

**DISTRICT ATTORNEY
DISTRICT 2**

**BOGUS CHECK
RESTITUTION FUND**

**FOR THE YEAR ENDED
JUNE 30, 2009**

**STATUTORY
REPORT**



Oklahoma State Auditor
& Inspector

**DENNIS SMITH, DISTRICT ATTORNEY
DISTRICT 2
STATUTORY REPORT
BOGUS CHECK RESTITUTION FUND
FOR THE YEAR ENDED JUNE 30, 2009**

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STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA
State Auditor

MICHELLE R. DAY, ESQ.
Chief Deputy



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April 22, 2010

Dennis Smith, District Attorney
District 2
Custer County Courthouse
Arapaho, Oklahoma 73620

Transmitted herewith is the statutory report for the District Attorney of District 2, Beckham, Custer, Ellis, Roger Mills, and Washita Counties, Oklahoma (the District) for the fiscal year ended June 30, 2009.

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

Dennis Smith, District Attorney
District 2
Custer County Courthouse
Arapaho, Oklahoma 73620

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, 2009.

- 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 Beckham, Custer, Ellis, Roger Mills, or Washita Counties.

Based on our procedures performed, District 2 was properly 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. With respect to segregation of duties, our finding is presented in the accompanying schedule of findings and responses.

We have prepared a detailed analysis of the Bogus Check Restitution Fund, which is presented following this report.

This report is intended for the information and use of the District Attorney and Beckham, Custer, Ellis, Roger Mills, and Washita 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

January 25, 2010

BOGUS CHECK RESTITUTION FUND ANALYSIS

COLLECTION INFORMATION

Number of checks received from merchants	<u>4,556</u>	
Dollar amount of checks received		<u>\$ 375,842</u>

RESTITUTION INFORMATION

Beginning restitution account balance at July 1, 2008		\$ 6,884
Number of checks on which restitution collected	<u>3,391</u>	
Amount in restitution collected for merchants		890,284
Cancelled vouchers (restitution cancelled, to be reissued)		2,169
Amount in restitution paid to merchants		<u>890,383</u>
Ending restitution account balance at June 30, 2009		<u>\$ 8,954</u>

FEE AND EXPENDITURES INFORMATION

Beginning District Attorney fee balance at July 1, 2008		\$ 75,607
Amount of District Attorney fees collected during the period		549,472
Expenditures:		
Personnel costs	425,000	
Maintenance and operation costs	125,783	
Other expenses	<u>7,632</u>	
Total expenditures		<u>558,415</u>
Ending District Attorney fee balance at June 30, 2009		<u>\$ 66,664</u>

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2009-1—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, the duties of receiving, receipting, recording, depositing cash and checks, reconciliations, and transaction authorization should be segregated.

Condition: The District Attorney's office has one employee who prepares deposit slips, takes the deposit slip to County Treasurer, and reconciles the annual report to Treasurer's official depository balance.

Effect: These conditions 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 and/or critical functions of the office, and management review and approval of accounting functions.

Views of responsible officials and planned corrective actions: Management chose not to respond.



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