

STATUTORY REPORT

DISTRICT ATTORNEY

DISTRICT 27

TURNOVER

December 28, 2010



*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

**OFFICER TURNOVER STATUTORY REPORT
JERRY MOORE, DISTRICT ATTORNEY
DISTRICT 27
ADAIR, CHEROKEE, SEQUOYAH
AND WAGONER COUNTIES
DECEMBER 28, 2010**

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Oklahoma State Auditor & Inspector

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June 2, 2011

Jerry Moore, District Attorney
District 27
Wagoner County Courthouse
Wagoner, Oklahoma 74467

Transmitted herewith is the Officer Turnover Statutory Report for the District Attorney of District 27, Adair, Cherokee, Sequoyah, and Wagoner Counties for December 28, 2010. The engagement was conducted in accordance with 74 O.S. § 212.H.

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

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 "Gary A. Jones". The signature is fluid and cursive, with a long horizontal stroke at the end.

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



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For the purpose of complying with 74 O.S. § 212.H, we have performed the following procedures:

- Verify that equipment items on hand agree with inventory records as per 19 O.S. § 178.1.
- Determine whether the District Attorney reconciles with the County Treasurer.
- Verify that the amount of total claims approved for the operation of said Office is not in excess of limitations imposed by 19 O.S. § 347.

Information addressed in this report is the representation of the respective officer.

Our officer turnover engagement was limited to the statutory procedures described above and was less in scope than an examination or audit performed in accordance with auditing standards generally accepted in the United States of America, the objective of which would be the expression of an opinion. Accordingly, we do not express an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

Based on our procedures performed, with respect to items tested, the amount of total claims approved for the operation of said Office was not in excess of limitations imposed by 19 O.S. § 347. However, with respect to items on hand agreeing with inventory records, and the District Attorney reconciling with the County Treasurer, our findings are presented in the accompanying schedule of findings and responses. In performing our procedures, we noted matters with the collections being receipted, monthly reports of the Office on file with the County Clerk, segregation of duties, effectiveness of accounting system, and correct receipting practices.

This report is intended for the information and use of the management of Adair, Cherokee, Sequoyah and Wagoner Counties. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

A handwritten signature in blue ink, appearing to read "Gary A. Jones", is written over a horizontal line.

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

April 15, 2011

OFFICER TURNOVER STATUTORY REPORT
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SCHEDULE OF FINDINGS AND RESPONSES

Finding 2011-1 – Lack of Inventory

Criteria: An important aspect of internal controls is the safeguarding of assets. Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the entity's assets and safeguard assets from loss, damage, or misappropriation.

Title 19 O.S. § 178.1 states in part:

The board of county commissioners in each county of this state shall take, or cause to be taken, an inventory of all working tools, apparatus, machinery and equipment belonging to the county or leased or otherwise let to it or to any department thereof, other than that which is affixed to and made a part of lands and buildings, the cost of which as to each complete working unit thereof is more than Five Hundred Dollars (\$500.00), and thereafter maintain or cause to be maintained a continuous inventory record...biennially thereafter, or oftener...

Condition: Based on test work performed, it appears the District Attorney is not maintaining an up to date, accurate inventory record. The inventory lists lacked the original cost for all items. The lists also were not on file with the Oklahoma Department of Central Services or the County Clerk.

Effect: Inventory items were not accurately accounted for and the District's assets may not be safeguarded.

Recommendation: OSAI recommends the District Attorney and the Board of County Commissioners cause to be taken a biennial inventory of all working tools, apparatus, machinery, and equipment belonging to the District Attorney's office and the County. OSAI also recommends that these inventories be documented and filed with the Oklahoma Department of Central Services and the County Clerk and contain the original costs for all items.

Views of responsible officials and planned corrective actions:

Incoming District Attorney, Brian J. Kuester

This has been corrected.

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Finding 2011-2 – Monthly Reports

Criteria: Title 19 O.S. § 681 states in part:

The county treasurer is hereby designated and made the official depository for all moneys, funds, rentals, penalties, costs, proceeds of sale of property, fees, fines, forfeitures and public charges of every kind that may be received by any county officer, county board, county commission, or by any employee of either of such officers, boards or commissions by virtue or under color of office; and the said county treasurer shall be responsible on his official bond for the faithful performance of duty as such official depository.

Title 19 O.S. § 684 states in part:

All monies that shall be received during any calendar month by any county officer, county board, county commission or the members or employees of either thereof, accruing as a part of the funds of the county or municipal subdivision thereof, shall be paid into the county treasury, - that is, transferred from the official account of the officer, board, commission or employee of either thereof depositing the same, to the fund or funds of the county or municipal subdivision thereof to which the same belongs, - by the authority so receiving the same on or before the second Monday following the close of the calendar month in which such monies shall have been received; and it shall be the further duty of all such officers, boards, commissions, and the members and employees of either thereof, to make and file with the county clerk on or before the second Monday of each month, a verified report in writing showing the several sources, classes and amounts of money received by virtue or under color of office during the preceding calendar month, together with an itemized statement of the amount and purpose of all vouchers issued in disbursement, distribution and transfer thereof.

Condition: The District Attorney's office does not submit a monthly fee report to the Board of County Commissioners.

Effect: By not submitting a monthly report to the Board of County Commissioners, the District Attorney is not accounting for sources and amounts of revenue received and vouchers issued.

Recommendation: OSAI recommends the District Attorney takes steps to prepare and file a monthly report with the Board of County Commissioners.

Views of responsible officials and planned corrective actions:

Incoming District Attorney, Brian J. Kuester

This is being addressed.

