



DISTRICT ATTORNEY DISTRICT 17

Statutory Report

For the Period of July 1, 2016 through June 30, 2018

Cindy Byrd, CPA
State Auditor & Inspector

**MARK MATLOFF, DISTRICT ATTORNEY
DISTRICT 17**

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

FOR THE PERIOD OF JULY 1, 2016 THROUGH JUNE 30, 2018

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.



Cindy Byrd, CPA | State Auditor & Inspector

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April 3, 2019

Mark Matloff, District Attorney
District 17
McCurtain County Courthouse
Idabel, Oklahoma 74745

Transmitted herewith is the statutory report for the District Attorney of District 17, McCurtain, Choctaw, and Pushmataha County, Oklahoma (the District) for the period of July 1, 2016 through June 30, 2018.

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".

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



**MARK MATLOFF, DISTRICT ATTORNEY
DISTRICT 17
STATUTORY REPORT
FOR THE PERIOD OF JULY 1, 2016 THROUGH JUNE 30, 2018**

TABLE OF CONTENTS

Introductory Information ii

Statutory Report of State Auditor and Inspector 1

Schedule of Findings and Responses 3

**MARK MATLOFF, DISTRICT ATTORNEY
DISTRICT 17
STATUTORY REPORT
FOR THE PERIOD OF JULY 1, 2016 THROUGH JUNE 30, 2018**

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 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 SUPERVISION 991 PROGRAM

The district attorney supervision 991 program was created by the Oklahoma Legislature in 2013. When 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.

DISTRICT ATTORNEY DRUG ASSET FORFEITURE PROGRAM

Most district attorneys in the state have a Drug Asset 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.

Statutory Report

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For the purpose of complying with 74 O.S. § 212.E and 22 O.S. §§ 114, 991d, 991a (hh), 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, 2016 through June 30, 2018.

Bogus Check, Supervision Fee, and Supervision 991 Programs:

- 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 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 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 disbursements for the Bogus Check Restitution Program, the 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 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 disbursements 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 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 McCurtain, Choctaw, or Pushmataha 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.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

January 17, 2019

MARK MATLOFF, DISTRICT ATTORNEY
DISTRICT 17
STATUTORY REPORT
FOR THE PERIOD OF JULY 1, 2016 THROUGH JUNE 30, 2018

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2018-001 – Segregation of Duties Over the District Attorney Drug Asset Forfeiture, Bogus Check Restitution, Supervision Fee, and Supervision 991 Fee Programs (Repeat Finding)

Condition: Upon inquiry of the District Attorney 17 staff and observation of records, the following instances of the lack of segregation of duties in personnel within the District Attorney’s programs were noted:

McCurtain County

A lack of segregation of duties exists in the procedural process of the District Attorney Drug Asset Forfeiture, Bogus Check Restitution (Bogus Check Restitution and District Attorney Fee accounts), Supervision Fee, and Supervision 991 Fee Programs.

- One employee prepares and delivers deposits, prepares and issues expenditure claims, maintains district ledgers, reconciles accounts monthly to the County Treasurer’s records, and prepares the annual reports. There is no indication that someone independent of the preparer reviews and approves disbursements, the annual report, or monthly reconciliations for accuracy.

Additionally, the same employee utilizes the District Attorney’s signature stamp to approve disbursements for the Bogus Check Restitution Program.

Pushmataha County

A lack of segregation of duties exists in the procedural process of the Bogus Check Restitution Program (Bogus Check Restitution and District Attorney Fee accounts). One employee prepares disbursements, maintains district ledgers and prepares the annual reports. There is no indication that someone independent of the preparer reviews monthly reconciliations or annual report for accuracy.

Cause of Condition: Policies and procedures have not been designed and implemented to properly separate key accounting functions within the District Attorney’s programs.

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. Additionally, use of signature stamps by someone other than the District Attorney could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of funds.

Recommendation: The Oklahoma State Auditor and 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

**MARK MATLOFF, DISTRICT ATTORNEY
DISTRICT 17
STATUTORY REPORT
FOR THE PERIOD OF JULY 1, 2016 THROUGH JUNE 30, 2018**

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. Additionally, OSAI recommends the signature stamp be used only by the individual whose name appears on the stamp.

Management Response:

District Attorney: The District Attorney and management are aware and understand the importance of segregation of duties. We have in place policy and procedures to address these issues and will follow them to the best of our abilities. The signature stamp has been placed in the District Attorney's office safe and only used under his approval.

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 preparing and making deposits, preparing and approving expenditure claims, maintaining ledgers, reconciling with the Treasurer, and preparing annual reports should be segregated.

Finding 2018-002 – Internal Controls Over Written Policies and Procedures for Information Technology, Bogus Check Restitution, Supervision Fee, and Supervision 991 Fee Programs (Repeat Finding)

Condition: Upon inquiry of District staff and observation of District Attorney accounts and records, it was determined the District Attorney has written policies and procedures and/or has designed internal controls for the safeguarding and reporting of program funds. However, tests of receipts, disbursements, and cash balances of programs, resulted in certain deficiencies, which include the following:

Information Technology

McCurtain County

- Employees can delete or void payments without prior approval from management.
- Voided receipts, deletions, and write-off reports are not reviewed periodically for unusual activity by management.

Pushmataha County

- Employees do not log out of computers when away from work stations nor do the computers automatically time out during periods of inactivity.

Bogus Check Restitution Program

A test of ten (10) disbursements from each County office reflected the following exceptions:

MARK MATLOFF, DISTRICT ATTORNEY
DISTRICT 17
STATUTORY REPORT
FOR THE PERIOD OF JULY 1, 2016 THROUGH JUNE 30, 2018

McCurtain County

- Ten (10) Bogus Check Restitution disbursements were approved by the requisitioning officer, using the District Attorney's signature stamp rather than the District Attorney using the stamp.

