



City of Picher/Picher Development Authority Special Audit Report July 1, 2000-June 30, 2006

Audit Summary:

JEFF A. McMAHAN, CFE

OKLAHOMA OFFICE

OF THE

STATE AUDITOR & INSPECTOR

Why the audit was performed

The Attorney General requested
in accordance with

74 O.S. 2001, § 18f.

- ✓ Two PDA Board Members purchased land from PDA. **Pgs 10, 11 and 12**
- ✓ One PDA member had a leaseholder interest in the land purchased for a significant period of time prior to the land being under PDA control. **Pgs 10 and 11**
- ✓ We found no evidence indicating 'special deals' were given. **Pg 14**
- ✓ We were able to correlate all deeds to receipted payments. **Pg 14**
- ✓ Clerical and mathematical errors were identified on five (5) deeds. **Pg 14**
- ✓ The proceeds from the EPA settlement for road damage were expended for other purposes in addition to repairing roads. **Pgs 15 and 16**
- ✓ PDA did not receipt the funds received from the chat sale. **Pg 17**
- ✓ Deposit Tickets did not contain sufficient detail, 3 deposits were not receipted and deposits were not made in a timely manner. **Pg 18**

**CITY OF PICHER
PICHER DEVELOPMENT AUTHORITY
SPECIAL AUDIT
JULY 1, 2000 THROUGH JUNE 30, 2005**

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

Jeff A. McMahan
State Auditor and Inspector

September 13, 2006

Honorable Drew Edmondson
Attorney General – State of Oklahoma
Room 112, State Capital
Oklahoma City, Oklahoma 73105

Transmitted herewith is the Special Audit Report of the City of Picher and the Picher Development Authority. We performed our special audit in accordance with the requirements of **74 O.S. 2001, § 18f.**

A report of this type is critical in nature; however, we do not intend to imply that our report failed to disclose commendable features in the present accounting and operating procedures of the City of Picher and the Picher Development Authority.

The Office of the State Auditor and Inspector is committed to serve the public interest by providing independent oversight and by issuing reports that serve as a management tool to the State. Our goal is to insure a government, which is accountable to the people of the State of Oklahoma.

We wish to take this opportunity to express our appreciation for the assistance and cooperation extended to our Office during the course of our special audit.

Sincerely,

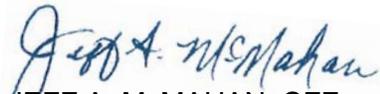

JEFF A. McMAHAN, CFE
State Auditor and Inspector

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City Of Picher

Sam Freeman Mayor
Tim Reeves..... Council Member
(Ending 7/06)
C.L. Bowling..... Council Member
(Starting 7/06)
Rick Ross..... Council Member
(Ending 4/03)
B. JoAnn Freeland Council Member
Chris Henry Council Member
(Ending 12/01)
Gabe Huffman..... Council Member
(Starting 12/01)
Phillip Johnson..... Council Member
(5/03 - 4/06)
Phillip Suman Council Member
(Starting 4/06)

Picher Development Authority

Sam Freeman Chairman
Tim Reeves..... Trustee
(Ending 7/06)
Phillip Johnson..... Trustee
(Ending 4/06)
B. JoAnn Freeland Trustee
Gabe Huffman..... Trustee
Phillip Suman Trustee
(Starting 4/06)
C.L. Bowling..... Trustee
(Starting 7/06)



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

Jeff A. McMahan
State Auditor and Inspector

Mr. E.A. "Sam" Freeman, Mayor / Chairman Of the Board
City of Picher / Picher Development Authority
P.O. Box 247
Picher, Oklahoma 74360

Dear Mr. Freeman:

Pursuant to the Attorney General's request and in accordance with the requirements of **74 O.S. 2001, § 18f**, we performed a special audit with respect to the City of Picher and the Picher Development Authority, for the period July 1, 2000 through June 30, 2005.

The objectives of our special audit primarily included, but were not limited to, concerns expressed by the Attorney General. Our findings and recommendations are presented in the accompanying report.

Because the above procedures do not constitute an audit conducted in accordance with generally accepted auditing standards, we do not express an opinion on the account balances or financial statements of the City of Picher and the Picher Development Authority. Further, due to the test nature and other inherent limitations of a special audit report, together with the inherent limitations of any internal control structure, there is an unavoidable risk that some material misstatements may remain undiscovered. This report relates only to the accounts and items specified above and do not extend to any financial statements of the City of Picher and the Picher Development Authority.

