

**GREASY ELEMENTARY  
SCHOOL DISTRICT  
No. 01C032**

**ADAIR COUNTY**

JULY 1, 2004 THROUGH  
JUNE 30, 2007

**SPECIAL  
AUDIT**



Oklahoma State Auditor  
& Inspector



GREASY ELEMENTARY SCHOOL  
DISTRICT No. 01C032  
ADAIR COUNTY  
SPECIAL AUDIT REPORT  
JULY 1, 2004 THROUGH JUNE 30, 2007

**JEFF A. McMAHAN, CFE**

OKLAHOMA OFFICE  
OF THE  
STATE AUDITOR & INSPECTOR

**Why the audit was performed**

The audit was requested pursuant to  
74 O.S. 2001 213(C).

**Audit Summary:**

- ✓ During the 2004-05, 2005-06 and 2006-07 school years, the Superintendent was paid \$49,369.05 in excess of his contracts on file with the State Department of Education. **Pgs 7-12**
- ✓ During the 2004-05 and the 2005-06 school years, approximately \$20,000 of the Superintendent's salary was paid with Federal funds not reported to the State Department of Education and contrary to OMB Circular A-87. **Pgs 7-12**
- ✓ During the 2004-05, 2005-06 and 2006-07 school years, four (4) other employees tested were paid amounts in excess of their contracts: James Limore (teacher, director of Federal programs, lunch room supervisor and bus driver) \$36,275; Linda Killer (secretary, minutes clerk and encumbrance clerk) \$12,094; Beverly Cowan (secretary, payroll clerk and treasurer) \$15,744.24; Justin Denny (teacher, Federal grant resource teacher and \$40,865. **Pgs 12-18**
- ✓ Lack of Internal Control: the Board signed employment contracts subsequent to contract terms and the school paid additional fringe benefits not reflected in employment contracts or in the meeting minutes. **Pgs 19-21**
- ✓ The school failed to take executive session meeting minutes. **Pgs 22-23**
- ✓ The school failed to expend Cherokee Nation Funds (\$25,000) during the agreement period. If the school had expended the funds during the agreement period, they would have ended the year with a negative \$2,088.52 cash balance. **Pg 24**
- ✓ During the 2005-06 and 2006-07 school years, the school increased appropriations (budget) not supported by revenue in the amounts of \$177,093.45 and \$117,554.22, respectively. **Pgs 24-25**
- ✓ The school estimated a budget shortfall for the 2007-08 school year. **Pgs 26-27**
- ✓ Native American Federal Grant Funds: The United States Department of Education required the school to reimburse \$9,422.88. There is a pending audit/investigation by the Office of Inspector General and the United States Department of Education that could result in additional financial assessments to the school. The school expended \$679,525 of the grant funds. **Pgs 28-29**

To view a copy of the entire report, please visit our website at: [www.sai.state.ok.us](http://www.sai.state.ok.us).

If you have questions or would like to contact our office, please call (405) 521-3495.

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STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

Jeff A. McMahan  
State Auditor and Inspector

June 26, 2008

Honorable Sandy Garrett  
State Superintendent and Chairperson of the State Board of Education  
Oklahoma State Department of Education  
2500 North Lincoln Blvd.  
Oklahoma City, Oklahoma 73105-4599

Transmitted herewith is the Special Audit Report of the Greasy Elementary School District No. 01C032, Adair County, Oklahoma. We performed our special audit in accordance with the requirements of **74 O.S. 2001, § 213(C)** for the period July 1, 2004 through June 30, 2007.

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 "Michelle R. Day".

Michelle R. Day, Esq.  
Deputy State Auditor and Inspector

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**BOARD OF EDUCATION**

President ..... Lenert Pfeiler  
(2004-05, 2005-06, 2006-07)

Clerk..... Corena Wolfe  
(2004-05, 2005-06, 2006-07—replaced March 2007 by David Eads)

Clerk..... David Eads  
(2006-07)

Member ..... Harold Dean Vanderheiden  
(2004-05, 2005-06 replaced by Dean Kimble March 2006)

Member/Vice President..... Dean Kimble  
(2005-06, 2006-07)

**SUPERINTENDENT**  
(2003-04 through 2006-07)  
Ronnie Denny

**\*ENCUMBRANCE & MINUTES CLERK**  
(2003-04 through 2006-07)  
Linda Killer

**\*PAYROLL CLERK & TREASURER**  
(2003-04 through 2006-07)  
Beverly Cowan

\*Individuals stated they assisted each other with the job duties of the positions of encumbrance clerk, payroll clerk and treasurer.



STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

Jeff A. McMahan  
State Auditor and Inspector

Mr. John Perry, Superintendent  
Greasy Elementary School District No. 01C032  
P.O. Box 467  
Stilwell, Oklahoma 74960

Dear Mr. Perry:

Pursuant to a request by the State Board of Education, and in accordance with the requirements of **74 O.S. 2001, § 213(C)**, OSAI performed a special audit with respect to the Greasy Elementary School District No. 01C032, Adair County, for a period of July 1, 2004 through June 30, 2007

The objectives of our special audit primarily included but were not limited to, the areas noted in the 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 the Greasy Elementary School District No. 01C032 for the period July 1, 2004 through June 30, 2007. 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 do not extend to any financial statements of the District taken as a whole.

This report is intended solely for the information and use of the State School Board of Education, Greasy Board of Education and the Administration of the District 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 "Michelle R. Day".

Michelle R. Day, Esq.  
Deputy State Auditor and Inspector

March 11, 2008

**INTRODUCTION**

The Elementary School District No. 01C032, Adair County, Oklahoma (Greasy Elementary School) is an integral part of the Oklahoma State System of Public Education as described in **70 O.S. 2001 § 1-101 et seq.** the **Oklahoma School Code**. The Board of Education of the Greasy Elementary School District is responsible for the supervision, management and control of the District as provided by **70 O.S. 2001 § 5-117**. The Board of Education, composed of (3) elected members, and the Greasy Elementary School District are subject to the provisions of the **Oklahoma School Code**.

The student body consists of Pre-K through 8<sup>th</sup> grade. The school reported to us that at the end of May 2007 they had an enrollment of 98 students. The appointed superintendent is the executive officer of the District.

