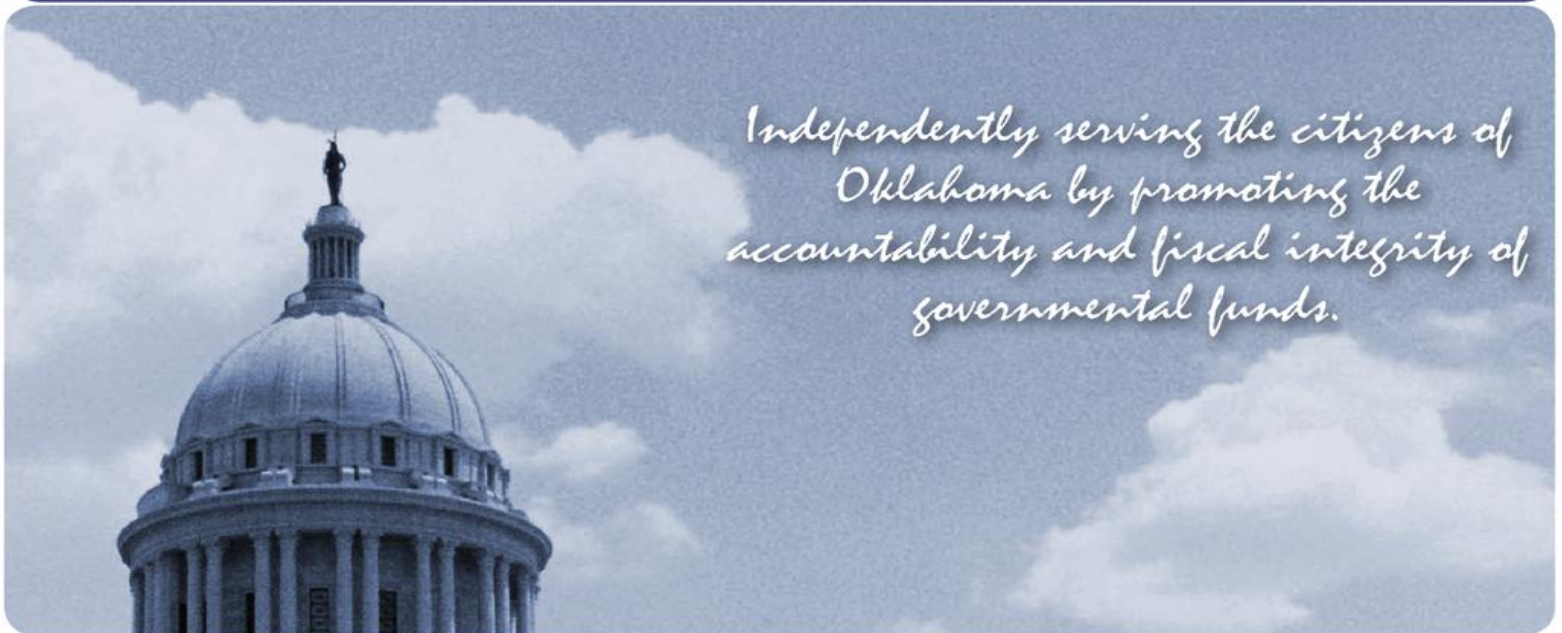


STATUTORY REPORT

**DISTRICT ATTORNEY
DISTRICT 19
BOGUS CHECK RESTITUTION PROGRAM
SUPERVISION PROGRAM
RESTITUTION AND DIVERSION PROGRAM
PROPERTY FORFEITURE PROGRAM**

For the period of July 1, 2013 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

**EMILY REDMAN, DISTRICT ATTORNEY
DISTRICT 19**

**STATUTORY REPORT
BOGUS CHECK RESTITUTION PROGRAM
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RESTITUTION AND DIVERSION PROGRAM
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FOR THE PERIOD OF JULY 1, 2013 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 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

April 13, 2017

Emily Redman, District Attorney
District 19
Bryan County Courthouse
Durant, Oklahoma 74701

Transmitted herewith is the statutory report for the District Attorney of District Bryan, Coal, and Atoka County, Oklahoma (the District) for the period of July 1, 2013 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 written in a cursive style with a long, sweeping underline.

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

**EMILY REDMAN, DISTRICT ATTORNEY
DISTRICT 19
STATUTORY REPORT
FOR THE PRIOD OF JULY 1, 2013 THROUGH JUNE 30, 2016**

TABLE OF CONTENTS

Introductory Information ii

Statutory Report of State Auditor and Inspector 1

Schedule of Findings and Responses 3

**EMILY REDMAN, DISTRICT ATTORNEY
DISTRICT 19
STATUTORY REPORT
FOR THE PERIOD OF JULY 1, 2013 THROUGH JUNE 30, 2016**

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.

