

STATUTORY REPORT

DISTRICT ATTORNEY

DISTRICT 18

BOGUS CHECK RESTITUTION PROGRAM

SUPERVISION PROGRAM

RESTITUTION AND DIVERSION PROGRAM

PROPERTY FORFEITURE PROGRAM

For the period July 1, 2009 through June 30, 2013



*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

**BRIAN HERMANSON, DISTRICT ATTORNEY
DISTRICT 8**

**STATUTORY REPORT
BOGUS CHECK RESTITUTION PROGRAM
SUPERVISION PROGRAM
RESTITUTION AND DIVERSION PROGRAM
PROPERTY FORFEITURE PROGRAM**

FOR THE PERIOD OF JULY 1, 2009 THROUGH JUNE 30, 2013

This publication, issued by the Oklahoma State Auditor and Inspector's Office as authorized by 74 O.S. § 212.E and 22 O.S. §§ 114, 991d, 991f-1.1, and 63 O.S. § 2-506 has not been printed, but is available on the agency's website (www.sai.ok.gov) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital Collection, pursuant to 74 O.S. § 3105.B.



Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

March 12, 2014

Brian Hermanson, District Attorney
District 8
Kay County Courthouse
Newkirk, Oklahoma 74647

Transmitted herewith is the statutory report for the District Attorney of District 8, Kay and Noble Counties, Oklahoma (the District) for the period of July 1, 2009 through June 30, 2013.

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.

The goal of the State Auditor and Inspector is to promote accountability and fiscal integrity in state and local government. Maintaining our independence as we provide this service to the taxpayers of Oklahoma is of utmost importance.

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

Sincerely,

A handwritten signature in blue ink, appearing to read "Gary A. Jones".

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

**BRIAN HERMANSON, DISTRICT ATTORNEY
DISTRICT 8
STATUTORY REPORT
FOR THE PERIOD OF JULY 1, 2009 THROUGH JUNE 30, 2013**

TABLE OF CONTENTS

Introductory Information ii

Statutory Report of State Auditor and Inspector 1

Schedule of Findings and Responses 3

**BRIAN HERMANSON, DISTRICT ATTORNEY
DISTRICT 8
STATUTORY REPORT
FOR THE PERIOD OF JULY 1, 2009 THROUGH JUNE 30, 2013**

INTRODUCTORY INFORMATION

BOGUS CHECK PROGRAM

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.

RESTITUTION AND DIVERSION PROGRAM

The restitution and diversion program was created by the Oklahoma Legislature in 2001 as a special type of deferred prosecution program. The legislation required that each district attorney create such a program. The purpose of the program is to allow the district attorney the discretion to divert criminal complaints involving property crimes from criminal court and to collect restitution for victims.

The program allows the district attorney's office to receive, disburse, and monitor victim restitution payments. The program offers an alternative way to address criminal conduct.

DISTRICT ATTORNEY SUPERVISION PROGRAM

The district attorney supervision program was created by the Oklahoma Legislature in 2005 as an alternative from supervision by the Department of Corrections. When the court imposes a deferred or a suspended sentence for any offense and does not order supervision by the Department of Corrections, the offender shall be required to pay the district attorney a monthly supervision fee. However, the legislation provides that in hardship cases, the district attorney shall expressly waive all or part of the fee.

DISTRICT ATTORNEY PROPERTY FORFEITURE PROGRAM

Most district attorneys in the state have a Property Forfeiture Fund. The fund is not subject to fiscal year limitations and is to be used for enforcement of controlled dangerous substance laws, drug abuse prevention and education, and is maintained by the District Attorney to be used at his or her discretion for those purposes. The revenues for said fund come from the proceeds of forfeited assets.

Any cash, vehicles, real property, or other assets used in the commission of or acquired as a result of a crime as described in the Uniform Controlled Dangerous Substances Act is presumed to be forfeitable.

Asset forfeiture is an effective law enforcement tool used by local district attorneys to deprive criminals of their ill-gotten gains by seizing the proceeds of criminal activity and property used to facilitate crime. The proceeds of seized, forfeited assets make a substantial contribution to the investigation and prosecution of drug related offenses.



