



STATE OF OKLAHOMA

OFFICE OF THE AUDITOR AND INSPECTOR

Jeff A. McMahan
State Auditor and Inspector

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Room 100 State Capitol Building
Oklahoma City, OK 73105
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February 7, 2005
FOR IMMEDIATE RELEASE

STATE AUDITOR RELEASES SPECIAL AUDIT REPORT ON McCURTAIN COUNTY EDUCATIONAL CO-OP

(OKLAHOMA CITY) -- State Auditor and Inspector Jeff McMahan today released a critical special audit report finding irregularities in travel reimbursement, payroll, and credit card expenditures. Over \$ 475,325.48 is being questioned as either excessive or ineligible for payment for the audit period of October 1, 2000 through September 30, 2003.

McMahan said, "The public should know that the unethical use of their hard earned tax dollars will not be tolerated. Without question, the funds supporting the McCurtain County Educational Co-op could be put to better use in providing the services intended."

"The concept of the Educational Co-op is admirable and, when appropriately executed, benefits those who need them most – the schoolchildren of McCurtain County. For that money to be spent for dubious activities is inexcusable" he added.

Copies of the report are on file with the Office of the State Auditor and Inspector and is posted at www.sai.state.ok.us.



McCurtain County Educational Co-op Special Audit Report October 1, 2000–September 30, 2003

JEFF A. McMAHAN, CFE

OKLAHOMA OFFICE

OF THE

STATE AUDITOR & INSPECTOR

Why the audit was performed

The District Attorney requested
the audit pursuant to 74 O.S. 2001,
§ 212(H).

Audit Summary:

- ✓ The executive director took 31 trips to meetings that coincided with rodeo events in which he was a participant. He was reimbursed \$13,601.21 in mileage and charged \$4,364.08 to the Co-op credit card for meals and lodging for these trips. **Pgs 6-14**
- ✓ We were only able to confirm that he had in fact attended 2 of the 31 claimed meetings. **Pg 15**
- ✓ For ten of these meetings, the individuals with whom he met could not confirm that the claimed meeting occurred. One individual was on vacation on the date of one of the claimed meetings and could not have met with the executive director. **Pg 15**
- ✓ The Co-op paid the programs director her regular salary for 5 days when she was putting on a workshop for another entity, which paid her \$1,250.00 for her services. **Pg 15**
- ✓ Prior to January 1, 2003, the executive director and programs director were reimbursed \$5,420.03 and \$2,758.48, respectively, for mileage to and from their residences to the office in Idabel. **Pg 15, 16**
- ✓ The miles reimbursed to the executive director were not supported by beginning and ending odometer readings. During our audit period, the executive director was reimbursed \$5,254.45 for 15,481 miles in excess of the map miles. **Pg 16**
- ✓ The amounts for indirect cost charged to Federal grants were in excess of the allowed amount. **Pg 16, 17**
- ✓ During our audit period, the executive director had personal cellular telephone charges of \$5,874.46 of which he submitted payments totaling \$1,103.70 to the company leaving an unpaid balance of \$4,770.76. **Pg 17**
- ✓ The executive director received extra-duty pay for services provided that appear to be identical to the regular services provided under his contract. There was no documentation that the Board ever approved the following amounts: \$6,000.00, \$35,600.00, \$38,000.00, and \$16,500.00 and the programs director received \$3,000.00, \$20,350.00, \$22,000.00 and \$12,200.00 for fiscal years 2004 (July through September), 2003, 2002, and 2001, respectively. Also, we noted claims for extra-duty pay to other Co-op employees during our audit period for which there was no documentation of Board approval. These claims totaled \$6,150.00, \$72,460.00, \$62,300.00, and \$36,500.00 for fiscal years 2004 (July through September), 2003, 2002, and 2001, respectively. **Pg 18-20**

To view a copy of the entire report, please visit our website at: www.sai.state.ok.us.

