

Special Audit
Kiamichi Technology
Center



July 1, 2003 through February 14, 2007



Office of the Oklahoma State Auditor and Inspector
Jeff A. McMahan, CFE



Kiamichi Technology Center
Special Audit Report
July 1, 2003 – February 14, 2007

JEFF A. McMAHAN, CFE

OKLAHOMA OFFICE
OF THE
STATE AUDITOR & INSPECTOR

Why the audit was performed

The Board of Education
requested the audit
pursuant to
74 O.S. 2001 § 227.8.

Audit Summary:

- ✓ Annual and sick leave hours recorded on employees' weekly itineraries are not consistent with leave recorded in the agency's official leave records. **Pgs 8-14**
- ✓ The public information officer appears to have exceeded his leave balances by 65.55 hours. **Pg 10**
- ✓ The public information officer appears to be using a state provided email account assigned to his spouse without authorization. **Pg 11**
- ✓ The public information officer may have used a school issued vehicle for purposes other than official school business. **Pgs 15-20**
- ✓ Policy changes in July 2005 have virtually eliminated our previous findings concerning improper or questionable meal purchases. **Pgs 22-24**
- ✓ Policy changes addressing the use of "skeleton crews", "summer hours" and "split shifts" were made following the release of our prior audit. **Pg 25**

**KIAMICHI TECHNOLOGY CENTER
SPECIAL AUDIT
JULY 1, 2003 THROUGH FEBRUARY 13, 2007**

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

Jeff A. McMahan
State Auditor and Inspector

July 24, 2007

Mr. Brad Garrett, President
Kiamichi Technology Center Board of Education
P.O. Box 548
Wilburton, Oklahoma 74578

Transmitted herewith is the Special Audit Report of the Kiamichi Technology Center. We performed our special audit in accordance with the requirements of **74 O.S. 2001, § 227.8**.

A report of this type tends to be critical in nature; however, failure to report commendable features in the present 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 "Jeff A. McMahan".

JEFF A. McMAHAN, CFE
State Auditor and Inspector

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

Jeff A. McMahan
State Auditor and Inspector

Board of Education
Kiamichi Technology Center (39-V007-900)
P.O. Box 548
Wilburton, Oklahoma 74578

Pursuant to the Kiamichi Technology Center Board of Education request and in accordance with the requirements of **74 O.S. 2001, § 227.8**, we performed a special audit with respect to the Kiamichi Technology Center, for the period July 1, 2003 through February 13, 2007.

The objectives of our special audit primarily included, but were not limited to, concerns expressed in our previous audit report. Our findings and recommendations 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 Kiamichi Technology Center. 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 Kiamichi Technology Center.

This report is intended solely for the information and use of the Kiamichi Technology Center Board of Education and Administration 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. § 24A.1 et seq.)**, and shall be open to any person for inspection and copying.

Sincerely,

A handwritten signature in blue ink that reads "Jeff A. McMahan".

JEFF A. McMAHAN, CFE
State Auditor and Inspector

June 4, 2007

Introduction

The Kiamichi Technology Center (39-V007-900), Wilburton, Oklahoma, is a corporate body for public purposes created under **70 O.S. § 14-108** and is a separate entity for operating and financial reporting purposes. The Center is part of the public school system of Oklahoma under the State Board of Career and Technology Education. The general operating authority for the public school system is the **Oklahoma School Code** contained in **Title 70** of the **Oklahoma Statutes**.

The Center maintains ten (10) teaching campuses and an administrative office, which operates within thirteen (13) counties of southeastern Oklahoma. The governing body of the Center is the Board of Education consisting of seven (7) elected members. The appointed superintendent is the executive officer of the Center. Also, the Directors of the campuses are responsible for the day-to-day operation of their respective campuses.

The State Auditor and Inspector previously conducted a special audit of the Center for the period from July 1, 2001 through June 30, 2003. The previous audit report focused primarily on the Center's public information officer. Subsequent to the release of the previous audit, the Board of Education requested the State Auditor to perform a follow-up audit addressing the same concerns as the previous audit with an expanded scope of individuals.

The State Auditor and Inspector conducted a special audit of the records of the Kiamichi Technology Center, primarily those records relating to the request of the Board of Education. The results of the special audit are in the following report.

Concern:

- Irregularities in employees' leave used and leave recorded.
-

Finding:

- Administrative employees do not maintain time records.
 - We had to rely on travel itineraries rather than time records.
 - Inconsistencies were found between the travel itineraries and the amount of employee leave recorded in the agency leave records.
 - Based on records provided, the public information officer has exceeded his leave balances.
 - The public information officer may have improperly gained access to and utilized his spouses state provided email account.
-

Kiamichi Technology Center ("KTC") administrative employees are not required to submit time cards or time sheets. These employees do, however, submit an itinerary, in advance, each week. These itineraries list where an employee anticipates being for the upcoming week. Additionally the itineraries list leave days, such as vacation leave and sick leave.

We obtained a memo from the KTC Superintendent stating that the weekly schedules should be turned in no later than close of business each Friday. The memo further states, "[T]his information is necessary and will aid in the professionalism of our secretarial staff in routing telephone inquiries, messages, etc."

A subsequent memo from the KTC Superintendent addressed the weekly schedule form that was to be submitted by each employee for the weekly schedule. The form required the following information:

- Date (week being covered in the form).
- Day of week (Monday – Saturday).
- Destination.
- "# Where I Can Be Reached".
- Signature of employee.

It appears these schedules are more for the purpose of tracking the location of an employee rather than as a method of time accountability. In many instances, the amount of leave being taken cannot be quantified due to the manner in which the leave is reflected on the weekly schedule.

