



Tulsa County Rural Water District No. 2 Special Audit July 1, 2000 – June 30, 2005

JEFF A. McMAHAN, CFE

OKLAHOMA OFFICE
OF THE
STATE AUDITOR & INSPECTOR

Why the audit was performed

The Tulsa County Rural Water District No. 2 audit was performed pursuant to the District Attorney's request in accordance with **74 O.S. 2001 § 212(H)**.

Audit Summary:

- ✓ Between 1991 and 2004 the District employed a bookkeeper who was the spouse of the District Board Chairman/Operator. **Pages 8 & 9.**
- ✓ It appears \$1,568.43 in District funds may have been used for personal purchases by the former Chairman/Operator. **Pages 10 & 11.**
- ✓ Some District Board members received a reduced water rate. All of the Board members combined received a \$13,123.42 benefit as a result of the reduced rate. Two Board members were not billed for water service for an extended period of time. **Pages 12 – 14.**
- ✓ The District did not maintain minutes for Board meetings for a nine (9) month period of 2001 and all of 2002. Meeting minutes did not accurately reflect Board actions. **Page 15.**
- ✓ Forty (40) customer account files were tested to ensure that each account had a proper Benefit Unit Certificate. None of them did. We were unable to trace the Benefit Unit history for accounts, unable to find Benefit Unit Certificates and unable to determine when Benefit Unit Certificates were transferred. **Pages 16 - 18.**
- ✓ We found nothing that would substantiate the allegation that the former Chairman/Operator was acquiring land in lieu of water payments. However, we question whether the write-off of \$1,747.23 on accounts taken over by the former Chairman/Operator was proper. **Pages 19 - 23.**
- ✓ It appears the District assessed cut-off fees with no set standards. Adjustments made to accounts were not recorded in Board minutes. Some accounts were allowed to go unpaid for extended periods of time. Some account charge-offs appear to have been a forgiveness of balances owed. **Pages 24 - 26.**
- ✓ The District did not maintain adequate financial records. From records we were able to obtain, it appears the District, in 2002, deposited \$9,477.63 more than was receipted. **Page 27.**

TULSA COUNTY RURAL WATER DISTRICT NO. 2
SPECIAL AUDIT
JULY 1, 2000 THROUGH JUNE 30, 2005

This publication is printed and issued by the State Auditor and Inspector as authorized by 74 O.S. § 212. Pursuant to 74 O.S. § 3105(B), 35 copies have been prepared and distributed at a cost of \$105.00. Copies have been deposited with the Publications Clearinghouse of the Oklahoma Department of Libraries.



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

Jeff A. McMahan
State Auditor and Inspector

August 3, 2006

Honorable Tim Harris
District Attorney - District No. 14
Tulsa County Courthouse
500 S. Denver, Suite 900
Tulsa, Oklahoma 74103

Transmitted herewith is the Special Audit Report of the Tulsa County Rural Water District No. 2. 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 Tulsa County Rural Water District No. 2.

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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BOARD OF DIRECTORS

2005

Chairman Jeff Schwickerath (Jan-Feb)
Don Maynard (Beginning Mar)

Vice-Chairman Teresa Tosh

Secretary/Treasurer Don Lehmbeck

Director Mary Colebrook

Director Gary Patton

2004

Chairman Jeff Schwickerath

Vice-Chairman Mike Max / Don Maynard

Secretary/Treasurer Mary Colebrook

Director Don Lehmbeck

Director Tim Shoemaker / Teresa Tosh

2003

Chairman Chuck Sittler

Vice-Chairman Jeff Schwickerath

Secretary/Treasurer Mary Frazier-Colebrook

Director Vince Moore

Director Woody Wilson

2002

Chairman Chuck Sittler

Vice-Chairman Vince Moore

Secretary/Treasurer Woody Wilson

Director Jeff Schwickerath

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Director Mary Frazier

2001

Chairman Chuck Sittler

Vice-Chairman Vince Moore

Secretary/Treasurer Mark Ford

Director Jeff Schwickerath

Director Woody Wilson

2000

Chairman Chuck Sittler

Vice-Chairman Fred Brant

Secretary/Treasurer John Roller

Director Vince Moore / Mark Ford

Director Woody Wilson



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

Jeff A. McMahan
State Auditor and Inspector

Mr. Don Maynard, Board President
Tulsa County Rural Water District No. 2
7820 W. 51st Place
Tulsa, Oklahoma 74157

Dear Mr. Maynard:


Pursuant to the District Attorney's request and in accordance with the requirements of **74 O.S. 2001, § 212(H)**, we performed a special audit with respect to the Tulsa County Rural Water District No. 2, Tulsa County, 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 District Attorney. 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 Tulsa County Rural Water District No. 2. 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 Tulsa County Rural Water District No. 2.

This report is intended solely for the information and use of the District Attorney and Administration of the Tulsa County Rural Water District No. 2 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

July 19, 2006

Introduction:

Tulsa County Rural Water District No. 2 (District) is a corporation formed February 5, 1965 by the adoption of its By-Laws. The purpose of the District was to acquire water and water rights to build and acquire pipelines and other facilities in order to provide water service to occupants of land located within the District's boundaries.

A five (5) member Board of Directors elected at the District's annual meetings provides oversight of the District. Each of the Board of Directors is elected for a period of three (3) years. Following the annual meeting the Board members elect a President, Vice-President, Secretary and Treasurer from among themselves.

The District provides water service to customers located in the outlying communities adjacent to Sand Springs, Sapulpa and west of Tulsa.

The District is in the process of being dissolved. The water customers are to be absorbed by surrounding water services.

Concern:

- **Nepotism:** A former bookkeeper for the District was the spouse of a Board Member.
 - **Dual Office Holding:** The Board Chairman was also performing contract services for the District.
-

Findings:

- The District employed the spouse of a Board Member as bookkeeper from 1991 - 2004.
 - Statutes allow compensation for the Board Chairman to perform services, and receive compensation.
 - We were unable to find documentation indicating the District had prepared IRS Forms 1099 for the operator and bookkeeper.
-

We reviewed a list of Board members for the period 1988 through March 10, 2005. During the period from 1991 through 2004, the District's bookkeeper was the spouse of a Board member. We reviewed the minutes for the Board meetings for 1991 and found no mention of the hiring of the District bookkeeper.

Oklahoma State Statutes **21 O.S. § 481** states:

It shall be unlawful for any executive, legislative, ministerial or Judicial officer to appoint or vote for the appointment of any person related to him by affinity or consanguinity within the third degree, to any clerkship, office position, employment or duty in any department of the State, district, county, city or municipal government of which such executive, legislative, ministerial or judicial officer is a member, when the salary, wages, pay or compensation of such appointee is to be paid out of the public funds or fees of such office. Provided, however, that for the purposes of this chapter, a divorce of husband and wife shall terminate all relationship by affinity that existed by reason of the marriage, regardless of whether the marriage has resulted in issue who are still living.

Oklahoma State Statutes **21 O.S. § 482** states:

It shall be unlawful for any such executive, legislative, ministerial or judicial officer mentioned in the preceding section, to draw or authorize the drawing of any warrant or authority for the payment out of any public fund, of the salary, wages, pay or compensation of any such ineligible person, and it shall be unlawful for any executive, legislative, ministerial or judicial officer to pay out of any public funds in his custody or under his control the salary, wages, pay or compensation of any such ineligible person.

Oklahoma State Statutes **21 O.S. § 483** states:

It shall be unlawful for any executive, legislative, ministerial, or judicial officer to appoint and furnish employment for any person whose services are to be rendered under his direction and control and paid for out of the public funds, and who is related by either blood or marriage within the third degree to any other executive, legislative, ministerial or judicial officer when such appointment is made in part consideration that such other officer shall appoint and furnish employment to any one so related to the officer making such appointment.

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While serving as a Board member and as Chairman of the Board from 1998 through 2003, the same Board member also contracted with the District for services. We obtained copies of invoices for each year from 1996 through 2003. It appears that the contract services provided was for the Board member to serve as the District operator.