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



McCurtain County Educational Co-op Special Audit Report October 1, 2000–September 30, 2003

Audit Summary (cont'd)

- ✓ The following schedules reflects the total regular and extra-duty salary, reimbursement for travel, and charges to the Co-op's credit card for travel expenses for the executive director and programs director. **Pg 20**

Executive director

Fiscal Year	Regular Salary	Extra-duty salary	Reimbursement Travel	Charges to Credit card	Total
2004	\$15,752	\$ 6,000	\$ 6,082	\$ 1,885	\$29,719.00
2003	63,000	35,600	15,819	12,371	126,790.00
2002	63,000	38,000	16,591	16,026	133,617.00
2001	63,000	16,500	7,902	26,531	113,933.00

Programs director

Fiscal Year	Regular salary	Extra-duty salary	Reimbursement travel	Charges to Credit card	Total
2004	\$12,375	\$ 3,000	\$ 680	\$ 580	\$16,635.00
2003	49,500	20,350	2,297	11,149	83,296.00
2002	49,500	22,000	3,884	5,011	80,395.00
2001	49,500	12,200	1,597	28,115	91,412.00

Note: Fiscal year 2004 includes only July 1, 2003 through September 30, 2003 and the credit card charges for fiscal year 2001 include only October 1, 2002 through June 30, 2001. Also, credit card charges includes some travel expenses for other employees.

- ✓ For the audit period, we noted charges to the Co-op's credit card totaling \$56,812.43 and \$44,855.58 for the executive director and programs director, respectively. During our review of the charges to the executive director and programs director's credit cards, we noted: **pg 21**
 - payments totaling \$12,894.47 were made there was no itemized vendor receipt attached, only the credit card receipt.
 - payments totaling \$55,463.47 were made in which the purchase order had no itemized vendor receipt attached;
 - meals totaling \$20,545.25 were purchased for "staff/business meetings" at restaurants located in Idabel and Broken Bow (local meals)
 - payments for meals totaling \$1,263.96 which included meals for more than one (1) individual at the time which the executive director was on travel status alone

To view a copy of the entire report, please visit our website at: www.sai.state.ok.us.

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

JEFF A. McMAHAN, CFE
OKLAHOMA OFFICE
OF THE
STATE AUDITOR & INSPECTOR

Why the audit was performed

The District Attorney requested the audit pursuant to 74 O.S. 2001, § 212(H).

MCCURTAIN COUNTY EDUCATIONAL CO-OP

SPECIAL AUDIT REPORT

OCTOBER 1, 2000 THROUGH SEPTEMBER 30, 2003



STATE OF OKLAHOMA

OFFICE OF THE AUDITOR AND INSPECTOR

Jeff A. McMahan
State Auditor and Inspector

January 20, 2005

Honorable Virginia D. Sanders
District Attorney - District No. 17
108 N. Central
Idabel, Oklahoma 74745

Transmitted herewith is the Special Audit Report of the McCurtain County Educational Co-op, McCurtain County, Oklahoma. We performed our special audit in accordance with the requirements of **74 O.S. 2001, § 212(H)**.

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 Co-op.

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,

A handwritten signature in cursive script that reads "Jeff A. McMahan".

JEFF A. McMAHAN, CFE
State Auditor and Inspector

table of contents

	page
Governing Body	4
State Auditor and Inspector's Report	5
Introduction	6
Concerns, Findings and Recommendations	6

index of specific concerns

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

I. Concern: <i>Possible irregularities in travel expenditures</i>	6
II. Concern: <i>Possible irregularities in Federal grants</i>	16
III. Concern: <i>Possible irregularities in the use of Co-op equipment</i>	17
IV. Concern: <i>Possible irregularities in payroll</i>	18
V. Concern: <i>Possible irregularities in credit card expenditures</i>	20

**MCCURTAIN COUNTY EDUCATIONAL CO-OP
SPECIAL AUDIT REPORT
OCTOBER 1, 2000 THROUGH SEPTEMBER 30, 2003**

GOVERNING BOARD

Jim Mashburn President
Claude Eberle Vice-President
Steve Lowrie Clerk
Johnnie Meredith Member
Marvin Stewart Member

EXECUTIVE DIRECTOR

Deb "Sonny" Victor

TREASURER

Tama Lester

MINUTE/ENCUMBRANCE CLERK

Kay Ferguson



STATE OF OKLAHOMA

OFFICE OF THE AUDITOR AND INSPECTOR

Jeff A. McMahan
State Auditor and Inspector

Mr. Jim Mashburn, President
McCurtain County Educational Co-op
103 NE Ave A
Idabel, Oklahoma 74745

Pursuant to the District Attorney's request and in accordance with the requirements of **74 O.S. 2001, § 212(H)**, we performed a special audit with respect to the McCurtain County Educational Co-op for the period October 1, 2000 through September 30, 2003.

