

**TULSA COUNTY SHERIFF'S SALES**  
**TULSA COUNTY**  
**SPECIAL AUDIT REPORT**  
**JULY 1, 1999 THROUGH DECEMBER 31, 2002**

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STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN  
State Auditor and Inspector

March 3, 2003

Honorable Tim Harris  
District Attorney-District No. 14  
500 S. Denver, Rm 406  
Tulsa, Oklahoma 74103

Transmitted herewith is the Special Audit Report of the Tulsa County Sheriff's Sales, Tulsa County, Oklahoma. We performed our special audit in accordance with the requirements of **74 O.S. 2001, § 212**.

A report of this type is critical in nature; however, we do not intend to imply that our report failed to disclose commendable features.

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 cursive script that reads "Jeff A. McMahon".

JEFF A. McMAHAN  
State Auditor and Inspector

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OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN  
State Auditor and Inspector

Tulsa County  
County Administration Building  
500 South Denver Avenue  
Tulsa, Oklahoma 74103

Pursuant to the District Attorney's request and in accordance with the requirements of **74 O. S. 2001, § 212**, we performed the procedures enumerated below with respect to the Tulsa County Sheriff's Sales, Tulsa County, Oklahoma, for the period July 1, 1999 through December 31, 2002.

The objectives of our special audit primarily included, but were not limited to, the purchase of Sheriff's Sale properties by a Sheriff's appointed appraiser. Our findings and recommendations related to these procedures 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 County for the period July 1, 1999 through December 31, 2002. Further, due to the test nature and inherent limitations of this special audit, 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 the County taken as a whole.

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

Sincerely,

A handwritten signature in cursive script that reads "Jeff A. McMahon".

JEFF A. McMAHAN  
State Auditor and Inspector

February 6, 2003

## CONCERNS, FINDINGS AND RECOMMENDATIONS

**CONCERN:** *Possible irregularities in the purchase of Sheriff's Sale properties, by a Sheriff's appointed appraiser.*

**FINDINGS:** This is a summary of findings noted during our review of Tulsa County Sheriff Sale appraiser, Chad Stites, pursuant to a Tulsa County District Attorney's request, dated October 2, 2002:

We examined approximately 730 cases wherein Chad Stites and his team of appraisers valued property for a Sheriff's Sale. We noted six (6) cases that had irregularities. Chad Stites d/b/a Real Property Dynamics, Inc., made one purchase and attempted to make a second. They are as follows:

**Case # CJ-98-2625** - Chad Stites' appraiser team valued property at \$30,000 for a Sheriff's Sale on April 21, 1999. The sale was vacated and re-issued for a second sale on January 29, 2002. Another appraisal team valued the property for \$57,000. Chad Stites bid at the Sheriff's Sale for Real Property Dynamics, Inc. on March 19, 2002 and was highest bidder in the amount of \$66,000. Real Property Dynamics remitted 10% deposit for property on March 21, 2002 (two days later) in the amount of \$6,600. On June 6, 2002, Real Property Dynamic's Inc. requested written notice for the Confirmation of Sale. Chad Stites signed the notice as President of Real Property Dynamics Inc. A motion was entered to vacate the sale and reimburse Real Property Dynamics, Inc. the 10% deposit.

**Case # CJ-2001-220** – On May 16, 2001, Chad Stites and his team of appraisers valued property for a Sheriff's Sale in the amount of \$21,000. Real Property Dynamic's Inc. purchased the property at a Sheriff's Sale on June 28, 2001 in the amount of \$18,500. Chad Stites remitted both the 10% deposit and the 90% remainder of funds to the Court Clerk for a Sheriff's Deed. Land Records indicate that Chad Stites never filed a Sheriff's Deed with the County Clerk's office showing legal title of the property. Property records still reflect the Defendant as legal owner of the property.

On September 19, 2002, Judge Frizzell ordered the Sale to be vacated. Judge Frizzell filed an order on December 18, 2002 stating, "It is therefore ordered, adjudged and decreed that the purchase of the real property at the Sheriff's Sale held on June 28, 2001 by Real Property Dynamics, Inc. is *fraudulent and void*, the Order Confirming Sheriff's Sale and Disbursing Funds is hereby vacated, the Sheriff's Deed issued to Real Property Dynamics, Inc. is hereby cancelled, the payor at the previous sale shall be reimbursed as set forth above, and the property shall be resold at Sheriff's Sale." The second appraisal team valued the above property for \$35,000, a \$14,000 difference, higher than the original appraisal.

