

STATUTORY REPORT

# DISTRICT ATTORNEY DISTRICT 2

**BOGUS CHECK RESTITUTION PROGRAM, SUPERVISION  
PROGRAM, RESTITUTION AND DIVERSION PROGRAM,  
PROPERTY FORFEITURE PROGRAM**

For the period of July 1, 2009 through June 30, 2011



*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

**DENNIS SMITH, DISTRICT ATTORNEY  
DISTRICT 2**

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

**FOR THE PERIOD  
JULY 1, 2009 THROUGH JUNE 30, 2011**

---

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](http://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

August 13, 2012

Dennis Smith, District Attorney  
District 2  
Custer County Courthouse  
Arapaho, Oklahoma 73620

Transmitted herewith is the statutory report for the District Attorney of District 2, Beckham, Custer, Ellis, Roger Mills, and Washita Counties, Oklahoma (the District) for the period July 1, 2009 through June 30, 2011.

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, reading "Gary A. Jones". The signature is fluid and cursive, with a long horizontal stroke at the end.

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

**DENNIS SMITH, DISTRICT ATTORNEY  
DISTRICT 2  
STATUTORY REPORT  
FOR THE PERIOD JULY 1, 2009 THROUGH JUNE 30, 2011**

---

---

**TABLE OF CONTENTS**

Introductory Information .....	ii
Statutory Report of State Auditor and Inspector .....	1
Schedule of Findings and Responses .....	3

**DENNIS SMITH, DISTRICT ATTORNEY  
DISTRICT 2  
STATUTORY REPORT  
FOR THE PERIOD JULY 1, 2009 THROUGH JUNE 30, 2011**

---

---

**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.

**RESTITUTION AND DIVERSION PROGRAM**

The restitution and diversion program was created by the Oklahoma Legislature in 2001 as a special type of deferred prosecution program. The legislation required that each district attorney create such a program. The purpose of the program is to allow the district attorney the discretion to divert criminal complaints involving property crimes from criminal court and to collect restitution for victims.

The program allows the district attorney's office to receive, disburse, and monitor victim restitution payments. The program offers an alternative way to address criminal conduct.

**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.

**DENNIS SMITH, DISTRICT ATTORNEY  
DISTRICT 2  
STATUTORY REPORT  
FOR THE PERIOD JULY 1, 2009 THROUGH JUNE 30, 2011**

---

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

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

## Statutory Report

Dennis Smith, District Attorney  
District 2  
Custer County Courthouse  
Arapaho, Oklahoma 73620

For the purpose of complying with 74 O.S. § 212.E and 22 O.S. §§ 114, 991d, 991f-1.1, 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 July 1, 2009 through June 30, 2011.

### Bogus Check, Supervision, and Restitution and Diversion 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, 991f-1.1, 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 991f-1.1, and whether expenditures are supported by approved claims, invoices, and verification that goods or services paid for are 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, the Supervision Program, and Restitution and Diversion 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 Beckham, Custer, Ellis, Roger Mills, or Washita 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", with a long horizontal flourish extending to the right.

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

June 14, 2012



**DENNIS SMITH, DISTRICT ATTORNEY  
DISTRICT 2  
STATUTORY REPORT  
FOR THE PERIOD JULY 1, 2009 THROUGH JUNE 30, 2011**

---

**SCHEDULE OF FINDINGS AND RESPONSES**

**Finding 2011-1—Bogus Check and Supervision Program Internal Controls over the Computer System**

**Condition:** Upon discussion with the District Attorney’s staff and observation of the internal controls over the District’s computer system, we noted the following weaknesses in the security of the system:

1. Employees are not required to periodically change their Bounce Back system passwords.
2. A time out security measure has not been assigned in the system to users.
3. Employees are not required to log out of the system when leaving their workstation.
4. One employee makes corrections to the Bounce Back entries and overrides the system to make changes without documented approval and adequate supervision.
5. Error logs are not used by the staff.
6. An override report and write-off report are not being printed and reviewed by someone other than the preparers on a regular basis.

**Cause of Condition:** Log-on controls are initiated for new employees at the office level for all computer start up; however, the Bounce Back system does not incorporate controls to log-on to the system. Other security features have not been implemented by the staff.