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 McCurtain County Educational Co-op for the period October 1, 2000 through September 30, 2003. 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 Co-op taken as a whole.

This report is intended to provide information to the District Attorney, Governing Body and Administration of the Co-op. This restriction is not intended to limit the distribution of the report, which is a matter of public record when released.

Sincerely,

A handwritten signature in cursive script that reads "Jeff A. McMahan".

JEFF A. McMAHAN, CFE
State Auditor and Inspector

December 20, 2004

INTRODUCTION

The McCurtain County Educational Co-op (the Co-op) is a corporate body for public purposes created under **70 O.S. 2001, § 5-117b** and accordingly is a separate entity for operating and financial reporting purposes. The Co-op is part of the public school system of Oklahoma under the general direction and control of the State Board of Education and is financially dependent on State and Federal grants. The Co-op was organized to provide a cooperative agency for two or more school districts to pool resources and provide services to all member school districts.

CONCERNS, FINDINGS AND RECOMMENDATIONS

I. CONCERN: *Possible irregularities in travel expenditures.*

FINDING NO. 1: We obtained the purchase orders issued to the executive director and the programs director, for travel reimbursement to determine that the events and meetings attended were work-related. We compared the travel reimbursement claims and credit card expenditures to determine the destination, date, and total travel cost for each trip. During our audit period, the executive director and program director were reimbursed \$46,393.70 and \$8,458.44, respectively, and made credit card charges totaling \$56,812.43 and \$44,855.58 respectively, for mileage, meals, lodging and other related expenses. Some of the credit card charges included lodging and automobile rental for other employees attending meetings.

There was no documentation (agendas, etc.) attached to the travel claims; therefore, we provided the executive director with a list of the dates and destinations for approximately one hundred sixty (160) of one hundred seventy (170) meetings he attended, requesting: 1) where the meeting was held; 2) individuals attending; 3) business discussed; 4) length of meeting and date; 5) agendas for the meetings. Also, we obtained, from the Professional Rodeo Cowboy Association (PRCA), a list of rodeo events in which the executive director was a participant. Further, we attempted to obtain confirmations from the individuals to assure the meeting took place. We were unable to find their addresses nor could the executive director provide them to us. We reviewed the information noting the following:

DATE	TRAVELED TO	MILEAGE	MEALS
August 7-9, 2003	Colorado Springs, CO	\$651.89	\$50.40

The executive director stated that on August 8 at Fountain, CO, he attended a site visit with an individual and a team of eight (8) on more effective school activities and their outcome and the site representatives of leadership teams shared procedures and outcomes which lasted six (6) hours.

We obtained records from the PRCA documenting the executive director participated in a rodeo roping event at Lovington, NM and Dalhart, TX during this time.

**MCCURTAIN COUNTY EDUCATIONAL CO-OP
SPECIAL AUDIT REPORT
OCTOBER 1, 2000 THROUGH SEPTEMBER 30, 2003**

•	DATE July 15-20, 2003	TRAVELED TO San Jose, CA	MILEAGE \$1,510.00	MEALS \$124.42
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The executive director stated that on July 17-18 he attended a professional development course taught by an employee of NSCI – Learning 24/7, four (4) hours each day.

We obtained records from the PRCA documenting the executive director participated in a rodeo roping event in Salinas, CA during this time.

Also, we obtained a letter from the Vice President, general manager of Learning 24/7 which states:

“I am in receipt of your letter dated October 20, 2004 regarding possible irregularities in travel expenses, specifically for [the executive director], reflecting he attended a meeting or met with us on July 17-18, 2003, in San Jose, California. According to our records, we have no such documentation that Mr. Victor attended a meeting or met with us during this time period in San Jose, California.”

