


INVESTIGATIVE AUDIT – DISTRICT ATTORNEY REQUEST

GEARY PUBLIC SCHOOLS

December 13, 2018

A photograph of the Oklahoma State Capitol dome, showing the top portion of the building with its iconic dome and the statue on top, set against a blue sky with white clouds.

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



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

Geary Public Schools
Investigative Audit Report
December 13, 2018



Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 123 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

December 13, 2018

TO THE HONORABLE MIKE FIELDS, DISTRICT ATTORNEY, DISTRICT 4

Pursuant to your request, and in accordance with the requirement of **74 O.S. § 212(H)**, our office performed an investigative audit of the Geary Public Schools.

The objective of our investigation primarily included the concerns noted in your request letter. The results of the investigation related to that objective is presented in the accompanying report.

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

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

Sincerely,

A handwritten signature in blue ink that reads "Gary A. Jones". The signature is written in a cursive style with a long, sweeping underline.

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



Geary Public Schools Investigative Audit Report

Executive Summary

Background and Objectives

We were engaged at the request of the office of District Attorney Mike Fields, in accordance with **74 O.S. § 212(H)**, to address concerns of the potential mishandling of a one-time grant of \$20,000 received in support of improving the softball and baseball fields utilized by the Geary Public Schools.

Per the District Attorney's request, we made inquiries and reviewed records regarding the following concerns at Geary Public Schools:

1. Were public funds used to improve the softball and baseball fields, property not owned by Geary Public Schools?
2. Was the \$20,000 grant received improperly deposited into a school activity fund?
3. Were signatures on internal financial documents forged in the purchasing process?
4. Was adequate documentation provided to support the expenditure of grant funds used for upgrades made to the softball and baseball fields?

Summary of Findings

Geary Public Schools appropriately used \$20,000 in grant funds, as directed by the grantor, to improve the softball field leased from the City of Geary. The grant funds were properly deposited into an activity fund and suitably coded in accordance with the Oklahoma Department of Education's cost accounting system.

However, the administrative process did not fully comply with statutory and administrative code requirements. Signatures on three procurement requisition documents were forged. Two of three invoices were not initially available to support the expenditure of the grant proceeds. Additionally, construction improvements on the softball field began without executing a written contractual agreement between the Geary Public Schools and the contractor.

Details on What We Found

1. Were public funds used to improve the softball and baseball fields, property not owned by Geary Public Schools?

Geary Public Schools entered into a lease agreement, from July 1, 2017 through June 30, 2018, with the City of Geary who owns the softball and baseball playing fields and associated facilities. The lease was renewed annually, with the City retaining ownership of the facilities as part of the public park. The lease agreement allowed Geary Public Schools to use and maintain the playing fields and surrounding area. The lease agreement states:

Geary Public Schools shall not maintain any part of the park facility other than those specifically listed here:
A.) Baseball Field and all surrounding fences B.) Softball Field and all surrounding fences C.) All areas from stadium/fences to roads behind and around the stadium(s)
D.) Concession building and facilities associated with building E.) Parking areas around softball/baseball fields F.) Batting Cage area

Under **70 O.S. § 5-117**, the school district has the authority to rent “stadiums” or “recreation places” in the operation of a public school. The statute states in part:

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

*7. 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]*

Although the school district did not own the baseball and softball facilities, the annual lease agreement and the authority allowed under the above noted statute, would give the district the ability to use public funds in the renting and maintaining of a stadium used for a school purpose.

2. Was the \$20,000 grant received improperly deposited into a school activity fund?

Per **70 O.S. § 5-117(A)(23)**, the board of education of each school district shall have the power to:

Solicit and accept any gift, grant, or donation of money or property for the use of the school district.

In 2016, school administration applied for grant funds from ONEOK Foundation to help with improvement costs of the baseball and softball facilities. Although no formal vote was noted in the board minutes, upon inquiry with two board members, the board was fully aware of and in agreement with administration’s submission of a request to ONEOK Foundation for this purpose.

A written proposal requesting \$40,000, dated August 23, 2016, was submitted to ONEOK Foundation documenting a list of potential repairs and improvements to the playing fields. Per correspondence from ONEOK Foundation, dated April 6, 2017, \$20,000 was granted to the District in support of this cause.

The \$20,000 grant check was deposited into the Activity Fund bank account on July 19, 2017 and recorded in activity fund sub-account 801 per the deposit slip coding of 801-1610-819-715.

