

CITIZENS PETITION REQUEST

GAGE PUBLIC SCHOOL DISTRICT

September 21, 2017



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

GAGE PUBLIC SCHOOL DISTRICT
ELLIS COUNTY, OKLAHOMA
CITIZENS PETITION REQUEST
RELEASE DATE SEPTEMBER 21, 2017



**Report
Highlights**

WHY WE CONDUCTED THIS AUDIT

We performed the audit in response to a citizens petition submitted under the requirements of 74 O.S. § 212(L).

WHAT WE FOUND

Administrative Costs, Reconciliations, and Federal Funds (Pg. 2)

- Bank statements were not always reconciled to internal financial records, and expenditures were not always coded properly with regard to federal programs.
- Administrative expenditures for FY2015 and FY2016 *did not* appear to exceed the statutory authorized threshold of 8%.

Encumbrances and Expenditures (Pg. 7)

- Purchases and credit card transactions reviewed appeared to be appropriate and legal.
- All but three of 43 purchase orders reported missing were accounted for.

Nepotism (Pg. 12)

- We found no evidence of nepotism in the employment of a district employee.

Misuse of District Funds, Property, and Assets (Pg. 14)

- The attendance of school officials and employees at a continuing education conference in Vail, Colorado, appeared reasonable, and costs appeared to be properly supported and board approved.
- The use of federal funds was not optimized, resulting in at least \$4,500 of available federal funds not being utilized by the District.
- All school assets questioned by petitioners were properly accounted for or properly disposed.

Rental Property (Pg. 20)

- The acquisition of rental property appeared legal and was board approved.
- The inhabitants of the rental properties were school employees and paid rent.

Open Records Act and Open Meeting Act (Pg.22)

- As a whole, the Open Meeting Act was complied with by the District.
- Two open records requests were not fulfilled timely and completely; however, the requests were broad and could be construed as a disruption of school function as defined in statute.
- The District was not in compliance with the statutory requirement of posting financial information on their website.



Oklahoma State Auditor & Inspector

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

September 21, 2017

To the Petitioners and Citizens of the Gage Public School District:

Pursuant to your request and in accordance with the requirements of **74 O.S. § 212(L)**, we performed a petition audit of the Gage Public School District for the period June 1, 2014 through February 29, 2016.

The objectives of our audit primarily included, but were not limited to, the concerns noted in the citizens petition. The results of this audit, related to these objectives, are presented in the accompanying report.

Because the investigative procedures of a petition audit do not constitute an audit conducted in accordance with generally accepted auditing standards, we do not express an opinion on the account balances or financial statements of the Gage Public School District for the period June 1, 2014 through February 29, 2016.

The goal of the State Auditor and Inspector is to promote accountability and fiscal integrity in state and local government. Maintaining our independence as we provide services to the taxpayers of Oklahoma is of utmost importance. We also wish to take this opportunity to express our appreciation for the assistance and cooperation extended to our office during our engagement.

This report is addressed to and is for the information and use of the petitioners and citizens of the Gage Public School District. This report is also a public document pursuant to the **Oklahoma Open Records Act** in accordance with **51 O.S. §§ 24A.1, et seq.**

Sincerely,

A handwritten signature in blue ink that reads "Gary A. Jones".

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

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SCHOOL OFFICIALS

Board of Education

(As of February 2016)

Rod Crouse.....President
Shayne Smith Vice-President
Tim GoodClerk
Jerad Clark Member
Mark Torrance Member

Superintendent

Greg Gregory

INTRODUCTION

The Gage Public School District Number 39 (hereinafter the “District” or “Gage”), of Ellis County, Oklahoma was part of the Oklahoma State System of Public Education as described in **70 O.S. §§ 1-101 et seq.** The governing body of the District was the Board of Education (hereinafter the “Board”).

As provided for in **70 O.S. § 5-117**, the Board had the power to maintain and operate a public-school system of such character as the Board deemed best suited for the needs of the District. The superintendent acted as the executive officer of the District.

On January 6, 2016, the Board passed a “Resolution for Annexation” to become part of the Fargo Public School District (hereinafter “Fargo”). On April 5, 2016, the citizens of Gage held an annexation election, the Resolution passed 123-115. The Ellis County Election Board certified the results on April 8, 2016, and the effective date of the annexation was April 22, 2016.

Because of the annexation, all information regarding the Gage Public School District, as provided in the accompanying report, pertains to a school district that is no longer in existence.

In a petition verified by the Ellis County Election Board on March 29, 2016, the citizens of the Gage Public School District requested the assistance of the Oklahoma State Auditor and Inspector (hereinafter SA&I) in conducting an audit of the following *alleged* inappropriate financial activity and misuse of school assets.

- Review the possible over expenditure of FY2015 administrative costs as a proportion of total expenditures, the lack of reconciliation of school financial accounts, and the improper coding of federal funds.
- Review possible irregularities in the encumbrance and expenditure of district funds.
- Review if nepotism or a conflict of interest existed between a school board member and a former district employee, including post-employment compensation.
- Review possible misuse of district funds for purposes other than intended and possible conversion of district property or assets for personal use.
- Review the questionable acquisition of property for the purpose of rental development during a time of declining revenue.
- Review possible violations of the Oklahoma Open Records Act and Open Meeting Act.

These allegations are reported on as ‘Objectives’ in the following pages of this report.

