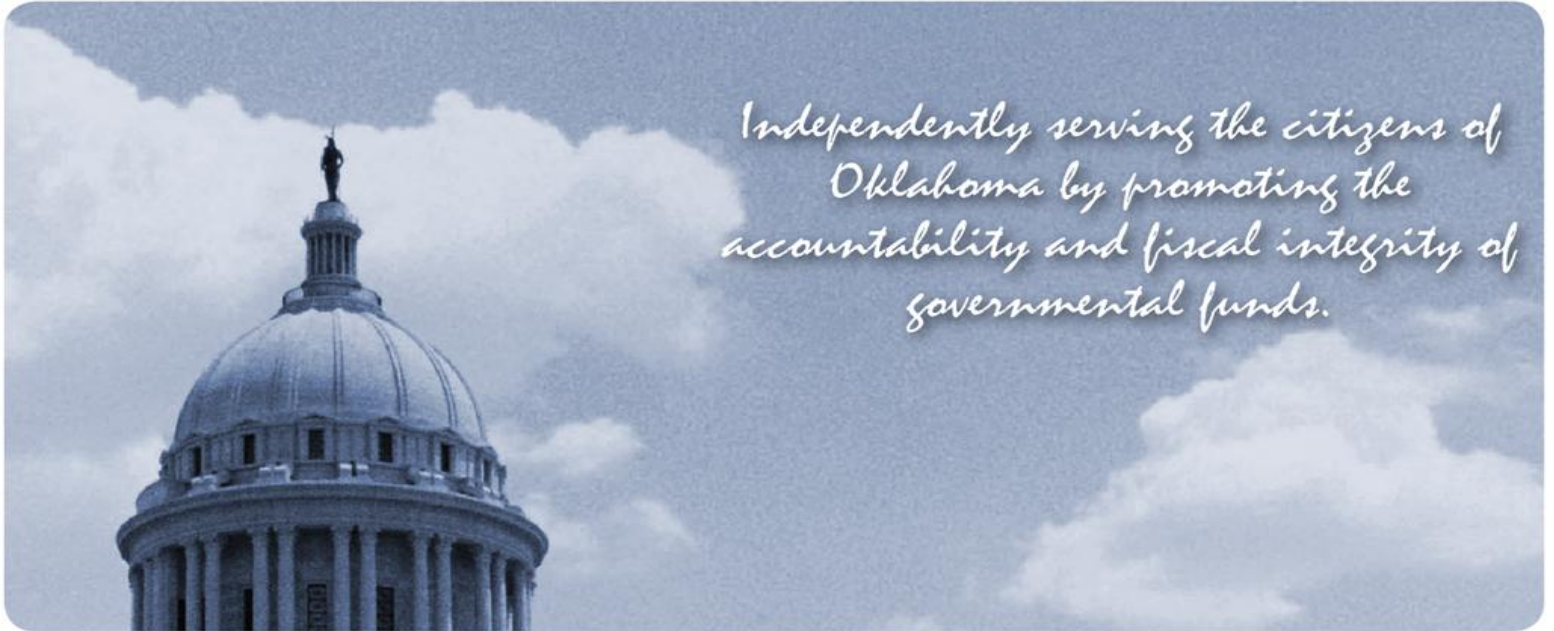


STATUTORY REPORT

**DISTRICT ATTORNEY
DISTRICT 20
BOGUS CHECK RESTITUTION PROGRAM
SUPERVISION PROGRAM
PROPERTY FORFEITURE PROGRAM**

For the period of July 1, 2011 through June 30, 2014



Oklahoma State
Auditor & Inspector
Gary A. Jones, CPA, CFE

**CRAIG LADD, DISTRICT ATTORNEY
DISTRICT 20**

**STATUTORY REPORT
BOGUS CHECK RESTITUTION PROGRAM
SUPERVISION PROGRAM
PROPERTY FORFEITURE PROGRAM**

FOR THE PERIOD OF JULY 1, 2011 THROUGH JUNE 30, 2014

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

May 1, 2015

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, Murray, Love, Johnston and Marshall Counties, Oklahoma (the District) for the period of July 1, 2011 through June 30, 2014.

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".

