OKLAHOMA DISTRICT ATTORNEYS COUNCIL

**FOR THE PERIOD
JANUARY 1, 2007 THROUGH
DECEMBER 31, 2009**

OPERATIONAL AUDIT

OFFICE OF THE STATE AUDITOR AND INSPECTOR
OKLAHOMA

Oklahoma State Auditor
& Inspector

Audit Report of the Oklahoma District Attorneys Council

For the Period January 1, 2007 through December 31, 2009

This publication is printed and issued by the State Auditor and Inspector, as required by 74 O.S. § 212 E. Pursuant to 74 O.S. § 3105, 10 copies have been prepared and distributed at a cost of $25.99. Copies have been deposited with the Publications Clearinghouse of the Oklahoma Department of Libraries.

STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA
State Auditor

MICHELLE R. DAY, ESQ.
Chief Deputy

2300 N. Lincoln Boulevard State Capitol, Room 100 Oklahoma City, OK 73105-4801 Phone (405) 521-3495 Fax (405) 521-3426 www.sai.ok.gov

October 7, 2010

TO THE OKLAHOMA DISTRICT ATTORNEYS COUNCIL

This is the audit report of the Oklahoma District Attorneys Council for the period January 1, 2007 through December 31, 2009. The Office of the State Auditor and Inspector is committed to serving the public interest by providing independent oversight and by issuing reports that serve as a management tool to the State. Our goal is to ensure a government that is accountable to the people of the State of Oklahoma.

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

Sincerely,

STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR

Background

The Oklahoma District Attorneys Council (Agency) was created in 1976 and its primary functions are:

- To strengthen the criminal justice system in Oklahoma;
- To provide a professional organization for the education, training, and coordination of technical efforts of all state prosecutors;
- To maintain and improve prosecutor efficiency and effectiveness in enforcing the laws of this state; and
- To provide financial, personnel, and other administrative duties to the Oklahoma District Attorneys System.

Oversight is provided by five Council members appointed through 19 O.S. § 215.28:

1. The attorney general, or a designated representative of the attorney general;
2. The president of the Oklahoma District Attorneys Association;
3. The president-elect of the Oklahoma District Attorneys Association;
4. One district attorney selected by the Court of Criminal Appeals (servers a term of three years); and
5. One district attorney selected by the Board of Governors of the Oklahoma Bar Association (serves a term of three years).

The members are:

Cathy Stockers, District Attorney, District 4. .... Chairman
John Wampler, District Attorney, District 3. .... Vice-Chairman
W.A. “Drew” Edmondson, Attorney General... Member
Dennis Smith, District Attorney, District 2... Member
Tim Harris, District Attorney, District 14.. Member

Table 1 summarizes the Agency's sources and uses of funds for state fiscal years 2008 and 2009 (July 1, 2007 through June 30, 2009).

Table 1 - Sources and Uses of Funds for SFY 2008 and SFY 2009

	2008	2009
Sources:		
State Appropriations	$ 39,888,559	$ 42,806,824
Crime Victims Compensation	4,907,258	5,138,051
Co-Operative Projects	20,519,402	23,011,310
Local Court Funds	2,450,037	2,521,819
Federal Funds	13,772,452	10,058,430
Federal Funds from Other Agencies	8,873,569	8,508,998
ARRA Grants-In-Aid	-	16,394,796
Other	710,160	797,583
Total Sources	$ 91,121,437	$ 109,237,811
Uses:		
Personnel Services	$ 73,120,984	$ 75,701,464
Professional Services	426,959	278,562
Travel	697,778	860,175
Miscellaneous Administrative	452,226	1,105,319
Rent	193,969	207,243
Office Furniture and Equipment	875,122	742,342
Refunds, Idemnities, Restitutions	3,929,462	5,608,489
Program Reimbursement, Litigation	745,202	1,407,634
Payments to Local Governments	8,124,791	6,071,040
Other	651,215	1,467,311
Total Uses	$ 89,217,708	$ 93,449,579

Source: Oklahoma PeopleSoft Accounting System (unaudited - for informational purposes only)

Purpose, Scope, and Sample Methodology

This audit was conducted in response to 74 O.S. § 212 E., which requires the State Auditor and Inspector's Office to audit the books and accounts of the Agency.

The audit period covered was January 1, 2007 through December 31, 2009.

We selected our samples in such a way that whenever possible, the samples are representative of the populations and provide sufficient evidential matter. Sample methodologies can vary and are selected based on the audit objective and whether the total population of data was available. Random sampling is the preferred method; however, we may also use haphazard sampling (a methodology that produces a representative selection for non-statistical sampling), or judgmental selection when data limitation prevents the use of the other two methods. We identified specific attributes for testing each of the samples. When appropriate, we projected our results to that population.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. This report is a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.), and shall be open to any person for inspection and copying.

