



Macomb Public School Pottowatomie County Special Audit Report July 1, 2001-June 30, 2005

JEFF A. McMAHAN, CFE

OKLAHOMA OFFICE
OF THE
STATE AUDITOR & INSPECTOR

Why the audit was performed

The Macomb Public School audit was performed pursuant to a request by the Macomb Board of Education in accordance with **74 O.S. 2001, § 227.8.**

Audit Summary:

- ✓ Lack of internal control regarding activity accounts: not all activity fund sponsors were writing receipts and funds were not being deposited on a daily basis. **Pgs 7-9**
- ✓ The Board did not review itemized expenditures prior to authorization of payments. **Pgs 10-15**
- ✓ The United States Department of Education (USDE) addressed the questionable expenditures of the Counseling Grant and did not reimburse the school for those questioned costs. **Pg 14**
- ✓ The USDE required the school to reimburse them \$15,000.00 paid to a vendor for evaluation reports for the Counseling and Physical Education Grants in that the school was unable to provide copies of these reports at the time of their independent financial audit. We were able to obtain copies of both evaluation reports and submitted them to the USDE. **Pgs 14, 15 & 17**
- ✓ The school purchased three resuscitation dolls with Counseling Grant funds for approximately \$2,844.00. However, the school was unable to locate these items. **Pgs 13, 14**
- ✓ The school did not have an adequate inventory or identifying system for tracking computers and computer equipment. The school was unable to locate four computers. **Pgs 17-19**
- ✓ The former superintendent's employment contract did not include a provision for stipend payments. However, the Board approved the stipend payments. **Pgs 20-22**
- ✓ The school's policy did not include allowable expenditures for travel (in state or out-of-state). **Pgs 20-22**

Subsequent to the audit period the school implemented receipting and depositing procedures for the activity funds, implemented a travel policy and began reviewing itemized documentation before approving expenditures

**MACOMB PUBLIC SCHOOL DISTRICT No. 631004
POTTOWATOMIE COUNTY, OKLAHOMA
SPECIAL AUDIT REPORT
JULY 1, 2001 THROUGH JUNE 30, 2005**

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

Jeff A. McMahan
State Auditor and Inspector

February 8, 2007

Mr. Randy Cottrell, Superintendent
Macomb Board of Education
Macomb Public School District No. 631004
36591 State Highway 59B
Macomb, Oklahoma 74852

Dear Mr. Cottrell:

Transmitted herewith is the Special Audit Report for the Macomb Public School District No. 631004, Pottawatomie County, Oklahoma. We performed our special audit pursuant to a request from the Macomb Board of Education under the requirements of **74 O.S. 2001, § 227.8**.

A report of this type is critical in nature; however, we do not intend to imply that our report failed to disclose commendable features in the present accounting and operating procedures of the Macomb Public School District No. 631004, Pottawatomie County, Oklahoma.

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 ensure 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,



JEFF A. McMAHAN, CFE
State Auditor and Inspector

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index of specific concerns

The following concerns are presented in their entirety in italics as they were communicated to us:

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BOARD OF EDUCATION

Walt Spicer.....2001-02
Johnny Lee 1986-2005
Mary Sulivant2001-present
Randy Brock2001-03
Robert Denney2001-06
Tammy Hogue2002-04
Rebecca Wiley2003-present
John Gilliam2002-present

SUPERINTENDENT

Dr. Gracy Taylor..... July 1, 2001-August 6, 2004
Don Davenport..... August 2004-December 2004
Randy Cottrell January 2005-present

HIGH SCHOOL PRINCIPAL

Greg Hinkle2001-2005

ELEMENTARY SCHOOL PRINCIPAL

Sally Bynum July and August 2001
Dorothy Violet September 2001-September 2004
Brett Byrum January 2005-present

TREASURER

Michell Pecore, Pottowatomie County Treasurer's Office.....2001-02
Diane Myers2002-04
Jay Jenkins2004-present

ENCUMBRANCE CLERK

Diane Myers2001-02, 2004-present
Dorothy Violet2001-04



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

Jeff A. McMahan
State Auditor and Inspector

Mr. Randy Cottrell, Superintendent
Macomb Public School District No. 631004
36591 State Highway 59B
Macomb, Oklahoma 74852

Dear Mr. Cottrell:

Pursuant to a request by Macomb Board of Education, and in accordance with the requirements of **74 O.S. 2001, § 227.8**, we performed a special audit with respect to the Macomb Public School District No. 631004, Pottawatomie County, for the period of July 1, 2001 through June 30, 2005.

