

STATUTORY REPORT

DISTRICT ATTORNEY DISTRICT 1

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

For the period July 1, 2009 through June 30, 2012



*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, 2009 THROUGH JUNE 30, 2012**

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

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February 26, 2013

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 1, Beaver, Cimarron, Harper, and Texas Counties, Oklahoma (the District) for the period July 1, 2009 through June 30, 2012.

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, appearing to read "Gary A. Jones".

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

**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, 2009 through June 30, 2012:

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 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.

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 Beaver, Cimarron, Harper, and Texas Counties

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, appearing to read "Gary A. Jones".

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

December 28, 2012

**JAMES M. BORING, DISTRICT ATTORNEY
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SCHEDULE OF FINDINGS AND RESPONSES

Finding 2012-1 – Segregation of Duties – Bogus Check, Restitution and Diversion, and Property Forfeiture Accounts

Condition: Based on inquiry of staff and observation of the District Attorney’s office, we noted instances in which a single employee is responsible for the duties of issuing receipts, depositing funds, issuing vouchers, recording transactions, and reconciling accounts. The following significant concerns were noted:

District Wide Decentralization

The District has not designed and implemented procedures to maintain the duties of recordkeeping for accounts in a centralized location so as to mitigate the risks associated with having all duties performed by one staff member in the outlying Counties.

Beaver County, Cimarron County, and Harper County

- **Bogus Check Restitution Program, Supervision Fee, and the Property Forfeiture Program**

The District’s offices in these Counties are staffed by a part-time Assistant District Attorney and one administrative assistant in each of the offices. Funds are deposited with the local County Treasurer and vouchers are written from these accounts by the administrative assistant of each County office. Accounting for these funds is not centralized at the main office in Texas County.

A lack of segregation of duties exists in the collection and deposit processes in the Bogus Check Restitution Program, Supervision Fee, and the Property Forfeiture Programs. One employee, who receipts funds, also balances the receipts to daily deposits, posts payments to individual accounts, and delivers the deposits to the County Treasurer’s office.

In addition, a lack of segregation of duties exists in the expenditure process for the Bogus Check Restitution Fee Program, Supervision Fee, and the Property Forfeiture Program, in that one employee orders goods and/or services, prepares vouchers, completes voucher claim forms, and can sign as receiving agent.

One employee, who prepares deposits and vouchers, reconciles these funds to the County Treasurer, also reconciles to the County Treasurer monthly reports. No one other than the preparer reviews the reconciliations to ensure accuracy of the amounts reconciled.

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- **Bogus Check Restitution Program**

A lack of segregation of duties exists in the collection and deposit process in the Bogus Check Restitution Program. One employee who receipts funds also balances the receipts to daily deposits, posts payments to individual accounts, and delivers the deposits to the County Treasurer's office.

In addition, a lack of segregation of duties exists in the expenditure process for the Bogus Check Restitution Program in that one employee orders goods and/or services, prepares vouchers, completes voucher claim forms, can sign as receiving agent, and can sign the vouchers.

One employee, who prepares deposits and vouchers, also reconciles the Bogus Check Restitution Program balance to the County Treasurer. No one other than the preparer reviews the reconciliations to ensure accuracy of the amounts reconciled.

- **Restitution and Diversion and Supervision Fee Programs**

A lack of segregation of duties exists in the collection and deposit process in the Restitution and Diversion Program and Supervision Fee Program. One employee who receipts funds also balances the receipts to deposits, posts payments to individual accounts, and delivers the deposits to the County Treasurer's office.

In addition, a lack of segregation of duties exists in the expenditure process for the Restitution and Diversion Program and Supervision Fee Program in that one employee orders goods and/or services, prepares vouchers, completes voucher claim forms, can sign as receiving agent, and sign the vouchers.

One employee, who prepares deposits and vouchers, also reconciles the Restitution and Diversion Program and Supervision Fee Program balance to the County Treasurer. No one other than the preparer reviews the reconciliations to ensure accuracy of the amounts reconciled.

Cause of Condition: Procedures have not been designed to properly separate key accounting functions within the offices of the District.

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: OSAI recommends the District 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.