**Effect of Condition:** Because other employees can access the computers without proper log-on passwords, an opportunity for errors and misappropriation of assets exists. When only one employee is designated to make corrections, the corrections may not be made timely, or misappropriation of funds could occur. Override of the system by one employee, without proper approval, could also lead to misappropriation of funds.

**Recommendation:** OSAI recommends management be aware of these conditions and realize that additional controls are needed to engage the Bounce Back software to ensure the credibility of accounting functions. Additionally, the District should train another employee to make corrections to the Bounce Back system and adequate documented approval of these corrections should be maintained.

**Management Response:**

1. Passwords for the BounceBack system are changed every 120 days.
2. There is no time out function associated with the BounceBack system.
3. Our employees do not log out when they leave their computers.

**DENNIS SMITH, DISTRICT ATTORNEY  
DISTRICT 2  
STATUTORY REPORT  
FOR THE PERIOD JULY 1, 2009 THROUGH JUNE 30, 2011**

---

4. Doris Gaines is the only employee who makes corrections in BounceBack. Any issues are discussed with the Finance Director, Jordan Mosburg. Notes are not being made as to why corrections, such as PV (pay victim) or WO (write off), are done, and these notes are now being filed by the month in which they occurred.
5. We have contacted other districts to find out what exactly an “error log” is. Some districts run a Deletions Journal on a daily basis. Our district was not aware that this report existed or needed to be run, as it had never been addressed by any prior auditor. Had we been aware, these reports would have been available. We are now running the deletions journal daily, and they are filed monthly.
6. Our district was not aware of the override/write off report. We have contacted a BounceBack representative and now know how to run this report. The report is now being run; the reason for the override is noted and attached to the report. These reports are also being filed by the month. These reports had also never been addressed by any prior auditor. Had we been aware of these reports, and the documentation required, we would have had the reports and documentation available.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, transactions should be identifiable by employee and corrections should be adequately approved and documented.

**Finding 2011-2—Bogus Check Restitution Program Fund, Supervision, and Restitution and Diversion Programs Monthly and Annual Reports**

**Condition:** The Bogus Check Restitution Program Fund, Supervision, and Restitution and Diversion Programs monthly reports and annual reports submitted to the District Attorneys Council are prepared using an Excel spreadsheet prepared by the District Attorney’s office. The Bounce Back system reports are not being printed to enable the reports to be reconciled to either the Excel worksheet or to the Custer County Treasurer’s reports, which resulted in inaccurate financial reports.

**Cause of Condition:** Procedures have not been developed to ensure that reconciling the income and expenses with the Custer County Treasurer occurs on a monthly basis. In addition, the reports do not appear to be reviewed to ensure accuracy of the amounts reported.

**Effect of Condition:** This condition resulted in inaccurate financial reports.

**Recommendation:** OSAI recommends the District Attorney implement procedures to reconcile both monthly internal reports generated through Bounce Back and annual reports submitted to the District Attorneys Council with the Custer County Treasurer to provide assurance that accounting information is accurate.

**Management Response:** Our district had never utilized monthly reports available through the BounceBack system. These reports have now been run for FY 10, FY 11 and FY 12. A BounceBack

**DENNIS SMITH, DISTRICT ATTORNEY  
DISTRICT 2  
STATUTORY REPORT  
FOR THE PERIOD JULY 1, 2009 THROUGH JUNE 30, 2011**

---

representative came out to our location to discuss these reports with the Finance Director and demonstrated how they can be utilized to reconcile accounts. However; because daily deposits are made between 2 p.m. and 3 p.m., it is highly likely that the reports will be inaccurate. This is because a person could come in and make a payment after the deposit is made on the last day of the month. The payment would be locked in safe keeping until the following business day, and it would be included in that day's deposit. These "late in the day" payments would be reflected on the reports, but not on our monthly deposit totals. We are looking into an addendum to possibly run with the monthly reports that would include those late payments. We hope this will eliminate the inaccuracy of the monthly reports from BounceBack as compared to the Treasurer's ledger.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. An important aspect of internal controls is the safeguarding of assets. Internal controls over safeguarding of assets constitute a process, affected by management and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from misappropriation.