Oklahoma State Statutes **82 O.S. § 1324.18** provides, in relevant part:

It shall be the duty of the chairman of the board of directors to keep in repair such works as are constructed by the district and to operate such works, all as directed by said board. The chairman and all persons who may perform any service or labor as provided herein shall be paid such just and reasonable compensation as may be allowed by the board of directors[.]

We found no documentation in the District's records indicating the preparation and filing of IRS Form 1099 for either the District Chairman/Operator or his wife, acting as the District's bookkeeper.

In 2003 Board Chairman was replaced. In 2004 the District bookkeeper resigned from her position.

Recommendations:

Governing boards should be cognizant of creating situations where one member, or in this case, one household, has virtually total control of the daily functions of the entity for which the board is responsible.

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

Concern:

- **Personal items were purchased with District funds.**
-

Findings:

- **Personal items may have been charged to the District.**
-

In an interview with a current District Board member, she indicated that the former Chairman/Operator had purchased items for his cemetery from Water Products, Inc. After inquiring about the items, the Board received a letter from the former Chairman/Operator's attorney stating the former Chairman/Operator had mistakenly used the District's checkbook to pay for the personal items.

We obtained a file for Water Products, Inc. containing an invoice summary of purchases for the District. On the statements were amounts that had been highlighted. We contacted the Board member who had expressed this concern. She stated that the highlighted items were the questioned items because she knew the District did not use these types of supplies.

On 7/6/06 the same Board member provided a copy of an email by the former Chairman/Operator's attorney. The following is an excerpt from that letter:

There is another matter, one which I believe can be promptly resolved. The [name] have just become aware that apparently Water Products of Oklahoma erroneously billed the District for some water lines they ordered, and the District paid the invoice, also by mistake. The [name] acknowledge their responsibility for payment, and request that RWD send them a copy of the Water Products invoice and the payment check, and they will reimburse the District.

Documentation indicates the purchase of personal items was commingled with District items over the span of several years. Therefore, the explanation for the purchase of personal items is not consistent to what is indicated by the documentation. However, we could not confirm that the items in question were indeed the items that were referred to in the letter.

The total amount of the questionable purchases was \$1,568.43. According to a current Board member, this amount has not been repaid to the District.

The **Constitution of Oklahoma, Article X § 11** states:

The receiving, directly or indirectly, by any officer of the State, or of any county, city, or town, or member or officer of the Legislature, of any interest, profit, or perquisites, arising from the use or loan of public funds in his hands, or moneys to be raised through his agency for State, city, town, district, or county purposes shall be deemed a felony. Said offense shall be punished as may be prescribed by law, a part of which punishment shall be disqualification to hold office.

Oklahoma State Statutes **21 O.S. § 341** states, in part:

Every public officer of the state or any county, city, town, or member or officer of the Legislature, and every deputy or clerk of any such officer and every other person receiving any money or other thing of value on behalf of or for account of this state or any department of the government of this state or any bureau or fund created by law and in which this state or the people thereof, are directly or indirectly interested, who either:

First: Receives, directly or indirectly, any interest, profit or perquisites, arising from the use or loan of public funds in the officer's or person's hands or money to be raised through an agency for state, city, town, district, or county purposes[.]

Recommendations:

The Board should provide adequate oversight to ensure that personal purchases are not made with District funds. The current Board should seek restitution for the items purchased for personal use with District funds from current and former Board members.

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

Concern:

- Board members received reduced water rates.
 - Board members were not charged for water usage.
 - Customers have received water without being billed.
-

Findings:

- The Board voted on and received reduced water rates.
 - Two Board members were not charged for water usage for a significant period of time.
 - We cannot determine if other customers received water without being billed due to a lack of records.
-

The **Constitution of Oklahoma, Article X § 11** states:

The receiving, directly or indirectly, by any officer of the State, or of any county, city, or town, or member or officer of the Legislature, of any interest, profit, or perquisites, arising from the use or loan of public funds in his hands, or moneys to be raised through his agency for State, city, town, district, or county purposes shall be deemed a felony. Said offense shall be punished as may be prescribed by law, a part of which punishment shall be disqualification to hold office.

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Every public officer of the state or any county, city, town, or member or officer of the Legislature, and every deputy or clerk of any such officer and every other person receiving any money or other thing of value on behalf of or for account of this state or any department of the government of this state or any bureau or fund created by law and in which this state or the people thereof, are directly or indirectly interested, who either:

First: Receives, directly or indirectly, any interest, profit or perquisites, arising from the use or loan of public funds in the officer's or person's hands or money to be raised through an agency for state, city, town, district, or county purposes[.]

Board members received a reduced rate:

On 6/9/1994 the Board voted to "sell water to board members @ cost plus 10¢ /1000 gal beginning next billing cycle." Based on a review of computer records, six (6) Board members received a reduced rate, one member having received the reduced rate on two (2) separate accounts (accounts 5 and 13).

We were unable to find any documentation reflecting the set rates for water service by the District.

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Using randomly-selected accounts, it appears the District rate was \$13.00 for the first 1,000 gallons and \$4.70 per each additional 1,000 gallons. Using these rates, we determined the Board members for the entire period (June 1994 through June 30, 2005), received a benefit of \$13,123.42 as a result of the reduced rate.

Account	Reduced Rate	Standard Rate	Variance
5	\$663.12	\$2,053.90	\$1,390.78
13	\$1,522.80	\$4,366.50	\$2,843.70
32	\$246.24	\$1,614.80	\$1,368.56
51	\$105.84	\$503.30	\$397.46
53	\$1,561.68	\$4,880.10	\$3,318.42
59	\$483.84	\$2,144.80	\$1,660.96
161	\$1,082.16	\$3,225.70	\$2,143.54
	\$5,665.68	\$18,789.10	\$13,123.42

We have included two charts as attachments (A and B) to this report reflecting the accounts, reduced rate, standard rates and variance amounts for the July 1, 2000 through June 30, 2005 audit period.

We noted that between the 1994 through 2004 time period, not all of the Board members received the reduced rate. Members Don Lehmbeck, Mary Colebrook, Jeff Schwickerath, Tim Shoemaker, Don Maynard, Teresa Tosh and Mike Max **did not** receive reduced rate benefits and appear to have been charged standard rates.

On 2/1/2005, the Board passed a resolution stating, "the Board of Directors would not receive water discounts because of being Board members".

Board members were not charged for water usage.

One Board member stated that she had received water service for a period of eighteen (18) months without being billed. According to the Board member, she appealed to the Chairman/Operator on numerous occasions to be added to the billing system. Additionally the Board member stated that although she was a new customer, and should have paid a \$900.00 membership fee, she was only required to pay a \$100.00 transfer fee.

Another Board member stated that he had similar problems being added to the billing system. In addition, once he received a bill, that bill included water usage from the developer of the property. The Board member expressed a concern over being billed for water used by the developer and as a result, his bill was adjusted in the amount of \$550.32. The adjustment was reflected as "Adjustment - Water leak adjustment".

The minutes of the Board meeting for 2/9/2004 reflect that the Board approved the adjustment for a water leak, indicating that the Board had approved an adjustment for a non-existent water leak.

Based on the information provided and an examination of the records maintained by the District, the Board member receiving the water leak adjustment had purchased the property from a developer. We found no indication that the developer or the Board member had paid the \$900.00 membership fee as required.

Customers have received water without being billed.

As previously cited in this report, due to the method the District employed with regards to computer-based records for accounts, and due to the lack of documentation maintained in the physical customer files, we cannot, with any degree of accuracy, determine when accounts were transferred from one person to another. This lack of records creates a significant possibility that customers may have received water and may not have been added to the billing system in a timely manner.

Recommendations:

Board members should not adopt resolutions designed to personally benefit themselves. Customers receiving water service should be added to the billing system in a timely manner. New customers, that are not transfers, should be required to pay the required membership fees. The District should maintain sufficient records to determine when a person has started a new account or assumed control of an already existing account.

