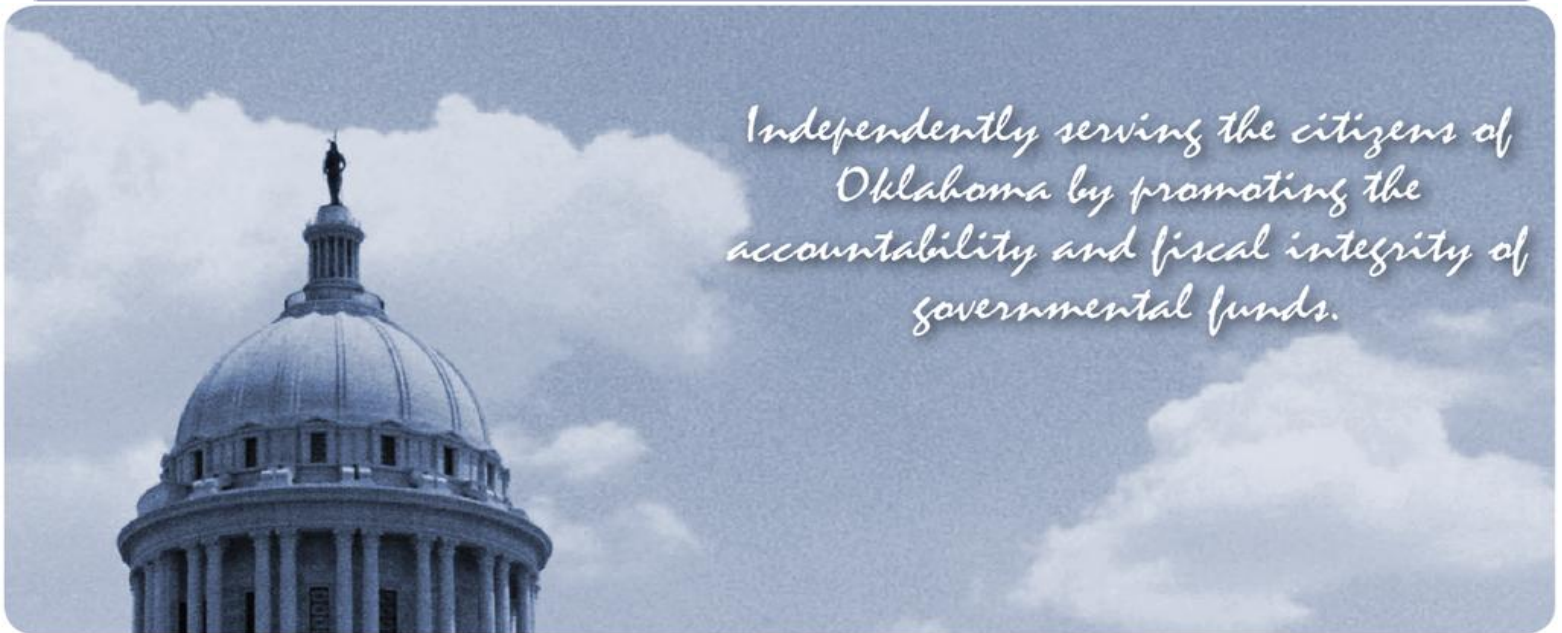


STATUTORY REPORT

**DISTRICT ATTORNEY
DISTRICT 1
BOGUS CHECK RESTITUTION PROGRAM
SUPERVISION PROGRAM
RESTITUTION AND DIVERSION PROGRAM
PROPERTY FORFEITURE PROGRAM**

For the period of July 1, 2014 through June 30, 2016



*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

**JAMES M. BORING, DISTRICT ATTORNEY
DISTRICT 1**

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

FOR THE PERIOD JULY 1, 2014 THROUGH JUNE 30, 2016

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 Prairie Collection (<http://digitalprairie.ok.gov/cdm/search/collection/audits/>) pursuant to 65 O.S. § 3-114.



Oklahoma State Auditor & Inspector

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

January 13, 2017

James M. Boring, District Attorney
District 1
Texas County Courthouse
Guymon, Oklahoma 73942

Transmitted herewith is the statutory report for the District Attorney of District, Texas, Cimarron, Beaver and Harper County, Oklahoma (the District) for the period July 1, 2014 through June 30, 2016.