OBJECTIVE I	Administrative Costs, Reconciliations, and Federal Funds
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Petition Objective *Review the possible over expenditure of FY2015 administrative costs as a proportion of total expenditures, the lack of reconciliation of school financial accounts, and improper coding of federal funds.*

Summary of Findings:

- **Administrative expenditures for FY2015 and FY2016 school years did not appear to exceed the statutory authorized threshold of 8%.**
- **Bank statements were not always reconciled to internal financial records.**
- **Expenditures were not always coded properly with regard to federal programs, which if not corrected could have potentially cost the District federal reimbursements.**

Background

The petitioners specifically questioned:

- Was the percentage of expenditures attributed to administrative costs appropriate?
- Were reconciliations of financial accounts completed?
- Was the coding of federal funds accurate?

Percentage of Expenditures Attributed to Administrative Costs

Petitioners alleged that the District spent \$187,286.14 on administrative costs during the FY2015 school year, exceeding the administrative cost percentage allowed under statute. The information presented by the petitioners was derived from data obtained from the web page of the Oklahoma State Department of Education's (OSDE) Oklahoma Cost Accounting System (OCAS) as shown below.¹

¹ The highlighted information shown in the printout was presented as part of the information received from a petitioner.

**GAGE PUBLIC SCHOOL DISTRICT
CITIZENS PETITION REQUEST
DATE OF RELEASE: SEPTEMBER 21, 2017**

Function Code	Description	Amount	ADA PPE	ADM PPE
1000	Instruction	\$787,858.73	\$10,305.54	\$9,955.25
2100	Support Services—Students	\$26,009.25	\$340.21	\$328.65
2200	Support Services—Instructional Staff	\$93,295.12	\$1,220.34	\$1,178.86
2300	Support Services—General Administration	\$108,289.33	\$1,416.47	\$1,368.33
2400	Support Services—School Administration	\$78,996.81	\$1,033.31	\$998.19
2500	Support Services—Central Services	\$45,720.85	\$598.05	\$577.72
2600	Operation and Maintenance of Plant Services	\$152,744.06	\$1,997.96	\$1,930.05
2700	Student Transportation Services	\$25,595.24	\$334.80	\$323.42
3100	Child Nutrition Programs Operations	\$93,765.32	\$1,226.49	\$1,184.80
3200	Enterprise Operations	\$6,516.18	\$85.23	\$82.34
3300	Community Services Operations	\$621.77	\$8.13	\$7.86
4200	Land Acquisition Services	\$35,413.00	\$463.22	\$447.47
4700	Building Improvements Services	\$6,942.96	\$90.82	\$87.73
5400	Debt Service	\$65,468.75	\$856.36	\$827.25
6000	Fund Transfers/Reimbursements	\$16,282.68	\$211.94	\$204.73
	Total:	\$1,543,440.05	\$20,188.88	\$19,502.65

Finding

Administrative expenditures for the FY2015 and the FY2016 school years did not appear to exceed the statutory authorized threshold of 8%.

Petitioners alleged the administrative costs claimed by the District exceeded the allowable administrative cost percentage of 10%. As shown in the statute below, the actual percentage allowed for administrative costs for a school district with the average daily attendance of Gage, which is 500 or fewer, was 8%.

According to **70 O.S. § 18-124(C)**:

Any school district with an average daily attendance (ADA) of five hundred (500) or fewer students for the preceding year which expends for administrative services in the 2005-06 school year or any school year thereafter, less expenditures for legal services, more than eight percent (**8%**) of the amount it expends for total expenditures, less expenditures for legal services shall have the amount which exceeds the eight percent (8%) withheld the following year from the Foundation and Salary Incentive Aid for the school district. [Emphasis added]

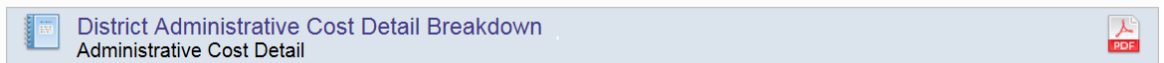
The \$187,286.14 noted in the table above, presented by the petitioners, included *all* costs coded under Function Code 2300 “Support Services—General Administration” and Function Code 2400 “Support Services—School Administration”. The *total* of these two function codes *does not* correspond to the amounts used by OSDE for calculating the percentage of administrative expenses incurred by the District.

The expenditures included in the \$187,286.14, represent *all* costs coded under Function Code 2300 and Function Code 2400. For the purposes of calculating costs under the statutory limit of 8%, a more restrictive criterion is utilized. Title **70 O.S. § 18-124(D)** states in part:

For purposes of this section, “administrative services” means costs associated with:

1. Staff for the board of education;
2. The secretary/clerk for the board of education;
3. Staff relations;
4. Negotiations staff;
5. Immediate staff of the superintendent, any elementary superintendent or any assistant superintendent;
6. Any superintendent, elementary superintendent, or assistant superintendent;
7. Any employee of a school district employed as a director, coordinator, supervisor, or who has responsibility for administrative functions of a school district; and
8. Any consultant hired by the school district.

At the bottom of the OCAS website page referenced by the petitioners is a link to a PDF titled “District Administrative Cost Detail Breakdown”. This link connects the reader to the ‘OCAS-Administrative Costs Details’ reports.