**Finding 2011-3—Inadequate Controls over Staff Training with Regard to the Computer Software for the Bogus Check, Restitution and Diversion, and Supervision Programs**

**Condition:** Upon observation and inquiry of staff, we noted the following weaknesses in the training of the District Attorney staff as follows:

- Voided receipts are being printed, but not retained to maintain the integrity of sequential payment numbers.
- The Correction/Error report is not printed and reviewed to ensure all corrections are justified.
- Cancelled vouchers are not posted back to the defendant's case file.
- Reports are not being printed and utilized to reconcile outstanding cases at the end of the year to the total dollar balance reported by the County Treasurer.

**Cause of Condition:** Written procedures have not been designed and implemented with regard to data or the reporting processes available for staff in the Bounce Back system.

**Effect of Condition:** These conditions could result in inaccurate records and monitoring reports not being utilized.

**Recommendation:** OSAI recommends the District implement policies and procedures to ensure all employees receive proper training with regard to computer software.

**Management Response:** Voided receipts are now being printed and retained. The correction/error report is now being printed, reviewed and retained.

**DENNIS SMITH, DISTRICT ATTORNEY  
DISTRICT 2  
STATUTORY REPORT  
FOR THE PERIOD JULY 1, 2009 THROUGH JUNE 30, 2011**

---

We are in the process of reentering cancelled vouchers into BounceBack. The BounceBack representative provided training in our office as to how to achieve this in the most effective manner.

There is no available report in the BounceBack system that would provide the information regarding outstanding cases at the end of the fiscal year. There is a report available, which shows the amount available to be disbursed and this could be used instead. The BounceBack representative informed our office that the annual BounceBack report is not entirely accurate in terms of the total amount collected, disbursed to victims, etc. This is due to the way the program functions. For example, once a defendant pays off his fees, the fees are credited in the year the case is satisfied. Therefore, if a defendant made one payment in 2010 and paid off the case in 2011, the 2010 payment would be credited to 2011's totals.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. An important aspect of internal controls is the documentation of procedures for employees.

**Finding 2011-5—Bogus Check Restitution Program Fund Expenditure Claims**

**Condition:** The intent of the fees derived from the Bogus Check Restitution Program is that expenses made from the collection of these fees be used to support the collection process of bogus checks.

Upon inquiry of staff and a test of 50 claims of the Bogus Check Restitution Program Fund, we noted the following deficiencies:

- A \$100.00 check for an Employee of the Year Award was issued.
- Three purchases for employee retirement plaques totaling \$120.00 were purchased.
- Seven instances totaling \$542.49 were noted in which break room supplies used by employees were purchased.
- One claim for \$10.02 was for party supplies for a retiring employee.
- One claim for \$125.00 was for the repair of the break room refrigerator in Beckham County.
- One claim paid to Homeland Stores for \$75.53 did not have an invoice attached to document the expense.
- Receiving reports have not been filed to indicate the goods or services were received.

**Cause of Condition:** Procedures have not been designed and implemented to provide for the proper expenditure of funds from the Bogus Check Restitution Program Fund.

**Effect of Condition:** Expenditures from the Bogus Check Restitution Program Fund were not in compliance with statutory laws regarding lawful expenses, and the lack of receiving documentation for goods and services could lead to misappropriation of assets.

**Recommendation:** OSAI recommends the District Attorney develop policies and procedures to comply with 22 O.S. § 114.B, and ensure that expenditures made from the Bogus Check Restitution Program Fund only be used to defray lawful expenses of the District Attorney's office. Additionally, we

**DENNIS SMITH, DISTRICT ATTORNEY  
DISTRICT 2  
STATUTORY REPORT  
FOR THE PERIOD JULY 1, 2009 THROUGH JUNE 30, 2011**

---

recommend that documentation of the receipt of goods and services be included as part of safeguarding the District's assets.

**Management Response:** Our district no longer acknowledges an employee of the year. This hasn't been done in more than two years.

Our district purchases plaques for retiring employees, thanking them for their service. We plan to continue to do so.