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

Emily Redman, District Attorney
District 19
Bryan County Courthouse
Durant, Oklahoma 74701

For the purpose of complying with 74 O.S. § 212.E and 22 O.S. §§ 114, 991d, 991.f-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 of July 1, 2013 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 Bryan, Coal, or Atoka 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 letters of each name being capitalized and prominent.

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

January 5, 2017

**EMILY REDMAN, DISTRICT ATTORNEY
DISTRICT 19
STATUTORY REPORT
FOR THE PERIOD OF JULY 1, 2013 THROUGH JUNE 30, 2016**

SCHEDULE OF FINDINGS AND RESPONSES

Finding 1 – Inadequate Segregation of Duties – Bogus Check Restitution, Supervision Fees, and Property Forfeiture Programs (Repeat Finding)

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

Bryan County

A lack of segregation of duties exists in the procedural process of the Property Forfeiture Program. One employee maintains ledgers, reconciles monthly to the County Treasurer, and prepares the annual reports. There is no indication that someone independent of the preparer reviews the annual report or monthly reconciliations for accuracy.

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 reconciles monthly to the County Treasurer and prepares the annual reports. There is no indication that someone independent of the preparer reviews the annual report or monthly reconciliations for accuracy.

A lack of segregation of duties exists in the procedural process of the Supervision Fees Program. One employee prepares and maintains ledgers, reconciles monthly to the County Treasurer, and prepares the annual reports. There is no indication that someone independent of the preparer reviews the annual report or monthly reconciliations for accuracy.

Coal County

A lack of segregation of duties exists in the procedural process of the Supervision Fees Program. One employee receives payments, issues receipts, prepares and delivers deposits. There is no independent review of the deposit process. In addition, the financial coordinator maintains ledgers, reconciles monthly to the County Treasurer and prepares the annual reports. There is no indication that someone independent of the preparer reviews the annual report or monthly reconciliations for accuracy.

Atoka County

A lack of segregation of duties exists in the procedural process of the Property Forfeiture Program (District Attorney Seized and Controlled Substance accounts). One employee maintains ledgers, reconciles monthly to the County Treasurer and prepares the annual reports. There is no indication that someone independent of the preparer reviews the annual report or monthly reconciliations for accuracy.

A lack of segregation of duties exists in the procedural process of the Supervision Fees Program. One employee receives payments, issues receipts, prepares and delivers deposits, maintains ledgers, reconciles monthly to the County Treasurer, and prepares the annual reports. There is no indication that someone independent of the preparer reviews deposits, annual report, or monthly reconciliations for accuracy.

**EMILY REDMAN, DISTRICT ATTORNEY
DISTRICT 19
STATUTORY REPORT
FOR THE PERIOD OF JULY 1, 2013 THROUGH JUNE 30, 2016**

Cause of Condition: Policies and procedures have not been designed and implemented to properly separate key accounting functions.

Effect of Condition: A single person having responsibility for more than one area of recording, authorization, custody of assets, and execution of transactions could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.

Recommendation: The Oklahoma State Auditor and Inspector's Office (OSAI) recommends 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: The Office of the District Attorney recognizes the importance of the segregation of duties in order to promote integrity in accounting procedures. Policies and procedures are in place to promote as much segregation of duties as is possible in our small offices. It should be noted, that while one person is sometimes charged with maintaining ledgers, reconciling with the Treasurer and preparing vouchers associated with expenditures, the District Attorney reviews each and every purchase order and expenditure and signs each voucher prepared by staff. In addition, it should be noted that this office does not accept cash, but rather requires payments by money orders or cashier's checks only, thus reducing the risk of misappropriation. Further, the District Attorney is assigning an additional employee to review monthly and annual reports provided to the Bryan County Treasurer as noted above.

Our office will try to implement independent review of monthly and annual reconciliations to ensure accuracy.

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 taking funds and issuing receipts, preparing and making deposits, maintaining ledgers, reconciling with the Treasurer, and preparing annual reports should be segregated.

EMILY REDMAN, DISTRICT ATTORNEY
DISTRICT 19
STATUTORY REPORT
FOR THE PERIOD OF JULY 1, 2013 THROUGH JUNE 30, 2016

Finding 2 - Internal Control Environment - Written Policies and Procedures for Bogus Check Restitution, Supervision Fees, and Restitution and Diversion Programs (Repeat Finding)

Condition: As part of our review of District Attorney accounts and records, we tested receipts, disbursements, and cash balances. 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, which include the following:

Information Technology

Bryan County

- A time-out security measure has not been assigned in the District's computer or software system during periods of inactivity.