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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, we recommend 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:

As to Beaver, Cimarron, and Harper County:

The final accounting as to all receipts of funds from these three counties is in fact centralized in the Texas County office. Each of these three offices is staffed by a single employee. As soon as possible after the end of the month, the staff of these offices reconciles each of their accounts with the County Treasurer's office. Detailed monthly reports of all receipts and expenditures are prepared, and the supervising ADA in each of these counties reviews and verifies the account reconciliations and monthly reports. After review by the ADA, all reports, including the Treasurer's reports, are forwarded to the Financial Administrator in the Texas County office. The Financial Administrator enters all receipts and disbursements from each account in the offices' Microsoft Money accounting program. At that time the receipts and disbursements are balanced with the monthly reports and Treasurer's reports from each of these counties. The Financial Administrator then provides all Bogus Check monthly reports from the other counties to the District's Bogus Check Coordinator in the Texas County office. The Financial Administrator then provides all supervision, RAD, and Deferred Prosecution monthly reports to the District's Supervision/RAD Coordinator in the Texas County office. The respective coordinator for each fund then verifies the beginning and ending balances and reconciles each month's reports to the prior month's report for each of the accounts. Upon reconciliation by each of the coordinators in the Texas County office, a monthly summary report is prepared and submitted to the Financial Administrator and the District Attorney. The Financial Administrator prepares a summary of all receipts and account balances of all accounts and provides them to the DA for monthly review and tracking. The DA maintains a separate monthly tracking summary of the totals for monthly receipts and account balances. The Financial Administrator maintains the Microsoft Money accounting records which are provided to the DA for periodic review. The current office policy is for all of these reports to be completed and submitted to the DA for his review prior to the close of business on the 10th of each month.

It is simply not possible with current staffing levels of one person offices to segregate the duties in each of these three counties in the collection and depositing processes. There is only one employee present in the office to receive funds, make deposits, balance receipts to daily deposits, posts payments to individual accounts, and deliver deposits to the Treasurer.

As to expenditures with one employee ordering goods or services, preparing vouchers, completing voucher claim forms, and signing as receiving agent it is not possible to segregate these duties with only one employee in each of these three county offices. In 2008, a new policy and procedure was implemented across the District utilizing "Receiving Reports" and an "Approval for Payment" form. These forms are required to be submitted for review and approval by the responsible ADA, with complete supporting documentation attached. This system has worked well and adequately tracks purchasing, receiving, and payment of claims.

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Corrective Action Taken:

The ADA in each of these counties is responsible for weekly and monthly approval of all expenditures and for review of monthly summaries of all receipts, deposits, expenditures, and reconciliation with the monthly Treasurer's reports before submission to the Texas County office.

With the exception of emergencies, the ADA is responsible for signing all checks paid by the offices. The Receiving Reports and Approval for Payment forms, when applicable, together with attached copies of all invoices or related billings, and other applicable documentation relating to expenditures, will be submitted to the responsible ADA for review and approval at the time of issuance of payments.

Lack of Segregation of Duties in Forfeiture, Bogus Checks, Restitution, & Supervision Accounts:

Issues with respect to the lack of segregation of duties involving the receipt of funds and expenditure process relating to each of the account funds in the Texas County office due to one employee ordering goods and services, preparing vouchers, completing voucher claim forms, and also signing as receiving agent has been addressed. As noted above, procedures were implemented in 2008 that effectively monitor and provide oversight for the daily operations of the office and monthly tracking and accounting. With the limited staffing available to perform multiple functions and tasks, it is not feasible or functional to require further segregation of these duties. Any further segregation or procedures would create significant disruption and interference with the daily operations of the office and being able to effectively and timely complete all necessary functions of the staff personnel involved and to provide effective and timely services to the public.

Corrective Action Taken:

The Financial Administrator who is also the staff person responsible for all receipts and expenditures relating to forfeitures and forfeiture funds, will submit a copy of the monthly Treasurer's report for the Texas County Forfeiture Account to the DA for review and reconciliation with the DA's monthly report.

Criteria: Demonstration of accountability and stewardship are goals used in evaluating management's accounting of 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. No one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions.

Finding 2012-2 – Daily Deposits with the County Treasurer

Condition: Based on inquiry of staff, observation, and review of documents in the District Attorney's office, we noted that funds were received and receipts were issued, but funds were not deposited on a daily basis for the Bogus Check Restitution and the Supervision Fee Programs in Texas County.