This report is intended solely for the information and use of the Attorney General and Administration of the City of Picher and the Picher Development Authority and should not be used for any other purpose. This report is also 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,


JEFF A. McMAHAN, CFE
State Auditor and Inspector

August 16, 2006

Introduction:

The City of Picher, Oklahoma is organized under the statutory aldermanic form of city government, as outlined in **11 O.S. 1991, § 9-101**, *et seq.*, which states:

“The form of government provided by Sections 9-101 through 9-118 of this title shall be known as the statutory aldermanic form of city government. Cities governed under the statutory aldermanic form shall have all the powers, functions, rights, privileges, franchises and immunities granted, or which may be granted, to cities. Such powers shall be exercised as provided by law applicable to cities under the aldermanic form, or if the manner is not thus prescribed, then in such manner as the governing body may prescribe.”

The Council Members are also Trustees for the Picher Development Authority. The Authority was created 9/25/2003 and is a public trust established under **60 O.S. 1991, § 176-180.4**. The City of Picher is the beneficiary of the Trust.

Pursuant to the Attorney General’s request, the State Auditor and Inspector conducted an audit of the records of the City of Picher and the Picher Development Authority, primarily those records relating to the concerns expressed by the Attorney General. The results of the audit are in the following report.

Background: Kenoyer Land Area.

Prior to the transfer of an area of land, known as "Kenoyer", from the Oklahoma Reclamation Authority (ORA) to the Picher Development Authority (PDA), ORA was 'leasing' the land to persons living on the property. According to the former ORA Executive Director, ORA allowed people to keep the property clean in lieu of making lease payments.

ORA did not require and did not maintain lease agreements and, in fact, stated that upon the advice of their attorney, they thought it was better to not keep written records of leases in the event they needed to evict a tenant.

On 12/20/2003, ORA deeded a $\frac{3}{4}$ undivided interest in 200 acres of Kenoyer land, to PDA. The Kunshek Chat & Coal Company (Kunshek) owned the remaining $\frac{1}{4}$ interest in the Kenoyer land. ORA and PDA had an unwritten agreement that should 100% interest in the land be obtained, the land would be sold, on a first rights basis, to the people that were already living on or leasing the land from ORA.

Included in the Kenoyer land was a chat pile occupying approximately 76 acres. The remaining 124 acres consisted of residential property. ORA had reached an impasse with Kunshek concerning the undivided interests in the property.

On 6/17/2004, PDA voted to accept a verbal offer from Kunshek wherein PDA would receive \$250,000.00 as a lump sum payment for the 76 acres of chat and associated land. In addition Kunshek would assign its $\frac{1}{4}$ interest in the remaining 124 acres of the Kenoyer land to PDA.

A Warranty Deed was executed on 12/30/2004 assigning the Kunshek's $\frac{1}{4}$ interest in the remaining 124 acre Kenoyer land to PDA.

On 2/2/2005, PDA voted to form a committee, consisting of two PDA members, to establish rules governing the rent and possible future sale of land under PDA control. As a result, on 2/15/2005, PDA adopted Resolution 2005-1. Resolution 2005-1 included guidelines for the sale of property including a priority list as follows:

- (a) Lots will be offered for purchase to residents who are actually now residing on the premises with a current lease on the lots to be transferred.
- (b) Lots will be offered for purchase to any landlord who has a house or mobile home which is occupied or which has an active water meter and is being offered for rental.
- (c) Unoccupied or vacant lots will be offered to Picher or Cardin residents wishing to relocate from United States Trust Property under the supervision of the BIA of the Department of Interior.
- (d) Vacant lots will next be offered to anyone wishing to locate in Picher or Cardin. Provided, however, as person to person will be offered a short term lease with option to buy which can only be exercised if there is an occupied residence in place on said premises. *[written in pen notation 1 year]*.

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During the period surrounding the transfer of the Kenoyer land from ORA to PDA, a survey was undertaken and, as a result, a plat map was filed and accepted on 7/28/2005.

Prior to the 7/28/2005 plat map, there were no official boundaries defining property lines in the Kenoyer area. At the time the plat map was adopted and accepted, the Kenoyer area became known as the Paul Thomas Addition (Addition).

On 8/9/2005, PDA voted and approved the sale and lease prices for land in the Addition. The prices were set at 3¢ per square foot to purchase the land or 5¢ per square foot to lease the land.

