

LEGISLATIVE AUDITOR

STATE OF LOUISIANA



WEBSTER PARISH TAX ASSESSOR

AUDIT REPORT
ISSUED JUNE 2, 2004

**LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397**

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STEVE J. THERIOT, CPA
LEGISLATIVE AUDITOR

OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA 70804-9397

1600 NORTH THIRD STREET
POST OFFICE BOX 94397
TELEPHONE: (225) 339-3800
FACSIMILE: (225) 339-3870
www.lla.state.la.us

June 2, 2004

HONORABLE KERRY O. BURNS
WEBSTER PARISH TAX ASSESSOR
Minden, Louisiana

We have audited certain transactions of the Webster Parish Tax Assessor in accordance with Title 24 of the Louisiana Revised Statutes. Our audit was performed to determine whether the assessor had failed to deposit public funds into the assessor's accounts.

Our audit consisted primarily of inquiries and the examination of selected financial records and other documentation. The scope of our audit was significantly less than that required by *Government Auditing Standards*; therefore, we are not offering an opinion on the Webster Parish Tax Assessor's financial statements or system of internal control nor assurance as to compliance with laws and regulations. Also, as part of our audit, we applied our *Checklist of Best Practices in Government* to the procedures and practices of the Webster Parish Assessor.

The accompanying report presents our finding and recommendations as well as management's response. Copies of this report have been delivered to the Honorable Schuyler Marvin, District Attorney for the Twenty-sixth Judicial District of Louisiana, and others as required by state law.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Grover C. Austin", is written over a printed name.

Grover C. Austin, CPA
First Assistant Legislative Auditor

JM:DGP:dl

[WEBAS04]

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During the period November 1994 through December 2003, a total of 71 checks payable to the Webster Parish Tax Assessor’s office totaling \$105,430 were either cashed and not deposited into the assessor’s office accounts or deposited into accounts not belonging to the assessor’s office. Of these checks, we noted the following:

1. Thirty-nine checks totaling \$42,970 were prepared by municipalities to pay for preparing the tax rolls and tax notices.
2. Eight checks totaling \$57,043 were prepared by the Webster Parish Sheriff’s office to pay for the use of a database, computer, and copier and to prepare tax notices.
3. Five checks totaling \$3,263 were prepared by fire districts to pay for preparing fire parcel fee notices.
4. Nineteen checks totaling \$2,154 were prepared by various businesses and individuals to pay for copies of maps and the tax rolls.

The assessor’s office records revealed that no cash was deposited during the period August 1994 through December 2003. Ms. Denise Edwards, former bookkeeper, and Ms. Cynthia Sibole, current bookkeeper, stated that they have never made cash deposits into any assessor’s office bank account.

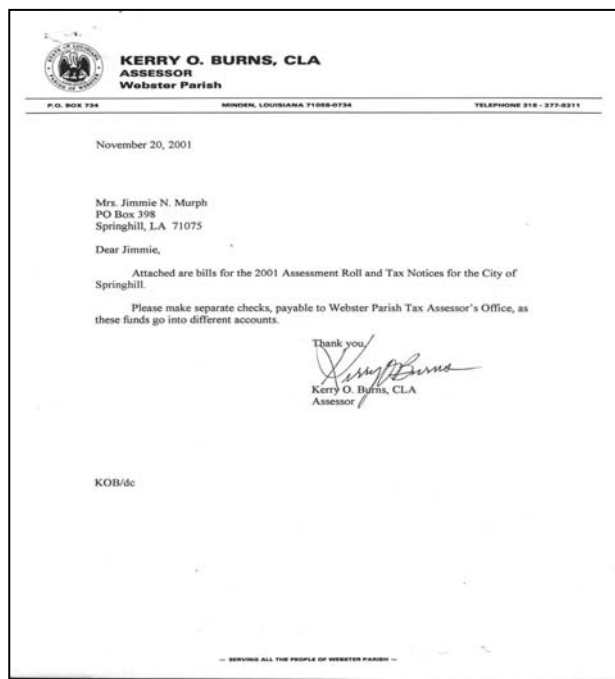
In addition, Mr. Kerry O. Burns, Webster Parish Tax Assessor, may have violated Article VII, Section 14 of the Louisiana Constitution by:

- (1) purchasing a Gateway computer with public funds, having it delivered to an employee’s home, and allowing it to be used for personal purposes;
- (2) paying employees before the end of the pay period; and
- (3) paying for the office Christmas party with public funds.

Finally, Mr. Burns purchased a 4-wheeler and trailer with public funds that does not appear to have a public purpose.

Checks Prepared by Municipalities

The assessor prepares tax rolls and tax notices for all of the municipalities in Webster Parish.¹ The assessor bills the municipalities through two separate invoices--one for the tax rolls and one for the tax notices. The tax rolls, notices, and invoices are hand delivered to each municipality along with a letter that instructs each municipality to “please make separate checks, payable to the Webster Parish Tax Assessor’s office, as these funds go in different accounts.”