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

Concern:

- Open records violations.
-

Findings:

- The District has not maintained meeting minutes.
 - Meeting minutes do not reflect discussions held.
 - We are unable to determine payments that were approved.
-

Oklahoma State Statutes **25 O.S. § 312** states, in part:

The proceedings of a public body shall be kept by a person so designated by such public body in the form of written minutes which shall be an official summary of the proceedings showing clearly those members present and absent, all matters considered[.]

The District was unable to provide meeting minutes for a nine (9) month period of 2001 and all of 2002. We interviewed one former Board member who stated that the minutes that were prepared did not accurately reflect Board discussions.

According to a former Board member, the meetings were tape-recorded; however, the former Chairman/Operator erased the tapes so that they could be used at future meetings. The former Board member also stated that the Board was not allowed to see the District's financial records, specifically the checkbook maintained by the District. Board members were presented with individual checks for approval.

We noted that meeting minutes reflected approval of bills as follows:

Bills submitted for payment were read. Motion by Moore to approve, seconded by Wilson. Motion passed.

We did not find any attachments reflecting the bills being paid or the check numbers that were used to pay those bills.

Recommendations:

Meeting minutes should accurately and completely reflect discussions held and actions taken by the Board. Obligations approved for payment should be included in the minutes or, in the case of consent agenda approvals, as an attachment maintained in conjunction with the meeting minutes. Votes should be recorded for each member of the Board.

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

Concern:

- **Benefit Units were assigned without Board approval.**
 - **Benefit Unit Certificates were not properly completed.**
-

Findings:

- **Account records are insufficiently documented.**
 - **Poor or no documentation existed for the issuance and transfer of Benefit Unit Certificates.**
-

Article 4 Section 2 of the Bylaws of the Tulsa County Rural Water District No. 2 (District) state:

No owner of land located within the District shall be eligible to become a water subscriber unless he has first subscribed and paid for one or more Benefit Units. Tenants occupying land located within the District may become water subscribers: Provided, that the owner, or someone on behalf of the owner, has subscribed and paid for one or more Benefit Units in favor of the land or premises occupied by the tenant.

Article 6 Section 2 of the Bylaws of the District state, in part:

Benefit Unit Certificates shall be issued by the Board, signed by the President and Secretary, showing name of owner, and tract of land to which the Benefit Unit is assigned, numbered consecutively in the order in which issued.

Article 6 Section 3 of the Bylaws of the District state:

Benefit Units shall follow the title of the land unless the owner of the land designates otherwise. Owners may transfer Benefit Units from one tract of land to another tract owned by them within the District, subject however, to the approval of the Board. No transfer in ownership of Benefit Units shall be permitted without approval of the Board. No transfers will be approved unless all charges against the Benefit Unit are paid. All transfers when approved shall be recorded in the books of the District.

The District maintains physical files for the members. We performed a limited test of these files by examining the physical files and comparing them to the account data on the District computer system. We tested for the following criteria:

- A valid and complete Benefit Unit Certificate, as required in the Bylaws.
- Benefit Unit history of transfers.

During our examination of the District customer files, we noted most accounts included Benefit Unit Certificates (BUC), in the names of the current account holders, all dated March 10, 2005 and appearing to have been issued sequentially based alphabetically on the customer names.

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According to a District Board member, these BUCs were issued in preparation for the 2005 annual meeting so that the members would be eligible to vote for the District to dissolve. A new BUC was issued for the files that did not contain a BUC in the name of the current account holder.

We tested forty (40) accounts selected at random to determine if each account appeared to have a BUC executed in accordance with the Bylaws of the District. Of the forty (40) files tested, 100% failed for one or more reasons.

In twenty-seven (27) instances (68%) we found no Benefit Unit Certificates other than the Certificates issued by the Board on 3/10/2005 in preparation for the annual meeting. Of the remaining thirteen (13) instances (32%) we found that the account records did not contain sufficient documentation to allow us to determine when transfers occurred, when membership fees should have been paid or when transfer fees should have been paid. We cite the following as examples:

Account #9:

We were unable to find a BUC for the current account holder other than the 3/10/2005 BUC. Additionally the file contained a letter notifying the current account holder of a past due amount. The letter states "Per your request at the July 8th board meeting of the Tulsa County Rural Water District #2, you have agreed to pay \$50.00 per week until your overdue water bill is paid in full (\$1197.58). We obtained the minutes for the July 8th 2004 board meeting and found no record of any such discussion.

Moreover, while it appears that this account changed ownership a minimum of three times, we were unable to find a new BUC for the 2nd and 3rd owners. Additionally we obtained an "audit history" report for this account and were unable to find a record of any transfer fees having been applied.

Account #46:

One BUC contained in the District file for this account was unnumbered, undated, unsigned and contained no property description. A work order in the file, dated 9/21/2004, appears to indicate that the account was active. We found no documentation reflecting the transfer of the account from the person named on the BUC to the current owners and no indication that the current owners paid for a new membership fee or paid a transfer fee.

Account #102:

The file for this account included BUC #133 issued on 5/20/1969. On 6/25/1974 the BUC was transferred. On 2/28/1984 the BUC was again transferred to another owner. Subsequent to the 2/28/1984 transfer, the file contained a 3/10/2005 BUC in the name of the current account holder. We found no documentation reflecting a transfer of the BUC from the previous owners to the current owners.

Account #129:

The file for this account contained an undated, unsigned BUC (attachment C). This BUC was then assigned to another individual. There are no signatures by the Chairman or Secretary of the Board approving the acceptance of assignment. The assignment of this BUC was to an individual that is not the current account holder. We found no

documentation indicating when or how this BUC was assigned to the current account holder.

Lack of Documentation For Transferred Accounts:

During our testing of customer accounts we identified numerous accounts, all reflecting an initial service date of 4/1/2004, which did not contain a Benefit Unit Certificate. Subsequently we identified one hundred sixty-eight (168) accounts with an initial service date of 4/1/2004.

We contacted a Board member who stated that these accounts were transferred from another water provider and would not have had to purchase a Benefit Unit Certificate. We identified similar occurrences on 9/1/2001 (17 accounts) and 9/30/2001 (55 accounts). We found no documentation indicating if these were transfer accounts or not.

Because the District failed to clearly document accounts that were transferred from another District, and as such are not required to purchase a Benefit Unit, it is difficult, if not impossible, to determine which accounts should have purchased a new Benefit Unit, and which accounts were not required to.

This finding was also reflected in a Tulsa County Sheriff's Department report, dated 4/18/2005, which states, according to the former District Secretary, she "still does not know who paid for their memberships or who was transferred" and that "because of the failure to document it on the software and in the files, this would be hard to obtain".

Computerized Records Maintained By The District:

When accounts change from one holder to another, the account number remains the same and the old account holders' names are replaced with the new account holders' names. Because the computer-based records were maintained in this fashion, we were not able to determine when accounts were transferred from either the computer records or the physical files maintained by the District.

Summary:

Because of the poorly maintained and insufficiently documented files, we are also unable to determine, with any degree of reliability, when accounts should or should not have been required to purchase a Benefit Unit or pay a transfer fee.

Recommendations:

Benefit Unit Certificates should be issued in accordance with the By-Laws of the District and, as such, include the required signatures, dates, names and locations for which the certificate was issued. All transfers of Benefit Unit Certificates should also be properly documented and recorded in, at minimum, each customer file. The District should consider having a ledger book style recording of each Benefit Unit Certificate including the date of first issuance and every subsequent transfer that occurred after the date of issuance.

Concern:

- The field operator received land in lieu of water payments.
-

Findings:

- We are unable to substantiate the concern.
 - Accounts balances on land purchased by the former operator were written-off without Board approval.
-

This concern, as related to us, appears to have stemmed from the former Chairman/Operator acquiring land within the District during the times he was acting as a Board Member/Chairman of the District and the District Operator by allowing accounts to accrue past due balances.