More specifically defined per the Oklahoma Cost Accounting System(OCAS) as:

- 801 – Project Code – The 800 Series is all Activity Funds
- 1610 – Source of Revenue – Contributions and Donations from Private Sources
- 819 – Program Code – Athletic Programs
- 715 – Operational Unit – Senior High School Site

Per 70 § 5-129(B)(4), donations to student organizations can be deposited for the use of a specific school activity account. The statute states in relevant part:

B. The board of education of each school district may designate that any of the following revenue be deposited for the use of specific school activity accounts, or to a general activity fund within the school activity fund:

*4. Dues, fees and **donations** to student clubs or other organizations, provided that membership in such clubs or organizations shall not be mandatory; [Emphasis added]*

Per an Oklahoma State Department of Education (OSDE) representative, when a donation is received from a foundation and the donation is earmarked for a specific purpose or activity, that donation can and should be deposited into the corresponding activity fund sub-account.

The OSDE representative agreed the donated funds were placed in the proper fund and account based on the Notice of Award from ONEOK Foundation which specifically required the use of funds for the purpose of upgrading the baseball and softball fields. A clip from the donation award letter stated:

I am pleased to notify you the ONEOK Foundation board approved a one-time contribution of \$20,000 in support of improving the baseball and softball fields. We realize this doesn't cover the entire estimate to improve the fields but hope that our investment can be leveraged to garner other support from community members and businesses including in-kind donations of materials and volunteer manpower. ONEOK is also interested in providing volunteers that can help offset some of the labor costs that are identified by the contractor.

It is concluded that the one-time grant donation of \$20,000 received from ONEOK and deposited into the activity fund was a properly executed transaction.

3. Were signatures on internal financial documents forged in the purchasing process?

A complaint was alleged the Superintendent forged the signature of the now former high school principal on the following three *purchase orders*. The documents in question were for construction work and supplies used for improvements to the softball facilities.

Purchase Order & Requisition No.	Purchase Order/ Requisition Dates	Amount	Vendor	Description
2	July 3, 2017	\$5,000	Jorge Leyva	Construction Supplies
3	July 3, 2017	\$5,000	Jorge Leyva	Construction Supplies
18	August 7, 2018	\$10,000	Jorge Leyva	Construction

The former high school principal stated he did not sign the requisitions requesting funds for said purchase orders but confirmed he did sign the corresponding purchase orders.

The former high school secretary who was responsible for the activity fund, stated she witnessed the Superintendent sign the former principal's signatures on the requisition forms, as both the "Requested By" and "Approved By Principal" signee. She too indicated the signatures on the corresponding purchase orders were signed by the appropriate individuals.

During the initial fieldwork, the Superintendent denied signing the high school principals signature on the requisitions. However, on follow-up inquiry about the authenticity of the approving signatures, on both the requisitions and purchase orders, the Superintendent admitted he had signed the requisitions on behalf of the high school principal because the principal was not available, and in his opinion, time was of the essence to start the improvement project in order for it to be completed for the fall season.

Even though the authenticity of the signatures on the requisitions were in question, the corresponding purchase orders, the official documents obligating the funds, were approved by the secretary/school activity fund custodian and further approved by the high school principal.

4. Was adequate documentation provided to support the expenditure of grant funds used for upgrades made to the softball and baseball fields?

According to discussions with the Superintendent, since Geary Public Schools only received \$20,000 of the \$40,000 requested, it was decided to utilize all the grant funds for the improvement of the softball field.

Per the Superintendent, calls were made to potential vendors in an attempt to solicit bids for the renovations at the softball field. Documentation could not be provided to confirm that calls were made to potential vendors, but the Superintendent provided one text communication between himself and another school’s coach inquiring about the company used on a recent upgrade to their baseball field.

Supporting documentation reflected that only one vendor estimate was provided from a local contractor for the softball field project. Work commenced with this vendor based on a verbal understanding of the repairs desired and an understanding of the written estimated cost of repairs¹.

A written contract with the approved vendor was not executed prior to beginning the improvements of the softball field. Per **61 O.S. §103(D)** a written contract is required before any construction work begins. The statute states in part:

*D. The provisions of this subsection shall apply to public construction for minor maintenance or minor repair work to public school district property. Other construction contracts for less than Twenty-Five Thousand Dollars (\$25,000.00) may be negotiated with a qualified contractor. Construction.... **No work shall be commenced on any construction contract until a written contract is executed** and proof of insurance has been provided by the contractor to the awarding public agency. [Emphasis added]*

The following requisition/purchase orders were created to expend the \$20,000 in grant funds.

