

**DISTRICT ATTORNEY
DISTRICT 21**

**BOGUS CHECK
RESTITUTION FUND**

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

**STATUTORY
REPORT**



Oklahoma State Auditor
& Inspector

**GREG MASHBURN, DISTRICT ATTORNEY
DISTRICT 21
STATUTORY REPORT
BOGUS CHECK RESTITUTION FUND
FOR THE YEAR ENDED
JUNE 30, 2008**

This publication is printed and issued by the State Auditor and Inspector as authorized by 74 O.S. § 212 (E) and 22 O.S. § 114. Pursuant to 74 O.S. § 3105 (B), six (6) copies have been prepared and distributed at a cost of \$14.62. Copies have been deposited with the Publications Clearinghouse of the Oklahoma Department of Libraries.

STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA
State Auditor

MICHELLE R. DAY, ESQ.
Chief Deputy



2300 N. Lincoln Boulevard State Capitol, Room 100 Oklahoma City, OK 73105-4801 Phone (405) 521-3495 Fax (405) 521-3426 www.sai.ok.gov

July 8, 2010

Greg Mashburn, District Attorney
District 21
Cleveland County Courthouse
Norman, Oklahoma 73069

Transmitted herewith is the statutory report for the District Attorney of District 21, Cleveland, Garvin, and McClain 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

TABLE OF CONTENTS

Introductory Information ii
Statutory Report of State Auditor and Inspector 1
Bogus Check Restitution Fund Annual Report..... 3
Schedule of Findings and Responses 4

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.

STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA
State Auditor

MICHELLE R. DAY, ESQ.
Chief Deputy



2300 N. Lincoln Boulevard State Capitol, Room 100 Oklahoma City, OK 73105-4801 Phone (405) 521-3495 Fax (405) 521-3426 www.sai.ok.gov

Statutory Report

Greg Mashburn, District Attorney
District 21
Cleveland County Courthouse
Norman, Oklahoma 73069

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 they relate to the records of the Bogus Check Restitution Fund for the fiscal year 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 and restitution agreements do not exceed three years 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 Attorneys Council showing the total deposits and total expenditures and those 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 Cleveland, Garvin, or McClain Counties.

Based on our procedures performed, except for the matter of segregation of duties, District 21 was properly assessing and depositing the correct fees in compliance with 28 O.S. § 153; expenditures were used to defray lawful expenses of the District Attorney's office and restitution agreements do not exceed three years in accordance with 22 O.S. § 114; expenditures were supported by invoices and approved claims; goods or services paid for were received; and the fund balance reconciled to the County Treasurer's records; With respect to the District properly receipting the correct fees in compliance with 28 O.S. § 153, and the District Attorney preparing and submitting an annual report to the District Attorneys Council showing the total deposits and total expenditures and those expenditures being properly classified and presented, 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.

We have included in this report the Bogus Check Restitution Fund Annual Report prepared by District 21, which was submitted to the District Attorneys Council.

This report is intended for the information and use of the District Attorney and Cleveland, Garvin, and McClain County officials. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

A handwritten signature in blue ink that reads "Steve Burrage". The signature is written in a cursive style with a large, stylized "S" at the beginning.

STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR

May 25, 2010

BOGUS CHECK RESTITUTION FUND ANNUAL REPORT

COLLECTION INFORMATION

Number of checks received from merchants	<u>7703</u>	
Dollar amount of checks received		<u>\$ 959,450</u>

RESTITUTION INFORMATION

Beginning Restitution Account Balance at July 1, 2007		\$ -
Number of Restitution checks collected	<u>figure not available</u>	
Amount in Restitution collected for merchants		884,592
Amount in Restitution paid to merchants		858,758
Other Collections		859
Amount in Other Collections paid out		<u>859</u>
Ending Restitution Balance at June 30, 2008		<u>\$ 25,834</u>

FEE AND EXPENDITURES INFORMATION

Beginning District Attorney Fee Balance at July 1, 2007		\$ 322,523
Amount of District Attorney Fees collected during the period		1,473,460
Expenditures:		
Personnel Costs	872,500	
Maintenance and Operation Costs	236,558	
Travel Expenses	25,542	
Other Expenses	<u>90,391</u>	
Total Expenditures		<u>1,224,991</u>
Ending District Attorney Fee Balance at June 30, 2008		<u>\$ 570,992</u>

Source: District 21 Bogus Check Restitution Fund Annual Report (informational purposes only)

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2008-1 – Segregation of Duties

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 in each county, we noted instances in which a single employee could be responsible for the recording, authorization, custody, and execution of revenue transactions. The following are concerns we noted:

Cleveland County:

- All employees receive money and write receipts.
- The Finance Officer posts daily receipts to the cash book, reconciles the account balance to the Treasurer, posts payments to accounts, and approves write offs.
- The support staff employee balances the cash drawer to daily receipts, prepares depository tickets, reconciles receipts to the deposit, and takes the deposit to the Treasurer.

