

OPERATIONAL AUDIT

DISTRICT ATTORNEYS COUNCIL

For the period January 1, 2010 through June 30, 2015



Oklahoma State
Auditor & Inspector
Gary A. Jones, CPA, CFE

**Audit Report of the
District Attorneys Council**

**For the Period
January 1, 2010 through June 30, 2015**



Oklahoma State Auditor & Inspector

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February 22, 2016

TO THE DISTRICT ATTORNEYS COUNCIL

This is the audit report of the District Attorneys Council for the period January 1, 2010 through June 30, 2015. 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.

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.

Sincerely,

A handwritten signature in blue ink that reads "Gary A. Jones".

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

**District Attorneys Council
Operational Audit**

Background

The District Attorneys Council (DAC or the Agency) was established by the Legislature in 1976. The primary function of the DAC is to provide a professional organization for the education, training and coordination of technical efforts of all District Attorneys of the State. The DAC assists local District Attorneys by providing financial, personnel, and other administrative services upon request. DAC is the administrative agency for the Crime Victims Compensation Board and the state administrative agency for several federal grants.

Oversight is provided by five Council members consisting of: the Attorney General, or a designated representative, the President of the Oklahoma District Attorneys Association, the President-elect of the Oklahoma District Attorneys Association, one district attorney selected by the Court of Criminal Appeals for a three-year term, and one district attorney selected by the Board of Governors of the Oklahoma Bar Association for a three-year term.

Board members as of February 2016 are:

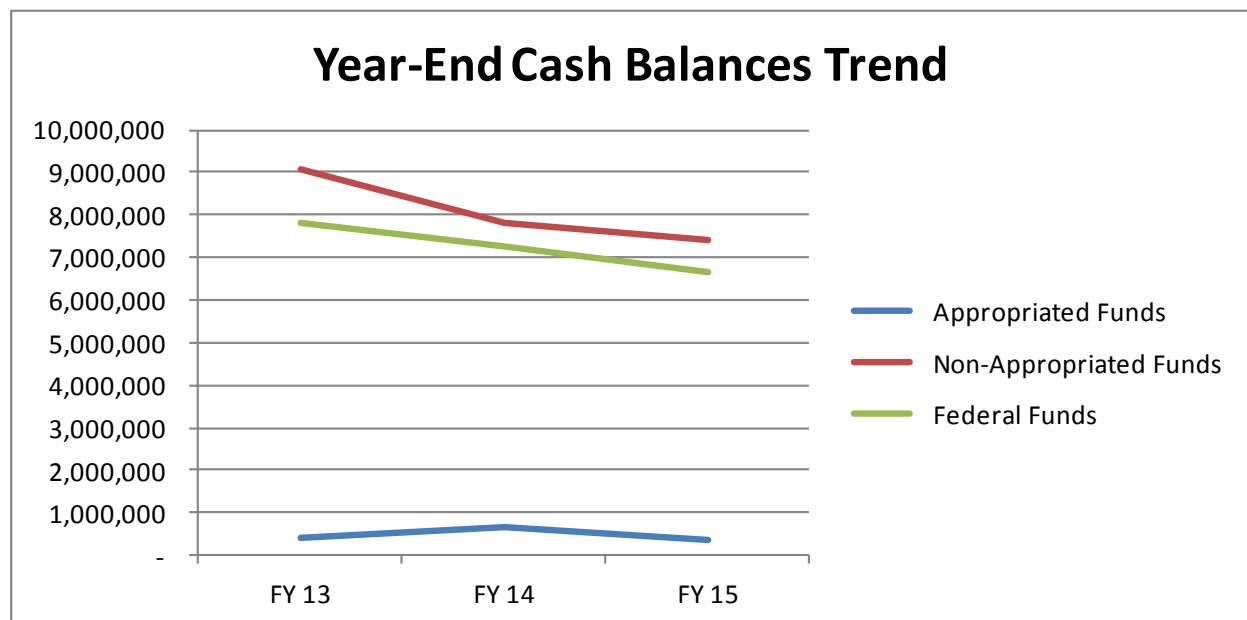
- Mike Boring Chair
- Mike Fields..... Vice-Chair
- David Prater..... Member
- Scott Pruitt..... Member
- John Wampler..... Member

District Attorneys Council Operational Audit

The following information illustrates the Agency's budgeted-to-actual revenues and expenditures and year-end cash balances.¹