Oklahoma State Auditor & Inspector

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Statutory Report

Brian Hermanson, District Attorney
District 8
Kay County Courthouse
Newkirk, Oklahoma 74647

For the purpose of complying with 74 O.S. § 212.E and 22 O.S. §§ 114, 991d, 991.f-1.1, and 63 O.S. § 2-506, we have performed the following procedures as they relate to the records of the District Attorney's programs for the period of July 1, 2009 through June 30, 2013.

Bogus Check, Supervision, and Restitution and Diversion Programs:

- Determine that internal controls are designed and operating over the collections and expenditures process.
- Examine fees to determine that the correct fees are assessed, receipted, and deposited in compliance with 28 O.S. § 153, 22 O.S. §§ 114, 991d, 991f-1.1, and 19 O.S. § 215.11.
- Determine whether expenditures are used to defray the expenses of the District Attorney's office in accordance with 22 O.S. §§ 114 and 991f-1.1, and whether expenditures are supported by approved claims, invoices, and verification that goods or services paid for were received.
- Determine whether the District Attorney reconciles all accounts with the County Treasurer's ledgers.
- Determine whether the District Attorney prepares and submits an annual report to the District Attorneys Council that shows total deposits and total expenditures for the Bogus Check Restitution Program, the Supervision Program, and Restitution and Diversion Program.

Property Forfeiture Program:

- Determine that internal controls are designed and operating over the collections and expenditures process.
- Determine that the District Attorney maintains a true and accurate inventory of all property seized in accordance with 63 O.S. § 2-506.K.
- Review sale documentation for selected cases to determine whether forfeited assets were sold after due notice at public auction to the highest bidder in accordance with 63 O.S. §§ 2-506 and 2-508.
- Review the distribution of proceeds to determine the distribution was in accordance with court orders pursuant to 63 O.S. §§ 2-506.K and 2-508.
- Test expenditures to determine they are supported by approved claims, invoices, and independent verification that goods or services paid for were received.

- Determine if the District Attorney prepared and submitted an annual report to the District Attorneys Council showing the total deposits, total expenditures, beginning and ending balances in accordance with 63 O.S. § 2-506.L.3.
- Determine if the District Attorney reconciles account balances with the County Treasurer.

All information included in the financial records of the bogus check restitution program, supervision program, restitution and diversion program, and the property forfeiture program are 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 basic financial statement of Kay or Noble County.

Based on our procedures performed, we have presented our findings in the accompanying schedule.

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

A handwritten signature in blue ink, appearing to read "Gary A. Jones".

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

January 22, 2014

**BRIAN HERMANSON, DISTRICT ATTORNEY
DISTRICT 8
STATUTORY REPORT
FOR THE PERIOD OF JULY 1, 2009 THROUGH JUNE 30, 2013**

SCHEDULE OF FINDINGS AND RESPONSES

Finding 1 – Segregation of Duties – Bogus Check, Restitution and Diversion, Supervision, and DA Property Forfeiture Accounts

Condition: The following are instances of the lack of segregation of duties in personnel within District Attorney accounts:

Kay County

A lack of segregation of duties exists in the expenditure process of the Property Forfeiture Program. One employee prepares expenditures, maintains subsidiary ledgers, performs monthly reconciliations, and prepares the annual report. No one other than the preparer reviews the reconciliations to ensure accuracy of the amounts reconciled.

A lack of segregation of duties exists in the expenditure process of the Supervision Fee (M&O) Program. One employee prepares expenditures, maintains account ledgers, and performs monthly reconciliations. No one other than the preparer reviews the reconciliations to ensure accuracy of the amounts reconciled.

A lack of segregation of duties exists in the procedural process of the Bogus Check Restitution (Merchant) Program. One employee prepares and delivers deposits, prepares expenditures, maintains account ledgers, and performs monthly reconciliations. No one other than the preparer reviews the reconciliations to ensure accuracy of the amounts reconciled.

A lack of segregation of duties exists in the expenditure process of the Bogus Check Restitution (DA Fees). One employee prepares expenditures, maintains subsidiary ledgers, performs monthly reconciliations, and prepares the annual report. No one other than the preparer reviews the reconciliations to ensure accuracy of the amounts reconciled.