Objective 1 – Determine whether the Agency's internal controls provide reasonable assurance that revenues, expenditures (including payroll), and inventory were accurately reported in the accounting records.

Conclusion

The Agency's internal controls:

- Provide reasonable assurance that expenditures (excluding payroll) were accurately reported in the accounting records;
- Do not provide reasonable assurance that revenues and inventory were accurately reported in accounting records.

19 O.S. § 215.30 D.[1] requires the Agency to process payroll for the state's 27 local district attorneys' offices (local offices). The local offices and the Agency combined for approximately $75 million in personnel services during fiscal year 2009[2]. Because the local offices are run independently by local elected officials, Agency management believes their authority is limited. As a result of this structure, we are unable to provide a conclusion over payroll internal controls.

Methodology

To accomplish our objective, we performed the following:

- Documented internal controls related to the receipting, expenditure, and inventory processes which included discussions with Agency personnel, observation, and review of documents;
- Tested controls which included:
    - Reviewing six randomly selected months' PeopleSoft "six-digit detail expenditure report" for vendor names which appeared unusual[3];
    - Reviewing 20 Office of the State Treasurer's (OST) warrant registers with supporting documentation to ensure the registers were reviewed.
- Discussed with personnel and observed location where funds are retained prior to deposit to ensure they are adequately safeguarded as required by 62 O.S. § 34.57 C.2.a.[4].

<u>Decentralized Payroll Process</u>

Observation

19 O.S. § 215.30 D. states in part, "The District Attorneys Council…is hereby designated as the state agency for the administration and disbursement of all salaries and expenses of the offices of district attorneys authorized by law…."

As previously stated, there are 27 local district attorneys' offices (local offices) throughout Oklahoma. The local offices and the Agency combined for approximately $75 million in personnel services during fiscal year 2009. The Agency processes the local

[1] 19 O.S. § 215.30 D. states in part, "The District Attorneys Council…is hereby designated as the state agency for the administration and disbursement of all salaries and expenses of the offices of district attorneys authorized by law...."

[2] The Agency and the local offices combine for approximately 1,200 employees. The Agency represents approximately 50 employees in this total.

[3] Unusual was defined as a vendor name that was unfamiliar to the auditor or not reasonable given the mission of the Agency.

[4] Prior to July 1, 2009, this reference was 62 O.S. § 7.1.C.2.a.

offices' payroll each month under the assumption that everyone should be paid for the entire month unless notified otherwise. Timesheets or leave requests are not submitted to the Agency. Because the local offices are run independently by local elected officials, Agency management believes their authority over the local offices is limited. As a result of this structure, we were unable to obtain an understanding of the internal controls related to payroll expenditures. Misappropriation of assets could occur and not be detected.

Recommendation

We recommend Agency management and the oversight Council consider the risks associated with this process and develop controls to address them. For example, each month, the Agency could require each local district attorney to provide a listing of employees identifying their hours worked. The listing could be signed and dated by the district attorney stating the information is true to the best of their knowledge.

Views of Responsible Officials

Agency management presented and recommended approval of the audit recommendation to the Council on September 16, 2010. The Council requested language be drafted by staff for review and possible approval at the October 21st meeting.

Observation

Inadequate Segregation of Duties Related to Receipts

The United States Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government*[5] states in part, "Key duties and responsibilities need to be…segregated among different people to reduce the risk of error or fraud….No one individual should control all key aspects of a transaction…."

Finance Unit

Th**e** finance clerk (clerk) is responsible for:

- Receipting funds into the Agency's internal system;
- Preparing the deposit. The accounting manager reviews the deposit; however, this review includes only data the finance clerk presents to him.

Management was unaware of the risks created by not ensuring there was adequate segregation of duties.

Crime Victims Compensation Unit

The victims' assistance clerk is responsible for preparing the deposit and is technically independent of the receipting process. However, she is the first employee to have possession of the checks and is also responsible for ensuring each district has submitted their victim compensation payment each month.

Management has attempted to segregate the receipting duties; however, they did not consider the risks associated with the victims' assistance clerk first having possession of the monthly victim compensation payments as well as having the responsibility of ensuring each district has submitted this payment.

Misappropriation of assets could occur and not be detected in a timely manner.

[5] Even though this publication addressed controls in the federal government, this criterion can be treated as best practices. The theory of controls applies uniformly to federal or state government.

Recommendation

We recommend:

- The employee responsible for receipting funds in the finance unit should not be responsible for preparing the deposit. If this is determined not to be feasible, consideration could be given to:
  - The benefits coordinator (coordinator) creating a excel spreadsheet of fees received prior to the clerk entering the data into the internal system. The accounting manager would then review the excel spreadsheet as well as the internal system's report when reviewing the deposit; or
  - The coordinator and the clerk sitting together with the coordinator opening the mail in the presence of the clerk and the clerk entering the data into the internal system in the presence of the coordinator.
- The employee responsible for receipting funds in the victim compensation unit should be the employee the funds are initially delivered to.