The objectives of our special audit primarily included, but were not limited to, the areas noted in the "index of specific concerns" and are presented in their entirety in italics as they were communicated to us. 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 Macomb Public School District No. 631004 for the period of July 1, 2001 through June 30, 2005. 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 Macomb Board of Education and 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 (51O.S. 2001, § 24A.1 et seq.)**, and shall be open to any person for inspection and copying.

Sincerely,


JEFF A. MCMAHAN, CFE
State Auditor and Inspector

January 16, 2007

INTRODUCTION

The Independent District No. 631004, Pottowatomie County, Oklahoma, (Macomb 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 Macomb Public School District is responsible for the supervision, management and control of the District as provided by **70 O.S. 2001, § 5-117**. Both the Board of Education, composed of five (5) elected members, and the Macomb Public School District are subject to the provisions of the **Oklahoma School Code**.

The student body consists of Pre-K through grade 12. The District currently has an enrollment of 351 students. The appointed superintendent is the executive officer of the District.

The Macomb Public School District No. 631004 is audited annually by private independent auditors, and such audit reports were available for our review. The District Board of Education prepares an annual financial statement, presenting the financial position of the District as of the close of the previous fiscal year in accordance with the requirements of **68 O.S. 2001, § 3002**. The financial information presented was prepared from the District's records provided to us by the District Administration.

The State Auditor and Inspector conducted a special audit of the records of the Macomb Public School District, primarily those records relating to the School Board's concerns listed in the "index of specific concerns" noted in the table of contents. The results of the special audit are in the following report.

CONCERNS, FINDINGS AND RECOMMENDATIONS

I. CONCERN: *Possible irregularities in the activity fund for the years 2001-02, 2002-03, 2004-05.*

We reviewed Board agendas, meeting minutes and documents presented to the Board during Board meetings, activity report check registers, expenditures, supporting documentation, activity fund ledgers, receipts, deposits, bank statements, copies of checks, and the independent audit report. We interviewed the current and former superintendents, the encumbrance clerk and the activity fund custodian.

FINDING (1): Lack of Internal Control

Not all of the activity fund sponsors wrote receipts and the funds were not deposited on a daily basis. (Subsequent to this audit period, the school implemented internal controls that require the activity fund sponsors to write receipts and make daily deposits)

After reviewing the above records, we determined the Board approved the activity fund accounts and fundraisers. We also determined the Board was provided with monthly activity reports. The reports included each account, with the beginning balances, revenue collected, expenditures and ending balances of each account.

We reviewed 100% of the activity account claims that totaled approximately \$500,000.00. The administrators (superintendent, high school principal or elementary principal) approved the claims. All of the expenditures appeared to be for the respective activity account purposes. The expenditures were paid by checks that required two signatures. There were very few occasions when the bank processed checks with one signature. We reviewed these instances and determined the expenditures were for the intended purposes and approved for payment. We reviewed voided expenditure requests and reviewed the bank statements to determine that the voided transactions were not processed with the bank.

In addition to expenditures, we reviewed the receipting process. The activity fund custodian wrote receipts (duplicate and pre-numbered) to the sponsors/individuals for funds submitted. The deposited funds were posted to the respective activity account. We selected activity custodian fund receipts to compare to the amounts deposited and determined the amounts deposited were equal to the receipts. However, we could not perform a test of cash and checks composition in that when the activity fund custodian wrote a receipt that included checks and cash, she did not always indicate the type of the payment on the receipt.

All sponsors did not write receipts when they initially received funds; therefore, we were unable to verify whether those funds, which were later submitted to the activity fund custodian, were reflective of the actual funds received. Some of the activity fund sponsors submitted a list of names and amounts with no references to receipts. Some of the sponsors used activity "worksheets".

There did not appear to be any type of receipting or accounting of funds collected for sporting event admissions or concession stand proceeds.

On one occasion the high school principal reported to the Oklahoma Secondary School Activity Association (OSSAA) that the school had collected \$726.00 in revenue from ticket sales.