A lack of segregation of duties exists in the procedural process of the Restitution and Diversion Program. One employee, receives payments, prepares and delivers deposits, prepares expenditures, maintains account ledgers, and performs reconciliations. No one other than the preparer reviews the reconciliations to ensure accuracy of the amounts reconciled.

Noble County

A lack of segregation of duties exists in the procedural process of the Bogus Check Restitution (Merchant) Program. One employee prepares expenditures, maintains account ledgers, performs monthly reconciliations, and prepares the annual report. No one other than the preparer reviews the reconciliations to ensure accuracy of the amounts reconciled.

Cause of Condition: Procedures have not been designed to properly segregate key accounting functions.

**BRIAN HERMANSON, DISTRICT ATTORNEY
DISTRICT 8
STATUTORY REPORT
FOR THE PERIOD OF JULY 1, 2009 THROUGH JUNE 30, 2013**

Effect of Condition: 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: The Oklahoma State Auditor & Inspector's Office (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.

Management Response: District 8 is comprised of two counties, Kay and Noble. Both counties operate programs for Bogus Check, District Attorney Supervision, Drug Asset Forfeiture and Victim Restitution recovery. In Kay County, each program is operated by a designated employee. Noble County, a satellite office, employed one staff person and an attorney. The staff member operated each program.

Prior to the initiation the current audit, the 8th District Attorney's Office began implementation of a Financial Policy and Procedure Manual. This office identified and strengthened internal controls. During the audit process, additional recommendations were made by the auditor and the Financial Policy and Procedure Manual continues to be revised and enhanced. In January 2013, this office centralized its financial records verification/deposits and expenditures to the District's main office. An additional support staff person has been hired for the Noble County office, and has been trained according to proper procedure to assure segregation of duties. The following changes have been implemented:

- All employees in the Bogus Check/Supervision/Restitution/Drug Asset Forfeiture departments have been cross trained.
- All employees have been assigned individual password protected access to each of the financial programs used by the District.
- Use of another employees' computer to enter payments or password sharing is prohibited.
- Each computer utilizes time-out screen saver with password required on resume.

Deposits: A minimum of two employees are required to process incoming payments for deposits. Payments are separated according to programs, these payments are scanned and a tape generated for the total received for each program, and employees initial the tape. Each payment is then entered into the appropriate software, and deposit slips are generated. Deposit slips are then compared to the generated tapes. Deposit slips and tapes generated are kept by the employee coordinating the designated division/account. Copies of scanned payments and tapes are stored on District's file server in folders specified by date. The District Finance Coordinator is responsible for depositing payments generated from court assessments and sent by the Court Clerks in Kay and Noble counties, along with fees

**BRIAN HERMANSON, DISTRICT ATTORNEY
DISTRICT 8
STATUTORY REPORT
FOR THE PERIOD OF JULY 1, 2009 THROUGH JUNE 30, 2013**

generated from the Bogus Check program and DA Supervision program in Noble County. All monies received by the Finance Coordinator are noted in a receipt book, deposit slips include the receipt number and all pertinent account information. Prior to deposit, the payment, receipt book, and deposit slip are verified by another employee and initialed.

Account Ledgers: Each division coordinator maintains a separate ledger of transaction. Monthly reconciliation is performed by two employees, upon completion both employees verify the reconciled balance and each signs a monthly account transaction report.

Annual Reports: Preliminary annual reports and supporting documentation are prepared by each division/program coordinator and forwarded to Finance Coordinator for verification. The final report is required to be completed by two employees and is verified prior to submission to the District Attorneys Council.

Expenditures: With the exception of Bogus Check merchant/ victim restitution payments generated using program specific software, all expenditures are processed through the main office. Purchase orders or monthly bills, receiving reports and invoices are forwarded to the Finance Coordinator for payment. A copy of the monthly Treasurer's reports, the District's monthly Claim and Payment Authorization Form along with the supporting documentation are compiled by the Finance Coordinator for review and final approval by the District Attorney.

Noble County: This office processes deposits and payments to victims utilizing current software used by the District, and DA Supervision deposits. Monthly reconciliations are performed by one employee and finalized by another employee. All fees generated are forwarded monthly to the main office, as well as collections made through the office of the Court Clerk on behalf of the District Attorney's office are deposited by the Finance Coordinator upon receipt. The Finance Coordinator forwards payment receipts for all vouchers sent to appropriate entity. The District Finance Coordinator is sent the Official Depository Ledgers from the County Treasurer. These ledgers are reviewed, and fee balance transfers and daily deposits reflected are verified.