•	DATE July 1-6, 2003	TRAVELED TO Prescott, AZ	MILEAGE \$1,503.80	MEALS \$159.94
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The executive director stated that on July 2-3 he was in the Yavapai County superintendent’s office, Prescott, Arizona, and conducted a site visit at Chino Valley school working six (6) hours each day.

We obtained records from the PRCA documenting the executive director participated in a rodeo roping event at Prescott and Window Rock, AZ during this time. Also, the credit card expenditures reflect a purchase was made on July 3, 2003 in Gallup, NM at 11:41 am, which is 279 miles from Prescott, AZ.

We received an e-mail from the Yavapia County Educational Service in which the superintendent stated that he did remember that the executive director was there and they discussed several different educational issues, but he could not remember if he visited Chino Valley district.

•	DATE June 7, 2003	TRAVELED TO Emporia, KS	MILEAGE \$378.14	MEALS \$27.84
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The executive director stated he met with an individual and two (2) others at City Hall to discuss infrastructure of cities for the enterprise community strategic plan and grant development for three (3) hours.

We obtained records from the PRCA documenting the executive director participated in a rodeo roping event at Strong City, KS during this time.

**MCCURTAIN COUNTY EDUCATIONAL CO-OP
SPECIAL AUDIT REPORT
OCTOBER 1, 2000 THROUGH SEPTEMBER 30, 2003**

• DATE May 29, 2003	TRAVELED TO Amarillo, TX	MILEAGE \$400.04	MEALS \$0
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The executive director stated he met with an individual to discuss evaluation outlines for drug/alcohol grants and data collection surveys for three (3) hours.

We obtained records from the PRCA documenting the executive director participated in a rodeo roping event at Hinton, OK during this time.

• DATE May 13-14, 2003	TRAVELED TO Amarillo, TX	MILEAGE \$414.64	MEALS \$0
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The executive director stated he met with an individual on May 14 for four (4) hours discussing evaluations for drug/alcohol prevention programs and how to analyze school involvement for students, coalition, and community surveys.

We obtained records from the PRCA documenting the executive director participated in a rodeo roping event at Vernon, TX during this time.

• DATE May 1-3, 2003	TRAVELED TO Guymon, OK	MILEAGE \$365.73	MEALS \$39.76
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The executive director stated that on May 1 he delivered a charter education grant to the Oklahoma State Department of Education and on May 2 he met with an individual and eight (8) other individuals in Guymon discussing drug and alcohol abuse policy and possible steps and procedures for school community partnership development. This meeting lasted four (4) hours.

We obtained records from the PRCA documenting the executive director participated in a rodeo roping event at Duncan and Guymon, OK during this time. Also, credit card purchases places the executive director in Norman, OK at 4:24 pm on May 1 and Altus, OK at 12:36 pm on May 2.

• DATE April 26, 2003	TRAVELED TO Guthrie, OK	MILEAGE \$212.06	MEALS \$33.48
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The executive director stated he met with an individual and five (5) other individuals for four (4) hours to discuss drug and alcohol abuse prevention program planning.

We obtained records from the PRCA documenting the executive director participated in a rodeo roping event at Guthrie, OK during this time. Also, we noted a credit card purchase in Austin, TX on April 26, there was no receipt attached to the purchase order.

**MCCURTAIN COUNTY EDUCATIONAL CO-OP
SPECIAL AUDIT REPORT
OCTOBER 1, 2000 THROUGH SEPTEMBER 30, 2003**

•	DATE April 23-25, 2003	TRAVELED TO Lufkin, TX	MILEAGE \$185.42	MEALS \$179.25
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The executive director stated he met with an individual and six (6) people for four (4) hours on sharing on school improvement activities, outcomes, and data collected.

We obtained records from the PRCA documenting the executive director participated in a rodeo roping event at Lufkin and Athens, TX during this time.

•	DATE October 31, 2002	TRAVELED TO Shreveport, LA	MILEAGE \$142.71	MEALS \$33.92
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The executive director stated that a seven (7)-school technology consideration meeting was held at the Idabel office and he met in Shreveport, LA with an individual on sharing information on rural housing grant for three (3) hours.