Break room supplies include items necessary to brew and serve coffee to the public who utilize our conference room on a regular basis. This includes, but is not limited to, law enforcement officials, victims, witnesses and defense attorneys. Employees also have access to coffee and water. We will continue to purchase these items, as they are allowed.

Our district purchased paper napkins for a retiring employee's party. It is common practice to attach all invoices to the purchase orders; however, one could have been overlooked.

Our district was unaware that receiving reports were necessary for this account.

We plan to develop procedures to ensure we are in compliance in the future.

**Criteria:** Title 22 O.S. §114 provides for the lawful expense of the district attorney's office from the Bogus Check Restitution Program Fund. Accountability and stewardship are overall goals of management in the accounting of funds. An important aspect of internal controls is the documentation of receiving goods and services and compliance with statutory laws.

**Finding 2011-6—Supervision Expenditure Claims**

**Condition:** Upon inquiry of District staff and a test of 12 claims of the Supervision Fund, we noted that 4 claims did not have supporting documentation attached. One of these claims was to reimburse \$75 for missing funds from a case.

**Cause of Condition:** Procedures have not been developed to initiate the proper filing of claims for payment by the County Clerk's office with regard to invoices and evidence of receiving goods and/or services.

**Effect of Condition:** When not properly submitted for payment, this condition could result in improper payments.

**Recommendation:** OSAI recommends all claims have original invoices attached and authorized signatures verifying that goods and/or services were received.

**DENNIS SMITH, DISTRICT ATTORNEY  
DISTRICT 2  
STATUTORY REPORT  
FOR THE PERIOD JULY 1, 2009 THROUGH JUNE 30, 2011**

---

**Management Response:** All future claims will have original invoices attached, with authorized signatures.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. An important aspect of internal controls is the safeguarding of assets. Internal controls over safeguarding of assets constitute a process, affected by management and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from misappropriation.

**Finding 2011-7—Restitution and Diversion Program Transfers**

**Condition:** Upon inquiry and observation of the Restitution and Diversion Program deposits, we determined that restitution was not paid to the victims, nor were the district attorney fees transferred during the period of September 2009 through January 2010. The disbursements were subsequently made in February 2010.

**Cause of Condition:** Procedures have not been developed to provide assurance that restitution monies are disbursed on a timely basis, and that fees are transferred to the District Attorney Expense Account in a timely manner.

**Effect of Condition:** When transfer of fees and restitution payments are not made in a timely manner, misappropriation of assets are more likely to occur.

**Recommendation:** OSAI recommends that funds deposited for restitution and fees be disbursed at the end of each month to provide accountability over the disbursement of those funds.

**Management Response:** It is our common practice to disburse funds at the end of each month. The employee who tracked our Restitution and Diversion Program and disbursed the funds is no longer with our agency; therefore, we are unable to determine why funds were not disbursed from September 2009 through January 2010.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. An important aspect of internal controls is the safeguarding of assets. Internal controls over safeguarding of assets constitute a process, affected by management and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from misappropriation.

**Finding 2011-8—Bogus Check Restitution Program Balances**

**Condition:** The District's Bogus Check Restitution Program was centralized in Custer County in 2005. Balances for all counties in the District were not reconciled to case file balances at that time. The

**DENNIS SMITH, DISTRICT ATTORNEY  
DISTRICT 2  
STATUTORY REPORT  
FOR THE PERIOD JULY 1, 2009 THROUGH JUNE 30, 2011**

---

beginning balance at July 1, 2009, was \$8,953.52 and the ending balance at June 30, 2011, increased to \$12,414.91. The District's internal report reflects an ending balance of \$10,967.20; thus the balance of the Bogus Check Restitution Program is not reconciled in the amount of \$1,447.71, and the balance as reported has not been reconciled to the case file balances.

**Cause of Condition:** Procedures have not been developed to ensure balances were confirmed before converting the accounts into a centralized location.

**Effect of Condition:** The balances have not been identified to cases and have not been disbursed to authorized agencies or individuals.