In the previously-cited Tulsa County Sheriff's report, this allegation is addressed as "[P]roperties being acquired by means of Extortion". The report addresses the allegation stating that ten (10) properties were reviewed and that the purchases appear to be "above board at this time".

We obtained records from the Tulsa County Clerk reflecting purchases of property by the former Chairman/Operator. We identified nine (9) of those accounts as having been properties within the District.

Acct #	Service Address	Membership Paid
2	5802 S. 65TH W. AVE.	\$0.00
7	5620 S. 66TH W. AVE.	\$0.00
10	5609 S. 66TH W. AVE.	\$0.00
11	5611 S. 66TH W. AVE.	\$0.00
16	5616 S. 66TH W. AVE.	\$0.00
17	5665 S. 65TH W. AVE.	\$0.00
53	7272 W. 51ST ST.	\$0.00
115	6247 W. 51ST ST.	\$0.00
189	5610 S. 65TH W. AVE.	\$900.00

Due to the nature of this concern, we attempted to address the history of each account held by the former Chairman/Operator.

Account #2:

The land records reflect the former Chairman/Operator purchased the land in 2001. A review of the audit history report for this account

reflects that the no water was used from May 2000 through July 2001. The last billing activity shown is July 2001 reflecting an outstanding balance of \$27.31. This amount was written-off as an "Adjustment - Water leak adjustment".

We were not provided minutes for the 2001 Board meetings therefore we are unable to determine if this adjustment was made with Board approval.

The file maintained by the District for this account contained two documents, a land description document and an unsigned, undated Benefit Unit Certificate reflecting the former Chairman/Operator as the owner of the Benefit Unit Certificate.

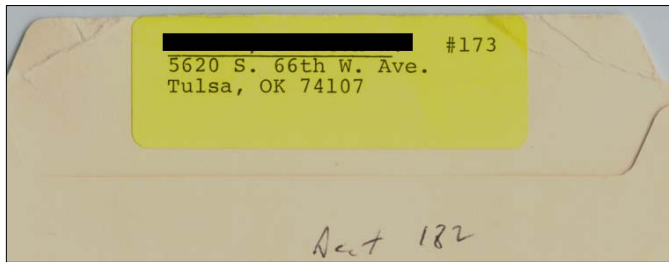
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We found no original Benefit Unit Certificate indicative of the previous owner and no indication the former Chairman/Operator paid for either a new Benefit Unit Certificate or a transfer fee.

Account #7:

We identified two (2) accounts for the service address of 5620 S. 66th Avenue. Account #7, in the name of the former Chairman/Operator, reflects that service began at this address on 5/31/2002. Account #182, in the name of a different individual, reflects that service began on 2/26/1994. Both accounts appear to be inactive.

Records for account #7 show water usage and billing from December 1991 through January 1995. On 1/31/1995 the account was charged-off in the amount of \$151.43. Account #182 reflects water usage from February 1994 through December 1998. On 12/10/1998 this account was charged-off in the amount of \$113.93.



The file maintained by the District for account #7 contained an unsigned, undated Benefit Unit Certificate in the name of the former District Manager.

We were unable to find a file for account #182. However, we found a file for Account #173, reflecting a different account holder name than the two previously noted names and also listing a service address of 5620 S. 66th W. Ave. Below the typed label reflecting the name and account was handwritten "Acct 182".

This file contained a Benefit Unit Certificate issued in 1981 to the third name associated with the account. A letter dated 11/30/1998, reflected that the meter was "set aside". We found no documentation indicating that the 1981 Benefit Unit Certificate had been reassigned. Additionally we noted a document in the District files for this account reflecting that the service address was 5616 S. 66th Ave.

Account #10:

Land records indicate the former Chairman/Operator purchased this land in 1998. The file maintained by the District reflected a Benefit Unit Certificate as having been issued on 9/23/1986. This certificate was then assigned to another individual on 7/7/1987. We did not find the Benefit Unit Certificate issued to that person.

On 11/15/1989 a Benefit Unit Certificate was issued in the name of two individuals. Subsequently on 11/27/1989, the Benefit Unit Certificate was issued to two other individuals. We found no Benefit Unit Certificate assignment to the former District Manager.

The account records reflect water usage and billing from 12/3/1991 through 8/31/1992. On 8/31/1992 the account was "charged-off" in the amount of \$337.46. The District records reflect that no water was used from 8/31/1992 to the date of our audit.

Account #11:

The District records for this account reflect a Benefit Unit Certificate was issued on 2/9/1965. This Benefit Unit Certificate was transferred in 1972 and again in 1974. The file contained a Benefit Unit Certificate with no name or address and reflected a transfer of the Benefit Unit to another person with the notation "see deed attached".

The attached deed reflected a purchase of the property from individuals not named on the previous Benefit Unit Certificates. Another Benefit Unit Certificate, bearing no name, not signed and with no property description, was then assigned from the person named on the deed to another individual. It appears, based on the records obtained, the land was then purchased by a Limited Liability Corporation (LLC) in 1995 and was subsequently sold to the former Chairman/Operator in 1998. We found no indication in the District files of the Benefit Unit Certificate having been transferred to the LLC.

The District records reflected on 8/31/1993 a "charge-off" was made on the account in the amount of \$177.12. No water usage was reflected after that date.

Account #16:

The District computer records reflect the service address for this account as being 5616 S. 66th W. Avenue. The account is currently in the name of the former Chairman/Operator.

The Benefit Unit Certificate and information contained in our summary of account #7 appears to apply to this account also. The Benefit Unit Certificate cited in account #7 includes the legal description "Lots 20 thru 24, Block 34, Taneha Addition, Tulsa County Oklahoma". The legal description for this account includes lots 20 and 21 of Block 34, which appears to be inclusive of the description set forth in the Benefit Unit Certificate for account #7.

Based on the records provided, it appears the former Chairman/Operator purchased this land in 1999. The audit history records provided by the District reflect the account was active from December 1991 through December 1998 and that on 12/10/1998, the balance of \$403.97 was charged-off, and the Benefit Unit was cancelled by Board action. We found no such action recorded in the corresponding Board minutes.

Account #17:

The District computer records reflect the service address for this account as 5665 S. 65th W. Ave. The account is currently in the name of the former Chairman/Operator. The file maintained by the District contained a subscription for Benefit Unit and other documents reflecting the service address of 5618 S. 66th W. Ave. Land records obtained by the Tulsa County Clerk reflect that the former Chairman/Operator, on 9/13/2000, purchased the land at 5665 S. 65th Ave. W.

The account history reflects water service and usage from December 1991 through December 1998. On 12/10/1998 the account records reflect an "Adjustment-Charge off account" entry in the amount of \$81.77. The account remained inactive until 12/31/1999 when water service appears to have been established and maintained until 5/31/2002.

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On 5/31/2002 a balance of \$79.88 was charged-off and the account again went into an inactive state until 7/7/2004 when a \$100.00 transfer fee was paid. Between 7/7/2004 and 3/31/2005 the account was active although each month reflects "Usage of 0 water".

According to the account history on 12/10/1998 the Benefit Unit Certificate was cancelled when the account was charged off. It appears, based on the previous cancellation of the Benefit Unit that a new Benefit Unit should have been purchased prior to water service having been restored on 12/31/1999.

Account #53:

The service address listed for this account is 7272 W. 51st St. S. This account is currently in the name of the former Chairman/Operator. The account records maintained by the District included a subscription for a Benefit Unit dated 7/24/1984 and an undated Benefit Unit Certificate in the name of the former Chairman/Operator.

Account #115:

The service address listed for this account is 6247 W. 51st St. The account is currently in the name of the former Chairman/Operator. The records maintained by the District for this account contained a subscription of a Benefit Unit dated 7/29/1965. The file does not contain any documentation reflecting if the Benefit Unit was, in fact, issued.