Purchase Order & Requisition No.	Purchase Order/ Requisition Dates	Amount	Vendor	Invoice Date
2	July 3, 2017	\$5,000	Jorge Leyva	No Invoice
3	July 3, 2017	\$5,000	Jorge Leyva	No Invoice
18	August 7, 2018	\$10,000	Jorge Leyva	August 8, 2017

Per Oklahoma Administrative Code 210:25-5-13(k), these purchases should not be paid without invoices. The Code states in relevant part:

(k) Purchases from the School Activity Fund shall not be paid for unless invoices or delivery tickets are furnished.

Invoices to support Purchase Order No. 2 and Purchase Order No. 3 initially could not be provided. However, subsequent to a meeting on November 27, 2018 to discuss the final findings in our investigative report, the Superintendent provided invoices to support the \$5,000 payments for Purchase Order’s No. 2 and No. 3.² It was evident through emails provided by the Superintendent, copies of the invoices were received from the contractor on November 29, 2018, and had not previously been maintained by the school district.

¹ See Attachment A

² See Attachment C and Attachment D

Invoice 812790³ dated August 8, 2017, was provided by the vendor for \$21,650 as support for Purchase Order No. 18. The invoice indicated \$10,000 had been “received on advance” resulting in a balance due of \$11,650. The \$10,000 “advance” was represented as paid on Purchase Orders No. 2 and No. 3. Of the remaining \$11,650 due, \$10,000 was paid through Purchase Order No. 18.

The records did not reflect the final \$1,650 was ever paid to the contractor. Upon conversation with the Superintendent, the initial bid from the contractor was \$21,650 which included \$1,700 for poles for the backstop fence. After the estimate was received, the poles were donated, and it was agreed to reduce the estimate by \$1,650 to meet the \$20,000 grant amount.

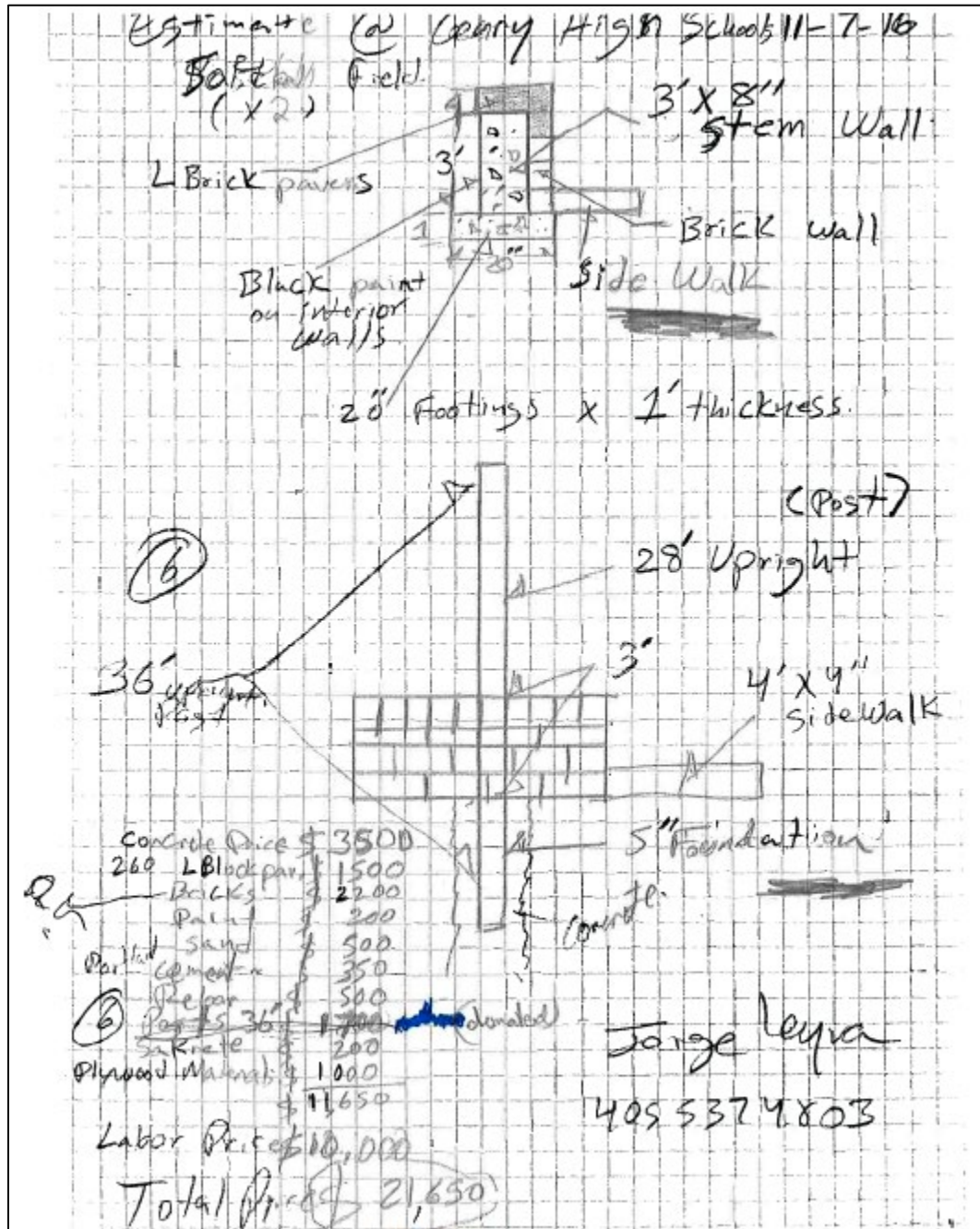
The contractor was paid \$20,000 from the school activity fund for the softball field project, the full amount of the grant. Although the administrative process of the softball field project did not fully comply with statutory and administrative code requirements, the work at the softball field was visually verified and the improvements paid for appeared to have been satisfactorily completed.