Private independent auditors audit the Greasy Elementary School District annually, and such audit reports were available for our review. However, the audit report ending June 30, 2007 was not available at the time of this report. 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 Oklahoma State Auditor and Inspector (OSAI) conducted a special audit of the records of the District, primarily those records relating to the objectives expressed by the State Board of Education (SDE) at their request. The results of the special audit are in the following report.



**OBJECTIVES, FINDINGS AND RECOMMENDATIONS**

**OBJECTIVE**                      Review expenditures for possible overpayments in the school employees' salaries.

**FINDINGS**                      **(A) Ronnie Denny, Superintendent & co-director of the Federal grant:**

- During the 2004-05, 2005-06 and 2006-07 school years, the Superintendent was paid \$19,772.98, \$15,466.79 and \$14,129.28, respectively, totaling \$49,369.05 in excess of his employment contracts on file with the State Department of Education.
- During the 2004-05 and 2005-06 school years, approximately \$20,000.00 of the Superintendent's salary was paid with Federal funds, which is contrary to OMB Circular A-87 and was not reported to the State Department of Education.
- During the 2004-05 and the 2005-06 school years, the school did not pay retirement contributions on the additional \$10,000.00 Character Education grant funds paid to the Superintendent.

**2004-05**

The Superintendent has two (2) contracts for this school year. One copy is on file with the State Department of Education (hereinafter referred to as SDE) and a subsequent contract is on file with the school.

Contract on file with SDE dated 6/12/02	Amount Paid		Overpaid
Salary	\$ 61,000.00	Salary	\$ 71,000.00
		Part-time	6,262.50
		Fringe	3,510.48
<b>Total</b>	<b>\$ 61,000.00</b>	<b>Total</b>	<b>\$ 80,772.98</b>

The Superintendent was paid in excess of his contract on file with SDE. The overpayments are described as follows:

21 <sup>st</sup> Century Grant	\$10,000.00
Character Education Grant (one lump sum payment)	5,000.00
Bilingual Education Grant Workshop	500.00
Bus Driving	762.50
Fringe (\$292.54*12 months)	<u>3,510.48</u>
<b>Total</b>	<b><u>\$19,772.98</u></b>

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Contract on file with School dated 11/9/04		Amount Paid		Overpaid
Salary	\$71,000.00	Salary	\$ 71,000.00	\$ -
		Part-time salary	6,262.50	6,262.50
Fringe	3,510.48	Fringe	3,510.48	-
Total	\$74,510.48		\$ 80,772.98	\$ 6,262.50

The amount of \$74,510.48 is consistent with the amount reported by the school to SDE.

The Board members approved paying the Superintendent the additional \$10,000.00 salary as indicated in his contract signed by the Superintendent and the Board members.

The Superintendent was paid in excess of the contract on file at the school. The overpayments are described as follows:

Bilingual Education workshop	\$ 500.00
Bus Driving	762.60
Character Education Grant	<u>5,000.00</u>
Total	<u>\$6,262.50</u>

The Superintendent completed timesheets and/or statement of services for the substitute bus driving and for attending the workshop.

The February 10, 2004 Board meeting minutes indicate that the Board unanimously approved the Superintendent to serve as the Coordinator of the Character Education Grant.

The March 9, 2004 Board meeting minutes indicate that the Board unanimously approved the \$5,000 payment to the Superintendent to serve as the Character Education Coordinator.

The June 30, 2005 Board meeting minutes and Superintendent's report to the Board reflect receipt of money from the Character Education Grant, part paid to the Superintendent and \$600.00 each to support staff.

There is an "Amendment to Regular Contract" dated June 2005 between the Greasy Board of Education and (Superintendent) for services as described as "2004-2005 (1) time Stipend Character Education Stilwell Schools with a payment schedule of "five thousand dollars on June 30, 2005". However, neither the Board nor the Superintendent signed the contract.

The school paid the Superintendent the \$5,000. However, retirement contributions were not paid on these funds.

Stilwell Public School received and administered the Character Education Grant. The Federal funds passed through the State Department of Education to Stilwell Public School. Stilwell then contracted (oral contract) with Greasy Elementary School to partner with them to implement this program in their school.

According to the Stilwell Public School Federal Program Director, Greasy School implemented the program and met all the requirements of the Grant. The Federal program director stated she was aware the superintendent was going to serve as the Greasy School project director of this program and was going to receive additional pay for these duties. The funds and duties were in addition to his Superintendent duties and salary, so there was no supplanting issue. However, she was not aware superintendents were prohibited from receiving any of their salary from Federal funds.

According to personnel from the SDE, if a school reports a project code that is not allowed (such as Federal funding for the Superintendent's salary) the system is designed to reject the code and sends a message of the rejection back to the school. When the school submitted the Superintendent's payroll data for the 2004-05 school year, they did not categorize any of his salary to Superintendent duties. The department rejected the data and it was submitted a second time. The school submitted the data a second time and the amount of the salary was incorrect. The school submitted the data a third time but there was no indication the Superintendent had been paid with Federal funds.

**2005-06**

The Superintendent has two (2) contracts for this school year: one contract on file with the SDE and one contract on file with the school. The contracts and amounts overpaid according to those contracts are reflected in the tables below:

Contract on file with SDE dated 6/22/03		Amount Paid		Overpaid
Salary	\$ 61,000.00	Salary	\$ 68,205.00	\$ 7,205.00
		Part-time salary	2,172.12	2,172.12
		Fringe	6,089.67	6,089.67
Total	\$ 61,000.00	Total	\$ 76,466.79	\$ 15,466.79

The Superintendent was paid in excess of his contract on file with SDE. The overpayments are described as follows:

Increase	\$2,205.00
Character Education Grant (lump sum payment)	5,000.00
Bilingual Workshop	400.00
PE Grant Workshop	475.00
Bus Driving	1,297.12
Fringe	<u>6,089.67</u>
Total	<u>\$15,466.79</u>

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Contract on file with School dated 2/23/06		Amount Paid		Overpaid
Salary	\$ 63,205.00	Salary	\$ 68,205.00	\$ 5,000.00
		Part-time salary	2,172.12	2,172.12
Fringe	3,766.00	Fringe	6,089.67	2,323.67
Total	\$ 66,971.00		\$ 76,466.79	\$ 9,495.79

The Superintendent was paid in excess of his contract on file with the school. The overpayments are described as follows:

Character Education Grant (lump sum payment)	\$5,000.00
Bilingual Workshop	400.00
PE Grant Workshop	475.00
Bus Driving	1,297.12
Fringe	<u>2,323.67</u>
Total	<u>\$9,495.79</u>

The meeting minutes indicate the Board was aware of the \$5,000 Character Education Grant payment made to the Superintendent. The June 27, 2006 meeting minutes under the Superintendent's Report, state in part: "...Character Education money received, this was a Director's fee and (Superintendent) got approval several years ago to divide with the support personnel. (Superintendent) received \$5,000 and the support received \$642.86 each before taxes".