The file contained a handwritten note, presumably by the Benefit Unit holder, requesting the Benefit Unit be transferred to another person. The handwritten note reflected a date of 8/1/1994. We found no records reflecting if, in fact, the Benefit Unit was transferred.

Land records obtained from the Tulsa County Clerk reflect the former Chairman/Operator purchased the land in January 2002.

Account history records maintained by the District reflect that the account was active from December 1991 through December 2001. On 12/31/2001, an "Adjustment-Charge-off account" entry was made charging-off a past due balance of \$605.68. No water usage has been recorded since that date.

Account #189:

The service address listed for this account is 5610 S. 65th W. Ave. This account is currently in the name of the former Chairman/Operator. The account records maintained by the District reflect the following:

- A Benefit Unit Certificate was issued 12/1/1967.
- The Certificate was reassigned on 1/25/1974 and 4/22/1974.
- On 12/4/1979 the Certificate was issued to a bank.
- The bank then assigned the Certificate to an individual on 2/23/1990.

We did not find a Benefit Unit Certificate in the name of the person having been assigned the transfer on 2/23/1990. Based on the land records obtained, it appears the former Chairman/Operator purchased the land from another individual in 2000. We found no documentation reflecting a transfer of the Benefit Unit from the previous owners to the owners that ultimately appear to have sold the property to the former Chairman/Operator.

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The audit history report provided by the District reflects water usage beginning on 1/29/1996 and continuing through 9/30/2000. On 9/29/2000, a \$100.00 transfer fee was paid on the account; however, we cannot determine who was the Benefit Unit holder at that time nor who the Benefit Unit was transferred to.

The billing records reflect no billing during October, November and December 2000. Water usage is reflected from January 2001 through November 2002. Water usage and billing appears to have ended on 11/30/2002.

Summary:

Of the nine (9) accounts held by the former Operator/Chairman, it appears, based on the records provided, seven (7) of the properties acquired by the Chairman/Operator had account balances written-off in the total amount of \$1,747.23. The account balance write-offs ranged from \$27.30 to \$605.68 with an average amount of \$194.14 per account.

Account	Adjustments
2	\$27.30
7	\$113.93
10	\$337.46
11	\$177.12
16	\$403.97
17	\$81.77
53	---
115	\$605.68
189	---
	\$1,747.23

Although holding of the position of Chairman of the Board, Operator of the District and purchaser of land may have allowed questionable write-offs of the accounts, we cannot conclude that the amounts are significant enough to have had an impact of the decisions to sell and/or purchase the properties, nor can we substantiate the concern that the accrual of past due amounts led to a forced sale of the property.

Recommendations:

The Board should approve account adjustments; the approval of adjustments should be recorded in the minutes of the meetings. Adjustments to accounts should be documented and should include adjustment amounts, purpose of adjustment and approval action by the Board. Additionally the District should maintain sufficient records to determine when Benefit Units are purchased, cancelled and transferred.

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

Concern:

- Customer billing practices.
 - Write-offs of customer accounts.
-

Findings:

- Adjustments to accounts are not reflected in Board minutes.
 - Cut-off charges appear to be randomly applied to accounts.
 - Accounts are allowed to go unpaid for significant periods of time.
 - Some charge-offs appear to be a forgiveness of amounts owed.
 - Some charge-off amounts appear to be added back to accounts when taken over by new owners.
-

We obtained a "Past Due List" dated 2/9/2004. The list reflected forty-six (46) accounts that were past due in the cumulative amount of \$12,417.12. We randomly-selected five (5) accounts for testing purposes. In our random testing of the five (5) accounts, we found that action taken on one (1) of those accounts was part of a Board action taken on ten (10) accounts during the October 2003 Board meeting. We selected two (2) additional accounts from that list of ten (10) accounts to review.

Account #9:

On 9/6/2000 the District assessed a \$25.00 cut-off charge to this account. No payment had been made on the account for the previous seven (7) months. At the time of the cut-off charge, the account balance was \$396.95. One payment was made to the account on 9/11/2000.

On 10/31/2000 another cut-off charge was assessed. At the time of the second cut-off charge, the account balance was \$75.25. No payments were made to the account for the next four (4) months. On the fifth month another cut-off charge was assessed when the account balance reached \$504.23.

No payments were made on the account for an eleven (11) month period from July 2003 through June 2004. On 6/30/2004 the account, with the balance having increased to \$1,607.36, was assessed another cut-off charge.

The 'extended notes' section of the computer records for this account reflected that the Board, on 9/9/2004, had "decided and voted on that [customer] will pay \$50.00 a week". We examined the meeting minutes for 9/9/2004 and found no reflection in the minutes of any discussion or vote concerning this account.

Account #25:

In August 2002 this account had a past due amount of \$158.70. This account continued to carry a past due balance until September 2004, a period of twenty-five (25) months. In November 2003 the account was in arrears \$377.80. Account history records reflect that at no point between August 2002 and September 2004 was a cut-off charge applied to the account.

Account #60:

In February 2002 this account had a past due balance of \$7.05. No payments were made for a seven (7) month period from February 2002 through September 2002 and the past due balance increased to \$119.21. On 4/30/2004 an "Adjustment-Other adjustment" in the amount of \$100.00 was made to the account. We examined the minutes of the Board meetings for April 2004 and found no mention of an adjustment to this account.

Account #224:

On 10/12/2003 the Board voted to cancel this account and charge-off an outstanding balance. The balance of the account at that time was \$1,056.33. The account history reflects the charge-off occurred on 10/31/2003.

Water service was then billed for the months of November and December 2003 and January and February 2004 with no payments being made to the account. The account balance was \$326.44 on 3/15/2004 when a \$100.00 payment was applied to the account. The account history does not reflect that a new Benefit Unit had been purchased; therefore, it appears the write-off of the account was, essentially, a forgiveness of the outstanding balance.

Account #46:

Account #46 was one of the accounts, along with the previously-cited account #224 that was cancelled at the 10/12/2003 Board meeting. Records for this account reflect that the account was cancelled and an outstanding balance of \$865.51 was charged-off.

The account appears to have remained inactive until March 24, 2004 when the \$865.51 charge-off amount was added back to the account balance.

The District records for this account contained a General Warranty Deed dated 3/23/2004 reflecting the current account holder's name. It appears, based on the documentation, that the \$865.51 was charged-off and was then put back when the new owners acquired the property.

Additionally we noted that although it appears the new owners acquired the property in March 2003, the new owners did not pay a transfer fee until January 2005.

Account #268:

This account was included, along with the previously-cited account #'s 46 and 224, among the accounts that were cancelled at the 10/12/2003 Board meeting. The 'extended notes' for this account also reflect that the account was "charged-off and cancelled for non-payment per Board action Oct 13, 2003".

The audit history for this account reflects that, at the time the Board voted to cancel this account, the account had an outstanding balance of \$42.02, having been billed \$36.50 for the previous month's water service, a difference of \$5.52.

While the Board minutes and extended notes for this account do reflect that the account was "charged-off" and cancelled, we found no indication that the account balance actually was charged-off.

Account #240:

Billing service for this account began 9/30/2001. Payments for the following months, October, November and December included late charges. On 1/30/2002 the District assessed a \$25.00 cut-off charge. At the time the cut-off charge was assessed, the account balance was \$75.45. From February 2002 through March 2005, thirty-seven (37) late charges were assessed. No payments were received during the months of December 2003, January, February and March 2004. No cut-off charges were assessed.

Based on our review of the accounts, it appears the District's assessment of late fees, cut-off notices and cancellation of Benefit Units, follow no set standard or policy.

Recommendations:

The District should adopt clear and concise policies and procedures to address past due accounts. Furthermore, once policies and procedures are adopted they should be followed for each account and any deviation from those policies should be clearly documented in each account's records, including the reason for the exception.

In instances where the Board has voted to make an adjustment to a customer's account, the action and vote should be recorded in the minutes of the meeting.