Conclusion

In communication received December 12, 2018, the District Attorney’s Office had completed their review of this matter and declined to file criminal charges in relation to this investigation.

³ See Attachment B

Attachment A



Attachment B

812790

8-8-17

Invoice				
SOLD TO <i>Geary Public Schools</i>	SHIP TO <i>George Lynn Loust.</i>			
ADDRESS	ADDRESS			
CITY, STATE, ZIP <i>Geary OK</i>	CITY, STATE, ZIP <i>Geary OK 73040</i>			
CUSTOMER ORDER NO.	SOLD BY	TERMS	F.O.B.	DATE

ORDERED	SHIPPED	DESCRIPTION	PRICE	UNIT	AMOUNT
		<i>Build up new stem walls and side walks plus net/rug on softball field</i>			
		<i>Total Price</i>			<i>\$ 21,650.00</i>
		<i>Receive on advance</i>			<i>\$ 10,000.00</i>
		<i>Total Price</i>			<i>\$ 11,650.00</i>

@/ 105 537 4803
\$ 11,650.00

6040
12-13

Attachment C

7-12-17 936005

Invoice					
SOLD TO <i>Geary public Schools</i>	SHIP TO <i>Jorge Leyva</i>				
ADDRESS <i>Geary public Schools</i>	ADDRESS <i>404 N. Broadway</i>				
CITY, STATE, ZIP	CITY, STATE, ZIP <i>Geary OK 73640</i>				
CUSTOMER ORDER NO.	SOLD BY	TERMS	F.O.B.	DATE	
ORDERED	SHIPPED	DESCRIPTION	PRICE	UNIT	AMOUNT
		<i>Construction</i>			
		<i>Jorge Leyva</i>			
		<i># 105 537 4803</i>			
		<i>Total price</i>	<i>\$</i>		<i>5000.00</i>

adama 5840
06-15

Attachment D

10-70-117
7-113-17 990578

ORDERED		SHIPPED	DESCRIPTION	PRICE	UNIT	AMOUNT
			Instruction Concrete form Supplies			
			# 405 53,148.03 Total price			5,000.00
						3,000.00
						2,000.00

Invoice

SOLD TO Geary Public Schools		SHIP TO George Leppard	
ADDRESS		ADDRESS 1404 W. Broadway	
CITY, STATE, ZIP Geary OK 73040		CITY, STATE, ZIP Geary OK 73040	
CUSTOMER ORDER NO.	SOLD BY	TERMS	F.O.B.
			DATE

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 the State Auditor & Inspector's Office. This Office 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, prosecutorial, and/or judicial authorities designated by law.



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