

**DISTRICT ATTORNEY
DISTRICT 23**

**BOGUS CHECK
RESTITUTION FUND**

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

**STATUTORY
REPORT**



Oklahoma State Auditor
& Inspector

**RICHARD SMOTHERMON, DISTRICT ATTORNEY
DISTRICT 23
STATUTORY REPORT
BOGUS CHECK RESTITUTION FUND
FOR THE YEAR ENDED JUNE 30, 2008**

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STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA
State Auditor

MICHELLE R. DAY, ESQ.
Chief Deputy



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July 20, 2010

Richard Smothermon, District Attorney
District 23
Pottawatomie County Courthouse
Shawnee, Oklahoma 74801

Transmitted herewith is the statutory report for the District Attorney of District 23, Lincoln and Pottawatomie Counties, Oklahoma (the District) for the fiscal year ended June 30, 2008.

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

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

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

Sincerely,

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

STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR

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INTRODUCTORY INFORMATION

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

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

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Statutory Report

Richard Smothermon, District Attorney
District 23
Pottawatomie County Courthouse
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For the purpose of complying with 74 O.S. § 212.E and 22 O.S. § 114, we have performed each of the following procedures as it relates to the records of the Bogus Check Restitution Fund for the fiscal year June 30, 2008.

- Examine fees to determine that the correct fees were assessed, receipted, and deposited in compliance with 28 O.S. § 153.
- Determine whether expenditures were used to defray lawful expenses of the District Attorney's office 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 Attorney's Council showing the total deposits and total expenditures, and that expenditures were properly classified and presented.

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

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

Based on our procedures performed, it appears that District 23 was assessing, receipting, 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; the fund balance reconciled to the County Treasurer's records; the District Attorney prepared and submitted an annual report to the District Attorney's Council; and expenditures were properly classified and presented. However, in performing the procedures, we noted a lack of segregation of duties over revenue and expenditure transactions in the bogus check program, and the finding is presented in the accompanying schedule of findings and responses.

We have included in this report information from the Bogus Check Restitution Fund Annual Report prepared by District 23, which was submitted to the District Attorneys Council.

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

Sincerely,



STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR

June 14, 2010

**RICHARD SMOTHERMON, DISTRICT ATTORNEY
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BOGUS CHECK RESTITUTION FUND

COLLECTION INFORMATION

Number of checks received from merchants	<u>5,876</u>	
Dollar amount of checks received		<u>\$ 366,594</u>

RESTITUTION INFORMATION

Beginning Restitution Account Balance at July 1, 2007		\$ 17,113
Number of Restitution checks collected	<u>4,355</u>	
Amount in Restitution collected for merchants		291,785
Amount in Restitution paid to merchants		283,827
Cancelled Vouchers		<u>2,019</u>
Ending Restitution Balance at June 30, 2008		<u>\$ 27,090</u>

FEE AND EXPENDITURES INFORMATION

Beginning District Attorney Fee Balance at July 1, 2007		\$ 49,924
Amount of District Attorney fees collected during the period		443,117
Cancelled Vouchers		855
Expenditures:		
Personnel Costs	377,519	
Maintenance and Operation Costs	74,721	
Travel Expenses	<u>10,441</u>	
Total Expenditures		<u>462,681</u>
Ending District Attorney Fee Balance at June 30, 2008		<u>\$ 31,215</u>

Source: District 23 Bogus Check Restitution Fund Annual Report (for informational purposes only)

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:

Lincoln County:

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

Pottawatomie County

- The Bogus Check Coordinator and two clerks receive money, issue receipts, balance the cash drawer, prepare official depository tickets, reconcile receipts to official depository tickets, take the deposit to the Treasurer, post daily receipts to the cash book, and reconcile account balances to the Treasurer.
- All employees work from the same cash drawer.

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:

Lincoln County:

- The Bogus Check Coordinator prepares claims with supporting documentation, certifies receipt of goods or services, prepares vouchers, and mails/distributes vouchers.

Pottawatomie County

- The Finance Officer prepares claims with supporting documentation, certifies receipt of goods or services, prepares vouchers, and mails/distributes vouchers.

Effect: By having a single person who has the opportunity to perform more than one area of recording, authorizing, custody of assets, and execution of transactions could result in not timely detecting 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

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that no one employee is able to perform all accounting functions. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having management review and approval of accounting functions.

Views of responsible officials and planned corrective actions: We are aware of the possible lack of segregation of duties. We realize that concentration of duties and responsibilities in a limited number of individuals is not the best situation from a control point of view; however, due to budget shortfall we have been forced to operate with fewer employees. The District is open to suggestions on how to segregate some of the accounting functions with the number of employees assigned to the District Attorney Bogus Check Program. The District Attorney will continue to review, approve and oversee all accounts.



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