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". The signature is fluid and cursive, with the first name "Gary" being the most prominent.

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

**JAMES M. BORING, DISTRICT ATTORNEY
DISTRICT 1
STATUTORY REPORT
FOR THE PERIOD JULY 1, 2014 THROUGH JUNE 30, 2016**

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**JAMES M. BORING, DISTRICT ATTORNEY
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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.

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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

James M. Boring, District Attorney
District 1
Texas County Courthouse
Guymon, Oklahoma 73942

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, 2014 through June 30, 2016.

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 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, 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 Texas, Cimarron, Beaver or Harper 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 that reads "Gary A. Jones". The signature is fluid and cursive, with the first name "Gary" being the most prominent.

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

December 8, 2016

**JAMES M. BORING, DISTRICT ATTORNEY
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FOR THE PERIOD JULY 1, 2014 THROUGH JUNE 30, 2016**

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2016-1 – Inadequate Segregation of Duties Over the Accounting Process for Bogus Check Restitution, Restitution and Diversion, and Supervision Fees (Repeat Finding)

Condition: A lack of segregation of duties exists in the procedural process of the Bogus Check (Merchant and DA Fees), Restitution and Diversion, and Supervision Programs. The following was noted:

Cimarron County

- The same employee receiving the mail, also opened the mail and issued receipts for payments received through the mail.
- It was noted that it is not uncommon for this office to receive large amounts of cash in the mail, primarily for the payment of Restitution and Diversion fees.
- The majority of records were maintained by hand in lieu of a computer program.
- Handwritten receipts were issued for payments.
- There was no review or approval of voided receipts.
- The same employee issued receipts, prepared deposits, maintained ledgers, reconciled monthly to the County Treasurer and prepares the Annual Reports for all District programs within the County.
- There was no indication that someone other than the preparer reviews the deposits, monthly reconciliations or annual reports for accuracy.
- The same employee prepared, registered, and distributed vouchers.

Harper County

- The same employee receiving the mail, also opened the mail and issued receipts for payments received through the mail.
- The same employee issued receipts, prepared deposits, maintained ledgers, reconciled monthly to the County Treasurer and prepares the Annual Reports for all District programs within the County.
- There was no indication that someone other than the preparer reviews the deposits or monthly reconciliations for accuracy.
- The same employee prepared, registered and distributed vouchers.

Additionally, a lack of segregation of duties exists in the procedural process of the Supervision Fees Program.

Beaver County

- The same employee receiving the mail, also opened the mail and issued receipts for payments received through the mail.

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- The same employee issued receipts, prepared deposits, maintained ledgers, reconciled monthly to the County Treasurer and prepares the Annual Reports for all District programs within the County.
- There is no indication that someone other than the preparer reviews the deposits or monthly reconciliations for accuracy.
- The same employee prepares, registers and distributes vouchers.

Cause of Condition: Policies and procedures have not been designed and implemented to properly separate key accounting functions and consistently record financial activity so that branch office records can be easily transferred to the main office in Texas County for preparation of Annual Reports.

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. Handwritten accounting records that do easily reconcile to the main District Office computerized records are not effective in compiling information for Annual Reports.

Recommendation: 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.

Mitigating controls should be implemented to adequately safeguard assets when limited personnel work in each District office. Examples of a mitigating control would include the following:

- Someone other than the preparer should review the receipts and deposit ticket for accuracy as evidenced by initials and date of the review.
- Someone other than the preparer should review the Annual Reports as evidenced by initials and date of the review.
- Someone other than the preparer should review the vouchers as evidenced by initials and date of the review.
- Someone other than the preparer should register the vouchers with the Treasurer, prior to distributing the vouchers.

We further recommend the District implement the same computer system in the Cimarron County branch office so as to account for all programs consistently and provide accurate records of all District Attorney Programs.

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Management Response:

District Attorney:

Cimarron, Beaver, and Harper Counties: The following “notes” applying to Cimarron, Beaver, and Harper Counties were reported above.

- The same employee receiving the mail, also opened the mail and issued receipts for payments received through the mail.
- The same employee issued receipts, prepared deposits, maintained ledgers, reconciled monthly to the County Treasurer and prepared the Annual Reports for all District programs within the County.
- There was no indication that someone other than the preparer reviewed the deposits or monthly reconciliations for accuracy.
- The same employee prepared, registered, and distributed vouchers.

