

STATUTORY REPORT

DISTRICT ATTORNEY DISTRICT 20

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

For the period July 1, 2008 through June 30, 2011



*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

**CRAIG LADD, DISTRICT ATTORNEY
DISTRICT 20**

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

**FOR THE PERIOD
JULY 1, 2008 THROUGH JUNE 30, 2011**

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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August 27, 2012

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 period July 1, 2008 through June 30, 2011.

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

**CRAIG LADD, DISTRICT ATTORNEY
DISTRICT 20
STATUTORY REPORT
FOR THE PERIOD JULY 1, 2008 THROUGH JUNE 30, 2011**

TABLE OF CONTENTS

Introductory Information	ii
Statutory Report of State Auditor and Inspector	1
Schedule of Findings and Responses	3

**CRAIG LADD, DISTRICT ATTORNEY
DISTRICT 20
STATUTORY REPORT
FOR THE PERIOD JULY 1, 2008 THROUGH JUNE 30, 2011**

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.

**CRAIG LADD, DISTRICT ATTORNEY
DISTRICT 20
STATUTORY REPORT
FOR THE PERIOD JULY 1, 2008 THROUGH JUNE 30, 2011**

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, 991.f-1.1, and 63 O.S. § 2-506, we have performed the following procedures as they relate to the records of the District Attorney's programs for the period July 1, 2008 through June 30, 2011.

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 Carter, Johnston, Love, Marshall, or Murray 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

August 2, 2012

**CRAIG LADD, DISTRICT ATTORNEY
DISTRICT 20
STATUTORY REPORT
FOR THE PERIOD JULY 1, 2008 THROUGH JUNE 30, 2011**

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2011-1 – Segregation of Duties—Bogus Check Division (Repeat Finding)

Condition: Based on inquiries and observation of personnel in the District Attorney’s Office, 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 significant concerns were noted:

- The Bogus Check Coordinator’s duties include preparing and altering deposits, reconciling monthly with the County Treasurer, posting receipts to ledgers, approving and performing write-offs and deletions, signing vouchers with the DA’s signature stamp, posting transactions to accounts, posting vouchers to ledgers, authorizing purchases, and maintaining custody of a cash drawer.
- One of the five Bogus Check employees opens the mail and totals the daily remittance without review and sign-off, performs write-offs, and maintains a cash drawer.
- One of the five Bogus Check employees prepares deposits, performs write-offs, prepares and issues checks to vendors, and maintains a cash drawer.
- The five full-time employees each maintain an unlocked cash drawer and perform write-offs and deletions.

Cause of Condition: Due to a lack of management oversight, written job descriptions and policies and procedures have not been developed to separate the key accounting functions of the office. In addition, employees appear to be inadequately trained on the proper uses of the BounceBack Software.

Effect of Condition: 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 such as recording, receipting, depositing and issuing checks, and/or critical functions of the office, and having management review and approval of accounting functions.

Management Response: Written job descriptions and accounting policies have been recently implemented in the Bogus Check/Restitution/Supervised Probation Office which has separated the key accounting functions of the office. The employees of said office are scheduled to receive extensive Bounceback training in late August of 2012.

**CRAIG LADD, DISTRICT ATTORNEY
DISTRICT 20
STATUTORY REPORT
FOR THE PERIOD JULY 1, 2008 THROUGH JUNE 30, 2011**

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.

Finding 2011-2 – Segregation of Duties—Property Forfeiture (Repeat Finding)

Condition: The Legal Assistant in Love County writes receipts, balances the cash drawer, prepares the deposit, reconciles the receipts to the deposit, takes the deposit to the Treasurer, posts receipts to the ledger, reconciles the account to the Treasurer, prepares and distributes vouchers.

The clerk in Murray County writes receipts, balances the cash drawer, prepares the deposit, reconciles the receipts to the deposit, takes the deposit to the Treasurer, posts receipts to the ledger, reconciles the account to the Treasurer, prepares, signs, and distributes vouchers.

