INFORMATION**

**BOGUS CHECK RESTITUTION 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 program offers a way to address criminal conduct without sending a large number of offenders to state correctional facilities.

**DISTRICT ATTORNEY DRUG ASSET FORFEITURE PROGRAM**

The drug asset forfeiture program was created by the Oklahoma Legislature in 1971. 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.

**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 SUPERVISION 991 PROGRAM**

The district attorney supervision 991 program was created by the Oklahoma Legislature in 2013. If the offender is *not* ordered supervision by the district attorney (as described above) “the offender shall be required to pay a fee to the district attorney’s office during the first two (2) years of probation to compensate the district for the costs incurred during the prosecution of the offender and for the additional work of verifying the compliance of the offender with the rules and conditions of his or her probation”. However, the legislation provides the district attorney may waive any part of this requirement in the best interests of justice.

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For the purpose of complying with 74 O.S. § 212.E and 22 O.S. §§ 114, 991d, 991a (hh), 991.f-1.1, and 63 O.S. §§ 2-506 and 2-901, we have performed the following procedures as they relate to the records of the District Attorney's programs for the period of July 1, 2018 through June 30, 2020.

### Bogus Check Restitution, Supervision, and Supervision 991:

- Determine that internal controls are designed and operating over the collections and disbursement 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, 991a (hh), and 19 O.S. § 215.11.
- Determine whether disbursements are used to defray the expenses of the District Attorney's office in accordance with 22 O.S. §§ 114, 991d, and 991a (hh) and whether disbursements are supported by approved claims, invoices, and verification that goods or services paid for were received.
- Determine whether the District Attorney reconciles accounts with the County Treasurer's ledgers.
- Determine whether the District Attorney prepares and submits an annual report to the District Attorneys Council that reflects total collections and total disbursements for the Bogus Check Restitution Program, Supervision Program, and Supervision 991 Program.

### Drug Asset Forfeiture Program:

- Determine that internal controls are designed and operating over the collections and disbursement 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 a 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 disbursements to determine they are supported by approved claims, invoices, and independent verification that goods or services paid for were received.
- Determine whether the District Attorney prepares and submits an annual report to the District Attorneys Council reflecting the total collections, total disbursements, 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, supervision 991 program, and the drug asset 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 LeFlore or Latimer 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 District management. However, this report is a matter of public record and its distribution is not limited.



CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR

September 13, 2021

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**SCHEDULE OF FINDINGS AND RESPONSES**

**Finding 2020-001 – Lack of Segregation of Duties – Bogus Check Restitution, Supervision Fee, 991 Fee, Victim Restitution, and Drug Asset Forfeiture Programs (Repeat Finding)**

**Condition:** Upon inquiry of the District Attorney's office staff and observation of records, the following instances of the lack of segregation of duties in personnel were noted:

**LeFlore County**

A lack of segregation of duties continues to exist in the procedural process of the Bogus Check Restitution (Merchant and DA Fees), Supervision Fee, Supervision 991 Fee, and Victim Restitution Programs. One employee receives and enters payments, prepares and delivers the deposit, prepares and issues disbursements, maintains subsidiary ledgers, performs monthly reconciliations, and prepares the annual report. No one other than the preparer reviews the deposits or reconciliations to ensure accuracy of the amounts reconciled.

**Latimer County**

A lack of segregation of duties exists in the procedural process of the Drug Asset Forfeitures and Seizures Program (DA Controlled Substance and DA Seizure). One employee receives payments, prepares and delivers the deposit, prepares disbursements, and maintains subsidiary ledgers. No one independent of these processes reviews account activity for completeness and accuracy.

**Cause of Condition:** Policies and procedures have not been fully designed and adequately 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 and Inspector's Office (OSAI) recommends the District Attorney 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 the District Attorney's overseeing of office operations and a periodic review of operations. OSAI recommends the District Attorney provide segregation of duties so that no one employee can perform all accounting functions. If 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 as follows:

The District Attorney staff should provide evidence of review and approval of accounting functions including:



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- Someone other than the preparer reviewing documents,
- Initialing and dating the review of deposits,
- Re-performing and reviewing reconciliations, and
- Initialing and dating the review of deposit summaries, monthly reports and annual reports.

**Management Response:**

**District Attorney:** I understand the finding of non-segregation of duties. We continue to address this issue to the best of our ability, given the time, number of staff, and financial resources at our disposal. We will attempt to implement the recommended changes to the satisfaction of OSAI.

**Criteria:** The United States Government Accountability Office's *Standards for Internal Control in the Federal Government* (2014 version) aided in guiding our assessments and conclusion. Although this publication (GAO Standards) addresses controls in the federal government, this criterion can be treated as best practices and may be applied as a framework for an internal control system for state, local, and quasi-governmental entities.