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

**CRAIG LADD, DISTRICT ATTORNEY
DISTRICT 20
STATUTORY REPORT
FOR THE PERIOD OF JULY 1, 2011 THROUGH JUNE 30, 2014**

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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.

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

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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, 991d, 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, 2011 through June 30, 2014.

Bogus Check and Supervision 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, 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 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 and Supervision 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 Carter, Murray, Love, Johnston, or Marshall 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, appearing to read "Gary A. Jones".

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

February 25, 2015

SCHEDULE OF FINDINGS AND RESPONSES

Finding-1 – Segregation of Duties – Bogus Check Restitution, Supervision, and DA Property Forfeiture Accounts

Condition: The following are instances of the lack of segregation of duties in personnel within District Attorney accounts:

Carter County

A lack of segregation of duties exists in the procedural process of the Bogus Check Restitution Program (DABCR/DACPA account). An employee, who opens mail, posts payments, prepares and delivers deposits, also prepares expenditures, issues vouchers, performs monthly reconciliations, and prepares the annual reports. No one other than the preparer reviews the reconciliations or annual reports to ensure accuracy of the amounts reported.

A lack of segregation of duties exists in the procedural process of the Supervision Fee Program (Unsupervised Probation account). One employee prepares expenditures, issues vouchers, maintains ledgers, performs monthly reconciliations, and prepares the annual reports. No one other than the preparer reviews the reconciliations or annual reports to ensure accuracy of the amounts reported.

A lack of segregation of duties exists in the procedural process of the Property Forfeiture Program. One employee receives money, prepares and delivers the deposit, prepares expenditures and issues vouchers, maintains account ledgers, performs monthly reconciliations, and prepares the annual reports. No one other than the preparer reviews the deposits, reconciliations or annual reports to ensure accuracy of the amounts reported.

Murray County

A lack of segregation of duties exists in the procedural process of the Bogus Check Restitution, Property Forfeiture, and Supervision Fee Programs. One employee receipts, records/posts payments, and prepares the daily deposits. In addition, the same employee prepares expenditures, issues vouchers, and performs monthly reconciliations. No one other than the preparer reviews the deposits or reconciliations to ensure accuracy of the amounts reported.

Love County

A lack of segregation of duties exists in the procedural process of the Property Forfeiture and Supervision Fee Programs. One employee receipts, records/posts payments, and prepares the daily deposits. In addition, the same employee prepares expenditures, issues vouchers, and performs monthly reconciliations. No one other than the preparer reviews the deposits or reconciliations to ensure accuracy of the amounts reported.

Johnston County

A lack of segregation of duties exists in the procedural process of the Bogus Check Restitution, Property Forfeiture, and Supervision Fee Programs. One employee receipts, records/posts payments, and prepares the daily deposits. In addition, the same employee prepares expenditures, signs and issues vouchers and performs monthly reconciliations. No one other than the preparer reviews the deposits or reconciliations to ensure accuracy of the amounts reported.

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Marshall County

A lack of segregation of duties exists in the procedural process of the Supervision Fee Program. One employee receipts, records/posts payments, and prepares the daily deposits. In addition, the same employee prepares expenditures and issues vouchers. No one other than the preparer reviews the deposits to ensure accuracy of the amounts reported.

Cause of Condition: Procedures have not been designed 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 & 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 oversight 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:

Carter County Bogus Check Restitution Program; Supervision Fee Program; Property Forfeiture Program – Duties will be segregated as follows: As to the collection of Bogus Check payments and supervision fee payments - One staff member will open all mail, endorse payments, and make a list of the money orders/cashiers' checks received. A second staff member will then log all payments received in the mail on accounting software and print receipts. Separate money drawers will be maintained by all 3 members of staff. 2 of the staff members will be responsible for taking the bulk of all payments, logging on accounting software, printing receipts, and endorsing payments accepted. The Coordinator will be considered the back up for this duty when someone is absent or walk-in traffic is heavy. Each staff member will print a cash receipts journal listing payments she has taken and reconcile her payments with the cash receipts journal. Each cash receipts journal with payments attached will then be given to the Coordinator to make copies of payments and prepare the deposit. A separate excel spreadsheet will be maintained with the daily deposits listed, vouchers written, and a running balance. Monthly reports will be prepared by the Coordinator and balances reconciled with the Carter County Treasurer using reports provided by her office and our own spreadsheet referenced above. These reports will be signed by the Coordinator and then reviewed and signed by the First Assistant District Attorney and a copy provided to the District Attorney. Annual reports shall be handled in the same manner as the monthly reports. Any expenditures paid out during the month will be attached to a purchase order prepared and signed by the Coordinator, reviewed and signed by a 2nd staff member, and reviewed and signed by the District Attorney or First Assistant District Attorney. Vouchers for any purchase orders are signed by the District Attorney or First Assistant District Attorney.