BUDGET TO ACTUAL COMPARISON						
REVENUES	FY 2014			FY 2015		
	Budgeted	Actual	Variance	Budgeted	Actual	Variance
General Appropriations	39,120,073	39,687,258	567,185	38,999,314	39,139,475	140,161
Fines, Forfeits and Penalties	6,500,000	4,772,786	(1,727,214)	6,500,000	4,755,502	(1,744,498)
Income From Money and Property	357,000	229,696	(127,304)	313,375	206,624	(106,751)
Grants, Refunds and Reimbursements	56,904,709	49,493,208	(7,411,501)	56,000,347	51,679,285	(4,321,062)
Total Revenues	102,881,782	94,182,948	(8,698,834)	101,813,036	95,780,886	(6,032,150)
EXPENDITURES						
Personnel Services	80,057,142	80,297,494	240,352	80,599,181	80,959,626	360,445
Professional Services	646,442	499,264	(147,178)	313,112	527,307	214,195
Travel Expenses	1,185,707	647,009	(538,698)	966,037	670,498	(295,539)
Administrative Expenses	2,181,296	935,860	(1,245,436)	1,163,647	908,010	(255,637)
Property, Furniture, Equipment, and Related Debt	567,938	736,663	168,725	244,940	366,062	121,122
General Assistance, Awards, Grants, Program Payments	19,599,843	12,610,765	(6,989,078)	20,124,488	13,832,848	(6,291,640)
Transfers and Other Disbursements	-	25	25	-	-	-
Total Expenses	104,238,368	95,727,080	(8,511,288)	103,411,405	97,264,351	(6,147,054)
Expenditures Over (Under) Revenues	1,544,132			1,483,466		

Year-End Cash Balances: FY 13 - FY 15			
	FY 13	FY 14	FY 15
Appropriated Funds	393,725	669,623	381,458
Non-Appropriated Funds	9,067,460	7,818,419	7,396,497
Federal Funds	7,818,268	7,251,202	6,649,642
Total Available Cash	17,279,453	15,739,244	14,427,596



¹ This information was obtained from the Oklahoma PeopleSoft accounting system. It is for informational purposes only and has not been audited. See summary of management's explanation of variances on page 3 of this report.

Summary of agency responses to budgeted-to-actual variances

This information is a summary of responses obtained from the District Attorneys Council. It is for informational purposes only and has not been audited. See budgeted-to-actual analysis on page 2 of this report.

Revenues

- The variance on Fines, Forfeits, and Penalties is related to collections from felons for our victims division and the amount collected can vary greatly from year to year. The amount budgeted is an estimate that will always be difficult to project due to the source of funds (felons).
- The variance in the Grants projection is due to the large number of grants and the notification of award amounts to the Council. We have grants that are awarded by federal fiscal year, calendar year, etc. At the time the budget is determined, award amounts may not be available and would have to be projected for the state fiscal year. In addition, some federal grant awards span multiple state fiscal years.

Expenditures

- The District Attorneys Council budget is a composite of budget amounts from 27 district attorney offices and our office. Therefore, a large part of the expenditure budget is based on the information provided by the individual district attorney offices. Each district attorney office receives state appropriated funds but also relies heavily on funds that they collect. If their collections are down, their expenditures will also be less; thus variances occur regularly and can vary greatly from year to year.
- Federal grant amounts are not always available at the time the budget is submitted. The decrease in the amount of Federal grants received over the past several years is reflected by the reduced expenditures.

Year-End Cash Balances

- The cash balance for non-appropriated funds can vary greatly from day to day as funds are received from a number of different sources. One example is the contract with DHS for Child Support services. If a reimbursement from DHS for one month's payroll expense is received, the amount of cash deposited could be \$650,000.
- The cash balance for federal funds has been trending downward as the various governing boards try to utilize and spread funds over multiple years to lessen the impact of federal grant reductions to the grant recipients.

**Scope and
Methodology**

Our audit was conducted in response to 74 O.S. § 212, which requires the State Auditor and Inspector’s office to audit the books and accounts of all state agencies whose duty it is to collect, disburse, or manage funds of the state.

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.

In planning and conducting our audit, we focused on the major financial-related areas of operations based on assessment of materiality and risk for the period January 1, 2010 through June 30, 2015. Detailed audit procedures focused on the period of July 1, 2013 through June 30, 2015, addressing the most current financial processes and providing the most relevant and timely recommendations for management.

Our audit procedures included inquiries of appropriate personnel, inspections of documents and records, and observations of the District Attorneys Council operations. We utilized sampling of transactions to achieve our objectives. To ensure the samples were representative of the population and provided sufficient, appropriate evidence, the random sample methodology was used. We identified specific attributes for testing each of the samples and when appropriate, we projected our results to the population.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, errors or fraud may occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

OBJECTIVE

Determine whether the Agency’s internal controls provide reasonable assurance that revenue and payroll were accurately reported in the accounting records.

