

**BUTNER
PUBLIC SCHOOL
DISTRICT**

**JULY 1, 2005 THROUGH
FEBRUARY 28, 2009**



**SPECIAL
AUDIT**



Oklahoma State Auditor
& Inspector

BUTNER PUBLIC SCHOOL DISTRICT
SEMINOLE COUNTY, OKLAHOMA
SPECIAL AUDIT REPORT
JULY 1, 2005 THROUGH FEBRUARY 28, 2009

This publication is printed and issued by the State Auditor and Inspector as authorized by 74 O.S. § 212(H). Pursuant to 74 O.S. § 3105(B), twenty-five copies have been prepared and distributed at a cost of \$79.38. Copies have been deposited with the Publications Clearinghouse of the Oklahoma Department of Libraries.

STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA
State Auditor

MICHELLE R. DAY, ESQ.
Chief Deputy



2300 N. Lincoln Boulevard State Capitol, Room 100 Oklahoma City, OK 73105-4801 Phone (405) 521-3495 Fax (405) 521-3426 www.sai.ok.gov

April 15, 2010

Honorable Sandy Garrett
Superintendent of Public Instruction
Oklahoma State Board of Education
2500 N. Lincoln Blvd
Oklahoma City, Oklahoma 73105-4599

Transmitted herewith is the Special Audit Report of the Butner Public School District, Cromwell, Oklahoma. We performed our special audit in accordance with the requirements of **74 O.S. 2001, § 213(C)**.

A report of this type tends to be critical in nature. Failure to report commendable features in the accounting and operating procedures of the entity should not be interpreted to mean that they do not exist.

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,

A handwritten signature in blue ink that reads "Steve Burrage".

STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR

**BUTNER PUBLIC SCHOOL DISTRICT
SEMINOLE COUNTY, OKLAHOMA
SPECIAL AUDIT REPORT
JULY 1, 2005 THROUGH FEBRUARY 28, 2009**

TABLE OF CONTENTS

	Page
BOARD OF EDUCATION	ii
STATE AUDITOR AND INSPECTOR’S REPORT	1
INTRODUCTION.....	2
OBJECTIVES, FINDINGS, AND RECOMMENDATIONS	4

OBJECTIVES

I. OBJECTIVE: Determine if there has been a misappropriation of Activity Fund money.	4
II. OBJECTIVE: Review Activity Fund collections for possible misappropriation	7
III. OBJECTIVE: Determine if there has been a misappropriation of funds from charge accounts	15
IV. OBJECTIVE: Review of school’s financial records.....	21
V. OBJECTIVE: Determine if school’s assets have been misappropriated	26
VI. OBJECTIVE: Determine circumstances and status surrounding IRS penalties assessed.....	29
VII. OBJECTIVE: Determine if the Child Nutrition Program exceeded Estimate of Needs.....	32

**BUTNER PUBLIC SCHOOL DISTRICT
SEMINOLE COUNTY, OKLAHOMA
SPECIAL AUDIT REPORT
JULY 1, 2005 THROUGH FEBRUARY 28, 2009**

BOARD OF EDUCATION

Brian Morphis President
Sean Brewer Vice President
Rose Gardner Clerk
Will Stafford Member
Boyce Bernie Allensworth Member

SUPERINTENDENT

Jason Price

STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA
State Auditor

MICHELLE R. DAY, ESQ.
Chief Deputy



2300 N. Lincoln Boulevard State Capitol, Room 100 Oklahoma City, OK 73105-4801 Phone (405) 521-3495 Fax (405) 521-3426 www.sai.ok.gov

Board of Education
Butner Public Schools
PO Box 157
Cromwell, Oklahoma 74837-0157

Dear Members:

Pursuant to the Department of Education request and in accordance with the requirements of **74 O.S. 2001, § 213(C)**, we performed a special audit with respect to the Butner Public Schools, for the period July 1, 2005 through February 28, 2009.

The objectives of our special audit primarily included, but were not limited to, the areas noted in the Department of Education request. Our findings and recommendations related to these procedures 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 Butner Public Schools for the period July 1, 2005 through February 28, 2009. 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 does not extend to any financial statements of the Butner Public School taken as a whole.

This report is intended solely for the information and use of the Oklahoma Department of Education 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. 2001, § 24A.1 et seq.)**, and shall be open to any person for inspection and copying.

Sincerely,

A handwritten signature in blue ink that reads "Steve Burrage".

STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR

April 15, 2010

**BUTNER PUBLIC SCHOOL DISTRICT
SEMINOLE COUNTY, OKLAHOMA
SPECIAL AUDIT REPORT
JULY 1, 2005 THROUGH FEBRUARY 28, 2009**

INTRODUCTION

The School District No. 67IO15, Seminole County, Oklahoma (Butner Public School) is an integral part of the Oklahoma State System of Public Education as described in **70 O.S.01 § 1-101 et seq.** the **Oklahoma School Code**. The Board of Education of the Butner Public School District is responsible for the supervision, management and control of the District as provided by **70 O.S. 2001 § 5-117**. Both the Board of Education, composed of five elected members and the Butner School District are subject to the provisions of the **Oklahoma School Code** contained in **Title 70** of the **Oklahoma Statutes**.

Private independent auditors audit the Butner Public School District annually, and reports were available for our review. The District Board of Education prepares an annual financial statement, presenting the financial position of the District as of the close of the previous fiscal year in accordance with the requirements of **68 O.S. 2001 § 3002**. The financial information presented was prepared from the District's records provided to us by the District Administration.

The Office of the State Auditor and Inspector (OSAI) conducted a special audit of the records of the District, primarily those records relating to concerns expressed by the Board of Education in their request.

The results of the special audit are in the following report.

**BUTNER PUBLIC SCHOOL DISTRICT
SEMINOLE COUNTY, OKLAHOMA
SPECIAL AUDIT REPORT
JULY 1, 2005 THROUGH FEBRUARY 28, 2009**

BACKGROUND

Prior to the request by the Department of Education for an investigative audit of the Butner Public School District, two criminal investigations had been conducted related to school funds and school officials.

On March 4, 2009, former School Superintendent Michael Bryan was charged in the District Court of Seminole County with one count of embezzlement related to the use of the school's Wal-Mart credit card.

Court documents indicate the former superintendent was charged with using the school's Wal-Mart credit card to purchase gift cards totaling \$1,031.56 and then using those gift cards for personal use.

According to court records, the charges were filed based on the results of an investigation by the Seminole Police Department.

On March 17, 2009, felony charges were filed in the District Court of Seminole County charging the schools former Encumbrance Clerk, June Billie, with the embezzlement of \$27,136.42. A second felony count was filed in the District Court charging the former Encumbrance Clerk with charges related to the forgery of documents related to the \$27,136.42 embezzlement.

A third charge was filed alleging the school's former encumbrance clerk had conspired with her daughter, Saundra Billie, to obtain and use a school credit card to make fraudulent charges of \$5,821.92. Saundra Billie was also charged with two felony charges related to the alleged conspiracy and use of the school credit card.

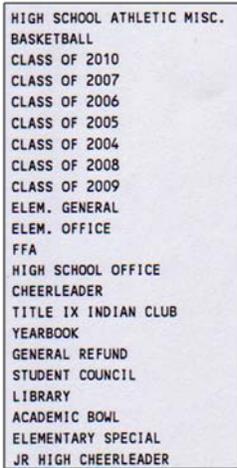
Court documents indicate the charges were filed based on the results of an investigation by the Oklahoma State Bureau of Investigation (OSBI).

A third investigation by law enforcement authorities is currently on-going. The Seminole County Sheriff's Department is investigating the theft of computer equipment from the school. We address this investigation later in this report.

I. OBJECTIVE

Determine if there has been a misappropriation in the expenditures of Activity Fund money.

The school maintained a bank account at a Wewoka bank under the account name "Butner ISD Activity Fund." The Activity Fund account was used to hold money received by the school from various sources including coke machine sales, yearbook ads, ballgame concessions, and money received by the students from various fund-raising activities.



HIGH SCHOOL ATHLETIC MISC.
BASKETBALL
CLASS OF 2010
CLASS OF 2007
CLASS OF 2006
CLASS OF 2005
CLASS OF 2004
CLASS OF 2008
CLASS OF 2009
ELEM. GENERAL
ELEM. OFFICE
FFA
HIGH SCHOOL OFFICE
CHEERLEADER
TITLE IX INDIAN CLUB
YEARBOOK
GENERAL REFUND
STUDENT COUNCIL
LIBRARY
ACADEMIC BOWL
ELEMENTARY SPECIAL
JR HIGH CHEERLEADER

The Activity Fund, although a single bank account, consists of various sub accounts. The sub accounts represent certain aspects of the student body such as yearbook, athletics, elementary students, cheerleaders, FFA, and student council. A custodian's report dated February 2, 2007, indicated the activity account consisted of 22 sub-accounts shown at left.

When students collect money, from candy sales for example, the students will turn those funds over to an activity fund sponsor, usually a teacher or other adult employee of the school. The sponsor is to then prepare an activity fund report detailing the money collected, i.e. cash and checks collected and total amount.

The activity fund sponsor would then give the activity fund report and money to the school treasurer. The treasurer is to then deposit those funds and provide the activity fund reports to June Billie, the Activity Fund Custodian. The custodian is to then enter into a computer system the incoming money and attribute the money to the various activity fund sub-accounts.

As the custodian, June Billie would receive requests from the activity fund sponsors to purchase and/or pay for various expenses incurred for that particularly activity fund sub-account. She had the ability to issue checks from the account.

An Affidavit filed in the District Court of Seminole County alleges June Billie had issued checks to herself and then replaced those checks with photocopies that had been altered by changing the payee to someone other than herself. The Affidavit alleges 99 checks, totaling \$27,136.42, were improperly issued to June Billie from the activity fund during the "school years 2006-2007."

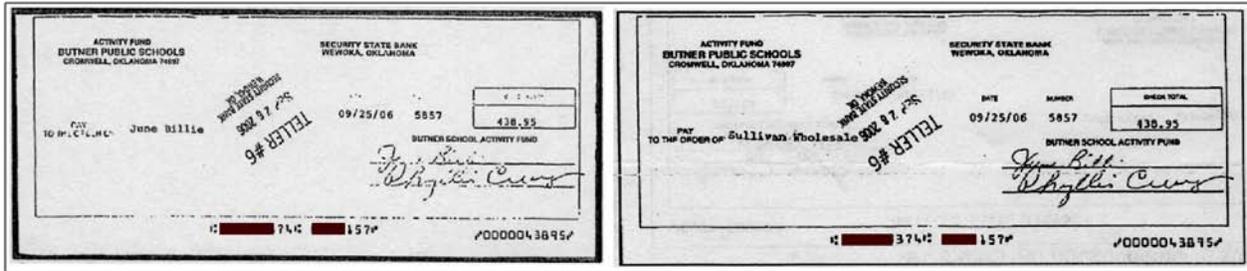
The Oklahoma State Bureau of Investigation (OSBI) conducted an investigation of the altered checks.

**BUTNER PUBLIC SCHOOL DISTRICT
SEMINOLE COUNTY, OKLAHOMA
SPECIAL AUDIT REPORT
JULY 1, 2005 THROUGH FEBRUARY 28, 2009**

During its investigation, the OSBI obtained check records from the school that had clear cellophane tape over small pieces of paper that had been cut out and taped over the actual check payee.

We obtained bank records, including check images, for the school's activity fund for the period July 1, 2004, through May 31, 2008, and determined 144 checks totaling \$41,395.64 had been issued to June Billie (Attachment A). This amount includes the 99 checks totaling \$27,136.42 cited in the court documents in Seminole County.

