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STATE OF OKLAHOMA OFFICE OF THE AUDITOR AND INSPECTOR

Jeff A. McMahan State Auditor and Inspector

December 22, 2006

Honorable Thomas Giulioli District Attorney, District 25 McIntosh County Courthouse Eufaula, Oklahoma 74432

Transmitted herewith is a special audit report of the McIntosh County Assessor. We performed our special audit in accordance with the requirements of **74 O.S. 2001**, § **212.H**.

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 office.

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 ensure 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 audit.

Sincerely,

JEFF A. McMAHAN

State Auditor and Inspector

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STATE OF OKLAHOMA OFFICE OF THE AUDITOR AND INSPECTOR

Jeff A. McMahan State Auditor and Inspector

> Honorable Thomas Giulioli District Attorney, District 25 McIntosh County Courthouse Eufaula, Oklahoma 74432

Pursuant to your request and in accordance with the requirements of **74 O.S. 2001, § 212.H**, we have performed a special audit with respect to the McIntosh County Assessor, McIntosh County, Oklahoma, for the period July 1, 2002 through September 26, 2006.

Our special audit primarily included, but was not limited to, the areas outlined as follows:

- We reviewed the Visual Inspection Budgets for fiscal years 2003, 2004, 2005, and 2006 to determine that all billings for revaluation were collected and deposited.
- We reviewed the Visual Inspection Pipeline Budget for fiscal year 2005 to determine that all billings for valuation were collected and deposited.
- We reviewed the receipts and deposits for the Assessor's Official Depository account for the period July 1, 2002 through September 26, 2006, to determine that all funds receipted were deposited.

Our findings and recommendations are presented in the accompanying report.

Because the 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 McIntosh County for the period July 1, 2002 through September 26, 2006. Further, due to the test nature and other inherent limitations of our procedures, 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 does not extend to any financial statements of McIntosh County taken as a whole.

This report is intended to provide information to the District Attorney. This restriction is not intended to limit the distribution of the report, which is a matter of public record when released.

Sincerely,

JEFF A. McMAHAN

State Auditor and Inspector

October 10, 2006

INTRODUCTION

The County Assessor is elected by the qualified voters of the County for a term of four years.

The County Assessor has the responsibility to appraise and assess the real and personal property within the county for the purpose of ad valorem taxation. Also, the County Assessor is required to compute the ad valorem taxes due on all taxable property. The County Assessor appraises all the taxable real and personal property according to its fair cash value for which the property is actually being used as of January 1 of the taxable year at the percentages provided for in Article 10, § 8 of the Oklahoma Constitution.

The County Assessor is required to build and maintain permanent records of the taxable real property and tax exempt real property within the county. Information entered on each record includes the property's legal description, owner's name and address, and the homestead exemption status of the owner.

For the period July 1, 2002 through September 26, 2006, we reviewed all Visual Inspection Budgets, including the Special Pipeline Visual Inspection Budget to determine that payments from other entities were receipted and deposited.

In addition, for the period July 1, 2002 through September 26, 2006, we reviewed all receipts and deposits for the County Assessor's Official Depository account to determine that payments receipted were deposited.

FINDING 1

Criteria: 21 O.S. Supp. 2005, § 1451.A. defines embezzlement as "the fraudulent appropriation of property of any person or legal entity, legally obtained, to any use or purpose not intended or authorized by its owner..."

21 O.S. Supp. 2005, § 1451.C. provides that "Any county or state officer, deputy or employee of such officer, who shall divert any money appropriated by law from the purpose and object of appropriation, shall, upon conviction, be guilty of a felony punishable by imprisonment in the State Penitentiary for a term not less that one (1) year nor more that ten (10) years, and a fine equal to triple the amount of money so embezzled..."

Condition: After obtaining a probable cause affidavit and bank records from the Oklahoma State Bureau of Investigation, we verified that the County Assessor did not deposit into the County General Fund seven (7) school warrants totaling \$102,302.67. Of this amount, \$79,302.67 appears to have been embezzled by the Assessor: \$47,448.67 was received in cash and \$31,854.00 was used to obtain cashier's checks that were deposited into the Assessor's personal checking account. The remaining \$23,000 was used to obtain cashier's checks that were remitted to a vendor for visual inspection services performed.