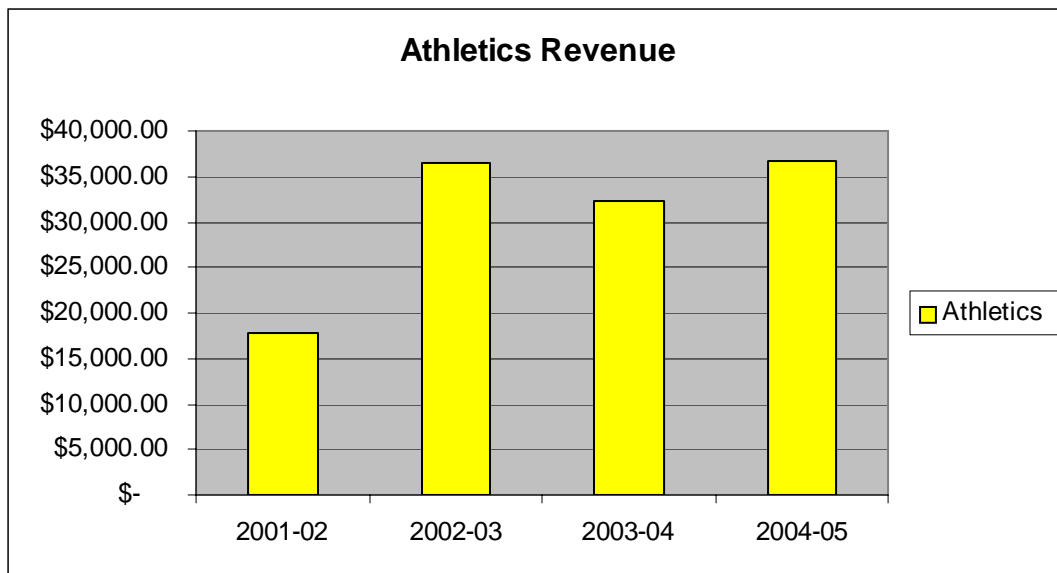
However, only \$710.00 was reported on the “worksheet” and submitted to the activity custodian for deposit. It appears the revenue reported to the

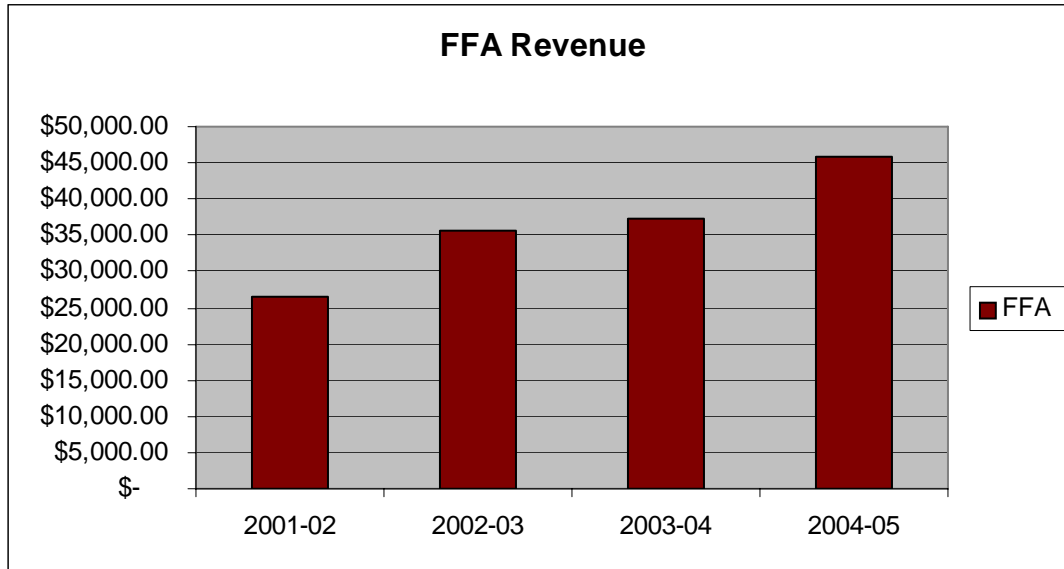
OSSAA was calculated by counting the number of tickets used. We were unable to verify whether there was a skip in sequence or a missing ticket number; therefore, we have no way of verifying with any certainty that there was a discrepancy.

Some of the sponsors submitted money to the high school office in wherein they included a “money worksheet” that stated: “All money turned in to the office must be accompanied by this worksheet.” This form provided a place to write in total checks and total cash. However, this form was not always used and the funds were not deposited daily.

Not depositing daily creates a weakness in internal controls. On September 11, 2001, the High School Principal reported a theft to the Pottawatomie County Sheriff’s Department. The report indicated in part: “that an unknown subject entered his (high school principal’s) office and took a bank bag and contents, the bank bag was in an unlocked file cabinet. There is no evidence of forced entry. Evidently someone entered the office with the key.” The report indicated that approximately \$500.00 in cash and several checks had been taken.