As to the processing and deposits of Supervision Fees – A support staff member will write receipts for any vouchers received. The Office Manager prepares the deposit and makes copies of the vouchers to be

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deposited. The District Attorney or First Assistant District Attorney verifies and dates each deposit. Any expenditures made during the month are attached to a requisition for the request of payment, in which the Office Manager, an additional member of the support staff, and the District Attorney, each sign for verification of any purchases. The District Attorney or First Assistant District Attorney review and sign the vouchers for any purchases. The First Assistant District Attorney reviews the monthly report prepared by the Office Manager of reconciliation of ledger expenditures and deposits with the Treasurer's Office and signs off on the report. The District Attorney is provided a copy of the monthly reports. Annual reports are handled in the same manner as monthly reports.

As to the processing and deposits of money and things of value in the Property Forfeiture Program – A support staff member will write receipts for any vouchers received. The Office Manager prepares the deposit and makes photo copies of the vouchers to be deposited. The District Attorney or First Assistant District Attorney verifies and dates the deposit. Any expenditures made during the month are attached to a requisition for the request of payment signed by the Office Manager, an additional member of the staff, and the District Attorney, for verification of any purchases. The District Attorney or First Assistant District Attorney signs the vouchers for purchases. The First Assistant District Attorney reviews the monthly report prepared by the Office Manager of reconciliation of ledger expenditures and deposits with the Carter County Treasurer's Office and signs off on the report. The District Attorney is provided a copy of the monthly reports. Annual reports will be handled the same as monthly reports.

Murray County Bogus Check Restitution Program; Supervision Fee Program; Property Forfeiture Program – Duties will be segregated as follows: Any expenditures paid out during the month will be attached to a purchase order prepared and signed by the support staff member and reviewed and signed by the Assistant District Attorney. Vouchers for any purchase orders will be signed by the Assistant District Attorney as directed in rule 10 of District 20 Accounting Policies and Procedures for the Office of the District Attorney. The Assistant District Attorney will verify with his initials and date all deposits. The Assistant District Attorney will review the monthly report prepared by the support staff member of reconciliation of ledger expenditures and deposits with the Treasurer's Office and sign off on the report.

Love County Supervision Fee Program and Property Forfeiture Program – Duties will be segregated as follows: Any expenditures paid out during the month will be attached to a purchase order prepared and signed by the support staff member and reviewed and signed by the Assistant District Attorney. Vouchers for any purchase orders will be signed by the Assistant District Attorney as directed in rule 10 of District 20 Accounting Policies and Procedures for the Office of the District Attorney. The Assistant District Attorney will verify with his initials and date all deposits. The Assistant District Attorney will review the monthly report prepared by the support staff member of reconciliation of ledger expenditures and deposits with the Treasurer's Office and sign off on said report.

Johnston County Bogus Check Restitution Program; Supervision Fee Program; Property Forfeiture Program – Duties will be segregated as follows: Any expenditures paid out during the month will be attached to a purchase order prepared and signed by the support staff member and reviewed and signed by the Assistant District Attorney. Vouchers for any purchase orders will be signed by the Assistant District Attorney as directed in rule 10 of District 20 Accounting Policies and Procedures for the Office of the District Attorney. The Assistant District Attorney will verify with his initials and date all deposits. The Assistant District Attorney will review the monthly report prepared by the support staff member of reconciliation of ledger expenditures and deposits with the Treasurer's Office and sign off on said report.

