

**DISTRICT ATTORNEY
DISTRICT 5**

**BOGUS CHECK
RESTITUTION FUND**

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



**STATUTORY
REPORT**



Oklahoma State Auditor
& Inspector

**FRED SMITH, DISTRICT ATTORNEY
DISTRICT 5
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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July 8, 2010

Fred Smith, District Attorney
District 5
Comanche County Courthouse
Lawton, Oklahoma 73501

Transmitted herewith is the statutory report for the District Attorney of District 5, Comanche and Cotton 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

Fred Smith, District Attorney
District 5
Comanche County Courthouse
Lawton, Oklahoma 73501

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 Comanche or Cotton Counties.

Based on our procedures performed, except for the matter of segregation of duties, District 5 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 included in this report the Bogus Check Restitution Fund Annual Report prepared by District 5, which was submitted to the District Attorneys Council.

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

Sincerely,



STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR

February 10, 2010

BOGUS CHECK RESTITUTION FUND ANNUAL REPORT

COLLECTION INFORMATION

Number of checks received from merchants	<u>4,949</u>	
Dollar amount of checks received		<u>\$ 282,093</u>

RESTITUTION INFORMATION

Beginning restitution account balance at July 1, 2008		\$ 238,032
Number of restitution checks collected	<u>Unavailable</u>	
Amount in restitution collected for merchants		434,860
Amount in restitution paid to merchants		522,908
Cancelled vouchers		<u>6,293</u>
Ending restitution account balance at June 30, 2009		<u>\$ 156,277</u>

FEE AND EXPENDITURES INFORMATION

Beginning District Attorney fee balance at July 1, 2008		\$ 142,012
Amount of District Attorney fees collected during the period		680,294
Expenditures:		
Personnel costs	615,967	
Maintenance and operation costs	<u>12,000</u>	
Total expenditures		<u>627,967</u>
Ending District Attorney fee balance at June 30, 2009		<u>\$ 194,339</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: Based on inquiries and observation of personnel in the Cotton County District Attorney's Office, it was noted that the duties of receiving, receipting, recording, and depositing collections were not adequately segregated for the District Attorney's office, with regard to handling cash transactions. There are only two employees in the District Attorney's office in Cotton County. One employee usually writes the receipts and makes the deposit.

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 having management review and approval of accounting functions.

Views of responsible officials and planned corrective actions: One employee is responsible for taking payments and writing receipts, the second employee is responsible for reconciling those receipts with the daily deposit to the Treasurer's Office and the Treasurer's Office records correspond to the deposits made daily by the District Attorney's staff. The Assistant District Attorney assigned to the Cotton County Office randomly spot checks these transactions for accuracy. We are aware of these conditions and realize that from a control point of view, it is not ideal. If increase funding and/or hiring of employees is possible in the future we will attempt to improve upon this system.

OSAI Response: The additional controls described by the District Attorney do appear to help partially mitigate the risks related to segregation of duties. However, this does not mitigate all the risk related to segregation of duties. We recommend that the office implement policies for increased management review of the revenue transaction process.



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