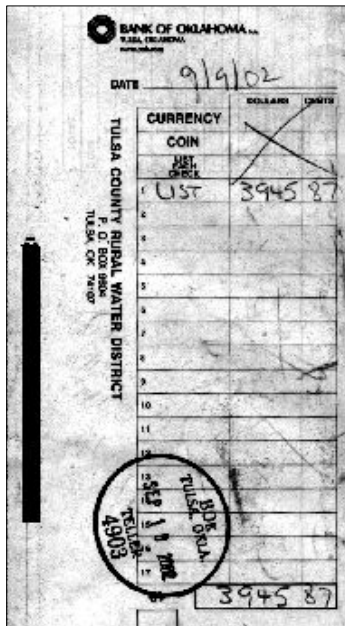
Concern:

- General business practices, receipt and deposit records.

Findings:

- We were unable to reconcile receipt and deposit amounts.
- District records allowed for a limited test only.

Deposit records maintained by the District were not itemized and made no distinction between cash, checks or money orders. Bank deposit slips, rather than being itemized, included the notation "List" followed by an amount. We were unable to find the documentation supporting the deposits.



We performed a limited test, based on the records we were able to obtain, for calendar year 2002. Using an annual report book, we identified monthly reports reflecting receipts in the total amount of \$123,256.13.

Deposit slips maintained by the District reflect deposits for the same period in the amount of \$132,733.69, a variance of \$9,477.63.

It appears, based on the limited testing we were able to perform, that the District is not receipting all funds coming into its possession.

Additionally the District did not maintain the individual billing records, or billing stubs, for the monthly billings. Due to the lack of records, we were unable to perform any further testing.

Title 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 specific duty to keep and maintain complete records of the receipt and expenditure of any public funds reflecting all financial and business transactions relating thereto[.]

Recommendation:

The District should maintain records of all receipts and deposits. In instances where deposit tickets refer to other documentation, that documentation should be maintained with the deposit ticket.

Concern:

- The District uses one vendor to install meters, water lines and road bores and customers are required to use one vendor.
-

Findings:

- There appears to be no requirement to use one specific vendor.
 - Competitive bidding does not appear to be required.
-

Based on Title 82 of the Oklahoma statutes, it appears that the **Competitive Bidding Act** applies to the District. The **Competitive Bidding Act** requires bids be solicited for construction contracts of \$25,000.00 or more.

Based on interviews, the District, through the former Chairman/Operator, required customers to utilize one particular construction company to install meters, water lines and road bores. It appears customers were not provided any options in choosing a contractor in most instances. However, we identified one instance, the focus of a specific concern addressed later in this report, where a customer was allowed to use a different contractor.

We found no statute or a provision in the District's By-Laws requiring the use of only one contractor to provide construction services. Therefore, we were not able to determine the reason why the Chairman/Operator required only one contractor to be used. Based on our review of cancelled checks and invoices from January 2000 through December 2003, it appears that only one construction company was used to install water meters, road bores and water lines.

We question whether the work done by the sole contractor would be construed as one contract and subject to competitive bid if the total exceeded \$25,000.00, or if each individual project performed by the contractor would constitute separate and distinct contracts.

Nonetheless, based on the records reviewed, it does not appear that payments to the construction company reached \$25,000.00 in any given year. Although, it does not appear that the Competitive Bid Act applied, it would be considered a prudent business practice to solicit bids on projects to ensure the best possible price is obtained. This could be done with telephone quotes and other less formal bid solicitation procedures.

Recommendations:

Although the District may not be required to seek competitive bidding, the District should consider implementing a bidding process for the benefit of its customers.

Concern:

- The District was allowing one vendor to overcharge for services.
-

Findings:

- We are unable to confirm or refute the concern.
-

This concern appears to have stemmed primarily from charges assessed to two (2) businesses in the District and the District's apparent requirement that all work performed be done by one specific construction company.

In the first instance, the owner of a local body shop stated that he was charged \$12,600.00 to run a 6" line 550 feet. This event occurred ten (10) years prior to our audit. We were unable to locate any documentation in the District's records. The owner of the body shop was unable to provide any documentation concerning the payment of the \$12,600.00.

The second instance involved an auto repair shop. According to the shop owner, he was quoted \$18,000.00 for installation of an 800' water line. The owner was eventually permitted to use a construction company of his choice, and had the same work performed for \$5,000.00. He was unable to provide, and we were unable to find, any documentation reflecting a price quote for the water lines to this business.

During an interview with a previous Board member, we were advised of another possible instance in which one customer was charged \$11,000.00 for work performed in order to obtain water from the District. We found no file, no computer records and no documentation maintained by the District for the person named. Furthermore we were unable to locate the person named by the former Board member.

We were advised of another District customer that may have been billed an excessive amount for a road bore. After repeated attempts to contact the customer, he did not return any of our messages as of the date of this report.

We were not provided sufficient, verifiable information, or any supporting documentation to allow us to confirm or refute the concern.

Recommendations:

None.

Concern:

- **The former District Chairman/Operator denied water to a church facility in order to obtain the property at a reduced rate.**
-

Findings:

- **We are unable to confirm the concern.**
-

This concern stemmed from the purchase of land by Solid Rock Fellowship with plans to build a church in the District. The concern was that the former Chairman/Operator had denied water to the church in order to purchase the land at a discounted price. Furthermore, that the former Chairman/Operator then ran water lines to the land and those water lines would have been sufficient to serve the needs of the proposed church.

The concern essentially amounts to answering the question of whether the decision to deny water to the church was an arbitrary decision or one based on the supply and demand issues of the District at the time.

We met with the Pastor of the proposed church who advised us that the church complex was to be two (2) buildings; each 100' x 100' and one of those two buildings was to be a two-story facility. The 30,000 sq. ft. facility was to include a Christian school with approximately 125 students. Additionally the plans for the church called for a fire suppression system and, as a result, the plans required a 4" water supply line.

According to the Pastor, the Chairman/Operator stated that the District would only be able to provide a 3/4" line. The church group was offered options, including the building of an on-site water storage facility. However, these options would have cost up to \$100,000.00 and were, therefore, cost prohibitive.

Unable to obtain water, the church decided to sell the property. The property was listed with a local realtor. Six to eight months after listing the property the former Chairman/Operator purchased the land.

After purchasing the land, a 1" water line was installed. According to one Board member, the 1" water line would have been more than sufficient for the church needs. He also alleged that the land already had a 6" line on it and there should have been no problem providing a 4" line to the church.

We consulted with two engineers from the City of Tulsa. According to the engineers, the decision to add a high volume customer to an existing line depends on more than just the size of water lines in the area. The decision to supply or not supply water would also be based on the amount of water available, pressure, volume and elevation.

According to the engineers, in order to accurately answer the question would require a "hydraulic study" that would ordinarily have been performed by the architectural engineers that designed the church complex. No such study was performed.

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Both engineers stated that when the City of Tulsa took over the water system for this area, they encountered problems in keeping a water tank full. The water tank, as explained to us, is the vessel that provides water to District members in that area and when problems develop keeping the tank full, those problems will then pass down to the area water users in the form of lower water pressure or a lack of water service to the customers.

We met with the engineer for the District (from 1999 through 2005). We were told that the water service the District was providing in that area was "marginal" and that the District was "in between required and recommended" levels.

The District engineer stated that the area where the church was to be built was an area the engineering firm had presented to the Board as an area that needed to be upgraded. It was as a result of the recommended upgrade that the District chose to dissolve rather than expend the funds required to make improvements.

The engineer stated that the former Chairman/Operator was aware of the problems with the water service that already existed in that area.

The proposed requirement for a fire suppression system required a 4" line. According to all three engineers we spoke with, a 1" water line, such as the one presently installed, would not have been sufficient to supply an adequate fire suppression system.