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Finding 2011-3 – Accounting System and Reconciliations

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, a monthly reconciliation should be performed for all funds and the reconciliations should be reviewed and approved by someone other than the preparer. The accounting system should issue receipts in sequential order for each receipt type and generate reports denoting account balances and receipts issued sequentially by account. Also, receipts issued should be reconciled daily to collections received.

Condition: Based on test work performed, it appears that the accounting system used by the District Attorney's office issues receipts in multiples of 50 rather than sequentially (i.e. 50, 100, 150). Also all types of collections are encompassed in the same sequence of numbers throughout the district. For example, receipt #50 might be issued in Wagoner County for Bogus Check, receipt #100 in Sequoyah County for Deferred Prosecution, and receipt #150 in Cherokee County for Supervision. Additionally, the system does not have the capability of issuing a report for all receipts issued sequentially or a report documenting running balances for accounts. Due to these conditions, reconciliations are not performed. Also, receipts issued are not reconciled to all collections.

Bogus Check and Restitution collections in Adair, Sequoyah and Cherokee counties are receipted using hand written receipts. The handwritten receipts are documented in a log. This log and the collections are taken to Wagoner County to be posted in the system. These collections are not reconciled to the actual receipts upon receipt. When the payment is posted in the system, a new receipt is issued, and the payment is included in the deposit. The deposit is then taken to Cherokee County to be deposited with the County Treasurer.

In Wagoner County it was noted the District #27 Drug Task Force and District Attorney VOCA accounts were on the Treasurer's Official Depository Ledger but were not on any District Attorney records. Also, there was a \$47.50 variance between the Treasurer's balance and the District Attorney's balance in the State Witness accounts.

In Cherokee County it was noted that the District Attorney Child Support, District Attorney Victim Restitution, District Attorney Victim Witness, District Attorney BCRP and Drug Implementation accounts were on the Treasurer's Official Depository Ledger but because they were inactive the District Attorney had no records for these accounts and reconciliations on these accounts were not performed. It was also noted in Cherokee County the Treasurer's balance for the District Attorney Revolving Drug Fund was \$100.00 short to the District Attorney's balance.

In Adair County it was noted the #9C –Restitution and #9 and 9A District Attorney accounts were inactive accounts for which the District Attorney maintained no accounting records and therefore did not reconcile these accounts to the County Treasurer.

In Sequoyah County it was noted the #806 – Revolving Jail Fee Fund, #800 Bogus Check Restitution and the #802 District Attorney Victims Restitution accounts were inactive, the District Attorney had no

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accounting records, and no reconciliations were performed. Lastly, it was noted reconciliations performed were not reviewed nor approved by someone other than the preparer.

Effect: These conditions could result in inaccurate reporting, undetected errors, and misappropriation of funds.

Recommendation: OSAI recommends the District Attorney's office acquire an accounting system that is capable of issuing receipts in sequential order for various types of collections by office and also has the capability to generate reports that list receipts by type in sequential order and has a running balance for each account. Additionally, OSAI recommends that all collections be reconciled to all receipts issued on a daily basis. OSAI further recommends all official depository accounts be reconciled to the County Treasurer on a monthly basis and all reconciliations be reviewed and approved by someone other than the preparer.

Views of responsible officials and planned corrective actions:

Incoming District Attorney, Brian J. Kuester

- A. Receipt system – This is being corrected with the implementation of an upgrade to our current system.
- B. Inactive accounts – These accounts will be transferred in accordance with the instructions from the Director of Finance with the District Attorneys Council.
- C. Wagoner County State Witness account – This is being corrected.
- D. BCRP – This is being corrected.
- E. D.A. Revolving Drug Fund being \$100.00 off – This was an error created two administrations ago with no paper trail. This has now been corrected.

Finding 2011-4 – 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: A lack of segregation of duties exists in the Wagoner County District Attorney's office in regards to the collections of the Deferred Prosecution, Drug Fund and Supervision/Probation. One employee balances the cash drawer and prepares the official depository ticket. Additionally, another employee calculates amounts to be vouchered to other funds or agencies, reviews amounts vouchered to other funds or agencies, signs and mails vouchers, and prepares claims.

A lack of segregation of duties exists in the Bogus Check and Restitution Division. One employee in Bogus Check Division calculates and reviews amounts to be vouchered to other funds or agencies,

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prepares vouchers, posts vouchers to the cash book, mails vouchers and prepares claims for payment. Additionally, it was noted one employee in Bogus Check balances the cash drawer and prepares the deposit tickets. In the Restitution Division, one employee calculates and reviews amounts to be vouchered to other funds or agencies. Another employee prepares vouchers, posts vouchers to the cash book, mails vouchers and approves claims for payment. Additionally, another employee balances the cash drawer and prepares the deposit tickets.

A lack of segregation of duties exists in the Adair County District Attorney's Office in regards to the collections. One employee receives money, writes receipts, prepares the official depository ticket and balances the account at month end to the Treasurer's balance.

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. 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:

Incoming District Attorney, Brian J. Kuester

This is being corrected.

Finding 2011-5 – Receipts

Criteria: The overall goal of accounting principles generally accepted in the United States of America as they relate to governmental entities is to demonstrate accountability and stewardship to be used in evaluating management's accounting for funds. To help ensure a proper accounting of funds, receipts should reflect the actual date the monies were received.

Condition: In performing test work on Bogus Check and Restitution receipts for December 27, 2010, it was noted the receipts issued that day were post dated January 3, 2011.

Effect: These conditions could result in inaccurate reporting, undetected errors, and misappropriation of funds.

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Recommendation: OSAI recommends receipts issued reflect the actual date monies were received and if collections are received after the preparation of monthly or quarterly reports they would be considered reconciling items and be reflected as such on reconciliations.

Views of responsible officials and planned corrective actions:

Incoming District Attorney, Brian J. Kuester

This is being corrected.



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