

**DISTRICT ATTORNEY  
DISTRICT 22**

**BOGUS CHECK  
RESTITUTION FUND**

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



**STATUTORY  
REPORT**



Oklahoma State Auditor  
& Inspector

**CHRIS L. ROSS, DISTRICT ATTORNEY  
DISTRICT 22  
STATUTORY REPORT  
BOGUS CHECK RESTITUTION FUND  
FOR THE YEAR ENDED JUNE 30, 2008**

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# STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA  
State Auditor

MICHELLE R. DAY, ESQ.  
Chief Deputy



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

August 23, 2010

Chris L. Ross, District Attorney  
District 22  
Pontotoc County Courthouse  
Ada, Oklahoma 74820

Transmitted herewith is the statutory report for the District Attorney of District 22, Hughes, Pontotoc, and Seminole Counties, Oklahoma (the District) for the fiscal year ended June 30, 2008.

A report of this type is critical in nature; however, we do not intend to imply that there were not commendable features in the present accounting and operating procedures of the District.

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

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

Sincerely,

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

STEVE BURRAGE, CPA  
STATE AUDITOR & INSPECTOR

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## **INTRODUCTORY INFORMATION**

The bogus check program was created by the Oklahoma Legislature in 1982 as a special type of deferred prosecution program and every District Attorney is required to operate a bogus check program. The program provides an alternative way to handle bogus check cases without any additional cost to courts, prosecutors, or the state prison system. The primary emphasis of the program is collecting restitution for the victim of the crime, rather than punishing the offender.

Bogus checks are a significant cost to business, a cost that is passed on to the consumer and paid by all citizens and taxpayers in the state. The bogus check program has been an effective way to address the economic problem caused by bogus checks. The program offers a way to address criminal conduct without sending a large number of offenders to state correctional facilities.



## Statutory Report

Chris L. Ross, District Attorney  
District 22  
Pontotoc County Courthouse  
Ada, Oklahoma 74820

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

- Examine fees to determine that the correct fees were assessed, receipted, and deposited in compliance with 28 O.S. § 153.
- Determine whether expenditures were used to defray lawful expenses of the District Attorney's office 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 whether 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 Hughes, Pontotoc, or Seminole Counties.

Based on our procedures performed, District 22 was properly assessing and receipting 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 did 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 depositing 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 whether those expenditures were being properly classified and presented, our findings

are presented in the accompanying schedule of findings and responses. We also noted a matter of segregation of duties, and our finding is presented in the schedule of findings and responses.

We have included in this report the Bogus Check Restitution Annual Report prepared by District 22, which was submitted to the District Attorneys Council.

This report is intended for the information and use of the District Attorney and Hughes, Pontotoc, and Seminole 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 initial "S".

STEVE BURRAGE, CPA  
STATE AUDITOR & INSPECTOR

July 8, 2010

## 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, 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:

#### Hughes County:

- All employees have the opportunity to receive money, issue receipts, balance the cash drawer, post daily receipts to the cash book, and post payments to accounts.
- All employees work from the same cash drawer.
- The Bogus Check Coordinator is responsible for all accounting functions regarding receipts within the District Attorney's office.
- The only other employee in the office, in the absence of the Bogus Check Coordinator, has the opportunity to open the mail, total remittances, take the deposit to the Treasurer, and post payments to customer accounts.

#### Pontotoc County

- All employees have the opportunity to receive money and issue receipts.
- All employees work from the same cash drawer.
- The Bogus Check Coordinator and one other employee have the opportunity to open the mail, total remittances, balance the cash drawer to the daily receipts, prepare depository tickets, reconcile receipts to the deposit, take the deposit to the Treasurer, post daily receipts to the cash book, reconcile the account balance to the Treasurer, post payments to accounts, and approve write-offs. In the absence of either of these two employees, a third employee is utilized as a backup.

#### Seminole County

- The Bogus Check Coordinator has the opportunity to open the mail, total remittances, balance the cash drawer to the daily receipts, prepare depository tickets, reconcile receipts to the deposit, take the deposit to the Treasurer, post daily receipts to the cash book, reconcile the account balance to the Treasurer, post payments to accounts, and approve write-offs.

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



Hughes County

- One of two employees has the opportunity to prepare vouchers to the merchant/victim, sign and mail/distribute vouchers, post transaction to account and post vouchers to cash book. Additionally, this employee has the opportunity to prepare claims, certify receipt of goods and services, prepare vouchers, mail/distribute vouchers, and post vouchers to the cash book.
- One of two employees has the opportunity to sign vouchers, mail/distribute vouchers, and certify receipt of goods and services.

Pontotoc County

- All employees have the opportunity to prepare vouchers to the merchant/victim, sign vouchers and mail/distribute vouchers.
- In addition to the duties above, the Office Administrator has the opportunity to authorize purchases, prepare claims, approve claims for payment, prepare voucher, mail/distribute vouchers, certify receipt of goods and services, and post vouchers to the cash book.

Seminole County

- The Bogus Check Coordinator has the opportunity to prepare vouchers to the merchant/victim, sign and mail/distribute vouchers, post transactions to the account and post vouchers to cash book. Additionally, the Coordinator has the opportunity to authorize purchases, prepare claims, approve claims for payment, certify receipt of goods and services, prepare voucher, mail/distribute vouchers and post vouchers to the cash book.

Effect: A single person having responsibility for more than one area of recording, authorization, custody of assets, and execution of transactions could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.

