



Special Audit Oklahoma Tax Commission

Oklahoma County

December 2006 through July 2007



Office of the Oklahoma State Auditor and Inspector
Jeff A. McMahan, CFE

OKLAHOMA TAX COMMISSION
OKLAHOMA COUNTY
SPECIAL AUDIT REPORT
DECEMBER 2006 THROUGH JULY 2007

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

Jeff A. McMahan
State Auditor and Inspector

August 21, 2007

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

Transmitted herewith is the Special Audit Report of the Oklahoma Tax Commission. We performed our special audit in accordance with the requirements of **74 O.S. 2001, § 18(f)**.

A report of this type tends to be critical in nature. Failure to report commendable features in the present accounting and operating procedures of the entity should not be interpreted to mean they do not exist.

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 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 special audit.

Sincerely,

A handwritten signature in blue ink that reads "Jeff A. McMahan".

JEFF A. McMAHAN, CFE
State Auditor and Inspector

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**OKLAHOMA TAX COMMISSION
OKLAHOMA COUNTY
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COMMISSION MEMBERS

Thomas Kemp..... Chairman
Jerry Johnson Vice Chairman
Constance Irby Secretary – Member

AGENCY ADMINISTRATOR
Tony Mastin



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

Jeff A. McMahan
State Auditor and Inspector

Mr. Tony Mastin, Agency Administrator
Oklahoma Tax Commission
2501 N. Lincoln Blvd.
Conners Bldg, Capitol Complex
Oklahoma City, Oklahoma 73194

Dear Mr. Mastin:

Pursuant to the Attorney General's request and in accordance with the requirements of **74 O.S. 2001, § 18(f)**, we performed a special audit with respect to the Oklahoma Tax Commission for the period December 2006 through July 2007.

The objectives of our special audit primarily included, but were not limited to, possible misappropriation of money. Our findings and concerns related to these procedures are presented in the accompanying report.

Because the above procedures do not constitute an audit in accordance with generally accepted auditing standards, we do not express an opinion on the account balances or financial statements of the Oklahoma Tax Commission. 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 Oklahoma Tax Commission.

This report is intended solely for the information and use of the Attorney General and the Oklahoma Tax Commission 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,

A handwritten signature in blue ink that reads "Jeff A. McMahan".

JEFF A. McMAHAN, CFE
State Auditor and Inspector

August 6, 2007

Introduction

The Oklahoma Tax Commission (“OTC”) is responsible for the administration and enforcement of state tax laws, the collection of a majority of all state-levied taxes, fees and licenses; and the subsequent apportionment and allocation of revenues earmarked to various state agencies and local units of government.

The Commission is composed of three members who are appointed by the Governor with the consent of the Oklahoma Senate. Each member of the commission is appointed to a six-year term.

In July 2007, auditors from the State Auditor and Inspector’s Office (“SA&I”) began performing an end-of-year cash test on funds received by OTC. During this test, our auditors discovered \$500.00, in cash, was missing from the July 3, 2007 deposit.

Subsequent to that discovery, our auditors informed OTC officials of the missing cash. The SA&I staff, along with OTC officials, began investigating the missing funds. An investigator for OTC was alerted and also became involved in the investigation.

Ultimately, one of the OTC cashiers was identified as a potential suspect. OTC Investigator Tommy Marvell, interviewed OTC cashier Pebbles Juanita Clayton, who, according to Marvell, stated that she had improperly taken money from OTC funds.

On July 25, 2007, Pebbles Juanita Clayton, a cashier for OTC, was charged in the District Court of Oklahoma County, with six counts of embezzlement by a public officer.

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Concern:

- Embezzlement of public funds.

Findings:

- Cash, in the amount of \$27,743.77, is missing.

Money from motor vehicle registrations is collected at the Connors building and the 28th Street building each day. At the close of each day, each location prepares a "report of collections". Each report reflects the total amount of collections for each day as well as the cash and check composition. The reports from the Connors building collections and the 28th Street collections are then combined into a single combined report reflecting the total amount of cash and checks deposited into the OTC accounts.

We obtained copies of each individual report used to create the combined report to verify the amounts reported on the combined report were supported by each individual report.