We cite, for example, the following weekly schedules for the same employee:

Wilburton Office	Wilburton Office A.M. Sick Leave P.M.	Wilburton Office	Wilburton Office <i>[Handwritten signature]</i>	Wilburton Office
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In this instance the employee has indicated "Sick Leave P.M." and recorded 8.0 hours of sick leave. The weekly schedule for the same employee, two weeks later, also indicated "Sick Leave P.M."

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Wilburton Office Management team mtg	Hugo	Poteau/Spiro	Wilburton A.M. Sick Leave P.M.	McAlester
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In this instance, however, the employee recorded 2 ½ hours of sick leave, as shown in the image below.

08/15/2006	Migrated record	<i>employee leave request from to 8/15/2006 08:00 8/15/2006 17:00</i>	-8:00
08/31/2006	Migrated record	<i>employee leave request from to 8/31/2006 14:30 8/31/2006 17:00</i>	-2:30

Throughout our test sample we found the use of similar types of wording, such as “Dentist – A.M.”, “Annual Leave P.M.” and “Annual Leave A.M.”. In these instances we are unable to quantify the amount of leave that the employee would have been expected to record in the agency leave records. In some instances we found “Leave”, and as such, are unable to quantify what type of leave was used.

Ordinarily we would perform this type of test using leave records and comparing those to the employee official time records. However, in this case, there are no official time records and the only records we can utilize for comparison to leave records are the weekly schedules.

We should note that these weekly schedules are created in advance and do not require any attestation to the accuracy or completeness of the schedules. Furthermore, the weekly schedules appear to be more for the purpose of tracking employees’ whereabouts during the week, rather than serving as an official time record.

Due to the nature of the records we must rely on to perform this type of testing, we cannot, in many cases, quantify discrepancies in these records other than to note days when leave is reflected on the weekly schedule and is not reflected on the agency leave records.

In a previous audit report we performed similar testing for one employee, the public information officer. In that report we stated the following:

Based on the information, it appears a total of 26.0 hours and 24.5 hours annual leave for fiscal years 2002 and 2003, respectively, and a total of 4.0 hours and 15.0 hours of sick leave for fiscal year 2002 and 2003, respectively, were taken by the public information officer without being reduced from his accrued annual and sick leave balances.

We were asked to perform similar testing as was done in the previous audit with an expanded scope to include, as well as the public information officer, thirteen additional positions.

In 2005 KTC adopted a new computerized leave recording system. The system was initiated in July 2005 although it was not widely used until November 2005. Due to this delay, according to the human resources manager, there are issues concerning leave balances. Additionally some leave records for the July through November 2005 period may not be currently entered in the system.

With the implementation of the new computerized system, each employee logs onto the system and enters any leave being taken. The employee's supervisor may also log into the system to record leave being taken by an employee.

We asked for any documentation reflecting the online leave system, specifically any documentation reflecting duties for reviewing and correcting employee entered leave time. We were provided an email dated 10/31/2005 stating that the program would be implemented on 11/1/2005 and that no paper leave requests would be used after this date.

We obtained leave records and weekly schedules for the fourteen (14) employees we were requested to audit. We performed an initial test using records for the time period of April 2006 through July 2007. When a pattern of leave not being recorded was found, we expanded our test to include all available records.

We found no exceptions for the following positions tested:

- Superintendent.
- Deputy Superintendent.
- Chief Financial Officer.
- Information Systems Coordinator
- Bid Assistance Coordinator.

Public Information Officer

For the period from April 2005 through April 2007, we identified forty (40) instances where the weekly schedule reflects leave was taken and no leave was recorded in the public information officer's leave records.

For the period tested, it appears the public information officer's leave records do not reflect 95.5 hours of annual leave and 188.0 hours of sick leave that is reflected on the weekly schedules.

In our previous audit we found that the public information officer's leave records did not reflect 50.5 hours of annual leave and 19.0 hours of sick leave. In that report we recommended that the public information officer's leave balances be adjusted. We spoke with the human resources manager who stated that as of the time of our testing no such adjustment has occurred.

Reported Balances	Sick Leave	Annual Leave
Reported Balance 4/30/2007	114.45	173.00
Previous Audit Findings	-19.00	-50.50
Current Findings	-188.00	-95.50
	-92.55	27.00
Cumulative Leave Balance		-65.55

The non-adjusted leave balances for the public information officer; as of 4/30/2007 reflect 114.45 hours of sick leave and 173.00 hours of vacation leave.

With the previous and current audit findings, based on the reported 4/30/2007 agency leave balance records, it appears the public information officer has exceeded his credited sick leave by 92.55 hours and has a corrected balance of 27.00 hours of annual leave. Combined, based on the records provided, it appears the public information officer's combined leave balance is now -65.55 hours.

It appears the public information officer has taken leave in excess of his leave balance resulting in pay in excess of time worked or leave accrued and contrary to **Article X Section 15(A)** of the **Constitution of Oklahoma**, which states:

Except as provided by this section, the credit of the State shall not be given, pledged, or loaned to any individual, company, corporation or association, municipality, or political subdivision of the State, nor shall the State become an owner or stockholder in, nor make donation by gift, subscription to stock, by tax, or otherwise, to any company, association or corporation.

We noted several instances where the schedules or other documents submitted by the public information officer were contradictory to the leave time recorded. We cite the following as examples:

- An email from the spouse of the public information officer, dated 11/27/2006, states the public information officer had surgery, lasting 4 ½ hours, on 11/20/2006. No leave was recorded for this date.
- The public information officer faxed, on 9/19/2006, his weekly schedule reflecting annual leave for the day prior, 9/18/2006. No leave was recorded.
- The public information officer submitted a weekly schedule reflecting a doctor's appointment on July 30, 2006. No leave was recorded.
- The public information officer submitted a weekly schedule by email on Sunday, 3/19/2006 at 9:16pm, reflecting a doctor's appointment on Monday (3/20/2006). No leave was recorded.
- The weekly schedules reflect the public information officer was sick for the entire weeks of August 8-12, 2005 and August 15-19, 2005. Recorded sick leave for the 8th through 12th did not include the 11th. Recorded sick leave for the 15th through the 19th did not include the 17th and 18th.

