

**DISTRICT ATTORNEY
DISTRICT 2**

**BOGUS CHECK
RESTITUTION FUND**

**FOR THE YEAR ENDED
JUNE 30, 2008**

**STATUTORY
REPORT**



Oklahoma State Auditor
& Inspector

**DENNIS SMITH, DISTRICT ATTORNEY
DISTRICT 2
STATUTORY REPORT
BOGUS CHECK RESTITUTION FUND
FOR THE YEAR ENDED
JUNE 30, 2008**

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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, 2008.

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.

STATE AUDITOR AND INSPECTOR

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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, 2008.

- 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; 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; expenditures being supported by invoices and approved claims; 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

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**BOGUS CHECK RESTITUTION FUND ANALYSIS
AMENDED
COLLECTION INFORMATION**

Number of checks received from merchants	<u>5,563</u>	
Dollar amount of checks received		<u>\$ 497,478</u>

RESTITUTION INFORMATION

Beginning Restitution Account Balance at July 1, 2007		\$ 8,192
Number of restitution checks collected	<u>3,605</u>	
Amount in restitution collected for merchants		921,526
Cancelled vouchers		3,539
Amount in restitution paid to merchants		<u>(926,373)</u>
Ending Restitution Balance at June 30, 2008		<u>\$ 6,884</u>

FEE AND EXPENDITURES INFORMATION

Beginning District Attorney fee balance at July 1, 2007		\$ 115,289
Amount of District Attorney fees collected during the period		528,785
Expenditures:		
Personnel costs	510,000	
Maintenance and operation costs	<u>58,467</u>	
Total Expenditures		<u>568,467</u>
Ending District Attorney fee balance at June 30, 2008		<u>\$ 75,607</u>

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2008-1 – District Attorneys Council Annual Report Reconciliation (Repeat Finding)

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 annual report for fiscal year 2007-2008 (account #900) reflected a beginning balance of \$170,328.40 and an ending balance of \$227,312.27, while the County Treasurer reports reflected a beginning balance of \$115,289.02 and an ending balance of \$75,607.27, variances of \$55,039.38 and \$151,705.00 for the beginning and ending balances, respectively.

The Bogus Check ledger for account #900 for fiscal year 2007-2008 reflected balances that were reconciled with the Treasurer's office, \$115,289.02 beginning and \$75,607.27 ending.

RESTITUTION ACCOUNT

The beginning balance reflected on the fiscal year 2007-2008 annual report was reflected as the ending balance of the fiscal year 2006-2007 report, \$4,661.85. This amount appears to be inaccurate, based on both the District Attorney's ledgers and the County Treasurer's ledger reports, with the beginning balance \$8,192.14, variance being \$3,530.29.

The ending balance for the restitution account #700 is reflected on the annual report as \$9,630.04. The ledger maintained by the District Attorney's office reflects \$6,884.32.

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 2008-2 – Bogus Check Offender File (Repeat Finding)

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 20 (5%) of the cases tested.

<u>Receipt</u>	<u>Amount</u>	<u>Date</u>	<u>Deposit Date</u>	<u>Purpose</u>
20496	\$40.00	02-05-08	02-05-08	Check Fee/D.A. 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.

Finding 2008-3 – Claims and Expenditures

Criteria: An effective accounting control includes claims being supported by adequate documentation and maintained in the office.

Condition: The following exceptions were noted in our test of 25 claims paid from the bogus check fee account:

A. Claims included no supporting documentation:

Two purchase orders randomly selected had no attached supporting documentation. The two purchase orders were as follows:

1. 900FY08-18 U.S. Post Office for postage for Ellis County \$250.00
2. 900FY08-52 Lawton Communications for “radio batteries” \$147.00

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Views of responsible officials and planned corrective actions: The District Attorney's office staff explained that concerning the \$250.00 postage, a check for Ellis County staff to purchase stamps was prepared, since they do not have a postage meter. The District Attorney's office staff will provide a receipt in the future.

B. Claims included insufficient documentation:

One purchase order randomly selected for testing was insufficiently supported. Purchase order 900FY08-17 to Touchstone Communications for \$37.29 for "phone services for BCRP" was supported by part of a statement from the vendor. The statement reflects "Total Current Charges \$0.11" although the purchase order is in the amount of \$37.29. The vendor invoice includes a handwritten notation "\$37.18 and total handwritten amount of \$37.29."

Views of responsible officials and planned corrective actions: The Bogus Check Restitution Program (BCRP) portion of the phone bill is calculated from a phone bill paid from other funds. The phone bill is attached to the purchase order paying the remainder of the phone bill paid from other funds. In the future, District Attorney's office staff will copy the phone bill portion for BCRP and attach it to the BCRP purchase order.

C. Claims were missing:

Two purchase orders randomly selected were not located. Purchase orders #137 and #151 were not included in the records provided by the District Attorney's office.

<u>Date</u>	<u>P.O. #</u>	<u>Voucher #</u>	<u>Amount</u>	<u>Issued To</u>
04-08-08	137	4081	\$20.75	Accurint
04-16-08	151	4093	\$575.00	John, Reid and Assoc.

Effect: Expenditures may not be adequately documented.

Recommendation: OSAI recommends that each claim be supported by adequate documentation and maintained intact in the office, to provide effective accounting controls over expenditures.

Views of responsible officials and planned corrective actions: Purchase order #137 may not have been issued as it could not be located on the computer system. Purchase order #151 was reprinted; however, no supporting documentation was found.



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