We obtained records from the PRCA documenting the executive director participated in a rodeo roping event at Shreveport, LA during this time.

•	DATE August 7-9, 2002	TRAVELED TO Lawton, OK	MILEAGE \$232.87	MEALS \$79.52
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The executive director stated that on August 8 he spent five (5) hours with an individual discussing professional development planning for school improvement.

We obtained records from the PRCA documenting the executive director participated in a rodeo roping event at Lawton, OK during this time. Also, on August 9 credit card receipts places him in El Reno, OK at 10:17 am, Lindsay, OK at 4:22 pm, and Ada, OK at 9:32 pm. We do not show any Co-op business conducted in El Reno.

•	DATE July 1-6, 2002	TRAVELED TO Tulsa, OK, Farmington, NM, Window Rock, AZ	MILEAGE \$1,048.11	MEALS \$361.53
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The executive director stated that on July 2-3 he spent four (4) hours, each day, with an individual on partnership for grant writing for character education grant.

We obtained records from the PRCA documenting the executive director participated in a rodeo roping event at Durango, CO, Springdale, AZ, and Window Rock, AZ during this time. We were not provided with documentation to support that any business was conducted in Tulsa.

•	DATE June 6-11, 2002	TRAVELED TO Clovis & Farmington, NM	MILEAGE \$448.84	MEALS \$235.02
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**MCCURTAIN COUNTY EDUCATIONAL CO-OP
SPECIAL AUDIT REPORT
OCTOBER 1, 2000 THROUGH SEPTEMBER 30, 2003**

The executive director stated that on June 7 he met with an individual for five (5) hours on partnership and grant development character grants and on June 10 he met with an individual for four (4) hours partnership and grant development character education.

We obtained records from the PRCA documenting the executive director participated in a rodeo roping event at Strong City, KS and Clovis, NM during this time.

DATE	TRAVELED TO	MILEAGE	MEALS/ LODGING
• May 3-5, 2002	Duncan, OK	\$174.57	\$269.66

The executive director stated that he met with an individual for five (5) hours Saturday May 4 and two (2) hours Sunday May 5 on partnership and grant development, counselors grant.

We obtained records from the PRCA documenting the executive director participated in a rodeo roping event at Duncan, OK during this time.

DATE	TRAVELED TO	MILEAGE	MEALS
• March 21-24, 2002	Hattiesburg, MS	\$568.56	\$115.81

The executive director stated that on March 23 he met with an individual for three (3) hours on partnership for research component for national science foundation grant.

We obtained records from the PRCA documenting the executive director participated in a rodeo roping event at Hattiesburg, MS and New Iberia, LA during this time. Credit card purchases show the executive director in Port Allen, LA on March 23 & 24, Breaux Bridge, LA on March 23, and Lafayette, LA on March 22.

DATE	TRAVELED TO	MILEAGE	MEALS
• January 16-18, 2002	Lafayette, LA	\$311.53	\$82.81

The executive director stated that he met with an individual for three (3) hours on the shared process for assessment strategies for teachers.

We obtained records from the PRCA documenting the executive director participated in a rodeo roping event at Lafayette, LA during this time. Credit card purchases place the executive director in Lafayette January 16, 17, & 18.

DATE	TRAVELED TO	MILEAGE	MEALS
• October 6, 2001	Leesville, LA	\$216.31	\$17.65

The executive director stated that he met for three (3) hours with an individual, Fort Polk Community Educational Development committee, to share ideas to help him on the enterprise community on technology infrastructure grant.

We obtained records from the PRCA documenting the executive director participated in a rodeo roping event at Leesville, LA during this time.

**MCCURTAIN COUNTY EDUCATIONAL Co-OP
SPECIAL AUDIT REPORT
OCTOBER 1, 2000 THROUGH SEPTEMBER 30, 2003**

•	DATE October 4-5, 2001	TRAVELED TO Tulsa, OK	MILEAGE \$145.24	MEALS \$111.39
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The executive director stated that on October 4th he had a meal meeting with an individual in Tulsa for two (2) hours discussing evaluation possibilities on tribal education programs and on October 5th he met with the same individual and educational committee consisting of five (5) individuals for three (3) hours in the morning.