Public Information Officer – Additional Concerns Identified During Audit

During the course of testing the public information officer's leave records, we noted emails were being sent by his spouse from what appears to be a state provided email account.

On 5/2/2007 we were provided an email from the public information officer, which states, "I am sending this from my wife's email". The return email address appears to be an email account provided by the Oklahoma Department of Human Services.

We obtained a copy of the Oklahoma Department of Human Services email policy, issued on 9-1-06, which states:

The Oklahoma Department of Human Services (OKDHS) provides electronic mail (email) service for its employees as a resource to conduct OKDHS business. E-mail is used only for the communications made in the course of OKDHS business.

- (1) All communications transmitted through the e-mail system are considered state records.
- (2) E-mail records are subject to the:
 - (A) disposition authority of the Archives and Records Commission, and are scheduled in the same manner as any other record; and
 - (B) Open Records Act.

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Based on the OKDHS policy, it appears the public information officer's spouse is in contravention of OKDHS policy in sending schedule updates to KTC from her state provided OKDHS email account. Furthermore, the KTC public information officer is not an employee of OKDHS and we question his authority for utilizing his spouses OKDHS email account.

Other Employees In Which Variances Were Found

The table that follows reflects the variances identified and quantified variance amounts found during our initial test period (April 2006 through April 2007).

Position	Date	Weekly Schedule	Leave Records	Annual	Sick
Human Resources Manager	8/25/2006	Annual Leave PM	No Leave Recorded	NQ	
	10/19/2006	Annual Leave PM	No Leave Recorded	NQ	
	12/4/2006	Annual Leave - Late	No Leave Recorded	NQ	
	12/8/2006	Annual Leave	No Leave Recorded	8	
				Total Quantified Hours	8
Procurement/Inventory Officer	8/9/2006	Annual Leave	No Leave Recorded	8	
	8/10/2006	Annual Leave	No Leave Recorded	8	
	8/11/2006	Annual Leave	No Leave Recorded	8	
				Total Quantified Hours	24
Manufacturing Extension Agent	10/3/2006	"Dentist AM"	No Leave Recorded		NQ
District BIS Coordinator	9/21/2006	Annual Leave	No Leave Recorded	8	
	2/12/2007	Annual Leave Am	No Leave Recorded	NQ	
	2/16/2007	Leave 2:00 PM	No Leave Recorded	3	
	4/19/2007	Annual Leave PM	No Leave Recorded	NQ	
				Total Quantified Hours	11
PN Director	7/6/2006	Annual	No Leave Recorded	8	
	12/19/2006	Annual leave	No Leave Recorded	8	
				Total Quantified Hours	16
Dir. Curriculum Development	9/1/2006	Annual Leave	No Leave Recorded	8	
	10/13/2006	Annual Leave	No Leave Recorded	8	
				Total Quantified Hours	16

NQ=Not Quantifiable Based On Hours Or Type Of Leave Taken

EMS Director:

Initial testing of leave records for this employee reflected eleven (11) instances where leave was recorded on the weekly schedules and no leave was found in the employee leave records. We were able to quantify 80 hours of annual leave reflected on the weekly schedules that was not recorded in the agency leave records.

The employee leave record indicates the employee was hired in 1992, however, the employee was not listed on the weekly schedules until March, 2006.

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We performed additional testing for the period from March 6, 2006 through our initial test period beginning in April 2006. We identified six additional variances between leave reflected on the employee schedules and leave recorded in the employee's leave records. These variances are listed in the table that follows:

Date	Weekly Schedule	Leave Record	Annual
5/9/2006	Leave	No Leave Recorded	NQ
5/12/2006	Annual Leave	No Leave Recorded	8
5/1/2006	Annual Leave	No Leave Recorded	8
4/21/2006	Annual Leave	No Leave Recorded	8
3/31/2006	Annual Leave	No Leave Recorded	8
3/6/2006	Annual Leave	No Leave Recorded	8
Total Quantified Hours			40

It appears, based on the records provided, 120 hours of annual leave and 8 hours of an unknown type of leave, were not recorded on the EMS Director's official leave records.

Financial Aid Director/Internal Auditor

Initial testing of leave records for this employee reflected eight (8) instances where leave was reflected in the weekly schedules and no leave was recorded in the employee leave records.

Date	Weekly Schedule	Leave Record	Annual	Sick
7/12/2006	Sick Leave	No Leave Recorded		8
9/13/2006	Annual Leave AM	No Leave Recorded	NQ	
10/20/2006	Annual Leave	No Leave Recorded	8	
1/19/2007	Annual Leave	No Leave Recorded	8	
3/8/2007	Sick Leave 1/2 Day	No Leave Recorded		4
3/9/2007	Sick Leave	No Leave Recorded		8
3/28/2007	Leave All Day	No Leave Recorded	NQ	NQ
3/29/2007	Leave All Day	No Leave Recorded	NQ	NQ
Quantified Hours			16	12

During the initial test period, we were able to quantify 16 hours of annual leave and 12 hours of sick leave that were not reflected in the leave records (as shown in the table at left).

We performed an additional test using the leave schedules provided (August 2005 through April 2006). The additional testing revealed four (4) instances where leave was reflected on the weekly schedules and not reflected on the employee's leave records. These four instances are reflected in the table that follows.