¹ Except the City of Minden, which only receives the tax rolls.



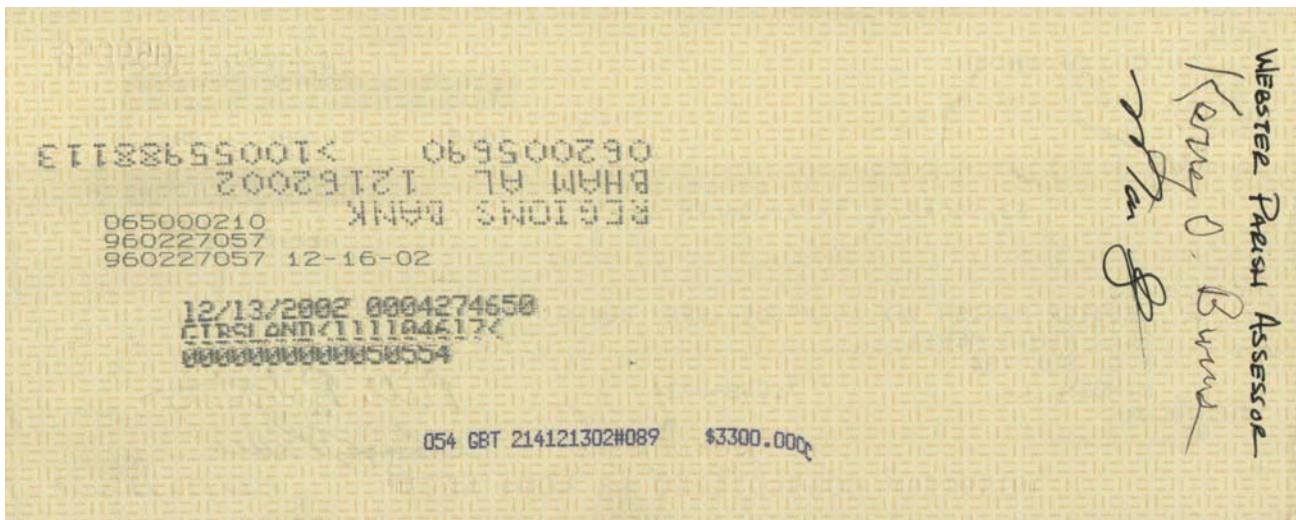
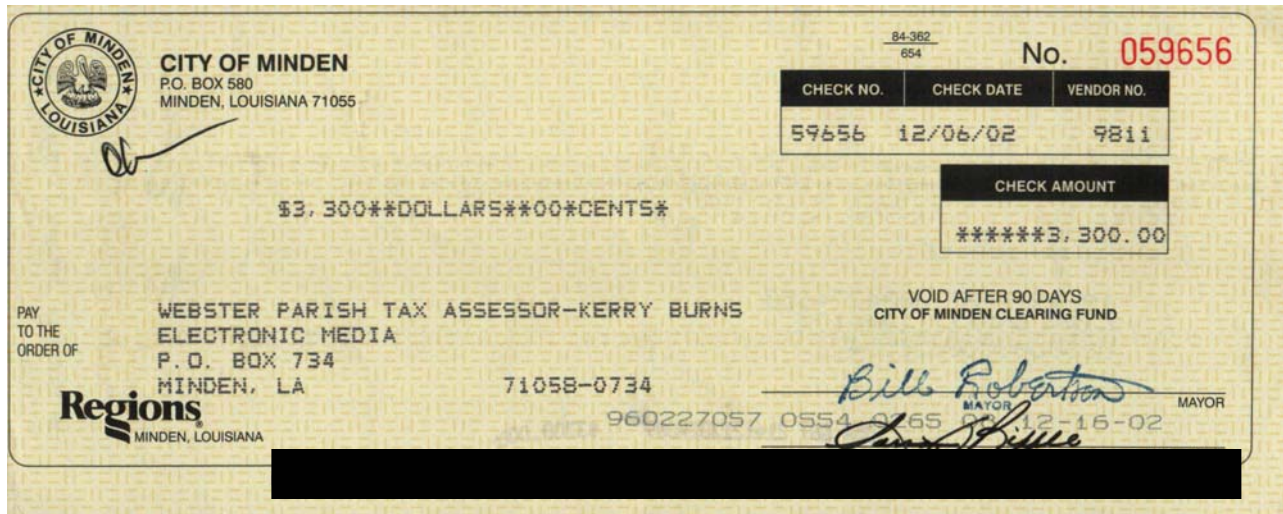
WEBSTER PARISH TAX ASSESSOR

During the period December 1996 through January 2003, a total of 39 checks amounting to \$42,970 were issued to the assessor's office by municipalities. Thirty-eight of these checks totaling \$40,570 were cashed and one for \$2,400 was deposited into an account that does not belong to the assessor's office.

