

**C. WESLEY LANE II
DISTRICT ATTORNEY, DISTRICT 7
STATUTORY REPORT
BOGUS CHECK RESTITUTION FUND
FOR THE YEAR ENDED
JUNE 30, 2003**

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

June 8, 2004

C. Wesley Lane II
District Attorney, District 7
Oklahoma County Courthouse
Oklahoma City, Oklahoma 73102

Transmitted herewith is the statutory report for the District Attorney of District 7, Oklahoma County, Oklahoma (the District), for the fiscal year ended June 30, 2003.

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 course of our engagement.

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

C. Wesley Lane II
District Attorney, District 7
Oklahoma County Courthouse
Oklahoma City, Oklahoma 73102

For the purpose of complying with 74 O.S. § 212 (E) and 22 O.S. § 114, we have performed the following procedures as they relate to the records of the Bogus Check Restitution Fund for the fiscal year June 30, 2003.

- 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 accounts 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 the 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 his respective district.

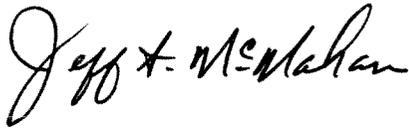
Our engagement was limited to the procedures performed above and was less in scope than an audit performed in accordance with auditing standards generally accepted in the United States of America. Accordingly, we do not express an opinion on any financial statements of Oklahoma County.

Based on our procedures performed; District 7 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; goods or services paid for were received. However, there was lack of independent verification of the receipt of several of those goods. With one exception, the accounts reconcile to the County Treasurer's records. An annual report was filed with the District Attorney's Council (DAC). With respect to the independent verification of the receipt of goods and the reconciliation of the official depository, our finding is presented in the attached Schedule of Findings and Recommendations.

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 Oklahoma 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 initial "J" and "M".

JEFF A. McMAHAN
State Auditor and Inspector

May 17, 2004

BOGUS CHECK RESTITUTION ACCOUNT ANALYSIS

COLLECTION INFORMATION

Number of checks received from merchants	<u>36,662</u>	
Dollar amount of checks received		<u>\$ 3,134,547</u>

RESTITUTION INFORMATION

Beginning Restitution Account Balance at July 1, 2002		\$ 112,701
Number of Restitution checks collected	<u>24,905</u>	
Amount in Restitution collected for merchants		1,901,505
Amount in Restitution paid to merchants		<u>1,894,557</u>
Ending Restitution Balance at June 30, 2003		<u>\$ 119,649</u>

FEE AND EXPENDITURES INFORMATION

Beginning District Attorney fee balance at July 1, 2002		\$ 142,672
Amount of District Attorney fees collected during the period		2,098,343
Expenditures:		
Personnel Costs	2,034,562	
Maintenance and Operations Costs	137,612	
Travel Expenses	1,637	
Other Expenses	<u>11,910</u>	
Total Expenditures		<u>2,185,721</u>
Ending District Attorney Fee Balance at June 30, 2003		<u>\$ 55,294</u>

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

Finding 1

Criteria: Title 19 O.S. 2001, § 1505.E.5. states in part, "The receiving officer shall complete a receiving report in quadruplicate which shall state the quantity and quality of goods delivered.... The person delivering the goods shall acknowledge the delivery by signature, noting the date and time."

Condition: Of the ninety-six (96) purchase orders tested for Oklahoma County Bogus Check Fund #6015, we noted that forty-four (44) did not have independent verification (receiving reports) that the items purchased were received.

Recommendation: We recommend the District Attorney implement controls that will ensure that all purchase order items received are verified with a receiving report (form 4030), in accordance with 19 O.S. § 1505.E.5.

Management Response

OKLAHOMA COUNTY
SEVENTH DISTRICT
STATE OF OKLAHOMA



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(405) 713-1600
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C. WESLEY LANE II
DISTRICT ATTORNEY

JOHN M. JACOBSEN
FIRST ASSISTANT DISTRICT ATTORNEY

May 28, 2004

Oklahoma State Auditor and Inspector
Attention: Marla Latham
Oklahoma State Auditor's Office
Oklahoma County Audit Manager
217 N. Harvey, Suite 209
Oklahoma City, Oklahoma 73102

RE: Oklahoma County District Attorney's Office Response
To Reportable Condition

Dear Ms. Latham:

This Office has received and reviewed with you the one (1) reportable condition found in the audit of purchasing order procedures within the district attorney's office. Your audit commended the Oklahoma County District Attorney's Office and found it was "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; goods or services were received."

Your audit did point out, however, that certain purchases did not include the auditor's form (Form 4030) in the accompanying paper documentation showing approval of the purchase. As noted and found by the State Auditor, this office did provide proper documentation concerning the ordering of purchases, documentation of receipt of purchases, proper financial tracking of purchases and documentation that purchases had been received by this office. The reportable condition—that Form 4030 was not being used—is the only thing noted in your written audit of this office.

In response to your finding, please note the Oklahoma County District Attorney's Office tracks all of its purchases on an Oracle-based financial software system implemented by the County Clerk's Office. When this Office needs to order supplies or services, a purchase order is documented, tracked and closed out through the Oracle system. In order to comply with the request from the State Auditor to use Form 4030, this office feels it is necessary to detail the extensive process it uses to order, track and confirm purchases pursuant to all state and county procedures.

The following explanation covers purchasing procedures of the Oklahoma County District Attorney's Office:

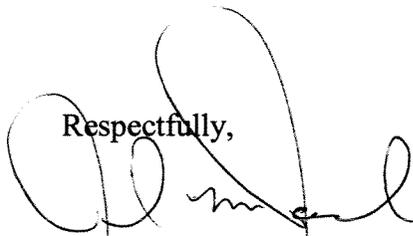
When a request for a purchase has been approved and this office has determined which funding source is the proper funding source necessary to pay for the purchase, there is a requisition of and an encumbrance of the funds. This requisition is then forwarded (through Oracle) to the First Assistant for approval. After approval, Oracle software tracks the approval and sends the requisition to Oklahoma County bookkeeping and then on to the county's purchasing department where a P.O. number is issued. After these steps are followed, the order is then placed with the vendor. Almost 90% of the orders placed with vendors are shipped *via* UPS & USPS and delivered to the front reception area of the district attorney's office where the delivery is signed for. All boxes are opened and inspected—the items are counted and checked against the original order for accuracy. The order is then marked as received. The process in place in this office demonstrates that when the invoice is received, it is matched against the order and the original receiving checklist to again verify quality and costs are accurate. The invoice is then marked OK to pay and returned to the financial officer to match it against the hard copy of the P.O. and approved for payment. A payment form is then printed out and given to the First Assistant for signature.

The only reportable condition the State Auditor found in the process used by this office was that documentation did not include SA Form 4030. No evidence exists that purchase orders were not received properly or that goods were ordered and not paid for according to established procedures. All purchasing procedures used by the Oklahoma County District Attorney's Office were followed pursuant to established guidelines of the county's purchasing department and the Oracle software system used by the county. Indeed, the absence of Form 4030 is something the County Clerk did—replacing it with another form generated by Oracle documents.

This Office will consider your recommendations and attempt to implement your request to have all purchases include Form 4030. To do so, however, will require coordination with the County Clerk and software changes with the Oracle financial system used county-wide.

Thank you again for your excellent assistance and suggestions. If you have any questions, please contact me.

Respectfully,

A handwritten signature in black ink, appearing to read 'John M. Jacobsen', written over a horizontal dotted line.

John M. Jacobsen
First Assistant District Attorney

cc: file