Date	Weekly Schedule	Leave Record	Annual	Sick
8/9/2005	Sick Leave AM	No Leave Recorded		NQ
2/3/2006	Annual Leave AM	No Leave Recorded	NQ	
5/10/2006	Annual Leave AM	No Leave Recorded	NQ	
6/16/2006	Wilburton or Annual Leave	No Leave Recorded	NQ	

In all four instances, because of the wording used, we are unable to quantify the actual amount of leave that should have been recorded in the employee's leave records.

Assistant PN Director

Initial testing of leave records for this employee reflected eight (8) instances where leave was reflected in the weekly schedules that does not coincide with the agency leave records as shown in the table below.

Date	Weekly Schedule	Leave Records	Annual	Sick
10/16/2006	Sick Leave	4 Hrs Sick Leave Recorded		4
10/17/2006	Sick Leave	4 Hrs Sick Leave Recorded		4
10/18/2006	Sick Leave	4 Hrs Sick Leave Recorded		4
10/19/2006	Sick Leave	4 Hrs Sick Leave Recorded		4
10/20/2006	Sick Leave	4 Hrs Sick Leave Recorded		4
2/13/2005	Annual Leave PM	No Leave Recorded	NQ	
3/30/2007	Annual Leave	No Leave Recorded	8	
4/5/2007	Annual Leave	No Leave Recorded	8	
Total Quantified Hours			16	20

We performed additional testing for this employee utilizing the records provided. No additional variances were identified. Based on the records provided, it appears the employee's leave records do not reflect 16 hours of annual leave and 20 hours of sick leave reflected on the weekly schedules.

Recommendations:

If the Board of Education considers the weekly schedules to be a reliable method of recording leave, then we recommend the Board of Education adjust the agency leave records to reflect the correct leave balances.

We recommend the Board of Education adopt a policy requiring employees to submit and attest to the specific number of hours worked, specific number of hours of leave used and specific type of leave used. Further, we recommend the Board of Education adopt a policy providing the independent verification of leave taken and leave recorded, i.e. employees should not be able to record their own leave into the master leave records for KTC.

Concern:

- **Improper or questionable use of a school vehicle by the public information officer.**
-

Finding:

- **The location of a fuel purchase was not consistent with destinations noted on the work schedule.**
 - **Fuel purchases were made on unscheduled workdays.**
 - **Fuel consumption does not support distance traveled according to the weekly work schedules.**
 - **The school's vehicle may have been used for personal use.**
-

Our prior audit, for the period from 7/2001 through 6/2003, included findings related to inconsistencies between the Public Information Officer's (PIO) weekly schedules and the locations where fuel was purchased.

The PIO has been issued four (4) credit cards belonging to KTC. We obtained the credit card statements for these four (4) cards, which included Citgo, Conoco Phillips, Fuelman and Texaco Shell, for fiscal years 2004-05, 2005-06 and 2006-07. We tested the transactions reflected on the credit card statements to the PIO's weekly schedules to determine:

- Whether destinations reflected on the schedules were consistent with fuel purchases.
- Whether fuel consumption supports the distances driven as reflected on the work schedules.
- Whether fuel is being purchased on unscheduled workdays.

The weekly schedules were used as the basis for determining the locations where school related activities were performed. Based on the locations noted on the schedules, we calculated the approximate distance traveled between fuel stops. These schedules are prepared in advance and the administrative assistant is supposed to be contacted for any modifications to the schedule. The schedules were taken at face value and the reliability issues were not addressed.

Fuel purchases inconsistent with destinations noted on the work schedule.

The schedules are the source for establishing an individual's whereabouts for work related activities. If we identified a fuel purchase in a location that was not consistent with destinations reflected on the schedule, then there was no means for us to verify that the employee was at that location for a work related activity. We cite the following examples in which fuel was purchased at a location that was not consistent with the schedule:

- On 2/15/06, 22.34 gallons of fuel were purchased in Tecumseh; however, the schedule for this date indicates travel to Oklahoma City. Based on the schedule, there was no documentation for any school related activities in Tecumseh nor does Tecumseh appear to be en route to Oklahoma City.

- On 5/4/06, 23.23 gallons of fuel were purchased in Hugo; however the work schedule reflects the PIO was in Wilburton and Poteau.

Fuel purchases on unscheduled workdays.

We noted instances in which it appears that fuel was purchased on unscheduled workdays. For example, the table that follows depicts fuel purchases made on Sundays.

Day	Date	Gallons	Location
Sunday	8/28/05	21.15	Poteau
Sunday	10/16/05	23.01	Poteau
Sunday	10/30/05	22.94	Poteau
Sunday	11/13/05	22.40	Poteau
Sunday	12/4/05	22.93	Poteau
Sunday	12/11/05	23.32	Poteau
Sunday	1/29/06	22.18	Poteau
Sunday	2/5/06	21.67	Wister
Sunday	3/5/06	23.23	Poteau
Sunday	4/2/06	22.95	Poteau
Sunday	4/9/06	21.06	Poteau
Sunday	4/30/06	22.97	Poteau
Sunday	5/7/06	23.67	Poteau
Sunday	5/21/06	21.01	Poteau
Sunday	6/18/06	23.22	Poteau
Sunday	9/17/06	17.59	Wister
Sunday	11/5/06	16.44	Okemah
Sunday	11/12/06	22.42	Poteau
Sunday	12/10/06	20.88	Shady Point
Sunday	1/7/07	22.90	Poteau

In addition to fuel purchases on Sundays, we also noted instances where fuel was purchased on days where the weekly schedule reflects either a scheduled day off, annual leave, or sick leave. We noted the following as examples:

- On 4/29/05, 14.15 gallons of fuel were purchased in Poteau on a day the schedule reflects annual leave.
- On 6/27/05, 22.84 gallons of fuel were purchased in Poteau on a scheduled day off.
- On 7/26/05, 21.07 gallons of fuel were purchased in Poteau on a day the schedule reflected annual leave. The schedule for 7/25/05 (prior day) indicated a day off and for 7/27/06 (following day) annual leave was reflected.
- The PIO purchased 22.09 gallons of fuel in Poteau on Monday 9/19/05. The only

entry on the PIO's itinerary for this date was "Drs. Appt", indicating he utilized sick leave for this day. Since the schedule shows no work related activity, we question whether the school vehicle was used as transportation to the PIO's doctor appointment. The next fuel purchase was the following day 9/20/05 in Oklahoma City. Based on the distances between the locations noted on the work schedule, the vehicle driven would have averaged 11.33 miles per gallon.