Eleven of these checks totaling \$13,785 were endorsed. Four of them were endorsed by Mr. Burns² alone; two by Mr. Burns and his son, Kerry David Burns; and five by Mr. Burns and office employees, Ms. Jewellyn Hawkins or Mr. Mark Griffith.

Mr. David Burns, Kerry Burn's son, identified his signature on the checks endorsed by him and his father. Mr. David Burns stated that he cashed two checks and kept the proceeds. Mr. Griffith stated that he endorsed five checks, cashed them, and brought the proceeds to Mr. Burns. Ms. Hawkins stated that she endorsed one check, cashed it, and brought the proceeds to Mr. Burns. Mr. Kerry Burns refused to meet with us.

The remaining 27 checks totaling \$26,785 were not endorsed but were stamped with the Webster Parish Tax Assessor's seal, bearing the name Kerry O. Burns, CLA, Assessor Webster Parish.



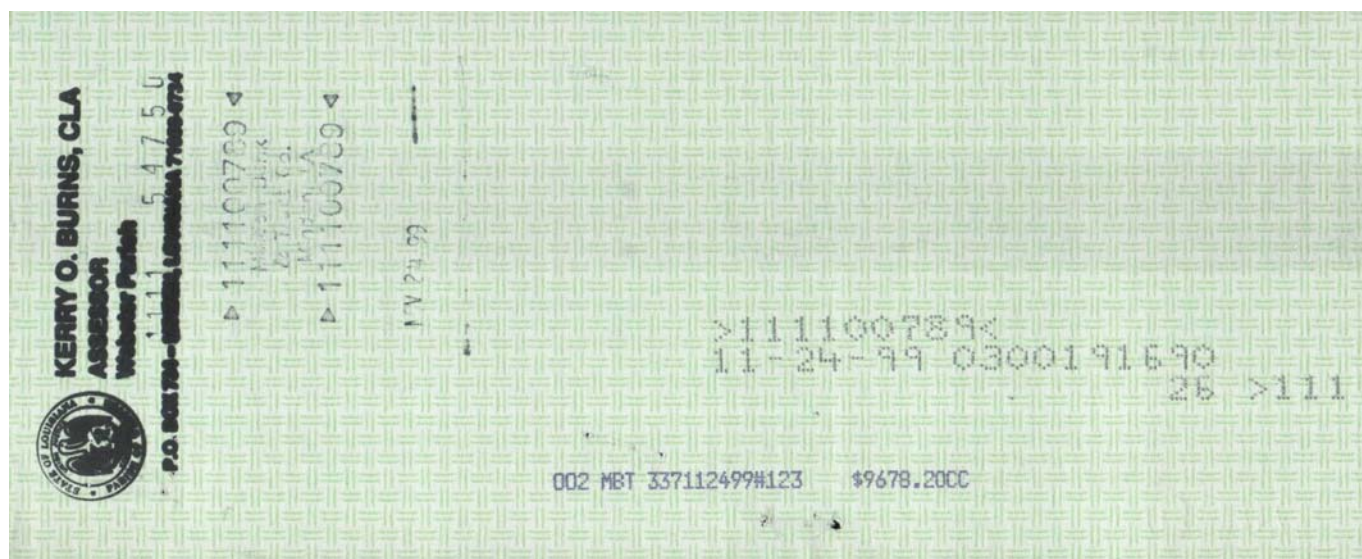
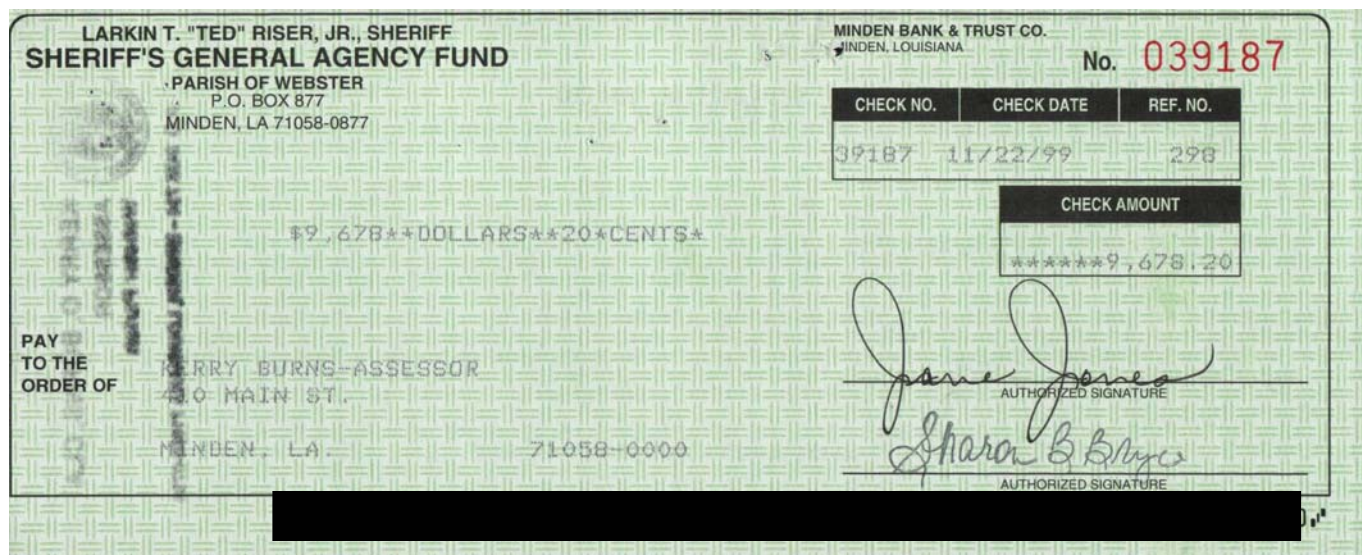
² Mr. Burns declined to meet with us during the audit. We were therefore unable to confirm that these signatures are genuine.