The GAO Standards – Principle 10 – Design Control Activities – 10.03 states in part:

*Segregation of duties*

Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions and handling any related assets so that no one individual controls all key aspects of a transaction or event.

Additionally, Principle 10 – Segregation of Duties states:

10.12 – Management considers segregation of duties in designing control activity responsibilities so that incompatible duties are segregated and, where such segregation is not practical, design alternative control activities to address the risk.

10.13 – Segregation of duties helps prevent fraud waste and abuse in the internal control system. Management considers the need to separate control activities related to authority, custody, and accounting operations to achieve adequate segregation of duties. In particular, segregation of duties can address the risk of management override. Management override circumvents existing control activities and increases fraud risk. Management addresses this risk through segregation of duties but cannot absolutely prevent it because of the risk of collusion, where two or more employees act together to commit fraud.

10.14 – If segregation of duties is not practical an operational process because of limited personnel or other factors, management designs alternative control activities to address the risk of fraud, waste or abuse in the operational process.

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**Finding 2020-002 – Lack of Internal Controls Over Written Policies and Procedures for Information Technology and Timely Deposits (Repeat Finding)**

**Condition:** The District Attorney's office has established written policies and procedures for internal controls and the safeguarding and reporting of program funds. However, some deficiencies were noted in certain areas, which include the following:

**LeFlore County**

***Information Technology***

- Employees can delete or void payments without prior approval.
- Voided receipts, deletions, and write-off reports are not reviewed periodically.
- A time out security measure has not been assigned in the system nor are employees required to log out of the system when leaving their workstation.

***Bogus Check Restitution Program***

- The test of deposits for five (5) days reflected two (2) to four (4) days had lapsed before payments were deposited with the County Treasurer, resulting in funds not being deposited in a timely manner.

***Supervision Fee Program***

- The test of deposits for five (5) days reflected two (2) to four (4) days had lapsed before payments were deposited with the County Treasurer, resulting in funds not being deposited in a timely manner.

***991 Fee Program***

- The test of deposits for five (5) days reflected two (2) to six (6) days had lapsed before payments were deposited with the County Treasurer, resulting in funds not being deposited in a timely manner.

***Victim Restitution Program***

- The test of deposits for five (5) days reflected two (2) to six (6) days had lapsed before payments were deposited with the County Treasurer, resulting in funds not being deposited in a timely manner.

**Cause of Condition:** The District Attorney's office policies and procedures have not been completely implemented by personnel to ensure that all payments received by the District are processed, documented, and deposited in a timely manner and to safeguard against unauthorized access to computer data, defendant file maintenance and financial misappropriation of funds.

**Effect of Condition:** These conditions could result in unauthorized access to financial information and employee error in the reporting. Further, the lapse in timely deposit of funds collected could result in misappropriation of funds and errors in financial reporting for each program.

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**Recommendation:** OSAI recommends that the District Attorney’s staff adopt and completely implement 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 the administrative approval and review of IT software deletions, voids, and write-off activity.
- Guidelines for system security and system inactivity management.
- Guidelines for the oversight of the daily collection process and the depositing of funds with the County Treasurer.

Furthermore, we recommend the District Attorney identify, analyze, and manage risks. The District Attorney should also assess the quality and effectiveness of the organization’s internal control process over time and implement appropriate controls and oversight of each program’s daily transactions and recordkeeping. This will ensure that the District Attorney and staff have taken the necessary steps in safeguarding the District assets.

**Management Response:**

**District Attorney:** I understand the findings of OSAI in this regard. While we have policies and procedures in place, we will attempt to implement them in a manner closer in line to the recommendation of OSAI.

**Criteria:** The GAO Standards – Section 2 – Objectives of an Entity - OV2.23 states in part:

*Compliance Objectives*

Management conducts activities in accordance with applicable laws and regulations. As part of specifying compliance objectives, the entity determines which laws and regulations apply to the entity. Management is expected to set objectives that incorporate these requirements. Some entities may set objectives to a higher level of performance than established by laws and regulations.

The GAO Standards – Principle 16 – Perform Monitoring Activities – 16.05 states:

*Internal Control System Monitoring*

Management performs ongoing monitoring of the design and operating effectiveness of the internal control system as part of the normal course of operations. Ongoing monitoring includes regular management and supervisory activities, comparisons, reconciliations, and other routine actions. Ongoing monitoring may include automated tools, which can increase objectivity and efficiency by electronically compiling evaluations of controls and transactions.



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