McClain County:

- All employees receive money and write receipts.
- The Bogus Check Coordinator balances the cash drawer to the daily receipts, prepares the depository ticket, reconciles receipts to the deposit, takes the deposit to the Treasurer, posts daily receipts to the cash book, reconciles the account balance to the Treasurer, and posts payments to accounts.

Garvin County:

- The Bogus Check Coordinator receives money, writes receipts, balances the cash drawer to the daily receipts, prepares the depository ticket, reconciles receipts to the deposit, takes the deposit to the Treasurer, posts daily receipts to the cash book, and reconciles the account balance to the Treasurer.

We also noted instances in which a single employee could be responsible for the recording, authorization, custody, and execution of expenditure transactions, which are handled by the Cleveland County office for the District. The following are concerns we noted:

- The Finance Officer posts transactions to accounts, posts vouchers to the cash book, prepares claims, certifies receipt of goods and services, approves claims, prepares vouchers, mails/distributes vouchers, and posts vouchers to the cash book.
- The support staff employee prepares vouchers, posts transactions to accounts, mails/distributes vouchers, and posts vouchers to the cash book.

- The District Attorney and Assistant District Attorney sign vouchers, authorize purchases, and certifies receipt of goods and services.

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. 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: The District Attorney's office recognizes the risks associated with the concentration of duties and review the accounts on a monthly basis. However, due to budget constraints and limited resources we do not currently have the manpower to separate these duties as requested.

Finding 2008-2 – Receipts

Criteria: Effective internal controls over accounting and record keeping are required to ensure the accurate financial position of the District Attorney Bogus Check program. This includes issuing receipts in numerical sequence.

Condition: The software program for the collection of bogus checks does not allow receipts to be issued in numerical sequence.

Effect: This condition could result in undetected errors and misstated financial reports.

Recommendation: OSAI recommends that the District Attorney take necessary steps to provide for an accurate accounting of bogus check collections, including issuing receipts in numerical order.

Views of responsible officials and planned corrective actions: The District Attorney's office has addressed this issue by changing our software program to JustWare, which is the software program recommended by the District Attorneys Council and supported by the District Attorneys Council.

Finding 2008-3 – Annual Report

Criteria: Title 22 O.S. § 116 states in part:

District Attorneys shall prepare and submit an annual report to the District Attorneys Council showing total deposits and total expenditures in the Bogus Check Restitution Program...This report shall include the number of checks processed and the total dollar amount of such checks, the number of checks for which some restitution was made and the total amount of the restitution, the total amount of fees collected, the total cost of the program, and such other information as required by the District Attorneys Council.

Condition: The amount recorded as the beginning restitution account balance at July 1, 2007, on the annual report submitted to the District Attorneys Council for the fiscal year ended June 30, 2008, does not agree with the amount recorded as the ending restitution balance at June 30, 2007, on the prior fiscal years annual report. Additionally, the annual report does not include the number of checks on which restitution was collected.

Effect: This condition results in inaccurate and incomplete information being submitted to the District Attorneys Council.

Recommendation: OSAI recommends all information, as required by 22 O.S. § 116, be included in the Bogus Check Restitution Fund Annual Report submitted to the District Attorneys Council.

Views of responsible officials and planned corrective actions: At the time the annual report was submitted to the District Attorneys Council for the fiscal year ended June 30, 2008, bogus check funds were not divided when accounts were separated. We have addressed this issue by changing our software program to JustWare, which is the software program recommended by the District Attorneys Council and supported by the District Attorneys Council.



**OFFICE OF THE STATE AUDITOR AND INSPECTOR
2300 N. LINCOLN BOULEVARD, ROOM 100
OKLAHOMA CITY, OK 73105-4896**

WWW.SAI.OK.GOV