These reports show the OSDE calculated percentage of administrative expenditures to total expenditures for a school district. According to the reports, the District spent 6.18% and 7.16% on administrative costs during the two years covered by the audit; both years below the statutory 8% limit. SA&I’s recalculation of these amounts also resulted in administrative expenses of less than the statutory 8% limit.

County: 23 ELLIS	Oklahoma State Department of Education	4/21/2017 12:46:02 PM
District: 1039 GAGE	2015-- OCAS -- Adminstrative Costs Details	
Summary		
ADA:	76.45	Percentage: 6.18 %
		Amount Exceeded: 0.00
Expenditures:	1,525,541.37	Admin Cost: 94,294.00

County: 23 ELLIS	Oklahoma State Department of Education	4/21/2017 12:48:24 PM	
District: 1039 GAGE	2016-- OCAS -- Administrative Costs Details		
Summary			
ADA:	78.01	Percentage: 7.16 %	Amount Exceeded: 0.00
Expenditures:	1,058,341.99	Admin Cost: 75,818.00	

Reconciliation of School Financial Accounts

Petitioners provided a copy of a management letter prepared by the independent auditor addressed to the District's then superintendent. The letter stated the treasurers' ledger was not properly reconciled to the bank statement each month.

Finding

Bank statements were not always reconciled to internal financial records.

A review of the bank statements confirmed that statements were not always reconciled to internal financial records monthly. The independent auditor's letter also reported that the bank reconciliations were not properly reconciled. However, as the auditor stated in their FY2016 report, the imbalances appeared immaterial.²

Treasurer Coding

We noted a few instances where the treasurer coded incoming revenue items to the incorrect revenue source code, and an instance where revenue was coded into the wrong fund. These items were all discovered during our revenue confirmation, and were communicated with management. We recommend that periodic checks of revenue coding be made during the school year, to ensure against coding errors at the end of the fiscal year.

Following is an example of one of the non-reconciled items:

- A \$2,063.05 imbalance, less than 1% of the total account balance, was carried forward for five months before it was resolved in May 2015.

The Gage secretary stated that she was new to the job, lacked the proper accounting background for her position, and had received no training from her predecessor. She acknowledged there were instances where she was

² Immaterial refers to amounts that do not significantly effect financial reporting, or amounts that are small and insignificant.

unable to reconcile bank statements against internal financial records. This situation was confirmed by the Gage school superintendent.

As per our review, we concur with the independent auditor; bank records were not always reconciled to internal records, but the resulting imbalances appeared immaterial.

Coding of Federal Funds

The management letter prepared by the independent auditor stated there were several instances where the District did not properly code federal expenditures.

Federal coding

We observed several instances where the district did not properly code expenditures to the applicable project code in regards to the federal programs. We recommend that the District review at year end for each program what has been coded to the project code compared to what was claimed for reimbursement and make any adjustments.

Finding

Expenditures were not always coded properly with regards to federal programs; which if not corrected could have potentially cost the District federal reimbursements.

According to the independent auditor, the District corrected federal program coding errors as they were brought to their attention. SA&I reviewed the public auditor's work and confirmed that errors were corrected as they were identified.

In one instance, the correction recommended by the auditor resulted in the Gage being able to claim an extra \$15,338.47 of federal reimbursements in FY2015, in lieu of carrying federal grant funds forward into the next school year.

The independent auditor also reported that some OCAS miscoding of School Breakfast Program and National School Lunch Program expenditures were noted and corrected. These miscoding errors could have cost the District federal reimbursement funds; but because of the corrections, resulted in no financial implications for the District.

Although the petitioner's allegation that the District did not properly code expenditures was correct, it appears the miscoding was due to inadequate record keeping and did not result in the loss of federal funding.

OBJECTIVE II ENCUMBRANCES AND EXPENDITURES

Petition Objective Review possible irregularities in the encumbrance and expenditure of district funds.

Summary of Findings:

- According to financial records and board minutes, there were no apparent roof repair expenditures during the audit period.
- According to financial records and board minutes, purchases for tires made during the audit period were approved by the Board and the quantities appeared reasonable.
- According to financial records and board minutes, purchases made at Leedey Lumber prior to and during the audit period, appeared reasonable.
- Credit card purchases reviewed appeared to be properly approved, encumbered, and for legitimate school purposes.
- All but three of the 43 purchase orders reported ‘missing’ by petitioners were accounted for. Of 10 purchase orders reviewed, all appeared to be for an appropriate purpose and were properly encumbered.

Background

The petitioners requested a review of the following alleged questionable purchases and a verification of a list of possible missing purchase orders.

- Roof repairs;
- Tires for Suburban vehicles;
- Materials purchased at Leedey Lumber;
- Credit card purchases; and
- Purchase Orders that could not be located.

Roof Repairs

Petitioners presented the allegation that “Our school has reported approximately \$700,000 in roof expenses in the last five years.”

Finding

According to financial records and board minutes, there were no apparent roof repair expenditures during the audit period.

SA&I reviewed financial records and found no evidence that any roof repairs had occurred during the audit period. There were discussions regarding the need for roof repairs during the April 3, 2014, and January 7, 2015, board meetings; however, no action was taken at either meeting.

The last roof expense, annotated as such, in the amount of \$89,900 occurred in 2012. SA&I reviewed the paperwork associated with the 2012 roofing contract and found it to be appropriate.