The clerk in Johnston County writes receipts, balances the cash drawer, prepares the deposit, reconciles the receipts to the deposit, takes the deposit to the Treasurer, and prepares vouchers.

The clerk in Marshall County writes receipts, balances the cash drawer, prepares the deposit, reconciles the receipts to the deposit, takes the deposit to the Treasurer, posts receipts to the ledger, and reconciles the account to the County Treasurer. There is another employee in that office who also writes receipts, prepares the deposit, and takes the deposit to the County Treasurer.

The clerk in Carter County writes receipts, balances the cash drawer, prepares the deposit, reconciles the receipts to the deposit, takes the deposit to the Treasurer, posts receipts to the ledger, reconciles the account to the Treasurer, prepares, signs, and distributes vouchers.

Cause of Condition: Due to a lack of management oversight, written job descriptions and policies and procedures have not been developed to separate the key accounting functions of the office. In addition, policies and procedures are not in place to ensure the outlying offices regularly submit reports to the Carter County office for review.

Effect of Condition: A single individual performing key duties and responsibilities 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

**CRAIG LADD, DISTRICT ATTORNEY
DISTRICT 20
STATUTORY REPORT
FOR THE PERIOD JULY 1, 2008 THROUGH JUNE 30, 2011**

processes such as recording, receipting, depositing and issuing checks, and/or critical functions of the office, and having management review and approval of accounting functions.

Management Response: Pursuant to the recently implemented District 20 Accounting Policies and Procedures for the Office of the District Attorney, policies and procedures to separate key accounting functions of the office have now been developed. These policies and procedures address, among other things, separation of key accounting functions of the offices in District 20 and monthly reporting obligations from the outlying counties to the central office in Carter County.

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 property, and record transactions.

Finding 2011-3 – Annual Report Reporting Error (Repeat Finding)

Condition: The ending balance for the Restitution and District Attorney Fee accounts reported on the June 30, 2008, Annual Report does not agree with the beginning balance on the June 30, 2009, Annual Report. The beginning balance on July 1, 2008, for the Restitution account was increased by \$27,994.81, which consisted of cancelled vouchers and miscellaneous deposits from the previous fiscal year. The beginning balance on July 1, 2008, for the District Attorney Fee account was decreased by \$3,815.86, which consisted of cancelled vouchers and miscellaneous deposits from the previous fiscal year.

Cause of Condition: The beginning balance on July 1, 2008, consisted of cancelled vouchers and miscellaneous deposits from the previous fiscal year that should not have been depicted in the Annual Report. This caused a discrepancy between the beginning and ending fiscal year reported amounts.

Effect of Condition: 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 Attorneys Council are inaccurate.

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.

It was noted by the auditor during the course of fieldwork that this annual reporting error appeared to be corrected after fiscal year 2009.

Management Response: A newly implemented accounting policies and procedures for District 20, which provides more structure, organization, and accountability, should minimize the likelihood of future reporting errors and yield more accurate financial reports.

**CRAIG LADD, DISTRICT ATTORNEY
DISTRICT 20
STATUTORY REPORT
FOR THE PERIOD JULY 1, 2008 THROUGH JUNE 30, 2011**

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.

Finding 2011-4 – Property Forfeiture Inventory

Condition: Upon discussion with the employee responsible for Property Forfeiture, it was determined there was no inventory system in place at June 30, 2011, for District 20 to track forfeited and/or seized property. Rather, each of the five county districts (Carter, Johnston, Love, Marshall, and Murray) is independently responsible for tracking forfeited property. The Carter, Johnston, Love, Marshall, and Murray County offices did not maintain an inventory list documenting all items seized nor their disposition. The only centralization occurs when the outlying counties send any forfeited amounts at month end to the Carter County office.

Of the property forfeited items tested, at Murray County, Case #CV-2010-41, a 2001 Lexus was forfeited and Highway Patrol held custody of the automobile. No record existed in District 20 as to if or when this vehicle was to be auctioned. On June 7, 2012, OSAI contacted the Highway Patrol and discovered the vehicle was to be auctioned that day with the proceeds to be remitted accordingly to District 20 shortly thereafter.