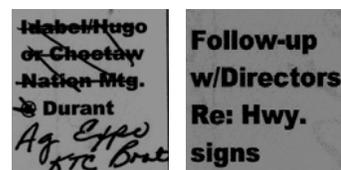
- On 11/9/05 at 3:42pm, 21.54 gallons of fuel were purchased in Henryetta. The schedule reflects the PIO was on sick leave for a doctor's appointment. We question whether the school vehicle was used as transportation to the employee's doctor's appointment.
- On 6/2/06, 15.75 gallons of fuel were purchased in Shady Point on a day the work schedule reflects annual leave.
- On 10/24/06, 20.31 gallons of fuel were purchased in Poteau on a day the work schedule reflects sick leave.
- On 12/4/06, 21.44 gallons of fuel were purchased in Shady Point on a day the work schedule reflects sick leave for that day and the following day.

- On 1/16/07, 21.77 gallons of fuel were purchased in Poteau on a day the work schedule reflects annual leave.
- On 1/30/07, 22.07 gallons of fuel were purchased in Quinton on a day the work schedule reflects annual leave. It appears a district vehicle may have been used to travel to Quinton for a purpose, which was not business related.

The fuel stop prior to the 1/30/07 purchase was on Friday, 1/26/07 at 5:26pm, in Shady Point. Based on the schedule, the only work related travel between fuel stops was on 1/29/07 in which the schedule indicates travel to Pocola. The round trip miles to Pocola from Poteau are approximately 21 miles.

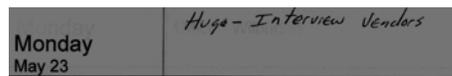
Fuel consumption does not support the miles driven.

In many instances we were unable to determine if fuel was being purchased while *driving to* or *driving from* a particular destination. Additionally, in some instances, we could not determine the exact destination. For example, one entry on the weekly schedule reflected “Ag Expo KTC Booth” with no city or town indicated. Another example included a weekly schedule entry reflecting “Follow-up w/Directors Re: Hwy. signs”.



From the instances where it appears we could calculate distances and fuel consumption, we subjectively selected instances where travel did not appear to support fuel consumption. We noted the following exceptions (as examples):

- On 2/23/05 fuel was purchased in Wister at 5:17pm. On 2/25/05, 24.73 gallons of fuel were purchased in Poteau. Based on destinations reflected on the schedule, the distance between fuel stops was approximately 119 miles. If actual miles were limited to destinations noted on the work schedule, the vehicle averaged 4.81 miles per gallon.
- On 5/20/05 (Friday) fuel was purchased in Poteau at 4:40pm. The following Monday, 5/23/05, 23.05 gallons of fuel were purchased in Hugo at 12:25pm. Based on the schedule, the only work related destination was in Hugo, which is approximately 114 miles. If actual miles were limited to the destination noted on the work schedule, the vehicle averaged 4.95 miles per gallon.
- On 5/25/05 fuel was purchased in Poteau at 4:42pm. Then on 5/27/05 14.93 gallons of fuel were purchased in Poteau at 5:47pm. Based on destinations reflected on the schedule, the distance between fuel stops is approximately 102 miles. If actual miles were limited to the destinations noted on the work schedule, the vehicle averaged 6.83 miles per gallon.
- Fuel was purchased in Poteau on Friday, 5/27/05. The schedule reflects a holiday on Monday, 5/30/05, and annual leave on Tuesday, 5/31/05. The schedule for Wednesday, 6/1/05 indicates work related activities in Poteau and Wilburton. Also on 6/1/05, 22.46



gallons of fuel were purchased in Poteau at 10:36pm. The round trip distance between Poteau and Wilburton is approximately 84 miles. If actual miles were limited to the destinations noted on the work schedule, the vehicle averaged about 3.74 miles per gallon.

- On 12/4/05, 22.93 gallons of fuel were purchased in Poteau. The schedule for the following day, 12/5/05, indicates work related activities in Muskogee and Warner. Also on 12/5/05 12.50 gallons of fuel were purchased in Sallisaw at 2:04pm. Based on the destinations noted on the work schedule, total miles between fuel stops were approximately 133. If actual miles were limited to locations reflected on the schedule, the vehicle averaged 10.64 miles per gallon.

- Subsequent to the last fuel stop in Broken Bow on 2/1/06, the PIO took sick leave on 2/2/06 and annual leave on 2/3/06 to conclude the week. Then on Sunday, 2/5/06, 21.67 gallons of fuel were purchased in Wister. There were no scheduled workdays between fuel stops. If actual miles were limited to destinations reflected on the work schedule, the vehicle averaged about 4.29 miles per gallon.

Sick Leave
Annual Leave

- On 2/15/06, fuel was purchased in Tecumseh. The next fuel stop was on 2/17/06 in Wister. Based on the schedule, the PIO worked in Poteau on 2/16/06 and 2/17/06. The schedule does not reflect any school related activity in Wister. The distance traveled between locations noted on the schedule totaled approximately 150 miles. If actual miles were limited to destinations reflected on the work schedule, the vehicle averaged about 6.62 miles per gallon.

