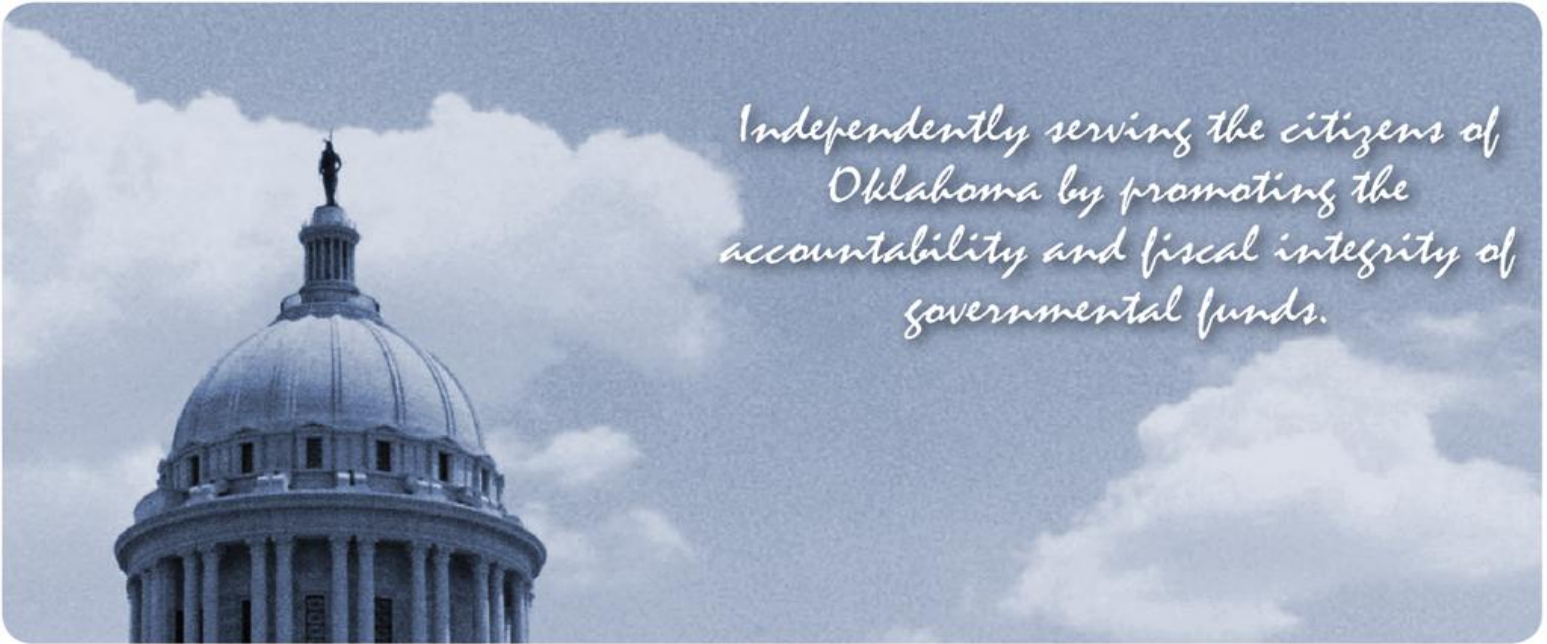


INVESTIGATIVE REPORT

# TOWN OF RYAN

For the period April 1, 2013 through March 31, 2015



*Independently serving the citizens of  
Oklahoma by promoting the  
accountability and fiscal integrity of  
governmental funds.*



Oklahoma State  
Auditor & Inspector  
Gary A. Jones, CPA, CFE

**TOWN OF RYAN**  
**RYAN UTILITIES AUTHORITY**  
**JEFFERSON COUNTY, OKLAHOMA**  
**DISTRICT ATTORNEY REQUEST**  
**APRIL 1, 2013 THROUGH MARCH 31, 2015**

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This publication, issued by the Oklahoma State Auditor and Inspector's Office as authorized by 74 O.S. § 212(H), has not been printed but is available on our agency's website ([www.sai.ok.gov](http://www.sai.ok.gov)) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital Collection, pursuant to 74 O.S. § 3105.B. This report has been released for publication by the District Attorney, District 6.



## Report Highlights

This audit was performed in response to a District Attorney request in accordance with 74 § O.S. 212(H).

### WHY WE CONDUCTED THIS AUDIT

The Honorable Jason Hicks, District Attorney for the 6<sup>th</sup> District of Oklahoma requested the assistance of the Oklahoma State Auditor and Inspector in conducting an audit of the Town of Ryan in response to allegations regarding a possible misappropriation of public funds.

### WHAT WE FOUND

- The Town of Ryan combined the positions of town clerk and town treasurer, thereby eliminating an important segregation of duties related to the town's finances and giving virtually all control and oversight of the Town's finances to a single person, the town treasurer.
- Between \$122,795 and \$159,108 may have been misappropriated from customer's utility billing payments. The Town treasurer admitted, based on her own estimation, to misappropriating between \$3,000 and \$4,000 per month for the 23½ months since taking office, a total of \$70,500 - \$94,000.
- The Town treasurer obtained insurance for her spouse without Board authorization. As a result, the Town paid \$12,164 for unauthorized insurance benefits.
- The Town treasurer utilized the Town's Wal-Mart Community credit card for \$11,283 of personal shopping. In addition, the Town was unable to provide documentation for another \$17,740 in payments to Office Depot.
- The Town treasurer made questionable and unsupported payments to herself totaling \$17,493. We identified \$10,856 of those payments as additional wages in excess of her monthly salary; other payments were for travel, cell phone reimbursements, and undocumented overtime.
- Items purchased from Wal-Mart and Office Depot included laptop computers, computer tablets, digital cameras, surveillance cameras and smart phones. According to Town officials these items are currently unaccounted for.



# Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

November 19, 2015

The Honorable Jason Hicks  
District Attorney, District 6  
220 N. Main, Room 201  
Waurika, Oklahoma 73573

District Attorney Hicks:

Pursuant to your request and in accordance with the requirements of **74 O.S. § 212(H)**, we performed an investigative audit with respect to the Town of Ryan for the period April 1, 2013 through March 31, 2015.

Because an investigative audit does 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 Town of Ryan for the period April 1, 2013 through March 31, 2015.

The goal of the State Auditor and Inspector is to promote accountability and fiscal integrity in state and local government. Maintaining our independence as we provide this service to the taxpayers of Oklahoma is of utmost importance.

This report is addressed to, and is for the information and use of the District Attorney as provided by statute. This report is also a public document pursuant to the **Oklahoma Open Records Act** in accordance with **51 O.S. §§ 24A.1, et seq.**

Sincerely,

A handwritten signature in blue ink that reads "Gary A. Jones". The signature is fluid and cursive, with the first name "Gary" being the most prominent.