We compared the check images obtained from the bank that were payable to June Billie, to records maintained by the school to determine if the school's records had been altered to conceal the true check payee. From the records the school was able to provide, we found 59 instances where the bank check payee was different from the payee in the school's records (Attachment B). An example of one of the altered checks is shown in the image below:



The district uses a computer based accounting system to keep track of the activity fund revenue, expenditures, and balances. In addition to altered checks, we also found the computer records had been altered in an attempt to conceal the misappropriation.

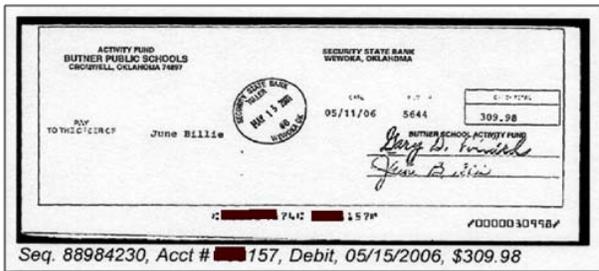
For example, check number 5857 (shown above) was paid to June Billie in the amount of \$438.95. However, the check maintained in the school's records indicates the check was payable to Sullivan Wholesale. Moreover, an activity fund check register printed from the computer based accounting program has also been altered to reflect the check was paid to Sullivan Wholesale rather than to June Billie.

5857.00	SULLIVAN WHOLESAL CONCESSION	09/25/06 826-2199-610-900-0000-000-050	438.95 438.95	RETURNED 00000 HIGH SCHOOL OFFICE
---------	---------------------------------	---	------------------	--------------------------------------

**BUTNER PUBLIC SCHOOL DISTRICT
SEMINOLE COUNTY, OKLAHOMA
SPECIAL AUDIT REPORT
JULY 1, 2005 THROUGH FEBRUARY 28, 2009**

Not only were alterations being made to the school's computer based accounting system, but we also noted omissions in the system records. We found, for example, a Transaction Detail Ledger for the activity fund listing checks written, the payee, purpose, and amount. We noted the ledger contained periodic gaps in the check numbers. For example, the ledger includes entries for checks 5642 followed by check number 5645. Check numbers 5643 and 5644 are not recorded, as shown in the image below.

CW	5642.00	001-000	SECURITY STATE BANK	0000-000-000-0000-000	05/11/06	TAWANNA MCELROY	30.00
CW	5642.00	801-050	HIGH SCHOOL ATHLETIC MISC.	2199-850-800-0000-000	05/11/06	SOFTBALL GATE KEEPER	30.00
CW	5645.00	001-000	SECURITY STATE BANK	0000-000-000-0000-000	05/12/06	ROBERT HASSELL JR.	20.00
CW	5645.00	826-050	HIGH SCHOOL OFFICE	2199-610-900-0000-000	05/12/06	REBURSEMENT	20.00



When we reviewed the records obtained from the bank, we discovered check number 5644 had been issued to June Billie in the amount of \$309.98, as shown in the image at left. (Check number 5643 was not processed by the bank and is unaccounted for.) Accordingly, checks have been issued without being recorded in the school's accounting system.

The activity fund checks are dual signature checks. One hundred three checks payable to June Billie contained a second signature purporting to be that of School Treasurer Phyllis Curry. We provided copies of the checks to Treasurer Curry who said 56 of those signatures were not hers.

Thirty nine checks payable to June Billie included a second signature in the form of a signature stamp of former Superintendent Gary Pollard including one check dated July 25, 2006. Mr. Pollard left Butner School June 30, 2006.

We met with OSBI Agent Adam Whitney concerning his investigation related to the activity fund checks payable to former Clerk June Billie. According to Agent Whitney, June Billie made the following statements and admissions during his interview of her:

- Her husband lost his job in 2006. Although he found another job, it did not pay as much. About the same time, she and her husband filed bankruptcy.
- She had written checks to herself from the school's activity fund. She does not know the number of checks or the amount.
- She had forged the signatures of Treasurer Phyllis Curry in some cases. In other cases, she obtained Treasurer Curry's signature under a false pretense.

**BUTNER PUBLIC SCHOOL DISTRICT
SEMINOLE COUNTY, OKLAHOMA
SPECIAL AUDIT REPORT
JULY 1, 2005 THROUGH FEBRUARY 28, 2009**

- She received the bank statements, and she changed the payee name on those checks to someone other than herself by either using whiteout or by creating a new payee on a scrap of paper, taping it over the check and then making a photocopy.
- She would find out what checks the auditor wanted to see during his audit and would then alter those checks before providing them to the auditor.
- She did not deposit the money obtained from the check scheme, she cashed the checks and used them for “walking around money.”

The school has changed its procedures concerning the depositing, issuing, and reconciling of checks. Under the current system, the encumbrance clerk still issues checks. The school treasurer now receives and reconciles the bank statements.

As of the conclusion of our audit fieldwork, the criminal case filed in the District Court of Seminole County was still pending.

II. OBJECTIVE

Review Activity Fund collections for possible misappropriation of funds.

When money is collected to be deposited into the school’s activity fund, an activity fund sponsor collects the money, creates a report detailing the amount of money collected, the purpose of the money (which sub-account), and the composition of cash and checks.

The activity fund report and money collected is then turned over to the School Treasurer, who issues a receipt for the money. The receipt issued includes only a total amount and does not include a cash/check composition.

According to the School Treasurer, once she has made a deposit, she would then turn over the activity fund report to former Encumbrance Clerk June Billie who also served as the Activity Fund Custodian.

Because the receipts issued by Treasurer Curry do not include a cash/check composition, and because the receipts represent a cumulative collection of cash and checks, the activity fund reports have to be used to perform any meaningful testing of activity fund receipts.

The school was unable to provide the activity fund reports except for a few reports from May through June, 2006. These reports were collected by the

**BUTNER PUBLIC SCHOOL DISTRICT
SEMINOLE COUNTY, OKLAHOMA
SPECIAL AUDIT REPORT
JULY 1, 2005 THROUGH FEBRUARY 28, 2009**

school's newly hired encumbrance clerk who told us when she found an activity fund related document among the piles of records in the office, she would put them in a box.

Although the school found some of the activity fund reports for the period May through June, 2006, the school was unable to provide receipts for the same time period. When we asked the school's treasurer for all of the activity fund receipt books, she was unable to provide receipt books for the period January 12, 2006 through November 16, 2006.

The schools independent audit report did not report revenue and balances in either the 2007 or 2008 audit report due to the condition of the school's records, citing missing and inaccurate records.

DATE	DEBIT	CREDIT
		CURRENCY
		COIN
		TOTAL CASH
		CHECKS
		J. Deane 88.50
		R. Kowalski 91.50
		S. Murphy 101.00
		D. Blackwell 437.00
		B. Smith 75.00
		G. McCall 120.00
		TOTAL FROM ATTACHED LIST
		3650.00
		913.00
		4563.00

Because of the inherent risk associated with the potential for misappropriation of cash, we attempted to perform a test with the sparse records the school has maintained. When we began trying to perform those tests, we found the school's records were insufficient to conduct any meaningful test of incoming money, including cash, being collected for the school's activity fund.

In addition to missing records, we found the records that were maintained by the school were of little value for performing audit procedures. For example, we found a deposit ticket indicating the deposit of \$3,650.00 to the school's activity fund, as shown at left.

The deposit ticket indicates the deposit composition was six checks and no cash. The six checks listed on the deposit total \$913.00. We obtained records from the bank for this deposit and found the deposit actually consisted of \$1,013.01 in cash and 52 checks totaling \$2,636.99.

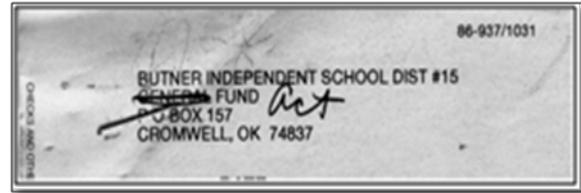
Additionally, receipts were not issued for items being deposited. For example, a deposit was made on January 5, 2006. Between January 6th and January 11th one receipt was issued in the amount of \$62.20. On January 11th a deposit was made in the amount of \$2,460.06.

Similarly, a deposit was made on January 12, 2007. Three separate deposits were made on January 19, 2007 totaling \$2,810.40 although no receipts were issued between January 12th and January 19th.

In addition to funds being deposited without being receipted, funds were also being deposited into the wrong account.

**BUTNER PUBLIC SCHOOL DISTRICT
SEMINOLE COUNTY, OKLAHOMA
SPECIAL AUDIT REPORT
JULY 1, 2005 THROUGH FEBRUARY 28, 2009**

We found, for example, a packet of activity fund reports for athletics, elementary, and class of 2010 attached to a general fund deposit ticket. The general fund deposit ticket has the word “GENERAL” crossed out and “ACT” written in pen.



The pre-printed deposit tickets include the bank account number. Although it appears the scratching out of the word “GENERAL” may have been an attempt to correct a deposit created on the wrong ticket, the deposits are being credited to the account number listed on the pre-printed deposit slips. In this case, as well as others, the activity fund money was deposited into the general fund account.

We also noted cases in which it appears not all cash on-hand was being deposited. For example, we found a deposit slip dated November 21, 2006 reflecting the deposit of \$776.65. Based on the names listed on the deposit slip, we determined the deposit consisted, in part, from funds received by receipts 924401 and 924402, dated November 16 and November 20, 2006, respectively.

Receipt number 924420 was issued for \$918.50 and dated November 19, 2006, in between the dates indicated on receipts 924401 and 924402. This receipt alone exceeded the amount of the deposit made two days later, on November 21, 2006, indicating that not all cash on-hand was being deposited.

Without the activity fund reports, and because of the lack of a cash/check composition on the receipts issued, we are unable to determine if the November 21, 2006 deposit included any part of the funds receipted on November 19, 2006.

We noted this deposit was made to the wrong account as well.

**BUTNER PUBLIC SCHOOL DISTRICT
SEMINOLE COUNTY, OKLAHOMA
SPECIAL AUDIT REPORT
JULY 1, 2005 THROUGH FEBRUARY 28, 2009**

Receipt #	Date	Received From	Amount
751001	9/26/2008	Voided	\$0.00
751002	9/29/2008	Athletics	\$373.00
751003	9/25/2008	Elementary	\$68.00
751004	9/25/2008	Athletics	\$106.00
751005	10/7/2008	Elementary	\$349.35
751006	10/7/2008	Elementary Special	\$20.00
751007	10/6/2008	Yearbook	\$100.00
751008	10/6/2008	Elementary	\$12.00
751009	10/1/2008	Boys Basketball	\$250.00
751010	10/1/2008	Girls Basketball	\$475.00
751011	10/24/2008	Elementary	\$4.00
751012	10/6/2008	Girls Basketball	\$575.00
751013	10/6/2008	Elementary	\$623.95

From the receipt books the school was able to provide, we found many receipts are being issued out-of-sequence, as shown in the table at left.

The current Superintendent brought us a receipt book he had found behind a desk. One page of the receipt book included receipt numbers from 413 through 416.

Receipt number 413 is dated April 17, 2009. Receipts 414 and 415 are dated November 11, 2008, and receipt number 416 is dated April 16, 2009.

We also found the carbon copy of receipts found in the receipt books that were provided were blank even though the original top copy of the receipt is missing.

Moreover, from the receipt books provided, we found an entire page of receipts missing. One of the receipt books the school provided should have contained 200 sets of receipts starting with receipt number 751001. The last page of the receipt book ended with the last receipt number 751196. The last page of the receipt book, representing receipts 751197, 198, 199 and 200, had been removed from the receipt book.

One of the primary purposes of performing a receipt to deposit test is to determine if all funds being received are being deposited to determine if a misappropriation of receipted money is occurring. One common method of misappropriating cash is to replace cash with checks that are not being receipted and are, therefore, unaccountable. This type of scheme is commonly referred to as a *cash/check replacement scheme*.

Typically, a cash check replacement scheme can be carried out when checks from an outside source are available and can be included in a deposit in which they do not belong.