- On March 11, 2005, Indian Capital Technical Center warrant number 6146 for \$9,044.75 was endorsed by the Assessor and cashed at a local bank. Cash was received and no part of this amount was deposited.
- On June 23, 2005, Checotah Public School warrant number 5147 for \$16,976.90 was endorsed by the Assessor and cashed at a local bank. \$5,976.90 was received in cash. A cashier's check for \$11,000 was obtained and remitted to a vendor.
- On July 20, 2005, Warner Public School warrant number 116 for \$862.84 was endorsed by the Assessor and cashed at the drive-in of the local bank. Cash was received and no part of this amount was deposited.
- On August 12, 2005, Eufaula Public School warrant number 106 for \$15,836.96 was endorsed by the Assessor and cashed at a local bank. \$9,836.96 was received in cash. A cashier's check for \$6,000 was obtained and remitted to a vendor.
- On September 20, 2005, Eufaula Public School warrant number 555 for \$15,836.96 was endorsed by the Assessor and cashed at a local bank. \$9,836.96 was received in cash. A cashier's check for \$6,000 was obtained and remitted to a vendor.
- On November 10, 2005, Warner Public School warrant number 910 for \$2,089.39 was endorsed by the Assessor and cashed at a local bank. Cash was received and no part of this amount was deposited.
- On December 12, 2005, Checotah Public School warrant number 2028 for \$41,654.87 was endorsed by the Assessor and cashed at a local bank. \$9,800.87 was received in cash. Two cashier's checks were obtained in the amounts of \$12,729 and \$19,125. These cashier's checks were deposited into the Assessor's personal checking account on December 27, 2005 and January 9, 2006, respectively.

(See a schedule of warrants at Exhibit "A" and photocopies of warrants and endorsements at Exhibit "B.")

Recommendation: We recommend the District Attorney review this finding to determine what action may be necessary.

FINDING 2

Criteria: 21 O.S. Supp. 2005, § 1451.A. defines embezzlement as "the fraudulent appropriation of property of any person or legal entity, legally obtained, to any use or purpose not intended or authorized by its owner..."

21 O.S. Supp. 2005, § 1451.C. provides that "Any county or state officer, deputy or employee of such officer, who shall divert any money appropriated by law from the purpose and object of appropriation, shall, upon conviction, be guilty of a felony punishable by imprisonment in the State Penitentiary for a term not less that one (1) year nor more that ten (10) years, and a fine equal to triple the amount of money so embezzled..."

Condition: We reviewed the Assessor's Official Depository receipts and deposit tickets for the period July 1, 2002 through September 26, 2006.

- Receipt numbers 2201 to 2246 were removed from the bound copy of the receipt book. Also, receipt books for the number sequences of 2251 to 3500 and 3751 to 4000 could not be located. See Exhibit "C."
- A total of \$1,820 of cash receipts were not deposited into the Official Depository account for the period of April 29, 2005 to November 30, 2005. See Exhibit "D."

Recommendation: We recommend the District Attorney review this finding to determine what action may be necessary.

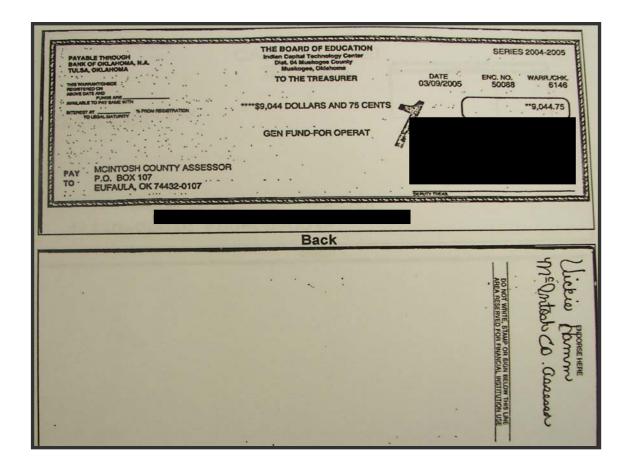
Exhibit "A"

