

**DISTRICT ATTORNEY
DISTRICT 20**

**BOGUS CHECK
RESTITUTION FUND**

**FOR THE YEAR ENDED
JUNE 30, 2008**



**STATUTORY
REPORT**



Oklahoma State Auditor
& Inspector

**CRAIG LADD, DISTRICT ATTORNEY
DISTRICT 20
STATUTORY REPORT
BOGUS CHECK RESTITUTION FUND
FOR THE YEAR ENDED
JUNE 30, 2008**

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STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA
State Auditor

MICHELLE R. DAY, ESQ.
Chief Deputy



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July 12, 2010

Craig Ladd, District Attorney
District 20
Carter County Courthouse
Ardmore, Oklahoma 73401

Transmitted herewith is the statutory report for the District Attorney of District 20, Carter, Johnston, Love, Marshall, and Murray Counties, Oklahoma (the District) for the fiscal year ended June 30, 2008.

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.

We wish to take this opportunity to express our appreciation for the assistance and cooperation extended to our office during the conduct of our procedures.

The Office of the State Auditor and Inspector is committed to serve the public interest by providing independent oversight and to issue reports that serve as a management tool to the State to ensure a government which is accountable to the people of the State of Oklahoma.

Sincerely,

A handwritten signature in blue ink that reads "Steve Burrage".

STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR

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INTRODUCTORY INFORMATION

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.

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Statutory Report

Craig Ladd, District Attorney
District 20
Carter County Courthouse
Ardmore, Oklahoma 73401

For the purpose of complying with 74 O.S. § 212.E and 22 O.S. § 114, we have performed each of the following procedures as it relates to the records of the Bogus Check Restitution Fund for the fiscal year June 30, 2008.

- Examine fees to determine that the correct fees were assessed, receipted, and deposited in compliance with 28 O.S. § 153.
- Determine whether expenditures were used to defray lawful expenses of the District Attorney's office in accordance with 22 O.S. § 114; whether expenditures were supported by invoices and approved claims; and that goods or services paid for were received.
- Determine whether the fund reconciles to the County Treasurer's records.
- Determine that the District Attorney prepared and submitted an annual report to the District Attorney's Council showing the total deposits and total expenditures and that expenditures were properly classified and presented.

All information included in the financial records of the bogus check restitution program is the representation of the District Attorney for their respective district.

Our engagement was limited to the procedures performed above and was less in scope than an audit performed in accordance with auditing standards generally accepted in the United States of America. Accordingly, we do not express an opinion on any general-purpose financial statements of Carter, Johnston, Love, Marshall, or Murray Counties.

Based on our procedures performed, except for the matter of segregation of duties, District 20 was properly assessing fees, in compliance with 28 O.S. § 153; goods or services paid for were received; the fund balance reconciled to the County Treasurer's records; the District Attorney prepared and submitted an annual report to the District Attorney's Council. With respect to receipting and depositing the correct fees, expenditures used to defray lawful expenses of the District Attorney's office, expenditures being supported by invoices and approved claims within the bogus check program, and the annual report presentation, our findings are presented in the accompanying schedule of findings and responses. With respect to segregation of duties, our finding is presented in the schedule of findings and responses.

Because of the deficiencies described in the attached finding, we could not include in this report information from the Bogus Check Restitution Annual Report prepared by District 20, which was submitted to the District Attorneys Council.

This report is intended for the information and use of the District Attorney and Carter, Johnston, Love, Marshall, and Murray County officials. However, this report is a matter of public record and its distribution is not limited.

Sincerely,



STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR

May 21, 2010

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2008-1—Segregation of Duties (Repeat Finding)

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud. No one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions.

Condition: Based on inquiries and observation of personnel in the District Attorney's Bogus Check Restitution Program, we noted instances in which a single employee is responsible for the duties of recording, authorizing, custody of assets, and execution of transactions. The following concerns were noted:

The Bogus Check Coordinator's duties include preparing deposits, reconciling with the County Treasurer, posting receipts to ledgers, reconciling accounts with the Treasurer, approving write-offs, signing vouchers, posting transactions to accounts, posting vouchers to ledgers, and authorizing purchases. One of the four Bogus Check employees opens mail and totals remittances, balances the cash drawer, takes deposits to the Treasurer, prepares and distributes vouchers, and prepares claims. One of the four Bogus Check employees writes receipts and approves write-offs.

Effect: By having employees who have the opportunity to perform more than one area of recording, authorizing, custody of assets, and execution of transactions could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of funds.

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.

Views of responsible officials and planned corrective actions: We concur with the State Auditor's finding. Management does have knowledge of office operations and will perform a periodic review of these operations.