The following scenario is an example of how a typical cash/check replacement scheme works:

A clerk accepts \$100.00 cash from John Smith and a receipt is issued to Mr. Smith for the same amount. The same clerk opens the mail and receives a check from Alice Jones. Because the payment is by check, and received in the mail, no receipt is issued. The clerk then misappropriates the \$100.00 cash and deposits the \$100.00 check in its place. The deposit total amount matches the receipts issued, \$100.00,

**BUTNER PUBLIC SCHOOL DISTRICT
SEMINOLE COUNTY, OKLAHOMA
SPECIAL AUDIT REPORT
JULY 1, 2005 THROUGH FEBRUARY 28, 2009**

although the composition of the deposit, cash versus check, would not match.

A key component of identifying a cash/check replacement scheme is identifying checks inserted into a deposit that have not been receipted. Although the school was unable to provide sufficient records to test for a cash/check replacement scheme, we still determined numerous checks were being deposited into the school's activity fund without being receipted.

The schools audit report for the year ending June 30, 2007, included a finding related to the deposit of funds into the activity account that should have been deposited into the general fund. We determined the deposit referred to in the audit report was a \$14,060.52 reimbursement check from an insurance company to the school for damage to a roof.

We found a similar insurance check in the amount of \$11,844.53 had been deposited into the activity fund in October 2007, as well as other checks deposited into the school's activity fund that were not receipted. It appears these checks should have been deposited into the school's general fund. These checks are identified in the table that follows.

Date	Deposit Slip Notation	Actual Deposit Source	Receipt	Amount
9/7/2005	OK School Board	Oklahoma State School Boards Association Insurance Trust	No receipt found.	\$6,544.00
3/1/2006	ATT	AT&T	No receipt found.	\$999.11
6/6/2006	181495	Okahoma State and Education Employees Group Insurance Board	No receipt found.	\$1,795.99
11/7/2006	67688070	United States Treasury	No receipt found.	\$994.24
11/7/2006	594423	American Fidelity Assurance	No receipt found.	\$667.48
10/3/2007	5907	OSSBA Insurance Trust	No receipt found.	\$5,926.00
10/3/2007	69	National American Insurance Co.	No receipt found.	\$11,844.53
			Total	\$28,771.35

We identified receipts marked for activity fund "834" and/or noted as "Gen Activity" or with some variation of the words "general activity". The School Treasurer stated these are funds that are deposited into the activity fund although they belong to the general fund. At the end of the year, the activity fund then reimburses the general fund for the funds being held in the activity fund.

On August 16, 2005, a check was issued from the activity fund to the general fund in the amount of \$11,272.93 for "reimbursement." At the end of the fiscal year, June 29, 2006, another check was issued from the activity fund to the general fund in the amount of \$11,470.02.

**BUTNER PUBLIC SCHOOL DISTRICT
SEMINOLE COUNTY, OKLAHOMA
SPECIAL AUDIT REPORT
JULY 1, 2005 THROUGH FEBRUARY 28, 2009**

Between August 16, 2005 and June 30, 2006, twelve receipts were issued for “Gen Activity” totaling \$14,431.63. This leaves a difference of \$2,961.61 that should have been reimbursed to the General Fund, not including any “Gen Activity” collections received from the now missing receipt books for the period January 12, 2007 through June 30, 2007.

We found a computer generated activity fund Custodian’s Activity report dated 8/24/2007, indicating that as of June 30, 2006, the activity fund was holding and subsequently disbursed \$11,470.02 to the general fund. The Custodian’s report does not reconcile with the receipts issued for “Gen Activity” for the fiscal year.

In another box containing miscellaneous invoices, requisition forms, an assortment of both opened and unopened mail, and overdue invoices, we found computer generated printouts for the activity fund. The reports included a Custodian’s Activity reports and a transaction detail register for FY05-06.

The Custodian’s Activity reports are inconsistent with the receipts and deposits issued, and it appears money being held for the school’s general fund is being disbursed to the various activity sub-accounts rather than to the general refund sub-account.

	BALANCE 09/01/05	REVENUE	NET TRANSFERS	NET ADJUSTMENTS	DISBURSEMENTS	BALANCE 09/30/05
CASH ON HAND	1,063.39	9,281.84	9,281.84	0.00	0.00	1,063.39
SECURITY STATE BANK	11,292.67	0.00	9,281.84	0.00	4,374.56	16,199.95
TOTAL ASSET PROJECTS	12,356.06	9,281.84	0.00	0.00	4,374.56	17,263.34
HIGH SCHOOL ATHLETIC MISC.	901.68	988.40	0.00	0.00	665.00	578.28
BASKETBALL	650.85	0.00	0.00	0.00	0.00	650.85
CLASS OF 2010	572.13	0.00	0.00	0.00	0.00	572.13
CLASS OF 2007	158.61	0.00	0.00	0.00	0.00	158.61
CLASS OF 2006	26.00	0.00	0.00	0.00	0.00	26.00
CLASS OF 2005	1,058.58	0.00	0.00	0.00	377.00	681.58
CLASS OF 2004	80.32	0.00	0.00	0.00	0.00	80.32
CLASS OF 2008	286.48	0.00	0.00	0.00	0.00	286.48
CLASS OF 2009	457.55	0.00	0.00	0.00	0.00	457.55
ELEM. GENERAL	601.07	1,091.68	0.00	0.00	792.65	700.10
ELEM. OFFICE	20.10	500.00	0.00	0.00	168.00	311.90
FFA	758.60	0.00	0.00	0.00	87.80	670.80
HIGH SCHOOL OFFICE	415.91	2,337.58	0.00	0.00	608.21	2,145.28
CHEERLEADER	472.65	0.00	0.00	0.00	452.00	20.65
TITLE IX INDIAN CLUB	297.13	388.94	0.00	0.00	0.00	686.07
YEARBOOK	4,851.22	418.94	0.00	0.00	0.00	5,270.16
GENERAL REFUND	620.00	2,676.30	0.00	0.00	0.00	3,296.30
STUDENT COUNCIL	109.56	455.00	0.00	0.00	560.00	4.56
LIBRARY	770.86	0.00	0.00	0.00	0.00	770.86
ACADEMIC BOWL	81.20	0.00	0.00	0.00	0.00	81.20
ELEMENTARY SPECIAL	66.10	0.00	0.00	0.00	38.00	28.10
JR HIGH CHEERLEADER	1,143.02	425.00	0.00	0.00	625.90	942.12
TOTAL SUB ACCOUNT PROJECTS	12,356.06	9,281.84	0.00	0.00	4,374.56	17,263.34

For example, between September 1 and September 30, 2005, sixteen receipts were issued totaling \$8,842.58 including two receipts for “Gen Activity” totaling \$6,696.00. However, the Custodian’s Activity report shows only \$2,676.30 was actually credited to the General Refund sub-account and the remaining \$4,019.70 was distributed to the other activity fund sub-accounts, as shown at left.

In addition to conflicting records related to disbursements, we also found the Custodian’s Activity reports do not reconcile with the total amount of receipts and deposits being made. For example, the Custodian’s Report for August, 2005,

indicates Revenue of \$5,010.31. During the same period, receipts issued totaled \$3,248.83 while deposits totaled \$4,959.19.

At some point the activity fund balance sheets transitioned from a computer generated report to a manually maintained “balance sheet.” We obtained eleven

**BUTNER PUBLIC SCHOOL DISTRICT
SEMINOLE COUNTY, OKLAHOMA
SPECIAL AUDIT REPORT
JULY 1, 2005 THROUGH FEBRUARY 28, 2009**

balance sheets for the period February 1, 2007 to March 31, 2008, from the computer used by the former activity fund custodian June Billie.

The new “balance sheets” do not include revenue amounts or disbursement amounts and seem to purport the current activity fund bank account balance reconciled with the various activity fund sub-accounts.

The first newly formatted “balance sheet” indicates “Security State Bank” and an amount of \$12,385.82, as if this is the current bank account balance for the activity fund as of either February 1 or February 28, 2007. The balance according to the account bank statements was \$7,378.90 on February 1, 2007 and \$8,846.00 on February 28, 2007.

The newly formatted “balance sheets” no longer include a sub-account for tracking the general fund deposits into the activity fund holding account. The April 2007 “balance sheet” reflects a bank account balance of \$12,819.98 as of April 30, 2007. The actual bank balance was \$21,591.81 as a result of the previously mentioned \$14,060.52 deposit of an insurance check that should have been deposited into the school’s general fund.

On April 3, 2007, a receipt was issued for “Gen Activity” in the amount of \$755.00. If the “balance sheets” are taken at their face value, the activity fund would have been overdrawn by \$1,995.54 based on the \$12,819.98 reported “balance” and the \$14,815.52 owed to the general fund for the \$14,060.52 insurance check and the receipted \$755.00 for “Gen Activity.”

In another box of records containing miscellaneous correspondence, invoices for both the general fund and activity fund, overdue notices, and various other seemingly unrelated documents, we found a computer generated “Transaction Detail Ledger” for the activity fund for FY05-06.

Included in the report were details related to checks issued, (addressed in detail later in this report) and revenue received to the activity fund, including the manner in which the revenue was disbursed. Included in this documentation was the disbursement of \$6,544.00 on September 7, 2005, which had been receipted as “Gen Activity” funds.

Although the funds were receipted as “Gen Activity” and should have been credited to the General Refund sub-account to be reimbursed to the General Fund at a later date, the funds were instead distributed to various activity fund sub-accounts, as shown in the following image:

**BUTNER PUBLIC SCHOOL DISTRICT
SEMINOLE COUNTY, OKLAHOMA
SPECIAL AUDIT REPORT
JULY 1, 2005 THROUGH FEBRUARY 28, 2009**

RW	5682.00	000-000	CASH ON HAND	0000-000-000-0000-000	09/07/05	PHILLIS CURRY	6,544.00
RW	5682.00	801-050	HIGH SCHOOL ATHLETIC MISC.	1890-000-800-0000-000	09/07/05	REIMBURSEMENT	950.00
RW	5682.00	821-050	ELEM. GENERAL	1970-000-900-0000-000	09/07/05	REIMBURSEMENT	800.88
RW	5682.00	826-050	HIGH SCHOOL OFFICE	1970-000-900-0000-000	09/07/05	REIMBURSEMENT	1,388.94
RW	5682.00	831-050	TITLE IX INDIAN CLUB	1970-000-900-0000-000	09/07/05	REIMBURSEMENT	388.94
RW	5682.00	832-050	YEARBOOK	1970-000-900-0000-000	09/07/05	REIMBURSEMENT	338.94
RW	5682.00	834-050	GENERAL REFUND	1970-000-900-0000-000	09/07/05	REIMBURSEMENT	2,676.30

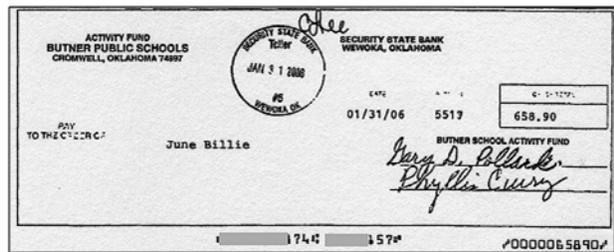
We obtained the deposit source for the \$6,544.00 and found it was a check from the Oklahoma State School Boards Association (“OSSBA”) dated August 31, 2005. We contacted OSSBA and were told the \$6,554.00 check was a refund check resulting from the school paying an additional, and unnecessary, installment payment on their property and casualty insurance.

Similarly, on September 14, 2005, a receipt was issued for “Gen Activity” in the amount of \$142.00. The receipt was noted “Beckman Reimbursement.” The transaction detail report shows the \$142.00 was credited to the “high school office” activity sub-account rather than to the general refund sub-account.