Criteria: Demonstration of accountability and stewardship are goals used in evaluating management's accounting for funds. A basic component of adequate internal controls is the segregation of duties so that one individual cannot perpetuate and conceal errors and irregularities in the normal course of his/her duties. To help ensure a proper accounting of funds and strong internal controls, the duties of receiving, receipting, recording, and depositing cash and checks should be separated among employees.

Finding-2 – Internal Control Environment - Written Policies and Procedures for Bogus Check Restitution, Restitution and Diversion and Supervision Fee Programs

Condition: As part of our review of District Attorney accounts and records, we tested receipts, disbursements, and cash balances. During fiscal year 2013, the District Attorney's office began establishing written policies and procedures for internal controls and the safeguarding and reporting of

**BRIAN HERMANSON, DISTRICT ATTORNEY
DISTRICT 8
STATUTORY REPORT
FOR THE PERIOD OF JULY 1, 2009 THROUGH JUNE 30, 2013**

program funds. However, as policies are being established and implemented, deficiencies were noted in certain areas, which include the following:

Information Technology

- Bogus Check software does not have a deletions and/or voids report.
- Bogus Check payment deletion/void activity is not monitored.
- Bogus Check software allows deletions of payments.
- Bogus Check software does not have a payment (receipts) report to ensure that receipts are issued in sequential order and total collections can be compared to a deposit.
- Software does not separate Restitution and Diversion payments from Supervision payments. Restitution payments have to be unallocated to prepare a deposit for Supervision, then re-allocated the next day. Therefore, Restitution and Diversion payments are not properly reflected and financial information reporting (payments received, deposits) can only be created manually.
- Employee computers do not time-out. (Noble County)
- Users do not log out when away from their workstations for a period of time. (Noble County)

Bogus Check Restitution Program

Kay County

- 4 of the 20 receipts tested were not deposited daily; 4-5 days lapsed before a deposit was made after a receipt was issued.
- DA fees for were assessed \$10.00 more than prescribed by statute. However, in September 2012, fees were adjusted according to statutes guidelines.

Noble County

- DA fees for were assessed \$10.00 more than prescribed by statute. However, in September 2012, fees were adjusted according to statute guidelines.

Restitution and Diversion Program

Kay County

- Not all defendants were entered into software system.
- Receipts were not written for all payments received.
- Case files were incomplete.
- In fiscal year 2010, 18 instances were noted where payments were not deposited for 6 months to 2 years after receipt.
- In fiscal year 2010, \$675.50 in money order payments could not be traced to a deposit. Further inquiry found that these payments had never been redeemed and/or cashed. Subsequent to our fieldwork, an additional 18 un-redeemed money orders totaling \$1,500.00 (including \$180.00 in Supervision Fee payments) were found by the current Restitution and Diversion employee. The money orders dated back to 2007 and were found in a filing cabinet.

**BRIAN HERMANSON, DISTRICT ATTORNEY
DISTRICT 8
STATUTORY REPORT
FOR THE PERIOD OF JULY 1, 2009 THROUGH JUNE 30, 2013**

Supervision Fee Program

Kay County

- Instances were noted where receipts/payments were not deposited daily; 4-6 days lapsed before a deposit was made after a receipt was issued.
- 13 of the 20 expenditures tested were not verified ensuring that goods and/or services had been received (i.e., receiving report).

Noble County

- Refund of overpayment expenditures did not have supporting documentation verifying the transaction.

Cause of Condition: The District Attorney's office had not fully established formal policies and procedures for collections, disbursements, and financial reporting for the Bogus Check Restitution, Restitution and Diversion, and Supervision Fee accounts.

Effect of Condition: These conditions resulted in employee error for the reporting and documentation of the collection of payments, defendant file maintenance, restitution payments, expenditure transactions and the accounting of funds. In addition, these conditions could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of funds.