Although the school failed to file the subsequent contract with the SDE, the Superintendent and the Board members signed the contract on February 23, 2006. The contract was entered into July 1, 2005 for the period of July 1, 2005 through June 30, 2006. The Superintendent and Board members signed the subsequent contract approximately eight months after the contract was entered into.

**2006-07**

The Superintendent has two (2) contracts for this school year: one contract on file with the SDE and one contract on file with the school. The contracts and amounts overpaid according to those contracts are reflected in the tables below:

Contract on file with SDE dated 6/22/03		Amount Paid		Overpaid
Salary	\$ 61,000.00	Salary	\$ 66,204.75	\$ 5,204.75
		Part-time	3,013.57	3,013.57
		Fringe	5,910.96	5,910.96
Total	\$ 61,000.00	Total	\$ 75,129.28	\$14,129.28

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The Superintendent was paid in excess of his contract on file with the school. The overpayments are described as follows:

Increase in salary	\$ 5,204.75
Substitute Bus Driving PEP Grant	2,175.00
Substitute Bus Driving	437.57
REAP Workshop	326.00
PEP Grant Workshop	75.00
Fringe	<u>5,910.96</u>
Total	<u>\$14,129.28</u>

Contract on file with School dated 3/13/07		Amount Paid		Overpaid
Salary:	\$66,205.00	Salary:	\$ 66,204.75	\$ (0.25)
		Part-time salary:	3,013.57	3,013.57
Fringe:	3,726.00	Fringe:	5,910.96	2,184.96
Total	\$69,931.00		\$ 75,129.28	\$ 5,198.28

The Superintendent was paid in excess of his contract on file with the school. The overpayments are described as follows:

Substitute Bus Driving PEP Grant	\$2,175.00
Substitute Bus Driving	437.57
REAP Workshop	326.00
PEP Grant Workshop	75.00
Fringe	<u>2,184.96</u>
Total	<u>\$5,198.38</u>

The excess payments not specified in his employment contracts on file with the State Department of Education appear to be contrary to **70 O.S. § 5-141**, which states in part:

B. Each school district shall file within fifteen (15) days of signing the contract, the employment contract of the superintendent of the school district with the State Department of Education. The Department shall keep all such contracts available for inspection by the public. The school district shall not be authorized to pay any salary, benefits or other compensation to a superintendent which are not specified in the contract on file and shall not pay administrators any amounts for accumulated sick leave that are not calculated on the same formula used for determining payment for accumulated sick leave benefits for other full-time employees of that school district and shall not pay administrators any amounts for accumulated vacation leave benefits that are not calculated on the same formula used for determining payment for accumulated vacation leave benefits for other twelve-month full-time employees of that school district.

C. By October 1 of each year each district board of education shall prepare a schedule of salaries and fringe benefits paid administrators employed by the district, including a description of

the fringe benefits. The schedule shall be a public record and shall be disclosed as required by the Oklahoma Open Records Act, Section [24A.1 et seq. of Title 51](#) of the Oklahoma Statutes. The district board shall file a copy of the schedule with the State Department of Education within one week of completion.

As stated above, in 2004-05 and 2005-06, the Superintendent received \$20,000 from Federal funds: 21<sup>st</sup> Century Grant (\$10,000) and Character Education Grant (\$10,000). According to the SDE, this appears to be contrary to OMB Circular A-87, which states in part:

**23. General government expenses.**

a. The general costs of government are unallowable (except as provided in section 41). These include: (1) Salaries and expenses of the Office of the Governor of a State or the chief executive of a political subdivision ...

The Superintendent is the executive officer of the Board as set out in **70 O.S. § 5-106(A)** as follows:

The governing board of each school district in Oklahoma is hereby designated and shall hereafter be known as the board of education of such district. Except as otherwise provided in this section, the superintendent of schools appointed and employed by the board shall be the executive officer of the board and shall perform duties as the board directs.

**(B) James Limore, teacher, Federal programs director, lunchroom supervisor and bus driver:**

- **During the 2004-05, 2005-06 and the 2006-07 school years, the school paid the employee the following amounts that were not included in his employment contracts: \$5,713, \$15,866 and \$14,696, respectively, for a total of \$36,275.**
- **During the 2004-05 school year, the school did not pay retirement contributions on \$5,000 paid to the employee**
- **The Superintendent, not the Board, signed the approval of the \$5,000 payment.**

**2004-05**

The employee's contracts for base salary totaled \$61,365 (Director/Teacher base salary \$41,615, Co-director \$10,000, bus driver \$4,500 and lunchroom supervisor \$5,250). The base salary amounts were reported to the SDE and are reflected on the school personnel report.

In addition to the base salary, fringe of \$3,510.48 was listed on the employment contract. However, this amount was not reflected on the school personnel report.

The employee was paid additional payments which were as follows:

Cooking for open house	\$ 75.00
Bilingual Education two-day workshop	500.00
PE Grant workshop	138.00
PE Grant Summer Program	<u>5,000.00</u>
Total	<u>\$5,713.00</u>

The additional \$5,000 paid to the employee was for the summer program, which was not included in an extra-duty contract. Instead, the employee stated he was directed by the Superintendent to sign a Statement of Services for June 1-June 30, 2005 for \$5,000. The signature of the Superintendent is the only signature approving the Statement of Services.

This appears to be contrary with **70 O.S. § 5-117**, which states, in relevant part:

The board of education of each school district shall have power to: "...14. Contract with and fix the duties and compensation of physicians, dentists, optometrists, nurses, attorneys, superintendents, principals, teachers, bus drivers, janitors, and other necessary employees of the district[.]