We prepared charts of collections for the two activity subaccounts with the highest volume of revenue during the audit period. (see tables)





70 O.S. Supp. 2004, § 5-129 states in part:

“A. The board of education of each school district shall exercise control over all funds and revenues on hand or hereafter received or collected, as herein provided, from student or other extracurricular activities or other revenue-generating sources listed in subsection B of this section that are conducted in the school district. Such funds shall be deposited to the credit of the account maintained for the benefit of the particular activity within the school activity fund... Disbursements from each of the activity accounts shall be by check countersigned by the school activity fund custodian and shall not be used for any purpose other than that for which the account was originally created. The board of education, at the beginning of each fiscal year and as needed during each fiscal year, shall approve all school activity fund subaccounts, all subaccount fund-raising activities and all purposes for which the monies collected in each subaccount can be expended.

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

The school’s policy and procedures manual regarding activity fund regulations section 6.21 (2.) states: “Record of Funds: Records shall be kept of all funds collected, handled or disbursed by any school or activity by the sponsor of the activity and the High School Secretary.”

Subsequent to this audit period, the school implemented additional internal controls that included, but is not limited to, all sponsors must write receipts, complete a worksheet accounting for the funds and submit the funds for daily depositing.

RECOMMENDATION: We recommend the Macomb Board of Education administer and regularly review appropriate internal controls regarding receipting and depositing funds. We recommend the Board review the internal controls on a regular basis to determine if the internal controls are being followed.

II. CONCERN: *Possible irregularities in the counseling grant, physical education grant and technology grant for the fiscal years 2001-02, 2002-03 and 2003-04*

We reviewed the independent audit reports, receipt analysis reports, expenditure reports, employment contracts, extra duty contracts, earnings audit reports, grant applications and supporting documents, grant award notifications, grant performance reports, evaluations, correspondence to the school from the United States Department of Education, purchase orders and supporting documentation (invoices, credit card slips and statements, etc), interviews of former and current school employees, USDE staff members, Board meeting minutes and agendas, purchase orders and available supporting documentation, and teachers' inventories. We selected items purchased with grant funds and requested to view some of these items.

Counseling Grant:

FINDING (2): The Board did not review itemized expenditures. The policy and procedure manual did not address travel procedures or reimbursements.

(Subsequent to the audit period the Board began reviewing itemized invoices and supporting documentation and implemented a travel policy)

The counseling grant was authorized under Title V, Part D, Subpart 2 of the Elementary and Secondary Education Act. It was a direct Federal grant from the United State Department of Education, hereinafter referred to as USDE. Since it was a direct grant, the funds were requested by the school and reimbursed to the school and did not pass through the Oklahoma State Department of Education.

After reviewing the above-referenced documents, we noted:

2001-02:

- 5-13-02 the superintendent signed a USDE application for Federal assistance (grant) and supporting documents on behalf of the Macomb Public Schools. The application was for the implementation of an elementary counseling grant. The proposed dates of the project were from 8-1-02 through 7-30-05 (a three-year project period).
- The school financial records, independent audit report and personnel from the USDE indicate that there was no financial activity (no expenditures or reimbursements).

2002-03:

- The school financial records, independent audit report and personnel from the USDE indicate that there was no grant activity (no expenditures or reimbursements).

2003-04:

- June 30, 2003 public release and announcement by USDE that nearly \$20 million in grants was awarded to 60 school districts in 26 states to improve counseling programs. The release stated in part: “The grantees will use these funds to establish or expand elementary and secondary school counseling programs...This program will support the hiring and training of qualified school counselors, school psychologists and adolescent psychiatrists, and school social workers for schools. The program also provides greater student access to beneficial counseling services and helps identify effective strategies for providing student-counseling services that show potential for replication and dissemination.”
- Macomb Public Schools was one of the grant award recipients listed in this release and was one of two awards for the State of Oklahoma. The amount of the award listed on this release for Macomb Public Schools was \$148,874.
- The Grant Award Notification from the USDE indicated that the budget and performance periods for this grant were for \$148,874.00 and from 5-1-2003 through 4-30-2004, respectively.
- July 14, 2003 at a regularly scheduled Board meeting, the Board accepted the elementary counseling grant and the initiation of the hiring process for an elementary counselor and a counseling assistant.
- August 2003 the Board hired an elementary counselor.
- September 2003 the Board hired a counseling assistant.
- A total of approximately \$148,000.00 was coded as expenditures for the counseling grant during this time period. The grant expenditures are set out in the table below.
- The USDE reimbursed the school \$145,510.00 for grant expenditures.