- The test of receipts issued for three weeks, (one week for each fiscal year audited) revealed that, deposits were made from one day up to five days after the receipts were issued for the fifteen work days included in the three week period.

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Additionally, the Texas County District office deposits Restitution and Diversion Program collections with Deferred Prosecution collections; therefore, we were unable to determine that these collections were deposited daily.

Cause of Condition: Procedures have not been designed to ensure all funds received are deposited daily.

Effect of Condition: This condition could result in undetected errors, misappropriation of funds, and misstated financial reports.

Recommendation: OSAI recommends that the District deposit daily all funds received to provide effective internal controls over the District's assets. In instances where daily deposits are not feasible, then the payment should be deposited the following business day. Deposits should also be reconciled to receipts issued to provide assurance that all monies collected are deposited.

Management Response:

The Texas County office has limited staffing. The Bogus Check and Supervision Fee programs are operated with two people. One serves as the Bogus Check Coordinator for the District, as well as, handling all of the day to day functions of the Bogus Check program in Texas County. The Bogus Check Coordinator also assists the Supervision Coordinator with DA supervision and has assigned responsibilities within the Supervision Program. The Supervision Coordinator in Texas County also serves as the District Coordinator of the Supervision Program for District 1. In addition to supervision responsibilities, this person also handles all traffic citations, the RAD program, and is in charge of coordinating and supervising the Diversion Program in Texas County. The Supervision Coordinator also handles a significant portion of incoming calls to the Texas County DA's office. It is simply not possible for these two ladies to consistently make deposits on a daily basis, and perform other essential functions of the DA's office for which they are responsible. In addition, the Treasurer's office in Texas County has a deposit deadline of 11:00 a.m. each day. Deposits made after that time are not reflected until the following day. The policy of making deposits as soon as practical is the only procedure that is workable in these counties where one staff person is performing a multitude of tasks on a daily basis.

Deposits from RAD and Deferred Prosecution collections are separately tracked on a daily, monthly, and annual basis; however, one account is utilized for these funds. The office tracks the two sources of funds deposited to the account. The Office Coordinator of this account prepares a monthly summary and report of each of the funding sources deposited to the account. The report is submitted to the DA for review and tracking on a monthly basis.

The receipts and deposits to each of the accounts are reconciled by the Finance Coordinator on a monthly basis with the Treasurer's reports. Following reconciliation by the Financial Coordinator, the reports for each fund are then submitted to the respective fund Coordinators for further review and preparation of monthly summaries for each account. The monthly summaries are submitted to the DA each month for final review and tracking.

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Auditor Response:

In order to safeguard assets, collections should be deposited daily.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. An important aspect of internal controls is the safeguarding of assets. Internal controls over safeguarding of assets constitute a process, affected by management and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from misappropriation.

Finding 2012-3 – Information System Controls

Condition: Based on inquiry of staff, and observation of the District's computer system, we noted instances in which controls were not in place to ensure the integrity of the IT system. The following concerns were noted:

- The IT system had no safeguard in place where passwords were required to be changed after a given time period.
- Employees using the IT system have the ability to issue receipts, void receipts, and write-off account balances.
- Adjustment reports are not being utilized by the District.
- There is no monitoring of the reports by an employee that is independent of the accounting processes within each County office.

Cause of Condition: Due to lack of management oversight, policies and procedures have not been developed to ensure information system controls are properly designed and implemented.

Effect of Condition: Without implementing safeguards and information system controls, instances could arise where employees are altering or deleting transactions that could lead to misappropriation of funds.

Recommendation: OSAI recommends the District assign administrative rights to an employee, who is not directly associated with the day-to-day accounting processes with the IT system. This employee should monitor the adjustments made to reports that detail deletions and changes to system output.

Furthermore, OSAI recommends creating a procedure to ensure passwords are regularly changed for security purposes at least every ninety days.

Management Response:

Due to the limitations on the numbers of employees available to operate various programs it is not possible or practical to impose further limitations that currently exist on the issuance of receipts, voiding receipts, and write-off account balances.

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The ADA's in Beaver, Cimarron, and Harper Counties, as well as the Financial Administrator in Texas County monitor the monthly reports of all financial transactions each month. The Financial Administrator enters all receipts and disbursements from all accounts in Microsoft Money accounting system each month and reconciles the monthly county reports, Microsoft Money accounting, and Treasurer's reports on a monthly basis. The monthly reports are further reviewed by the account Coordinators and the DA reviews the monthly summaries of District accounts each month.