Poteau-District PR mtg- Gold Star Mtg
Funeral AM Poteau-Mtg w/ Joe Carrick

- On 5/18/06, 21.93 gallons of fuel were purchased in Poteau at 8:43am. The schedule shows the PIO was on leave in the morning for a dentist appointment and in Wilburton for the remainder of the day. The schedule reflects Wilburton for the following day (Friday) and then on Sunday, another 20.01 gallons of fuel were purchased. Based on the distances between locations noted on the work schedule, the vehicle averaged about 8.40 miles per gallon.

Wilburton/Durant <i>Leave AM. dentist Wilburton PM</i>	Wilburton
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- On 6/1/06, fuel was purchased in Poteau. The work schedule reflects annual leave for the following day, 6/2/06, when another 15.75 gallons were purchased in Shady Point. Wilburton was the only destination noted on the work schedule between the two fuel stops. Based on the distances between locations noted on the work schedule, the vehicle averaged about 5.33 miles per gallon.

Wilburton Office <i>Annual Leave 3hr.</i>	Annual Leave
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- On 6/29/06, fuel was purchased in Shady Point at 7:31pm and 20.99 gallons were purchased in Wister on 6/30/06 at 3:50pm. Based on the work schedules, there was approximately 150 miles of school related travel between fuel

Wilburton	McAlester Board Mtg
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stops. If actual miles were limited to destinations reflected on the work schedule, the vehicle averaged about 7.15 miles per gallon.

The weekend following Friday 6/30/06 was a holiday weekend. The next scheduled workday was Wednesday 7/5/06 when another 21.54 gallons of fuel were purchased in Wister. The schedule for 7/5/06 reflects travel destinations of Wilburton and Hugo; however, the fuel was purchased at 11:33am. The distance between destinations (Poteau to Wilburton to Hugo to Wister) is approximately 240 miles. It does not appear likely that the PIO traveled the 240 miles and performed his duties at these locations before 11:33am. Therefore, it appears the PIO may have purchased fuel for the district vehicle with no related business travel.

HOLIDAY	HOLIDAY	Wilburton/Hugo	Durant
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- On 8/3/06 fuel was purchased in Poteau at 3:37 pm. The next fuel stop was in Wister on 8/8/06 at 7:19am when 23.34 gallons of fuel were purchased. The schedule for the following day (Friday) indicated travel to Wilburton. Based on the work schedules, there were approximately 93 miles of school related travel between fuel stops. If actual miles were limited to destinations reflected on the work schedule, then the vehicle averaged 3.98 miles per gallon.
- On Friday, 10/20/06, fuel was purchased in Calera at 12:14pm. The distance between Calera and Poteau is approximately 146 miles. The next fuel stop was on 10/24/06 in which 20.31 gallons was purchased in Poteau. There were no scheduled workdays between 10/20/06 and 10/24/06. In fact, the schedule for 10/24/06 indicates sick leave. Therefore, the only business related travel was the distance traveled between Calera and Poteau on 10/20/06. If actual miles were limited to destinations noted on the work schedule, then the vehicle averaged about 7.19 miles per gallon.
- On Friday, 12/29/06 fuel was purchased in Poteau at 7:50pm. The schedule for the following week, 1/1/07 through 1/5/07, was as follows:

HOLIDAY	Annual Leave	Wilburton Office	Doctors Appointment	Wilburton Office
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The next fuel purchase was on Sunday 1/7/07 when 22.90 gallons were purchased in Poteau at 8:06pm. The work schedule reflects two roundtrips to Wilburton, which is approximately 168 miles. If miles driven were limited to destinations noted on the schedule, then the vehicle averaged about 7.34 miles per gallon.

It appears, based on the records provided, that the PIO has been using the school vehicle for purposes other than those purposes reflected on the weekly work schedules. If so, then it appears the use may have included purposes other than school related business. This practice appears to be precluded by **Section 8.46** of the **Board of Education Policies**, which provides, in relevant part:

A school vehicle may be permanently assigned to a given individual for his/her use and may be based at the individual's home. The following positions are assigned: Superintendent, Deputy Superintendent, Campus Site Directors, Practical Nursing Coordinator, and Public Information/Community Relations Coordinator.

Since the vehicle is school-owned, it will be used for purposes directly related to the duties for Kiamichi Technology Center district, and other official school use as approved by the superintendent or deputy superintendent. This vehicle will not be used by staff members for personal use at any time.

Normal stops such as cleaners, pharmacy, grocery stores, restaurants, etc., are not precluded while traveling to or from daily work sites.

Further, **Oklahoma State Statutes 21 § 341**, provide the following:

Every public officer of the state or any county, city, town, or member or officer of the Legislature, and every deputy or clerk of any such officer and every other person receiving any money or other thing of value on behalf of or for account of this state or any department of the government of this state or any bureau or fund created by law and in which this state or the people thereof, are directly or indirectly interested, who either:

First: Receives, directly or indirectly, any interest, profit or perquisites, arising from the use or loan of public funds in the officer's or person's hands or money to be raised through an agency for state, city, town, district, or county purposes; or

Second: Knowingly keeps any false account, or makes any false entry or erasure in any account of or relating to any moneys so received by him, on behalf of the state, city, town, district or county, or the people thereof, or in which they are interested; or

Third: Fraudulently alters, falsifies, cancels, destroys or obliterates any such account, shall, upon conviction, thereof, be deemed guilty of a felony and shall be punished by a fine of not to exceed Five Hundred Dollars (\$500.00), and by imprisonment in the State Penitentiary for a term of not less than one (1) year nor more than twenty (20) years and, in addition thereto, the person shall be disqualified to hold office in this state, and the court shall issue an order of such forfeiture, and should appeal be taken from the judgment of the court, the defendant may, in the discretion of the court, stand suspended from such office until such cause is finally determined.

Recommendations:

If the Board of Education considers the weekly schedules to be a valid and accurate record of work, time and travel, then the KTC Board of Education should implement sufficient internal controls to prevent the personal use of KTC school vehicles.