We were not provided meeting minutes for the early 1990's, when this project was undertaken, therefore we cannot determine what actions were taken by the District Board. The former Chairman/Operator stated that the District's engineer handled the decisions concerning water service to the proposed church complex. During our interview with the District's engineer, he stated that he was not asked and did not perform any studies, nor did he make any recommendations concerning supplying water to the proposed church complex.

Based on our discussions with the engineers, it appears that the decision to deny the church a water line of sufficient size, or other options that would have required a significant expense to obtain water, may have been based on the demands and capabilities of the District's system at the time. However, with no study having been performed and no documentation concerning how the decision was reached, we are unable to reach a conclusion on what appears to have been a judgment decision.

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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.

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**Attachment A
Chart 1 of 2 - Reduced Benefit Rate**

Act#	Date	Usage	Amt.	Std. Amt..	Var.	Act#	Date	Usage	Amt.	Std. Amt..	Var.
5	07/31/00	5000	\$8.64	\$31.80	\$23.16	5	04/30/01	5000	\$8.64	\$31.80	\$23.16
13	07/31/00	8000	\$15.12	\$45.90	\$30.78	51	04/30/01	3000	\$4.32	\$22.40	\$18.08
32	07/31/00	3000	\$4.32	\$22.40	\$18.08	53	04/30/01	6000	\$10.80	\$36.50	\$25.70
51	07/31/00	4000	\$6.48	\$27.10	\$20.62	59	04/30/01	5000	\$8.64	\$31.80	\$23.16
53	07/31/00	10000	\$19.44	\$55.30	\$35.86	5	05/31/01	6000	\$10.80	\$36.50	\$25.70
59	07/31/00	3000	\$4.32	\$22.40	\$18.08	32	05/31/01	2000	\$2.16	\$17.70	\$15.54
5	08/31/00	14000	\$28.08	\$74.10	\$46.02	51	05/31/01	2000	\$2.16	\$17.70	\$15.54
13	08/31/00	13000	\$25.92	\$69.40	\$43.48	53	05/31/01	8000	\$15.12	\$45.90	\$30.78
32	08/31/00	2000	\$2.16	\$17.70	\$15.54	59	05/31/01	3000	\$4.32	\$22.40	\$18.08
51	08/31/00	3000	\$4.32	\$22.40	\$18.08	5	06/30/01	6000	\$10.80	\$36.50	\$25.70
53	08/31/00	9000	\$17.28	\$50.60	\$33.32	32	06/30/01	2000	\$2.16	\$17.70	\$15.54
59	08/31/00	4000	\$6.48	\$27.10	\$20.62	51	06/30/01	2000	\$2.16	\$17.70	\$15.54
5	09/30/00	7000	\$12.96	\$41.20	\$28.24	53	06/30/01	8000	\$15.12	\$45.90	\$30.78
13	09/30/00	5000	\$8.64	\$31.80	\$23.16	59	06/30/01	3000	\$4.32	\$22.40	\$18.08
32	09/30/00	2000	\$2.16	\$17.70	\$15.54	5	07/31/01	27000	\$56.16	\$135.20	\$79.04
51	09/30/00	3000	\$4.32	\$22.40	\$18.08	13	07/31/01	28000	\$58.32	\$139.90	\$81.58
53	09/30/00	9000	\$17.28	\$50.60	\$33.32	32	07/31/01	2000	\$2.16	\$17.70	\$15.54
59	09/30/00	2000	\$2.16	\$17.70	\$15.54	51	07/31/01	4000	\$6.48	\$27.10	\$20.62
5	10/31/00	6000	\$10.80	\$36.50	\$25.70	53	07/31/01	11000	\$21.60	\$60.00	\$38.40
32	10/31/00	3000	\$4.32	\$22.40	\$18.08	59	07/31/01	5000	\$8.64	\$31.80	\$23.16
51	10/31/00	4000	\$6.48	\$27.10	\$20.62	13	08/31/01	15000	\$30.24	\$78.80	\$48.56
53	10/31/00	7000	\$12.96	\$41.20	\$28.24	32	08/31/01	2000	\$2.16	\$17.70	\$15.54
5	11/30/00	6000	\$10.80	\$36.50	\$25.70	51	08/31/01	3000	\$4.32	\$22.40	\$18.08
32	11/30/00	2000	\$2.16	\$17.70	\$15.54	53	08/31/01	11000	\$21.60	\$60.00	\$38.40
53	11/30/00	7000	\$12.96	\$41.20	\$28.24	59	08/31/01	4000	\$6.48	\$27.10	\$20.62
59	11/30/00	4000	\$6.48	\$27.10	\$20.62	5	09/30/01	10000	\$19.44	\$55.30	\$35.86
5	12/31/00	7000	\$12.96	\$41.20	\$28.24	32	09/30/01	2000	\$2.16	\$17.70	\$15.54
32	12/31/00	5000	\$8.64	\$31.80	\$23.16	51	09/30/01	3000	\$4.32	\$22.40	\$18.08
51	12/31/00	3000	\$4.32	\$22.40	\$18.08	53	09/30/01	5000	\$8.64	\$31.80	\$23.16
53	12/31/00	10000	\$19.44	\$55.30	\$35.86	59	09/30/01	4000	\$6.48	\$27.10	\$20.62
5	01/31/01	4000	\$6.48	\$27.10	\$20.62	5	10/31/01	5000	\$8.64	\$31.80	\$23.16
32	01/31/01	3000	\$4.32	\$22.40	\$18.08	32	10/31/01	2000	\$2.16	\$17.70	\$15.54
51	01/31/01	2000	\$2.16	\$17.70	\$15.54	51	10/31/01	5000	\$8.64	\$31.80	\$23.16
53	01/31/01	6000	\$10.80	\$36.50	\$25.70	53	10/31/01	5000	\$8.64	\$31.80	\$23.16
5	02/28/01	5000	\$8.64	\$31.80	\$23.16	59	10/31/01	3000	\$4.32	\$22.40	\$18.08
32	02/28/01	2000	\$2.16	\$17.70	\$15.54	5	11/30/01	4000	\$6.48	\$27.10	\$20.62
53	02/28/01	6000	\$10.80	\$36.50	\$25.70	32	11/30/01	2000	\$2.16	\$17.70	\$15.54
5	03/31/01	4000	\$6.48	\$27.10	\$20.62	51	11/30/01	6000	\$10.80	\$36.50	\$25.70
32	03/31/01	2000	\$2.16	\$17.70	\$15.54	53	11/30/01	6000	\$10.80	\$36.50	\$25.70
51	03/31/01	3000	\$4.32	\$22.40	\$18.08	59	11/30/01	4000	\$6.48	\$27.10	\$20.62
53	03/31/01	5000	\$8.64	\$31.80	\$23.16	32	12/31/01	3000	\$4.32	\$22.40	\$18.08
59	03/31/01	6000	\$10.80	\$36.50	\$25.70	51	12/31/01	3000	\$4.32	\$22.40	\$18.08
32	04/20/01	3000	\$4.32	\$22.40	\$18.08	53	12/31/01	8000	\$15.12	\$45.90	\$30.78