It was also noted Memorandum of Understandings between the District Attorney's office and the various property seizing agencies were not current. Rather, the revenue split between the District Attorney's office and other parties was determined on a case by case basis.

Cause of Condition: Due to a lack of management oversight, policies and procedures have not been designed and implemented to track and report inventory of seized property in the custody of the District Attorney.

Effect of Condition: This condition results in a violation of state statute and could result in inadequate safeguarding of assets held in trust.

Recommendation: OSAI recommends management be aware of this condition 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 and assets.

Further, OSAI recommends management implement an inventory system to adequately track forfeited property to safeguard assets from misappropriation on a district-wide basis.

OSAI also recommends management update the Memorandum of Understanding between the District Attorney's office and the various property seizing agencies to include specific outline of how property will be distributed.

**CRAIG LADD, DISTRICT ATTORNEY
DISTRICT 20
STATUTORY REPORT
FOR THE PERIOD JULY 1, 2008 THROUGH JUNE 30, 2011**

Management Response: The recently implemented accounting policies and procedures for District 20 require, among other things, that in the outlying counties, a drug forfeiture inventory list for all items which have been seized for forfeiture or have been forfeited must be prepared and reported quarterly to the central office in Carter County beginning October 1, 2012. In Carter County, a copy of every drug forfeiture petition is to be copied to the Office Manager and tracked on JustWare. Further, the new policy establishes that the official drug forfeiture splits with law enforcement agencies should be 75% to the law enforcement agencies, 25% to our office, absent special circumstances which dictate that a different split should occur, in which case said split should be specifically set forth in the journal entry. If more than one law enforcement agency is involved, then the 75% should be divided among the law enforcement agencies.

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 2011-5 –Purchasing Process

Condition: A properly approved purchase and confirmed receipt process does not occur at the District 20 Carter County Office. Rather, the order procedure consists of attaching an invoice or other documentation, and preparing a hand-written purchase order requesting payment for a product or service. At this time payment is made by issuing a check endorsed with the District Attorney's signature stamp. At the end of the month the already paid purchase orders are sent to the District Attorney for his approval. Purchase orders are filed by month based on the check number issued, but no actual report exists tracking these payments. Of the purchases tested by the auditor, the following was noted:

- On January 27, 2011, a payment in the amount of \$231 was requested and paid when the attached invoice depicted no payment amount. Upon further inquiry by OSAI, the employee who requested payment was able to provide an invoice which depicted an actual amount owed.
- When items such as office supplies are ordered, independent verification of the amount listed on the packing slip is not conducted by District 20 receiving employees. Rather, the packing slip is stamped as receipted and attached to the purchase order without physical verification of the items received.

Cause of Condition: Due to a lack of management oversight, policies and procedures have not been designed and implemented to ensure purchases are made with proper approval prior to product purchase. In addition, procedures have not been designed and implemented to ensure goods and/or services are properly received in the office.

**CRAIG LADD, DISTRICT ATTORNEY
DISTRICT 20
STATUTORY REPORT
FOR THE PERIOD JULY 1, 2008 THROUGH JUNE 30, 2011**

Effect of Condition: Without proper authorization of goods and/or services purchased and received, this condition could result in unauthorized transactions, misappropriation of assets, or inaccurate payment of invoices.

Recommendation: OSAI recommends designing and implementing a purchasing procedure in which items and/or services are ordered and paid after management has approved the expenditures. OSAI recommends that all claims be verified upon receipt to ensure the proper items and amounts ordered are received in accordance with the items listed on the packing slip.

Management Response: The recently implemented accounting policies and procedures for District 20 require, among other things, that correct purchasing procedures be followed. Said policies and procedures require supervising attorneys in their respective counties approve the expenditure of money for items and services prior to the purchase of said items and services. The policies further require that the Requisition Officer in each county not be the same person as the Receiving Officer, that the Receiving Officer confirm the items received by maintenance of packing slips, and that vouchers for payments be signed by the supervising attorneys, without the use of signature stamps.