We were able to obtain a limited amount of records from ORA pertaining to who was leasing the land from ORA prior to the transfer to PDA. This was due, in large part, to ORA allowing people to "lease" land in exchange for keeping the land cleaned and mowed and ORA's decision not to keep lease records.

ORA did provide us with a list of leaseholder names as well as the number of lots leased. However, this list did not include where the leased lots were located. Having no legal descriptions and no indication of where the lots were located, we found the list to be of little value.

According to the City Clerk and PDA Secretary, ORA provided the same leaseholder listing to PDA when the land was transferred from ORA to PDA. City officials found that the list was of little value in determining who was living where and on how much space.

Subsequently we contacted the former ORA Executive Director and expressed our concerns over not being able to utilize the listing provided by ORA. The former Director agreed that the list did not include those that were 'leasing' land by virtue of keeping the land clean, rather than making lease payments.

Over a period of months the Mayor/PDA Chairman and the Water Superintendent began attempting to determine who was living where and where dividing lines were between properties in order to determine who would have 'first right' to purchase the land from PDA in accordance with paragraph (a) and (b) of PDA Resolution 2005-1.

Based on interviews with PDA officials, City officials and the former Executive Director of ORA, it appears that the land and persons defined under paragraph (a) of PDA Resolution 2005-1 were determined by general community knowledge and who was keeping what particular plot of land cleaned and mowed.

Because land boundaries were determined more by who was mowing what, prior to the adoption of the July 28, 2005 plat map, we cannot determine who was entitled to what land in accordance with PDA Resolution 2005-1.

Concern:

- PDA Board Members purchased land from PDA.
 - PDA Board Members purchased land in order to profit from a proposed future buyout.
-

Findings:

- Two PDA Board Members purchased land from PDA.
 - The PDA Members purchased the land prior to the announcement of the currently proposed buyout of property.
 - One PDA member had a leaseholder interest in the land purchased for a significant period of time prior to the land being under PDA control.
-

PDA Board Members purchased land from PDA.

Oklahoma State Statutes **62 O.S. § 371** states, in relevant part:

Except as otherwise provided in this section, no board of county commissioners, nor city council, nor board of trustees of any town, nor any district board of any school district in this states, nor any board of any local subdivision of this state shall make any contract with any of its members, or in which any of its members shall be directly or indirectly interested. All contracts made in violation of this section shall be wholly void.

Oklahoma State Statutes **60 O.S. § 178.8** states, in relevant part:

Except with regard to residents of a facility for aged persons operated by a public trust, who are trustees of the public trust operating the facility and who comprise less than a majority of the trustees, a conflict of interest shall be deemed to exist in any contractual relationship in which a trustee of a public trust, or any for-profit firm or corporation in which such trustee or any member of his or her immediate family is an officer, partner, principal stockholder, shall directly or indirectly buy or sell goods or services to, or otherwise contract with such trust. Upon a showing thereof, such trustee shall be subject to removal and such contract shall be deemed unenforceable as against such trust unless the records of such trust shall reflect that such trustee fully and publicly disclosed all such interest or interests, and unless such contractual relationship shall have been secured by competitive bidding following a public invitation to bid.

Oklahoma State Statutes **21 O.S. § 344** states, in relevant part:

Except as otherwise provided in this section, every public officer, being authorized to sell or lease any property, or make any contract in his or her official capacity, who voluntarily becomes interested individually in such sale, lease or contract, directly or indirectly, is guilty of a misdemeanor.

On 10/13/2005, the PDA Chairman paid \$2,088.50 for the purchased land held by PDA. Subsequently, property deeds were issued to the PDA Chairman for land located in

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Blocks 1, 4 and 8 of the Paul Thomas Addition. One of the deeds issued for the property was issued in the name of the PDA Chairman's son.

Using the plat map adopted July 28, 2005, we determined that the properties purchased were located in the 300 block of South College Street, the 500 block of South College Street and the 600 block of Ottawa Street.

We interviewed the PDA Chairman who acknowledged that he purchased the land in these Blocks from PDA because he had rent houses on two of the parcels of land, and had a previous leaseholder interest on the third, prior to the land having come under the control of PDA.

We asked for and were provided personal records from the PDA Chairman reflecting an interest in the properties prior to the property coming under PDA control. We cite the following:

Land purchased by PDA Chairman Block 1 (300 block South College St):

The PDA Chairman provided a bill of sale for a house located at 308 S. College Street dated 8/6/2004. Although PDA owned an undivided interest in the land during this period, it was not until 12/30/2004 that PDA was deeded the remaining ¼ interest from Kunshek.