GARY A. JONES, CPA, CFE  
OKLAHOMA STATE AUDITOR & INSPECTOR

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**BOARD OF TRUSTEES**

(As of July 13, 2015)

Terry Grantham..... Mayor  
Cliff Avens..... Vice-Mayor  
Linda Kafer-Cain ..... Member  
Tammy Cotton ..... Member  
David Jackson..... Member

**TREASURER**

Patricia K. “Kathy” Laskowski

**CLERK**

Position was unfilled

**INTRODUCTION**

The Town of Ryan, Oklahoma (“Town”) is organized under the statutory town board of trustees form of government, as outlined in **11 O.S. §§ 12-101, *et seq.***

**11 O.S. § 12-101, states:**

The form of government provided by Sections 12-101 through 12-114 of this title shall be known as the statutory town board of trustees’ form of government. Towns governed under the statutory town board of trustees form shall have all the powers, functions, rights, privileges, franchises and immunities granted, or which may be granted, to towns. Such powers shall be exercised as provided by law applicable to towns under the town board of trustees form, or if the manner is not thus prescribed, then in such manner as the board of trustees may prescribe.

The Ryan Utilities Authority (“RUA” or “Authority”) is a public trust established under **60 O.S. §§ 176 *et seq.*** The Ryan Utilities Authority operates a utility service providing electricity, water, sewer, and garbage service to the residents of the Town of Ryan. The Town Board of Trustees serve ex-officio as the Board of Trustees for the Authority.

**The Office of the State Auditor and Inspector conducted an investigative audit of the Town and Authority records, primarily focused on determining if Town or Authority funds had been misappropriated. The results of our investigation follow.**

**BACKGROUND**

Prior to beginning our investigation, we met with auditors from the independent audit firm of Furrh & Associates (“Furrh”). Furrh had served as the independent auditors for the Town and Authority since 2008. According to Furrh, there had been few issues or concerns with the Town’s records under the previous clerk and treasurer.

In April 2013, Patricia K. “Kathy” Laskowski was elected to the position of Town Treasurer. Furrh remained the independent auditor and completed the audit for the fiscal year ending June 30, 2013, without significant issues.

When Furrh & Associates began the fiscal year ending June 30, 2014 audit, they encountered difficulties obtaining records and, as a result, the audit was postponed several times. Some of the postponements were due to conflicts between Furrh & Associates and other clients.

In February 2015, Furrh & Associates’ auditors arrived on-site at Ryan town hall to conduct the audit. They continued having difficulties obtaining sufficient records to complete their engagement and described some of the Town’s records as “a nightmare.”

When Furrh auditors began reviewing payroll records, they discovered Laskowski appeared to have obtained medical insurance coverage for her spouse without authorization, and the costs had not been properly deducted from her payroll.

Furrh auditors also discovered other transactions related to the Town’s finances that appeared questionable. They provided us a copy of a letter dated February 10, 2015, that had been presented to the Town Board of Trustees outlining numerous concerns and issues discovered. In March 2015, before Furrh was able to perform additional inquiries into the questionable transactions, the Town Board voted to terminate the services of Furrh & Associates.



**Objective I**                      **Determine if utility payments collected have been misappropriated.**

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**Findings**

1. **There were few, if any, safeguards or internal controls over utility payment receipts. Payment records were thrown away, reports and receipt books were missing.**
  2. **Overall deposits, including cash deposits, significantly declined when Laskowski assumed the duties of treasurer.**
  3. **Utility payment reports indicated between \$122,795 and \$159,108 was recorded as received but not deposited.**
  4. **Cash deposits increased after Laskowski was suspended from office.**
  5. **Laskowski admitted, by her estimation, she had embezzled between \$70,500 and \$94,000 from customer’s utility payments.**
- 

**Background**

The Ryan Utilities Authority (“Authority”) is responsible for providing utility services to customers both within and outside of the city limits. Customers are billed on a monthly basis for water, sewer, and electricity services.

The Authority, like many public works authorities, relies on a two-part billing card. One portion of the card is retained by the customer, and the other portion can be detached and returned with the customer’s payment, either by mail or in person.

The purpose of the returned portion, often referred to as a *billing stub* or *payment stub*, is to identify which account the payment should be applied. The stub should be retained by the Authority clerk, as the stub serves as a receipt for the payment.

Ordinarily when a customer makes a utility payment and does not have a billing stub, a receipt is issued from a pre-numbered receipt book. Typically, receipt books contain an original receipt and one or more carbon copies, with at least one of the carbon copies of the receipt being retained by the clerk. This dual method of receipting, although commonly used, presents inherent difficulties in providing an accurate accountability of funds collected.

A primary purpose for issuing pre-printed and pre-numbered receipts is to provide a means of accurately reconciling *payments received to deposits made*. Pre-numbered receipt books provide a method to detect if receipts have been discarded or destroyed.

When the *same person* prepares the utility bills, receives the utility payments, records the utility payments, and can make adjustments to customer accounts via a utility billing computer system, all elements are present to carry out a long running and difficult to detect misappropriation scheme.

The Authority Trust Indenture provides that the person who shall serve as the treasurer for the Town shall also serve as the treasurer for the Authority. The specific duties of the Authority treasurer were not defined in the Trust Indenture and were presumed to be essentially the same responsibilities that would apply to the Town treasurer.

The duties of a municipal treasurer are defined in **11 O.S. § 12-110** which provides in relevant part:

The town treasurer shall be an officer of the town. The town treasurer shall maintain accounts and books to show where and from what source all monies paid to him have been derived and to whom and when any monies have been paid and to deposit daily funds received for the town...

Section 1-20 of the Town Code provides essentially the same duties and responsibilities provided for in **11 O.S. § 12-110**.

Although the Town of Ryan, with a population of 816<sup>1</sup>, might be considered a small town, the amount of money received from utility customers averaged \$80,575 per month, or just under \$966,900 annually for the 13 month period prior to Laskowski being elected as the Town treasurer.

**Finding 1**

**There were few, if any, safeguards or internal controls over utility payment receipts. Payment records were thrown away, reports and receipt books were missing.**

Ordinarily when money collected from utility payments is deposited, the treasurer will reconcile the on-hand money to a report reflecting the amounts collected and on what accounts the payments received had been credited.

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<sup>1</sup> According to 2010 census records.

During our initial interview with Laskowski, she stated that due to a lack of knowledge and understanding of her job, she did not reconcile the money deposited to any reports. In addition to not performing a reconciliation, Laskowski said once payments were posted to the computer system and a report was printed reflecting the payments received the payment stubs were thrown away.