COUNSELING GRANT EXPENDITURES	
DESCRIPTION	AMOUNT
Personnel Services: Counselor & Assistant	\$ 50,575.05
Other: eg: Dogs Against Drugs conference registration fees	\$ 2,668.00
Supplies & Materials: eg: supplies, computers, digital Camera, math calculator, Furniture, eye exams, glasses, classroom Materials and travel expenditures charges to the school's credit Card	\$ 82,075.71
Travel: Reimbursed to employees	\$ 469.90
Professional Services: Consulting services—auditor	\$ 2,200.00
Program evaluation	\$ 10,000.00
Total Expenditures	\$ 147,988.66

- We reviewed 100% of the purchase orders and supporting documentation. While reviewing the expenditures coded as supplies and materials, we noted that “supplies and materials” included the purchase of large quantities of supplies for all grades, curriculum materials, eye exams and glasses, equipment and furniture that included, but was not limited to, an LCD screen calculator, computer, computer components, television, cd player, vcr/dvd player, two Queen Anne style chairs, a conference table and chairs, work station, a digital camera, three resuscitation dolls (“resuscitation Anne, junior and baby”), and charges to the school credit card for out-of-state travel-related expenditures (airfare, lodging, transportation and meals) and other purchases.
- Although the following table lists expenditures we questioned, these expenditures do not necessarily reflect all of the expenditures that were considered as non-reimbursed expenditures by the USDE.

QUESTIONED EXPENDITURES	
DESCRIPTION	AMOUNT
world globes, earth balls, sharpeners	\$ 182.95
Lcd panel calculator	\$ 1,335.26
(2) books	\$ 256.00
River Sage Soap Company	\$ 33.85
Travel to Long Island, New York Airfare & lodging	\$ 3,599.56
conference registration fees	\$ 447.00
transportation for one day seminar round trip from Hotel New Yorker To seminar site: Long Island, New York	\$ 296.00
Meals & Misc. transportation	\$ 385.00
Art activities, hangman, boggle, classroom management resource books, postcards, nutrition kit, kitchen chemistry & misc. curriculum material	\$ 2,799.82
Pass skills materials for 5th & 8 th Grade	\$ 2,507.00
Three resuscitation dolls	\$ 2,844.43
American Red Cross-training material	\$ 1,324.35
Total Questioned Expenditures	\$ 16,011.22

The first three amounts listed in the above table do not appear to be for the purposes that were intended for the grant. However, the items appear to have been utilized for other school purposes.

The school credit card listed a \$33.85 charge from one vendor. However, the invoice attached to the purchase order was not from the same vendor.

The school Board meeting minutes of March 08, 2004 reflect that the elementary principal advised the Board "... in April, she will be traveling to New York with the elementary counselor and assistant to attend a counseling seminar..." And school Board meeting minutes of April 12, 2004 state in part: "...Ms. Violet is getting ready to travel to New York next week with the elementary counselor and assistant to attend meetings being held there..."

However, the supporting documentation indicated that the training was for a one-day seminar in Long Island, New York on April 21, 2004. The one-day seminar was from 8:30 a.m.-3:45 p.m. and was titled "Working Successfully with Difficult Students". We noted this company does training all over the United States, including Oklahoma, and the company literature states that most BER seminars can be brought to the school or district and that video and audio training may be available.

Three school employees (the elementary principal, the counselor and the assistant counselor) traveled to New York to attend this one-day conference. The documents indicate that these employees were in travel status from April 20-25, 2004 (six days) for a one-day conference. The following is a breakdown of the costs.

Airfare & Hotel (Hotel New Yorker)	\$3,600.00
Meals (April 20-25, 2004).....	285.00
Registration fee (three @\$149.00 each).....	447.00
Transportation	
(included two, seven-day unlimited transit passes at \$21.00	
each)	100.00
New York Limousine Service	
4-21-04 transportation from Hotel to Training Site and return	
Training site: Holiday Inn Islip in Long Island, New York	
Towncar Sedan billed two separate times	
7:00 AM New Yorker Hotel NYC-Holiday Inn Islip Long Island	
3:00 PM Holiday Inn Islip Long Island-New Yorker Hotel NYC	
Rate: \$240.00 plus \$48.00 gratuity plus \$8.00 tolls for a total of	<u>296.00</u>
Total cost for this one-day seminar	<u>\$4,728.00</u>

The airfare, lodging, registration receipts and limo service expenditures were charged to the school credit card. The documents provided to the Board during Board meetings indicate that the Board was given encumbrance calendars to review prior to approving expenditures. The encumbrance calendars listed the vendor, the amount of the encumbrance and the fund to be charged. However, there is no indication that the Board was provided with itemized invoices for the credit card charges.

According to the former superintendent, in addition to the one-day training course, the employees scheduled meetings with two other New York schools while they were in the area. The schools had projects with a grant focus specific to the interest of the Macomb school. The former superintendent indicated the employees received cheaper airfare tickets by staying an additional day.

The three resuscitation dolls and the American Red Cross training material did not appear to be expenditures that should have been paid from this grant. The school was unable to locate the resuscitation dolls.