Pushmataha County

- Two (2) Bogus Check disbursements were not properly verified that goods and/or services have been received by the District. The same employee requisitioned the purchase and approved the invoice as the receiving officer.

Supervision Fees Program

A test of ten (10) disbursements from each County office reflected the following exceptions:

McCurtain County

- Ten (10) Supervision Fee disbursements were not properly approved by management.
- Nine (9) Supervision Fee disbursements did not have evidence of a receiving report or an independent verification that goods and/or services have been received by the District.

Supervision 991 Fees Program

A test of ten (10) disbursements from each County office reflected the following exceptions:

McCurtain County

- Nine (9) Supervision 991 Fee disbursements were not properly approved by management.
- Two (2) Supervision 991 Fee disbursements did not have evidence of a receiving report or an independent verification that goods and/or services have been received by the District.

Cause of Condition: The District Attorney's office has not fully implemented District-wide policies and procedures to safeguard against unauthorized access to computer data and to ensure disbursements for the Bogus Check Restitution, Supervision Fee, and Supervision 991 Fee Programs are properly approved and have all supporting documentation to verify goods and /or services have been received.

Effect of Condition: These conditions could result in unauthorized access to financial information, improper disbursements, and inaccurate accounting of fund activity for the District. In addition, without proper approval, invoices could be processed for goods/services that were not received by the District or that were not for the lawful operation of the District.

Recommendation: OSAI recommends that management adhere to District-wide written policies and procedures of the office and implement further internal controls for the safeguarding of Program funds. Implementing this recommendation would ensure all employees are aware of their duties and responsibilities and ensure that each program is properly accounted for and is in compliance with applicable laws and regulations. Such policies should include the following:

**MARK MATLOFF, DISTRICT ATTORNEY
DISTRICT 17
STATUTORY REPORT
FOR THE PERIOD OF JULY 1, 2016 THROUGH JUNE 30, 2018**

- Guidelines for the implementation of Program data safeguards, such as IT software automatic time out features on computer workstations.
- Guidelines for the administrative approval and review of IT software deletions, voids and write-off activity.
- Guidelines for the process of approval and documentation of verification of program disbursements.
- Guidelines for the use of the District Attorney's signature stamp for approval by the District Attorney.

Furthermore, we recommend management identify, analyze, and manage risks. 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 program's daily transactions and recordkeeping. This will ensure that management has taken the necessary steps in safeguarding the department's assets.

Management Response:

District Attorney: Steps have been taken to assure that the recordkeeping and internal controls are reviewed and monitored on a monthly basis.

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 2018-003 – Internal Controls Over Written Policies and Procedures and Noncompliance Over the District Attorney Drug Asset Forfeiture Program (Repeat Finding)

Condition: Upon inquiry of District staff and observation of the Drug Asset Forfeiture Program accounts and records, it was determined the District Attorney has written policies and procedures and/or has designed internal controls for the safeguarding and reporting of program funds. However, we did note deficiencies in certain areas of disbursements.

McCurtain County

- Two (2) seized firearms could not be located while performing verification of forfeiture case inventory.

A test of ten (10) Drug Asset Forfeiture Program disbursements reflected the following exceptions:

- Eight (8) disbursements were not properly approved by someone other than the preparer of the claim.
- One (1) disbursement did not have an original and/or itemized invoice attached to the claim as supporting documentation for the expense.

MARK MATLOFF, DISTRICT ATTORNEY
DISTRICT 17
STATUTORY REPORT
FOR THE PERIOD OF JULY 1, 2016 THROUGH JUNE 30, 2018

- Seven (7) disbursements did not have evidence of a receiving report or an independent verification that goods and/or services had been received.

Pushmataha County

- The District did not maintain a true and accurate inventory for all seized and/or forfeited property.

Cause of Condition: The District is not properly accounting for civil forfeiture cases and the disposition of property inventory in accordance with state statute. The District Attorney's office has not fully implemented District-wide formal policies for collections, disbursements, and financial reporting for the Drug Asset Forfeiture Program to ensure that internal controls are implemented.

Effect of Condition: These conditions could result in employee error for the reporting and documentation of seized property, disbursement transactions, and the accounting of funds. In addition, these conditions could also affect case activity and the location of seized property.

Recommendation: OSAI recommends that management implement 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 Drug Asset Forfeiture 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 and pending forfeiture inventory.
- Guidelines for the process of approval and documentation of disbursements.

OSAI recommends management identify, analyze and manage risks. 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 program's daily transactions and recordkeeping. This will ensure that management has taken the necessary steps in safeguarding the department's assets.

Further, OSAI recommends that the District Attorney investigate the missing seized items and determine the disposition of the items.

Management Response:

District Attorney: Management understands OSAI recommendations and will implement appropriate controls and oversight of each program's daily transactions and recordkeeping to the best of our abilities. All monies seized are deposited into the District Attorney Forfeiture Fund account in McCurtain County; all other seized items are held by the seizing agency.

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.

**MARK MATLOFF, DISTRICT ATTORNEY
DISTRICT 17
STATUTORY REPORT
FOR THE PERIOD OF JULY 1, 2016 THROUGH JUNE 30, 2018**

Title 63 O.S. § 2-506 K states in part, “Property taken or detained under this section shall not be repleviable, but shall be deemed to be in the custody of the office of the district attorney of the county wherein the property was seized, subject only to the orders and decrees of the court or the official having jurisdiction thereof; said official shall maintain a true and accurate inventory and record of all such property seized under the provisions of this section...”

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