Laskowski, as well as other part-time employees, stated that receipts were issued from receipt books for cash payments or payments for which the customer did not have a payment stub. On April 15, 2015, at the conclusion of our initial interview with Laskowski, we asked Laskowski for those receipt books and payment reports.

In an April 28, 2015 meeting, Deputy Clerk Deborah Reynolds informed us none of the records requested were available and that she had observed Laskowski putting records in a box and removing them from town hall.

On April 29, 2015, we issued a subpoena to both Laskowski and Mayor Wiest for the records previously requested, which were public records and should have been maintained and available at town hall for inspection during business hours. In accordance with the subpoena, the records requested, which included utility payment reports, receipt books, and other evidence of payments received or credited, were to be provided by June 19, 2015.

Laskowski acknowledged that she had taken receipt books from town hall prior to our audit, but stated she had subsequently returned them. As of the conclusion of our fieldwork, on July 29, 2015, the payment reports and receipt books had not been provided to our office.

*Because the Town was unable or unwilling to provide the subpoenaed records, we relied on more generalized and analytical testing than we would ordinarily perform to test for the misappropriation of utility payments.*

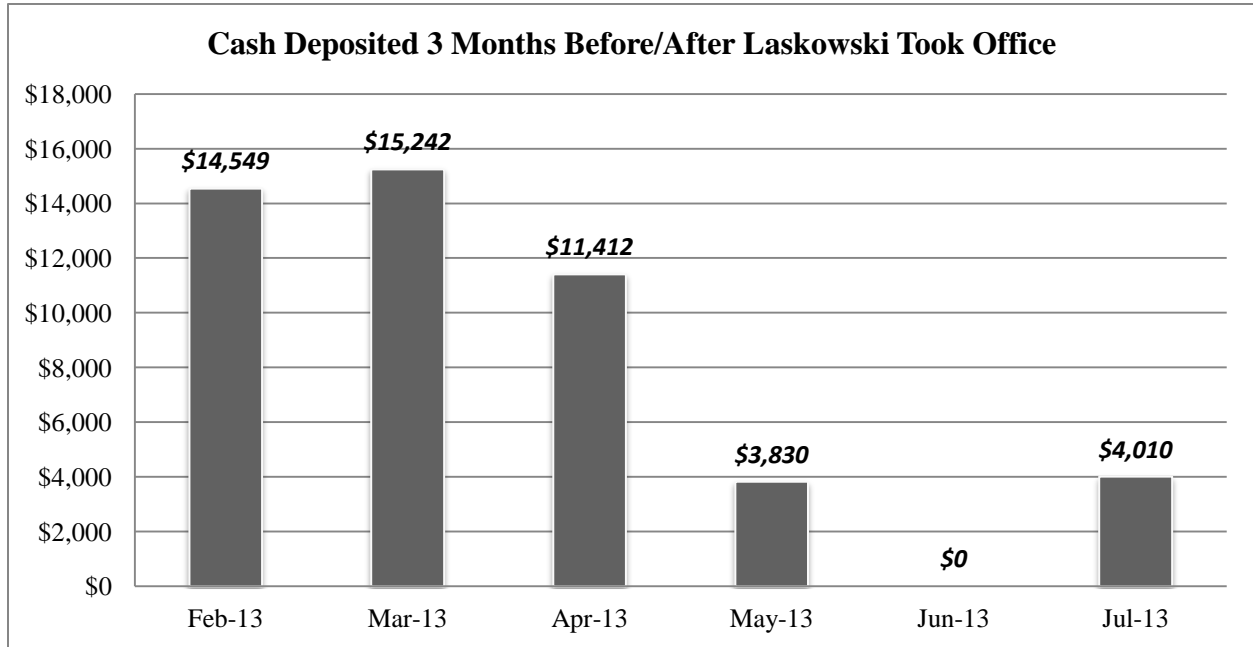
**Finding 2**

**Overall deposits, including cash deposits, significantly declined when Laskowski assumed the duties of treasurer.**

Because of the limited number of records available for our review, we performed an analytical review to determine if the cash deposits made after Laskowski took office remained consistent with the cash deposits made before she took office.

Our initial review of the utility account for a six-month period, the three months prior and the three months after Laskowski took office; revealed a

significant drop in the amount of cash deposited to the utility account, as reflected in the table below:



Based on the results of this analysis, our review was expanded to include a comparison of the 13-month period before Laskowski took office to the 23½ months after Laskowski took office.

Between March 2012 and mid-April 2013, the 13 month period prior to Laskowski taking office, deposits<sup>3</sup> to the utility account(s) averaged \$75,616 per month, including cash deposits averaging \$16,129 per month.

For the 23½ month period from mid-April 2013 through March 31, 2015, while Laskowski served as treasurer, overall deposits to the utility account(s) dropped to a monthly average of \$63,686, a decline of \$11,930. Cash deposits dropped from the \$16,129 per month average to \$6,230 per month, a decline of \$9,899 per month.

The Town's independent auditor had expressed concern that deposits may have been made to the wrong accounts. Therefore, we reviewed all of the deposits made to all of the Town's accounts to determine if utility deposits had been erroneously made to another town account.

During the 13 month period prior to Laskowski taking office, the monthly deposits<sup>4</sup> to all Town accounts averaged \$80,575. The average amount of cash deposited monthly was \$16,142.

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<sup>3</sup> Interest payments were excluded from deposit totals.

From mid-April 2013 through March 31, 2015, when Laskowski was in office, the average deposits for all accounts dropped from \$80,575 to \$65,430, a decline of \$15,145 per month. The average amount of cash deposited monthly dropped from \$16,142 to \$6,336 per month, a decline of \$9,806 on average per month.

**Finding 3                      Utility payment reports indicate between \$122,795 and \$159,108 was recorded as received but not deposited.**

We obtained copies of monthly reports, purporting to reflect receipted utility payments, from the CPA firm that had been hired to replace Furrh & Associates as the Town's independent auditor. These reports were regenerated by the independent auditor from the Town's computer.

For the period April 2013 through March 2015, we compared the amounts purportedly received to the amounts deposited in the utilities bank account. The reports for that period reflected the total amount paid as \$1,694,262, with deposits to the utilities bank account totaling \$1,535,154<sup>5</sup>, a variance of -\$159,108.

We also compared the amount reportedly received compared to all cash, check and direct deposits, excluding those identified as clearly *not* being a utility payment<sup>6</sup>. Overall the deposits to all accounts totaled \$1,571,467, a variance of -\$122,795.

Laskowski stated that, because of a lack of training, she had recorded payments in the computer system although no actual payments had been received. As such, we are unsure what amount of reliability to attribute to the monthly payment reports provided.