Coal County

- One employee can delete or void payments without approval. Void, deletion, and write-off reports are not periodically reviewed for unusual activity.
- Employees do not log-off of their computers when leaving their workstation nor does the software/computer time-out during periods of inactivity.

Atoka County

- One employee can delete or void payments without approval. Void, deletion, and write-off reports are not periodically reviewed for unusual activity.
- Employees do not log-off of their computers when leaving their workstation nor does the software/computer time-out during periods of inactivity.

Bogus Check Restitution Program

Bryan County

- District account ledgers are not maintained independently from the County Treasurer for both the Bogus Check Restitution and Bogus Check DA fee accounts. Therefore, monthly reconciliations are not performed with the County Treasurer to ensure account activity is complete and accurately reflected in County records.
- There is no indication of an independent verification that goods and/or services have been received by the District. The same employee is both the requisitioning and receiving officer for the Bogus Check District Attorney's Fee program disbursements.
- During our review of disbursements, we noted that starting in August 2015 through our audit period of June 2016, claims for disbursements did not reflect an independent verification that goods and/or services had been received by the District.

EMILY REDMAN, DISTRICT ATTORNEY
DISTRICT 19
STATUTORY REPORT
FOR THE PERIOD OF JULY 1, 2013 THROUGH JUNE 30, 2016

Supervision Fee Program

Bryan County

- There is no indication of an independent verification that goods and/or services have been received by the District. The same employee is both the requisitioning and receiving officer for program disbursements.

Coal County

- While tracing receipts to deposits, we noted that deposits are not performed daily. We noted three (3) instances where two (2) to four (4) days had elapsed before payments were deposited.
- There is no indication of an independent verification that goods and/or services have been received by the District. The same employee is both the requisitioning and receiving officer for program disbursements.

Atoka County

- While gaining an understanding of the receipting and deposited process, the County stated that they do not deposit on a daily basis. During our review, we noted instances where two (2) to six (6) days had elapsed before payments were deposited.

Restitution and Diversion Program

Bryan County

- District account ledgers are not maintained independently from the County Treasurer for the Restitution and Diversion accounts. Therefore, monthly reconciliations are not performed with the County Treasurer to ensure account activity is complete and accurately reflected in County records.

Cause of Condition: The District Attorney's office has not fully implemented procedures (District-wide) to safeguard against unauthorized access to computer data and to ensure collections, disbursements, and financial reporting for the Bogus Check Restitution, Supervision Fees, and Restitution and Diversion accounts are properly approved, documented, and processed in a timely manner.

Effect of Condition: These conditions could result in unauthorized access to financial information, employee error for the reporting and documentation of the collection of payments, improper disbursements, and inaccurate accounting of fund activity for the District. In addition, without proper receiving information, invoices could be processed for goods/services that were not received by the District or that were not for District purposes.

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

**EMILY REDMAN, DISTRICT ATTORNEY
DISTRICT 19
STATUTORY REPORT
FOR THE PERIOD OF JULY 1, 2013 THROUGH JUNE 30, 2016**

- Guidelines for the oversight of the daily collection process and the deposit of funds.
- Guidelines for the process of approval and documentation of account disbursements.
- Guidelines for the oversight of monthly reconciliations to the County Treasurer's account balances.
- Guidelines for the administrative approval and review of IT software deletions, voids and write-off activity.
- Guidelines for system security and system inactivity management.

Furthermore, we recommend management identify, analyze, and manage risks. Management should also assess the quality and effectiveness of the organizations 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:

Information Technology:

As mentioned above, the Office of the District Attorney has policies and procedures in place regarding the use of information technology to delete and/or void payments. The District Attorney will review those policies with employees in our smaller offices in Coal and Atoka Counties to ensure that those employees are familiar with those policies and their importance. The District Attorney will also seek information from the IT Division of the District Attorneys Council to determine whether a "time out" feature can be added to our computer network as is suggested by the auditor.

Bogus Check Restitution Program:

Bogus Check and Restitution employees balance accounts both monthly and annually with the County Treasurer. This is done by generating account registers (including deposits and expenditures) from our financial software program. It is our understanding that it would be better practice to input this information into a ledger form as advised by the auditor. Based on such recommendation, ledgers are now being kept in this form.

In regard to the finding regarding a lack of an independent verification that goods and/or services have been received by the district, we are appreciative that the auditor has pointed this out to the District Attorney. This issue has since been corrected.