Corrective Action Taken:

A new policy has been implemented that requires each staff person with access to the IT system, to change their passwords every ninety days in conjunction with the changing of passwords required by DAC for system users.

A new policy has been implemented whereby the ADA's in Beaver, Cimarron, and Harper Counties will review the IT system adjustment reports each month for the presence of any questionable account adjustments.

A new policy has been implemented in Texas County whereby the DA or the District Technology Coordinator in the Texas County office will review the IT system adjustment reports each month for the presence of any questionable account adjustments.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, transactions should be identifiable by employee and corrections should be adequately approved and documented.

Finding 2012-4 – Bogus Check Restitution Program Annual Reporting Error

Condition: The ending balance for the Bogus Check Restitution Program reported on the June 30, 2012 Annual Report does not agree with the ending balance of the Harper County Treasurer's monthly report. The Harper County information used to compile the combined Annual Report for the District has a variance of (\$1,191.81) that was not identified.

Cause of Condition: When preparing the Annual Report, the District Attorney's office does not reconcile the account balance to the County Treasurers' Official Depository monthly reports for each County office.

Effect of Condition: This condition could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of funds. In addition, the report submitted to the District Attorney's Council is inaccurate.

Recommendation: OSAI recommends the Texas County District Attorney's office reconcile the accounting records for each account to the County Treasurers' monthly reports for accounts from all Counties within the District.

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Management Response:

Prior to 2011, all Bogus Check funds in Harper County had been maintained as one account in accordance with the procedures established by the prior DA administration. The staff in Harper County administered the Bogus Check Program for Beaver and Harper Counties. A new staff person was employed in 2009 and trained for several months by the retiring staff member. The new staff member continued utilizing existing accounts until 2010 when the DA reviewed the Bogus Check account and discovered that all funds were being held in one account. At that time, direction was given to split the account into two accounts, one for restitution and one for DA fees collected. The account was split in April of 2011, and the negative balance for the DA Fees was discovered when preparing the annual report for the year ending June 30, 2011. When the Texas County Bogus Check Coordinator reviewed the annual report for 2012, she realized that the report for the Bogus Check fee accounts had not been balanced with the Treasurer's report. The Coordinator explained the need for reconciliation of our accounts with the Treasurer's report, and at that time the accounts were reconciled. This resulted in showing a negative balance in the fee account. An appropriate adjustment reflecting the negative balance of \$1,191.81 in the fee account was made on the annual report and the negative balance was subsequently corrected.

Corrective Action:

As indicated, Bogus Check funds are held in two accounts, one for restitution and the other for DA fees collected. The Harper County staff is reconciling all accounts with the Treasurer's monthly reports. The ADA for Harper County is reviewing the account reconciliations of our records with that of the Treasurer's office each month. The monthly office reports and records of all receipts and disbursements, along with the Treasurer's report are forwarded to the Financial Administrator in Texas County for review and reconciliation. The reports are subsequently reviewed by the program coordinators as part of the process of compiling monthly reports submitted to the DA for final review.

Criteria: Effective internal controls over accounting and recordkeeping are required to ensure the accurate financial position of the District Attorney's Bogus Check Restitution Program.

Finding 2012-5 – Inadequate Controls Over Property Forfeiture Program

Condition: The District has established an aggressive approach to the seizure of assets used during the commission of a drug related crime. Thus, the District conducts periodic auctions of the many assets in the custody of the District Attorney.

Based on inquiry of staff and observation of records in the District Attorney's office, we noted the following weaknesses within the Property Forfeiture Program:

- The inventory list of seized property had not been updated to reflect all seized assets at the date of our audit.
- There were four instances noted by the District Attorney's office on the seized inventory list in which cash forfeited could not be reconciled to the amount of cash deposited.

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- CV-11-20 for \$128,980- The cash count at the bank was \$30.00 short of the amount recorded on the evidence report.
- CV-12-4 for \$10,905 -The cash count at the bank was \$1,000.00 short of the amount recorded on the evidence report. The report reflected that the funds had been added incorrectly by the agent in charge of the investigation.
- CV-12-2 for \$23,300 -The cash count reflected \$100.00 more than the amount recorded on the evidence report.
- CV-12-26 for \$12,765.61 – The amount deposited at the bank was \$20.00 less than the amount recorded on the evidence report.