**Finding 4                      Cash deposits increased after Laskowski was suspended from office.**

According to Mayor Jeff Wiest, Laskowski was suspended from her duties on May 5, 2015.

As previously noted, when Laskowski assumed the duties as Town Treasurer the cash deposits made to *all* of the Town's accounts dropped from \$16,142 to \$6,336 per month.

We obtained bank statements for the utility account and noted that *after* Laskowski's suspension, cash deposits to the account increased to \$12,850

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<sup>4</sup> Excluding payments from the Oklahoma Tax Commission, interest, and account-to-account transfers.

<sup>5</sup> Excluding interest payments.

<sup>6</sup> Excluding interest payments, payments from the Oklahoma Tax Commission, and other identifiable non-utility deposits.

and \$11,525 for May and June 2015, an increase of \$6,514 and \$5,189, respectively, compared to the average cash deposits of \$6,336 during the period Laskowski served as treasurer.

**Finding 5                    Laskowski admitted, by her estimation, she had embezzled between \$70,500 and \$94,000 from customer’s utility payments.**

On July 29, 2015, we interviewed Treasurer Laskowski for the second time, during which we discussed the bank balances and the declining cash deposits.

Laskowski stated that early on she had begun taking cash paid by utility customers and using it for personal purposes. Laskowski was unsure of the exact amount, but estimated she had taken between \$3,000 and \$4,000 per month, or between \$70,500 and \$94,000 for the 23½ month period she had held office.

Using publically available court records, we discovered Laskowski had been charged in the State of Wisconsin, in 2002, with three counts of theft. One of those counts was “theft-business setting <= \$1000.” The court records reflect Laskowski pled “guilty/no contest” to the charges, was sentenced to 3 years probation and ordered to repay \$16,373.71 in restitution.

**Objective II**      Determine if payments to vendors were valid and appropriate.

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**Findings**

1. There was a fundamental failure in the control and oversight of expenditure payments made from the Town's bank accounts.
2. The Town had no documentation to support \$11,283 in payments to a Wal-Mart Community credit card.
3. The Town's Wal-Mart Community credit card was used for personal purchases.
4. The Town could not provide documentation for an additional \$838.63 in point-of-sale purchases from Wal-Mart.
5. The Town could not provide documentation to support \$17,740 in payments to Office Depot.
6. Invoices obtained from Office Depot detailed questionable purchases.
7. High appeal items purchased from Wal-Mart and Office Depot were missing.
8. The Town made payments on three unauthorized cell phones.
9. Unpaid bills were intentionally omitted from expenditure reports provided to the Board for approval.
10. The dual signature requirement for payments issued from the Town's accounts was an ineffective control.

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**Background**

To accomplish our objective in determining if payments to vendors were valid and appropriate, we reviewed the Town's records to determine:

- Are purchases properly documented and recorded?
- Are purchases properly reviewed and approved by the governing board(s)?
- Do purchases appear to be for the necessary operation of the town?

When we began our review of expenditures, we quickly discovered that there were almost no records available, including bank statements. As such, we issued subpoenas to the Town's banking institutions in order to see what expenditures had been incurred by the Town.

From the bank records obtained, we compiled a list of expenditures paid, and requested supporting documentation and invoices for those payments. The Town was unable to provide the records requested, records required by law<sup>8</sup>.

**Finding 1                    There was a fundamental failure in the control and oversight of expenditure payments made from the Town's bank accounts.**

Town Ordinances provide for the positions of town clerk and town treasurer, each with separate duties related to the expenditure of funds. Separate duties are defined for the position of town clerk in **11 O.S. § 12-109**, and the position of town treasurer in **11 O.S. § 12-110**.

Prior to Laskowski taking office as the elected treasurer, the positions of clerk and treasurer had been held by two people, allowing for some segregation of duties. After Laskowski took office in April 2013, the positions of clerk and treasurer were combined.

According to Mayor Wiest the idea to combine the positions was put forth by Laskowski. According to Laskowski the idea to combine the positions was put forth by the Board. Regardless of the origin of the idea, on June 4, 2013, less than two months after Laskowski took office, the Town Board voted on and approved a motion to draft an ordinance combining the positions of clerk and treasurer. The minutes reflect the ordinance was to be voted on at the July 1, 2013 meeting.

According to the meeting minutes provided, the Town Board met on July 1, 2013, in both a "special session" and a "regular session". The meeting minutes reflect no mention of the consideration or passage of an ordinance combining the clerk and treasurer positions.

While we found no official ordinance combining the positions of clerk and treasurer, as required by **11 O.S. § 12-112**, it appears Laskowski assumed the duties of both positions. The Board, or at least the Mayor, believed the positions had been combined.

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<sup>8</sup> **62 O.S. § 310.1(B)** requires itemized invoices and purchase orders be provided to the governing board for approval.



Laskowski maintained possession and control of Mayor Wiest's signature stamp. Laskowski was able to sign checks as treasurer, as well as use the Mayor's signature stamp as the second signer on checks drawn on the Town's accounts. This arrangement allowed Laskowski to independently issue payments from the Town's accounts with no oversight.

At the same time, Laskowski, as Town clerk, was in a position to have significant, if not complete control of reports provided to the Town Board, including payment reports for the Board's approval. In an interview at the conclusion of our fieldwork, Laskowski stated she had purposefully omitted unpaid bills from the reports provided to the governing Boards for approval.

Although the Board did not appear to have combined the clerk and treasurer positions by official ordinance, Laskowski was strategically in the position of performing the duties for both positions.

By allowing one person to hold both the clerk and treasurer positions, the Board relinquished almost complete control of the Town's bank accounts to Laskowski, maintaining little to no oversight to aid in the prevention of the misappropriation of funds.

**Finding 2**

**The Town had no documentation to support \$11,283 in payments to a Wal-Mart Community credit card.**

A sample of payments to Wal-Mart and Wal-Mart Community were among the select payments from bank records for which we requested supporting documentation. Town officials provided invoice documentation for only one payment to Wal-Mart and could not provide any supporting documentation for the \$11,283.13 in payments for the Wal-Mart Community credit card charges.

The Town's file contained one Wal-Mart Community Card statement in the amount of \$381.70; however, the page showing the itemized charges was missing from the statement and there was no supporting invoice documentation.

At our request, Town officials obtained supporting documentation directly from Wal-Mart for the Wal-Mart Community Card charges.

**Finding 3**

**The Town's Wal-Mart Community credit card was used for personal purchases.**

The Wal-Mart Community Card statements and associated documents obtained by Town officials indicated the credit card had been used at

various locations including Duncan, Lawton, Chickasha, Ardmore, Wichita Falls, and Bowie, Texas.