In addition to the questionable crediting of revenue to the wrong sub-accounts, we also found the detail ledger included false entries related to payments from the activity fund account. For example, the ledger shows check number 5517 was issued on January 31, 2006 to Wal-Mart in the amount of \$658.90 and charged against the elementary school activity fund, as shown in the image below:

CW	5517.00	001-000	SECURITY STATE BANK	0000-000-000-0000-000	01/31/06	WALMART	658.90
CW	5517.00	821-050	ELEM. GENERAL	2199-610-900-0000-000	01/31/06	ELEM/CAFETERIA SUPPLIES	658.90

We obtained bank records and determined the \$658.90 payment was made to former Encumbrance Clerk June Billie, not to Wal-Mart.



In total, we found thirty-one entries in the transaction ledger totaling \$10,886.50 were improperly recorded by changing the payee from June Billie to some other name.

Summary:

The school’s independent auditor did not report activity fund balances in the audits for the years ending June 30, 2007 and June 30, 2008 due to a lack of records. We have also concluded the school has not maintained sufficient

**BUTNER PUBLIC SCHOOL DISTRICT
SEMINOLE COUNTY, OKLAHOMA
SPECIAL AUDIT REPORT
JULY 1, 2005 THROUGH FEBRUARY 28, 2009**

activity fund records to perform any meaningful testing of receipts and deposits to determine if a misappropriation of funds has occurred.

Furthermore, in addition to the lack of records, the records that were produced by the school were found to be inaccurate, misleading, and, in some cases, outright fabrications.

Depositing checks intended for the General Fund into the Activity Fund with the purported intention of refunding them back to the General Fund at some point in the future created the opportunity for a long-running, multi-year embezzlement to occur.

III. OBJECTIVE

Determine if there has been a misappropriation of funds from charge accounts.

The concern expressed to us related specifically to the use of the school's Conoco-Phillips gas credit card alleged to have been used inappropriately.

Documentation obtained from the District Court of Seminole County includes a felony charge filed against both June Billie and her daughter, Sandra Billie, alleging the misappropriation of \$5,821.92 between the period of June 1, 2006 and May 4th, 2008, through the use of a Conoco-Phillips credit card issued to the school.

A corresponding affidavit from OSBI Agent Whitney, filed in Seminole County District Court, states:

An analysis of the Conoco-Phillips gas card #00003 for April 27, 2007 to May 4, 2008, showed 204 usages of the card. Those usages totaled \$5,821.92. They ranged from \$0.07 on September 14, 2007 to \$100.01 on August 1, 2007. There was an average usage of \$447.84 per month.

...

JUNE [Billie] also admitted to giving her daughter [Sandra Billie] the Conoco-Phillips gas card to use.

...

SAUNDRA BILLIE admitted to using the gas card. She knew it was The Butner School card because it was printed on the front of the card.

Based on the court documents, law enforcement authorities have obtained documentation related to the alleged misuse of a Conoco gas credit card and have obtained statements from former Encumbrance Clerk June Billie and her

**BUTNER PUBLIC SCHOOL DISTRICT
SEMINOLE COUNTY, OKLAHOMA
SPECIAL AUDIT REPORT
JULY 1, 2005 THROUGH FEBRUARY 28, 2009**

daughter. As a result of the law enforcement investigation, criminal charges are currently pending.

We reviewed payment registers and purchase order documentation related to the Conoco-Phillips credit card and determined that between August, 2005 and March, 2008, the school made 25 payments to Conoco-Phillips totaling \$18,966.21.

Our review of the associated documentation indicates the billing from Phillips-Conoco included an account summary, tax exemption report, invoice report, and purchase summary. The invoice reports included the dates, times, and locations of fuel purchases. We found, in most cases, the itemized reports were not included with the documents used to support the payments being made.

We tested the 25 payments to Conoco-Phillips for two attributes. First, did the supporting documentation include itemized invoices? Second, did the payment made match the itemized invoice? Overall, we found a 96% failure rate (24 out of 25) for these two attributes alone.

Moreover, when itemized invoices were included, the itemized amounts rarely (only 1 out of 7) matched the amounts being paid. In some cases, it appears an arbitrarily selected amount was being paid.

For example, a January 2005 payment of \$600.00 was supported by an itemized invoice for charges totaling \$251.35. The same billing statement included a past due amount of \$286.64 and a tax adjustment of \$22.66 for a total amount owed of \$515.33.

When itemized documentation was included, we found gas purchases were being made on Saturdays and Sundays, as well as during school holiday breaks.

Overall, because of a lack of itemized documentation and questionable charges indicated on what few itemized documentation that was available, we question if any of the \$18,966.21 paid to the Conoco-Phillips credit card was for authorized school purposes.

In addition to the payments to Conoco-Phillips, we also tested four other vendors for payments being made to revolving charge accounts. These vendors included:

- Shell Fleet Management (gas credit card).
- Lowes Home Improvement (revolving charge account).
- Staples Credit Plan (revolving charge account).
- Wal-Mart (revolving charge account).

**BUTNER PUBLIC SCHOOL DISTRICT
SEMINOLE COUNTY, OKLAHOMA
SPECIAL AUDIT REPORT
JULY 1, 2005 THROUGH FEBRUARY 28, 2009**

Because of the difficulty in finding records, we limited our testing to payments made to the vendors during the FY07-08 school year. We also limited our testing to the same two attributes we used for testing the Conoco-Phillips payments (is the payment supported by itemized invoices and does the itemized invoice match the amount paid).

Shell Fleet Management (gas credit card)

The school issued nine payments totaling \$5,380.45 to Shell Fleet Management. We found no documentation at all for three of those payments totaling \$1,570.78. Of the remaining six payments totaling \$3,809.67, we found the amounts being paid did not match the itemized billing amounts. Overpayments were being made, and credits were being applied to the account. For example, on September 10, 2007, the school issued a payment for \$500.00 that was supported by an invoice indicating an amount due of \$30.57.

Overall, for just the two attributes we tested, we found a 100% failure rate.

Lowe's Home Improvement (revolving charge account)

The school issued six payments totaling \$9,137.48 to a Lowes Home Improvement account. We found no documentation for one payment of \$1,302.90. Of the remaining five payments, we found itemized documentation was attached; but in only one case did the itemized invoice actually match the amount being paid.

For example, a \$934.43 payment was supported by documentation indicating five invoices were being paid. Only two of those invoices, totaling \$249.85, were included in the supporting documentation. Another payment in the amount of \$1,724.98 included the payment of \$1,072.59 for a past due balance which was not supported by itemized invoices.

Overall we found only one of the six payments, a payment for \$299.00, actually included an itemized invoice for the amount being paid (an 83% failure rate).

Staples Credit Plan (revolving charge account)

The school issued seven payments totaling \$4,474.30 to Staples Credit Plan. Because of overpayments and payments on past due balances, only one payment totaling \$311.90 had supporting documentation that matched.

We found, for example, a payment of \$579.05 was made on 2/11/2008. The attached invoices totaled \$282.70. We found no support for the payment of an additional \$296.35. Similarly, a \$596.96 payment made on April 14, 2008 was supported by itemized invoices totaling \$258.06. The additional \$338.90 was apparently being applied to a \$311.00 previous balance.

**BUTNER PUBLIC SCHOOL DISTRICT
SEMINOLE COUNTY, OKLAHOMA
SPECIAL AUDIT REPORT
JULY 1, 2005 THROUGH FEBRUARY 28, 2009**

Wal-Mart (revolving charge account)

During the FY07-08 school year, 22 payments totaling \$8,696.36 had been issued to Wal-Mart under the apparent authority of purchase order 2008-11-22. No supporting documentation was found for 17 of the 22 payments made which accounted for \$6,113.62 of the payments (70% of the total amount paid).

We reviewed the available documentation and found 20 of the 22 payments (91%) were not supported by itemized invoices reconciling to the amount paid. When itemized invoices were included in the supporting documentation, we found purchases for shopping cards, food items, soda pop, potato chips, chewing gum, a bb gun, and bb's.

DESCRIPTION	Qty/Price	AMOUNT	C.O. DATE	CLASSIFICATION
CLASSROOM SUPPLIES	.000	\$1,893.34	07/05/2007	000-1000-610-100-7650-000-050
INCREASE	.000	\$1,269.78	07/05/2007	000-1000-610-100-7650-000-050
INCREASE REIMBURSEMENT TO CHILD NUTRITION	.000	\$269.25	07/05/2007	000-3140-610-000-0000-000-050

Several purchase orders were used to issue the \$8,696.36 in payments. They were found in several forms and for several amounts. However, the only signed, "approved" purchase order was in the amount of \$3,532.57, as shown at left.

We address purchase orders in more detail later in this report.

Attached to this FY07-08 purchase order was a requisition form dated June 29, 2007, for the purchase of various items including weed killer, cell phone cases, and batteries totaling \$113.51. A receipt was attached indicating these items were purchased from Wal-Mart on June 23, 2007, nearly a week prior to the requisition form date and nearly two weeks before the purchase order was approved.

The first FY07-08 payment to Wal-Mart was August 20, 2007, in the amount of \$132.27. No documentation was found for this payment.

A second 2008-11-22 purchase order printed on November 26, 2007, and unsigned, reflects a new purchase order amount of \$5,532.65.

On September 23, 2009, we requested Encumbrance Clerk Pam Hudson to reprint purchase order 2008-11-22 and to also print a listing of all payments issued under this purchase order. In total, \$8,696.36 in payments had been issued under this purchase order.

As with previous testing, it appears the financial records, specifically purchase orders, maintained by the school are meaningless.

**BUTNER PUBLIC SCHOOL DISTRICT
SEMINOLE COUNTY, OKLAHOMA
SPECIAL AUDIT REPORT
JULY 1, 2005 THROUGH FEBRUARY 28, 2009**

The school obtained itemized credit card records for their Wal-Mart charge account. Those records were made available to us.

BUTNER PUBLIC SCHOOL		000000			
ACCOUNT # 0032 2020 0043 7492	INVOICE# 098257	DATE OF SALE :012408	AUTHORIZATION : 024791		
TRANSACTION# 5257					
S.K.U.	DESCRIPTION	QUANTITY	UNIT	PRICE	EXT. PRICE
00000098	DEPARTMENT NUMBER	2,000	EA	\$2.4000	\$4.81
011801006	HUNT TOMATO SAUCE	2,000	EA	\$5.2200	\$1.44
011937227	GV WHL KRNL GOL CORN	1,000	EA	\$0.8700	\$0.87
027550434	ZESTA ORIGINAL	2,000	EA	\$1.9700	\$3.94
031575131	HUNT TOMATO SAUCE	2,000	EA	\$1.6200	\$3.24
035970263	MC BEEF STEW SEAS	2,000	EA	\$0.9800	\$1.96
036588706	GV HOT DOG BUNS	14,000	EA	\$1.1800	\$16.52
040813596	CARRO CHR 142 CA WMB	1,000	EA	\$1.6600	\$1.66
040918022	5TH SEAS CHILI PWDR	1,000	EA	\$0.5000	\$0.50
041116771	STEW MEAT	1,280	EA	\$3.9800	\$5.10
041116830	STEW MEAT SUPER TRIM	1,340	EA	\$4.0800	\$5.47
042050301	H25 H BOWL 200Z 30CT	2,000	EA	\$2.8200	\$5.24
042916030	GV PNT BTR SAND CKY	1,000	EA	\$1.5000	\$1.50
042917074	GV ASST SAND COOK	1,000	EA	\$1.5000	\$1.50
043462813	PICSWT SLICED OKRA	1,000	EA	\$2.1800	\$2.18
045300811	OREO 180Z	2,000	EA	\$2.7700	\$5.54
048382115	1LB GROUNDCHUCK ROLL	1,000	EA	\$2.5300	\$2.53
048881650	3LB GROUND CHUCKROLL	1,000	EA	\$5.9800	\$5.98
054308427	GARLIC MINCD 4.5 ORG	1,000	EA	\$1.8400	\$1.84
055783607	GV FETTE DICE TOMAT	2,000	EA	\$0.9700	\$1.94
056715131	RUFFLES	2,000	EA	\$3.5000	\$7.00
057165372	HB 5 QT SLOW COOKER	2,000	EA	\$19.9600	\$39.92
057459108	GV75 PLATE 9 IN 75CT	1,000	EA	\$2.1800	\$2.18
057620447	GV EVDY ELGNCE SS SH	1,000	EA	\$1.9700	\$1.97
058868696	CHEER LID ORNG 2X	2,000	EA	\$5.9700	\$11.94
059184282	PANA VHS-C 4PK	2,000	EA	\$8.4300	\$16.86
SUB \$153.63		TAX \$0.00	TOTAL INVOICE	\$153.63	
			CREDITS TOTAL	\$0.00	
			BALANCE DUE	\$153.63	

A review of those records found the school's Wal-Mart card was being used to purchase candy, cookies, food items, soda pop, and other items, as shown in the image at left.