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Marshall County Supervision Fee Program – Duties will be segregated as follows: Any expenditures paid out during the month will be attached to a purchase order prepared and signed by the support staff member and reviewed and signed by the Assistant District Attorney. Vouchers for any purchase orders will be signed by the Assistant District Attorney as directed in rule 10 of District 20 Accounting Policies and Procedures for the Office of the District Attorney. The Assistant District Attorney will verify with his initials and date all deposits. The Assistant District Attorney will review the monthly report prepared by the support staff member of reconciliation of ledger expenditures and deposits with the Treasurer’s Office and sign off on said report.

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.

Finding-2 – Internal Control Environment - Written Policies and Procedures for Bogus Check Restitution, Property Forfeiture and Supervision Fee Programs

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:

Information Technology

- Override or write-off reports are not reviewed periodically for unusual activity.
- IT software audit reports are not reviewed for voided, altered, or deleted receipts.

Bogus Check Restitution Program

Carter County

- 3 of the 15 payments tested were not deposited daily.
- FY12 - 1 of the 10 expenditures tested was a reimbursement to an employee that was not properly approved, nor appeared to be a necessary expense for the office.
- 2 of the 10 expenditures tested did not have an invoice attached for validation.
- 8 of the 10 expenditures tested did not have any indication that goods and/or services had been received.

Murray County

- Contrary to District policy that states payments “must be deposited daily,” deposits are prepared once a month.
- Account ledgers and balances are not independently maintained for reconciliation purposes to the County Treasurer.

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Love County

- Contrary to District policy that states payments “must be deposited daily,” deposits are prepared once a month.
- Account ledgers and balances are not independently maintained for reconciliation purposes to the County Treasurer.

Johnston County

- Contrary to District policy that states payments “must be deposited daily,” deposits are prepared once a month.
- Contrary to District policy that states “No cash payments may be accepted by an employee of the District Attorney’s Office.” We noted that cash payments are accepted daily.
- Account ledgers and balances are not independently maintained for reconciliation purposes to the County Treasurer.

Supervision Fee Program

Carter County

- FY12 – 2 of the 5 payments tested were deposited 10-11 days after receipt.

Murray County

- Contrary to District policy that states payments “must be deposited daily,” deposits are prepared once a month.
- Defendant payment history and schedules are not properly maintained. We could not determine if the correct fee was assessed per court order or if an early termination of probation had been received.
- Account ledgers and balances are not independently maintained for reconciliation purposes to the County Treasurer.

Love County

- Contrary to District policy that states payments “must be deposited daily,” deposits are prepared once a month.
- Defendant payment history and schedules are not properly maintained. We could not determine if the correct fee was assessed per court order or if an early termination of probation had been received.
- Account ledgers and balances are not independently maintained for reconciliation purposes to the County Treasurer.

Johnston County

- Contrary to District policy that states payments “must be deposited daily,” deposits are prepared once a month.
- Contrary to District policy that states “No cash payments may be accepted by an employee of the District Attorney’s Office.” We noted that cash payments are accepted daily.
- 1 of 15 supervision cases tested was over-assessed in the amount of \$240.00.
- Account ledgers and balances are not independently maintained for reconciliation purposes to the County Treasurer.

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Marshall County

- Defendant payment history and schedules are not properly maintained. We could not determine if the correct fee was assessed per court order or if an early termination of probation had been received.

Cause of Condition: The District Attorney's office is not monitoring policies and procedures (District-Wide) for the process of collections, disbursements, and financial reporting for the Bogus Check Restitution and Supervision Fee accounts.

Effect of Condition: These conditions could result in employee error for the reporting and documentation of the collection of payments, defendant file maintenance, restitution payments, expenditure transactions and the accounting of funds. In addition, these conditions could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of funds.

Recommendation: OSAI recommends that management adhere to written policies and procedures for the accounting of program funds and the maintenance of client files. 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:

- Guidelines for applying restitution payments to District Attorney fees and remitting restitution payments to merchants/victims. (i.e., merchants/victims are paid restitution before District Attorney fees are collected, etc.).
- Guidelines for the disposition of monies in an account when a merchant cannot be located.
- Guidelines for the oversight of the daily collection process and the deposit of funds.
- Guidelines for the process of approval and documentation of account expenditures.
- Guidelines for the assignment of IT software administrative rights to an individual not directly associated with the day to day accounting processes.
- Guidelines for the administrative approval and review of IT software deletions, voids, and write-off activity.