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 2011-6 – IT Controls

Condition: Based on inquiries and observation in the District Attorney’s office, we noted instances in which IT controls were not properly in place to ensure the integrity of the BounceBack and DAC based systems. The following concerns were noted:

- The Bogus Check Supervision Coordinator retained a list of usernames and passwords for both BounceBack Software and DAC computer profile log-ins.
- The username and passwords used for the BounceBack Software log-ins were identical. For example, if someone’s log-in was ABC their password would also be ABC.
- Four (4) of the current employees, along with the username utilized for “Summer Help Girls,” were assigned administrative and deletion rights to the BounceBack Software. These employees work daily handling BounceBack transactions.
- The BounceBack Software had no safeguard in place where passwords were required to be changed after a given time period.

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

**CRAIG LADD, DISTRICT ATTORNEY
DISTRICT 20
STATUTORY REPORT
FOR THE PERIOD JULY 1, 2008 THROUGH JUNE 30, 2011**

Effect of Condition: Without the existence of IT controls, instances could arise where employees are performing tasks outside of the scope of their employment, including logging in and performing transactions under another user, and altering or deleting transactions.

Recommendation: OSAI recommends management assign administrative rights to an individual not directly associated with the day-to-day accounting processes with the BounceBack Software. Furthermore, OSAI recommends creating a procedure to ensure passwords remain private, protected and regularly changed for security purposes.

Management Response: The recently implemented accounting policies and procedures for District 20 prohibit, among other things, one employee using another employee's username or password to access computer programs. Should a need arise to access programs under another employee's user name or password, then permission must be sought beforehand from the District Attorney or First Assistant District Attorney.

Criteria: The AICPA has recognized ISACA as a source for guidance related to information system auditing and information system control standards. CobiT is ISACA's framework for IT controls. According to CobiT *Deliver and Support 5.4 User Account Management*, management should address requesting, establishing, issuing, suspending, modifying, and closing user accounts and related user privileges with a set of user account management procedures. This includes an approval procedure outlining the data or system owner granting the access privileges. These procedures should apply for all users, including administrators (privileged users) and internal and external users, for normal and emergency cases.

Finding 2011-7 – Internal Control Override

Condition: Based on inquiries and observation in the District Attorney's office, we noted instances in which internal controls were overridden by the Bogus Check Supervision Coordinator without permission from management. Instances noted during the audit include:

- The premature destruction of Bogus Check records occurred.
- A mandatory policy where employees were required to provide the Bogus Check Coordinator with their computer log-in and password and BounceBack Software log-in username and password information.
- The Bogus Check Coordinator admitted to performing BounceBack Software transactions while logged in under the username of other employees without their knowledge.

Cause of Condition: Due to a lack of management oversight, policies and procedures have not been developed to ensure employees cannot easily override controls.

Effect of Condition: With employees having the opportunity and ability to override controls, it creates a higher risk environment which could lead to the misstatement and misappropriation of funds.

**CRAIG LADD, DISTRICT ATTORNEY
DISTRICT 20
STATUTORY REPORT
FOR THE PERIOD JULY 1, 2008 THROUGH JUNE 30, 2011**

Recommendation: OSAI recommends management be aware of these conditions and realize that policies and procedures should be implemented to deter and detect instances of control override. The most effective controls lie in management's overseeing of office operations and a periodic review of operations.

Management Response: The recently implemented accounting policies and procedures for District 20 prohibit overriding IT controls without permission from the District Attorney or First Assistant District Attorney. Furthermore, said policies state that periodic reviews of operations will be conducted to ensure compliance with said policies

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 individual should be able to circumvent existing controls without being detected by management.

