

**DISTRICT ATTORNEY  
DISTRICT 2**

**BOGUS CHECK  
RESTITUTION FUND**

**FOR THE YEAR ENDED  
JUNE 30, 2007**

**STATUTORY  
REPORT**



Oklahoma State Auditor  
& Inspector

**DENNIS SMITH, DISTRICT ATTORNEY  
DISTRICT 2  
STATUTORY REPORT  
BOGUS CHECK RESTITUTION FUND  
FOR THE YEAR ENDED  
JUNE 30, 2007**

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# STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA  
State Auditor

MICHELLE R. DAY, ESQ.  
Chief Deputy



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September 29, 2008

Dennis Smith, District Attorney  
District 2

Transmitted herewith is the statutory report for the Bogus Check Restitution Fund for the District Attorney of District 2, Beckham, Custer, Ellis, Roger Mills, and Washita Counties, Oklahoma (the District), for the fiscal year ended June 30, 2007.

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

A handwritten signature in blue ink that reads "Michelle R. Day".

MICHELLE R. DAY, ESQ.  
DEPUTY 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.

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## Statutory Report

Dennis Smith  
District Attorney, District 2  
Custer County Courthouse  
Arapaho, Oklahoma 73620

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, 2007.

- 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 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 Beckham, Custer, Ellis, Roger Mills, or Washita Counties.

Based on our procedures performed, 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; goods or services paid for were received; the District Attorney prepared and submitted an annual report to the District Attorney's Council; and expenditures were properly classified; however, amounts reported were inaccurate. With respect to properly assessing, receipting, and depositing the correct fees, and the fund balance reconciling to the County Treasurer's records, our findings are presented in the schedule of findings and responses.

We have prepared a detailed analysis of the Bogus Check Restitution Fund, which is presented following this report.

This report is intended for the information and use of the District Attorney and Beckham, Custer, Ellis, Roger Mills, and Washita County officials. However, this report is a matter of public record and its distribution is not limited.

Sincerely,



STEVE BURRAGE, CPA  
STATE AUDITOR & INSPECTOR



MICHELLE R. DAY, ESQ.  
DEPUTY STATE AUDITOR & INSPECTOR

August 7, 2008



**DENNIS SMITH, DISTRICT ATTORNEY  
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**BOGUS CHECK RESTITUTION FUND ANALYSIS  
AMENDED  
COLLECTION INFORMATION**

Number of checks received from merchants	<u>6,183</u>	
Dollar amount of checks received		<u>\$ 478,220</u>

**RESTITUTION INFORMATION**

Beginning Restitution Account Balance at July 1, 2006		\$ 3,568
Number of restitution checks collected	<u>4,500</u>	
Amount in restitution collected for merchants		855,759
Cancelled vouchers		1,753
Amount in restitution paid to merchants		<u>(852,888)</u>
Ending Restitution Balance at June 30, 2007		<u>\$ 8,192</u>

**FEE AND EXPENDITURES INFORMATION**

Beginning District Attorney fee balance at July 1, 2006		\$ 30,409
Amount of District Attorney fees collected during the period		489,874
Expenditures:		
Personnel costs	365,000	
Maintenance and operation costs	<u>39,994</u>	
Total Expenditures		<u>404,994</u>
Ending District Attorney fee balance at June 30, 2007		<u>\$ 115,289</u>



## **SCHEDULE OF FINDINGS AND RESPONSES**

### **Finding 2007-1 – District Attorneys Council Annual Report Reconciliation**

Criteria: An effective accounting control over reporting includes reports submitted to the District Attorneys Council (DAC) reconcile to the County Treasurer's reported balances and the District Attorney ledger balances.

Condition: The District Attorney maintains two accounts for the Bogus Check Restitution Program. Account #900 is the fee account. Account #700 is the restitution account.

#### **FEE ACCOUNT**

The County Treasurer report for fiscal year 2006-2007 (account #900) reflected the balance as \$30,409.30. The District Attorney's Annual Report (report) reflected the same balance as \$139,515.57, a difference of \$109,106.45. The ending balance, according to the County Treasurer, was \$115,289.02. The ending balance on the annual report was \$170,328.40, a difference of \$55,039.38.

The Bogus Check ledger for account #900 reflected the same balance as the County Treasurer's report, \$30,409.30 beginning and \$115,289.02 ending for fiscal year 2006-2007.

#### **RESTITUTION ACCOUNT**

Similarly, the annual report for fiscal year 2006-2007 reflected a restitution (account #700) beginning balance of \$3,567.83 and an ending balance of \$4,661.85. A ledger report maintained by the District Attorney's office reflected a beginning balance of \$3,567.83 and an ending balance of \$8,192.14. Reports obtained from the County Treasurer reflected the same balances as the ledger maintained by the District Attorney. The variance between the annual report to Treasurer and ledger ending balances was \$3,530.29.

Cause: After some discussion with the District Attorney's office staff, it appears that when the District Attorney's office sends a salary supplement to DAC the transfer is noted as an expenditure, (payroll) from the #900 account. However, at the end of the year when the report is compiled, any unexpended funds held by DAC for salary supplemental are then added back to the annual report as revenue, thus overstating the balance held in the District Attorney's account #900.

Effect: Reports submitted to DAC were not an accurate presentation of funds held with the County Treasurer. It appears the District Attorney ledger for both account 700 and 900 reconcile with the County Treasurer's ending balances; however, the numbers referenced in the annual report did not reconcile to either the District Attorney ledgers or the County Treasurer balances.

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Recommendation: OSAI recommends the District Attorney file an “amended” report to DAC to reflect the actual amounts held with the County Treasurer for both the Restitution Account and Fee Account.

Views of responsible officials and planned corrective actions: Those reports were amended as of July 31, 2008, and are included in this report.

**Finding 2007-2 – Bogus Check Offender File**

Criteria: An effective accounting control with regard to adequate documentation of bogus check fee and restitution collections includes files containing the bogus check information and history of payments made by the offender be maintained.

Condition: One check writer file could not be located for 1 of 40 (5%) of the cases tested.

<u>Receipt</u>	<u>Amount</u>	<u>Date</u>	<u>Deposit Date</u>	<u>Purpose</u>
8037	\$140.00	10-04-06	10-06-06	Check Fee

Effect: Adequate evidence of the bogus check was not maintained.

Recommendation: OSAI recommends the District Attorney’s office maintain sufficient documentation to support each receipt for fees and restitution to provide accounting controls over collections.

Views of responsible officials and planned corrective actions: This file was not located.



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