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 programs daily transactions and recordkeeping. This will ensure that management has taken the necessary steps in safeguarding the department's assets.

Management Response:

Information Technology – Override or write-off reports will be reviewed periodically by the District Attorney or the First Assistant District Attorney for unusual activity. IT software audit reports will be reviewed for voided, altered or deleted receipts.

Carter County Bogus Check Restitution Program – The importance of daily deposits as directed by rule 2 of District 20 Accounting Policies and Procedures for the Office of the District Attorney will be reiterated. However, it is believed that the referenced deposits occurred prior to the implementation of rule 2 and prior to the termination of the previous Program Coordinator. Additionally, it is believed that the referenced expenditures occurred prior to the termination of the previous program Coordinator. It is

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believed that due to the change in the Program Coordinator position, these deficiencies have been alleviated.

Murray County Bogus Check Restitution Program – Making daily deposits as directed by rule 2 of District 20 Accounting Policies and Procedures for the Office of the District Attorney will be reiterated and required. In addition, the maintenance of a ledger, independent of that which is maintained by the County Treasurer, will be required as contemplated by rule 9 of District 20 Accounting Policies and Procedures for the Office of the District Attorney.

Love County Bogus Check Restitution Program – Making daily deposits as directed by rule 2 of District 20 Accounting Policies and Procedures for the Office of the District Attorney will be reiterated and required. In addition, the maintenance of a ledger, independent of that which is maintained by the County Treasurer, will be required as contemplated by rule 9 of District 20 Accounting Policies and Procedures for the Office of the District Attorney.

Johnston County Bogus Check Restitution Program – Making daily deposits as directed by rule 2 of District 20 Accounting Policies and Procedures for the Office of the District Attorney will be reiterated and required. In addition, the maintenance of a ledger, independent of that which is maintained by the County Treasurer, will be required as contemplated by rule 9 of District 20 Accounting Policies and Procedures for the Office of the District Attorney. In addition, refusing cash payments and adherence to rule 1 of District 20 Accounting Policies and Procedures for the Office of the District Attorney will be reiterated and required.

Carter County Supervision Fee Program – The importance of daily deposits as directed by rule 2 of District 20 Accounting Policies and Procedures for the Office of the District Attorney will be reiterated. However, it is believed that the referenced deposits occurred prior to the implementation of rule 2 and prior to the termination of the previous Program Coordinator.

Murray County Supervision Fee Program – Making daily deposits as directed by rule 2 of District 20 Accounting Policies and Procedures for the Office of the District Attorney will be reiterated and required. Adherence to rule 8 of District 20 Accounting Policies and Procedures for the Office of the District Attorney requiring that any forgiveness/write-offs/corrections of money owed by probationers or defendants be approved by the Assistant District Attorney will be reiterated. In addition, the maintenance of a ledger, independent of that which is maintained by the County Treasurer, will be required as contemplated by rule 9 of District 20 Accounting Policies and Procedures for the Office of the District Attorney.

Love County Supervision Fee Program – Making daily deposits as directed by rule 2 of District 20 Accounting Policies and Procedures for the Office of the District Attorney will be reiterated and required. Adherence to rule 8 of District 20 Accounting Policies and Procedures for the Office of the District Attorney requiring that any forgiveness/write-offs/corrections of money owed by probationers or defendants be approved by the Assistant District Attorney will be reiterated. In addition, the maintenance of a ledger, independent of that which is maintained by the County Treasurer, will be required as contemplated by rule 9 of District 20 Accounting Policies and Procedures for the Office of the District Attorney.

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Johnston County Supervision Fee Program – Making daily deposits as directed by rule 2 of District 20 Accounting Policies and Procedures for the Office of the District Attorney will be reiterated and required. Refusing cash payments and adherence to rule 1 of District 20 Accounting Policies and Procedures for the Office of the District Attorney will be reiterated and required. In addition, the maintenance of a ledger, independent of that which is maintained by the County Treasurer, will be required as contemplated by rule 9 of District 20 Accounting Policies and Procedures for the Office of the District Attorney. Any probationers who have been “over assessed” will be reimbursed the amount of the over-assessment.