Finding 2008-2—Bogus Check Fee Expenditures (Repeat Finding)

Criteria: Title 22 O.S. § 114.B states in part:

This fund shall be used by the district attorney to defray any lawful expense of the district attorney's office. The district attorney shall keep records of all monies deposited to and disbursed from this fund.

Effective accounting practices include expenditures being supported by approved claims and invoices prior to paying expenses of the Bogus Check Fee Account.

Condition: During examination of expenditures of the District Attorney's Bogus Check Restitution program, the following exceptions were noted:

- Claim number 4141 could not be located. The payment was to the Court Clerk for court fees.
- An original itemized invoice was not attached to claim number 3963. Additionally, we were unable to determine if items purchased for this claim were allowable expenditures.
- Claim number 4106 was for the purchase of a computer battery for an employee's personal laptop computer. The computer was to be used in the courtroom for community service cases.

Effect: This condition results in noncompliance with 22 O.S. § 114.B and could result in undetected errors and misstated financial reports.

Recommendation: OSAI recommends that all records be maintained and made available for inspection. Further, OSAI recommends that all claims be supported by an original itemized invoice.

Views of responsible officials and planned corrective actions: We concur with the State Auditor's finding. Management has investigated these exceptions and has taken the necessary measures to correct these errors.

Finding 2008-3—Annual Report Reporting Error (Repeat Finding)

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

Condition: The ending balance for the District Attorney's fee account reported on the June 30, 2007 Annual Report does not agree with the beginning balance on the June 30, 2008 Annual Report. The beginning balance on July 1, 2007, was increased by \$1,479.54, which consist of cancelled vouchers and miscellaneous deposits from the previous fiscal year.

Effect: Not reporting financial information, cancelled vouchers, and miscellaneous deposits in the year that it occurs, results in the misstatement of the Bogus Check Restitution Fund financial position. In addition, the reports submitted to the District Attorney's Council are inaccurate.

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Recommendation: OSAI recommends that all of the District Attorney’s Bogus Check Program financial information be reported during the fiscal year in which it occurs to ensure accurate financial position and reporting.

Views of responsible officials and planned corrective actions: We concur with the State Auditor's finding. Management has investigated these exceptions and has taken the necessary measures to correct these errors.

Finding 2008-4—Deposits with the County Treasurer

Criteria: According to 19 O.S. § 215.11, the District Attorney shall deposit with the County Treasurer all monies received under color of office within ten (10) days after it is received.

Condition: During our examination of receipts issued to deposits, we obtained the deposit slips for November 20, 2007 and June 30, 2008. The names and amounts on the deposit slip agreed to the names and amounts on the cash receipts journal. OSAI noted that the original amount on the deposit slip had been reduced and that the reduced amount was deposited. The following variances were noted:

November 20, 2007	Total	Checks	Cash
Original deposit	\$35,667.42	\$35,667.42	\$0
Amount deposited	\$34,005.42	\$34,005.42	\$0
Amount deposited Over (under) receipts	\$(1,662.00)	\$(1,662.00)	\$0
June 30, 2008			
Original deposit	\$9,627.28	\$9,617.86	\$9.42
Amount deposited	\$8,973.16	\$8,913.16	\$60.00
Amount deposited Over (under) receipts	\$(654.12)	\$(704.70)	\$50.58

The Bogus Check Restitution Coordinator provided documentation showing the November 20, 2007, variance of \$1,662.00 was the result of an individual paying the vendor directly. The amount was entered as a payment on October 23, 2007, but should have been a write-off. The deposit slip for November 20, 2007, does not list this payment as a part of the deposit, which was reduced by the \$1,662.00.

For the variance noted on the June 30, 2008 deposit, the coordinator stated the variance, “Could be payments entered that should have been write-offs, or should have been entered as court ordered restitution, community service, or RAD restitution.” There was no documentation to support the variance.

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In addition, during our examination of the November 20, 2007 deposit, we noted that it included receipts from October 31, 2007 through November 20, 2007. Monies received were not deposited within ten (10) days after received as required by 19 O.S. § 215.11.

Effect: These conditions result in noncompliance with 19 O.S. § 215.11 and could result in undetected errors, misappropriation of funds, and misstated financial reports.

Recommendation: OSAI recommends that the District Attorney deposit all monies received as required by 19 O.S. § 215.11. Deposits should also be reconciled to receipts issued to provide assurance that all monies collected are deposited.

Views of responsible officials and planned corrective actions: We concur with the State Auditor's finding. Management has investigated these exceptions and has taken the necessary measures to correct these errors.



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