Because of the lack of control over the Wal-Mart cards, we are unable to make any determinations as to who was making the questionable purchases.

Wal-Mart Purchases of Gift/Shopping Cards

Former Superintendent Mike Bryan has been charged in the District Court of Seminole County with one felony count of embezzlement related to the use of the school's Wal-Mart credit card. The charges were filed based on an investigation by the Seminole Police Department.

An Affidavit was filed in the District Court alleging former Superintendent Mike Bryan admitted to using the school's Wal-Mart credit card to purchase gift cards, then using those gift cards to purchase fuel.

The charges filed allege Bryan misappropriated \$1,031.56 for the period "between the 14th day of November, 2008 and the 9th day of January, 2009." Our review of the Wal Mart charges concurs with those amounts for that period of time. We also noted an additional \$415.00 in gift card purchases occurring between July 11, 2007 and August 8, 2008.

**BUTNER PUBLIC SCHOOL DISTRICT
SEMINOLE COUNTY, OKLAHOMA
SPECIAL AUDIT REPORT
JULY 1, 2005 THROUGH FEBRUARY 28, 2009**

The gift card purchases are reflected in the table below:

Gift Cards - Shopping Cards		
7/11/2007	Merchandise/Consumables	\$50.00
8/9/2007	Shopping Cards	\$30.00
12/9/2007	Shopping Cards	\$50.00
2/12/2008	Merchandise/Consumables	\$50.00
2/20/2008	Merchandise/Consumables	\$50.00
4/26/2008	Shopping Cards	\$100.00
8/8/2008	Merchandise/Consumables	\$85.00
11/14/2008	Shopping Cards	\$150.00
11/21/2008	Merchandise/Consumables	\$100.00
11/29/2008	Merchandise/Consumables	\$100.00
12/2/2008	Merchandise/Consumables	\$87.00
12/22/2008	Shopping Cards	\$175.00
12/29/2008	Amex Gift Card (50, 3 each)	\$163.92
12/30/2008	Amex Gift Card (100, 1 each)	\$105.64
1/4/2009	Merchandise/Consumables	\$75.00
1/9/2009	Merchandise/Consumables	\$75.00
		\$1,446.56

We interviewed Treasurer Phyllis Curry and Encumbrance Clerk Pam Hudson concerning the controls in place over the credit cards during this period of time. According to both, there were few controls.

Treasurer Curry stated there were no sign out requirements for use of the school's credit cards and sometimes a teacher might take the card to go to Wal-Mart and get supplies if they were going to Seminole.

Treasurer Curry provided credit cards logs indicating the school, at one time, did use a sign out sheet for the credit cards. It appears this procedure ended in 2001.

IV. OBJECTIVE

Review schools financial records.

Oklahoma State Law 70 O.S. § 5-135(E) states, in relevant part:

Before any purchase is completed, a purchase order or encumbrance must be issued. No bill shall be paid unless it is supported by an

**BUTNER PUBLIC SCHOOL DISTRICT
SEMINOLE COUNTY, OKLAHOMA
SPECIAL AUDIT REPORT
JULY 1, 2005 THROUGH FEBRUARY 28, 2009**

itemized invoice clearly describing the items purchased, the quantity of each item, its unit price, its total cost and proof of receipt of such goods or services. The bill and/or invoice shall be filed in the encumbrance clerk's official records.

One of the reasons for having proper documentation of purchases is that it creates a level of oversight that allows for the timely detection of abuse or misappropriation and ensures the entity does not attempt to spend funds it does not have.

The prior year independent audit reports for the school included findings related to insufficient and/or no documentation supporting payments being made.

These findings include:

June 30, 2006 audit report:

I noted instances in which the purchase order or invoice for expenditures could not be located. State Statutes require all expenditures be supported by purchase orders and/or invoices showing the items purchased.

June 30, 2007 audit report:

I noted instances in which the purchase order or invoice for expenditures could not be located. State Statutes require all expenditures be supported by purchase orders and/or invoices showing the items purchased.

June 30, 2008 audit report:

I noted instances in which the purchase order or invoice for expenditures could not be located. State Statutes require all expenditures be supported by purchase orders and/or invoices showing the items purchased.

The school's 2008 independent audit report also included the following statement:

The District [school] failed to maintain accounting records or support documentation for the Activity Fund. Accounting records for other funds were incomplete or inaccurate.

The school's purchasing policy, with respect to purchasing authority, states:

The Board authorizes the Superintendent to approve expenditures for the purchase of supplies, equipment, and services from District funds according to the District's approved budget. The Superintendent is further authorized to delegate purchasing authority to those persons

**BUTNER PUBLIC SCHOOL DISTRICT
SEMINOLE COUNTY, OKLAHOMA
SPECIAL AUDIT REPORT
JULY 1, 2005 THROUGH FEBRUARY 28, 2009**

designated in Administrative Regulation specifying the purchasing authority of each such person to whom the authority is delegated. Employees who make purchases without appropriate authority or proper paperwork may be held personally liable for such purchases and may be subject to disciplinary action.

Despite repeated findings in the district's independent audit reports related to the failure to maintain documentation for expenditures, the district seems to have simply chosen to ignore those findings and continue to do business as usual without regard to state law or its own purchasing policy of having "proper paperwork."

When we reviewed the schools records, we found most expenditures were not supported with any paperwork much less anything that could be construed as "proper paperwork." For example, we selected 20 payments to test for just two attributes:

1. Did the district maintain a purchase order supporting the payment?
2. Is a requisition form attached to the purchase order?

Testing for these two attributes resulted in a 100% failure rate. In only 2 out of the 20 payments did we find a signed and approved purchase order and neither of those purchase orders included a requisition form for items being purchased.

Moreover, we found the district's purchase orders to be without merit. For example, one of the two signed purchase orders was for a mileage reimbursement to former clerk June Billie in the amount of \$560.70. Although signed as "approved," we found no paperwork attached other than a 'Post-It' note stating "need paperwork."

We also found purchase orders seemed to change depending on when they were printed. For example, we found Purchase Order 2008-11-18 printed on July 5, 2007, contained an approving signature for the purchase order amount of \$1,730.10, as shown in the image that follows.

The image shows a scanned Accounting Purchase Order form. The header includes 'General Fund (For Operation)', 'Accounting Purchase Order', and 'PO No. 2008-11-18'. The vendor is identified as 'BUTNER, PO BOX 157, CROMWELL, OK 74837'. The date is '07/05/2007'. The amount is '\$1,730.10'. The description is 'REPAIR MATERIAL'. A signature is present in the 'APPROVED BY' field. The bottom section contains a table with columns for 'DESCRIPTION', 'Qty/Price', 'AMOUNT', and 'C.O. DATE CLASSIFICATION'. The table entry is: 'SEE ATTACHED PO', '.000', '\$1,730.10', '07/05/2007 000-2620-610-000-000-000'.

DESCRIPTION	Qty/Price	AMOUNT	C.O. DATE CLASSIFICATION
SEE ATTACHED PO	.000	\$1,730.10	07/05/2007 000-2620-610-000-000-000
	.000		

**BUTNER PUBLIC SCHOOL DISTRICT
SEMINOLE COUNTY, OKLAHOMA
SPECIAL AUDIT REPORT
JULY 1, 2005 THROUGH FEBRUARY 28, 2009**

The next version of the same purchase order, printed on November 11, 2007, no longer contains the single \$1,730.10 entry but does include two entries for \$1,302.90 and \$427.20, totaling \$1,730.10.

The \$1,302.90 payment is reflected on a payment register obtained from the school's computer based accounting system however, the \$427.20 payment is not reflected on a payment register.

Later, the purchase order amount increased from \$1,730.10 to \$3,893.09 due to an "increase" of \$2,162.90 as shown in the image that follows. This payment (\$2,162.90) corresponds to a payment in the payment register dated November 12, 2007.

General Fund (For Operation) 2008 11/09/2007 4:09:51 PM		Accounting Purchase Order BUTNER PO BOX 157 CROMWELL, OK 74837		PO No 2008-11-18
Vendor No. 199				PO Date 07/05/2007
TO: LOWES HOME CENTER INC P.O. BOX 847516 DALLAS, TX 75284-7516		Date Requested 07/05/2007	Date Approved 07/05/2007	
SHIP TO: BUTNER 999 PO BOX 157 CROMWELL, OK 74837		PO Amount \$3,893.09		
Req By: POLLARD		Description: REPAIR MATERIAL		
		ENCUMBERED BY		
		APPROVED BY		
DESCRIPTION	Qty/Price	AMOUNT	C.O.DATE	CLASSIFICATION
SEE ATTACHED PO	.000	\$1,302.90	07/05/2007	000-2620-610-000-0000-000-050
	.000	\$427.20	07/05/2007	000-2620-610-000-0000-000-050
INCREASE	1.000	\$2,162.99	11/09/2007	000-2620-610-000-0000-000-050
		2,162.990		

On September 22, 2009 we asked for a reprinted purchase order and found the purchase order had increased to \$4,400.32, as shown in the image that follows.

General Fund (For Operation) 2008 09/22/2009 8:56:22 AM		Accounting Purchase Order BUTNER PO BOX 157 CROMWELL, OK 74837		PO No 2008-11-18
Vendor No. 199				PO Date 07/05/2007
TO: LOWES HOME CENTER INC P.O. BOX 847516 DALLAS, TX 75284-7516		Date Requested 07/05/2007	Date Approved 07/05/2007	
SHIP TO: BUTNER 999 PO BOX 157 CROMWELL, OK 74837		PO Amount \$4,400.32		
Req By: POLLARD		Description: REPAIR MATERIAL		
		ENCUMBERED BY		
		APPROVED BY		
DESCRIPTION	Qty/Price	AMOUNT	C.O.DATE	CLASSIFICATION
SEE ATTACHED PO	.000	\$1,302.90	07/05/2007	000-2620-610-000-0000-000-050
	.000	\$934.43	12/04/2007	000-2620-610-000-0000-000-050
INCREASE	1.000	\$2,162.99	11/09/2007	000-2620-610-000-0000-000-050
		2,162.990		

**BUTNER PUBLIC SCHOOL DISTRICT
SEMINOLE COUNTY, OKLAHOMA
SPECIAL AUDIT REPORT
JULY 1, 2005 THROUGH FEBRUARY 28, 2009**

In addition to purchase order amounts changing due to increases we also found purchase order amounts seemed to decrease over time. We found, for example, a copy of a purchase order (2008-11-20) to Staples printed on July 8, 2007 indicating the purchase order amount of \$7,061.86, with no documentation attached.

When we obtained a copy of the same purchase order from the school's computer based accounting system the purchase amount had decreased to \$4,474.30.

We noted that 2008-11-18 purchase order and the first 2008-11-20 purchase order were dated July 5, 2007, and indicated the purchase request was made by "Pollard." Former Superintendent Gary Pollard left the school in June 2006.