Suburban Tires

Petitioners expressed a concern that the District was purchasing a substantial number of tires for the District's *four* Suburban's, and that the tires were being purchased too frequently and without board approval.

Finding

According to financial records and board minutes, purchases for tires made during the audit period were approved by the Board and the quantities appeared reasonable.

In our review of financial records, it was noted that \$7,290.45 of Suburban tire related purchase orders had been created since 2009, with an apparent eight sets of tires purchased; two sets were purchased during the audit period.

The two purchase orders encumbered for Suburban tires during the audit period totaled \$3,756.35, with actual payments against these purchase orders totaling \$1,618.21.

SA&I interviewed two former District superintendents regarding the frequency of tire replacements. Both stated that the Suburban's were used as school buses on routes where 90-100% of the roads were not paved. Both stated that the area roads were extremely hard on tires, which required utilizing 10-ply tires, a more expensive product.

SA&I reviewed the available invoices for tire purchases made *during the audit period*. Of this amount, \$988.53 was paid for two sets of tires and the remaining \$629.68 was paid for repairs and oil changes. The purchase orders appeared properly encumbered and board approved.

The two sets of tires purchased during the audit period brought the total sets of tires purchased since 2009 to "eight," two sets for each of the four vehicles over the past seven years. This usage rate appeared reasonable, considering the surface conditions the vehicles were operated on.

Materials Purchased at Leedey Lumber

Petitioners expressed a concern that excessive funds had been spent at Leedey Lumber, a vendor outside of Ellis County, specifically alleging that:

#7 Thousands of dollars being spent on building materials from Leedey Lumber Company in Leedey Ok, which is only a few miles from the superintendent's home, although there are several building materials companies or lumber yards that are counties closer to our school.

Finding

According to financial records and board minutes, purchases made at Leedey Lumber prior to and during the audit period, appeared reasonable.

It was noted that only three purchases had been made at Leedey Lumber since August 2011.

- A purchase for outdoor carpet at the elementary school for \$675.13 in July 2011;
- A purchase for replacing the tile floor in the kitchen and cafeteria for \$8,124.50 in June 2012; and
- A purchase for carpeting and remodeling a District owned teacherage for \$1,827.50 in August 2015.

We were unable to ascertain whether the purchase orders for the outdoor carpeting in 2011 and the tile flooring in 2012 were properly encumbered and approved by the Board, because we were unable to locate records dating back to that time period.

The purchase order for the carpeting and remodeling of the teacherage was encumbered in August 2015. There was no evidence in board minutes that the purchase order was officially approved by the Board. However, the need for the repairs was discussed in the January 7, 2015, board meeting and the *payment* was approved by the Board during the October 7, 2015 meeting. None of the purchases required bids.

SA&I obtained invoices from Leedey Lumber for the kitchen and cafeteria tile floor replacement as well as the carpeting and remodeling of the

teacherage. These purchases appeared appropriate, and the use of Leedey Lumber as a supplier did not appear unreasonable or excessive. The invoice for the first purchase for outdoor carpeting, made seven years ago, could not be located.

Credit Card Purchases

Petitioners questioned credit card purchases, alleging that records were not available and had not been provided as part of an open records request.

The District maintained two credit cards during the audit period, Wal-Mart and Fleet Services, a gasoline card. SA&I reviewed a sample of credit card transactions to determine if purchases had been properly encumbered, were for an appropriate purpose, and were approved by the Board.

Finding

Credit card purchases reviewed appeared to be properly approved, encumbered, and for a legitimate school purpose.

Wal-Mart credit card purchases totaled \$640.72 for FY2015 and \$1,321.55 for FY2016. Supporting invoices were reviewed for the following Wal-Mart purchase orders which included classroom supplies, yearbook supplies, and other miscellaneous purchases. All purchases reviewed appeared appropriate and properly approved. All were timely encumbered except for one \$11.85 invoice claimed against Purchase Order 2015-11-63.

Wal-Mart Purchase Orders		
Purchase Order No.	Encumbered Date	First Invoice Date
2016-11-79	8/15/15	9/16/15
2015-60-43	11/01/14	12/03/14
2015-60-57	12/01/14	1/15/15
2015-11-63	8/22/14	8/16/14

Payments to Fleet Services totaled \$8,054.23 for FY2015 and \$6,528.45 for FY2016. Three months of Fleet Services purchases were reviewed. The files included all original gas card receipts as well as a monthly log that detailed the driver's name, the odometer reading of the vehicle, and the amount and cost of the fuel purchased. All purchases were adequately documented and appeared reasonable.

Fleet Services costs were charged against two fuel-card blanket purchase orders that were encumbered on July 1, 2014, and July 1, 2015. The purchase orders were approved in the first board meeting of each year July 3, 2014, and July 13, 2015.

Purchase Order Review

Petitioners provided a list of 43 purchase orders that had not been provided during an open records request. It appears petitioners deemed any purchase order that was not filed in sequential order as missing.

In addition to determining the status of the 43 purchase orders, 10 purchase orders were also reviewed to determine if they had been properly encumbered, were for an appropriate purpose, and if necessary, bids had been solicited.

Finding

All but three of the 43 purchase orders reported ‘missing’ by petitioners were accounted for. Of 10 purchase orders reviewed, all appeared to be for an appropriate purpose and were properly encumbered.