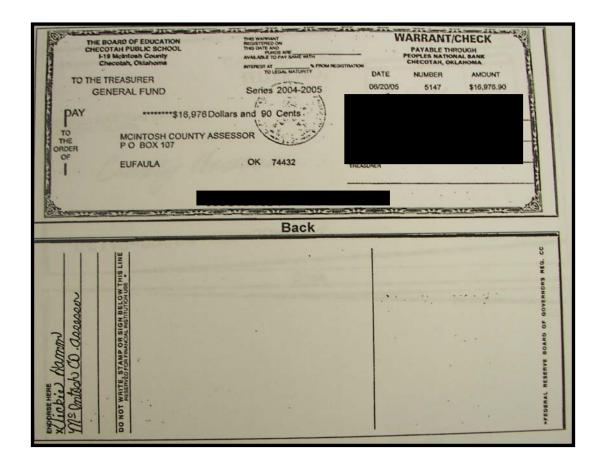
The County Assessor did not deposit into the County General Fund seven (7) school warrants totaling \$102,302.67. Of this amount, \$79,302.67 appears to have been embezzled by the Assessor: \$47,448.67 was received in cash and \$31,854.00 was used to obtain cashier's checks that were deposited into the Assessor's personal checking account. The remaining \$23,000 was used to obtain cashier's checks that were remitted to a vendor for visual inspection services performed.

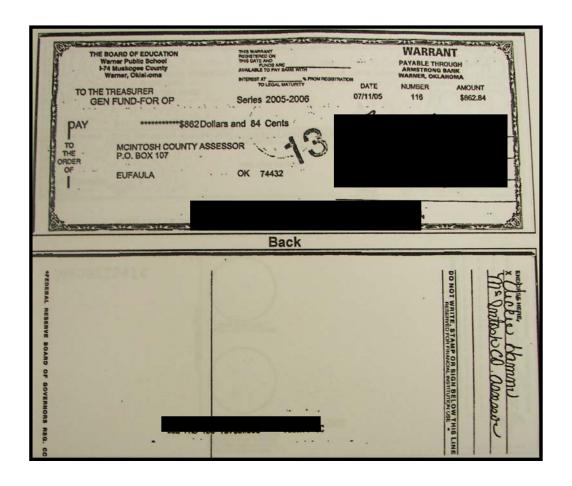
| | Warrant | Warrant | Warrant | | Received |] | Cashier's Checks Deposited n Personal | | Cashier's Checks Remitted to | | Total Missing |
|-----------------------------|---------|-------------|------------|----|-----------|----|--|----|------------------------------------|----|------------------|
| School | Number | Date | Amount | | in Cash | | Account | | Vendor | | Funds |
| Indian Capital Tech. Center | 6146 | 3/9/2005 \$ | 9,044.75 | \$ | 9,044.75 | \$ | - | \$ | - | \$ | 9,044.75 |
| Checotah Public School | 5147 | 6/20/2005 | 16,976.90 | | 5,976.90 | | - | | 11,000.00 | | 5,976.90 |
| Warner Public School | 116 | 7/11/2005 | 862.84 | | 862.84 | | - | | - | | 862.84 |
| Eufaula Public School | 106 | 8/9/2005 | 15,836.96 | | 9,836.96 | | - | | 6,000.00 | | 9,836.96 |
| Eufaula Public School | 555 | 9/16/2005 | 15,836.96 | | 9,836.96 | | - | | 6,000.00 | | 9,836.96 |
| Warner Public School | 910 | 11/7/2005 | 2,089.39 | | 2,089.39 | | - | | - | | 2,089.39 |
| Checotah Public School | 2028 | 12/7/2005 | 41,654.87 | | 9,800.87 | | 31,854.00 | | - | | 41,654.87 |
| | | ¢ | 100 200 67 | Φ | 17 119 67 | Φ | 21 954 00 | Φ | 22 000 00 | Φ | 70 202 67 |

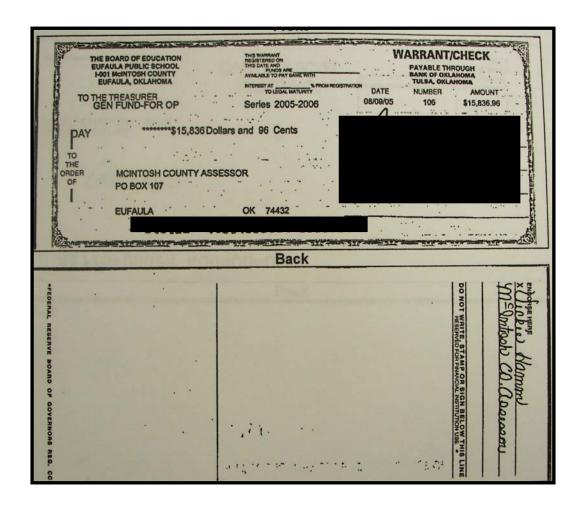
Exhibit "B"