We recommend the Board of Education revise the current policy, which now allows for "normal stops such as cleaners, pharmacy, grocery stores, restaurants, etc.", to prohibit the use of school vehicles for personal use.

We recommend the appropriate legal authority review this finding to determine what action, if any, may be required.

Concern:

- Improper or questionable use of school vehicle by the other KTC officials.
-

Findings:

- The locations of fuel purchases were consistent with destinations noted on the work schedule.
 - Fuel purchases are supported by weekly schedules.
-

In addition to the PIO we also performed a comparative test of the weekly schedules versus fuel consumption for the three (3) other KTC officials who are assigned a take-home school district vehicle.

The weekly schedules were used as the basis for determining the locations where school related activities were performed. Based on these locations noted on the schedules, we calculated the approximate distance traveled between fuel stops. These schedules are prepared in advance and the administrative assistant is supposed to be contacted for any modifications to the schedule. The schedules were taken at face value and the reliability issues were not addressed.

The Superintendent and Deputy Superintendent stated that they both occasionally fuel their district vehicles at the McAlester and Poteau campuses, both locations having bulk fuel on-site. We asked for the fuel records for both campuses and were provided logs for the McAlester campus. The Poteau campus was not maintaining fuel logs. Upon the discovery of the lack of fuel records, the Deputy Superintendent issued a directive that employees start maintaining fuel logs.

Superintendent

No exceptions were noted.

Deputy Superintendent

No exceptions were noted.

Director of Curriculum Development

No exceptions were noted.

Recommendation

No recommendation necessary.

Concern:

- **Improper or questionable meal reimbursements to KTC employees.**
-

Finding:

- **KTC business practice prior to 7/1/2005 may have created IRS tax implications.**
 - **A 2005 policy change eliminated questionable meal reimbursements.**
-

Our previous audit included findings related to the reimbursement of meals to the public information officer (PIO) for himself and other KTC employees who were not on overnight travel status and meals for individuals who were not KTC employees. We noted similar findings in our testing for the period from 7/1/2003 through 7/1/2005 for the Superintendent, Deputy Superintendent and others.

Meals purchased for non-KTC employees.

We noted, among fifteen (15) randomly-selected travel claims, meals were reimbursed for individuals who are not KTC employees. We noted the following notations to the submitted travel claims (meal reimbursements):

- Lunch for Reps OSU-Okmulgee.
- Business Lunch With IC.
- Health Program 5 Guests.

Moreover, the Superintendent, on 8-17-2004, submitted a receipt for meal reimbursement in the amount of \$21.92. The back of the receipt reflected the meal was for "Moore/Norman Consultants". Another receipt submitted by the Superintendent included an individual's name that is not listed as an employee of the district.

The Deputy Superintendent submitted a claim for meal reimbursement reflecting a meal for two individuals that do not appear to be KTC employees. The Deputy Superintendent submitted a meal receipt for reimbursement, which included fifteen names. Of those fifteen (15) names, five (5) do not appear to be KTC employees.

The district BIS Coordinator submitted a receipt for meal reimbursement for a meeting with ODCTE (Oklahoma Department of Careertech Education) and referenced four (4) individuals that are not KTC employees, two of which are, apparently, staff members for Careertech (state agency).

Meals purchased for KTC employees and Board members who are not in travel status.

We cited, in our previous report, exception to the practice of the public information officer (PIO) buying meals for district employees who are not in travel status. We noted similar findings in our testing for the period from July 1, 2003 through July 1, 2005. Some examples include:

- The Superintendent submitted a receipt for a meal in Durant reflecting the names of the Durant campus director and a KTC Board member.
- The Superintendent submitted a meal receipt for a meal in Poteau and listed the names of employees of the KTC business administration office.

- The Deputy Superintendent submitted a receipt for a meal in Atoka listing the name of the Atoka campus director.
- The Deputy Superintendent submitted a receipt for a meal in Poteau and listing the name of the practical nursing director who works at the Poteau campus.
- The Deputy Superintendent submitted a receipt for a meal in Poteau listing the name of a KTC board member and the Poteau campus director.

Tax Implications

Internal Revenue Code requires that meal expenses, reimbursed by an employer, to an employee, for travel away from home for less than 24 hours wherein neither an overnight stay nor substantial sleep/rest is required; represent taxable and reportable income. Effective January 1, 1999, all meal reimbursements for daily travel of less than 24 hours are taxable and reportable income.

Prior to July 1, 2005, **Oklahoma State Statutes 70 O.S. § 5-117** provided that the board of education can set policy for travel reimbursement for board members and employees. The policy may include in-district travel and that “such reimbursement shall be available for necessary travel that does not require overnight stays” and included the following:

Reimbursement of meal expenses for an employee or board member shall not be considered compensation;

Oklahoma State Statutes Title 70 § 5-117(15) states [the Board of Education may]:

Establish a written policy for reimbursement of necessary travel expenses of employees and members of the board. The policy may include in-district travel from the site of employment assignment which is necessary in the performance of employment duties. The written policy shall specify procedures, contain documentation requirements, and may include payment of meal expenses during authorized travel on a per diem allowance basis rather than itemized documentation.

This version, which now does not contain the caveat that reimbursement is not reported as compensation, became effective July 1, 2005, coinciding with KTC’s policy revision requiring meals only be reimbursed when accompanied by an overnight stay (which also became effective July 1, 2005).

The Oklahoma State Statutes, prior to July 1, 2005, provided that the board of education could establish policies concerning travel, that travel could be reimbursed although it was not overnight travel, and that this reimbursement shall “not be considered compensation”. This appears to contradict the IRS decision that reimbursement for travel expenses without overnight travel is reportable compensation.