Land purchased by PDA Chairman Block 4 (500 block South College St):

The PDA Chairman provided an EPA release form dated 4/25/2003 reflecting the PDA Chairman as having the property at 534 S. College leased from ORA.

Land purchased by PDA Chairman Block 8 (600 block South Ottawa Street):

The PDA Chairman stated that he had a mobile home on this property "for years" but was unable to locate any documentation. We examined the Picher Public Works deposit records and found an entry for a water deposit, dated 5/11/2001, in the name of the PDA Chairman, listing the address as 629 South Ottawa Street. The PDA Chairman stated that this is the land he purchased in Block 8 and had deeded to his son.

In the case of the PDA Chairman, it appears that he had some leaseholder interest on two of the three properties purchased prior to ORA having deeded the land to PDA. In the instance of the third property, the PDA Chairman had purchased a house on the property prior to PDA having obtained a 100% interest in the Kenoyer land, and therefore, prior to PDA having been in a position to offer the sale of the property.

Land Purchased by PDA Trustee in Block 8 (600 South Cherokee Street):

On 2/28/2006, a PDA Trustee purchased land located in the 600 block of South Cherokee Street and a deed was subsequently issued to the Trustee.

According to PDA records, on 5/26/2005 a notice was sent to the leaseholder, at the time, concerning the need to clean up the property, which included a house that was there at the time. Subsequently PDA tore down the house.

We were provided pictures of the house located on the property prior to it being torn down and it appears the house was dilapidated. In one picture it appears that the roof had partially collapsed.

We contacted the former leaseholder who stated he was told that he needed to clean the property up but he did not want to invest the money because of the possibility of a buyout at a later date. As a result, he advised PDA that he did not want anything further to do with the house or the property.

It appears that the Trustee had no previous interest in the property prior to it coming under PDA control.

PDA Members purchased land in order to profit from a proposed future buyout.

Substantially this question is asking what was the intent of the PDA Chairman and PDA Trustee at the time they purchased land in the Kenoyer area. We posed this question to both the PDA Chairman and Trustee.

The PDA Chairman owned the structures on two of the three properties he purchased prior to the land being offered for sale by PDA. The third property, located in the 500 block of South College Street, was purchased, according to the PDA Chairman, with the intention of moving his home off BIA Trust property and onto land he could own.

The PDA Trustee, a 69 year old woman who requires breathing assistance from an oxygen tank, purchased the lots located in the 600 block of South Cherokee stating that she purchased the land with the intention of moving a mobile home on the land to live in as her home now has a mold problem that she believes is a result of the EPA remediation efforts performed sometime around 2001. She states that she wanted to move because her doctor has advised her that she has a significant health risk by remaining in her present home.

We should also note that while there is discussion of a buyout of land in Picher, the buyout decision appears to have been a result of a January 2006 subsidence report.

On May 4, 2006, after the release of the subsidence report, U.S. Senator Jim Inhofe, Congressman Dan Boren and Governor Brad Henry, in a joint press release, announced a plan to buyout Tar Creek subsidence area residents as well as pronouncing their support for buying out the entire site.

It appears, from the joint press release, that the buyout proposal announced on May 4, 2006 was a direct result of the subsidence report issued in January 2006. We cite the examples following from the press release:

With the new facts provided by the recent subsidence report we simply cannot risk the safety of Oklahomans in the Tar Creek area and this is why we are moving forward with this plan.

I realize as a substantial buyout is implemented in response to the subsidence report...

Historically, EPA has held the position that their goal is remediation of Tar Creek, but they now recognize that circumstances have changed dramatically and require a rethinking of how best to deal with the issues facing Picher...

Both the PDA Chairman and PDA Trustee purchased the land prior to the buyout announcement of May 4, 2006, and, in the case of the land purchased by the PDA Chairman, prior to the release of the January 2006 subsidence report that appears to have been the basis for the buyout announcement.

We also noted that as of the conclusion of our audit fieldwork in mid-August 2006, PDA still had forty nine (49) remaining lots for sale in the Kenoyer area.

It does not appear the PDA Chairman and PDA Trustee purchased the land with the intention of profiting from a buyout, should one occur at some point in the future.

Recommendation:

We recommend the Attorney General review these findings to determine what action, if any, may be required.