We obtained records from the PRCA documenting the executive director participated in a rodeo roping event at Tulsa, OK during this time.

•	DATE September 21, 2001	TRAVELED TO Amarillo, TX	MILEAGE \$357.42	MEALS \$46.26
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The executive director stated that he met for two (2) hours with nine (9) people on ET1 facilitation process with rural agri business supports of five (5) school districts.

We obtained records from the PRCA documenting the executive director participated in a rodeo roping event at Amarillo, TX during this time.

•	DATE September 7-8, 2001	TRAVELED TO Kansas City, KS	MILEAGE \$368.46	MEALS \$0
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The executive director stated this was a region 7 workshop on school law that lasted eight (8) hours.

We obtained records from the PRCA documenting the executive director participated in a rodeo roping event at Poteau, OK and Carthage, MO.

•	DATE August 10-19, 2001	TRAVELED TO Payson, AZ Durango, CO Gallup, NM	MILEAGE \$904.24	MEALS/ LODGING \$674.91
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The executive director stated that on August 11-12 he met in Gallup, NM with an individual four (4) hours each day, August 14-15 in Farmington, NM with another individual five (5) hours, and August 17 in Payson, AZ with yet another individual four (4) hours on technology infrastructure grant, business and school connectively for real life computer, software, and infrastructure linkage to multiple sites.

We obtained records from the PRCA documenting the executive director participated in rodeo roping event in Durango, CO and Payson, AZ. Also, we noted credit card purchases in Cortez, CO, but no documentation to support any Co-op business was conducted in Colorado.

**MCCURTAIN COUNTY EDUCATIONAL CO-OP
SPECIAL AUDIT REPORT
OCTOBER 1, 2000 THROUGH SEPTEMBER 30, 2003**

• DATE	TRAVELED TO	MILEAGE	MEALS/ LODGING
July 24-28, 2001	Fort Collins, CO Monte Vista, CO	\$844.21	\$127.64

The executive director stated that on July 25 he met with an individual in Cheyenne, WY on technology infrastructure grant, evaluation design, for three (3) hours and on July 26 he attended a Colorado State University leadership seminar for five (5) hours, and July 27 he met with another individual in Monte Vista, Co on technology infrastructure grant for four (4) hours.

We obtained records from the PRCA documenting the executive director participated in a rodeo roping event at Monte Vista, CO and Cheyenne, WY.

• DATE	TRAVELED TO	MILEAGE	MEALS/ LODGING
July 13-20, 2001	Pampa, TX Fort Collins, CO	\$752.10	\$576.83

The executive director stated on July 14-16 he met with an individual in Pampa, TX for four (4) hours each day on technology infrastructure grant, outline strategies and components, list equipment software possibilities, and elementary programs recommended.

We obtained records from the PRCA documenting the executive director participated in rodeo roping event in Pampa, TX and Laramie, WY. The travel claim reflects that business was conducted at Colorado State University on educational measurements, but the executive director did not list business conducted there. Also, we noted credit card expenditures in Cheyenne, WY on July 18, 19, & 20. No documentation of any business conducted in Cheyenne, WY was attached.

• DATE	TRAVELED TO	MILEAGE	MEALS/ LODGING
July 7-8, 2001	Mesquite, TX Oklahoma City, OK	\$221.83	\$65.66

The executive director stated that on July 7 he met with an individual in Mesquite, TX on program planning for re-culturing schools to become professional learning communities and on July 8 he met with another individual in Oklahoma City designing the summer leadership institute agenda for four (4) hours.

We obtained records from the PRCA documenting the executive director participated in a rodeo roping event at Pecos, TX, Mesquite, TX, and Window Rock, AZ.