The items purchased appeared to be for personal purchases, rather than purchases related to the operations of the Town. The following are some examples of the items purchased:

- Grocery items including brisket, sausage, bread, milk, pies, turkey, Bloody Mary mix, Margarita mix and lunch meat;
- Clothes including jeans, children's clothes, tee shirts and a girl's jacket;
- Hunting supplies including a Blackhawk pivot bipod;
- Cell phones, prepaid phone cards and a car charger;
- Women's makeup and antiperspirant;
- Birthday party supplies;
- Electronics such as an Xbox video game, two boom boxes, children's movies, HD 7" Nook, Fuji digital camera with 64 gigabyte SD card, Vivitar camera and a Sony voice recorder;
- Chlorine, wind chime, comforter, pillow and a lace tablecloth.

In an interview at the conclusion of our fieldwork, Laskowski stated she had possession of the Town's Wal-Mart Community Card and admitted using the card to make personal purchases. According to Laskowski, she used the Town's Wal-Mart Community Card essentially as her own. While doing her personal shopping, she would simply swipe the Town's credit card rather than her own.

Although Laskowski initially suggested that two other town employees may have used the Wal-Mart Community Card, when we asked about specific charges, Laskowski stated "everything on there was me."

It should be noted that because Laskowski held the combined positions of clerk and treasurer, she was in control of all aspects of the process to issue payments for purchases made with the Wal-Mart Community Card, legitimate or otherwise.

**Finding 4**

**The Town could not provide documentation for an additional \$838.63 in point-of-sale purchases from Wal-Mart.**

In addition to the Wal-Mart Community Card payments we also noted two point-of-sale direct draft payments made at Wal-Mart. One of the payments, in the amount of \$350.75, appeared to have been an electronic point-of-sale draft on the Town's general fund. The second payment, in the amount of \$487.88, appeared to have been an electronic point-of-sale draft from the utility account.

The Town was unable to provide itemized documentation reflecting what items had been purchased from these two electronic payments.

**Finding 5                    The Town could not provide documentation to support \$17,740 in payments to Office Depot.**

In our review of canceled checks, we determined the Town had issued payments to Office Depot totaling \$17,740 during the time Laskowski served as clerk/treasurer. Town officials were unable to provide supporting documentation for the purchases, so we requested Town officials contact Office Depot to obtain an itemized accounting of the items that had been purchased.

**Finding 6                    Invoices obtained from Office Depot detailed questionable purchases.**

The invoices obtained from Office Depot by Town officials detail purchases that appear questionable. Examples include:

- 16 GB Samsung multimedia tablet with the purchase of a 2-year service protection plan;
- Smoothie blender;
- Crayon storage tower and coloring books;
- Insulated food tote bag;
- Dell laptop computer, HP notebook computer, Google Chromecast HDMI streaming media;
- iTunes gift card and computer games;
- Protector screen for iPad Mini;
- Various legal forms such as Living Will, Power of Attorney, Last Will/ Testament and real estate sales.

**Finding 7                    High appeal items purchased from Wal-Mart and Office Depot were missing.**

High appeal items are those items easily converted from official use to personal use. Such items include digital cameras, electronic tablets, notebooks or computers, iPods, iPads, and other small but relatively expensive electronic items.

We selected a sample of twenty-six items purchased from Office Depot and Wal-Mart and asked Town officials to determine if those items could be accounted for as being in the Town's possession. The 19 items, totaling \$4,464, that Town officials could not account for are shown below:

**TOWN OF RYAN / RYAN UTILITIES AUTHORITY  
DISTRICT ATTORNEY REQUEST  
DATE OF RELEASE: NOVEMBER 19, 2015**

Cost	Item	In the Town's Possession	Not In the Town's Possession
\$249.99	Dell Inspiron 15 Laptop Computer with 15.6" Screen & Intel Celeron Dual Core Processor	X	X
\$319.99	Samsung Galaxy Tablet with 10.1" Screen, 16 GB Storage	X	X
\$599.99	HP Envy Desktop Computer with 6th Gen AMD A10 Quad-Core Processor <i>e Dab's Desk</i>	X	X
\$299.99	Uniden UDS655 Digital Wireless Video Surveillance System with 7" LCD Monitor and 2 Cameras	X	X
\$299.99	Uniden UDS655 Digital Wireless Video Surveillance System with 7" LCD Monitor and 2 Cameras	X	X
\$99.99	Brother PT-2730 Desktop Labeler	X	X
\$599.99	HP Pavilion TouchSmart 21-h010 All-In-One Computer with 21.5" Touch-Screen Display	X	X
\$529.99	HP Pavilion TouchSmart 20-f230 All-In-One Computer with 20" Touch-Screen Display	X	X
\$139.99	HP Officejet Pro 8600 e-All-In-One Printer, Copier, Scanner, Fax <i>@ Gary's office</i>	X	X
\$499.99	HP Pavilion 23-b320 All-In-One-Computer with 23" Display <i>@ Gary's office</i>	X	X
\$119.99	Four shelf Bookcase Antique Black 63 1/4"H x 29 1/2"W x 12 5/8"D	X	X
\$119.99	Four shelf Bookcase Antique Black 63 1/4"H x 29 1/2"W x 12 5/8"D	X	X
\$119.99	Four shelf Bookcase Antique Black 63 1/4"H x 29 1/2"W x 12 5/8"D	X	X
\$139.79	RCA 25252 2-Line DECT 6.0 Cordless Expandable Phone with Digital Answering System Black/Silver	X	X
\$205.99	Realspace Harrington High-Back Bonded Leather Chair, Brown <i>@ Desk</i>	X	X
\$89.99	D-Link 1150 Day/Night Network Cloud Camera 4.9" x 2.9" x 2.3", White <i>@ office</i>	X	X
\$89.99	D-Link 1150 Day/Night Network Cloud Camera 4.9" x 2.9" x 2.3", White <i>@ office</i>	X	X
\$89.99	D-Link 1150 Day/Night Network Cloud Camera 4.9" x 2.9" x 2.3", White	X	X
\$756.99	HP Pavilion dv6-7200us dv6-7220us 15.6" LED Notebook Brushed Aluminum, Midnight Black	X	X
\$139.99	HP Officejet 6700 Premium e All-In-One Printer, Copier, Scanner, Fax <i>@ Kathy Desk</i>	X	X
\$79.99	GBC Fusion 1000L 12" Laminator	X	X
\$99.00	Straight Talk Samsung Galaxy Centura Prepaid Smartphone	X	X
\$99.00	Straight Talk Samsung Galaxy Centura Prepaid Smartphone	X	X
\$279.00	Fuji S8200 Digital Camera	X	X
\$99.00	Nook HD 7" 8G Tablet	X	X
\$59.88	ST LG Optimus Logic Smart Phone	X	X

Inventory Performed By: Linda Kaper-Cain 7-15-15  
Signature Linda Kaper-Cain

In addition, repair warranties totaling \$241.97 were also purchased on the date a Samsung Galaxy Tablet, two Uniden Video Surveillance Systems and an HP Pavilion computer with a 21" screen were purchased; and prepaid phone cards totaling \$135.00 were purchased on the same date three smart phones were purchased.