**TULSA COUNTY RURAL WATER DISTRICT NO. 2
SPECIAL AUDIT
JULY 1, 2000 THROUGH JUNE 30, 2005**

**Attachment B
Chart 2 of 2 - Reduced Benefit Rate**

Act#	Date	Usage	Amt.	Std. Amt..	Var.	Act#	Date	Usage	Amt.	Std. Amt..	Var.
59	12/31/01	5000	\$8.64	\$31.80	\$23.16	5	12/31/02	4000	\$6.48	\$27.10	\$20.62
5	01/30/02	9000	\$17.28	\$50.60	\$33.32	32	12/31/02	6000	\$10.80	\$36.50	\$25.70
51	01/30/02	4000	\$6.48	\$27.10	\$20.62	53	12/31/02	6000	\$10.80	\$36.50	\$25.70
53	01/30/02	8000	\$15.12	\$45.90	\$30.78	5	01/31/03	2000	\$2.16	\$17.70	\$15.54
5	02/23/02	2000	\$2.16	\$17.70	\$15.54	32	01/31/03	3000	\$4.32	\$22.40	\$18.08
5	02/28/02	5000	\$8.64	\$31.80	\$23.16	53	01/31/03	7000	\$12.96	\$41.20	\$28.24
13	02/28/02	7000	\$12.96	\$41.20	\$28.24	32	02/23/03	3000	\$4.32	\$22.40	\$18.08
32	02/28/02	2000	\$2.16	\$17.70	\$15.54	53	02/23/03	7000	\$12.96	\$41.20	\$28.24
51	02/28/02	3000	\$4.32	\$22.40	\$18.08	5	03/31/03	19000	\$38.88	\$97.60	\$58.72
53	02/28/02	5000	\$8.64	\$31.80	\$23.16	32	03/31/03	3000	\$4.32	\$22.40	\$18.08
5	03/31/02	6000	\$10.80	\$36.50	\$25.70	53	03/31/03	6000	\$10.80	\$36.50	\$25.70
32	03/31/02	3000	\$4.32	\$22.40	\$18.08	5	04/30/03	3000	\$4.32	\$22.40	\$18.08
51	03/31/02	3000	\$4.32	\$22.40	\$18.08	32	04/30/03	2000	\$2.16	\$17.70	\$15.54
53	03/31/02	9000	\$17.28	\$50.60	\$33.32	53	04/30/03	9000	\$17.28	\$50.60	\$33.32
5	04/30/02	7000	\$12.96	\$41.20	\$28.24	5	05/31/03	14000	\$28.08	\$74.10	\$46.02
32	04/30/02	2000	\$2.16	\$17.70	\$15.54	32	05/31/03	2000	\$2.16	\$17.70	\$15.54
51	04/30/02	3000	\$4.32	\$22.40	\$18.08	53	05/31/03	8000	\$15.12	\$45.90	\$30.78
53	04/30/02	9000	\$17.28	\$50.60	\$33.32	5	06/30/03	6000	\$10.80	\$36.50	\$25.70
59	04/30/02	4000	\$6.48	\$27.10	\$20.62	53	06/30/03	2000	\$2.16	\$17.70	\$15.54
5	05/31/02	9000	\$17.28	\$50.60	\$33.32	5	07/31/03	19000	\$38.88	\$97.60	\$58.72
32	05/31/02	3000	\$4.32	\$22.40	\$18.08	13	07/31/03	19000	\$38.88	\$97.60	\$58.72
53	05/31/02	8000	\$15.12	\$45.90	\$30.78	32	07/31/03	3000	\$4.32	\$22.40	\$18.08
5	06/30/02	9000	\$17.28	\$50.60	\$33.32	53	07/31/03	22000	\$45.36	\$111.70	\$66.34
32	06/30/02	3000	\$4.32	\$22.40	\$18.08	5	08/31/03	8000	\$15.12	\$45.90	\$30.78
53	06/30/02	8000	\$15.12	\$45.90	\$30.78	13	08/31/03	2000	\$2.16	\$17.70	\$15.54
5	07/31/02	10000	\$19.44	\$55.30	\$35.86	32	08/31/03	2000	\$2.16	\$17.70	\$15.54
13	07/31/02	21000	\$43.20	\$107.00	\$63.80	53	08/31/03	9000	\$17.28	\$50.60	\$33.32
32	07/31/02	2000	\$2.16	\$17.70	\$15.54	5	09/30/03	12000	\$23.76	\$64.70	\$40.94
53	07/31/02	11000	\$21.60	\$60.00	\$38.40	53	09/30/03	11000	\$21.60	\$60.00	\$38.40
5	08/30/02	4000	\$6.48	\$27.10	\$20.62	53	10/30/03	7000	\$12.96	\$41.20	\$28.24
32	08/30/02	2000	\$2.16	\$17.70	\$15.54	5	11/30/03	8000	\$15.12	\$45.90	\$30.78
53	08/30/02	5000	\$8.64	\$31.80	\$23.16	53	11/30/03	10000	\$19.44	\$55.30	\$35.86
5	09/30/02	9000	\$17.28	\$50.60	\$33.32	5	12/31/03	9000	\$17.28	\$50.60	\$33.32
32	09/30/02	3000	\$4.32	\$22.40	\$18.08	32	12/31/03	2000	\$2.16	\$17.70	\$15.54
32	09/30/02	3000	\$4.32	\$22.40	\$18.08	53	12/31/03	11000	\$21.60	\$60.00	\$38.40
53	09/30/02	10000	\$19.44	\$55.30	\$35.86	5	01/31/04	6000	\$10.80	\$36.50	\$25.70
5	10/30/02	6000	\$10.80	\$36.50	\$25.70	32	01/31/04	2000	\$2.16	\$17.70	\$15.54
5	10/31/02	6000	\$10.80	\$36.50	\$25.70	53	01/31/04	10000	\$19.44	\$55.30	\$35.86
32	10/31/02	2000	\$2.16	\$17.70	\$15.54	5	02/27/04	6000	\$10.80	\$36.50	\$25.70
53	10/31/02	4000	\$6.48	\$27.10	\$20.62	32	02/27/04	2000	\$2.16	\$17.70	\$15.54
5	11/30/02	7000	\$12.96	\$41.20	\$28.24	53	02/27/04	7000	\$12.96	\$41.20	\$28.24
51	11/30/02	4000	\$6.48	\$27.10	\$20.62	5	03/31/04	7000	\$12.96	\$41.20	\$28.24
53	11/30/02	7000	\$12.96	\$41.20	\$28.24						
									\$1,859.71	\$6,269.70	\$4,409.94

TULSA COUNTY RURAL WATER DISTRICT NO. 2
SPECIAL AUDIT
JULY 1, 2000 THROUGH JUNE 30, 2005

Attachment C

RURAL WATER DISTRICT NO. 2,
TULSA COUNTY, OKLAHOMA

BENEFIT UNIT CERTIFICATE NO. 111

This Certifies that C. P. Williams
the owner of one (1) Benefit Unit of Rural Water District No. 2, Tulsa County,
Oklahoma.

This Benefit Unit cannot be transferred without the approval of the Board of
Directors of said Rural Water District.

This Benefit Unit entitles the owner thereof to not to exceed one (1) water
line from the District's water system and such line(s) shall serve not to exceed
one (1) residence or business establishment together with the necessary and usual
out-buildings.

This Benefit Unit is subject to the provisions of the By-Laws and the Rules
and Regulations of said Rural Water District.

This Benefit Unit shall entitle the owner thereof to one (1) service connection
for the following property located in _____ County, Oklahoma, to-wit:

IN WITNESS WHEREOF, the said Rural Water District No. 2, Tulsa County,
Oklahoma, has caused this Certificate to be signed by its duly authorized officers
and its Corporate Seal to be hereunto affixed this _____ day of _____,
A. D. 19____.

RURAL WATER DISTRICT NO. 2,
TULSA COUNTY, OKLAHOMA

BY _____
Chairman

ATTEST: _____
Secretary
(SEAL)

ASSIGNMENT

FOR VALUE RECEIVED, The undersigned C. P. Williams,
the owner of one (1) Benefit Unit, No. _____, of Rural Water District No. 2,
Tulsa County, Oklahoma, hereby assign(s), convey(s), and transfer(s) said
Benefit Unit to _____.

DATE _____ C. P. Williams (By Deed)

ACCEPTANCE OF ASSIGNMENT

Jo Hanna Harger, the assignee(s) named in the above
Assignment, hereby accept(s) the Assignment to (him, her, them) of the above de-
scribed Benefit Unit and agree(s) to assume and be bound by all of the obligations
imposed upon the holder of such Benefit Unit by the By-Laws and the Rules and
Regulations of Rural Water District No. 2, Tulsa County, Oklahoma.

Approved: _____
Chairman

Jo Hanna Harger
4334 S. 69 W. Ave, Tulsa 74107

Secretary