• DATE	TRAVELED TO	MILEAGE	MEALS/ LODGING
July 1, 2001	Mesquite, TX	\$134.89	\$0

The executive director stated he met with an individual for three (3) hours on initiating design of re-culturing schools to find time for transformation, lessons learned from

**MCCURTAIN COUNTY EDUCATIONAL CO-OP
SPECIAL AUDIT REPORT
OCTOBER 1, 2000 THROUGH SEPTEMBER 30, 2003**

schools that made the transition, and incorporating a vision and mission for up-scaling goals 2000 grant.

We obtained records from the PRCA documenting the executive director participated in a rodeo roping event at Mesquite, TX, which ended on June 30.

• DATE	TRAVELED TO	MILEAGE	MEALS/ LODGING
May 17-19, 2001	Baton Rouge, LA Brookhaven, MS	none claimed	\$177.15

The executive director stated that on May 17 he met with an individual at Baton Rouge, LA for two (2) hours on community policing project updates and design steps to re-apply for grant and on May 18-19 he met with another individual at Brookhaven, MS for four (4) hours, each day, on enterprise community committee partnershiping on strategic plan for new grant.

We obtained records from the PRCA documenting the executive director participated in a rodeo roping event at Brookhaven, MS during this time.

• DATE	TRAVELED TO	MILEAGE	MEALS
March 30-31, 2001	Houston, TX	\$212.68	\$26.99

The executive director stated that he met at Rice University with the football coach on instructional leadership for four (4) hours.

We obtained records from the PRCA documenting the executive director participated in a rodeo roping event at Woodville and Huntsville, TX during this time.

• DATE	TRAVELED TO	MILEAGE	MEALS/ LODGING
March 15-18, 2001	Lake Charles, LA	\$231.14	\$175.78

The executive director stated that on March 15 he met with an individual and community policing team to upscale narrative for grants for three (3) hours and on March 16-17 for four (4) hours, each day, he met with an individual at McNeese State University on new and emerging teacher leaders.

We obtained records from the PRCA documenting the executive director participated in a rodeo roping event at De Ridder, LA during this time.

• DATE	TRAVELED TO	MILEAGE	MEALS/ LODGING
February 15-17,2001	Baton Rouge, LA	\$225.94	\$330.51

The executive director stated that on February 16th he met at Louisiana State University for six (6) hours on team leadership training.

We obtained records from the PRCA documenting the executive director participated in a rodeo roping event at Baton Rouge, LA and Kissimmee, FL during this time.

**MCCURTAIN COUNTY EDUCATIONAL CO-OP
SPECIAL AUDIT REPORT
OCTOBER 1, 2000 THROUGH SEPTEMBER 30, 2003**

• DATE	TRAVELED TO	MILEAGE	MEALS/ LODGING
February 10-11, 2001	Wichita, KS	\$213.72	\$122.74

The executive director stated that on February 10th he attended a Region VII grant evaluation workshop for five (5) hours.

We obtained records from the PRCA documenting the executive director participated in a rodeo roping event at Wichita, KS during this time.

• DATE	TRAVELED TO	MILEAGE	MEALS/ LODGING
January 16-19, 2001	Lafayette, LA	\$224.12	\$117.21

The executive director stated that on January 17th and 18th he met at Lafayette to upgrade the evaluation process for goals 2000 grant, spending four (4) hours each day.

We obtained records from the PRCA documenting the executive director participated in rodeo roping event in Lafayette, LA during this time.

It appears the executive director scheduled meetings in various cities to coincide with rodeo events in which he was a participant. The executive director was reimbursed \$13,601.21 for mileage and charged \$4,364.08 to the Co-op's credit card for meals/lodging for attending the alleged meetings while participating in the rodeo events. There were no agendas provided to us to document any of the meetings were called by a professional organization. The travel to meetings that coincided with rodeo events was done consistently for the three (3) years that were audited.

We obtained confirmation from the vice president of an organization stating they had no records to confirm the executive director attended a meeting or met with them, as he had claimed; therefore, it appears the executive director filed a fraudulent claim for travel reimbursement. The reimbursement of travel expenses for trips taken that Co-op business was not conducted appears to be a violation of **21 O.S. 2001, § 341**. Further, based on the executive director's response of the amount of time spent at the meetings, it appears the travel cost paid to him by the Co-op was excessive and that the travel/meetings conducted was to facilitate his participation in the rodeo events.