Finding 2011-8 – Received Funds and Check Stock/Stamp in Unsecured Areas

Condition: Based on inquiries and observation of internal controls, it was noted that undeposited funds, blank and prepared checks, and the check approval stamp were all located in unsecured areas at the Bogus Check Division office of District 20. Concerning these matters the following was noted:

- Five (5) employees maintain a cash drawer that remains unlocked at all times.
- The blank check stock and the check approval stamp are unlocked in the Bogus Check Supervision Coordinator's office.
- If prepared checks are not issued the same day they are made, they remain in an unlocked location until they are mailed out.

In addition, during an interview with employees at the Madill office, it was noted Bogus Check Restitution monies are not actually receipted and deposited with the Madill County Treasurer. Rather, the Madill District Attorney's office has the defendant (payor) write the money order directly to the victim (payee). The Madill District Attorney's Office then receives custody of these payments and issues the money order directly to the victim (payee).

Cause of Condition: Due to a lack of management oversight, policies and procedures have not been developed to ensure the physical security of receipted funds and check stock supplies. Further, there is no district-wide procedure for the receipting of Bogus Check Restitution payments.

Effect of Condition: Lack of security over receipted funds and check stock supplies could lead to the loss or misappropriation of District 20 funds.

Recommendation: OSAI recommends management be aware of these conditions and realize that physical security of receipted funds and check stock supplies is important and needed for the effective

**CRAIG LADD, DISTRICT ATTORNEY
DISTRICT 20
STATUTORY REPORT
FOR THE PERIOD JULY 1, 2008 THROUGH JUNE 30, 2011**

operation of an office handling substantial amounts of money. OSAI also recommends management implement policies and procedures to ensure all monies are receipted similarly district-wide.

Management Response: The recently implemented accounting policies and procedures for District 20 include a district-wide procedure for receipting restitution payments. Specifically, the policies require that each county maintain a restitution account with the County Treasurer and deposit restitution payments into said account after photocopies of said payments have been made and retained. After payment from the defendant has been received, then a check from our restitution account to the victim must be issued within two weeks (two days preferably) and a photocopy of the check to the victim be made and retained. Such payments from defendants and to victims should be carefully documented. The newly implemented policies also require that receipted funds, receipt books, vouchers, deposit books, and check stock supplies be maintained in a secure/locked area.

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 2011-9 – Deposits with the County Treasurer (Repeat Finding)

Condition: During our examination of receipts issued through BounceBack Software transactions to deposits made with the County Treasurer, we concentrated our procedures on the time period of July 1, 2009 through June 30, 2010. The expectation was the names and amounts on the deposit slip for the Bogus Check, DA Restitution, and DA Supervision Fee accounts agree to the names and amounts on the Cash Receipts Journal data from the BounceBack Software.

Instances were noted where deposit slip variances existed from the Cash Receipt Journal data in amount total and cash to money order composition. In addition instances were noted where monies receipted were not deposited daily.

Examples concerning deposit to Cash Receipt Journal data variances include:

<i>Deposit Date</i>	<i>Deposit Amount</i>	<i>Deposit Break Down</i>		<i>BounceBack Break Down</i>		<i>Variance</i>	
		<i>Money Order</i>	<i>Cash</i>	<i>Money Order</i>	<i>Cash</i>	<i>Money Order</i>	<i>Cash</i>
10/29/2009	\$22,501.38	\$22,494.38	\$7.00	\$22,273.36	\$228.02	\$221.02	(\$221.02)
11/30/2009	\$30,803.41	\$30,751.11	\$52.30	\$29,852.84	\$950.00	\$898.27	(\$897.70)
12/2/2009	\$7,484.91	\$7,484.91	\$0.00	\$7,473.18	\$0.00	\$11.73	\$0.00
1/27/2010	\$36,351.50	\$36,323.95	\$27.55	\$35,677.50	\$674.00	\$646.45	(\$646.45)
2/24/2010	\$75,728.56	\$72,500.60	\$3,227.96	\$72,148.64	\$2,579.20	\$351.96	\$648.76

**CRAIG LADD, DISTRICT ATTORNEY
DISTRICT 20
STATUTORY REPORT
FOR THE PERIOD JULY 1, 2008 THROUGH JUNE 30, 2011**

The above examples are not reflective of all variances that occurred within the audit period.