**2005-06**

The employee's contracts total of \$52,836 (Director/Teacher Base salary: \$43,820 & fringe: \$3,766.00 and lunchroom supervisor \$5,250) is reflected on the personnel report.

The employee received additional payments which were as follows:

Fringe	\$ 3,725.84
Work on PE Grant (coded as director)	10,000.00
Bilingual Education Workshops	800.00
Substitute Bus Driving	<u>1,360.44</u>
Total	<u>\$15,886.28</u>

**2006-07**

The employee's contracts totaled \$54,669 (Title 3/Director and Regular Teacher Base salary \$9,718 & \$41,225, fringe \$3,726), which is reflected on the personnel report.

The employee received additional payments which were as follows:

Additional fringe benefit paid by the school	\$ 4,370.40
Work on PE Grant (coded as Director)	10,000.00
Bilingual Education Workshops	<u>326.00</u>
Total	<u>\$14,696.40</u>

**(C) Linda Killer, secretary, minutes clerk and encumbrance clerk:**

- During 2004-05, 2005-06 and 2006-07, the school paid the employee funds that were not included in employment contracts: \$1,837.50, \$6,075.45 and \$4,181.65, respectively, for a total of \$12,094.
- The Superintendent authorized a payment (\$589.75) that should have been approved by the Board.

**2004-05**

The employee's contracts total is \$23,500 (base salary of \$17,500, extra-duty for the 21<sup>st</sup> Century Grant \$5,000, and extra-duty to serve as minutes clerk \$1,000). The amounts are reflected on the personnel report.

The school also reported the employee's fringe benefit of \$3,766 to the SDE. However, this amount was not included in her employment contract.

The employee received additional payments as follows:

Cooking for Open House	\$ 75.00
Bilingual Education Workshop	500.00
Character Education Stipend	600.00
Bilingual Education & 21 <sup>st</sup> Century	
Additional duties	<u>662.50</u>
<b>Total</b>	<b><u>\$1,837.50</u></b>

The meeting minutes indicate the Board approved paying support staff stipends from Character Education Grant funds and the other payments were supported by timesheets.

The employee had an extra-duty "secretary" contract for the 21<sup>st</sup> Century Grant. However, in addition to the amount paid for the secretarial duties, the employee was paid extra for work not considered secretarial work. For example, a portion of the 21<sup>st</sup> Century additional duties as referenced above was supported by a handwritten timecard for 11 hours at \$25.00 per hour (\$275.00) for picking up supplies from a park and returning the supplies back to the school.

**2005-06**

The employee's contract totals \$22,266.00 (base salary \$18,500 and other \$3,766). This amount is reflected on the school personnel report. The employee was paid additional payments which were as follows:

Even Start	\$ 589.75
Bus Driving	317.00
Bilingual Education Workshop	800.00
Character Education Stipend	642.86
Fringe	<u>3,725.84</u>
<b>Total</b>	<b><u>\$6,075.45</u></b>



The payments for bus driving, workshops and the stipend are supported by timesheets and meeting minutes. There are no timesheets to support the Even Start payment to the employee. According to Ms. Cowan, the Even Start payment was for bookkeeper related duties for the Grant. The Grant had a line item to pay a bookkeeper and the former Superintendent advised her to split the amount for the bookkeeper between her and this employee.

The Board, not the Superintendent, has the authority to contract with employees as set out in **70 O.S. § 5-117**, which states, in relevant part:

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

14. Contract with and fix the duties and compensation of physicians, dentists, optometrists, nurses, attorneys, superintendents, principals, teachers, bus drivers, janitors, and other necessary employees of the district[.]

**2006-07**

The employee's contract total is \$24,015.75 (base salary \$20,289.75 and fringe \$3,726). This amount is reflected on the school personnel report. The employee salary amount was underpaid by \$188.75 for unknown reasons. However, the employee received additional payments which were as follows:

Fringe	\$4,370.40
Underpayment	<u>(188.75)</u>
Total	<u>\$4,181.65</u>

**(D) Beverly Cowan, treasurer, payroll clerk and secretary:**

- **During 2004-05, 2005-06 and 2006-07, the school paid the employee funds that were not included in her employment contracts: \$2,068.75, 8,903.77 and \$4,771.72, respectively, for a total of \$15,744.24.**
- **During the 2005-06 school year, the school paid the employee the additional fringe benefit as salary.**
- **The Superintendent authorized a payment (\$589.75) that should have been approved by the Board.**

**2004-05**

The employee's contract total is \$31,486.32 (base salary \$26,486.32 extra-duty for 21<sup>st</sup> Century secretary \$5,000). The amounts are reflected on the school personnel report. The school also reported the employee's fringe benefit of \$3,766 to SDE. However, there was no fringe benefit listed on her employment contract. The fringe benefit reported to the SDE is consistent with the flexible benefit allowance taken as insurance.

The employee received additional payments which were as follows:

Character Education Stipend	\$ 600.00
Bilingual Education	500.00
Bilingual Education & 21 <sup>st</sup> Century Additional duties	<u>968.75</u>
Total	<u>\$2,068.75</u>

The meeting minutes indicate the Board approved paying support staff stipends from Character Education Grant funds and the other payments were supported by timesheets.

A portion of the additional duty pay from the 21<sup>st</sup> Century Grant was supported by a handwritten timecard for 11 hours at \$25.00 per hour (\$275) for delivering picnic supplies to a park.

**2005-06**

The employee's contract total is \$30,252.00 (base salary \$26,486 and fringe: \$3,766). This amount is reflected on the school personnel report. The employee was paid additional payments which were as follows:

Underpaid fringe	\$ (20.08)
Bus Driving	3,545.00
Bilingual Education Workshop	400.00
Even Start	589.75
Character Education Workshop	642.86
Additional fringe paid as salary	<u>3,746.24</u>
Total	<u>\$8,903.77</u>

The payments for bus driving, workshops and the stipend are supported by timesheets. There are no timesheets to support the Even Start. According to this employee, the payment was for a bookkeeper related duty for this Grant. The Grant had a line item to pay a bookkeeper and the Superintendent told her to split this amount between her and another employee (as referenced above).