Recommendation: OSAI recommends management be aware of these conditions and realize that concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective controls lie in management's overseeing of office operations and a periodic review of operations. OSAI recommends management provide segregation of duties so that no one employee is able to perform all accounting functions. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having management review and approval of accounting functions.

Views of responsible officials and planned corrective actions: I agree regarding the principles set out in the segregation of duties. However, given the lack of legislative funding to District Attorney's office historically, and the current budget cuts all state agencies are facing at the present time, it is impossible to hire a sufficient number of employees to segregate the duties mentioned. The legislature funds less than 60% of the actual costs of running this office. The remainder is collected through bogus check fees, supervision fees, and drug forfeitures. This situation has led to there being one person who does each job in almost every aspect of the office. While others are cross-trained to fill in at a time someone is absent from the office, there is not sufficient funding to hire someone to perform these duties routinely.

Therefore, until the funds are available to hire more personnel, it is impossible to segregate the duties as suggested.

OSAI Response: Instances in which there is not sufficient personnel to segregate the duties, management should implement mitigating controls. This may include an increased review by management, and reviewing such assignments so that key processes could be separated.

### **Finding 2008-2 – Deposits**

Criteria: Title 19 O.S. § 215.11 states in part:

...Every District Attorney shall pay over to the County Treasurer of the County in which same is receivable all money he may receive as such district attorney within ten (10) days after he received it.

Condition: All monies were receipted and deposited; however, deposits were not made in a timely manner in the Pontotoc County District Attorney's Office. Of the three months tested, the following exceptions were noted:

- In December 2007, only two deposits were made. The total of each deposit was \$13,310.31 and \$1,458.28. For the month of December, there were receipts with dates ranging from November 19, 2007, to November 28, 2007, that were not deposited until December 11, 2007, resulting in the District Attorney holding monies to be deposited for more than ten days.
- In May 2008, only three deposits were made. The total of each deposit was \$9,367.40, \$9,204.94, and \$8,227.34. For the month of May, there were receipts dated February 28, 2008, that were not deposited until May 1, 2008, and receipts with dates ranging from May 6, 2008, to May 9, 2008, that were not deposited until May 22, 2008, resulting in the District Attorney holding monies to be deposited for more than ten days.

Effect: This condition could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of funds.

Recommendation: OSAI recommends all monies received shall be deposited intact within 10 days of receipt as outlined in 19 O.S. § 215.11.

Views of responsible officials and planned corrective actions: I agree with the finding that deposits should be made regularly. The employees handling those duties in the year audited are no longer employed by this office. In addition, I am supplementing the Office and Personnel Manual of District 22 requiring that deposits be made in a timely manner.

**Finding 2008-3—Annual Report Reporting Error**

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.

Title 22 O.S. § 116 states:

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 Restitution and District Attorney Fee ending balances do not agree to the ending balances as recorded by the County Treasurer. Additionally, the report submitted to the District Attorneys Council does not include the number and dollar amount of checks received from merchants, as well as the number of checks on which restitution was collected.

Effect: Not reporting financial information, cancelled vouchers, and miscellaneous deposits in the year that they occur, 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 reporting.

Views of responsible officials and planned corrective actions: I disagree with this finding. During the year audited, the computer program then in use did not separate bogus check restitution money from bogus check fees. Some monies that were listed as fees or restitution in the documents from the office were listed differently in the other agencies mentioned. After discussing the auditor’s findings with the Finance Officer, it appears to me that when this fact is taken into consideration, all monies are accounted for. In other words, when this fact is taken into account, the monies reported balance. Additionally, it is my understanding that an amended document was filed with DAC regarding that year. At the present time, a different computer program is in effect which does separate bogus check fees from bogus check restitution, and therefore the problem should not reoccur.

OSAI Response: The Restitution and District Attorney Fee ending balances did not agree to the County Treasurer’s records. In addition, these variances do not appear to “net” in total. While a revised report may have been subsequently filed with the District Attorneys Council, the original report submitted to the District Attorneys Council, and presented to OSAI for testing, was inaccurate and incomplete.

FY08 BOGUS CHECK RESTITUTION ANNUAL REPORT

July 1, 2007 -- June 30, 2008

District 22

Please list the county or counties for which this information covers:

Pontotoc, Seminole, Hughes

COLLECTION INFORMATION

Number of checks received from victims \_\_\_\_\_

Dollar amount of checks received \_\_\_\_\_

RESTITUTION INFORMATION

Beginning Restitution Account Balance at July 1, 2007

3,050.92

Number of Checks on which Restitution was Collected \_\_\_\_\_

Amount in Restitution Collected for Victims (Do not include cancelled vouchers)

283,951.55

Cancelled Vouchers (Restitution cancelled, to be reissued)

2,753.79

Other Collections (Court Costs or other fees paid with restitution, issued to other agencies)

Amount in Restitution Paid to Victims (Including reissuance of cancelled vouchers)

283,951.55

Amount in "Other Collections" paid out

Ending Restitution Balance at June 30, 2008

5,804.71

FEE AND EXPENDITURE INFORMATION

Beginning District Attorney Fee Balance at July 1, 2007

115,933.94

Amount of District Attorney Fees collected during period

272,365.35

Expenditures

Personnel Costs

100,000.00

Maintenance and Operations Costs

63,407.11

Travel Expenses

17,546.42

Other Expenses

2,212.76

Total Expenditures

\$183,166.29

Ending District Attorney Fee Balance at June 30, 2007

205,133.00

Prepared By:

Penny Turner

Date:

7.18.08

Phone#:

580-332-0341



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

**[WWW.SAI.OK.GOV](http://WWW.SAI.OK.GOV)**