**Finding 8                      The Town made payments on three unauthorized cell phones.**

At our request, Town officials obtained records related to expenditures to U.S. Cellular. Payments had been made for three unauthorized phone numbers.

- 580-313-0603 added in February 2014
- 580-313-0543 added in February 2014
- 580-313-0266 added in July 2014

Town officials determined one number (0603) belonged to Kathy Laskowski, one was for her spouse (0543), and the board was unable to determine who the third number (0266) belonged to.

Laskowski confirmed that the “0603” number was for a cellular telephone she had in her possession. She also stated that in July 2014, Town officials asked her spouse to assist with monitoring inmates working for the Town. At that time, Laskowski provided her husband with number “0543” that had previously been used by the police department. When asked if the Town Board was aware that her husband had a cellular telephone paid for by the Town Laskowski replied, “No”.

Laskowski denied knowledge of who possessed the telephone number ending in “0266”.

**Finding 9**

**Unpaid bills were intentionally omitted from expenditure reports provided to the Board for approval.**

As previously noted, Laskowski prepared the report of unpaid bills for Board approval. There was nothing to preclude her from omitting certain bills without Board knowledge.

Board Member Tammy Cotton provided her copies of the unpaid bills reports for the following dates:

- Unpaid bills as of February 15, 2014
- Unpaid bills as of March 31, 2014
- Unpaid bills as of April 30, 2014
- Unpaid bills as of May 31, 2014
- Unpaid bills as of July 31, 2014
- Unpaid bills as of October 31, 2014
- Unpaid bills as of November 30, 2014
- Unpaid bills as of January 31, 2015
- Unpaid bills as of February 28, 2015
- Unpaid bills as of April 1, 2015

In comparing the unpaid bills reports to the payments to Wal-Mart, the Wal-Mart Community Card, and to Office Depot we noted payments had been omitted from the Board’s list of unpaid bills for approval.

- The unpaid bills report as of February 15, 2014, did not reflect an outstanding bill from Wal-Mart. The January 16, 2014, Wal-Mart Community Card statement showed a balance owed of \$1,094.10. The check for the unpaid balance was issued on March 1, 2014; therefore, the balance was still owed at the time of the report.

- The unpaid bills report as of July 31, 2014, did not reflect an outstanding bill from Wal-Mart. The July 16, 2014, Wal-Mart Community Card statement showed a balance owed of \$1,101.74. The check for the unpaid balance was issued on August 12, 2014; therefore, the balance was still owed at the time of the report.

We were unable to correlate the invoice amounts received from Office Depot to the paid check amounts and the balance owed at the time of the reports. We did note, however, that there were no bills listed for Office Depot on the reports to the Board for unpaid bills.

According to Laskowski, she had deliberately omitted certain outstanding bills from the unpaid bills report because she did not want the Board to see those bills.

**Finding 10**

**The dual signature requirement for payments issued from the Town's accounts was an ineffective control.**

One of the most fundamental internal controls to prevent misappropriation of funds is to require that all checks issued include dual signatures. The purpose of the dual signature requirement is to ensure that two *separate* individuals approve the payment being issued as both legitimate and appropriate.

All of the payments noted in the findings above, with the exception of the point-of-sale electronic drafts, were payments made by checks drawn on the town and utility accounts with the signatures of Laskowski and Mayor Wiest. The second signature, that of Mayor Wiest, had been applied by a signature stamp that was provided to and maintained by Laskowski.

As expected one of the two signatures required on the checks was of the elected treasurer Laskowski. However, because Laskowski had possession and control of a signature stamp for the second required signature, the dual signature control was meaningless.

Because Laskowski, as the Town treasurer, is the person that had primary control over the Town's accounts, the second signator on the Town's checks was critical to assure that the checks issued were both legitimate and appropriate.

**Objective III**      **Determine if the treasurer received unauthorized insurance benefits.**

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**Findings**

1. **Laskowski received a \$12,163.80 improper insurance benefit by not withholding her spouses' insurance premiums from her payroll.**
  2. **Combining the clerk and treasurer positions eliminated a fundamental control that may have prevented the treasurer from receiving unauthorized insurance benefits for her spouse.**
  3. **Town and Authority funds were used to pay spouse and dependent health insurance premiums for two employees with no approved policy or ordinance provisions in place.**
- 

**Background**

In February 2015, when the independent audit firm of Furrh & Associates began the Town's 2013-14 annual audit, they discovered Laskowski had added her spouse to her insurance coverage without withholding the additional premiums from her payroll check.

When the Furrh auditors asked Laskowski about the insurance coverage, Laskowski first stated she had reimbursed the Town for her spouses' insurance premiums but the records related to the reimbursement had been left at home.

On February 6, 2015, contemporaneous with the discovery, Laskowski withdrew cash from her personal savings account and deposited \$4,412.88 into the Ryan Utility Authority account. The amount deposited was based on the calculations by Furrh of the amount Laskowski owed for the increased insurance premiums for the period January through June 2014.

**Finding 1**

**Laskowski received a \$12,163.80 improper insurance benefit by not withholding her spouses' insurance premiums from her payroll.**

The language contained in the Town of Ryan Personnel Manual appears to apply to both employees of the Town as well as employees of the utility authority. The manual provides in part:

Welcome to the TOWN OF RYAN AND RYAN UTILITY AUTHORITY. As a town, we consider our employees to be our greatest asset, and make every effort to provide a professional environment for your personal growth.

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This handbook provides an overview of the policies and benefits of the TOWN OF RYAN, otherwise known as “Ryan”. It is important to familiarize yourself with the RYAN programs included in this handbook.

On an annual basis each employee elects their insurance coverage for the succeeding calendar year. The Town carries group policies for life, health, and disability insurance through the Employee Group Insurance Division (EGID). The “Personnel Manual” states:

RYAN carries commercial group policies for life, health and disability insurance. RYAN pays one hundred per cent [*sic*] (100%) of the premium for employee coverage for all full-time employees and part time employees working twenty (20) or more hours per week.

Each month EGID invoices the “City of Ryan” for the monthly insurance premiums for the employee coverage. Laskowski, as the Treasurer/Clerk for both the Town and Authority, was responsible for reviewing the monthly charges and issuing the monthly payment to EGID.