Cause of Condition: Procedures have not been designed and implemented to issue receipts for all funds received at auction by the Property Forfeiture Program. Furthermore, the District Attorney's office has not implemented procedures to accurately account for cash seized. Additionally, due to the high volume of seizures, the District has not been able to maintain a current inventory list of seized property.

Effect of Condition: These conditions could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of funds.

Recommendation: OSAI recommends the District Attorney's office issue receipts for all funds received by the Property Forfeiture Program for auction proceeds and design procedures to ensure the accurate counting of all cash seized. Further, OSAI recommends that the District maintain a current inventory list of seized property to account for and safeguard assets in the possession of the District.

Management Response:

As to the four instances that cash forfeitures did not reconcile to the amount of cash deposited:

- a. CV-11-20 for \$128,980 - \$30 short of amount on evidence report. This forfeiture action arose from a seizure made by the Goodwell Police Department. The Texas County Sheriff's office assisted with the seizure. There was \$57,500.00 of money orders seized and a reported \$71,480.00 in cash seized. Each of the money orders was photocopied. As is typical with most cash seizures made by agencies other than the District Attorney Task Force (DATF) agents, the seizing officer requested investigative assistance from DATF agents. DATF agents accepted the case and conducted the investigation, including but not limited to suspect interviews, vehicle inventory, contacts with other state and federal law enforcement agencies, etc. However, as is always the case in cash seizures, the seizing agency is responsible for conducting the count of all money. All counts must be double counted by policy of the DA. In this case the seizing Goodwell police officer and the Sheriff's Deputy assisting him were the primary parties responsible for conducting the double count of the money. Two other officers from the Guymon Police Department assisted with the double count. The two DATF agents conducting the investigation provided oversight and assisted to a limited degree with the money count. When the money count was completed and the officers conducting the count agreed on the final total. The seized cash was sealed in an evidence container in the presence of all officers involved with the counting. DATF Agent Gomez, in the presence of another officer, deposited the evidence container in the evidence locker at the DATF office. The evidence

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container remained sealed in the evidence locker of at the DATF office until the seizure was completed. In accordance with policy, Agent Gomez and another officer removed the evidence container from the evidence locker and transported it to the City National Bank for counting. The officers were met at the bank by a DA office representative and employees of the bank. The evidence container was unsealed at that time and the bank employees conducted a double count of the money in the presence of the DA staff representative. It was at that time that the shortage of \$30.00 was discovered. Upon discovery of the shortage, the DA's office initiated an inquiry with respect to the count and shortage. The responsible agency, Goodwell Police Department, as well as the Texas County Sheriff's Office were notified of \$30.00 shortage and a review by them was requested. Following inquiry and investigation by both departments and verification from them to the DA's office of their satisfaction that the shortage was due to an error in counting at the time of the seizure, the DA's office determined that the shortage was in fact due to an error in the original counting.

- b. CV-12-4 for \$10,905 - \$1,000 short of evidence report. Photographs were taken at the time of the money count in this case reflecting the stacks of money counted and the recorded count of each of the stacks along with the totaling of the stack counts, as well as a review of the original tally sheet clearly reflect that the agent that totaled the individual counts of the stacks of money simply made an adding mistake and recorded a total of \$1,000.00 more than was actually present. The correct count from the tally sheet matched the bank count and final tally for the forfeiture.
- c. CV-12-2 for \$23,300 - \$100 more than evidence report. A review of the counting of this seizure clearly reflects there was a counting error even though the money was double counted by multiple officers.
- d. CV-12-26 for \$12,765.61 – \$20 short on deposit. The same process for the counting, securing, and depositing of this seizure was the same as described in “a” above except the Undersheriff of Texas County worked the investigation in the absence of any available DATF agents. The Undersheriff secured the money in evidence and when the forfeiture was completed, he delivered the evidence container to the Texas County Treasurer. The container was opened in the presence of the officer and representative of the DA's office, and the money was removed and counted by employees in the Treasurer's office. When the money was being counted they discovered that a \$20.00 bill was folded in half, and all parties agreed, after review, that due to the folded bill that it did not get counted when the officers did their count. This appeared to clearly be a counting error and no further action was deemed necessary.