**Recommendation:** OSAI recommends the District Attorney research and determine the identity of the victims so restitution can be made. The District Attorney's staff should then contact the Unclaimed Property Division of the State Treasurer's Office for further direction, to determine the manner in which the remaining unidentified balance should be distributed.

**Management Response:** Our office plans to begin researching our case files in order to properly disburse these funds. It is our belief that the majority of the funds are a result of canceled vouchers not being reentered into the BounceBack system. We addressed our plan for this in Finding 2011-3. We plan to research these cases in order to contact these merchants and obtain current addresses for them, so their restitution can be mailed to them.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. An important aspect of internal controls is the safeguarding of assets. Internal controls over safeguarding of assets constitute a process, affected by management and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from misappropriation.

**Finding 2011-9—Lack of Segregation of Duties**

**Condition:** Upon inquiry of the District Attorney's employees, it was noted in Roger Mills County, the duties of issuing receipts, balancing the cash drawer, preparing and delivering deposits to the County Treasurer, posting payments to accounts, and reconciling account balances to the County Treasurer are not adequately segregated for the Restitution and Diversion Program. One employee performs all of these duties.

Additionally, upon inquiry of the District Attorney's employees, it was noted in Custer County the duties of issuing vouchers, posting transactions to accounts, preparing claims, and distributing vouchers are not adequately segregated for the District Attorney Expense Account.

**Cause of Condition:** Written job descriptions and policies and procedures have not been developed to separate the key accounting functions of the office.

**DENNIS SMITH, DISTRICT ATTORNEY  
DISTRICT 2  
STATUTORY REPORT  
FOR THE PERIOD JULY 1, 2009 THROUGH JUNE 30, 2011**

---

**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:** In order to provide an adequate segregation of duties, OSAI recommends management transfer the collection and disbursement responsibilities of the Restitution and Diversion Program to Custer County where all other accounting functions of the District have been centralized. With regard to the District Attorney Expense Account, we recommend that at least one other staff member be utilized in the payment of expenses, such as preparing the claims, so as to provide some mitigating controls in the disbursement process.

Additionally, we recommend that 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.

Further, 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 approve accounting functions.

**Management Response:** We will discuss moving the RAD Program in Roger Mills County to Custer County.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. An important aspect of internal controls is the safeguarding of assets. Internal controls over safeguarding of assets constitute a process, affected by management and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from misappropriation.

#### **Finding 2011-10—Office Policy and Procedure Manual**

**Condition:** The District Attorney Personnel and Policy manual states that cash is not to be received for the payment of restitution, supervision, or fees. This manual has not been updated since 2004.

Upon inquiry of the District Attorney's staff, and performance of cash compositions for the Bogus Check Restitution Program Fund, Supervision Fund, and Restitution and Diversion Fund, we determined that cash had been accepted for bogus checks restitution and the supervision fees.



**DENNIS SMITH, DISTRICT ATTORNEY  
DISTRICT 2  
STATUTORY REPORT  
FOR THE PERIOD JULY 1, 2009 THROUGH JUNE 30, 2011**

---

**Cause of Condition:** Policy and procedures addressing the receipt of cash for restitution, supervision and fees have not been implemented. The policy and procedures have not been updated to reflect the practice of accepting cash as payment.

**Effect of Condition:** Without authority to collect cash for payment, misappropriation could occur.

**Recommendation:** OSAI recommends a written policy be established for the acceptance of cash. Internal controls should be established to safeguard assets from misappropriation, such as counting cash in the presence of another employee and separation of key functions such as receipting, recording and depositing funds.

**Management Response:** Our office will update and amend our Personnel and Policy Manual to reflect our current practices. We will continue to accept cash on the rare occasion that we receive it. We will also continue to require the District Attorney or Assistant District Attorney's approval before accepting it. The cash will continue to be counted in the presence of another employee, and we will continue to separate the tasks of receipting and depositing the funds.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls over safeguarding of assets constitute a process, affected by management and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from misappropriation.



OFFICE OF THE STATE AUDITOR AND INSPECTOR

2300 N. LINCOLN BOULEVARD, ROOM 100

OKLAHOMA CITY, OK 73105-4896

[WWW.SAI.OK.GOV](http://WWW.SAI.OK.GOV)