

**RICHARD SMOTHERMON
DISTRICT ATTORNEY, DISTRICT 23
STATUTORY REPORT
BOGUS CHECK RESTITUTION FUND
FOR THE YEAR ENDED
JUNE 30, 2004**

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

May 10, 2005

Richard Smothermon, District Attorney
District 23

Transmitted herewith is the statutory report for the District Attorney of District 23, Pottawatomie and Lincoln Counties, Oklahoma (the District), for the fiscal year ended June 30, 2004.

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 black ink that reads "Jeff A. McMahan".

JEFF A. McMAHAN
State Auditor and 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.



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

Statutory Report

Mr. Richard Smothermon
District Attorney, District 23
Pottawatomie County Courthouse
Shawnee, Oklahoma 74801

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 they relate to the records of the Bogus Check Restitution Fund for the fiscal year June 30, 2004.

- We examined fees to determine that the correct fees were assessed, receipted, and deposited in compliance with 28 O.S. § 153.
- We determined whether expenditures were used to defray lawful expenses of the District Attorney's office 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.
- We reconciled the fund to the County Treasurer's records.
- We determined 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.

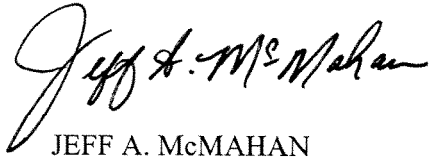
All information included in the financial records of the bogus check restitution program is the representation of the District Attorney for their respective district.

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 Pottawatomie or Lincoln Counties.

Based on our procedures performed; District 23 is 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 in accordance with 22 O.S. § 114; expenditures were supported by invoices and approved claims; and goods or services paid for were received; the District Attorney is preparing and submitting an annual report to the District Attorney's Council; and expenditures were properly classified and presented. With respect to reconciling to the County Treasurer's records, our finding is presented in the attached Schedule of Findings and Recommendations

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

Sincerely,

A handwritten signature in black ink that reads "Jeff A. McMAHAN". The signature is written in a cursive style with a large, prominent initial "J".

JEFF A. McMAHAN
State Auditor and Inspector

March 10, 2005

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

Findings 2004-1 - Reconciliations

Criteria: Effective accounting procedures are an aspect of internal control. Safeguarding controls relate to the prevention or timely detection of unauthorized transactions and unauthorized access to assets. Failures to perform tasks that are part of internal controls, such as reconciliations not prepared or not timely prepared, are deficiencies in internal control. Further, reconciliations should be performed on a monthly basis.

Condition: The District Attorney's Bogus Check Account balance at June 30, 2004, do not reconcile with the County Treasurer's general ledger.

Recommendation: We recommend the District Attorney's Bogus Check Administrator reconcile the ending account balance with the County Treasurer's general ledger each month.

Management's Response: The District Attorney's office is working to implement procedures to correct this problem. This has been a problem through several administrations and will take additional time to research and correct. The problem arises from cancellation of vouchers returned from mailings to merchants that were undeliverable. Also, a one-time reimbursement of \$524.31 was made to the fund due to improper expenditures from a prior administration.