Of the 43 purchase orders presented as missing, 26³ had been cancelled with no transaction occurring, 13 were located in the school’s files, three had been used but could not be located, and one purchase order number was listed that did not exist. It could not be determined what happened to the three missing purchase orders.

The 10 purchase orders reviewed appeared to be for appropriate purposes and were properly encumbered. None of the purchases reviewed required the solicitation of bids.

³ The 26 that were cancelled had not been printed out, which appears to be the reason they were not provided under an open records request.

OBJECTIVE III NEPOTISM

Petition Objective *Review if nepotism or a conflict of interest existed between a school board member and a former district employee, including post-employment compensation.*

Summary of Findings:

- **The employment of Cathy Phillips, a former district employee, was not nepotism. The payments she received for part-time work appeared appropriate for the services performed; however, we found no evidence the Board had approved her employment.**

Background

The petitioners requested a determination as to whether nepotism laws had been violated when former employee Cathy Phillips was hired by the District during the time period her mother, Betty Wilcoxson, was a board member.

Petitioners also questioned if payments made to Cathy Phillips were appropriate.

Finding

The employment of Cathy Phillips, a former district employee, was not nepotism. The payments she received for part-time work appeared appropriate for the services performed; however, we found no evidence the Board had approved her employment.

Betty Wilcoxson was appointed to the Board for an unexpired term of July 3, 2014, through February 4, 2015. Wilcoxson's daughter, Cathy Phillips, was a part-time support employee during the period of November 2013 through August 2015.

During Wilcoxson's term, three payments totaling \$166.23 were made to Cathy Phillips, her daughter. These payments occurred on an as needed basis when another district employee required assistance with financial related duties.

According to **70 O.S. § 5-113.1(C)**:

The provisions of this section shall not prevent a person who is related to a member of the board of education within the second degree of consanguinity or affinity from being employed by the school district as a substitute teacher pursuant to the provisions of Section 6-105 of this title *or as a temporary substitute*

support employee if the school district has an Average Daily Membership (ADM) of less than five thousand (5,000).
[Emphasis added]

Per OSDE, the District had an ADM of 79.14 during FY2015. The services provided clearly fell into the *temporary substitute support* category, resulting in no nepotism.

SA&I reviewed three of Cathy Phillips' time sheets, the hours worked agreed with the time paid. All payments reviewed were supported by time sheets that were processed as regular payroll expenses. However, it appeared that no contract was signed for Phillip's employment, and we could find no evidence that her employment had been approved by the Board.

OBJECTIVE IV MISUSE OF DISTRICT FUNDS, PROPERTY, AND ASSETS

Petition Objective *Review possible misuse of district funds for purposes other than intended and possible conversion of district property or assets for personal use.*

Summary of Findings:

- **The attendance of school officials and employees at a continuing education conference in Vail, Colorado, appeared reasonable, and costs appeared to be for properly supported, board-approved expenditures.**
- **The use of federal funds was not optimized. All eligible expenditures were not processed correctly and federal reimbursements were not always requested. This resulted in at least \$4,539.70 of available federal funds not being utilized by the District.**
- **The school assets in question appeared to have been properly accounted for or properly disposed.**
- **We were unable to conclude as to whether school vehicles had been used for personal purposes.**

Background The petitioners questioned if:

- Expenditures associated with a continuing education conference held in Vail, Colorado, were appropriate, and if the expenditures had been reimbursed by federal grant funds.
- Shop machinery, weight equipment, refrigerators, freezers, and pots and pans were properly accounted for or disposed of in the school consolidation process, or if any of these assets had been diverted for personal use.
- School vehicles had been driven for personal use.

Continuing Education Conference, Vail, Colorado

Petitioners alleged \$17,565.23 of expenses paid by the District for employees to attend the “Love & Logic” continuing education conference in Vail, Colorado constituted a misuse of funds.

The “Love and Logic Educator & Parent Retreat”, was held in Vail, Colorado, June 29, 2015 through July 1, 2015. Conference seminars taught positive teaching solutions and practical classroom management techniques for teachers, educators, and administrators.

Finding

The attendance of school officials and employees at a continuing education conference in Vail, Colorado, appeared reasonable, and costs appeared to be for properly supported, board-approved expenditures.

Participation in the Love & Logic Conference in Vail, Colorado, was discussed at two separate board meetings, May 6, 2015 and June 25, 2015. Two purchase orders that were used to pay for the *upfront* conference costs were approved by the Board at the May 6, 2015 meeting.

Fourteen additional purchases orders, thirteen for travel expenses and one for Love & Logic resource materials were approved by the Board during the August 6, 2015, and October 7, 2015, board meetings. Since the expenditures associated with this conference spanned two school years, all post-conference expenditures fell into FY2016.

Fiscal Year	Purchase Order	Amount	Purpose
2015	2015-11-148	\$7,514.08	Accommodations
2015	2015-11-149	\$5,950.00	Conference Fees
2016	2016-11-42/54	\$3,750.00	Travel Reimbursements
2016	2016-11-76	\$351.15	Resource Materials
	Totals	\$17,565.23	

We reviewed payments, invoices and purchase orders associated with the \$17,565.23 in conference expenditures. The costs appeared to consist of legitimate board-approved expenditures and were supported with proper corresponding invoices.

The funds for the resource materials, two checks totaling \$351.15, were issued in September 2015. One petitioner stated that these two checks could not be located in the payment registry when they had conducted their record review.