The staff person in charge of all forfeitures maintains a complete and detailed listing of all assets seized for which forfeiture actions are filed by the DA's office. Due to limited staffing, it is not possible to update this seizure listing on a daily basis, nor is there any need to do so unless and until there is a new seizure or further activity on existing seizures. The listing is updated as needed to review the status of pending forfeiture actions by the ADA in charge of prosecuting forfeitures, as well as, the DA.

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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. A key factor in this system is the environment established by management. In addition, management attitude, qualifications, and operating style become the foundation of all other internal control components.

Finding 2012-6 – Property Forfeiture Expenditures

Condition: Based on inquiry of staff and a test of forty-five claims of the Texas County Property Forfeiture Program, we noted the following deficiencies:

- In two instances, the expenditure claim was not approved by the District Attorney.
- In one instance, a proper invoice was not attached to the claim.
- In one instance, a claim was not prepared for the expenditure.

Based on inquiry of staff and a test of five claims of the Harper County Property Forfeiture Program, we noted the following deficiency:

- In five instances, the receiving report was completed by the same person that ordered the goods.

Cause of Condition: Procedures have not been designed and implemented to effectively document expenditures and mitigate the risks associated with one employee performing all duties associated with the expenditure of funds.

Effect of Condition: These conditions could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of funds.

Recommendation: OSAI recommends the District Attorney implement procedures to pay expenditures from original invoices, approve the expenditure, prepare claims, and to attach independent verification that all goods and services were received.

Management Response:

It is the office policy for the DA to approve and execute all checks for payment claims in Texas County. There are occasions when the DA is not present and a claim needs to be processed and paid. All claims are submitted for review, approval and issuance of checks for payment except for very limited circumstances when the DA is unavailable. The office policy requires that when a claim is submitted to the DA for approval and issuance of a check for payment, that a receiving slip is attached with the responsible account supervisor's verification form, verifying the validity of the claim and that it is proper for payment. A proper invoice must be attached to all claims and submitted with the other forms and check for payment. If any claims were approved for payment without a proper invoice attached, such would be a mistake and not processed in accordance with policy. The only instances of these found by the

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DA's office relate to payments for contract labor where DA time sheets were utilized and payment for services was based off of the time sheets signed by the laborer without a separate invoice being prepared and submitted.

As to the receiving reports in Harper County being completed by the same person that ordered the goods, there is only one employee present in the office three to four days each week. It is not possible for the person ordering to not also be the person receiving orders.

Procedures have been implemented District wide to ensure payment from original invoices with the approval of the staff person responsible for each fund account. This process requires receiving reports for all invoices involving goods or services provided to the offices, as well as the invoices to be submitted for approval and issuance of payment by the ADA or DA.

Corrective Action Taken:

As to claims submitted for payment in Texas County, if a claim needs to be processed and paid when the DA is not present, the claims with appropriate documentation will be submitted to the First Assistant DA for approval and issuance of a check for payment.

Criteria: Effective internal controls require that management properly implement procedures to ensure that all claims are supported by an original, approved invoice, a claim prepared, and reflect independent verification of goods and services received.

Finding 2012-7 – Bogus Check Expenditures

Condition: Based on inquiry of staff and a test of fifty-nine claims of the Texas County Bogus Check Restitution Program Fund, we noted the following deficiencies:

- In two instances, a receiving verification was not attached to the claim.
- In three instances, individuals were paid for contract labor but did not provide an itemized invoice to the District Attorney's office.
- In one instance, an individual completed a timesheet, but was paid as contract labor.

Cause of Condition: Procedures have not been designed and implemented to document that goods and/or services were received, and that individuals were being paid as contract labor.

Effect of Condition: These conditions could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of funds.

Recommendation: OSAI recommends the District Attorney implement procedures to attach independent verification that all goods and services were received and clearly document contract labor on original invoices.

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Management Response:

It is the office policy that receiving verifications be attached to all claims when submitted for approval for payment by the ADA or DA.

All contract labor was required to complete detailed time sheets for the time spent performing services for the office. Calculations for the amount owed were made on the time sheets that were verified by the service provider, and payment was made from the verified time sheets.

Corrective Action:

The DA's office has prepared an invoice form and time sheet for contract labor, to be verified and submitted for payment.