- In addition, Chris Shaw, Managing Principal for Real Property Dynamic's Inc., attempted to purchase property for Real Property Dynamic's Inc. The following case reflects the proceedings:

**Case # CJ-2000-1279** - On July 12, 2000, Chad Stites' appraisal team valued property for a Sheriff's Sale in the amount of \$57,000. Chris Shaw bid at the sale for Real Property Dynamic's Inc. and was highest bidder in the amount of \$38,000 on August 24, 2000. Real Property Dynamics Inc. remitted the 10% deposit on August 28, 2000 (four days later). Court ordered the sale vacated on August 31, 2000 and Real Property Dynamic's Inc. was refunded their deposit.

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- The remaining three (3) cases were Sheriff Sale purchases by Chris Shaw (whom at the time was engaged to marry Chad Stites daughter and an employee of Real Property Dynamics, Inc., see **Note** on following case) and C. Fred Stites, the father of Chad Stites. They are as follows:

**Case # CJ-98-2627** – Chad Stites and his appraisal team valued property for a Sheriff's Sale on April 21, 1999 in the amount of \$30,000. Chris Shaw was awarded the property as highest bidder in the amount of \$45,000 at the Sheriff's Sale on June 1, 1999. Chris Shaw remitted the 10% deposit on June 1, 1999. On August 26, 1999, Chris Shaw filed the Sheriff's Deed in the County Clerk's office after complete payment was remitted for property. A Quit Claim Deed was filed by Chris Shaw on September 3, 1999, deeding the property to Chad F. Stites and Lynda M. Stites for the sum of \$1.00. Land records reflect Chad F. Stites and Lynda M. Stites as legal owners of said property.

**Note:** The Tulsa County Sheriff's office (Captain George Haralson) conducted their own investigation into the Chad Stites case. The offense report states, "At the time of sale, Chris Shaw was engaged to marry Chad Stites daughter." The address of the above property is 3404 E. 33<sup>rd</sup> St. (also known as 3400 E. 33<sup>rd</sup> St. per land records). The offense report further states, "Stites remodeled this property and moved his offices into said location. It is currently the office for Real Property Dynamics Inc, Appraisers for Tulsa Inc., Statewide Appraisers and the office which both Stites and Shaw work in."

**Case # CJ-99-4504** – On December 29, 1999, Chad Stites and his appraisal team valued property for a Sheriff's Sale in the amount of \$42,000. Fred Stites purchased the property at the Sheriff's Sale on February 8, 2000, in the amount of \$48,500. Fred Stites remitted the 10% deposit on February 9, 2000, but failed to pay the remaining 90% (\$43,650) with District Court prior to the Confirmation of Sale hearing on March 7, 2000. The sale was vacated and the 10% deposit was forfeited to the Plaintiff as "liquidated damages".

The defendants filed a Quit Claim Deed with the County Clerk's office on March 20, 2000 deeding the said property to C. Fred Stites for the sum of \$10.00. Two months later on May 24, 2000, C. Fred Stites granted a General Warranty Deed to Real Property Dynamics, Inc. (an Oklahoma Corporation) for the sum of \$1,000 (approx.). Chad Stites granted, as President of Real Property Dynamics, Inc., a General Warranty Deed to Ed and Pamela Moen on October 5, 2000 for approximately \$68,000 (less than one (1) year after appraising the property for \$42,000).

**Case # CJ-94-3122** – C. Fred Stites was the Plaintiff in this case. Chad Stites and his appraisal team valued the property for a Sheriff's Sale on February 28, 1996 in the amount of \$18,000. C. Fred Stites, Plaintiff, was awarded the property as highest bidder at the Sheriff's Sale on April 11, 1996, for the amount of \$12,000.

It appears the following statutes may have been violated:

**12 O.S. 2001, § 759(B)** states in pertinent part,

"[T]he sheriff shall endorse on the face of the writ the legal description and shall have three *disinterested persons* who have taken an oath to impartially appraise the property levied on, upon actual view; and the *disinterested persons* shall return to the officer their signed estimate of the real value of the property." (ea)

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In addition **12 O.S. 2001, § 769** states in part,

"No sheriff or other officer making the sale of property, either personal or real, *nor any appraiser* of such property, shall either directly or indirectly, purchase the same; and every purchase so made shall be considered fraudulent and void." (ea)

During our examination, we noted numerous instances where we could not trace a Sheriff's Deed filed in the property history records in the County Clerk's office, automatically "clouding" the title to the property. By not filing the Sheriff's Deed, the property records do not indicate Chad Stites involvement in any way.

Furthermore, **12 O.S. 2001, § 751**, states in pertinent part,

**"Levy on goods and chattels, then on realty—Sale of lands subject to liens—Appraisalment**

... If the appraisal reveals any equity in excess of such mortgage or liens, the lands and tenements *may be sold*, subject to such mortgage or liens, stated in the appraisal. If the appraisal reveals no equity, the lands and tenements of the debtor *shall not be sold*." (ea)

Case **CJ-98-2627** (noted above) was appraised at \$30,000. The defendant owed a judgment of \$42,304.12.