Recommendation: OSAI recommends that management adopt written policies and procedures for the accounting of program funds and the maintenance of client files. Implementing this recommendation would ensure that all employees are aware of their duties and responsibilities and that each program is properly accounted for and is in compliance with applicable laws and regulations. Such policies should include the following:

- Guidelines for applying restitution payments to District Attorney fees and remitting restitution payments to merchants/victims. (i.e., merchants/victims are paid restitution before District Attorney fees are collected, etc.)
- Guidelines for the disposition of monies in an account when a merchant cannot be located.
- Guidelines for the oversight of the daily collection process and the deposit of funds.
- Guidelines for the oversight of monthly reconciliations to the County Treasurer's account balances.
- Guidelines for the process of approval and documentation of account expenditures.
- Guidelines for the assignment of IT software administrative rights to an individual not directly associated with the day to day accounting processes.
- Guidelines for the administrative approval and review of IT software deletions, voids, and write-off activity.

Furthermore, we recommend management identify, analyze, and manage risks. Management should also assess the quality and effectiveness of the organizations internal control process over time and implement

**BRIAN HERMANSON, DISTRICT ATTORNEY
DISTRICT 8
STATUTORY REPORT
FOR THE PERIOD OF JULY 1, 2009 THROUGH JUNE 30, 2013**

appropriate controls and oversight of each programs daily transactions and recordkeeping. This will ensure that management has taken the necessary steps in safeguarding the department's assets.

Management Response: Prior to the initiation the current audit, the 8th District Attorney's Office began implementation of a Financial Policy and Procedure Manual. In January 2013, this office centralized its financial records verification/deposits and expenditures to the Districts main office. All employees have been assigned individual password protected access to each of the financial programs used by the District. Use of another employees' computer to enter payments or password sharing is prohibited. Each computer utilizes time-out screen saver with password required on resume. Special attention has been focused on segregation of duties, and requirements necessary to remain in compliance with guidelines for setting fees, and state statutes.

Information Technology –

Bogus Check software – Prior to this audit, this office had not received a request that they upgrade their software to include a deletion and/or void report. The program was designed many years ago by a private vendor and is DOS-based. The cost to upgrade to this product is exorbitant. This office will be upgrading to the District Attorney Councils' statewide software in the near future. This software can be modified to add additional functions and reports necessary to maintain good control and allow access to necessary reports, segregate payment types and review account activity.

Restitution and Diversion Program – This office attempted to utilize an earlier version of the software to monitor Restitution and Diversion payments. At that time, no codes were available to differentiate a payment as a RAD victim payment or RAD fees. The IT department at the District Attorneys Council now can add the necessary codes to allow proper tracking of Restitution and Diversion payments to assure payments are applied to the appropriate accounts. In 2013 this office began a review of financial procedures that had been in place for many years. It was determined that an employee was no longer capable of performing the responsibilities of the position and was replaced. The current employee has updated all case files, verified payment information, and obtained reimbursement for un-redeemed money orders.

Criteria: Basic components of effective internal controls include ensuring written policies and procedures for performing essential duties are adequately documented to ensure compliance with laws and regulations, to facilitate efficient transition of duties when changes in personnel occur, and to obtain supporting documentation for transactions and items affecting management decisions.

Finding 3 – Internal Control Environment - Written Policies and Procedures for District Attorney Drug Fund (Property Forfeiture)

Condition: As part of our review of District Attorney accounts and records, we tested receipts, disbursements, and cash balances. During fiscal year 2013, the District Attorney's office began establishing written policies and procedures for internal controls and the safeguarding and reporting of

**BRIAN HERMANSON, DISTRICT ATTORNEY
DISTRICT 8
STATUTORY REPORT
FOR THE PERIOD OF JULY 1, 2009 THROUGH JUNE 30, 2013**

program funds. However, as policies are being established and implemented, deficiencies were noted in certain areas, which include the following:

Kay County

- There are no formal written policies with local seizing agencies for the processing of seized property.
- 2 receipt books are maintained for seized funds.
- 3 of the 20 expenditures tested did not have an original invoice attached.
- 2 expenditures for the return of seized funds did not have supporting documentation attached to verify the expense.

Noble County

- Inventory of seized property is not maintained.
- A subsidiary ledger has not been created for the DA Trust Account.