Criteria: Effective internal controls require that management properly implement procedures to ensure that all claims are documented by an appropriate invoice and reflect independent verification of goods and services received.

Finding 2012-8 – Bogus Check Restitution Program and Restitution and Diversion Program Balances

Condition: Based on inquiry of staff, the District does not remit cancelled vouchers to the Unclaimed Property Division of the Oklahoma State Treasurer's Office, when the office is unable to locate the victim or merchant. Furthermore, the balances have not identified to specific cases prior to the implementation of the IT system.

Cause of Condition: Procedures were not designed to ensure restitution balances were identified by case before converting the accounts to the IT system.

Effect of Condition: The District Attorney is holding restitution balances that have not been identified by cases and have not been remitted to the victims or merchants.

Recommendation: OSAI recommends the District Attorney research and determine the identity of the victims so that restitution can be properly remitted. The District Attorney should then contact the Unclaimed Property Division of the Oklahoma State Treasurer's Office for further direction to determine the manner in which the remaining unidentified balance should be distributed.

Management Response:

With respect to some of the funds held for restitution, procedures were not designed to ensure restitution balances were identified by case before converting the accounts to the IT system. Research has been conducted by the account supervisors where restitution money is maintained in an effort to identify the parties to whom restitution can be paid. The office has not contacted the Unclaimed Property Division of the State Treasurer's Office for directions for distribution.

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Corrective Action:

A final review and effort is being made to attempt a determination of parties to whom restitution funds being held can and should be paid.

Any restitution funds that cannot be appropriately identified and/or paid out to proper persons or parties will be disposed of in accordance with directions obtained from the Unclaimed Property Division of the State Treasurer's Office.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. An important aspect of internal controls is the safeguarding of assets. Internal controls over safeguarding of assets constitute a process, affected by management and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from misappropriation.

Finding 2012-9 – Restitution and Diversion Program Expenditures

Condition: Based on inquiry of staff and a test of fifty claims of the Texas County Restitution and Diversion Program, administered in Texas County, we noted the following deficiencies:

- In one instance, goods were ordered and received by the same employee that prepared the claim.
- In one instance, an individual was paid for contract labor but did not provide an itemized invoice to the District Attorney's office.
- This same individual completed a timesheet but was paid as contract labor.

Cause of Condition: Procedures have not been designed and implemented to document that goods and/or services were received, and that individuals were being paid as contract labor.

Effect of Condition: These conditions could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of funds.

Recommendation: OSAI recommends the District Attorney implement procedures to attach independent verification, documenting receipt of goods and services and clearly document contract labor on original invoices.

Management Response:

Every reasonable effort is made for goods to be receipted as received by an employee other than the one making the order; however, it is not always possible for another employee to receive goods ordered or purchased with the limited staff available and the practicalities of office operations. It is the office policy that receiving verifications be attached to all claims when submitted for approval for payment by the ADA or DA.

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All contract labor was required to complete detailed time sheets for the time spent performing services for the office. Calculations for the amount owed were made on the time sheets that were verified by the service provider, and payment was made from the verified time sheets.

Corrective Action:

The DA's office has prepared an invoice form and time sheet for contract labor to be verified and submitted for payment.

Criteria: Effective internal controls require that management properly implement procedures to ensure that all claims are supported by an original invoice and reflect independent verification of goods and services received.

Finding 2012-10 – Supervision Fee Program Expenditures

Condition: Based on inquiry of staff and a test of eleven claims of the Supervision Fee Program administered in Harper County, we noted the following deficiencies:

- In two instances, an individual was paid for contract labor but did not provide an itemized invoice to the District Attorney's office.
- This same individual completed a timesheet but was paid as contract labor.

Cause of Condition: Procedures have not been designed and implemented to document that individuals were being paid as contract labor.

Effect of Condition: These conditions could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of funds.

Recommendation: OSAI recommends the District Attorney implement procedures to clearly document contract labor on original invoices.

Management Response:

All contract labor was required to complete detailed time sheets for the time spent performing services for the office. Calculations for the amount owed were made on the time sheets that were verified by the service provider, and payment was made from the verified time sheets.

Corrective Action:

The DA's office has prepared an invoice form and time sheet for contract labor to be verified and submitted for payment.

Criteria: Effective internal controls require that management properly implement procedures to ensure that all claims are supported by an original invoice for contract labor.



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