Per the bank records, the checks cleared the Gage checking account on July 8, 2016, ten months after they were written. The Fargo School District received the materials.

Petitioners also questioned the attendance of non-certified staff at the conference; specifically questioning the attendance of a district janitor.

According to the superintendent, the janitor had a multitude of duties including janitor, encumbrance clerk, assistant librarian, test proctor, and cafeteria worker. It appears that based upon this individual's extensive contact with students, attendance at the conference could be considered reasonable, and would be a Board decision.

Use of Federal Funds for Conference

Petitioners alleged that reimbursements from federal grants had not been requested for all eligible expenditures.

Finding

The use of federal funds was not optimized. All eligible expenditures were not processed correctly and federal reimbursements were not always requested. This resulted in at least \$4,539.70 of available federal funds not being utilized by the District.

Based upon district records, and information received from OSDE, at least \$11,765.23 of the \$17,565.23 spent on the Love & Logic conference was reimbursed with federal funds.

However, the school district appeared to have \$4,539.70 of federal funds remaining at the end of FY2015. These funds carried over into FY2016 but had to be encumbered by September 30, 2015, and expensed by December 31, 2015.

The school district was aware of the \$4,539.70 carryover and encumbered \$351.15 for Love & Logic resource materials on September 29, 2015, but failed to expense it prior to December 31, 2015. It appeared the District also planned to use at least \$1,820.25 of the remaining federal funds for Love & Logic conference related travel costs, but again failed to expense them.

Per OSDE, some reimbursements for Love & Logic related costs were requested, but were rejected due to non-compliance with required procedures and documentation.

As a result of these activities, Gage failed to utilize at least \$4,539.70 in available federal funds.

Disposition of Assets

Petitioners were concerned that Gage District property had not been disposed of properly or had been converted to personal use. Items of concern included shop machinery, weight equipment, freezers, refrigerators, and pots and pans.

Finding

The school assets in question appeared to have been properly accounted for or properly disposed.

Per the Fargo High School Principal, all the locks were changed on the Gage cafeteria and gymnasium within one week after the closing of the school, at the end of the Spring 2016 semester. Additionally, a Fargo School District employee provided “Gage Inventory” sheets that listed the equipment, food, and supplies removed by Fargo personnel from Gage.

Shop Machinery

SA&I visually inspected the Gage school wood shop. The room contained standard equipment used in a wood shop including; a table saw, planer, cross-cut saw, and drill press. In a discussion with Gage’s former superintendent, it appeared that a “Chop Saw” was missing from the contents of the wood shop. However, the “Chop Saw” was listed on the “Gage Inventory” as an item that had been removed by Fargo.

GAGE INVENTORY		
Item	Date	Signature
Small		
Bobcat Tiller	5/19/16	[Signature]
Drag	5/19/16	[Signature]
John Deere Tractor		
Spring tooth		
Brush beater	5-25-16	
tractor tiller (Crops)		
DeWalt Chop Saw + stand (yellow)		

There were no open or empty spaces in the Gage wood shop suggesting that anything else had been removed. We found no evidence that any wood working machinery had been improperly removed from Gage.

Weight Equipment

SA&I visually inspected the school weight room; some weights and workout equipment remained in the room. The “Gage Inventory” reflected that a pulley weight system had been removed from Gage by Fargo personnel.

Pulley weight system	1-4-17
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Superintendent Gregory also stated he had removed a flat bench and bar that he had previously loaned to the Gage weight room. He removed those

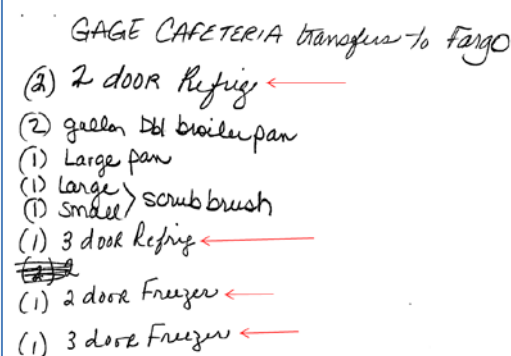
items in the presence of a Fargo School District employee and this was confirmed with the employee.

It was not possible to ascertain if any other items had been removed since no complete inventory of the Gage weight room existed.

Refrigerator

There appeared to be four refrigerators owned by Gage. One refrigerator was declared surplus by the Board and was subsequently donated to the fire department.

The remaining three refrigerators were transferred to the Fargo School District per the inventory sheet shown here.



GAGE CAFETERIA transferred to Fargo

- (2) 2 door Refrig ←
- (2) gallon hot boiler pan
- (1) Large pan
- (1) large scrub brush
- (1) small scrub brush
- (1) 3 door Refrig ←
- ~~(1) 2 door Refrig~~
- (1) 2 door Freezer ←
- (1) 3 door Freezer ←

Freezer

It was represented that three freezers were to be accounted for at Gage. SA&I staff visually verified that one freezer remained on site. The additional two freezers were included in the list of items removed from Gage by Fargo personnel.

There was no indication that any freezers had been improperly removed.

Pots and Pans

Seventeen pots and pans were removed from Gage by Fargo personnel. According to the Fargo cafeteria manager, some pots and pans that had been personally provided by one of Gage's kitchen employees were removed by that employee.