Cause of Condition: The District Attorney's office had not fully established formal policies and procedures for collections, disbursements, and the financial reporting for the Drug Fund (Property Forfeiture) Program accounts.

Effect of Condition: These conditions resulted in employee error for the reporting and documentation of the collection of payments, defendant file maintenance, restitution payments, expenditure transactions and the accounting of funds. In addition, these conditions could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of funds.

Recommendation: OSAI recommends that management adopt written policies and procedures for the accounting of program funds and the maintenance of files. Implementing this recommendation would ensure that all employees are aware of their duties and responsibilities and that the program is properly accounted for and is in compliance with applicable laws and regulations. Such policies should include the following:

- Guidelines with local seizing agencies (i.e., 50/50 split, disposition of property, etc.) for the seizure of funds/property.
- Guidelines for the oversight and documentation of case file maintenance and status of forfeited inventory.
- Guidelines for the oversight of the receipting process and the deposit of funds.
- Guidelines for the oversight of monthly reconciliations to the County Treasurer's account balances.
- Guidelines for the process of approval and documentation of account expenditures.

Furthermore, we recommend management identify, analyze, and manage risks. Management should also assess the quality and effectiveness of the organizations internal control process over time and implement appropriate controls and oversight of each programs daily transactions and recordkeeping. This will ensure that management has taken the necessary steps in safeguarding the department's assets.

**BRIAN HERMANSON, DISTRICT ATTORNEY
DISTRICT 8
STATUTORY REPORT
FOR THE PERIOD OF JULY 1, 2009 THROUGH JUNE 30, 2013**

Management Response: The District Attorney's Office maintains a Seizure and Forfeiture Procedure Manual which describes the proper procedure for receipting in funds, depositing and storage, inventory of property, and ultimate disposition of forfeiture according state statutes and the Order of the Court. Local law enforcement agencies have all been advised of the proper procedure in regards to the handling of seized property. The office now utilizes one receipt book for seized funds allowing auditors to track incoming funds more easily. Pursuant to the District's Financial Policy and Procedure Manual all verified original invoices are forwarded to the Finance Coordinator for payment. Returns of seized funds and property are supported by a file stamped copy of a Court Order or signed directive by the District Attorney.

Criteria: Basic components of effective internal controls include ensuring written policies and procedures for performing essential duties are adequately documented to ensure compliance with laws and regulations, to facilitate efficient transition of duties when changes in personnel occur, and to obtain supporting documentation for transactions and items affecting management decisions.

Finding 4 – Annual Reports

Condition: As part of our review of District Attorney Programs, we ensure that amounts on annual reports reconcile with the County Treasurer's balances, and are accurately reflected in the amounts submitted to the District Attorneys Council (DAC). From our review, the following discrepancies were noted:

Kay County

- Fiscal Year 2012 – At June 30, 2012, total expenditures and ending balance for the Bogus Check Fee annual report did not reconcile with the County Treasurer in the amount of \$29,500.00.
- Fiscal Year 2011 – At June 30, 2011, total expenditures and ending balance for the Supervision Fee annual report did not reconcile with the County Treasurer in the amount of \$216.00.
- Fiscal Year 2012 – At June 30, 2012, the beginning balance and total expenditures for the Supervision Fee annual report did not reconcile with the County Treasurer in the amount of \$216.00.
- Fiscal Year 2011 – Restitution and Diversion's annual report beginning balance did not agree to prior year's ending balance. In addition, the beginning balance, total collections, total expenditures and ending balance did not reconcile with the County Treasurer in the amounts of \$254.00, \$50.00, \$50.00, and \$254.00, respectively.
- Fiscal Year 2012 – Restitution and Diversion's annual report was not completed or submitted to the District Attorney's Council.

Cause of Condition: When preparing the annual report, program ledger balances were not reconciled to the County Treasurer's balances to ensure accuracy.

Effect of Condition: These conditions resulted in inaccurate annual reporting of expenditure, income, and account balances submitted to the District Attorneys Council (DAC) for program fund activity.