In addition to inaccurate and conflicting purchase orders we also found other financial documentation that had been falsified or was misleading.

During our review of the school's financial records we noted a transition from using computer based account balance and fund reports to reports that included handwritten balances.

When we attempted to reconcile the computer based accounting records with the handwritten balance records, we were unable to do so. We then asked the School's Treasurer to explain the variances between the computer-based records and the handwritten records.

During this conversation, the School Treasurer remarked she had been instructed to not use the computer generated reports because they would only "confuse the Board." Furthermore, according to the School Treasurer, she had been instructed by the former encumbrance clerk to "inflate the numbers."

She stated that because she had no former experience with accounting and/or school records, she complied with the instructions. Therefore, at least for some period of time, the school officials provided records to the School Board that were "inflated."

The school's independent audit report for the year ending June 30, 2008, includes the following findings:

I noted instances in reports produced by the Treasurer in which amounts varied for the same item. The Treasurer provided two balance sheets and a list of outstanding warrants all dated for June 30, 2008, but prepared at different times. The amount of outstanding warrants was different on all three reports.

**BUTNER PUBLIC SCHOOL DISTRICT
SEMINOLE COUNTY, OKLAHOMA
SPECIAL AUDIT REPORT
JULY 1, 2005 THROUGH FEBRUARY 28, 2009**

As previously noted in this section, the school's independent auditor also concluded the school's accounting records were incomplete or inaccurate.

We concur with that opinion.

V. OBJECTIVE

Determine if school assets have been misappropriated.

This objective stems from allegations concerning laptop computers missing from the school and reportedly being pawned at various pawnshops by former Superintendent Mike Bryan's son, Mark Bryan. Mark was employed with a local computer company providing services to the school.

Eddie Neill, owner of Complete Computer Concepts based in Wewoka, hired Mark Bryan to assist in performing technology work for the school. He stated Mark Bryan was hired at the recommendation of then Superintendent Mike Bryan.

According to Mr. Neill, he had given six laptop computers and three desktop computers to Mark Bryan for repair prior to leaving on a vacation. The laptop computers belonged to Butner School; the desktop computers belonged to Strothers School (another school system located in Seminole County).

Mr. Neill advised us that upon returning from his vacation, he had a conversation with Mark Bryan about the computers left for repair. During this conversation, Mark Bryan stated to Mr. Neill that he had taken the computers to various pawnshops and pawned them. Mr. Neill told us he has purchased all of the laptop computers from the pawnshops and returned them to the schools except for "two or three."

The Seminole County Sheriff's Department (SCSD) currently has an open investigation into this matter. We obtained a copy of the SCSD report in an effort to determine which computers have been returned to the school and which computers are still missing. The SCSD report lists serial numbers for the computers. However, the numbers appear to be service tag numbers¹ and not serial numbers.

¹ Service tag numbers are affixed to computers by manufacturers and/or distributors to aid in obtaining software, drivers or other tech support later.

**BUTNER PUBLIC SCHOOL DISTRICT
SEMINOLE COUNTY, OKLAHOMA
SPECIAL AUDIT REPORT
JULY 1, 2005 THROUGH FEBRUARY 28, 2009**

We reviewed an inventory list prepared in 2009 indicating nine laptop computers were present in the Title VII program room. We requested the school's current inventory of equipment. An inventory was undertaken, and the results were provided to us. That inventory also indicated nine laptop computers were maintained in the Title VII room. However, when we attempted to visually verify the existence of the nine computers, only seven could be located. From the service tag information on the SCSD report, it appears that three of the missing laptops have been returned to the school.

Because of inconsistent records, we are unable to determine if the two laptops that are now missing were two of the laptops reflected in the SCSD report that were recovered and are now missing once again.

Additional laptop computers are now missing

During our review of payments made to the Staples Credit Plan (a revolving charge account), we noted the school had purchased three IBM Thinkpad laptop computers. The computers, and associated carrying cases, were purchased on June 30, 2007 for \$2,696.67 from the Staples store located in Shawnee.

The documentation supporting the purchase indicates these computers were being purchased for the Title VII program. We obtained a 2009 inventory indicating the Title VII program only had DELL brand laptop computers. We spoke with the former Title VII tutor who stated she does not recall having ever used any IBM computers in the Title VII program.

School officials were unable to locate the IBM Thinkpads. Based on our interview with the former Title VII tutor, we question if the computers were actually purchased for school use.

We interviewed former Superintendent Mike Bryan who stated he did purchase the three IBM laptops. He initially stated he had given those laptops to "ISD" and "Special Ed," then later said the laptops were in his office "if my son didn't take them."

Camcorders have been purchased and are now missing

While reviewing payments made to Wal-Mart on a revolving charge account, we noted two camcorders were purchased with school funds. The camcorders, both purchased in November, 2007, included a Samsung camcorder and a Sony camcorder costing \$299.97 and \$399.84, respectively.

One camcorder was listed on the 2009 Title VII inventory as a "Sony Handy Cam." When we attempted to visually verify the camcorder was present on the school property, the camera was not located where it was reported to be on the

**BUTNER PUBLIC SCHOOL DISTRICT
SEMINOLE COUNTY, OKLAHOMA
SPECIAL AUDIT REPORT
JULY 1, 2005 THROUGH FEBRUARY 28, 2009**

inventory and was missing. The next day, the former Title VII tutor brought the Sony camera back to the school and stated she had the camera at home.

According to the former Title VII tutor, former Superintendent Mike Bryan gave her a box supposedly containing a Samsung camcorder. However, when she opened the box, the camcorder was missing. She stated the box is still in the Title VII room. We found the empty box indicating the same brand and model as the Samsung camcorder purchased on November 14, 2007, that is now missing.

In addition to the two camcorders purchased in 2007, we also noted another camcorder, a Sony TRV280 camcorder, was also purchased on the school's Wal-Mart charge card. This camcorder, purchased in 2005 for \$298.84, is also missing.

Additional school property may be missing

On February 3, 2009, former Superintendent Mike Bryan was notified his termination process was underway. On February 12, 2009, the school sent a letter to Mike Bryan asking him to return certain tools and equipment belonging to the school and in his possession. Some of the items listed in the request, including a Milwaukee Sawsall, a bottlejack, a 6' stepladder and a "Trimboss 2 tool combo," were apparently not returned to the school.

The schools records include a handwritten note signed by Mike Bryan stating:

The other tools with the exception of the air tank were in my shed when I left for my surgery. My son has apparently taken them along with many of my personal tools. I will be contacting the sheriff on my way home.

The school had no receiving procedures in place

In most cases we found the school did not have the records to support payments being made. Moreover, when we were able to find records, we found those records did not include any indication the items being paid for had been received.

Oklahoma State law not only requires the school to have itemized documentation to support the payment of goods and services, but also to have "proof of receipt of such goods or services."² Part of any payment process must include a means to ensure the items being paid for have actually been received.

Proper receiving procedures provide two essential safeguards against the misappropriation of taxpayer funds. First, the procedures will ensure the items being paid for have actually been received by the school. Second, the items

² 70 O.S. § 5-135(E) previously cited in this report.

**BUTNER PUBLIC SCHOOL DISTRICT
SEMINOLE COUNTY, OKLAHOMA
SPECIAL AUDIT REPORT
JULY 1, 2005 THROUGH FEBRUARY 28, 2009**

should be added, if appropriate, to inventory records and allow for the school to have a means to determine custody of its property.

The lack of proper receiving procedures, combined with the lack of control over the school's credit cards, has allowed school funds to be used to purchase items that are now missing and, in the case of the IBM laptop computers, may not have even been purchased for school use at all.

The school has not maintained a central inventory list

The school has conducted end-of-year inventories for classrooms. The inventories records were not maintained as part of an *active* inventory system. According to the current Superintendent, the inventory records were sporadic and lacked a centralized filing system.

Making entries to the inventory only at year end allows for items purchased throughout the year to be misappropriated with little or no chance of being detected. For example, the camcorders purchased in November would not be placed on an inventory list until the end of the school year, some six months later. If the camcorders were misappropriated before the end of the year they would not appear on an inventory list. A proper inventory system would have procedures in place to ensure items purchased were added to the inventory at the time they were received and paid for. A physical inventory should then be conducted at least annually and reconciled to the inventory listed.

Summary: The school had little control over its assets

With payments being made with little or no supporting documentation, no control of its credit cards, no receiving procedures, and, no active inventory system, the school had little or no means to control assets being purchased with taxpayer funds. As a result, assets including laptop computers, camcorders, and various other items are now missing.

VI. OBJECTIVE

Determine circumstances and status surrounding IRS penalties assessed.

The Internal Revenue Service (IRS), in a letter dated December 29, 2008, notified the school they had been assessed fines in the amount of \$102,443.80 for the failure to properly file Form W-2s. The letter indicates the penalty was assessed for the December 31, 2005 tax period.

On February 11, 2009, the fine was reduced to \$2,150.00, a penalty of \$50.00 per Form W-2 not filed during the 2005 tax period. The school currently has a

**BUTNER PUBLIC SCHOOL DISTRICT
SEMINOLE COUNTY, OKLAHOMA
SPECIAL AUDIT REPORT
JULY 1, 2005 THROUGH FEBRUARY 28, 2009**

similar issue with the failure to file Form W-2 for employees for the 2006 and 2007 tax years. The school is currently working with the IRS concerning the 2006 and 2007 issues, and no fines had been assessed at the conclusion of our audit fieldwork.

In addition to the Form W-2 fines, the school also failed to file Form 941 resulting in additional fines and interest being assessed by the IRS.

IRS Publication 15 (Circular E) as it relates to Form 941 states:

Each quarter, all employers who pay wages subject to income tax withholding (including withholding on sick pay and supplemental unemployment benefits) or social security and Medicare taxes must file Form 941, Employer's QUARTERLY Federal Tax Return...

From a review of the records and an interview with the schools payroll clerk, we determined that the school was withholding and sending the required federal taxes to the IRS monthly, but the former payroll clerk was not forwarding the required quarterly Form 941 report to the IRS.

We reviewed the available records related to the tax issues including purchase orders and correspondence from the IRS. Included in the records reviewed was a letter dated August 29, 2008, from then Superintendent Mike Bryan to the IRS.

The letter states, in part:

In recent months we have discovered numerous mistakes and failure to file reports due to the mismanagement of the former Encumbrance Clerk, June Billie. During my first year as Butner's Superintendent I discovered many, many attempts by Ms. Billie to cover up criminal activities. Because of her negligence we have incurred thousands of dollars worth of fines, penalties and interest. It is apparent that Ms. Billie also destroyed all correspondence from the IRS and other agencies.

We reviewed four purchase orders, all numbered 2009-11-242 (hereinafter referred to as the 242 purchase orders). The first purchase order indicates payment for "unpaid balance & interest 9/2007" and "unpaid balance & interest 12/2007" totaling \$1,970.65.

Because of a lack of documentation and the apparent destruction of records prior to our audit, we were unable to determine if the \$1,970.65 balance paid with the first 242 purchase order was a balance owed for unpaid taxes, unpaid penalties, and/or unpaid interest.