21 O.S. Supp. 2004, § 1451A.4 states:

A. Embezzlement is 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, or the secretion of the property with the fraudulent intent to appropriate it to such use or purpose, under any of the following circumstances:

* * *

4. Where the property is to be used for a public or benevolent purpose;

* * *

Embezzlement does not require a distinct act of taking, but only a fraudulent appropriation, conversion or use of property.

We found, in many instances, the total amount of cash reflected on the combined report was less than the amount of cash reflected on the individual reports. For example, the collection reports for March 1, 2007 reflected cash collections of \$2,191.06 and \$413.00 from the 28th Street building and the Connors building, respectively. However, the combined report reflected a total cash collection of \$1,904.06, a shortage of \$700.00.

28th Street Collections	Connors Bldg Collections	Combined Collections
CASH <u>2191.06</u>	CASH <u>413.00</u>	CASH <u>1904.06</u>
CHECKS <u>8405.25</u>	CHECKS <u>3011.00</u>	CHECKS <u>11,416.25</u>
TOTAL <u>10,596.31</u>	TOTAL <u>3424.00</u>	TOTAL <u>13,300.31</u>
<u>YAH/msd</u> SIGNATURE/DIVISION	<u>gc</u> SIGNATURE/DIVISION	<u>gc</u> SIGNATURE/DIVISION

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Beginning on December 29, 2006 and continuing through July 10, 2007, we noted a pattern of incorrect combined collection reports. On December 29, 2007, a combined collection report reflected the cashiers at the Connors building and the 28th Street building had collected \$879.81 in cash. The individual reports from each of these locations reflected a total cash collection of \$1,167.81 and \$12.00 (\$1,179.81 total). The combined report reflected a shortage of \$300.00 cash.

We noted a shortage of \$1,340.00 in cash, in the February 2007 reports, as reflected in the table that follows.

	28th Street	Connors Building	Actual	Reported	Variance
2/12/2007	\$ 1,500.00	\$ 414.55	\$ 1,914.55	\$ 1,614.55	\$ (300.00)
2/14/2007	\$ 340.00	\$ 0.50	\$ 340.50	\$ 300.50	\$ (40.00)
2/27/2007	\$ 1,778.72	\$ 6.75	\$ 1,785.47	\$ 1,285.47	\$ (500.00)
2/28/2007	\$ 1,327.75	\$ 2.20	\$ 1,329.95	\$ 829.95	\$ (500.00)
				Total	\$ (1,340.00)

From December 29, 2006 through July 10, 2007, we noted that cash, in the amount of \$27,743.77, was not deposited into the OTC bank accounts. The following table reflects the amounts reported by the two collection sites (28th Street and the Connors Building), the actual amount collected, and the total amount reported on the combined collection reports.

	28th Street	Connors Bldg	Actual	Reported	Variance
December 2006	\$ 1,167.81	\$ 12.00	\$ 1,179.81	\$ 879.81	\$ (300.00)
February 2007	\$ 4,946.47	\$ 424.00	\$ 5,370.47	\$ 4,030.47	\$ (1,340.00)
March 2007	\$ 20,025.30	\$ 1,490.03	\$21,515.33	\$ 16,487.33	\$ (5,028.00)
April 2007	\$ 26,914.12	\$ 1,443.50	\$28,357.62	\$ 22,132.85	\$ (6,224.77)
May 2007	\$ 26,921.28	\$ 3,453.25	\$30,374.53	\$ 22,413.53	\$ (7,961.00)
June 2007	\$ 17,475.60	\$ 2,151.81	\$19,627.41	\$ 14,987.41	\$ (4,640.00)
July 2007	\$ 9,276.28	\$ 1,685.50	\$10,961.78	\$ 8,711.78	\$ (2,250.00)
				Total	\$ (27,743.77)

Subsequent to the discovery of the missing funds, the OTC immediately implemented additional controls and procedures. These procedures include independently printed reports and reconciliation of reports by supervisory personnel. Further, the 28th Street collection site has been closed and the combined deposit and reporting has been eliminated.

Recommendation:

We recommend the appropriate legal authority determine what action, if any, may be required.

Protecting Your Tax Dollars



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