On September 30, 2013, Laskowski added her spouse to her health benefits enrollment form for the calendar year 2014. As a result, Laskowski’s monthly payroll insurance deduction should have increased an additional \$715.20 and \$716.28 for 2014 and 2015, respectively. We obtained payroll reports through May 31, 2015, and confirmed no health, dental or vision insurance premiums had been deducted from Laskowski’s payroll checks.

We interviewed all five members of the Town/Authority Board. Each member confirmed that Laskowski was not entitled to family medical insurance paid for from Town funds.

According to Laskowski, she added her husband to the Town/Authority insurance without the approval of the governing Boards, and had originally intended to pay for the added costs, but never did.

For the period January 2014 through May 2015, the Town/Authority paid \$12,163.80 in health, dental, and vision insurance premiums for Laskowski’s spouse. As previously noted, when the Furrh audit firm brought this issue to light, Laskowski deposited \$4,412.88 in cash to the Authority account in repayment of a portion of the back owed insurance premiums.



In addition to the cash payment, Laskowski subsequently withheld a total of \$2,589.45 from her payroll checks through April 16, 2015, toward repayment of the unauthorized premiums. Laskowski's April 30, 2015, payroll check included a "Health Insurance Deduction" of \$350.00; however, the "deduction" was actually added back to her compensation.

According to Laskowski she had rationalized the addition of her unauthorized spouse's premiums because the Board authorized town paid family insurance coverage for other employees and she was the one "working 100 hours a week." We did note that two other employees were receiving town paid family insurance coverage. However, Laskowski added her husband to the insurance group ten (10) months prior to the payment of the two employee's insurance premiums, which we discuss later in this section of the report.

As of May 2015, Laskowski still owed \$5,511.47 for unreimbursed insurance premiums.

**Finding 2**

**Combining the clerk and treasurer positions eliminated a fundamental control that may have prevented the treasurer from receiving unauthorized insurance benefits for her spouse.**

Separating the duties of two different employees in the clerk and treasurer positions are key internal controls for properly safeguarding town funds. Typically, town clerk duties would include preparing purchase orders, preparing the list of pending payments for Board approval, attaching the invoices to the purchase orders and ensuring there is documentation to support the expenditure before the check is prepared and signed by the treasurer.

We interviewed a former town treasurer to gain an understanding of the procedures that were followed when there was both a treasurer and a clerk for the Town of Ryan. Both employees prepared the purchase orders and matched the invoices to the purchase orders. The treasurer prepared the checks and the clerk signed the checks. The actual purchase orders and invoices were presented to the Board for approval.

However, in this case, Laskowski was responsible for all aspects of the payment and recording process: processing the invoices for payment, preparing the checks, signing the checks, affixing the Mayor's signature on the checks, and preparing the list of unpaid bills for Board approval.

Because there was no segregation of duties, Laskowski was able to pay the unauthorized insurance premiums from January 2014 to February 15, 2015, without Board knowledge. The Board did not become aware of the

situation until approximately one year later when the Furrh audit firm notified the Board of the issue in writing on February 10, 2015.

**Finding 3**

**Town and Authority funds were used to pay spouse and dependent health insurance premiums for two employees with no approved policy or ordinance provisions in place.**

Beginning in October 2014, Authority funds were used to pay health and dental premiums for two employee's spouses and one dependent.

As previously stated, the employee handbook provides that the Town pays 100% of the premiums for employees but is silent as to family, spouse or dependent insurance.

Both employees stated that the Board approved the payment of the family insurance premiums, and that the payment was a condition of their employment. However, because some Board minutes were missing, and the minutes provided were vague, unsigned, and in disarray, we could not determine if the Board had approved the payment of the premiums for the two employees.

We interviewed the Board members to determine if they recalled authorizing the payment of family insurance premiums for the two employees. Two Board members had no recollection of the approval, two Board members recalled at least a discussion but did not recall if it was actually approved, and one Board member recalled approving the payment for coverage.

**Objective IV**      **Determine if the treasurer improperly paid herself.**

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**Findings**

1. For the period July 2013 through May 2015, Laskowski received \$7,854.58 in compensation in excess of her \$2,550 monthly salary.
  2. There was no supporting documentation for eleven payments issued to Laskowski totaling \$6,637.70.
  3. Laskowski received an additional \$2,017.40 in questionable and undocumented overtime payments.
  4. A travel expense of \$216.11 was added to a payroll check with no supporting documentation.
  5. Laskowski received \$767.50 in questionable and undocumented cell phone reimbursements.
  6. Payroll practices demonstrated a material lack of internal controls.
- 

**Background**

The Authority's Trust Indenture provides that the person who shall serve as the Town treasurer shall also serve as the Authority treasurer. This practice is not uncommon in rural areas where a town also provides utility services through a trust authority.

However, because Laskowski was serving in two positions, and as previously reported, she had possession and control of the Mayor's signature stamp, a material lack of internal controls over disbursements existed.

According to Laskowski, because the Town had changed computer software programs, she could not provide payroll records prior to June 30, 2013. While we recognize the Town may have changed computer software, that change does not allow the Town to operate in violation of **51 O.S. § 24A.4**<sup>9</sup> which reflects 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...

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<sup>9</sup> **51 O.S. § 24A.4** is part of the Oklahoma Open Records Act.

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Because of the difficulty in obtaining records, we issued a subpoena for bank statements from the Town’s banking institutions and subpoenaed the Town for records, including “time cards, calendars and/or all other documentation related to the dates and hours worked by all employees...”

The bank statements were obtained for the Town and Authority and were reviewed in an effort to determine if Laskowski had issued unauthorized checks to herself. The Town was either unable or unwilling to provide *all* the time and payroll records requested.

**Finding 1                      For the period July 2013 through May 2015, Laskowski received \$7,854.58 in compensation in excess of her \$2,550 monthly salary.**

Town Code provides that the treasurer’s monthly compensation is \$700. In an interview, Laskowski indicated her total monthly compensation was \$2,550, of which \$700 was for town treasurer and the additional compensation was for her duties as the treasurer for the Authority.

We found no official documentation establishing \$2,550 as Laskowski’s salary; however, Board members agreed that Laskowski’s compensation was \$2,550 a month.

We reviewed compensation payments to Laskowski to determine if Laskowski was paid in excess of \$2,550 per month. For the period July 2013 through May 2015, Laskowski received an additional \$7,854.58 in excess of the \$2,550 monthly amount. (See Attachment A)

**Finding 2                      There was no supporting documentation for eleven payments issued to Laskowski totaling \$6,637.70.**

Because there were no records available prior to June 2013, we reviewed the subpoenaed bank statements from the Town’s banking institutions, in order to identify the checks that had been issued to Laskowski.