The USDE required the school to begin submitting supporting documentation and only qualified expenses were reimbursed. At the time of this audit, it appeared the USDE addressed the unqualified expenditures in addition to other expenditures we had not questioned.

The 2003-04 financial audit report stated, in part, that the school was unable to provide a copy of an evaluation report for which the school had paid a vendor \$10,000.00. Based on this audit

report, the USDE required the school to either provide a copy of the evaluation report or reimburse the USDE \$10,000.00.

We obtained a copy of the evaluation report and compared it to the documentation in the school grant file. The evaluation report was consistent with the documentation in the school's grant file that indicated the evaluation report had been prepared. We forwarded a copy of the evaluation report to the USDE.

We viewed some of the items purchased with grant funds, which included furniture, calculator, tv, dvd/vcr, digital camera and one memory card. These items were in use by various classes and administration within the school system. The only items we requested to view that were not available were two 64 meg memory cards and three (3) resuscitation dolls.

The Board did not review itemized expenditures during the audit period. However, subsequent to the audit period, the Board began reviewing itemized documentation of expenditures. The Board did not have a travel policy in effect that addressed out-of-state travel. However, subsequently the Board has adopted a travel policy.

RECOMMENDATION: We recommend the Board periodically review travel policies and update the school policy manual to reflect any changes adopted by the Board. We also recommend the Board continue to review supporting documentation (invoices, receipts).

Physical Education Grant:

2001-02:

It does not appear the school received any Federal funds for the Physical Education grant during this time period

2002-03:

- June 7, 2002 application for Federal education assistance Carol M. White Physical Education Program (PEP) for enhancing the health and physical education program was submitted by the former superintendent.
- September 25, 2002 Grant Award Notification from the USDE in the amount of \$66,240 with a 10% recipient cost-share of \$7,360.00
- Budget award period 10-1-02 through 9-30-03
- Expenditures \$31,219.00
- The school requested and received reimbursement from the USDE in the amount of \$31,219.00

- The following reflects the expenditures:

PHYSICAL EDUCATION GRANT	
DESCRIPTION	AMOUNT
Personnel Services:	
Project Director: Elem. Principal (stipend)	\$ 2,000.00
High School Principal (stipend)	\$ 1,000.00
Elem. Teacher (Stipend)	\$ 887.50
Personnel Services Benefits:	\$ 1,101.76
Professional technical services:	
independent auditor	\$ 1,000.00
Supplies & materials:	
exercise equipment	\$ 24,434.03
Property:	
computer	\$ 796.00
Total Expenditures	\$ 31,219.29

- We reviewed 100% of the purchase orders and supporting documentation. While reviewing the expenditures coded as supplies and materials, we noted "supplies and materials" included the purchase of exercise equipment and supplies included but was not limited to, a rock climbing wall, jump ropes, pedometers, balls, power steppers, stationery bikes, climbing net, treadmills and health fitness books and manuals.
- The expenditures appear to be consistent with the grant goals and objectives.
- The USDE approved the school's request for an extension of the grant.

2003-04:

- Expenditures \$31,559.00
- The school requested and received reimbursement from the USDE in the amount of \$31,559.00

- The following reflects the expenditures:

PHYSICAL EDUCATION GRANT	
DESCRIPTION	AMOUNT
Supplies & Materials: exercise equipment	\$ 22,478.74
Property:	\$ 4,080.26
Professional technical services: Project Evaluation	\$ 5,000.00
Total Expenditures	\$ 31,559.00

- We reviewed 100% of the purchase orders and supporting documentation. While reviewing the expenditures coded as supplies and materials and property, we noted “supplies and materials” and “property” included the purchase of exercise equipment and supplies that included, but was not limited to, rubber mat flooring, a TriFit evaluation system (interactive meal planning and reporting and software), heart monitor sets, climbing rope and beams.
- The expenditures appeared to be consistent with the grant goals and objectives.
- December 2004 letter from the USDE Program Officer of Safe and Drug-Free Schools states in part: “...that the U.S. Department of Education has completed a final review of the above referenced grant and determined that all of the terms and conditions of the grant were met. This grant is found to be in compliance ...the Department is officially closing this grant..”
- The 2003-04 financial audit included a reportable condition which stated the school was unable to provide a copy of an evaluation report in which the school had paid \$5,000.00 to an evaluator. Based on this finding, the USDE required the school to produce the evaluation report or reimburse the USDE the \$5,000.00.
- While reviewing the grant file, the records indicated that an evaluation report had been prepared. However, the school file did not contain a copy of the evaluation report.
- We obtained a copy of the evaluation report and submitted a copy to the USDE.