Concern:

- PDA allowed 'special deals' to certain people purchasing land.
 - Deeds were issued without record of payment.
-

Findings:

- We found no evidence indicating 'special deals' were given.
 - We were able to correlate all deeds to receipted payments.
 - Fifteen (15) purchases did not include credit for 2005 rent payments.
 - Clerical and mathematical errors were identified on five (5) deeds.
-

PDA provided us with forty-nine (49) deeds that had been issued as of the date of our request. We examined each of these deeds and compared the deeded land amounts, based on the 3¢ per square foot price established by PDA, and found no errors for thirty-one (31) of the forty-nine (49) deeds issued.

According to the PDA Chairman, any rent payments made in 2005 would be credited to the balance owed for land purchases once the land was offered for sale. We identified (15) instances where rent payments were not credited resulting in an overpayment to PDA totaling \$619.00.

We found errors on five (5) deeds as follows:

- Three deeds did not correctly list the property purchased.
- The square footage of one deed was miscalculated resulting in an overpayment of \$113.17.
- The sale price of one deed was calculated based on the sale of eight (8) lots (\$720.00). The deed was issued for nine (9) lots (\$810.00). However, the purchaser was not credited with a 2005 rent payment (\$36.00) resulting in an underpayment of \$54.00

Additionally we noted that deeds were issued to individuals who we were initially unable to find receipts for. However, we ultimately identified that the property was paid for and receipted to someone other than the deeded owner, either because the land was paid for by a relative or the land was paid for and then subsequently sold to another person prior to the deed being issued.

Recommendations:

We have advised PDA of our findings and, at the conclusion of our fieldwork, PDA was taking steps to correct those deficiencies.

Concern:

- The use of EPA settlement funds.

Finding:

- The proceeds from the EPA settlement for road damage were expended for other purposes in addition to repairing roads.

On September 27, 2001, the City of Picher executed a settlement agreement with the United States Environmental Protection Agency (EPA). The agreement provides that EPA agrees to pay to the City the sum of \$2,303,178.28 for damages caused to City roads.

The settlement agreement provides in relevant part:

2. Based upon, and in reliance on the City's representation and warranty, the EPA agrees to pay the sum of \$2,303,178.28 to the City for any and all damages caused to the City Roads including without limitation their surfaces, their base, and their right-of-way (e.g., drainage areas, and bar ditches), through the EPA Superfund response actions. The City agrees to use this sum to pay for repairs to the damaged City Roads.

Based on documentation provided, expenditures related to the EPA settlement are summarized as follows:

| Purpose | Amount |
|---|-----------------------|
| Road Construction and Materials | \$1,071,866.88 |
| Road Equipment | \$220,683.72 |
| Road Equipment Storage | \$69,565.00 |
| Construct City Hall | \$264,953.29 |
| Furniture and Landscaping for City Hall | 5,001.98 |
| Youth Sports and Community Building | \$57,590.00 |
| Police Vehicle Purchase and Payoff | \$45,002.28 |
| Fire Truck Purchase and Payoff | \$297,018.93 |
| Animal Control Truck | \$3,250.00 |
| Trailer | \$1,500.00 |
| Transfer to the General Fund | \$100,000 |
| Total Expenses | \$2,136,432.08 |

The remaining proceeds were deposited to a savings account and used to invest in a bank CD.

In addition to agreeing the proceeds would be used to repair roads, the agreement also releases interested parties from future claims for road damage.

Section 6 of the agreement provides:

6. The City hereby releases the United States, the EPA, the U.S. Army Corps of Engineers, the Oklahoma Department of Environmental Quality and Morrison Knudsen Corporation, and the contractors, subcontractors, suppliers, and all officers and employees of any and all of those entities from any and all claims related to damage of the City Roads including without limitation their surfaces, their base, and their right-of-way (*e.g.*, drainage areas, and bar ditches) which has been, or may have been caused (directly or indirectly) by the Superfund response actions at the Tar Creek Superfund Site through the effective date of this Agreement.

Unlike a Federal grant that requires the proceeds be utilized for a stated purpose, this agreement appears to compare to a damage settlement. Generally with damage settlements, if the cost of repairs is ultimately less than the amount of the settlement, the balance can be used for other purposes. However, in this case, the use of the settlement proceeds is in question because of the provision in the agreement in which City agrees to use the settlement to repair damaged roads.