Many of the receipts, during the period wherein meal expenses were routinely reimbursed, do not lend themselves to quantifying who was the recipient of how much in meals that may be reportable as taxable income.

For example, the Deputy Superintendent submitted a receipt in the amount of \$22.62 with three names written on the receipt. Two more receipts were submitted with total amounts (\$15.11 and \$11.90) each containing two names. We have no way to determine how much each person benefited and the amount for each that may be considered a taxable amount.

A more difficult problem arises in instances such as a \$65.94 receipt listing fifteen (15) people, including five (5) people who are KTC employees and ten (10) people who are not KTC employees.

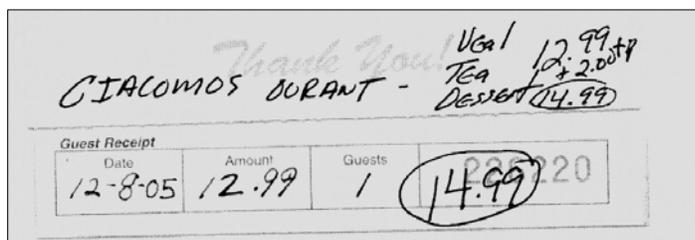
KTC policy change effective July 1, 2005

Effective July 1, 2005 the KTC travel policy guideline, with regards to meal reimbursements, was revised to require that all meal reimbursements be made only in conjunction with overnight travel status.

We tested 112 claims, after 7/1/2005, totaling \$45,543.02 for the following conditions:

- If meals were reimbursed without associated overnight travel.
- If claims for meals or other reimbursements were supported by itemized receipts.

From our testing we noted exceptions totaling \$110.75 (2/10th of 1%). These exceptions included two instances where mileage reimbursement was incorrectly calculated resulting in the overpayment of \$0.55. One meal that appears to have been reimbursed, in the amount of \$23.72, without associated overnight travel, and 4 instances, totaling \$86.48, where non-itemized receipts were submitted in support of the claim.



In some instances it appears the non-itemized receipts may have been the only receipts available to the claimant, as depicted in the image at right and could, arguably, be considered sufficient.

Additionally we noted instances where the business office, which performs reconciliations and verification of documents, rejected claims due to a lack of documentation, lack of itemized documentation or meals that were denied because of the overnight travel requirement.

Recommendations

The Board of Education should consult with a tax professional to determine the tax implications and reporting requirements for the employees that received reimbursement for or have been provided meals with KTC funds without associated overnight travel. The Board of Education should further determine whether the W2s should be amended to reflect those values.

We recommend, since the Board of Education has now adopted an overnight travel requirement, the Board of Education consider implementing meal reimbursements on a *per diem* basis.

Concern:

- Use of skeleton crews, split shifts and additional holidays.
-

Finding:

- The KTC Board of Education has adopted policy providing for skeleton crews, split shifts and additional holidays.
-

Our previous audit report included a finding that the public information officer had received additional days off as a result of what was termed a “skeleton crew”. The previous audit report states:

During the holidays and spring break, a “split shift or skeleton crew” worked at the administrative office at Wilburton and administrative offices at the school sites allowing employees to take days off without time being charged to their leave balances.

Our previous audit report also cited several memorandums concerning the implementation of skeleton crews and split shifts. The report then concludes:

We find no formal approval by the Board authorizing the split shift and/or skeleton crew and additional Christmas holidays.

Subsequent to the release of our prior audit, the KTC Board approved changes to the KTC policy. The KTC policy now reflects the following:

Spring Break, Easter Break, Thanksgiving Break and Winter Break. When classes are not in session during Spring Break, Easter Break, Thanksgiving Break and Winter Break, the KTC district administrative office and administrative offices at all campuses, shall be open and fully functional, including answering of telephones, during regular hours of operation, Monday through Friday, excluding official holidays. However, each KTC campus and the district administrative office, is authorized to operate a reduced work force, as provided for in Paragraph 3 below.

Reduced Work Force. All 12 month employees, excluding 12 month teachers and teacher aides, shall work a minimum of one full day (*i.e.*, 8 hour work day) during Spring Break, Easter Break, Thanksgiving Break and each week of Winter Break. Each campus director shall be responsible for coordinating a reduced work force schedule that ensures administrative offices, at their respective campus, are open and fully functional during regular hours of operation, Monday through Friday, excluding official holidays.

Recommendation

No recommendation necessary.

Other Findings and Recommendations

Interviews and agency records reflect that the superintendent, deputy superintendent, public information officer and the director of curriculum development have all been issued take-home vehicles. Based on IRS Publication 15B, it appears there may be tax implications for these four employees. IRS Publication 15B indicates that personal use and/or commuting miles is considered a taxable fringe benefit and should be reported on employee's W2 forms.

In order to calculate taxable fringe benefits that may be applicable, each person assigned a take-home vehicle should maintain a vehicle log in order to determine the number of miles that may be considered taxable based on IRS Publication 15B.

We asked for vehicle logs for those persons who have been assigned take-home vehicles. We were provided mileage logs for the Superintendent, Deputy Superintendent and Director of Curriculum Development. The agency was unable to provide vehicle logs for the Public Information Officer.

Recommendation

The Board of Education should consult with a tax professional to determine the tax implications and reporting requirements for the four employees that have been issued take-home vehicles. The Board of Education should further determine whether each employee's W2 forms should be amended to reflect the value of being provided take-home vehicles.

* * * *

Throughout this report there are numerous references to state statutes and legal authorities, which appear to be potentially relevant to issues raised 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 any of the entities, agencies or individuals named in this report acting on behalf of any of the agencies or entities named in this report have violated any statutory requirements 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 entities 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.

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Office of the State Auditor and Inspector
2300 N. Lincoln Boulevard, Room 100
Oklahoma City, OK 73105-4896

www.sai.state.ok.us