From April 30, 2013 through June 21, 2013, we noted eleven checks totaling \$6,637.70 issued to Laskowski. The Town’s records did not document the purpose for the payments, and no supporting documentation was provided for these payments.

Date	Check #	Amount
4/30/2013	14646	\$504.47
4/30/2013	14649	\$60.00
4/30/2013	9174	\$1,042.03
5/15/2013	14666	\$648.20
5/15/2013	9204	\$1,160.43
5/31/2013	14671	\$561.31
6/1/2013	9218	\$721.83
6/8/2013	14687	\$260.00
6/14/2013	14694	\$321.80
6/14/2013	9264	\$975.83
6/21/2013	14698	\$381.80
		<u>\$6,637.70</u>

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In our initial interview with Laskowski, she indicated that any additional payments to her that were not part of her monthly payroll were for overtime. She stated that her salary had changed from \$2,550 a month to \$16.81 per hour. From the Board minutes that were available, we found no evidence that Laskowski’s compensation ever changed from a salary to an hourly rate.

The Board members were interviewed and agreed that Laskowski’s pay had not been changed to an hourly rate, and that Laskowski was not entitled to overtime payments.

In a final interview with Laskowski she confirmed the payments were not authorized and that the Board was not aware of any overtime compensation that she had paid to herself.

**Finding 3                      Laskowski received an additional \$2,017.40 in questionable and undocumented overtime payments.**

From the payroll records that were provided, we determined Laskowski received \$2,017.40 in compensation that was **documented** in Town records as overtime. Those payments are reflected in the table at right.

Date	Check	Amount	Fund
6/30/2013	9271	\$504.20	RUA
6/27/2014	10235	\$504.40	RUA
7/10/2014	10240	\$504.40	RUA
7/25/2014	10246	<u>\$504.40</u>	RUA
		<b>\$2,017.40</b>	

Because of the lack of records, we could not determine if any payroll checks prior to June 30, 2013, included compensation for overtime.

As noted in the prior finding, during our initial interview with Laskowski, she stated that her pay had changed from a salary to an hourly rate; the Board members stated that Laskowski’s pay had not been changed to an hourly rate, and that Laskowski was not entitled to overtime payments.

During our final interview with Laskowski, she admitted the Board was not aware that she was paying herself overtime and that the Board had not approved overtime payments.

**Finding 4                      A travel expense of \$216.11 was added to a payroll check with no supporting documentation.**

Payroll check #14804 issued to Laskowski on November 1, 2013, included a “Travel Expense” of \$216.11 for which no supporting documentation was provided.

**Finding 5**                      **Kathy Laskowski received \$767.50 in questionable and undocumented cell phone reimbursements.**

From our review of available Board minutes, we found no approval for Laskowski to receive compensation for “Reimbursement of Cell Phone”, which appeared to be a cell phone allowance.

The table reflects several pay periods for which Laskowski received compensation added to her gross pay for an amount denoted as “Reimbursement Cell Phone”.

Date	Check	Amount	Fund
7/26/2013	9344	\$60.00	RUA
8/23/2013	9382	\$60.00	RUA
9/15/2013	14749	\$287.50	General
10/18/2013	9438	\$60.00	RUA
11/1/2013	14804	\$60.00	General
11/15/2013	9445	\$60.00	RUA
12/13/2013	14848	\$60.00	General
12/27/2013	10027	\$60.00	RUA
1/24/2014	10040	<u>\$60.00</u>	RUA
		<b><u>\$767.50</u></b>	

According to Laskowski the cell phone compensation had been authorized by the Board; however, interviews

with Board members indicated that was not the case. Board members were unaware that Laskowski received any type of compensation for a cellular telephone and all Board members were in agreement that Laskowski had no authority to reimburse herself for cellular telephone expenses.

**Finding 6**                      **Payroll practices demonstrated a material lack of internal controls.**

Laskowski represented that she was responsible for generating payroll reports, issuing payroll checks, signing payroll checks, and stamping those checks with the Mayor’s signature stamp.

By combining the clerk and treasurer positions, the Town eliminated essential segregation of duties and, apparently, gave control to one person with little or no oversight.

A fundamental control would have been an independent reconciliation of the payroll payments. Typically, this is a procedure performed by a town clerk; however, since the clerk and treasurer’s positions were combined, Laskowski was responsible for all aspects of the payroll process, which demonstrates a material lack of internal control.

The lack of any controls over payroll, as well as most other aspects of the Town’s financial operations, would most likely prevent the Board from detecting a misappropriation of funds in a timely manner.

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**Attachment A**

**Monthly Compensation Totals July 2013 – May 2015**

<b>Month</b>	<b>Compensation</b>	<b>Salary</b>	<b>Variance</b>
July 2013	\$2,567.87	\$2,550.00	\$17.87
August	\$2,657.57	\$2,550.00	\$107.57
September	\$4,260.99	\$2,550.00	\$1,710.99
October	\$2,689.60	\$2,550.00	\$139.60
November	\$5,082.67	\$2,550.00	\$2,532.67
December	\$2,953.44	\$2,550.00	\$403.44
January 2014	\$2,619.84	\$2,550.00	\$69.84
February	\$2,605.55	\$2,550.00	\$55.55
March	\$2,521.50	\$2,550.00	-\$28.50
April	\$2,521.50	\$2,550.00	-\$28.50
May	\$3,899.92	\$2,550.00	\$1,349.92
June	\$2,555.12	\$2,550.00	\$5.12
July	\$2,555.12	\$2,550.00	\$5.12
August	\$2,555.12	\$2,550.00	\$5.12
September	\$2,689.60	\$2,550.00	\$139.60
October	\$3,950.35	\$2,550.00	\$1,400.35
November	\$2,353.62	\$2,550.00	-\$196.38
December	\$2,353.40	\$2,550.00	-\$196.60
January 2015	\$2,353.40	\$2,550.00	-\$196.60
February	\$2,353.40	\$2,550.00	-\$196.60
March	\$2,353.40	\$2,550.00	-\$196.60
April	\$3,530.10 <sup>11</sup>	\$2,550.00	\$980.10
May	\$2,521.50	\$2,550.00	-\$28.50
			<b><u>\$7,854.58</u></b>

<sup>11</sup> A payroll check dated April 16, 2015 for \$1,176.70 had not cleared the bank as of June 30, 2015.

**DISCLAIMER**

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In this report, there may be references to state statutes and legal authorities which appear to be potentially relevant to the issues 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. Such determinations are within the exclusive jurisdiction of regulatory, law enforcement, and judicial authorities designated by law.





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