Recommendation:

We recommend the Attorney General review this matter to determine whether the use of the EPA settlement proceeds violates contract provisions.

Concern:

- PDA did not receive the \$250,000.00 from the sale of the Kenoyer chat.
 - PDA did not accept the highest bid for sale of the chat pile.
-

Finding:

- PDA did not receipt the funds received from the chat sale.
 - PDA accepted the only bid allowing for transfer of land interest.
-

PDA did not receipt the funds received from the chat sale.

PDA received \$249,604.59 at settlement, for the sale of the Kenoyer chat to Kunshek. Of that amount, \$49,604.59, although not receipted, was deposited in the PDA bank account. PDA purchased four (4) Certificates of Deposit in the total amount of \$200,000.00.

Oklahoma State Statutes **51 O.S. § 24A.4** states, in part:

In addition to other records which are kept or maintained, every public body and public official has a duty to keep and maintain complete records of the receipt and expenditure of any public funds reflecting all financial and business transactions relating thereto[.]

PDA accepted the only bid allowing for transfer of land interest.

In addition to the \$250,000.00 payment from Kunshek to PDA, for the purchase of the Kenoyer chat, PDA also received Kunshek's ¼ interest in the remaining one hundred twenty four (124) acres of the Kenoyer residential area.

The sale of the Kenoyer chat involved, in addition to a fixed compensation amount, the transfer of land interests between PDA and Kunshek. Effectively Kunshek appears to have been a sole source provider as Kunshek was holder of the land interest that PDA was attempting to obtain.

Recommendations:

We recommend that receipts be issued for all funds coming into possession of PDA as required by statutes.

Additional Concerns Identified During Audit:

We attempted to trace PDA receipts to PDA account deposits. We were unable to do so due to deposit tickets not containing sufficient detail. Deposit tickets generally did not include a separation between cash, checks and money orders.

Furthermore, from the deposit tickets we identified three (3) deposits that did not appear to have been recorded in the PDA receipt books. These deposits included:

- 11/1/2004 deposit of \$5,537.50.
- 7/18/2005 deposit of \$49,604.59 [previously cited].
- 7/22/2005 deposit of \$11,825.00.

We compared deposit totals to receipted totals, factoring the above \$66,967.09, and found an additional \$1,490.00 that was deposited to the PDA accounts that was not receipted. Because of the manner the deposit tickets were completed, we are unable to determine the date or source of those funds.

As previously cited in this report, Oklahoma State Statutes **51 O.S. § 24A.4** requires that every public body and public official has a duty to keep and maintain complete records of the receipt and expenditure of funds.

Oklahoma State Statutes **62 O.S. § 517.3B** states, in part:

- B. The treasurer of every public entity shall deposit daily, not later than the immediately next banking day, all funds and monies of whatsoever kind that shall come into the possession of the treasurer of the office...

It appears PDA was not making deposits in a timely manner. In one instance we noted a deposit was made on 1/19/2005 and the next subsequent deposit was made on 2/15/2005. During the intervening time, thirty one (31) receipts were issued totaling \$1,096.00. In addition, it appears that when PDA deposits were made, not all of the funds on hand were being deposited.

Recommendations:

We recommend PDA receipt all funds coming into their possession. Deposit tickets should contain sufficient detail to allow tracing of receipts to deposits. This should include recording of cash, checks and money orders, as well as recording the names associated with checks and money orders. Deposits of all funds coming into PDA possession should be made daily.

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* * * *

Throughout this report there are numerous references to state statutes and legal authorities, which appear to be potentially relevant to issues raised and reviewed by this Office. The State Auditor and Inspector has no jurisdiction, authority, purpose or intent by the issuance of this report to determine the guilt, innocence, culpability or liability, if any, of any person or entity for any act, omission, or transaction reviewed and such determinations are within the exclusive jurisdiction of regulatory law enforcement, and judicial authorities designated by law.

The inclusion of cites to specific statutes or other authorities within this report does not, and is not intended to, constitute a determination or finding by the State Auditor and Inspector that any of the entities, agencies or individuals named in this report acting on behalf of any of the agencies or entities named in this report have violated any statutory requirements or prohibition imposed by law. All cites and/or references to specific legal provisions are included within this report for the sole purpose of enabling the Administration and other interested parties to review and consider the cited provisions, independently ascertain whether or not the entities policies, procedures or practices should be modified or discontinued, and to independently evaluate whether or not the recommendations made by this Office should be implemented.