Marshall County Supervision Fee Program – Adherence to rule 8 of District 20 Accounting Policies and Procedures for the Office of the District Attorney requiring that any forgiveness/write-offs/corrections of money owed by probationers or defendants be approved by the Assistant District Attorney will be reiterated.

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 3 – Internal Control Environment - Written Policies and Procedures for District Attorney Drug Fund (Property Forfeiture)

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 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:

Carter County

- In January 2014, the City of Ardmore conducted a firearms sale. At least 4 forfeited firearms were sold without the District Attorney’s knowledge.
- \$600.00 in currency that was ordered forfeited to the State could not be located at the seizing agency.

Murray County

- Forfeited monies are not always deposited the day they are received. We noted instances where monies were held 4 to 22 days before a deposit was made.

Love County

- A rifle that was forfeited to the State could not be located at the seizing agency.

Johnston County

- Forfeiture case monies are not always deposited the day they are received. We noted 4 instances where monies were held 6 to 9 days before a deposit was made.

Marshall County

- Property forfeiture inventory is not maintained.

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Cause of Condition: The District Attorney's office is not monitoring policies and procedures (District-wide) for collections, disbursements, and financial reporting for the Drug Fund (Property Forfeiture) account to ensure that internal controls are being implemented.

Effect of Condition: These conditions could result in employee error for the reporting and documentation of the collection of payments, defendant file maintenance, restitution payments, expenditure transactions and the accounting of funds. In addition, these conditions could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of funds.

Recommendation: OSAI recommends that management adhere to 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 inventory.
- Guidelines for the oversight of the daily collection process and the deposit of funds.
- Guidelines for the oversight of monthly reconciliations to the County Treasurer's account balances.
- Guidelines for the process of approval and documentation of account expenditures.

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 programs daily transactions and recordkeeping. This will ensure that management has taken the necessary steps in safeguarding the department's assets.

Management Response:

Carter County Property Forfeiture Fund – Measures will be taken to ensure that the District Attorney's Office be notified when forfeited firearms are sold by the Ardmore Police Department and that more sound procedures be followed by the agencies which seize property for forfeiture.

Murray County Property Forfeiture Fund – Making daily deposits as directed by rule 2 of District 20 Accounting Policies and Procedures for the Office of the District Attorney will be reiterated and required.

Love County Property Forfeiture Fund – Measures will be taken to ensure that more sound procedures be followed by the agencies which seize property for forfeiture.

Johnston County Property Forfeiture Fund – Making daily deposits as directed by rule 2 of District 20 Accounting Policies and Procedures for the Office of the District Attorney will be reiterated and required.

Marshall County Property Forfeiture Fund – A property forfeiture inventory will be maintained.

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.

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Finding 4 – Unclaimed Bogus Check Balances

Condition: Balances for the Bogus Check Restitution (Merchant) account had outstanding balances at June 30, 2014. This is a cumulative amount as a result of vouchers not cashed by merchants and subsequently cancelled. They are as follows:

Carter County

Bogus Check Merchant outstanding balances at 6/30/14 totaling \$7,095.97 could not be identified.

Cause of Condition: The District Attorney’s office does not have formal policies establishing procedures to ensure that returned or unpaid vouchers are examined to determine the current status of the merchant for the re-issuance of the restitution.

Effect of Condition: These conditions resulted in the Restitution Fund not being properly cleared.

Recommendation: OSAI recommends that management research and determine the location of the merchants so that restitution can be properly remitted. Management should then contact the proper agency for further direction to determine the manner in which the remaining unidentified balance should be distributed.

Management Response:

Carter County Unclaimed Bogus Check Balances – The audit states there was an outstanding balance in the merchant account as of 6/30/14 totaling \$7,095.97 that could not be identified. Measures will be taken to ensure that old balances prior to new management in the Bogus Check division will be researched and investigated for new address information so vouchers can be reissued. If no new address can be discovered or the entity is no longer in business, the voucher will be sent to the Victim’s Compensation Board.

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.



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