RECOMMENDATION: No recommendation.

Technology Grants:

FINDING (3): Inadequate inventory and missing equipment

The school did not have an inventory of computer equipment that identified the equipment and its location. The school was unable to locate four computers.

2001-02

- Title III Technology Grant award: \$65,000.00
- Technology grant expenditures: \$66,415.72

- Reimbursed: \$65,000.00

TITLE III TECHNOLOGY GRANT	
DESCRIPTION	AMOUNT
Supplies and Materials:	\$ 66,415.72
Total Expenditures	\$ 66,415.72

- We reviewed 100% of the purchase orders and supporting documentation.
- The expenditures included, but were not limited to, the purchase of a mobile lab (computer equipment and software), computer training, computer repair, a digital camera, and supplies.
- The expenditures appear to be consistent with the grant purposes.

2002-03

- Title II-Part D, Technology Grant award: \$60,000.00
- Expenditures: \$60,000
- Reimbursements received: \$62,468.00 (\$47,468.00 received in 2002-03 and \$15,000.00 received in 2003-04)
- The following table lists the expenditures:

TITLE III TECHNOLOGY GRANT	
DESCRIPTION	AMOUNT
Property Service:	\$ 750.00
Supplies and Materials:	\$ 29,363.64
Property:	\$ 3,995.00
Personnel Service Salaries & Benefits: (technology director)	\$ 25,472.36
Other:	\$ 419.00
Total Expenditures	\$ 60,000.00

- We reviewed 100% of the purchase orders and supporting documentation.
- The expenditures included, but were not limited to, the purchase of twenty computers, one notebook computer, software licenses, software and computer textbooks.
- The school could not locate the notebook computer.
- The school located 17 of 20 of the other computers (computer processing units).
- The expenditures appeared to be consistent with the grant purposes.

2003-04

- Title II-Part D, Technology Grant expenditures: \$2,462.00
- Reimbursements: \$1,846.00

TITLE III TECHNOLOGY GRANT	
DESCRIPTION	AMOUNT
Supplies and Materials:	\$ 1,846.49
Pro Tech Services	\$ 615.50
Total Expenditures	\$ 2,461.99

- We reviewed 100% of the purchase orders and supporting documentation.
- The expenditures included, but were not limited to, computer equipment and professional services for computer work.

The school did not have an adequate inventory of computers and related equipment. There was no way to verify the computers on the invoices to the computers listed on teachers' classroom inventories. And, there was no way to verify the employee assigned the notebook computer.

RECOMMENDATION: We recommend the Board adopt and implement an inventory policy that requires the school to maintain a master inventory of equipment. We also recommend the use of some type of identification system to tag items.

III. CONCERN: *Possible irregularities in the payments to the superintendent for the fiscal years 2001-02, 2002-03 and 2003-04*

We reviewed vendor history reports, encumbrance calendars, purchase orders and supporting documentation, payment registers, earnings audit reports, employment contracts, meeting minutes, and credit card charges.

FINDING (4): Stipend payments not specified in employment contracts.

The Board approved two stipend payments to the former superintendent that were not in her contract.

FINDING (5): District policies did not include an established written policy for reimbursement of necessary meal and lodging expenses and the Board did not review itemized reimbursement claims.

The Board approved blanket purchase orders for travel reimbursements and did not review itemized reimbursement claims and supporting documentation. The Board did not have a policy that addressed meal and travel reimbursement.

2001-02, 2002-03 & 2003-04 CREDIT CARD CHARGES:

The school employees were authorized to use a school credit card for travel-related expenditures. We reviewed credit card charges to determine if there were any charges made on behalf of the former superintendent. The charges were supported by invoices and appeared to be for school-related activities. The school no longer allows employees to use the credit card for these types of expenditures.

2001-02 Reimbursements, cell phone services, and contractual services:

- Approximately \$2,153.00 was reimbursed to the superintendent for travel-related (lodging, meals and mileage) expenditures.
- The Board approved a purchase order for \$470.74 for travel-related expenditures.
- Later in the month, the Board approved a blanket purchase order for the superintendent for \$1,000.00, and later approved the blanket purchase order for a \$1,000.00 increase (total \$2,000.00 blanket order).
- The superintendent completed "reimbursement claim-out of pocket expenses" forms for the travel-related expenditures and attached invoices/receipts to support the claims. The claim forms were signed and approved by the superintendent and do not appear to have been reviewed by the Board.
- The school paid for five phones during this time period. Two of the phones (the superintendent's and the principal's) were on one phone bill and the other three phones were included on a separate bill. The school paid approximately \$3,040.00 for all five phones. Of this amount, the two phones (superintendent and principal) phone bills were approximately \$1,287.00, with a total of 2,688 minutes being used. Of these minutes, the superintendent used approximately 624 minutes (24%).
- The school paid the superintendent a \$200.00 stipend in December 2001 (at the same time that other school employees were paid stipends). The payment was included in the encumbrance calendar presented and approved by the Board. This stipend was not included in her employment contract.
- The superintendent was paid a salary and other benefits in accordance with her employment contract.