Views of Responsible Officials

Finance Unit- The Agency's management will consider the possible recommendations in the audit and implement the necessary changes to address the deficiency in the Finance Unit.

Crime Victims Compensation Unit - The deposit process in the Crime Victims Compensation Unit is being immediately modified to address the concern.

Observation

Inadequate Segregation of Duties Related to Inventory

The United States Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government*[5] states in part, "Key duties and responsibilities need to be…segregated among different people to reduce the risk of error or fraud….No one individual should control all key aspects of a transaction…."

An effective internal control system restricts access to inventory records to applicable personnel.

The purchasing coordinator is responsible for purchasing goods, initiating surplus transactions, inventory recordkeeping, and conducting an annual, physical inventory count. Additionally, all employees in the finance department have access to the electronic inventory records.

Management was unaware of the risks created by not ensuring there was adequate segregation of duties or by allowing all finance employees access to the inventory records. Misappropriation of assets could occur and not be detected in a timely manner.

Recommendation

We recommend:

- An employee without purchasing ability or the ability to initiate surplus transactions be responsible for maintaining the Agency's inventory records;
- The employee responsible for maintaining inventory records should not participate in the physical inventory count. If discrepancies are noted, applicable management, other than personnel involved in the physical count, should investigate and resolve. The Agency should also retain documentation to support who performed the count, when the count was performed, and any discrepancies noted during the count; and

- Access to the Agency's inventory records be restricted to only the employee responsible for recordkeeping. If needed, additional employees could have "read-only" access.

Views of Responsible Officials

The Agency's management will consider the recommendations in the audit and implement the necessary changes to address the deficiency.

Objective 2 – Determine whether financial operations complied with 19 O.S. § 215.40, 21 O.S. § 142.17, 21 O.S. § 142.20, and 19 O.S. § 215.28 B.

Conclusion

With respect to the items tested, financial operations complied with:

- 19 O.S. § 215.40 – funds may be used for necessary expenses relative to any pending case within the official responsibilities of the offices of the district attorneys;
- 21 O.S. § 142.17[6] – funds may be used for needed products, services, and accommodations, including but not limited to, medical care, wage loss, rehabilitation, rehabilitative occupational training, other remedial care, funeral, cremation, burial, counseling family members of a homicide victim, homicide cleanup and certain vehicle impound fees; and
- 21 O.S. § 142.20 – funds may be used for sexual assault examinations and medication for victims of a sexual assault.

The Agency complied with 19 O.S. § 215.28 B[7]. (limitations on the salaries of the executive coordinator and the assistant coordinator).

Methodology

To accomplish our objective, we performed the following:

- Randomly selected two expenditure claims paid from fund 225 (19 O.S. § 215.40), 20 from fund 230 (21 O.S. § 142.17), and three from fund 240 (21 O.S. § 142.20) to ensure compliance with the applicable statutes. The total amount of the 25 claims reviewed was $22,303.21;
- Reviewed payroll information in the PeopleSoft accounting system to ensure the executive coordinator's and the assistant coordinator's salaries did not exceed the amount set by statute.

[6] This statute places maximum dollar thresholds on certain types of services. For example, crisis counseling can't exceed $3,000 for each family member of a homicide victim. Because payments in the aggregate were not reviewed, compliance with these thresholds were not tested.

[7] 19 O.S § 215. 28 B. – limitations on the salary of the executive coordinator and assistant coordinator- 19 O.S. § 215.30 A. (states the district attorney's salary is 98% of a district judge), 20 O.S 92.1 A 1. (sets the district judge's salary) and 20 O.S. § 3.4 (authorizes the Board on Judicial Compensation to set judicial salaries). Two reports issued by the Board on Judicial compensation were in effect during the audit period. The two salary limitations were:

1. $118,450 effective July 1, 2006 - 98% = $116,081
2. $124,373 effective July 1, 2008 – 98% = $121,885.54

Additional Procedures Performed

The Agency received funds under the American Reinvestment and Recovery Act (ARRA) during the audit period. Although not considered significant to the audit objectives, the following procedures were performed.

Methodology

We judgmentally[8] selected 25 expenditures claims paid from funds 491 (Justice Assistance Grant – ARRA – 23 claims totaling $14,370.41) and 492 (Violence Against Women Grant – ARRA – two claims totaling $555.79) to ensure compliance with the Department of Justice's financial guide. With respect to the items reviewed, no exceptions were noted.

[8] The auditor used his professional judgment in selecting vendor names which appeared unusual. Unusual was defined as a vendor name that was unfamiliar to the auditor or appeared not reasonable given the intent of these funds.

OFFICE OF THE STATE AUDITOR AND INSPECTOR
2300 N. LINCOLN BOULEVARD, ROOM 100
OKLAHOMA CITY, OK 73105-4896

WWW.SAI.OK.GOV