Checks Prepared by the Sheriff's Department

The assessor's office supplied the Webster Parish Sheriff's Office with access to its assessment database and a computer and use of its color copier. The assessor's office also prepared the parish tax notices for the Sheriff's Department from 1994 through 2001. The assessor's office billed for these services through two separate invoices--one for the use of the database, computer, and color copier and one for preparing tax notices.

From November 1994 through November 2001, eight checks totaling \$57,042.80 were issued to the assessor's office by the Sheriff's Department. Each of these checks was cashed. None of them were endorsed but were stamped with the Webster Parish Tax Assessor's seal, bearing the name Kerry O. Burns, CLA, Assessor Webster Parish.



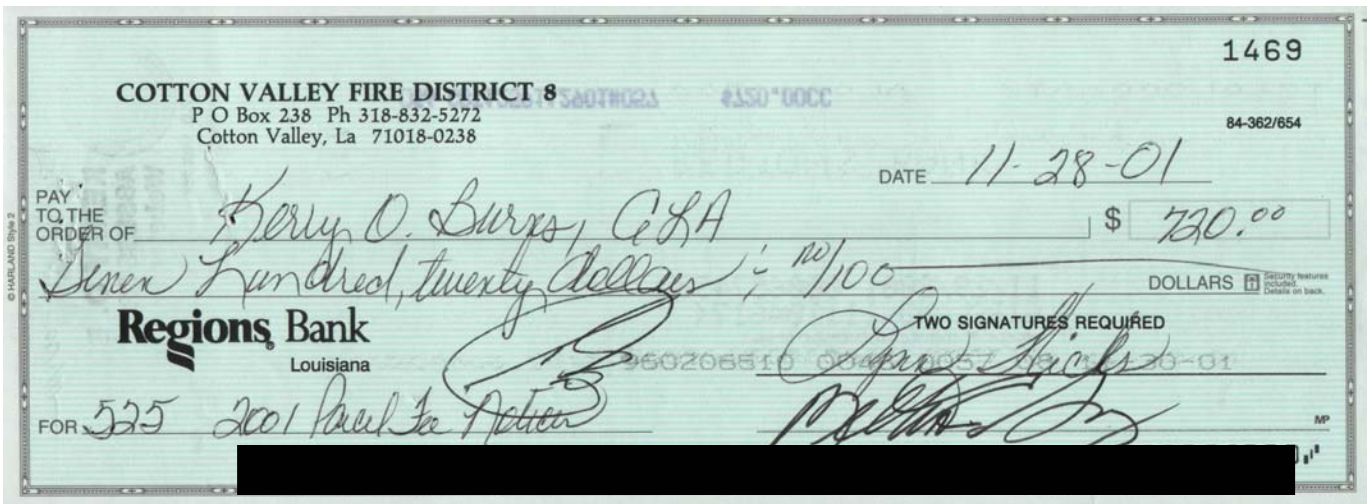
WEBSTER PARISH TAX ASSESSOR

Checks Prepared by Fire Districts

Cotton Valley Fire District #8 and Dubberly Fire District #4 in Webster Parish have received additional revenue by charging property owners in their districts an annual fire protection fee. The assessor's office prepared the fire protection fee notices for these fire districts.

During the period December 1998 through December 2002, five checks totaling \$3,263 were issued to the assessor's office by fire districts. Four of these checks totaling \$2,544 were cashed and one check totaling \$719 was deposited into an account that does not belong to the assessor's office.

Of the four checks that were cashed, one was endorsed by Mr. Burns and one was endorsed by Mr. Burns and Mr. Griffith. The other two were stamped with the Webster Parish Tax Assessor's seal, bearing the name Kerry O. Burns, CLA, Assessor Webster Parish.