2002-03 Reimbursements, cell phone services, and contractual services:

- Approximately \$2,093.00 was reimbursed to the superintendent for travel-related (lodging, meals and mileage) and supplies. The superintendent was reimbursed less than the amount approved by the Board. See the following bullet.
- The Board approved a blanket purchase order for the superintendent in the amount of \$2,500.00.
- It does not appear the Board reviewed the reimbursement claims and invoices during Board meetings.
- The superintendent's contract stated in part: "...The superintendent shall be entitled to reimbursement for actual expenses incurred in the performance of her duties, as long as such expenses are reasonable and in accordance with the law and the Macomb Public Schools' annual budget. Travel and meal expenses shall be reimbursed in accordance with District policy in effect at that time. The superintendent shall provide documentation sufficient to receive reimbursement for said expenses."
- The superintendent completed "reimbursement claim-out of pocket expenses" forms for the travel-related and miscellaneous expenditures and attached invoices and receipts to support the claims. The claim forms were signed and approved by the superintendent. The school district Policy did not address travel and reimbursement procedures.
- The school paid for five phones during this time period. Two of the phones (the superintendent's and the principal's) were on one phone bill and the other three phones were included on a separate bill. The school paid approximately \$2,803.00 for all five phones. Of this amount, the two (superintendent and principal) phone costs totaled approximately \$928.25 for a total of 3,526 minutes used. The superintendent used approximately 1040 (30%) of these minutes and the principal used approximately 70% of the minutes.
- The superintendent was paid a salary and benefits in accordance with her employment contract.
- The Board approved a \$400.00 stipend (listed on the encumbrance calendar) that was paid through payroll but was not included in her employment contract.

2003-04 Reimbursements, cell phone services and contractual services:

- The Board approved a blanket purchase order for the superintendent in the amount of \$2,500.00 and later increased the amount to \$3,000.00.
- Approximately \$2,568.00 was reimbursed to the superintendent for travel-related (lodging, meals, mileage, parking and transportation) and supplies.
- The superintendent completed "monthly reimbursement claim out-of-pocket expenses" forms for travel-related expenditures and attached invoices and receipts to support the claims. The claim forms were signed and approved by the superintendent. It does not appear that the Board reviewed the monthly claims and supporting documentation.

- The superintendent's contract stated in part: "...The superintendent shall be entitled to reimbursement for actual expenses incurred in the performance of her duties, as long as such expenses are reasonable and in accordance with the law and the Macomb Public Schools' annual budget. Travel and meal expenses shall be reimbursed in accordance with District policy in effect at that time. The superintendent shall provide documentation sufficient to receive reimbursement for said expenses." The superintendent completed and attached invoices to support the reimbursements paid to her.
- The school district policy manual for this time period did not address travel and meal reimbursement procedures.
- The school paid approximately \$3,461.00 for five phones during this time period. Of this amount, two phones (superintendent and high school principal's) totaled approximately \$1,284.00 with a total of 4,168 minutes used. The superintendent used approximately 1353 (33%) of these minutes and the high school principal used approximately 67% of the minutes.
- The superintendent was paid a salary and benefits in accordance with her employment contract that was approved by the Board.

As referenced above, the Board approved and authorized two stipend payments totaling \$600.00 (a \$200.00 payment in 2001 and a \$400.00 payment in 2003). Neither of the stipend payments was specified in the superintendent's employment contracts on file with the school. However, the Board authorized the payments.

70 O.S. 2001, § 5-141(B) states in part:

"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[.]"

70 O.S. 2001, § 5-117 (A) 15 states in part:

"The board of education of each school district shall have power to: "Establish a written policy for reimbursement of necessary travel expenses of employees and members of the board. The policy may include in-district travel ...The written policy shall specify procedures, contain documentation requirements..."

RECOMMENDATION: We recommend the Board authorize only payments specified in the employment contracts. We also recommend the Board adopt travel reimbursement policies and procedures for in state and out-of-state travel and review itemized invoices and receipts prior to authorizing travel reimbursement.

* * *

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 the Macomb Public School District No. 631004 or any of the individuals named in this report or acting on behalf of the District 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 District 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.