The first deposit for fiscal year 2010 for the accounts of Bogus Check, DA Restitution, and DA Supervision Fee occurred on July 30, 2009. This was thirty (30) days after the start of the fiscal year. In addition, on fourteen (14) other occasions the Bogus Check account had deposit lapses of more than ten (10) days, on fifteen (15) other occasions the DA Restitution account had deposit lapses of more than ten (10) days, and on thirteen (13) other occasions the DA Supervision Fee account had deposit lapses of more than ten (10) days.

Cause of Condition: With emphasis placed on fiscal year 2010, deposits were not consistently made with the County Treasurer daily. Furthermore, deposit slips were altered regularly from the amount and transaction type (Money Order or Cash) depicted in the Cash Receipts Journal data from BounceBack.

Effect of Condition: These conditions result in undetected errors, misappropriation of funds, and misstated financial reports. Further, OSAI was unable to determine all monies collected were deposited.

Recommendation: OSAI recommends that the District Attorney deposit daily all monies received. Deposits should also be reconciled to receipts issued to provide assurance that all monies collected are deposited.

Management Response: The recently implemented accounting policies and procedures for District 20 prohibit the acceptance of cash payments and require daily deposits of payments received by an employee of our office. In instances where daily deposits are not feasible, then the payment must be deposited the following business day. In Carter County, all deposits must be approved by the District Attorney, the First Assistant District Attorney, the Office Manager, or the supervisor of the Bogus Check/Restitution/Supervised Probation Office, with the deposits being prepared by someone other than the person from whom approval is solicited.

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 2011-10 – Records Retention

Condition: Upon inquiry of the District Attorney Bogus Check Division employees and physical observation by the auditor, it was noted Bogus Check Records were shredded for current cases and cases still required to be maintained per state statute.

Cause of Condition: Per an employee prepared affidavit, shortly after fiscal year 2011 end, per Bogus Check Supervision Coordinator request, Bogus Check records in six (6) filing cabinets located in the file

**CRAIG LADD, DISTRICT ATTORNEY
DISTRICT 20
STATUTORY REPORT
FOR THE PERIOD JULY 1, 2008 THROUGH JUNE 30, 2011**

room were shredded. The only records originally planned for shredding were those meeting record retention statute physically located in a different room from the Bogus Check records.

Effect of Condition: Pre-mature destruction of documents creates not only a violation of state statute, but also makes it difficult to track or refer to a given case on demand. As a result, not all records were available for audit.

Recommendation: OSAI recommends that the District Attorney's office follows state statute concerning the preservation of court records. Furthermore, OSAI recommends the preparation of a list to be approved by management for any records to be destroyed.

Management Response: The recently implemented accounting policies and procedures for District 20 prohibit the destruction of felony case files for a period of ten years from the last date of activity on said file and five years from the last date of activity on misdemeanor case files. Case files pertaining to homicides should never be destroyed.

Criteria: Title 19 O.S. § 215.22 states in part:

The district attorney is hereby authorized to destroy all or a portion of his office records and files... provided a period of five (5) years shall have elapsed since the last action in the said case...

Finding 2011-11 – Write-Offs

Condition: From discussion with employees and BounceBack data analysis conducted by OSAI, it was determined a substantial amount of write-off transactions occurred during the fiscal years under audit (2009-2011). The total amount of write-offs which occurred during this period totaled \$435,171.12.

No written policy and procedure was in place to decide when an account item should be adjusted with a write-off. Rather, the decision to write an account item off was based on the discretion of the Bogus Check Division employee tracking the case. Five (5) of the Bogus Check Division employees receipted money and were able to perform write-offs during the period under audit.

Cause of Condition: Due to a lack of management oversight, policies and procedures have not been developed to ensure write-off adjustments made to the BounceBack system occur in a justified and approved manner.