Checks Prepared by Businesses and Individuals

The assessor's office gained additional revenue by charging for copies of maps and electronic copies of the parish tax roll. The assessor's office stopped charging for copies of maps in December 2003 but still sells electronic copies of the tax rolls.

During the period November 1996 through December 2002, a total of 19 checks amounting to \$2,154 were issued to the assessor's office by various individuals and businesses. Three of the checks were endorsed--two by Mr. Burns alone and one by Mr. Burns and Mr. Griffith. The remaining 16 were cashed but not endorsed. These checks were stamped with the Webster Parish Tax Assessor's seal, bearing the name Kerry O. Burns, CLA, Assessor Webster Parish.

The assessor's office deposit records reveal that no cash was deposited during the period August 1994 through December 2003. Ms. Denise Edwards, former bookkeeper, and Ms. Cynthia Sibole, current bookkeeper, stated that they have never made cash deposits into any assessor's office bank account.

Computer Purchased for Employee

On May 25, 2000, the Webster Parish Tax Assessor's office ordered a Gateway Select 700 computer and accessories. The assessor's office credit card was charged \$2,301 on June 4, 2000, for the purchase of the computer. The computer and accessories were shipped to the home of Ms. Wendy Charles.

According to Ms. Charles, Mr. Burns suggested the assessor's office buy the computer, have it shipped to her home, and then he would have Ms. Charles do office work from home. Ms. Charles understood that the computer belonged to the assessor's office and that if she ever quit or was fired she would return the computer.

Ms. Charles stated that she has done approximately 10 hours of office work from her home since the computer was delivered. Ms. Charles also stated that she and her husband used the computer for personal purposes such as Internet access once or twice each week.

Gateway Sales Acknowledgement

Est. Arrival Date: 06/02/00 Client P.O.: [] Client I.D.: 23508762 SRID: []

Payment Terms: SEE BELOW Ship Via: SEE BELOW Gateway Order #: 47127674 Order Date: 05/25/00

SOLD TO: WEBSTER PARISH ASSESSOR, P.O. BOX 734, MINDEN LA 71058

SHIP TO: WESLEY AND WENDY CHARLES, 2901 DOGWOOD TRAIL, MINDEN LA 71055

Qty	Description	Unit Price	Amount
1	Gateway Select 700	2182.00	2182.00
1	Mid-Tower Case		
1	AMD Athlon 700MHz w/ Enhanced 3DNOW Technology		
1	64MB Memory Module		
1	EV918 Monitor with 18" Viewing Area		
1	8MB AGP Graphics Card		
1	Select Label		
1	Fat 32 for Windows 95, 98 or 2000 (Download ONLY)		
1	15GB UATA Hard Drive		
1	20X / 48X IDE CD-ROM		
1	5.25" 1.44 MB Floppy Diskette Drive		
1	Canon Printer Upgrade Promo		
1	SoundBlaster AudioPCI 128D		
1	Boston Acoustics BA735 Digital Speakers with Subwoofer		
1	56K PCI Voice Modem		
1	Multifunction Keyboard		
1	Kensington Starter Kit		
1	HP DeskJet 932Cse Printer		
1	USB Printer Cable		
1	Visioneer One Touch 7600 USB Scanner		
1	GoBack		
1	Quick Answers		
1	Microsoft Windows 98 Second Edition		
1	MS Work Suites 2000 Software and Mouse		
1	One Year AOL Internet Included		
1	On-line Internet Providers		
1	YourWare Trade-In Option Reference Documentation		
1	Service and Support Package		
1	24 Hr Part/3Yr Labor/3Yr Onsite/Own-It HMMESH Phone Support		
1	Introductory ILL Training Course		
1	System Restoration CD		

Purchase Sub-Total: [] Sales Tax: [] Freight & Handling: [] ORDER TOTAL: []

Page # 1

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On-site customers: If Gateway determines on-site service is necessary, it will be provided in the continental United States, Alaska, Hawaii, Puerto Rico and Canada (excluding mice, keyboards, portable docking stations, external peripherals and monitors). You may be asked to take your PC to a Gateway location for warranty service. See agreements for specific terms and limitations.

This is a sales acknowledgement of order only. A formal invoice will follow the actual shipment of the product.

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Employees Paid in Advance

During the period January 1999 through December 2003, employees of the assessor's office regularly received their payroll checks before the end of the pay period. Four months from each year were tested resulting in the following averages:

- 1999 - 2 days early
- 2000 - 3 days early
- 2001 - 12 days early
- 2002 - 15 days early
- 2003 - 16 days early

Ms. Edwards stated that payroll checks have always been issued before the pay period ending date. Ms. Crystene Bancroft, deputy assessor, stated that Mr. Burns usually gave employees both of their biweekly December pay checks at the beginning of December. Ms. Sibole stated that Mr. Burns would issue payroll checks early for vacations, weekends, and when an employee had a financial need.