Conclusion

The Agency’s internal controls provided reasonable assurance that Finance Division revenues were accurately reported in the accounting records. However, the Agency’s internal controls did not provide reasonable assurance that revenues received by the Victim Services Division or payroll expenditures were accurately reported in the accounting records.

FINDINGS AND RECOMMENDATIONS

Inadequate Segregation of Duties over Victims Compensation Revenues (Repeat)

The United States Government Accountability Office's *Standards for Internal Control in the Federal Government*² states that, "Key duties and responsibilities need to be divided or segregated among different people to reduce the risk of error or fraud. This should include separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets. No one individual should control all key aspects of a transaction or event."

The Victims Compensation Division receives monthly victim compensation assessments from each of the state's 77 counties as well as subrogation payments, which include payments to recover victims' medical costs paid by the Agency and restitution paid by offenders. Payments received by check in this division totaled approximately \$10.6 million and represented 5.6% of all agency revenue.³

The file clerk in this division is responsible for opening mail, making a log of payments received, entering those payments into the agency Access Database, preparing and making the deposit via check scanner, and posting the deposit to the state accounting system. This arrangement of duties could allow the file clerk to misappropriate a payment without detection. The receptionist also sometimes opens mail and has the opportunity to misappropriate a payment before it is provided to the file clerk.

Because there is no way for the Agency to accurately forecast how much revenue should be received each month, it is difficult for management to ensure all funds received have in fact been deposited, especially for subrogation payments. While there is a checklist in place to ensure all counties' victim compensation assessments have been received, the checklist is completed by the file clerk; therefore, it does not mitigate the risk that the file clerk could misappropriate a payment.

Recommendation

Two individuals, at least one of whom is independent of the receipting and deposit process, should sort and open mail together and create and sign the check log that is used by a separate individual to independently reconcile deposits; or receipting, depositing, and posting responsibilities need to otherwise be sufficiently segregated.

² Although this publication addresses controls in the federal government, this criterion can be treated as best practices. The theory of controls applies uniformly to federal or state government.

³ Additional revenues received by this division were electronic in nature and deemed low risk; therefore, detailed procedures were not performed related to them.

Views of Responsible Officials

When the issue was raised in the audit review and in response to the recommendation of the auditor, we designated a second person to oversee the sorting and opening of the mail and the counting of the checks. To document the new procedure, the following was added to our written deposit procedures:

The Receptionist will advise a victims division staff member when preparing to open the mail. The Receptionist records the total number of checks received for each division. The victims division employee oversees this process and ensures the Receptionist has accurately counted each check. The checks are then disseminated to the appropriate division. The Victims Division Assistant logs the checks with the sender's name and amount in an excel spreadsheet. This report is printed daily. The Assistant then takes the printed report to the receptionist and the count is verified and so indicated by signatures of both. The checks are then processed according to agency procedures.

Inadequate Review of Decentralized Payroll Expenditures (Repeat)

An effective internal control system provides for adequate management review of payroll expenditures. This key management review, and proper documentation thereof, is essential to the internal control process.

Duties related to payroll for the 27 district attorneys' districts in Oklahoma were designed properly but not operating effectively during the audit period. Every month, each district attorney is provided with detailed payroll information for his or her district and is required to provide the DAC with a letter certifying that the information is correct. We randomly selected six months out of the audit period to verify the presence of the District Attorney letters; 19 out of 162 (11.7%) were missing. There was no documentation available showing efforts by audit period DAC staff to track receipt of these letters or to follow up on letters not received.

Failure to implement tracking and follow-up procedures resulted in the absence of documented payroll review records. Improper or incorrect payroll changes for districts 1-27 could be processed by the DAC without being noticed. Proper controls were in place for District 28 (in-house payroll), comprising approximately 4% of total payroll expenditures.

Recommendation

We recommend that management continue to execute the tracking and follow-up procedures that have been employed for district 1-27 payroll records since the employment of the new Human Resources – Benefits Officer in July 2015. These procedures consist of tracking the certification

letters by month and by district and timely follow-up with districts that fail to provide their monthly certification letters.

Views of Responsible Officials

Agency management will continue the tracking and follow-up procedures that have been implemented for Districts 1 through 27. While not required, we have added an additional review of District 28 (DAC) personnel actions, with the agency Payroll Officer submitting a monthly All Personnel Action Report and District 28 Funding Distribution Report to the Executive Coordinator of the agency for review each month.



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