Effect of Condition: Without the existence of write-off control procedures, instances could arise where employees are performing write-offs on transactions still collectible. This could even lead to instances where write-offs are used to cover the misappropriation of funds.

Recommendation: OSAI recommends management create and implement policies and procedures concerning the proper handling of write-off transactions. Management should ensure write-offs are only

**CRAIG LADD, DISTRICT ATTORNEY
DISTRICT 20
STATUTORY REPORT
FOR THE PERIOD JULY 1, 2008 THROUGH JUNE 30, 2011**

occurring in instances where court evidence exists to justify any write-off. Furthermore, OSAI recommends the decision to perform a write-off be made by someone not directly involved with accounting transactions.

Management Response: The recently implemented accounting policies and procedures for District 20 states that any forgiveness/write-offs/corrections of money owed by probationers or defendants to the District Attorney's Office must be approved by Assistant District Attorneys in the outlying counties, and in Carter County, by the District Attorney, First Assistant District Attorney, or Office Manager. Any forgiveness/write-offs/corrections which directly contravene a Judgment and Sentence or other court order must be referred to the District Attorney or an Assistant District Attorney for purposes of seeking judicial modification prior to the proposed forgiveness/write-off/correction being allowed.

Criteria: Proper accounting procedures consist of transactions being recorded and reported accurately. A write-off is defined as, "The act of cancelling from an account a bad debt or a worthless asset." In accounting, write-offs should only occur in instances where evidential matters clearly depict the reason and approval for the cancellation of the amount. Concerning the operations of the District Attorney's office, sufficient evidence for a write-off would consist of judge or district attorney approval based on the merits of the case.

Finding 2011-12 – Undeposited Funds

Condition: From BounceBack data analysis conducted by OSAI, several instances were noted during fiscal year 2010 where items were receipted, but never depicted on a deposit slip with the County Treasurer's office. These gaps in undeposited transactions totaled \$8,513.59 during fiscal year 2010. Of the undeposited transaction total; the Bogus Check account contained \$458.02, the District Attorney Restitution account contained \$6,696.57, and the District Attorney Supervision Account contained \$1,359.

From the understanding gained concerning the BounceBack system generated deposits, it was determined if a transaction was not selected for a given deposit that transaction would remain outstanding and available until that transaction was selected for another deposit. The BounceBack system did not contain a queue of outstanding deposits at the time of deposit. Therefore, in some manner the undeposited amounts were cleared out of the available for deposit section of the BounceBack Software without ever appearing on a County Treasurer receipted deposit slip.

Cause of Condition: Due to a lack of management oversight, policies and procedures have not been developed to ensure a true and accurate monthly reconciliation occurs between the District Attorney's office and the County Treasurer.

Effect of Condition: Without the existence of proper policies and procedures to ensure monthly reconciliations between the County Treasurer and the Cash Receipts Journal occur, monies receipted went undeposited during fiscal year 2010.

**CRAIG LADD, DISTRICT ATTORNEY
DISTRICT 20
STATUTORY REPORT
FOR THE PERIOD JULY 1, 2008 THROUGH JUNE 30, 2011**

Recommendation: OSAI recommends management create and implement policies and procedures to ensure monthly reconciliations occur between the Cash Receipts Journal generated through BounceBack and the County Treasurer. These reconciliations should be approved by management for accuracy. In addition, OSAI recommends management ensure deposits are occurring daily.

Management Response: The recently implemented accounting policies and procedures for District 20 require monthly reconciliation between the various District Attorney Offices and their respective County Treasurers. In the outlying counties, said reconciliations need to be approved by the Assistant District Attorney, and in Carter County, by the District Attorney or First Assistant District Attorney.

Criteria: Proper accounting procedures consist of transactions being recorded and reported accurately. When an item is receipted it should also be deposited daily to ensure all funds are accounted for.

