

STATUTORY REPORT

DISTRICT ATTORNEY DISTRICT 19

**BOGUS CHECK RESTITUTION PROGRAM, RESTITUTION AND
DIVERSION PROGRAM AND DISTRICT ATTORNEY
SUPERVISION FEE PROGRAM**

For the period of July 1, 2007 through June 30, 2009



*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
RESTITUTION AND DIVERSION PROGRAM
DISTRICT ATTORNEY SUPERVISION FEE PROGRAM
FOR THE PERIOD OF JULY 1, 2007 THROUGH JUNE 30, 2009**

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, and 991f-1.1, 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 10, 2012

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

Transmitted herewith is the statutory report for the District Attorney of District 19, Atoka, Bryan, and Coal Counties, Oklahoma (the District) for the period of July 1, 2007 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 that reads "Gary A. Jones". The signature is fluid and cursive, with a long horizontal stroke at the end.

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

**EMILY REDMAN, DISTRICT ATTORNEY
DISTRICT 19
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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

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, and 991.f-1.1, we have performed the following procedures as they relate to the records of the Bogus Check Restitution Program, Restitution and Diversion Program, and the District Attorney Supervision Fee Program for the period of July 1, 2007 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 the accounts to the County Treasurer's official depository records.
- 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 and Restitution and Diversion Program.

All information included in the financial records of the bogus check restitution program, restitution and diversion program, and district attorney supervision fee 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 Atoka, Bryan, or Coal 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.

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

February 2, 2012

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SCHEDULE OF FINDINGS AND RESPONSES

Finding 1 – Segregation of Duties – Bogus Check Restitution, Restitution and Diversion, and Supervision Fee Programs

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: Based on inquiries, we noted instances in which a single employee could be responsible for the recording, authorization, custody, and execution of revenue transactions. The District Attorney's office has a collections department for the following programs located in the counties of Atoka, Bryan, and Coal Counties. The following are concerns that were noted:

Cash Receipts

BOGUS CHECK RESTITUTION PROGRAM

- **(Bryan County)** – Duties of receipting, depositing, and reconciling to the County Treasurer are not adequately separated.

RESTITUTION AND DIVERSION PROGRAM

- **(Bryan County)** – The Restitution and Diversion Program Coordinator issues receipts, prepares deposits, reconciles daily receipts to the deposit, and delivers the deposit to the County Treasurer.

SUPERVISION FEE PROGRAM

- **(Bryan County)** – Two employees open mail, balance daily collections to the deposit, prepare the deposit, and deliver the deposit to the County Treasurer. Also, one of the same employees performs reconciliations to the County Treasurer and maintains the ledgers.
- **(Coal County)** – The Supervision Fee Program Coordinator opens mail, receipts collections, balances receipts to the deposit, and maintains the ledgers.
- **(Atoka County)** – The Supervision Fee Program Coordinator opens mail, receipts collections, balances receipts to the deposit, and maintains the ledgers.

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Cash Disbursements

We also noted instances in which a single employee could be responsible for recording, authorization, custody, and execution of expenditure transactions. The following are concerns that were noted:

BOGUS CHECK RESTITUTION PROGRAM

- **(Bryan County)** – The Bogus Check Coordinator prepares expenditure claims, prepares vouchers, distributes vouchers, and maintains the ledgers.

SUPERVISION FEE PROGRAM

- **(Bryan County)** – The Supervision Fee Coordinator prepares expenditure claims, receives goods and/or services, prepares vouchers, distributes vouchers, and maintains the ledgers.

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: The Office of the District Attorney recognizes the importance of the segregation of duties and will continue to work with the limited staff in our small office to ensure accountability.

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.

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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 District Attorney accounts and records, we tested receipts, disbursements, defendant files, 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 RESTITUTION PROGRAM

- **(Bryan County)** – One expenditure claim did not have an itemized invoice attached.
- **(Bryan County)** - In 2008 and 2009, we noted an amount totaling \$31,077.22 in merchant restitution is being held in the Bogus Check Restitution Program. The District Attorney's office could not identify the restitution cases related to this amount.
- **(Bryan County)** – Beginning balances at July 1, 2008, do not agree to the ending balances of June 30, 2008, on the Bogus Check Restitution Program Annual Report. A variance of \$160.64 was noted.
- **(Bryan County)** – It was noted that two receipts tested reflected a zero amount paid and was recorded on the payment journal as an entry error. The documentation for the entry did not clearly reflect the reason for the entry.

RESTITUTION AND DIVERSION PROGRAM

- **(Bryan County)** – The Restitution and Diversion Program Annual Report did not reconcile with the County Treasurer at June 30, 2009. A variance of \$120.00 was noted.

SUPERVISION FEE PROGRAM

- **(Bryan County)** – Pre-numbered, duplicate receipts are not issued for daily collections.
- **(Coal County)** - Collections are not deposited daily. Collections are sent to Bryan County once a month for deposit. Generic receipts are maintained which do not reflect the program or office that monies were derived. The receipts are not pre-numbered and in duplicate form. In addition, receipts were not issued in sequential order.
- **(Atoka County)** - Collections are not deposited daily. Collections are sent to Bryan County once a month for deposit.

Effect: This condition could result in inaccurate and incomplete files, unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of funds. In addition, collections are not safeguarded and could result in misappropriation of funds.

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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: Most of the above-listed concerns were pointed out to the District Attorney when the OSAI auditor was on-site conducting the audit. The District Attorney recognizes the significance of the above findings and has remedied most if not all of those issues. The District Attorney has also reminded the staff of the importance of accuracy and attention to detail in hopes that any issues related to human error can be eliminated.



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