The first, second, and fourth notes (immediately above) are addressed as follows:

As noted, District One’s primary office is located in Texas County with three branch offices located in Cimarron, Beaver, and Harper Counties. Each of the branch offices are staffed with one part-time Assistant District Attorney and one full-time support staff employee that is responsible for all functions of the District Attorney’s Office in each county. The duties of the support staff personnel in these three counties includes performance of each and every aspect of the normal operations of the office, including but not limited to typical receptionist duties (telephone and walk in payments); handling of all mail; review and preparation of all criminal charging documents and other pleadings; preparation of all civil pleadings and documents; primary communication with law enforcement, defense attorneys, judges, court clerk, and all other county officers; maintaining court calendars and dockets; administering all programs operated by the office, including bogus checks, supervision fees, restitution and diversion fees, and restitution; ordering and receiving necessary office supplies; maintaining law library; receiving, recording, crediting, receipting, and depositing of all funds received by the office from multiple sources and purposes; the reconciliation of the receipt and disbursal of all funds with the county treasurer reports each month; the preparation of monthly reports of the receipt and disbursal of all funds from all accounts; the submission of all financial reports and records to the Finance Coordinator each month; and numerous other daily duties.

Due to severe limitations in state funding, District One simply cannot employ additional staff for any of the branch offices to ease the work load burdens and which would permit a segregation of the duties and responsibilities as noted. It is the ultimate goal of the District to consolidate all financial transactions in the primary office in Texas County; however, in addition to funding restrictions that prohibit increasing the staff it would take in Texas County to centralize and consolidate financial operations, there is simply no available space to add staffing and work area for such consolidation.

As to the third note regarding someone other than the preparer reviewing deposits or monthly reconciliations for accuracy, this note does not accurately reflect the checks and balances system utilized

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for the branch offices in District One. All deposits are reviewed by the ADA assigned to each of the branch offices in Cimarron, Beaver, and Harper Counties. Each month, the support staff employee reconciles all deposits and balances with the monthly report of the Treasurer. When reconciled, all receipts and deposits together with the Treasurer Report and balances of all accounts are forwarded to the Finance Coordinator. The Finance Coordinator reviews all receipts, deposits, and balances and checks accuracy by reconciling with the Treasurer's reports for each county every month. When reconciled, the Finance Coordinator submits a summary report of all receipts, disbursements, and account balances to the DA for monthly review and approval.

Cimarron County: The following "notes" applying solely to Cimarron County were reported above.

- It was noted that it is not uncommon for this office to receive large amounts of cash in the mail, primarily for the payment of Restitution and Diversion fees.
- The majority of records were maintained by hand in lieu of a computer program.
- Handwritten receipts were issued for payments.
- There was no review or approval of voided receipts.

District One has been in the process of shifting from hand recording and tracking as used in the past to the utilization of the software system in Cimarron County. Training has been initiated with the Cimarron County staff and conversion to the software system is anticipated within the next few months with additional training. This transition should address the concerns expressed and noted.

Other than Cimarron County, all receipts and deposits of funds are tracked through the software system. The Finance Coordinator randomly checks and reviews various financial reports available through the software system for tracking all financial transactions throughout the District. In addition, the District One Administrative Assistant randomly and periodically checks records through the software system. The Administrative Assistants authorization in the software system is limited to review only. The Finance Coordinator reviews all adjustments and corrections made in the software system each month, and reports with respect to all such transactions are submitted to the District Attorney for review and approval each month.

The above response is applicable to all three branch offices located in Cimarron, Beaver, and Harper Counties.

Auditor Response: In regard to someone other than the preparer reviewing deposits or monthly reconciliations for accuracy, we did not find physical evidence of this process. We recommend the reviewer initial and date the documents that have been reviewed in order to provide adequate documentation of the process.

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

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duties. To help ensure a proper accounting of funds and strong internal controls, the duties of receiving, receipting, recording, and depositing cash, issuing vouchers and preparing and reconciling Annual Reports should be separated among employees. Additionally using the computer programs available in a consistent manner will help ensure accurate and efficient use of those records by all District offices.



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