The Board, not the Superintendent has the authority to contract with employees as set out in **70 O.S. § 5-117**, states, in relevant part:

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

14. Contract with and fix the duties and compensation of physicians, dentists, optometrists, nurses, attorneys, superintendents, principals, teachers, bus drivers, janitors, and other necessary employees of the district[.]

**2006-07**

The employee's contract total is \$35,712 (base salary \$27,986, fringe \$3,726 and extra-duty for student transportation \$4,000). The base salary and fringe were reported on the school personnel report. The extra-duty pay was not reported on the school personnel report.

The employee was paid additional payments which were as follows:

Fringe	\$4,370.40
Additional salary	.32
Lunch Room	75.00
Stipend	<u>326.00</u>
Total	<u>\$4,771.72</u>

**(E) Justin Denny, teacher and Federal grant resource teacher:**

- **During 2004-05, 2005-06 and 2006-07, the school paid the employee funds that were not included in his employment contracts: \$12,006.82, \$15,346.72 and \$13,511.46, respectively, for a total of \$40,865.**
- **During 2004-05, the school did not report the employee's salary and fringes paid by Federal funds.**

**2004-05**

The employee's contract total is \$35,628.48 (base salary of \$31,118 as "resource teacher" and fringe \$3,510.48) is reflected on the school personnel report. The school personnel report indicates he was paid with State funds. The payroll authorization form indicates he was paid with Federal funds and the school's Federal Grant lists this employee as the resource teacher for the Federal program.

The employee received additional payments which were as follows:

PE Summer Program	\$ 5,000.00
PE Grant (after school program)	2,475.00
PE bus driving	1,262.50
Bilingual Education Workshop	500.00
Sub Bus Driving	106.32
21 <sup>st</sup> Century Grant (after school program)	1,700.00
21 <sup>st</sup> Century Grant (bus driving)	825.00
21 <sup>st</sup> Century Workshop	<u>138.00</u>
Total	<u>\$12,006.82</u>

**2005-06**

The employee's contract total is \$36,567 (base salary of \$32,801 and fringe \$3,766). The school reported \$32,118 salary and \$3,766 fringe on the personnel report.

The employee received additional payments which were as follows:

Title II workshop	\$ 400.00
Bilingual Workshop	400.00
Coded as Workshop	75.00
Bus driving	70.88
Additional Fringe	3,725.84
PE Grant	<u>10,675.00</u>
Total	<u>\$15,346.72</u>

**2006-07**

The employee's contract total is \$39,527 (base salary \$14,917.10 general, \$20,883.90 Title 3 total salary \$35,801, fringe general \$1,552.50 & Title 3 \$2,173.50. These are consistent with the amounts on the personnel report.

The employee received additional payments which were as follows:

Lunch room	\$ 75.00
Bus Driving	161.25
Workshop	326.00
Fringe	2,549.20
PE Instructional	<u>10,400.00</u>
Total	<u>\$13,511.46</u>

Additional compensation, not included in employment contracts, appears to be contrary to **70 O.S. § 5-117**, which states, in relevant part:

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

14. Contract with and fix the duties and compensation of physicians, dentists, optometrists, nurses, attorneys, superintendents, principals, teachers, bus drivers, janitors, and other necessary employees of the district[.]

**70 O.S. § 5-135** states, in relevant part:

The board of education of each school district shall use the following system of initiating, recording and paying for all purchases, salaries, wages or contractual obligations due from any of the funds under the control of such board of education[.]

\* \* \*

An approved bill may be paid by issuing a warrant or check against the designated fund only after ascertaining that proper accounting of the purchase has been made and that the files contain the required information to justify the expenditure of public funds, except as otherwise provided in subsection I of this section.

**RECOMMENDATIONS** OSAI recommends all compensation provided to the Superintendent be documented in his/her employment contract and that the contract be filed with the State Department of Education as provided for in the Oklahoma Statutes. OSAI recommends all compensation be included in all other employment contracts, approved by the Board. OSAI recommends the school report and correctly code all salary and fringe benefits to the Oklahoma State Department of Education as required for the School Personnel Report. OSAI recommends the proper authorities review these findings to determine what action, if any, may be required.

OBJECTIVE

Review internal controls.

FINDINGS

**Lack of Internal Control**

- **The Board signed employment contracts subsequent to the contract period.**
- **The school paid additional fringe benefits used to offset health insurance premiums and one employee (payroll clerk/treasurer) received the additional fringe benefit as salary.**
- **The meeting minutes did not reflect contract amounts or additional fringe benefits paid by the school.**

The contracts for 2004-05, 2005-06 and 2006-07 were signed by the Board and dated after the contract terms began: November 9 & 10, 2004; February 23, 2006 and March 13, 2007.

The school paid the employees the flexible benefit and an additional fringe benefit. The flexible benefit paid to employees is consistent with **70 O. S. 26-105**, which states in relevant part:

A. A flex benefit allowance shall be used by a school district employee who is participating in the cafeteria plan to purchase major medical health care plan coverage offered by the school district through a cafeteria plan. Any excess flexible benefit allowance over the cost of the major medical coverage purchased by the employee who is participating in the cafeteria plan may be used to purchase any of the additional benefits offered by the school district or may be taken as taxable compensation...Certified personnel who choose not to participate in the school-district-sponsored cafeteria plan shall receive Sixty-nine dollars and seventy-one cents (\$69.71) per month as taxable compensation in lieu of the flexible benefit...support personnel who choose not to participate in the school-district-sponsored cafeteria plan shall receive one hundred eighty-nine dollars and sixty-nine cents (\$189.69) per month as taxable compensation in lieu of the flexible benefit allowance...

2. For the fiscal year ending June 30, 2005, and each fiscal year thereafter, the flexible benefit allowance amount for certified personnel shall be no less than one hundred percent (100%) of the premium amount for the HealthChoice (Hi) option plan for an individual offered by the State and Education Employees Group Insurance.

C. If a school district employee who is participating in the cafeteria plan elects benefits whose sum total is less than the flexible benefit allowance, the employee shall receive any excess flexible benefit allowance as taxable compensation[.]

For example, if a certified employee opts to take the flex benefit as salary, the employee receives an additional \$69.71 monthly compensation. If a non-certified employee opts to take the flex benefit as salary, the employee receives \$189.69 monthly as additional compensation. If the employee, certified/non-certified opts to take the flex benefit as insurance, the employee receives a flex benefit equal to 100% of the cost of HealthChoice (hi) option premium for an individual.