Supervision Fee Program:

Bryan and Coal Counties: In regard to the finding regarding a lack of an independent verification that goods and/or services have been received by the district, we are appreciative that the auditor has pointed this out to the District Attorney. This issue has since been corrected.

Coal County:

The Office of the District Attorney has a policy in place where employees charged with duties of depositing funds are required to do so on a daily basis. The District Attorney will regularly remind employees of this policy and its importance. It should be noted that since the auditing period, the

**EMILY REDMAN, DISTRICT ATTORNEY
DISTRICT 19
STATUTORY REPORT
FOR THE PERIOD OF JULY 1, 2013 THROUGH JUNE 30, 2016**

employee in our Coal County office responsible for depositing funds has changed and is very conscientious of the policy.

Atoka County:

The Office of the District Attorney has a policy in place where employees charged with duties of depositing funds are required to do so on a daily basis. The District Attorney will regularly remind employees of this policy and its importance.

Restitution and Diversion Program:

Restitution and Diversion Program employees balance accounts both monthly and annually with the county treasurer. This is done by generating account registers (including deposits and expenditures) from our financial software program. It is our understanding that it would be better practice to input this information into a ledger form as advised by the auditor. Based on such recommendation, ledgers are now being kept in this form.

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 4 – Inadequate Internal Control Environment – Written Policies and Procedures for District Attorney Drug Asset Forfeiture (Property Forfeiture) Program, and Noncompliance Over Forfeited Inventories (Repeat Finding)

Condition: As part of our review of District Attorney accounts and records, we tested receipts, disbursements, and cash balances. The District Attorney has written policies and procedures and/or has designed and implemented internal controls for the safeguarding and reporting of program funds. However, some deficiencies were noted in certain areas, which include the following:

Bryan County

- The District does not maintain a true and accurate inventory for all seized property and/or forfeited property for the County.
- There is no indication of an independent verification that goods and/or services have been received by the District. The same employee is both the requisitioning and receiving officer for program disbursements.

Coal County

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

**EMILY REDMAN, DISTRICT ATTORNEY
DISTRICT 19
STATUTORY REPORT
FOR THE PERIOD OF JULY 1, 2013 THROUGH JUNE 30, 2016**

Atoka County

- The District does not maintain a true and accurate inventory for all seized property and/or forfeited property for the County.
- District account ledgers are not maintained independently from the County Treasurer. Therefore, monthly reconciliations are not properly performed with the County Treasurer to ensure account activity is complete and accurately reflected in County records.

Cause of Condition: The District Attorney's office has not fully implemented procedures (District-wide) to ensure disbursements and financial reporting for the Property Forfeiture account are properly approved, documented, and processed to ensure that internal controls are being implemented. Also, District policies are not being followed for the tracking of civil forfeiture cases and the disposition of property inventory.

Effect of Condition: These conditions could result in inaccurate or improper expenditures and create errors in the accounting and reporting of collections for the District. These conditions could also affect case activity and the location or disposition of seized property. Further, without proper receiving information, invoices could be processed for goods/services that were not received by the District or that were not for District purposes.

Recommendation: OSAI recommends that management adopt 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 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 by management and documentation of account disbursements.
- Guidelines for the oversight of monthly reconciliations to the County Treasurer's account balances.

OSAI further recommends management identify, analyze, and manage risks. Management should also assess the quality and effectiveness of the organizations 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:

Bryan County

While the Office of the District Attorney keeps an accurate inventory list for property which has been forfeited, that list does not include property which has been seized by law enforcement where forfeiture cases are pending. This is a result of a communication/training issue. District Attorney's staff responsible for keeping the forfeiture inventory list was not aware that such list should include property

**EMILY REDMAN, DISTRICT ATTORNEY
DISTRICT 19
STATUTORY REPORT
FOR THE PERIOD OF JULY 1, 2013 THROUGH JUNE 30, 2016**

held by law enforcement prior to a Court ordering such property forfeited. This issue has been corrected, and employees are in the process of updating the inventory list.

In regard to the finding regarding a lack of an independent verification that goods and/or services have been received by the district, we are appreciative that the auditor has pointed this out to the District Attorney. In regard to the finding regarding a lack of an independent verification that goods and/or services have been received by the district, we are appreciative that the auditor has pointed this out to the District Attorney. This issue has since been corrected.

Coal County

While rural Coal County files very few forfeiture cases, the District Attorney will instruct staff to bring the inventory list up to date.

Atoka County

While rural Atoka County files very few forfeiture cases, the District Attorney will instruct staff to bring the inventory list up to date.

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.

Furthermore, 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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