Use of Public Funds

Until December of 2003, the assessor's office charged for making copies of maps. Cash and checks collected from customers were placed in an envelope at the end of the day and were given to Ms. Cheatham or Ms. Sibole to be locked in the safe. Ms. Sibole stated she cashed the checks and gave the cash to Ms. Cheatham, who placed the cash in a bank bag in the safe.

In 2002, \$1,516 of this money was used to pay for the office Christmas party. Through an invoice dated December 12, 2002, Little Frenchie's Fixins billed the assessor's office \$1,316 for food and clean-up service for 40 people at the Community House in Minden. An additional \$200 was written in at the bottom of the invoice bringing the invoice total to \$1,516. Two Traveler's Express money orders for \$1,000 and \$516 were given to Little Frenchie's Fixins as payment.

Ms. Cheatham stated she purchased the money orders to pay for the party with money from the sale of copies of maps. Ms. Cheatham also stated that Mr. Burns instructed her to pay for the party with that money.

In addition to the above actions, on July 3, 2000, the assessor's office purchased a used 1999 TRX 300 4-wheeler for \$4,300 and a new 2000 model utility trailer for \$900 that do not serve a public purpose. Several assessor office employees stated they have never seen the 4-wheeler or the trailer. Mr. Griffith stated that the 4-wheeler and trailer are parked at his house and have not been moved for 2 ½ years. Ms. Cheatham stated the assessor's office does not have a need for the 4-wheeler.



We contacted Mr. Burns and he directed us to his attorney. In a letter dated April 14, 2004, his attorney stated that Mr. Burns would be unable to discuss the issues or provide a statement at this time. Subsequently, on June 1, 2004, we received a letter from Mr. Burn's attorney representing his response (see attached).

This report has been provided to the District Attorney for the Twenty-sixth Judicial District of Louisiana. The actual determination as to whether an individual is subject to formal charge is at the discretion of the district attorney.³

³ **R.S. 14:67** provides, in part, that theft is the misappropriation or taking of anything of value which belongs to another, either without the consent of the other to the misappropriation or taking, or by means of fraudulent conduct, practices, or representations.

R.S. 14:134 provides, in part, that malfeasance in office is committed when any public officer or public employee shall (1) intentionally refuse or fail to perform any duty lawfully required of him, as such officer or employee; (2) intentionally perform any such duty in an unlawful manner; or (3) knowingly permit any other public officer or public employee, under his authority, to intentionally refuse or fail to perform any duty lawfully required of him or to perform any such duty in an unlawful manner.

Article 7, Section 14 of the Louisiana Constitution provides, in part, that except as otherwise provided by this constitution, the funds, credit, property, or things of value of the state or of any political subdivision shall not be loaned, pledged, or donated to or for any person, association, or corporation, public or private.





The Webster Parish Assessor should develop an accounts receivable system to ensure that all funds due the assessor's office are deposited to the proper accounts. The assessor should also ensure that someone independent of the accounting function is opening the mail and that someone also independent of the accounting function is logging all payments whether hand delivered or received by mail. In addition, the Assessor should pay employees in a timely manner on or after the end of the pay period. Furthermore, the Assessor should:

- Review provisions of the Louisiana Constitution regarding donation of public funds and ensure that all expenditures are for a public purpose
- Ensure that all assets are tagged when purchased, listed on the asset list, and periodically inventoried
- Dispose of the 4-wheeler and trailer in a proper manner if not needed by the assessor's office
- Review both the asset listing and purchase documents to ensure all assets are accounted for and present

Assessor office funds should be used in an effective manner. The assessor should ensure that an adequate review of all transactions is made before expending funds to ensure that all payments are an effective use of those dollars.





Webster Parish is located in northwest Louisiana and has a population of 41,989. Webster Parish government is seated in the Town of Minden. The assessor's office is located in Minden.

The tax assessor is elected to a four-year term of office. R.S. 47:1903 provides, in part, that the tax assessor shall enumerate, list, and assess property. The tax assessor shall prepare lists showing the valuations assessed.

The legislative auditor received information indicating that funds belonging to the Webster Parish Assessor's office were diverted to personal use. This examination was performed to determine the propriety of the information. The procedures performed during this examination consisted of (1) interviewing employees of the assessor's office; (2) interviewing other persons as appropriate; (3) examining selected documents provided by municipalities, the sheriff's office, the district attorney's office, and the assessor's office; and (4) reviewing applicable state regulations.





As part of our audit, we applied our *Checklist of Best Practices in Government* and noted certain matters we want to bring to the attention of the assessor and management for consideration. We offer the following comments and suggestions.