**BUTNER PUBLIC SCHOOL DISTRICT
SEMINOLE COUNTY, OKLAHOMA
SPECIAL AUDIT REPORT
JULY 1, 2005 THROUGH FEBRUARY 28, 2009**

As of the conclusion of our audit fieldwork, the school had paid the IRS \$12,698.95 in corrections, penalties, and interest. These payments included:

	Unpaid Balance & Interest	Interest & Penalty	Taxes & Penalties	Corrected Withholding Amounts	W2 Penalty	Total
Unpaid Balance & Interest 9/2007	\$794.10					
Unpaid Balance & Interest 12/2007	\$1,176.55					
Interest & Penalty 12/07		\$10.00				
Taxes & Penalties 2006/02			\$1,291.76			
Taxes & Penalties 2006/04			\$174.43			
Penalties & Interest 2007/01		\$843.64				
Penalties & Interest 2007/02		\$1,617.71				
Penalties & Interest 2007/04		\$8.33				
Penalties & Interest 2008/01		\$1,745.99				
Corrected 3rd Quarter 2005 941				\$336.14		
Corrected 2nd Quarter 2005 941				\$288.12		
Corrected 1st Quarter 2005 941				\$288.12		
Corrected 4th Quarter 2006 941				\$294.76		
Corrected 3rd Quarter 2006 941				\$297.10		
Corrected 2nd Quarter 2006 941				\$380.01		
Corrected 1st Quarter 2006 941				\$570.00		
Corrected 4th Quarter 2005 941				\$432.19		
2005 W2 Penalty					\$2,150.00	
	\$1,970.65	\$4,225.67	\$1,466.19	\$2,886.44	\$2,150.00	\$12,698.95

The school had not received notification of any additional fines related to the failure to file Form W-2 for the 2006 and 2007 tax periods. The school is currently working with the IRS to resolve and correct these issues.

Additional tax issues/penalties with the Oklahoma Tax Commission

In addition to tax reports that should have been prepared and provided to the IRS, the school is also required to prepare and to provide a monthly Employers Withholding Tax Return to the Oklahoma Tax Commission (OTC).

On February 3, 2009, the school paid the OTC \$8,510.27 for back taxes owed, interest, and penalties for not filing the required monthly reports in a timely manner. Purchase order 2009-11-305 indicated the \$8,510.27 payment included \$3,530.11 in penalties for the period June 2006 through December 2007.

The school also paid \$3,371.00 for back taxes owed from October, 2006, an assessed penalty of \$337.10 and \$1,272.06 in interest.

**BUTNER PUBLIC SCHOOL DISTRICT
SEMINOLE COUNTY, OKLAHOMA
SPECIAL AUDIT REPORT
JULY 1, 2005 THROUGH FEBRUARY 28, 2009**

We reviewed payment registers for payments made during 2006 to the OTC. The payment registers indicate two warrants, totaling \$3,371.00, had been prepared October 27, 2006. However, they had never been registered with the school's treasurer so they could not be processed.

Based on the warrant register, it appears the October, 2006 payment was prepared but was not sent to the Oklahoma Tax Commission which resulted in the school paying an additional \$1,609.16 in penalties and interest.

VII. OBJECTIVE

Determine if the Child Nutrition Program expenditures exceeded the Estimate of Needs approved by the County Excise Board.

The school's annual audit report for the year ending June 30, 2007, included the following finding:

The Child Nutrition Fund exceeded appropriations by \$6,265. This does not include encumbrances in the amount of \$6,697 which had been voided. The District encumbered a total of \$135,665 against an appropriation of \$122,703.

We obtained a copy of the Estimate of Needs filed with the County Clerk of Seminole County for the fiscal year ending June 30, 2007. The Estimate of Needs for the Child Nutrition Program approved by the County Excise Board was \$122,703.40.

We obtained OCAS³ reports from the Department of Education website which reflected total expenditures for the Child Nutrition Program for the year ending June 30, 2007 as \$128,967.86.

Because of the difficulty we encountered finding financial records, we asked for a payment register for the Child Nutrition Program for the fiscal year ending June 30, 2007. The payment register we were provided reflected the school issued warrants totaling \$128,967.86. Therefore, we concur with the findings of the independent audit report that the school exceeded appropriations by \$6,264.46 (the \$0.54 difference caused by rounding).

³ Oklahoma Cost Accounting System.

**BUTNER PUBLIC SCHOOL DISTRICT
SEMINOLE COUNTY, OKLAHOMA
SPECIAL AUDIT REPORT
JULY 1, 2005 THROUGH FEBRUARY 28, 2009**

70 O.S. § 5-184 states in part:

Any school district officer willfully or knowingly contracting, incurring, acknowledging, authorizing, allowing, or approving any indebtedness or any officer issuing, drawing, or attesting any check, warrant or certificate of indebtedness in excess of the estimate made and approved by the excise board for such purpose for the current fiscal year or in excess of the specific amount authorized for such purpose by a bond issue, shall be deemed guilty of a misdemeanor and, upon conviction, shall be punished by a fine of not less than One Thousand Dollars (\$1,000.00) or by imprisonment in the county jail for not to exceed one (1) year or by both the fine and imprisonment, and shall forfeit and be removed from office pursuant to state law.

We asked for and were provided an encumbrance register for the Child Nutrition Program for the year ending June 30, 2007. The encumbrance register shows a majority of the encumbrances occurred on July 1, 2006, including an encumbrance of \$43,465.59 to Sysco, a food service distributor.

Purchase order 2007-22-2 was issued on July 1, 2006 and approved a total of \$35,000.00 for "food items" from Sysco. The purchase order appears to be a blanket purchase order for the upcoming school year. However, when we examined the check register, we found payments were made to Sysco from the Child Nutrition Fund totaling \$43,465.59. All of the payments were drawn against the original \$35,000.00 purchase order.

Although the encumbrance register indicates the encumbrance amount was \$43,465.59, on July 1, 2006, the actual purchase order amount is \$35,000.00. Additional encumbrances appear to have been added as additional invoices were received.

We found a similar circumstance for purchase order 2007-22-3 issued to Hiland Dairy in the total amount of \$17,000.00. Although the purchase order amount was originally \$17,000.00 the encumbrance report indicates an encumbrance amount of \$17,581.36. The school paid \$17,581.36 to Hiland Dairy exceeding the purchase order amount by \$581.36.

We reviewed the meeting minutes for the school board to determine if the board is approving the additional encumbrances. The meeting minutes for August 14, 2006 reflect:

<p>3. Motion made by Rose Gardner seconded by Brian Morphis to approve General Fund Encumbrances 43-72 and Child Nutrition Encumbrance 1-9 and Building Fund Encumbrances 1-2. Motion carries: 4-0</p>
--

**BUTNER PUBLIC SCHOOL DISTRICT
SEMINOLE COUNTY, OKLAHOMA
SPECIAL AUDIT REPORT
JULY 1, 2005 THROUGH FEBRUARY 28, 2009**

There were no attached reports or registers with the minutes. Therefore, we are unable to determine what encumbrances, in what amounts were being approved by the school board.

From the OCAS reports obtained, we noted an increase in total expenses related to the Child Nutrition Program from \$106,062.13 to \$128,967.86. This is an increase of \$22,905.73, or about 18%, from the previous year. The increase was largely reported in two areas. Payroll and benefit expenditures increased \$11,551.48 from \$43,367.25 to \$54,888.73. Supplies increased \$11,604.99 from \$60,883.14 to \$72,488.13.

We spoke with the Child Nutrition Director, who stated she had taken over the cafeteria responsibilities in July, 2006. Prior to taking over as the Child Nutrition Director, she had been employed with the school as a custodian.

According to the Director (who is paid an hourly rate), when she took over, she was unfamiliar with the responsibilities. As a result of that unfamiliarity, she worked a lot of extra hours. The Director also stated she may have ordered more supplies than were actually needed because of her unfamiliarity with her new duties.

The Director stated that when she asked about ordering supplies, the Superintendent at the time told her to order whatever she needed and “they would worry about running out of money when it happened.”

From our review of the records, the school exceeded fiscal year 2007 appropriations for the Child Nutrition Fund. Moreover, it appears the encumbrance clerk was issuing payments to vendors that exceeded the purchase order amounts approved by the school board.

PROPOSED CHANGES Prior to the conclusion of our audit fieldwork, the school had begun taking steps to correct deficiencies in many of the policies and procedures outlined in this report. The current Superintendent provided us with a copy of proposed changes to be implemented. These changes include:

- Maintaining an inventory of all purchases over \$500.00 as well as all purchases of technology equipment. Conducting an end-of-year inventory and keeping a central inventory listing of assets.
- Logs will be maintained for all school vehicles including mileage, purpose, driver, and destination.
- Mail is now opened by a school employee who has no part of the school’s financial transactions. Checks are logged. Suspicious documentation is noted.

**BUTNER PUBLIC SCHOOL DISTRICT
SEMINOLE COUNTY, OKLAHOMA
SPECIAL AUDIT REPORT
JULY 1, 2005 THROUGH FEBRUARY 28, 2009**

- Bank reconciliations are to be conducted by the School Treasurer with a certified staff member present. Reconciliations must be signed.
- Financial reports are provided to the Superintendent and Board of Education. Reports are computer generated from the correct computer software.
- Duties of the Activity Fund Custodian and Encumbrance Clerk are now separated for better internal controls.
- Gas and credit cards are now locked up. Employees must sign out the cards upon approval of the Superintendent. All purchase information is to be provided when the cards are returned.
- All requisition forms for purchases are now required to include vendor information, details of items being purchased, amount of each item, total amount, and, in the case of Activity Fund purchases, the signatures of the Activity Fund sponsor and the Activity Fund custodian, as well as the signatures of the Principle and Superintendent.
- Deposits are to be made daily.
- Triplicate receipts books are to be utilized. A copy of each receipt shall be kept in the receipt book, one copy given to the sponsor and one copy attached to the money count form.
- Two signatures are now required on the money count forms. The money is then recounted by the Treasurer/Activity Fund Custodian. Money count forms will be retained in the schools records.
- Purchase documentation will now include the signature of the person receiving the items being purchased. All delivery tickets and/or receipts shall be turned in by the person making the purchase or receiving the items being ordered.
- State mandated training and additional training will be provided for procedures related to the handling and tracking of funds to the Treasurer, Activity Fund Custodian, and Encumbrance Clerk. Staff members will be updated and trained as needed concerning any amendments in the future.
- Laptop computers and other technology equipment will be stored under lock and key in the High School Principal's Office.
- No school property will be allowed to be removed from the school without checking out the item from the High School and/or Elementary School Office.

RECOMMENDATIONS We recommend the School immediately follow through with the development and implementation of the proposed changes relating to operational infrastructure of the School. The plan should include accounting and management policies and procedures which are designed to prevent or to provide early detection of fraudulent activities. Such policy and procedures should include compliance requirements and management oversight responsibilities for all funding received

**BUTNER PUBLIC SCHOOL DISTRICT
SEMINOLE COUNTY, OKLAHOMA
SPECIAL AUDIT REPORT
JULY 1, 2005 THROUGH FEBRUARY 28, 2009**

and expended by the School. If fully developed and properly implemented, the steps outlined above by the School are designed to help them obtain this goal. We also recommend that the deposits intended for the General Fund should be deposited into the General Fund rather than utilizing the Activity Fund as a holding account. We further recommend that the school officials receive proper training to ensure each person involved with the school's financial operations is aware of their duties, responsibilities, and state law.

We have provided a copy of this report to the Seminole County District Attorney to determine if any additional charges may be warranted.

DISCLAIMER

Throughout this report there are numerous references to state statutes and legal authorities, which appear to be relevant to issues raised by the State Department of Education 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 the Butner Public School or any of the individuals named in this report or acting on behalf of the school have violated any statutory requirements or prohibitions imposed by law. All cites and/or references to specific legal provisions are included within this report for the sole purpose of enabling interested parties to review and consider the cited provisions, independently ascertain whether or not the school's 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.