Any excess flexible benefit allowance over the cost of the major medical coverage purchased by the employee who is participating in the cafeteria plan may be used to purchase any of the additional benefits offered by the school district or may be taken as taxable compensation.

During the 2005-06 and 2006-07 school years, employment contracts listed fringe benefits consistent with the flexible benefit as salary or the flexible benefit as insurance. All six (6) employees' contracts to payments tested indicated the employees received the flexible benefit and an additional fringe benefit that was not listed in their contracts.

During 2005-06, the school paid an additional fringe benefit to (12) twelve out of (15) fifteen employees and during 2006-07, the school paid an additional fringe benefit to (11) eleven out of (14) fourteen employees. The additional fringe benefit is consistent with the cost or a portion of the cost of the health care insurance premium.

The additional fringe was used to reduce the amount of the employee's monthly deductions. For example, one employee's health insurance monthly premium cost was \$364.24, the employee received an additional fringe benefit of \$155.23 that was used to reduce the amount of the health insurance monthly premium cost. The employee's other deductions were then reduced by \$364.24, the flexible benefit as insurance allowance. In essence, the additional fringe benefit and the flexible benefit as insurance were used to offset (reduce) the employees' monthly deductions. The employees who received both the flexible benefit and the full additional fringe benefit received \$728.48 ( $\$364.24 \times 2$ ) per month to reduce the amount of their payroll deductions.

The additional fringe benefit paid by the school for the 2005-06 and the 2006-07 school years, not reflected in employment contracts, totaled an estimated \$30,908.94 and \$27,046.48, respectively.

The former payroll clerk/treasurer, Ms. Cowan, stated several years ago before the flex benefit allowance, the school paid for employees' insurance premiums. After the flex benefit was implemented, the fringe paid by the school was not taken from the employees. According to the former payroll/treasurer, long-time employees and employees whose insurance were paid by Federal grants received both the flexible benefit and the additional fringe benefit.

According to Ms. Cowan, former Board members authorized the additional fringe paid to school employees. She stated the former Superintendent was very clear on presenting payroll information to the Board. However, she stated she did not think the current (January 31, 2008) Board was aware of this additional fringe. Board members indicated the information would be reflected in the meeting minutes.

During regularly scheduled meetings, the school recorded (by audio tape) and then transcribed the meeting minutes in typed written form. Neither the typed written minutes nor the sampling of taped minutes, nor the employment contracts (for the 2004-05, 2005-06 and 2006-07 school years) reflect the total amount of the payroll obligations. The typed-written meeting minutes list the employee's name and their position. Except the March 13, 2007 meeting minutes state the Board approved rehiring the teachers based on the teachers' minimum salary scale. There is nothing indicating the Board approved specific salary amounts, flexible benefits and additional fringe during the time period OSAI reviewed.

There were occasions when the Board entered into executive session to discuss rehiring, etc. However, the school did not take executive session meeting minutes (either typed or written). This is addressed in the subsequent section.

Approving payments for salaries, flexible benefits and additional fringe benefits not included in employment contracts appears to be contrary to:

**70 O.S. § 5-117** states, in relevant part:

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

14. Contract with and fix the duties and compensation of physicians, dentists, optometrists, nurses, attorneys, superintendents, principals, teachers, bus drivers, janitors, and other necessary employees of the district[.]

**70 O.S. § 5-135** states, in relevant part:

The board of education of each school district shall use the following system of initiating, recording and paying for all purchases, salaries, wages or contractual obligations due from any of the funds under the control of such board of education[.]

\* \* \*

An approved bill may be paid by issuing a warrant or check against the designated fund only after ascertaining that proper accounting of the purchase has been made and that the files contain the required information to justify the expenditure of public funds, except as otherwise provided in subsection I of this section.

**RECOMMENDATIONS** OSAI recommends the Board approve a list of employees with detailed salary and fringe benefit amounts and that they incorporate this list in the meeting minutes at the time the Board approves employment contracts. OSAI recommends, before signing the employment contracts, the Board members compare the list of approved salaries and fringe benefits to the contracts to ensure contracts are consistent with the approved amounts. OSAI recommends the Board implement procedures to ensure that payments are made only after proper documentation (contracts) has been approved and signed. OSAI recommends the contracts be signed and on file prior to the payment of the first payroll. OSAI recommends the proper authorities review these findings to determine what action, if any, maybe required.

**OBJECTIVE** Review possible Open Meeting violations.

**FINDING** **Open Meetings Violation**

- **Failure to take executive session meeting minutes.**

OSAI reviewed agendas and meeting minutes and determined the school entered into executive sessions. OSAI interviewed school employees and Board members who indicated that the school did not take executive session meeting minutes. If the Board and the Superintendent discussed salaries and fringe benefits in executive sessions as indicated on the agendas and meeting minutes, there are no records of these discussions in that the school did not take executive session meeting minutes.

The July 27, 2006 meeting minutes, under agenda item 20. Superintendent's Report, state in part: "...Directive from OSSBA (Oklahoma State School Board Association) on tape players in Executive Session. Ms. Cowan and Linda Killer went to a meeting and they were told it was illegal to have a tape recorded (sic.) in Executive Session. (Board president) and I went to an Attorney General's meeting and they said it was legal but not a good idea because it makes it public record."

OSAI asked Ms. Cowan and Ms. Killer about these statements. Both employees stated they recalled going to a meeting held by OSSBA where they were told that recording executive session meeting minutes was illegal.

Also dated July 27, 2006, and attached to the meeting minutes was an e-mail correspondence that appears to be to the Superintendent from the OSSBA and states as follows:

...Any recordings of board meetings are available to the public under the Open Records Act. This includes any recordings



made during executive session. Which is why its good practice to avoid any form of recording of executive session. Tape recorders (or any other means of recording device) are just like minutes. If you take minutes of executive session, they are available under an open records request. I don't know of any board that records executive sessions, or take minutes of these sessions. They hold the session, and make the executive session minutes compliance announcement following the return to the regular board session.

The purpose of an executive session is to discuss confidential information, such as employment proceedings, discipline proceedings, etc. Any record referencing these things would be available, thus exposing confidential information to public access. Keep in mind laws like FERPA requiring confidentiality of student records[.]

