

INTERIM STUDY COVERS RURAL WATER ISSUES

By Michelle Boyd Waters
Staff Writer

■(GIT) Rep. Mike Mass, D-Hartshorne and chair of the House Appropriations and Budget Subcommittee on Natural Resources, met with members of interim study 96H-08 Wednesday to determine what steps need to be taken to provide water to the smallest towns covered by the water provisions in HB1434 for towns with less than 10,000 people.

The Oklahoma Rural Water Association currently provides training and assistance to rural water districts with appropriated funds from the Oklahoma Water Resources Board. However, Mass said constituents in his and other legislator's districts from the smallest towns have complained that they still do not have water systems or properly trained, full-time operators in place.

The Rural Economic Action Plan of 1996, HB1434, which was signed into law by the governor in May, states that towns with less than 10,000 people have priority in receiving assistance from the funds.

Gene Whatley, executive director of ORWA, said that "economic feasibility" prevents many of the smallest towns from forming water districts. These towns include isolated communities with 25 to 100 families.

However, the OWRB does not have sufficient funds to provide for all the priority communities, said Duane A. Smith, assistant director of the OWRB.

Earlier this year, an audit was performed by the State Auditor and Inspector which produced questions concerning the use by the ORWA of appropriated funds received from the OWRB. The audit, which was released in September 1996, also questioned individuals in management positions with the board and association to determine if any potential conflicts of interest existed.

The OWRB has been appropriated \$139,500 each of the last two years to provide technical assistance and training to rural water districts in Oklahoma. The Legislature directed the OWRB to contract with the nonprofit ORWA to carry out these responsibilities. In turn, the ORWA created

Water Systems Management, Inc., a for-profit subsidiary, for the expressed purpose of managing water systems and providing technical assistance to water systems.

Recommendations and findings of the state audit include:

- That the ORWA consider calculating the unpaid interest accrued on the note receivable from June 1990 to present, and adding this additional liability to the note balance.

- That the appropriated funds received by ORWA through the OWRB contract were segregated. However, the duties of the ORWA employees are not segregated in order to work on specific projects. It is apparent that ORWA funds are used to subsidize the operations of Water Systems.

- No evidence was found of any board members, either from the Water Systems or the ORWA, receiving any remuneration from Water Systems.

- That the OWRB require itemized details from the ORWA to support all future billings under any contract. We (auditor) recommend that the OWRB audit the supporting documentation received from the ORWA to ensure compliance with terms of the contract.

- That the ORWA consider the need to notify the Internal Revenue Service of the changes listed related to the Assurance Group and the Rural Group.

- That the OWRB determine if there has been any violation of the provisions of this contract or of any Federal Regulations.

In response to the findings of the State Auditor & Inspector's report, ORWA recalculated funds expended by it on training and technical assistance during the respective contract periods audited by the State Auditor using the same formula it previously used with appropriate adjustments with the result that the ORWA expenditures for training and technical assistance greatly exceeded the contract amount of the OWRB contracts.

ORWA's primary reason for existence is to assist rural water systems and wastewater systems in the State. Expenditures for technical assistance and training for such systems are the major expense of ORWA.

In response to the audit, OWRB has drafted a bid specification detailing the work needed to carry out the Small Community Technical assistance and Training Program. The program will seek to train individuals in rural water districts on the mechanics of

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INSURANCE DEPARTMENT ISSUES INFORMATION PACKET

By Shawn Ashley
Staff Writer

■(GIT) An advisory letter was sent this week to approximately 65,000 Oklahomans who may possibly be affected by a federal class action lawsuit against the Prudential Insurance Company of America.

The letter, from Oklahoma Insurance Commissioner John Crawford, explains to the company's policyholders that they will soon be receiving a large informational packet from the insurance company.

The Oklahomans to whom the letter was sent were identified as having purchased whole life insurance policies from Prudential between Jan. 1, 1982, and Dec. 31, 1995. Those individuals are potential members of a federal class action lawsuit arising from alleged improper sales practices and misrepresentations by Prudential in its sales of life insurance products.

"Essentially, what we wanted to do was describe the case's origins, where it stands now and what our office is doing to protect Oklahoma policyholders' interests," said Crawford.

Prudential's packets are expected to arrive late this week and is the first step in a restitution process.

Crawford participated in a 43-state task

force which investigated the alleged sales abuses by Prudential and came up with the restitution plan of its own.

The task force, Crawford said was important for two reasons. First, it created a restitution program which is now being merged with the federal class action to provide more substantial relief to injured policy holders. Secondly, if the federal class action falls short, the state-led remediation plan will still be in place due to the efforts of the task force.

"My primary goal was to make sure that each Oklahoma policyholder would be informed, treated and compensated as quickly and fairly as possible," Crawford said. "I don't think people should have to wait years to get relief."

It is believed that there were over 10.7 million policies affected by the suit nationwide.

If the class action lawsuit is approved, Prudential will pay a minimum of \$410 million, but that number could go significantly higher, Crawford said, depending on approval of the class action and on how many claims are filed and scored. Oklahoma's share of the total is not yet known.

In July, Crawford entered an order against Prudential requiring the company to pay a \$300,000 fine directly to Oklahoma.