1. Lack of Policies and Procedures

- a. **Purchasing:** The assessor's office should prepare written policies and procedures that include, at a minimum, how purchases are initiated; approval process for purchases; checks and balances to ensure compliance with the bid law; and dollar thresholds lower than the bid law where competitive quotes should be obtained to ensure the most favorable prices.
- b. **Budgeting:** Written policies and procedures should be established that will provide guidelines necessary in managing the assessor's office budget. A written budget policy containing detailed procedures for preparing, adopting, monitoring, and amending the budget will provide compliance with R.S. 39:1301-1315.
- c. **Financial Reporting:** Monthly financial statements are not requested or submitted to the assessor for review. The assessor should be provided with the monthly financial statements and budget comparisons for all funds. A written policy should be adopted that provides for the nature, extent, and frequency of reporting financial information to the assessor.
- d. **Disbursements:** Employees were reimbursed for expense they incurred on behalf of the office but the payments were not authorized by the appropriate level of management. The assessor's office should develop procedures to ensure that funds are disbursed in a manner consistent with management's expectations. This policy should also provide for adequate documentation to support the business purpose of each disbursement. Also, the same person prepares the checks, makes the deposits, and reconciles the bank account. Proper segregation of duties would, at a minimum, separate the bank reconciliation duties from the check writing and deposit preparation duties. Finally, a supply of blank checks was kept in a box at the bookkeeper's desk. The assessor should store the supply of blank checks in a secure location under the control of the assessor or chief deputy assessor.
- e. **Credit Cards:** There are charges made to the office credit card that are not supported by adequate documentation. The assessor's office should develop written policies and enforced procedures that provide guidance for the business use and supporting documentation of credit cards. The credit card statement alone does not provide sufficient documentation.
- f. **Cellular Phones:** Written policies and procedures for the business use and care of cellular phones should be established that (1) contain guidelines for issuing cellular phones to employees based on employee duties and responsibilities; (2) require a review of cellular phone contracts annually to determine the minimum amount of airtime minutes needed per month and negotiate a new contract when the existing contract expires; (3) require employees who are issued a cellular phone to review their monthly bill and identify personal calls made or received; (4) require employees to reimburse the assessor's office, at a standard rate for each minute, for personal calls; and (5) require review of the monthly bills for propriety and reasonableness of phone usage.
- g. **Travel Policy:** The assessor's office does not have established meal per diem rates or a standard mileage rate. The assessor's office should develop and adopt a standard mileage rate and meal per diem rates, using the State of Louisiana policies as a guide.
- h. **Investments:** Written policies and procedures should be adopted that detail and clarify investment objectives as well as the procedures and constraints necessary to reach those objectives.



- i. **Capital Assets:** Not all of the assessor's office movable property is tagged and the assessor's office vehicles do not bear public license plates or other required markings identifying those vehicles as public vehicles. R.S. 42:121 provides, in part, that any automobile, truck, or other vehicle belonging to the State or to any of its political subdivisions shall bear a public license plate and shall be inscribed, painted, decaled, or stenciled with the name of the board, commission, department, agency, or political subdivision to which it belongs. The assessor's office should inspect all movable property and ensure that it is tagged. Also, the assessor's office should comply with Louisiana law by placing public license plates and other required markings on all its vehicles.
 - j. **Records:** The assessor's office does not have a formal records retention schedule but does maintain records for at least three prior years. The assessor's office should develop a records retention schedule and seek approval from the Louisiana Secretary of State.
 - k. **Ethics:** Louisiana law requires compliance with the Louisiana Code of Governmental Ethics, Title 42 of the Louisiana Revised Statutes. The assessor's office should adopt a formal ethics policy and should require annual certification from the assessor and employees attesting to their compliance.
 - l. **Inventories:** The assessor's office should adopt a written policy containing procedures that provide for the accurate accountability of inventory. This policy should include the detailed procedures for using purchase and work orders to maintain a current inventory list. Periodic physical inventory counts should be conducted to ensure accuracy of inventory.
 - m. **Information Systems:** The assessor's office does not have a written back-up contingency and recovery plan in the event of a disaster. The assessor's office should develop a contingency and recovery plan and store a back-up copy of all electronic files offsite.
2. **Noncompliance With Policies and Procedures**
- a. **Payroll:** In 2002, Ms. Bancroft exhausted all of her accumulated sick and annual leave but received an additional 10 days paid leave she did not earn. Detailed leave records should be maintained and employees should only be allowed to use leave that has been earned. Also, the assessor's office does not maintain complete employee personnel files. Personnel files should include a completed form I-9 for all employees hired after November 6, 1986, and a completed employment application form for all employees. The assessor's office should adopt policies and procedures that provide guidance as to how frequently payroll will be processed, what to do if a check is lost or stolen, and how to handle discrepancies in check amount, withholdings, or deductions.