The e-mail correspondence and information as referenced above was presented to the Board members. The information appears to conflict with the statutory provisions and Attorney General's opinion as follows:

Failure to take minutes during an executive session appears to violate **25 O.S. § 312**, which states:

A. The proceedings of a public body shall be kept by a person so designated by such public body in the form of written minutes which shall be an official summary of the proceedings showing clearly those members present and absent, all matters considered by the public body, and all actions taken by such public body. The minutes of each meeting shall be open to public inspection and shall reflect the manner and time of notice required by this act.

B. In the written minutes of an emergency meeting, the nature of the emergency and the proceedings occurring at such meeting, including reasons for declaring such emergency meeting, shall be included.

C. Any person attending a public meeting may record the proceedings of said meeting by videotape, audiotape or by any other method; providing, however, such recording shall not interfere with the conduct of the meeting.

**Oklahoma Attorney General Opinion (AG90-100)**, states, in part:

Accordingly, minutes of a public meeting must be kept. The Oklahoma Supreme Court has held that the requirement for minutes to be kept and recorded also applies to executive sessions.

**RECOMMENDATIONS** OSAI recommends the local Board of Education familiarize themselves with the statutory requirements of the Open Meetings Act. OSAI

recommends the proper authorities review this finding to determine what action, if any, maybe required.

**OBJECTIVE** Review Cherokee Nation Funds (\$25,000).

**FINDINGS**

- **The school failed to expend Cherokee Nation Funds (\$25,000) during the agreement period.**
- **If the funds had been expended according to the agreement period, the school would have ended the school year with a negative cash balance of \$2,088.52.**

The Cherokee Nation paid the school \$25,000 to implement an obesity program between September 19, 2005 through September 18, 2006. The school deposited the money into the general fund and designated the funds to build a track. The school did not expend any of the funds during the agreement term. If the school had expended the funds according to the agreement, the school would have ended the year with a negative cash balance of \$2,088.52. The school's June 30, 2007 general fund ending cash balance was \$22,911.48.

**RECOMMENDATION** OSAI recommends the school expend funds during the funding period.

**OBJECTIVE** Determine whether appropriations increased above revenue.

**FINDING**

- **During 2005-06 and 2006-07, the school increased appropriations (budget) not supported by revenue in the amounts of \$177,093.45 and \$117,554.22, respectively.**

During 2005-06, the school received revenue of \$1,565,317.87. However, the school increased their appropriations (budget) to \$1,742,411.32 by June 13, 2006 resulting in appropriations not supported by revenue in the amount of \$177,093.45.

During 2006-07, the school received revenue of \$1,491,558.21. However, the school increased their appropriations (budget) to \$1,609,112.42 by June 12, 2007, resulting in appropriations not supported by revenue in the amount of \$117,554.22.

According to a revenue source comparison prepared by CPA Jeff Jenkins, from FY 05 to FY 07, the school had a decrease in revenue of \$319,574.08. Approximately \$313,639.00 of the reduction in revenue

was due to a decrease in Federal sources. During this time period, a Bilingual Education Grant and a 21<sup>st</sup> Century Grant ended.

The former treasurer did not categorize revenue and track the revenue by line item for deficiencies or surpluses. She stated she did not track revenue. She stated when she noticed the school was spending close to their appropriations, she would prepare an SA&I 307, add revenue and increase appropriations.

By not tracking the revenue, the former treasurer added revenue and increased appropriations to amounts that exceeded revenue actually received. This appears to be contrary to **68 O.S. § 3021**, which states in part:

Whenever the public welfare or the needs of any county, city, town, or school district shall require, the excise board may, on call of the chairman, convene at any time for the purpose of making supplemental or additional appropriations for current expense purpose; provided, that all such appropriations authorizing the creation of an indebtedness shall come within the limitations of Section 26, Article X, Oklahoma Constitution. No supplemental or additional appropriation shall be made for any county, city, town or school district in excess of the income and revenue provided or accumulated for the year. As to such proposed appropriations the following procedure shall be followed:

First: The proper officer of the ...school district shall make and file with the excise board a financial statement showing its true fiscal condition as at the close of the month next preceding or as of May 15 or June 20, or both said dates, preceding the date of filing, and shall submit therewith a statement of the amount and purpose for which each proposed supplemental appropriation is to be used. The financial statement shall show, as to the current expense or general fund, the amount of cash in the treasury; the amount of taxes in process of collection as to which the date of ...the surplus or deficit in revenue, if any in each fund.

Second: If the financial statement herein required shall correctly reflect a surplus in revenue in any fund available for current expenses, and the excise board shall so affirmatively find, it may make supplemental appropriations to an amount not exceeding the aggregate of such surplus.

Third: If the surplus of revenue, as found and determined by the excise board, shall be insufficient for the additional needs and requirements of the ... municipal subdivision, the excise board shall have the power and authority to revoke and cancel in whole or in part, any appropriation or appropriations, or parts thereof, previously made ... as to counties, cities and school districts, the financial statement and request for supplemental appropriations herein required to be filed with the excise board shall be published at least one time in some newspaper of general circulation in the county or city for which made. Said publication

shall be made at least three (3) days prior to the date on which the excise board shall consider the proposed supplemental or additional appropriations. No appropriations shall be made and considered by the excise board in the absence of the financial statement herein required to be filed.

**RECOMMENDATIONS** OSAI recommends the treasurer and any other school employees responsible for the school's finances attend training related to their job duties. OSAI recommends the treasurer properly categorize and track revenue to determine deficiencies and surpluses. OSAI recommends that prior to increasing appropriations, the school determine they have an overall increase in revenue.

#### SUBSEQUENT EVENTS

**OBJECTIVE** Review the 2007-08 estimated budget shortfall.

#### FINDINGS

- **The school began the year with a \$22,911.48 carryover (unexpended Cherokee Nation Funds).**
- **The yearly estimated payroll obligation is 78% of the total general fund budget.**
- **There are 8-10 students per grade.**
- **The school has operated with a negative general fund balance.**
- **If the school continues to operate at their current spending level, they anticipate a negative \$60,000 general fund balance.**

Because the school had a \$22,911.48 ending balance as of June 30, 2007, that included Cherokee Nation funds that should have been expended, OSAI reviewed the current school budget, revenue, payroll obligations, expenditures, bank statement balances and balance of appropriations.