Some pots and pans remained in Gage's kitchen, but did not appear to have any significant value. There were no indications that any pots or pans were improperly removed from the kitchen.

Use of School Vehicles

Finding

We were unable to conclude as to whether school vehicles had been used for personal purposes.

No records on the usage of school vehicles existed. The monthly logs maintained for recording of Fleet Services fuel purchases included some information of vehicle use, including but not limited to; beginning and ending odometer readings, vehicle driven, purpose of trip, etc.

However, these records did not include the details necessary to confirm or deny the petitioner's claim that there was abuse of vehicles.

OBJECTIVE V RENTAL PROPERTY

Petition Objective Review the questionable acquisition of property for the purpose of rental development during a time of declining revenue.

Summary of Findings:

- **The acquisition of rental property appeared legal and was board approved.**
- **The inhabitants of the school’s rental properties were school employees. Rent was paid for occupied properties and was automatically deducted from each renter’s paycheck.**

Background

The petitioners requested a review of:

- The acquisition and refurbishment of rental property, or teacherages, during a time of limited resources; and
- The status of inhabitants of the school’s rental property. Were the residents’ teachers, and did they pay rent?

According to **70 O.S. § 5-117(A)**, school districts have the authority to maintain teacherages⁴. The statute states in part:

A. The board of education of each school district shall have power to:

Purchase, construct or rent, and operate and maintain, classrooms, libraries, auditoriums, gymnasiums, stadiums, recreation places and playgrounds, *teacherages*, school bus garages, laboratories, administration buildings, and other schoolhouses and school buildings, and acquire sites and equipment for the operation of public schools or conversion schools; [Emphasis added]

Acquisition and Refurbishment⁵ of Rental Property

Finding

The acquisition of rental property appeared legal and was board approved.

⁴ Teacherages are defined as, “a house or accommodation provided for a teacher by a school”.

⁵ One rental property included a refurbishment which was addressed on page 9 under “Materials Purchased at Leedey Lumber”.

One piece of rental property was acquired during the audit period; a house purchased in August 2014 for \$35,413. Prior to the audit period, the most recent acquisitions were a house in July 2013 for \$40,951.50 and a trailer in June 2012 for \$15,000.

SA&I confirmed that the property acquired during the audit period was approved by the Board. We found no evidence that would preclude the Board's purchase of the property. The choice to purchase the property appeared to be a board decision.

Status of Inhabitants of Rental Property

Petitioners questioned whether the inhabitants of the District's rental properties were teachers and if the teachers paid rent.

Finding

The inhabitants of the school's rental properties were school employees. Rent was paid for occupied properties and was automatically deducted from each renter's paycheck.

According to school officials, when a house was acquired by the District the intent was for the property to be occupied by a teacher. If all properties were not occupied by teachers, the rental of the property would be opened to other school personnel. One rental property was occupied by a maintenance employee when no teachers chose to reside in the residence.

All employees residing in school rental properties had \$200 per month deducted automatically from their paycheck. We reviewed the February 20, 2015, payroll and confirmed that all renters had \$200 withheld for rent.

Summary

In a board meeting held March 21, 2016, seven school properties, including all teacherages, were sold at auction to the highest bidder. The overall sale of the properties brought \$174,500, or 60.6% of the \$288,000 appraised value.

OBJECTIVE VI OPEN RECORDS ACT AND OPEN MEETING ACT

Petition Objective Review possible violations of the Oklahoma Open Records Act and Open Meeting Act.

Summary of Findings:

- The January 6, 2016, regularly scheduled board meeting was not posted to the District’s website in a timely manner. No other violations of the Open Meeting Act were noted.
- One open records request was properly fulfilled to the extent that funds were provided.
- Two open records requests were not fulfilled timely or completely. However, the requests appeared to be broad and lacked the specificity required to allow compliance without disruption of essential functions of the District as noted in statute.
- The District was not in compliance with the statutory requirement of posting financial information on their website.

Background The petitioners requested a review of the District’s compliance with the Open Meeting Act and the Open Records Act.

Open Meeting Act

Petitioners requested the review of ten possible violations of the Open Meeting Act⁶. The allegations included, but were not limited to:

- Failure to post agendas in a timely manner;
- Failure to post meetings on the school’s website; and
- Discussion of items in meetings not posted on the agenda.

Finding The January 6, 2016, regularly scheduled board meeting was not posted to the District’s website in a timely manner. No other violations of the Open Meeting Act were noted.

The 2016 regularly scheduled board meetings were not posted to the District’s website until at least January 8, 2016. This posting date resulted in the January 6, 2016, meeting not being posted in a timely manner.

⁶ Open Meeting Act defined in 25 O.S. §§ 301 et. seq.

Title **74 O.S. § 3106.2**, states in part:

...public bodies shall make available on their Internet website or on a general website if a public body uses a general website, a schedule and information about the regularly scheduled meetings of the public bodies or their governing bodies. The information made available shall include the date, time, place and agenda of each meeting. When reasonably possible, public bodies shall also provide information about the date, time, place and agenda of any special or emergency meetings of the public body.

District officials agreed that the website posting for the 2016 regularly scheduled meetings was not completed until after the January 6, 2016, board meeting.

In addition to reviewing the ten open meeting allegations provided by petitioners, SA&I selected two regular meetings and three special meetings for testing of compliance with the requirements of the Open Meeting Act.

