



# Oklahoma State Auditor & Inspector

News Release

For Immediate Release

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## **Audit Alleges Embezzlement by Former Water District Manager**

OKLAHOMA CITY – Embezzlement and diversion of funds in excess of \$72,000 are among the allegations contained in a Special Audit of LeFlore County Rural Water District (LCRWD) #3 released today by Oklahoma State Auditor & Inspector Gary Jones.

The audit, conducted at the request of District Attorney Jeff Smith, Poteau, included the period of January 2010 through March 2014. LeFlore County RWD #3 provides water service to individuals and businesses in or near the unincorporated Town of Whitesboro. Smith authorized the release of the audit following an exit conference with his office on Wednesday, October 15, 2014.

“We were able to identify more than \$45,000 in utility billing irregularities,” Jones said. “We also discovered more than \$20,000 in unauthorized payroll compensation and almost \$7,000 in questionable reimbursement payments. Poorly maintained or falsified records and non-existent oversight by district officials created the risk for the type of embezzlement and diversion of funds alleged here to occur.”

Former District Office Manager Karie Farris admitted to taking cash from payments made by LCRWD #3 customers. Although Farris stated she didn’t recall how much she had taken, she acknowledged she had virtually stopped depositing cash in the LCRWD bank account. Farris was suspended by LCRWD officials on March 29, 2014.

“Over a 19 month period, only one cash deposit of \$100 was made by the water district,” Jones said. “The allegation is that the former office manager took the cash, credited the payments to customer accounts, and discontinued any reconciliation between collections and deposits in order to avoid disclosing her activity. Based on a comparison of recorded monthly payments to actual bank deposits, we determined that from November 2011 through March 2014 a shortage of \$45,447 occurred.”

LCRWD #3 discontinued its use of pre-numbered receipts and began issuing receipts from telephone message pads or available scraps of paper.

“In addition to taking cash, the former manager admitted to personally processing payroll compensation over and above the \$1,900 monthly salary approved by the District’s board,” Jones said. “In addition to personally raising her monthly salary by \$1,000 per month over a six-month period, we identified nine other direct deposit payments to her account. In all, she paid herself \$20,650 more than her approved salary.”

The Special Audit Report has been turned over to District Attorney Jeff Smith for consideration of the findings. The report is available online at [www.sai.ok.gov](http://www.sai.ok.gov).

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