OSAI noted the following:

- The school began the year with a \$22,911.48 carryover (Cherokee Nation) funds.
- On September 28, 2007, the school refunded \$9,422.88 to the US Department of Education (addressed in detail in the subsequent section).
- The school hired a new treasurer in July 2007. Although the former treasurer was still employed by the school, there was very little communication between the new treasurer and the former treasurer concerning the job duties and the school budget and finance.
- On September 30, 2007, the new treasurer balanced the bank statement and noted an ending balance of \$22,205.15. The

balance represented (\$14,486.22) general fund balance and \$36,691.37 building fund.

- The treasurer advised the Superintendent of this and she stated he told her he knew it would be close but that they would make it. The treasurer stated she continued to tell the Superintendent of her concerns and each time he told her the school would make it.
- On December 31, 2007, the treasurer balanced the bank statement and noted an ending balance of \$6,090.89. The balance represented (\$30,805.97) general fund and \$36,896.86 building fund.
- This information was presented to the Board in January 2008, the Superintendent resigned January 31, 2008, and the new Superintendent began February 1, 2008.
- The school's 2007-08 general fund appropriation (budget) is \$1,124,000.
- The estimated yearly payroll obligation is approximately \$874,015.41, which is 78% of the school's general fund budget.
- The school has ten (10) full-time teachers. Five (5) of these teachers have over 20 years experience and two (2) of the teachers have masters' degrees.
- There are approximately 8-10 students per classroom.
- One of the teachers is on a leave of absence, paid by the school. The school had paid a substitute teacher to fill this position through February 2008.
- From August 2007 through February 2008, the school expended approximately \$207,243.04 for operating, leaving a general fund balance of appropriations of approximately \$42,936.63.
- If the school continues to operate at their current level, they have calculated estimated expenditures will exceed appropriations by \$60,684.89.
- OSAI noted the child nutrition program (revenue and expenditures) is processed through the general fund. The child nutrition revenue to expenditures analysis indicates that the child nutrition revenue is \$35,545.18 and the expenditures are \$72,131.71. The difference in revenue to expenditures is being supported by the general fund.

**RECOMMENDATION** OSAI recommends the Board review the current obligations and expenditures to prevent exceeding appropriations.

**OBJECTIVE**

Review the Audit/Investigation by the United States Department of Education and the Office of Inspector General of the Native American Grant funds.

## FINDINGS

- **Subsequent to an on-site audit of the Native American Grant, the school was deemed as a “high risk” grantee and the school was required to reimburse \$9,422.88 to the USDE.**
- **There is a pending audit/investigation of this Grant by the United States Department of Education and the Office of Inspector General that could result in additional financial assessments to the school.**
- **The school has drawn and expended \$679,525 of the Grant funds.**

The 2005-06 independent financial audit report under section 3-findings and questioned costs for Federal awards, stated in part that the United States Department of Education (hereinafter referred to as USDE) conducted an on-site visit at the school and reviewed the Title III Native American and Alaska Native Children Program. As a result of the review, there were eight (8) critical areas of concern related to fiscal compliance and project performance and the school was “deemed a high risk” grantee.

According to the USDE program manager who conducted the on-site visit, the school received Title III LEP (Limited English Proficiency) state formula funds at the same time they received Federal Native American and Alaska Native Children Grant funds. Any entity that receives Federal financial assistance under this program is not eligible to receive funds under Title III so the school was required to reimburse the Federal program \$9,422.88.

In addition to the school having to reimburse these funds, the program manager relayed the following:

The school was awarded a four-year (9-1-03 through 8-30-07) Native American Grant and drew Grant funds totaling \$679,525. As part of the Grant, the school was required to submit performance reports to document how the school implemented the Grant (e.g. number of children served and how they were served). Continuation of the Grant was based on the performance reports. The Federal program manager received an anonymous report that the school did not implement the Grant. However, she noted the school’s performance report signed by the Superintendent indicated otherwise.

The program manager went to the school and requested documentation to support what the school had reported to USDE on the performance report. The school was unable to produce data to support the implementation of the program as stated by the school’s performance report.

While at the school, the program manager spoke with the Grant's designated resource teacher, the Superintendent's son, and he was unable to provide her with adequate information regarding implementation of the Grant. OSAI noted that this resource teacher's salary and fringe were not listed on the school personnel report as being paid with Federal funds.

After her first on-site visit, the school was determined to be a "high risk" grantee. She and an auditor for the Office of the Inspector General returned to the school. The school's data was incomplete and did not satisfy the requirements of the information required.

She stated the Superintendent indicated the former project director (who no longer worked at the school) was responsible for the data and the information reported to the evaluator.

According to the program manager, it is the responsibility of the school to collect the data and the responsibility of the Superintendent, who signed the report, to ensure things are done correctly.

OSAI spoke with the school's former project director who indicated he was the project director in name only for this Grant. He was supposed to be responsible for the project but did not have the authority to ensure the program was properly implemented. The project director stated he did not approve expenditures or process electronic draws (reimbursements of expenditures) from the USDE. On several occasions he advised the Superintendent that statistical data was needed but never received the requested information. The performance reports could not be prepared due to the lack of data. The Superintendent hired an outside evaluator to prepare the performance reports. When the outside evaluator called requesting additional information to prepare the performance reports, the project director informed the evaluator to contact the Superintendent.

According to the program manager, the program is pending further investigation. The auditor (O.I.G.) is performing additional test work and will submit a report to the Office of Inspector General for further process.

The school should be aware that the outcome of the investigation/audit could result in additional financial assessments to the school.

**RECOMMENDATIONS** OSAI recommends the Board review the Federal audit findings and determine the status of the pending audit/investigation of this Grant.

OSAI recommends the proper authorities review this finding to determine what action, if any, may be required.

**DISCLAIMER** Throughout this report there are numerous references to State Statutes and legal authorities which appear to be potentially relevant to issues raised by the State Board 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 School or any of the individuals named in this report or acting on behalf of the School have violated any statutory requirement or prohibition imposed by law. All cites and/or references to specific legal provisions are included within this report for the sole purpose of enabling the Administration and other 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.





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

**[WWW.SAI.STATE.OK.US](http://WWW.SAI.STATE.OK.US)**