

STATUTORY REPORT

DISTRICT ATTORNEY

DISTRICT 12

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

For the period July 1, 2005 through June 30, 2009



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

**GENE HAYNES, DISTRICT ATTORNEY
DISTRICT 12
STATUTORY REPORT
BOGUS CHECK RESTITUTION PROGRAM
SUPERVISION PROGRAM
RESTITUTION AND DIVERSION PROGRAM
FOR THE PERIOD OF JULY 1, 2005 THROUGH JUNE 30, 2009**



Oklahoma State Auditor & Inspector

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

February 14, 2012

Janice Steidley, District Attorney
District 12
Rogers County Courthouse
Claremore, Oklahoma 74017

Transmitted herewith is the statutory report for the District Attorney of District 12, Rogers, Mayes and Craig Counties, Oklahoma (the District) for the period of July 1, 2005 through June 30, 2009.

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".

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

**GENE HAYNES, DISTRICT ATTORNEY
DISTRICT 12
STATUTORY REPORT
FOR THE PERIOD OF JULY 1, 2005 THROUGH JUNE 30, 2009**

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**GENE HAYNES, 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.



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Statutory Report

Janice Steidley, District Attorney
District 12
Rogers County Courthouse
Claremore, Oklahoma 74017

For the purpose of complying with 74 O.S. § 212.E and 22 O.S. §§ 114, 991d, 991f-1.1, we have performed the following procedures as they relate to the records of the District Attorney's programs for the period of July 1, 2005 through June 30, 2009.

- 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.

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 general-purpose financial statements of the 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 Rogers, Craig, and Mayes County Officials. However, this report is a matter of public record and its distribution is not limited.

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

February 24, 2011

**GENE HAYNES, DISTRICT ATTORNEY
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SCHEDULE OF FINDINGS AND RESPONSES

Finding 1—Segregation of Duties – Bogus Check, Restitution and Diversion, and District Attorneys Supervision Funds

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.

Condition: **(Rogers, Mayes, and Craig Counties)** Although the District Attorney's bogus check and restitution and diversion employees rotate job duties, a lack of segregation of duties exists because the same employee who receipts funds also balances the receipts to daily deposits, posts deposits to individual accounts, and delivers the deposits (cash and checks) to the County Treasurer's office. In addition, a lack of segregation of duties exists in the payments of expenditures for the bogus check program, the restitution and diversion program, and the district attorney supervision program in that one employee completes voucher claim forms, signs as receiving agent, and signs the vouchers.

Effect: 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: 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: Since I have taken office in January 2011, there has been a segregation of duties within the bogus check and supervision office. One person will take payments while the other person will review the receipt book and make out the deposit and deposit it with the County Treasurer. We have also implemented procedures if the department has only one person in the office that day, a second person will be pulled in to complete the deposit and review the deposit with the receipts. Additionally, a policy and procedures manual will be implemented within the next 30 days which cover the process of segregation of duties along with detailed job descriptions.

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Finding 2—Internal Control Environment Regarding Collections, Expenditures, Account Balances, and Reporting

Criteria: Effective internal controls are essential to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting, and compliance with applicable laws and regulations. An effective internal control system has in place policies and procedures that reduce the risk of errors and fraud within an organization.

In addition, demonstration of accountability and stewardship are goals used in evaluating management's accounting for funds. To help ensure proper accounting of funds, the office should maintain records that accurately reflect financial transactions.

Condition: As part of our review of the 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, deficiencies were noted in several areas, which include the following:

BOGUS CHECK PROGRAM

- 2007 - **(Rogers County)** Of the twenty vouchers and claims reviewed, there was one instance where they did not retain the voided voucher; one instance where the wrong voucher number was recorded on the claim form, and four instances where the duplicate vouchers were not available for review because the voucher book was missing.
- 2007 - **(Rogers County)** The District Attorney's Office did not retain all voided receipts. Of the fifteen files tested one payment was voided and the original voided receipt was not attached.
- 2008 - **(Rogers County)** Of the twenty vouchers and claims reviewed, there was one instance where the incorrect voucher number was recorded on the claim for payment and one instance where the voucher and amount paid was different from the voucher number referenced as the payment for the claim.
- 2007-2008-2009 - **(Rogers, Mayes, and Craig Counties)** Through inquiry of personnel, it was noted that all bogus check/restitution and diversion program employees have the ability to make adjustments (delete or write-off) to offender payments. Although the offender files tested identified the employee who made the adjustment and stated why the adjustment was made, there was no indication the adjustments were authorized or approved by management.
- 2007-2008-2009 - **(Rogers, Mayes, and Craig Counties)** The bogus check restitution account is an official depository account wherein the District Attorney's Office deposits bogus check funds paid by offenders. Funds in this account should be disbursed to victims and to the district attorney's bogus check program fund. As of June 30, 2007, the unpaid amount was \$34,048.38,

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as of June 30, 2008, the unpaid amount was \$34, 333.65, and as of June 30, 2009, the unpaid balance was \$34,333.65.

- 2007-2008-2009 - **(Rogers, Mayes, and Craig Counties)** The District Attorney's Office deposits restitution and diversion fees into their bogus check official depository account. Expenditures from this account (which include restitution and diversion/bogus check fees) are reported to the District Attorneys Council on the bogus check report as bogus check program expenditures.

RESTITUTION AND DIVERSION PROGRAM

- 2009 - **(Rogers County)** Of the nine files tested, it was noted that one offender was charged \$25.00 over the amount allowable.

SUPERVISION PROGRAM

- 2007 - **(Rogers County)** One voucher book could not be located. Twenty vouchers were unable to be tested due to the missing voucher book.
- 2007 - **(Rogers County)** In five of the twenty offender files tested, the offenders paid more than they were ordered to pay by the court.
- 2007 - **(Rogers County)** There were two instances in December 2006 where a deposit was not made for 12-14 days from the receipt of funds with the County Treasurer.
- 2008 - **(Rogers County)** Of twenty expenditures tested, there was one instance of an expenditure not having supporting documentation attached (ie, invoices, etc).
- 2008 - **(Rogers County)** There was one instance noted in December 2007 where there was more cash deposited than receipts issued. Receipts issued totaled \$325, however \$360 was deposited.
- 2008 - **(Craig County)** In April 2008 there were fourteen instances where the District Attorney's Office issued handwritten receipts on post-it notes instead of pre-numbered duplicate receipts.
- 2009 - **(Rogers County)** Of twenty expenditures tested, there was one instance of an expenditure not having supporting documentation attached (ie, invoices, etc).
- 2009 - **(Craig County)** There were two instances in December 2006 where a deposit was not made for 11 days from the receipt of funds with the County Treasurer.
- 2009 - **(Craig County)** In two instances, it was noted that the original voided receipt was not retained and attached to the duplicate receipt.

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- 2009 - (**Mayes County**) The District Attorney's Office informed OSAI that during this fiscal year they detected receipted funds that had not been deposited. The District Attorney's office performed an internal audit, determined the amount of funds not deposited, and entered into a deferred prosecution agreement with the employee to repay the amount of funds they determined had been received but not deposited.

Effect: Collections were not safeguarded, collections were not properly posted and deposited, and funds were misappropriated.

Recommendation: We recommend management identify, analyze and manage risks. The District Attorney should implement policies and procedures to help ensure necessary actions are taken to address the potential risks involved in accomplishing the department's objectives. Management should also assess the quality and effectiveness of the organization's 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: A policy and procedures manual will be implemented within the next 30 days which covers the process of collections, account balances, and reporting along with detailed job descriptions. All vouchers and receipts are to be retained when they are voided. Justware is being utilized for DA supervision and restitution, which allows for input of all monies received and distributed. By using Justware an employee cannot go in and adjust a receipt or voucher that was previously written. Disbursement of bogus check restitution for merchants is distributed monthly. All employees within a department are cross-trained to handle any task that comes up within that department.



OFFICE OF THE STATE AUDITOR AND INSPECTOR

2300 N. LINCOLN BOULEVARD, ROOM 100

OKLAHOMA CITY, OK 73105-4896

WWW.SAI.OK.GOV