**BUTNER PUBLIC SCHOOL DISTRICT
SEMINOLE COUNTY, OKLAHOMA
SPECIAL AUDIT REPORT
JULY 1, 2005 THROUGH FEBRUARY 28, 2009**

Attachment A

##	Ck #	CK Date	Payee	Amount	##	Ck #	CK Date	Payee	Amount	##	Ck #	CK Date	Payee	Amount
1	5229	03/31/05	June Billie	\$100.00	49	5720	07/25/06	June Billie	\$66.58	97	6424	10/03/07	June Billie	\$224.02
2	5265	04/20/05	June Billie	\$120.00	50	5721	07/27/06	June Billie	\$423.00	98	6430	10/03/07	June Billie	\$536.07
3	5328	07/01/05	June Billie	\$354.00	51	5731	08/02/06	June Billie	\$498.27	99	6429	10/09/07	June Billie	\$260.50
4	5319	07/20/05	June Billie	\$123.00	52	5807	08/18/06	June Billie	\$618.34	100	6463	10/15/07	June Billie	\$315.75
5	5198	08/01/05	June Billie	\$195.00	53	5819	08/28/06	June Billie	\$537.00	101	6467	10/16/07	June Billie	\$425.00
6	5364	09/09/05	June Billie	\$263.00	54	5828	09/01/06	June Billie	\$556.01	102	6468	10/17/07	June Billie	\$175.00
7	5387	10/03/05	June Billie	\$197.86	55	5840	09/08/06	June Billie	\$815.40	103	6470	10/23/07	June Billie	\$358.95
8	5395	10/21/05	June Billie	\$231.78	56	5857	09/25/06	June Billie	\$438.95	104	6469	10/26/07	June Billie	\$153.42
9	5410	10/28/05	June Billie	\$285.00	57	5889	09/27/06	June Billie	\$346.77	105	6472	10/29/07	June Billie	\$150.00
10	5415	11/02/05	June Billie	\$504.00	58	5977	12/08/06	June Billie	\$498.01	106	6480	11/01/07	June Billie	\$150.50
11	5437	11/09/05	June Billie	\$356.00	59	6025	01/12/07	June Billie	\$400.75	107	6490	11/08/07	June Billie	\$110.71
12	5439	11/14/05	June Billie	\$239.00	60	6068	03/09/07	June Billie	\$402.00	108	6491	11/08/07	June Billie	\$418.66
13	5460	11/27/05	June Billie	\$639.00	61	6066	03/19/07	June Billie	\$623.25	109	6498	11/14/07	June Billie	\$145.00
14	5471	12/07/05	June Billie	\$167.85	62	6091	04/06/07	June Billie	\$165.00	110	6507	11/21/07	June Billie	\$70.98
15	5480	12/14/05	June Billie	\$441.22	63	6099	04/13/07	June Billie	\$174.00	111	6498	11/26/07	June Billie	\$131.25
16	5490	12/20/05	June Billie	\$441.22	64	6105	04/18/07	June Billie	\$318.00	112	6510	11/27/07	June Billie	\$447.00
17	5491	12/20/05	June Billie	\$652.00	65	6120	04/20/07	June Billie	\$214.00	113	6526	12/04/07	June Billie	\$174.00
18	5475	12/22/05	June Billie	\$453.00	66	6116	04/24/07	June Billie	\$358.00	114	6528	12/04/07	June Billie	\$427.33
19	5495	01/06/06	June Billie	\$612.98	67	6127	04/30/07	June Billie	\$125.94	115	6526	12/12/07	June Billie	\$174.79
20	5500	01/13/06	June Billie	\$444.46	68	6128	04/30/07	June Billie	\$409.00	116	6535	12/12/07	June Billie	\$238.65
21	5517	01/31/06	June Billie	\$658.90	69	6144	05/06/07	June Billie	\$284.95	117	6547	12/18/07	June Billie	\$288.85
22	5523	02/09/06	June Billie	\$283.95	70	6171	05/18/07	June Billie	\$370.00	118	6556	12/24/07	June Billie	\$528.00
23	5528	02/17/06	June Billie	\$313.00	71	6180	05/24/07	June Billie	\$351.13	119	6553	12/31/07	June Billie	\$126.51
24	5530	02/23/06	June Billie	\$932.75	72	6184	05/31/07	June Billie	\$600.00	120	6559	01/14/08	June Billie	\$155.90
25	5534	03/01/06	June Billie	\$168.25	73	6186	06/08/07	June Billie	\$122.75	121	6565	01/14/08	June Billie	\$619.65
26	5538	03/03/06	June Billie	\$214.94	74	6199	06/12/07	June Billie	\$159.47	122	6577	01/28/08	June Billie	\$184.94
27	5565	03/22/06	June Billie	\$85.83	75	6172	06/21/07	June Billie	\$339.79	123	6604	01/31/08	June Billie	\$294.50
28	5570	03/27/06	June Billie	\$28.00	76	6176	07/02/07	June Billie	\$276.96	124	6612	02/07/08	June Billie	\$217.52
29	5581	03/31/06	June Billie	\$793.19	77	6175	07/05/07	June Billie	\$185.75	125	6620	02/07/08	June Billie	\$227.35
30	5593	04/06/06	June Billie	\$122.74	78	6198	07/17/07	June Billie	\$141.68	126	6621	02/08/08	June Billie	\$275.00
31	5608	04/13/06	June Billie	\$404.41	79	6199	07/19/07	June Billie	\$119.79	127	6636	02/15/08	June Billie	\$286.37
32	5611	04/17/06	June Billie	\$283.95	80	6204	07/24/07	June Billie	\$320.00	128	6654	02/28/08	June Billie	\$142.42
33	5617	04/19/06	June Billie	\$114.36	81	6207	07/26/07	June Billie	\$98.99	129	6660	03/03/08	June Billie	\$119.41
34	5637	05/09/06	June Billie	\$85.06	82	6215	07/27/07	June Billie	\$469.47	130	6698	03/04/08	June Billie	\$177.36
35	5644	05/11/06	June Billie	\$309.98	83	6209	08/02/07	June Billie	\$289.73	131	6652	03/06/08	June Billie	\$137.50
36	5647	05/12/06	June Billie	\$312.09	84	6228	08/13/07	June Billie	\$150.00	132	6414	03/12/08	June Billie	\$214.08
37	5648	05/17/06	June Billie	\$240.73	85	6309	08/15/07	June Billie	\$96.97	133	6706	03/14/08	June Billie	\$220.65
38	5660	05/25/06	June Billie	\$178.98	86	6226	08/16/07	June Billie	\$152.76	134	6719	03/17/08	June Billie	\$247.50
39	5664	05/31/06	June Billie	\$245.24	87	6320	08/24/07	June Billie	\$379.41	135	6716	03/18/08	June Billie	\$100.34
40	5673	06/05/06	June Billie	\$71.98	88	6324	08/27/07	June Billie	\$195.00	136	6730	03/26/08	June Billie	\$200.00
41	5675	06/08/06	June Billie	\$234.32	89	6329	08/29/07	June Billie	\$221.37	137	6744	03/31/08	June Billie	\$330.00
42	5677	06/12/06	June Billie	\$660.22	90	6319	08/30/07	June Billie	\$106.00	138	6750	04/01/08	June Billie	\$140.00
43	5680	06/19/06	June Billie	\$51.00	91	6402	09/11/07	June Billie	\$250.39	139	6759	04/04/08	June Billie	\$206.91
44	5690	06/26/06	June Billie	\$165.00	92	6408	09/18/07	June Billie	\$126.00	140	6761	04/14/08	June Billie	\$204.74
45	5691	06/26/06	June Billie	\$479.98	93	6404	09/24/07	June Billie	\$172.19	141	6760	04/16/08	June Billie	\$185.41
46	5697	06/29/06	June Billie	\$79.92	94	6415	09/24/07	June Billie	\$248.36	142	6825	04/28/08	June Billie	\$225.68
47	5698	06/29/06	June Billie	\$430.95	95	6414	09/27/07	June Billie	\$137.50	143	6838	04/29/08	June Billie	\$226.63
48	5700	07/14/06	June Billie	\$213.63	96	6419	09/29/07	June Billie	\$503.44	144	6821	05/01/08	June Billie	\$183.00
			Column Total	\$14,983.72				Column Total	\$14,858.12				Column Total	\$11,553.80
													Grand Total	\$41,395.64

**BUTNER PUBLIC SCHOOL DISTRICT
SEMINOLE COUNTY, OKLAHOMA
SPECIAL AUDIT REPORT
JULY 1, 2005 THROUGH FEBRUARY 28, 2009**

Attachment B

Bank Records				School Records	Bank Records				School Records
##	Ck #	Payee	Amount	Payee	##	Ck #	Payee	Amount	Payee
1	5364	June Billie	\$263.00	Linda Marshall	31	5648	June Billie	\$240.73	Wal Mart
2	5387	June Billie	\$197.86	Jon Hadley	32	5660	June Billie	\$178.98	Staples
3	5395	June Billie	\$231.78	Artie Legg	33	5675	June Billie	\$234.32	Coca Cola
4	5410	June Billie	\$285.00	Linda Marshall	34	5677	June Billie	\$660.22	Lowes
5	5415	June Billie	\$504.00	River Star	35	5680	June Billie	\$51.00	Wal Mart
6	5437	June Billie	\$356.00	Karen O'Dar	36	5731	June Billie	\$498.27	Sullivan Wholesale
7	5439	June Billie	\$239.00	Gary Pollard	37	5807	June Billie	\$618.34	Staples Credit Plan
8	5460	June Billie	\$639.00	Ada Coca Cola	38	5819	June Billie	\$537.00	Baptist Athletic Supply
9	5471	June Billie	\$167.85	Sullivan Wholesale	39	5828	June Billie	\$556.01	Wal Mart Community
10	5480	June Billie	\$441.22	Gary Pollard	40	5840	June Billie	\$815.40	Baptist Athletic
11	5491	June Billie	\$652.00	Syars	41	5857	June Billie	\$438.95	Sullivan Wholesale
12	5490	June Billie	\$441.22	Gary Pollard	42	5889	June Billie	\$346.77	Sullivan Wholesale
13	5475	June Billie	\$453.00	Ed Neal	43	5977	June Billie	\$498.01	Varsity
14	5495	June Billie	\$612.98	Baptist Athletic	44	6025	June Billie	\$400.75	Baptist Athletic
15	5500	June Billie	\$444.46	Baptist Athletic	45	6068	June Billie	\$402.00	Sullivan Wholesale
16	5517	June Billie	\$658.90	Walmart	46	6066	June Billie	\$623.25	Staples Credit Plan
17	5523	June Billie	\$283.95	Oriental Trading	47	6091	June Billie	\$165.00	Sign Design
18	5528	June Billie	\$313.00	Coca Cola	48	6105	June Billie	\$318.00	Coca Cola
19	5530	June Billie	\$932.75	Baptist Athletic	49	6120	June Billie	\$214.00	Sullivan Wholesale
20	5534	June Billie	\$168.25	Baptist	50	6116	June Billie	\$358.00	Staples Credit Plan
21	5538	June Billie	\$214.94	Lowes	51	6128	June Billie	\$409.00	Uncle Jerry's T's
22	5565	June Billie	\$85.83	Wal Mart	52	6127	June Billie	\$125.94	Wal Mart Community
23	5570	June Billie	\$28.00	Wal Mart	53	6144	June Billie	\$284.95	Staples Cre
24	5581	June Billie	\$793.19	Sexton and Sexton	54	6171	June Billie	\$370.00	Baptist Athletic
25	5593	June Billie	\$122.74	Wal Marts	55	6180	June Billie	\$351.13	Wal Mart Community
26	5608	June Billie	\$404.41	Wal Mart	56	6184	June Billie	\$600.00	Computer Concepts
27	5611	June Billie	\$283.95	Oriental Trading	57	6186	June Billie	\$122.75	Michael Sowder
28	5617	June Billie	\$114.36	Staple Center	58	6199	June Billie	\$159.47	Baptist Athletic
29	5637	June Billie	\$85.06	Staples Center	59	6172	June Billie	\$339.79	L & L Awards and Trophi
30	5647	June Billie	\$312.09	Staples Center			Column	\$10,918.03	
		Column	\$10,729.79				Total	\$21,647.82	



**OFFICE OF THE STATE AUDITOR AND INSPECTOR
2300 N. LINCOLN BOULEVARD, ROOM 100
OKLAHOMA CITY, OK 73105-4896**

WWW.SAI.OK.GOV