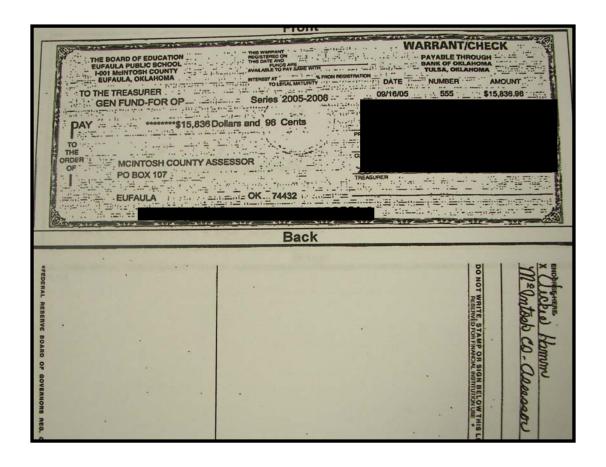
The following are photocopies of the seven warrants that were not deposited into the County General Fund. The Assessor endorsed the warrants.



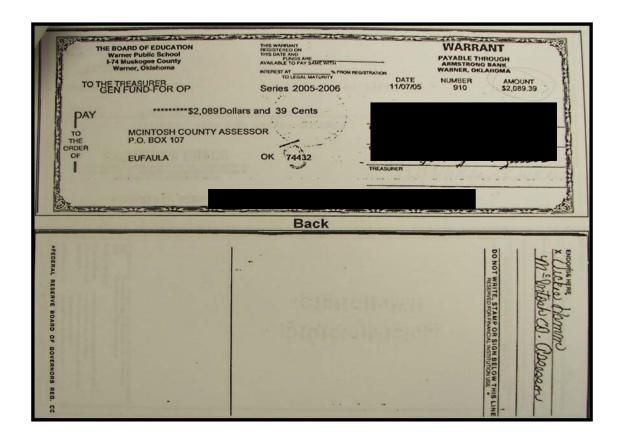




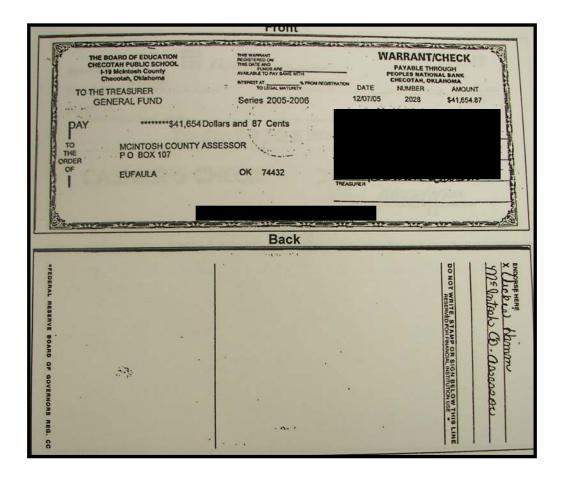




10



11



12

Exhibit "C"

Receipt numbers 2201 to 2246 were removed from the bound copy of the receipt book. Also, receipt books for the number sequences of 2251 to 3500 and 3751 to 4000 could not be located. The following deposits were made during this period.