Finding 2011-13 – Check Lapping

Condition: After instances of altered deposits were noted, OSAI obtained from the County Treasurer scanned images of all money orders deposited from District 20 for fiscal year 2010. Whenever a deposit is made from BounceBack data, the deposit slip depicts the payors comprising the deposit, the respected amounts paid, and whether a payment was made in cash or with a money order. The information depicted on the BounceBack Software prepared deposit slip (payor names and amounts) were then compared with the money orders physically deposited with the County Treasurer. The expectation was every deposit payor depicted with a money order payment would also have a physically present money order in the image scans. Of the selected dates in fiscal year 2010 where this procedure was performed, the following discrepancies were noted:

- On November 2, 2009, twelve (12) of the payors depicted on the deposit slip did not physically have a money order payment deposited. In addition, thirteen (13) money orders were physically deposited totaling \$922.73 that were not listed on this days BounceBack prepared deposit slip. Of these thirteen (13) money orders, six (6) of the payors were depicted on later deposit slip dates, and seven (7) of the payors were never depicted on a deposit slip date.
- On November 10, 2009, eighteen (18) of the payors depicted on the deposit slip did not physically have a money order payment deposited. One (1) payment made for \$200 actually had a physical money order amount of \$40. The other \$160 was physically deposited on the following deposit date of November 12, 2009. In addition, thirteen (13) money orders were physically deposited totaling \$947 that were not listed on this days BounceBack prepared deposit slip. Of these thirteen (13) money orders, eleven (11) of the payors were depicted on later deposit slip dates, and two (2) of the payors were never depicted on a deposit slip date.
- On December 2, 2009, thirteen (13) of the payors depicted on the deposit slip did not physically have a money order payment deposited. One (1) payment made for \$300 actually had a physical money order amount of \$200. In addition, ten (10) money orders were physically deposited

**CRAIG LADD, DISTRICT ATTORNEY
DISTRICT 20
STATUTORY REPORT
FOR THE PERIOD JULY 1, 2008 THROUGH JUNE 30, 2011**

totaling \$1,115 that were not listed on this days BounceBack prepared deposit slip. Of these ten (10) money orders, eight (8) of the payors were depicted on later deposit slip dates, and two (2) of the payors were never depicted on a deposit slip date.

The above mentioned dates are not the only instances noted. Rather, these are the date instances where the largest audit emphasis was expended.

Cause of Condition: Due to a lack of management oversight, deposits were altered to physically include money orders from other deposit slip dates to compensate for money orders physically missing from the current deposit slip date. No procedure was present to ensure the total number of money orders listed on the deposit slip equaled the number of money orders actually deposited. Further, no procedure was present to ensure the payor names and amounts depicted on the BounceBack generated deposit slip matched the physical deposit made with the County Treasurer's office. Therefore, OSAI cannot determine all collections were deposited.

Effect of Condition: Without the existence of proper oversight and monitoring, deposits were altered in such a way where the payor and amounts reflected on the deposit slip were not in fact physically deposited on that date. The information depicted on a BounceBack Software generated deposit slip (payor name and amount) should be reflective of the physical deposit made without exception. Due to this deposit discrepancy, those deposit date and amounts directly verified by OSAI cannot be relied on.

Recommendation: OSAI recommends management create and implement policies and procedures to ensure the amount physically deposited is reflective of the BounceBack Software generated deposit slip. Depositing with the County Treasurer daily would lessen the availability of additional money orders from future deposits to compensate for deposit shortages. OSAI also recommends management assign an individual of preparing deposits to an individual who does not also receipt and maintain a cash drawer.

Management Response: The recently implemented and more generalized accounting policies and procedures for District 20 mandate daily deposits. The newly implemented and more specialized policies of the Bogus Check/Restitution/Supervised Probation Office are structured to provide a segregation of duties. Among other features, said policies provide that the employee who prepares deposits is not the same employee that receipts payments. Furthermore, the deposits are reviewed by a supervisor for accuracy.

Criteria: Proper accounting procedures consist of transactions being recorded and reported accurately. The 2012 US Fraud Examiners Manual defines lapping as "...the crediting of one account through the abstraction of money from another account."



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