LAW OFFICE OF
RONALD J. MICIOTTO
628 STONER AVENUE
SHREVEPORT, LOUISIANA 71101

TELEPHONE (318) 424-0200
FAX (318) 424-3730

EMAIL
Rjmatty681@cs.com

May 28, 2004

Mr. Grover C. Austin, CPA
First Assistant Legislative Auditor
1600 North Third Street
Post Office Box 94397
Baton Rouge, Louisiana 70804

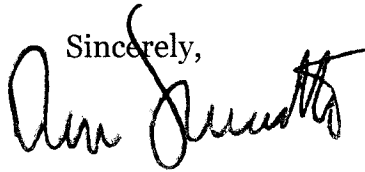
Re: Kerry Burns

Dear Mr. Austin:

Please find enclosed the Response to the Auditor Report received on May 11.

Your attention in this matter is greatly appreciated and if you should have any questions please do not hesitate to contact my office.

Sincerely,



RONALD J. MICIOTTO

RJM/alp
Enclosures

LAW OFFICE OF
RONALD J. MICIOTTO
628 STONER AVENUE
SHREVEPORT, LOUISIANA 71101

TELEPHONE (318) 424-0200
FAX (318) 424-3730

EMAIL
Rjmatty681@cs.com

May 24, 2004

RESPONSE TO LEGISLATIVE AUDITOR REPORT RECEIVED MAY 11, 2004

Purpose: To determine whether the Assessor failed to deposit public funds into the Assessor's account?

Objections to Findings By the Auditor:

1. **Checks stamped with Assessor's Seal** – In March of 2002 Kerry Burns suffered a massive stroke and was in a coma until May of 2002. Mr. Burns was then placed into rehabilitation until August of 2002 and has been working on a part-time basis since October of 2002. Mr. Burns for all practical purposes because of his disability has depended on his staff to handle most of the day-to-day functions of his office. The stamp that bears the Assessor's seal has been used by the following individuals:
 - a. Doris Cheatman
 - b. Cynthia Sibole
 - c. Denise Edwards
 - d. David Burns

All these individuals had access and in fact did use the seal in the past. The checks stamped and cashed by the bookkeeper and Ms. Cheatman were endorsed without Mr. Burns approval and knowledge since he did have capacity to make those decisions.

That Mark Griffith made only one trip to the bank in December of 2002 to cash checks and all monies were returned to the Assessor's office.

2. **The computer** was purchased for the sole purpose so that an employee, Wendy Charles, could perform work at her home. That the computer was owned by the Assessor's office and that it would be returned if and when Ms. Charles did not need it at home to perform job related duties.
3. **Employees Paid In Advance.** In 2002 and 2003, Kerry Burns was not running the day-to-day operations in the office. The duty was delegated to Doris Cheatman and she did in fact pay employees early.
4. **Funds used for Christmas Bonuses and Christmas Party.** When Kerry took over the job of Tax Assessor he continued the system that had been in place for twenty-three years. Ms. Doris Cheatman, an employee of

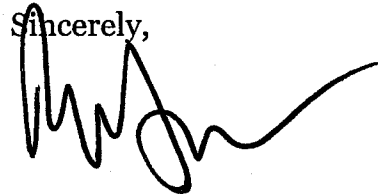
twenty-three years prior to Mr. Burns taking over the position indicated that checks would be cashed at Christmas time and the bonuses would be distributed to each employee.

The Christmas party was paid for by money orders that Doris Cheatman obtained. Doris Cheatman prepared all invoices for the party.

5. **The four-wheeler** was purchased solely for the purpose of checking oil wells and equipment for property tax purposes. From the date of purchase until December of 2001 an employee, Lucas Guin, used the vehicle for its stated purpose. Mr. Guin left the Tax Assessor's office in 2001 and a replacement was not hired since all hiring was put on hold. The four-wheeler was stored at the tax assessor's home to protect it. It has been stored at Mark Griffith's home for the last few months because Mr. And Mrs. Burns are residing with the Griffith's. Mr. Griffith has not been in possession of the four-wheeler for two and a half years.

This is a formal response to the report dated May 11, 2004.

Sincerely,



RONALD J. MICIOTTO

RJM/alp

DORIS B. CHEATHAM

WEBSTER PARISH ASSESSOR-ELECT

1508 KING ORCHARD ROAD
SAREPTA, LOUISIANA 71071
318-994-2084

May 17, 2004

Office of Legislative Auditor
State of Louisiana
P. O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Austin,

I have received the preliminary draft on the fraud audit of the Webster Parish Tax Assessor.

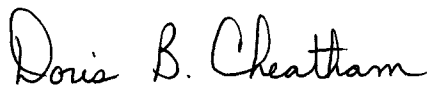
I have been made aware of how lax the office has been with the accounting and record keeping, but I want to assure you that at the time I am sworn in as the next assessor, steps will be implemented to correct these findings. New accounting procedures and office policies will be put into effect.

All recommendations made in the report will be followed.

Thank you for the efficient and courteous manner in which your auditors handled the investigation.

If the Webster Parish Assessor's Office or I can be of further service, please feel free to contact us.

Sincerely,



Doris B. Cheatham
Chief Deputy/Assessor-elect