Number Sequence 2201 to 3500

| Date of | Amount of |
|------------|-----------|
| Deposit | Deposit |
| 1/30/04 \$ | 359.00 |
| 2/4/04 | 263.00 |
| 2/27/04 | 482.00 |
| 3/9/04 | 280.00 |
| 3/31/04 | 415.65 |
| 4/30/04 | 538.00 |
| 5/21/04 | 136.00 |
| 5/28/04 | 430.00 |
| 6/30/04 | 388.00 |
| 7/20/04 | 237.00 |
| 7/30/04 | 72.00 |
| 8/23/04 | 121.00 |
| 8/31/04 | 146.00 |
| 9/13/04 | 81.00 |
| 9/16/04 | 110.00 |
| 9/30/04 | 123.00 |
| 10/8/04 | 188.00 |
| 10/15/04 | 110.00 |
| 10/28/04 | 317.00 |
| 11/8/04 | 154.00 |
| 11/30/04 | 252.00 |
| 12/10/04 | 117.00 |
| 12/30/04 | 59.00 |
| 1/12/05 | 99.00 |
| 1/26/05 | 22.00 |
| 1/31/05 | 67.00 |
| 2/9/05 | 65.00 |
| 2/28/05 | 174.00 |
| 3/24/05 | 192.00 |
| 3/31/05 | 100.00 |
| 4/25/05 | 219.00 |
| \$ | 6,316.65 |

Exhibit "C" (continued)

Number Sequence 3751 to 4000

| Date of Deposit | Amount of Deposit |
|--------------------|-------------------|
| 12/28/05 \$ | 466.00 |
| 12/30/05 | 108.00 |
| 1/18/06 | 279.00 |
| 1/31/06 | 466.00 |
| 2/10/06 | 226.00 |
| 2/28/06 | 355.00 |
| 3/20/06 | 354.58 |
| 3/31/06 | 169.00 |
| 4/18/06 | 257.00 |
| 4/28/06 | 159.00 |
| 5/11/06 | 325.00 |
| 5/31/06 | 247.00 |
| 6/19/06 | 231.00 |
| 6/30/06 | 299.07 |
| 7/31/06 | 235.00 |
| 8/31/06 | 233.00 |
| \$ | 4,409,65 |

Exhibit "D"

For the period April 29, 2005 through November 30, 2005, a total of \$1,820 of cash receipts were not deposited into the Official Depository account.

| Deposit | Deposit | Checks | | Cash | | Cash | Cash Not | | |
|------------|----------|----------------|----------|--------|--------------|----------|-----------|----------|--|
| Date | Amount | Deposited | eposited | | ed Receipted | | Deposited | | |
| 4/29/05 \$ | 66.00 | \$ 33.00 | \$ | 33.00 | \$ | 78.00 | \$ | 45.00 | |
| 5/6/05 | 175.00 | 166.00 | | 9.00 | | 80.00 | | 71.00 | |
| 5/10/05 | 119.35 | 119.35 | | - | | 29.00 | | 29.00 | |
| 5/20/05 | 39.00 | 39.00 | | - | | 246.00 | | 246.00 | |
| 5/31/05 | 185.00 | 181.00 | | 4.00 | | 9.00 | | 5.00 | |
| 6/15/05 | 105.00 | 99.00 | | 6.00 | | 237.00 | | 231.00 | |
| 6/30/05 | 303.28 | 290.28 | | 13.00 | | 153.00 | | 140.00 | |
| 7/19/05 | 85.00 | 85.00 | | - | | 108.00 | | 108.00 | |
| 7/29/05 | 202.00 | 185.00 | | 17.00 | | 151.00 | | 134.00 | |
| 8/8/05 | 153.00 | 153.00 | | - | | 92.00 | | 92.00 | |
| 8/31/05 | 281.21 | 137.21 | | 144.00 | | 112.00 | | (32.00) | |
| 9/9/05 | 175.00 | 164.00 | | 11.00 | | 188.00 | | 177.00 | |
| 9/21/05 | 152.05 | 152.05 | | - | | 148.00 | | 148.00 | |
| 9/30/05 | 107.00 | 64.00 | | 43.00 | | 67.00 | | 24.00 | |
| 10/13/05 | 95.00 | 95.00 | | - | | 118.00 | | 118.00 | |
| 10/31/05 | 272.21 | 248.21 | | 24.00 | | 100.00 | | 76.00 | |
| 11/10/05 | 187.00 | 187.00 | | - | | 124.00 | | 124.00 | |
| 11/22/05 | 90.00 | 90.00 | | - | | 95.00 | | 95.00 | |
| 11/30/05 | 27.00 | 14.00 | | 13.00 | | 2.00 | | (11.00) | |
| \$ | 2,819.10 | \$ 2,502.10 | \$ | 317.00 | \$ | 2,137.00 | \$ | 1,820.00 | |

^{*}Note* - Negative amounts in far right column indicate more cash deposited than receipted for the noted deposit.