We verified that the county clerk was notified in a timely manner for all meetings, that agendas were posted in a timely manner, that individual votes were properly recorded, that only items listed on the agenda were included in the minutes, and if applicable, any entry into executive session was voted upon and annotated with the proper statute citation in the meeting agenda.

All items examined for the meetings reviewed appeared to be in compliance with the Open Meeting Act.

Open Records Act

Two petitioners alleged they did not receive information requested from the District through open records requests.

Finding

One open records request was properly fulfilled to the extent that funds were provided.

One open records request was received by mail and date stamped April 7, 2016. The envelope included two separate request letters dated March 3, 2016, and April 4, 2016⁷.

⁷ This allegation was reviewed even though it was outside of the dates of the citizen petition.

The two letters requested financial documents, board meeting information, monthly bank account statements, and “all e-mails between the Gage School Superintendent and Fargo School Superintendent.” A check for \$200 was included for copy and research expenses. The petitioner failed to prioritize the order of documents requested.

The District responded by first retrieving and redacting the e-mails requested. No other information was provided because the 195 multi-page e-mails totaled 757 pages and exhausted the funds provided.

The petitioner claimed that he was provided SPAM, not the e-mails requested. A review of the e-mail accounts verified that, even though the majority of the 195 e-mails were non-school related business, the petitioner was provided the exact information requested “all e-mails between the Gage School Superintendent and the Fargo School Superintendent.”

It appears this request was fulfilled to the extent that funds were provided.

Finding

Two open records requests were not fulfilled timely or completely. However, the requests appeared to be broad and lack the specificity required to allow compliance without disruption of essential functions of the District as noted in statute.

An open records request letter dated November 5, 2015, with the accompanying envelope date stamped November 8, 2015, was documented as picked up by a school official at the post office on Monday, November 12, 2015.

The letter indicated that two “personal representatives” would visit the school on November 12th or 13th, to view school data. The letter requested access to:

Dear Sir,

This letter should serve as a formal Open Records request to Gage Public School District according to Oklahoma state law. I am requesting access to ALL purchase orders, invoices, warrants, encumbrance registers, check registers, purchase order registers for all funds, including the activity fund for fiscal years 2012, 2013, 2014, 2015, and 2016, as well as, all federal program applications, including E-Rate, and claims. I would also like to view all board policies and procedures documentation. In addition, I am requesting to review all audits and accreditation records including but not limited to any deficiencies and any documentation from the State Department of Education regarding any warnings or deficiencies. I will be sending two personal representatives to view this data. We wish to visit Gage and view this data on location, either the 12th or 13th of November 2015.

The “representatives” arrived at 8:32 am on November 13, 2015, and remained at the school for approximately one hour and 30 minutes. In this time frame the representatives did not receive access to all records requested. However, due to the short notice, it appears reasonable that school officials could not make available all five years of the records requested in less than 24 hours.⁸

As a result of not receiving all of the initial documents requested the petitioner sent a second letter dated November 16, 2015, requesting “ALL” records for the school district for the last five years.

Dear Sir,

I previously requested access to some open records for the Gage Public School District. In addition to that original request, I am now requesting access to ALL (and that means complete not partial) records for the school district for the last 5 years. This means ALL open records and I'm requesting these be made available to me at the same time and not trickled out at your leisure. This includes, but is not limited to the items listed in the previous request and the following:

In response to the second request, the District made additional records available for review on or after December 4, 2015.

Both requests appeared broad and seemed to lack the specificity required to allow the District proper and prompt compliance *without disruption of essential functions* as noted in statutes.

According to **51 O.S. § 24A.5(6)**:

A public body must provide prompt, reasonable access to its records but may establish reasonable procedures which protect the integrity and organization of its records and to *prevent excessive disruptions of its essential functions*. Any public body which makes the requested records available on the Internet shall meet the obligation of providing prompt, reasonable access to its records as required by this paragraph; [Emphasis added]

⁸ Although the letter of request was dated Monday, November 5, 2015, it was not mailed, according to the postal date stamp, until Thursday, November 8, 2015. Receipt by the school on the following Monday, November 12, 2015, at 10:30 am appears reasonable. The “personal representatives” were at the school at 8:32 am on Tuesday, November 13, 2015, less than 24 hours from the school’s receipt and opening of the letter.

Finding **The District was not in compliance with the statutory requirement of posting financial information on their website.**

Title **70 O.S. § 5-135.4** states in part:

If a school district maintains a website, *the district shall provide...* information on school district expenditures of state, federal, and local funds, whether appropriated or nonappropriated, excluding payments of voluntary payroll deductions for employees to receiving parties... in an open-structured data format that may be downloaded by the public and that allows the user to systematically sort, search, and access all data without any fee or charge for access... on the district website.

The District maintained a website at www.gage.k12.ok.us but did not include the required financial information required by statute.

DISCLAIMER

In this report, there may be references to state statutes and legal authorities which appear to be potentially relevant to the issues reviewed by this Office. The State Auditor and Inspector has no jurisdiction, authority, purpose, or intent by the issuance of this report to determine the guilt, innocence, culpability, or liability, if any, of any person or entity for any act, omission, or transaction reviewed. Such determinations are within the exclusive jurisdiction of regulatory, law enforcement, and judicial authorities designated by law.



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

WWW.SAI.OK.GOV