**BRIAN HERMANSON, DISTRICT ATTORNEY
DISTRICT 8
STATUTORY REPORT
FOR THE PERIOD OF JULY 1, 2009 THROUGH JUNE 30, 2013**

Recommendation: OSAI recommends that management adopt written policies and procedures for the accounting and reporting of program funds. Implementing this recommendation would ensure that all employees are aware of their duties and responsibilities and that the program is properly accounted for and is in compliance with applicable laws and regulations. Such policies should include the following:

- Guidelines for the oversight of monthly reconciliations to the County Treasurer's account balances.
- Guidelines for accurate reporting of annual reports and the review process.

Management Response: All annual reports referenced in this audit have been corrected and forwarded to the District Attorneys Council.

During the preparation of the fiscal year 2012 Bogus Check fee annual report, an expenditure of \$29,500 was inadvertently left off during the totaling of the carry-over balance causing a discrepancy between the prior year's ending balance and the beginning balance of the fiscal year 2012 report. This report has been corrected and resubmitted. A transaction of \$216 occurring at the end of fiscal year 2011 was left off the annual report and added into the fiscal year 2012 report. Reports have been amended and resubmitted. The annual report for fiscal year 2011 Restitution and Diversion account has been reconciled with Treasurer's report and has been amended and resubmitted. The missing report for fiscal year 2012 Restitution and Diversion account has been submitted.

This office has implemented written policy and procedures and implemented an ongoing training process to assure accurate annual reports are submitted. This office has initiated new procedures for monthly reconciliation requiring two employees to verify to the Treasurer's Official Depository Ledgers, and the Finance Coordinator reviews all ledger reconciliations. Prior to the submission of the annual reports each division coordinator shall compile information required to produce the annual report. This information shall be reviewed by the Finance Coordinator and the annual report prepared. Two employees shall verify the totals and sign off on the annual reports. All supporting documentation shall be kept by the Finance Coordinator with copies of the annual reports.

Criteria: Basic components of effective internal controls include ensuring written policies and procedures for performing essential duties are adequately documented to ensure compliance with laws and regulations, to facilitate efficient transition of duties when changes in personnel occur, and to obtain supporting documentation for transactions and items affecting management decisions.

Finding 5 – Unclaimed Bogus Check Restitution

Condition: Balances for the Bogus Check Restitution (Merchant) account had outstanding balances at June 30, 2013. This is a cumulative amount as a result of vouchers not cashed by merchants and subsequently cancelled. They are as follows:

**BRIAN HERMANSON, DISTRICT ATTORNEY
DISTRICT 8
STATUTORY REPORT
FOR THE PERIOD OF JULY 1, 2009 THROUGH JUNE 30, 2013**

Kay County

- At June 30, 2013, an amount totaling \$959.79 in merchant restitution was held in the District Attorney's Bogus Check Restitution fund.

Noble County

- We were unable to determine the outstanding balances of merchant restitution in the Bogus Check Merchant account. It appears that cancelled vouchers were transferred to the District Attorney Fee account at the end of each month, instead of being re-issued.

Cause of Condition: The District Attorney's office does not have formal policies establishing procedures to ensure that returned or unpaid vouchers are examined to determine the current status of the merchant for the re-issuance of the restitution.

Effect of Condition: These conditions resulted in the restitution fund not being properly cleared.

Recommendation: OSAI recommends that management research and determine the location of the merchants so that restitution can be properly remitted. Management should then contact the proper agency for further direction to determine the manner in which the remaining unidentified balance should be distributed.

Management Response: This office has implemented a written policy and procedure as to the proper disbursement and disposition of Bogus Check merchant restitution. During the audit process it was determined that some vouchers issued to merchants had never been cashed and subsequently cancelled per statute. This District has identified these merchants and the total amounts due to them. We are in the process of locating forwarding addresses and will issue new vouchers. In the future, this office will verify outstanding vouchers to merchant/victims twice a year. Should a payment be returned for an incorrect address, this office will immediately research new contact information or a forwarding location. A complete listing of all merchants due payment shall be kept updated and made part of year end reports. Funds shall be kept for the term prescribed by law, at which time they shall be forwarded to the appropriate state agency.

Criteria: Basic components of effective internal controls include ensuring written policies and procedures for performing essential duties are adequately documented to ensure compliance with laws and regulations, to facilitate efficient transition of duties when changes in personnel occur, and to obtain supporting documentation for transactions and items affecting management decisions.



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