

**DISTRICT ATTORNEY
DISTRICT 6**

**BOGUS CHECK
RESTITUTION FUND**

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



**STATUTORY
REPORT**



Oklahoma State Auditor
& Inspector

**BRET T. BURNS, DISTRICT ATTORNEY
DISTRICT 6
STATUTORY REPORT
BOGUS CHECK RESTITUTION FUND
FOR THE YEAR ENDED JUNE 30, 2008**

This publication is printed and issued by the State Auditor and Inspector as authorized by 74 O.S. § 212.E and 22 O.S. § 114. Pursuant to 74 O.S. § 3105.B, six (6) copies have been prepared and distributed at a cost of \$14.70. Copies have been deposited with the Publications Clearinghouse of the Oklahoma Department of Libraries.

STATE AUDITOR AND INSPECTOR

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July 6, 2010

Bret T. Burns, District Attorney
District 6
Grady County Courthouse
Chickasha, Oklahoma 73018

Transmitted herewith is the statutory report for the District Attorney of District 6, Caddo, Grady, Jefferson, and Stephens 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

Bret T. Burns, District Attorney
District 6
Grady County Courthouse
Chickasha, Oklahoma 73018

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 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 Caddo, Grady, Jefferson, or Stephens Counties.

Based on our procedures performed, except for the matter of segregation of duties, 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; 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 properly assessing, receipting, and depositing the correct fees; and expenditures being supported by invoices and approved claims, our findings are presented in the accompanying schedule of findings and responses. With respect to segregation of duties, our finding is presented in the schedule of findings and responses.

We have included in this report the Bogus Check Restitution Fund Annual Report prepared by District 6, which was submitted to the District Attorneys Council.

This report is intended for the information and use of the District Attorney and Caddo, Grady, Jefferson, and Stephens 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, flowing style.

STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR

May 27, 2010

BOGUS CHECK RESTITUTION FUND ANNUAL REPORT

COLLECTION INFORMATION

Number of checks received from merchants	<u>10,069</u>	
Dollar amount of checks received		<u>\$ 651,167</u>

RESTITUTION INFORMATION

Beginning Restitution Account balance at July 1, 2007		\$ 656
Number of restitution checks collected	<u>9,262</u>	
Amount in restitution collected for merchants		707,232
Amount in restitution paid to merchants		708,526
Other collections		584
Amount in other collections paid out		433
Cancelled vouchers		<u>1,028</u>
Ending Restitution Account balance at June 30, 2008		<u>\$ 541</u>

FEE AND EXPENDITURES INFORMATION

Beginning District Attorney fee balance at July 1, 2007		\$ 433,273
Amount of District Attorney fees collected during the period		818,863
Expenditures:		
Personnel costs	504,000	
Maintenance and operation costs	132,288	
Other expenses	<u>20,383</u>	
Total Expenditures		<u>656,671</u>
Ending District Attorney fee balance at June 30, 2008		<u>\$ 595,465</u>

Source: District 6 Bogus Check Restitution Fund Annual Report (for informational purposes only)

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:

Caddo 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
- One of the two employees has the opportunity to take deposits to the Treasurer, reconcile account balances to the Treasurer, and approve write-offs.
- The other of the two employees has the opportunity to prepare the depository tickets and reconcile receipts to the deposit.

Grady County

- All employees have the opportunity to receive money and issue receipts.
- All employees work from the same cash drawer.
- 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.

Jefferson 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.

Stephens County

- One of the employees has the opportunity to prepare the deposit, reconcile receipts to the deposit, take the deposit to the Treasurer, reconcile account balances to the Treasurer, and post payments to accounts.

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- One of the employees has the opportunity to open the mail and total remittances, receive money and issues receipt, balance the cash drawer to daily receipts, post daily receipts to the cash box, and post payments to accounts.

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:

Caddo County:

- The Bogus Check Coordinator has the opportunity to prepare vouchers, sign vouchers, post transactions to accounts, mail and/or distribute vouchers, post vouchers to the cash book, prepare and approve claims, authorize purchases, and certify receipt of goods or services.

Grady County

- One of the two employees has the opportunity to prepare vouchers, sign vouchers, post transactions, mail and/or distribute vouchers, post vouchers to the cash book, prepare claims, and certify receipt of goods and services.

Jefferson County

- The Bogus Check Coordinator has the opportunity to prepare vouchers, sign vouchers, post transactions to accounts, mail and/or distribute vouchers, post vouchers to the cash book, prepare and approve claims, and certify receipt of goods and services.

Stephens County

- One of the two employees has the opportunity to prepare vouchers, sign vouchers, post transactions to accounts, mail or distribute vouchers, post vouchers to the cash book, prepare claims, certify receipt of goods or services.
- The other of the two employees has the opportunity to authorize purchases and approve claims.

Effect: By having employees who have the opportunity to perform more than one area of recording, authorizing, custody of assets, and execution of transactions 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: Because of the limited number of personnel, the District Attorney's office relies on compensating controls. In addition to management review of accounting functions, all expenditures now require the approval of the District Attorney, first Assistant District Attorney, or Managing Attorney for the individual county office.

Finding 2008-2—Stephens County Bogus Check Deposits

Criteria: Title 19 O.S. § 215.11 requires the District Attorney to deposit all funds received with the County Treasurer.

Condition: During our testwork of the Bogus Check Restitution Program deposits, it was noted that one deposit out of the twelve deposits tested, dated December 7, 2007, had a (\$219.00) variance. Receipt #6291306 for \$169.00 and receipt #6291356 for \$50 were written on December 6, 2007, but were not included in the deposit.

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

Recommendation: OSAI recommends these variances be investigated, and that all funds received be deposited with the County Treasurer daily.

Views of responsible officials and planned corrective actions: This variance is the result of the DA's office employee inadvertently assessing statutory bogus check restitution fees twice to the same person for the same incident. To correct the error, the employee entered a fictitious payment so the extra fees wouldn't be outstanding. The correct accounting procedure, which is now in place, would have been to remove the illegitimate fees from the person's account.

Finding 2008-3 – Stephens County Bogus Check Expenditures

Criteria: Effective internal controls are necessary to ensure stewardship and accountability of public funds. Effective accounting procedures include that all expenditures of the Bogus Check Restitution Fund be supported by approved claims and supporting documentation, such as invoices and receiving documentation.

Condition: While performing the Bogus Check expenditures test, the following was noted:

- Four of the twelve claims tested were not approved by the District Attorney or his designated assistant, and
- Two of the twelve claims tested did not have supporting invoices and/or documentation.

Effect: This condition could result in misappropriation of expenditures of the fund.

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Recommendation: OSAI recommends that expenditures be supported by approved claims that are supported by invoices or supporting documentation.

Views of responsible officials and planned corrective actions: Because of the limited number of personnel, the District Attorney's office relies on compensating controls. In addition to management review of accounting functions, all expenditures now require the approval of the District Attorney, first Assistant District Attorney, or Managing Attorney for the individual county office. While the office policy requiring this approval was in place during the time of this audit and finding, the employee responsible for submitting them for approval did not always follow that policy. That employee has been terminated. Any claims not meeting these compensating controls were an aberration and due to the actions of the terminated employee.



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