Case **CJ-2001-220** (noted above) was appraised at \$21,000. The defendant owed a judgment of \$45,000.

Other numerous instances were noted by our office, where judgments were greater than the appraisal and subsequently sold at a Sheriff's Sale.

Additionally, cases **CJ-98-2625** and **CJ-2000-1279** appear to be contrary to **12 O.S. 2001, § 757 B (1)** which states,

"If a purchaser other than the party causing the execution to be issued, when required by the sheriff, fails to post cash or certified fund equal to ten percent (10%) of the amount bid for the property within twenty-four (24) *hours of sale*, excluding Sundays and legal holidays, or otherwise fails to complete the sale, the sheriff may proceed with the sale and may accept the next highest bid." (ea)

While tracing actual receipts for the 10% deposit, to ensure the payment was made within the twenty-four (24) hour time frame, we noted the Sheriff's office does not document the actual time and date the payment was made to their department. We were informed by the Sheriff's office that the buyer remits their deposit to them and the Sheriff's office in turn carries the payment and the Sheriff's Return to the Court Clerk's office where it is then receipted and filed. The Sheriff's office also stated that they would not receipt the monies because the check is written to the Tulsa County Court Clerk's office. The problem with this procedure is that even though the deposit may have been made on a timely basis, we have no other documentation to support the transaction other than the Court Clerk's dated receipt, which may be entered into their system at a later date. In addition, the liability of the Sheriff's Office is threatened, when they receive the monies without giving the buyer documentation, in the event the monies fail to reach the Court Clerk's office. It will be the purchaser's word against the Sheriff's deputy's word that a payment had been remitted/received.

We have recommended to the Sheriff's Sale Deputies to time/date stamp on the Sheriff's Return when the 10% deposit is remitted to the Sheriff's Office before filing the document with the Court Clerk's office. In addition, a 10% deposit receipt book should be implemented, regardless to whom the monies (ie cashiers check, money order, etc.) are submitted. This would establish a safeguard for the Sheriff's office and ensure that the provisions set forth in **12 O.S. 2001, § 757(B)(1)** are achieved.

- A search of land records indicated 19 other properties purchased at a Sheriff's Sale by Real Property Dynamics, Inc.; however, Chad Stites was not the appointed appraiser. Court Clerk receipts indicate that approximately 13 deposits (10%) for the above-noted properties were not remitted within the twenty-four (24) hour period as prescribed by statute. Furthermore, land records did not reflect one (1) property that was sold at a Sheriff's Sale purchased by Real Property Dynamic's Inc. This was due to the Sheriff's Deed never being filed with the County Clerk's office. Again, "clouding" the property's title for future buyers by having no indication of Real Property Dynamic's Inc. interest in the said property.

Our office noted other possible irregularities while conducting our examination of the Tulsa County Sheriff's Sales process, but due to time restraints, it was not feasible to expand our scope.

It appears the following statutes may have been violated.

#### **21 O.S. 2001, § 421(A)(4)(B)(C), Conspiracy–Definition–Punishment**

"A. If two or more persons conspire, either:

\* \* \*

4. To cheat and defraud any person of any property by any means which are in themselves criminal, or by any means which, if executed, would amount to a cheat or to obtaining money or property by false pretenses; or

\* \* \*

B. Except in cases where a different punishment is prescribed by law the punishment for conspiracy shall be a misdemeanor unless the conspiracy is to commit a felony.

C. Conspiracy to commit a felony shall be a felony and is punishable by payment of a fine not exceeding Five Thousand Dollars (\$5,000.00), or by imprisonment in the State Penitentiary for a period not exceeding ten (10) years, or by both such fine and imprisonment."

#### **21 O.S. 2001, § 1542(A). Obtaining property or signature under false pretenses–Use of retail sales receipt or Universal Price Code Label to cheat or defraud**

"A. Every person who, with intent to cheat or defraud another, designedly, by color or aid of any false token or writing, or other false pretense, obtains the signature of any person to any written instrument, or obtains from any person any money or property, is punishable by imprisonment in the penitentiary not exceeding three (3) years or in the county jail not exceeding one (1) year, or by a fine not exceeding three times the value of the money or property so obtained, or by both such fine and imprisonment."

\* \* \*

Throughout this report there are numerous references to state statutes and legal authorities which appear to be potentially relevant to issues raised by the requesting parties 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.

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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 individuals named in this report violated any statutory requirement 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 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.