RECOMMENDATION: We recommend that the District Attorney review this finding to determine what action, if any, should be taken.

FINDING NO. 2: During our review of the executive director's travel reimbursement claims and credit card expenditures, we noted the following:

- Fourteen (14) trips to Oklahoma City, which the executive director stated that he met with an individual to discuss Co-op business. All but three (3) of the fourteen (14) were represented to have taken place on Saturday and Sunday. We contacted the individual to verify they met with the executive director on these dates. They returned a signed affidavit stating that their records did not substantiate that the meeting had occurred for nine (9) of the dates and

**MCCURTAIN COUNTY EDUCATIONAL CO-OP
SPECIAL AUDIT REPORT
OCTOBER 1, 2000 THROUGH SEPTEMBER 30, 2003**

that they could not locate records for the time period the other five (5) meetings occurred. The executive director was reimbursed \$1,680.73 for mileage and charged \$82.93 to the Co-op's credit card for meals for the nine (9) meetings that did not appear to have taken place.

- Eleven (11) trips to Oklahoma City, two (2) to Norman, and two (2) to Ada, which the executive director stated he met with an individual to discuss Co-op business. All of the meetings, except two (2), were held on Saturday and Sunday. We received a signed affidavit from the individual stating that he could not confirm any of the dates one way or the other, with the exception of August 3, 2002. On that date he was on vacation out of state and did not meet with the executive director. The executive director was reimbursed \$197.46 for mileage to attend this meeting.

It appears the executive director filed claims for meeting with individuals that did not occur. The reimbursement of money for travel to the alleged meetings appears to be a violation of **21 O.S. 2001, § 341**.

On November 8, 2004, we requested the address and organization affiliation of twenty-two (22) individuals that the executive director stated that he had met with. The executive director provided us with an address of one (1) individual and the place of employment of three (3) individuals of the twenty-two (22) individuals.

RECOMMENDATION: We recommend that the District Attorney review this finding to determine what action, if any, should be taken.

FINDING NO. 3: During review of the program director's travel claims, we noted that she received reimbursement for workshop/training fees for services provided in Norman, OK for the Oklahoma University Center for Effective Schools. The "Institute for Principals of High Poverty Schools" workshops were conducted on August 29-30, 2001, planning session, and September 11-13, 2001. The programs director was reimbursed at a rate of \$250.00 per day for a total of five (5) days, for a total reimbursement of \$1,250.00. Also, we noted that the programs director received \$2,000.00 extra-duty pay in September for technical assistance from the "coalition for change grant."

Based on the information, it appears the programs director was being paid her regular salary while she was conducting the workshops; therefore, it appears the filing of the claim for reimbursement for conducting the workshops is a violation of **21 O.S. 2001, § 341**.

RECOMMENDATION: We recommend that the District Attorney review this finding to determine what action, if any, should be taken.

FINDING NO. 4: During our review of the executive director's and the programs director's travel claims, we noted that they had submitted reimbursement for travel from their residence to and from the office in Idabel, claiming forty-four (44) and twenty-six (26) miles per round trip, respectively. The claims subsequent to December 31, 2002 did not include mileage to and from the office. The following schedule reflects the total dollar amount reimbursed to the employees for commuting miles.

**MCCURTAIN COUNTY EDUCATIONAL CO-OP
SPECIAL AUDIT REPORT
OCTOBER 1, 2000 THROUGH SEPTEMBER 30, 2003**

FISCAL YEAR	EXECUTIVE DIRECTOR	PROGRAMS DIRECTOR
2003	\$1,368.00	\$ 710.71
2002	\$2,466.75	\$1,290.65
2001	\$1,567.28	\$ 757.12

Based on the Internal Revenue Service rules and regulations, the miles from the employee's place of residence to and from work would be classified as a fringe benefit and included as a part of the employee's income. For the calendar year 2002 the Co-op issued W-2's for the mileage reimbursed to the employees for travel claimed from their residence to and from work.

RECOMMENDATION: We recommend that the Co-op submit amended W-2's for all years in which employees were reimbursed for commuting mileage from their residence to and from work.

FINDING NO. 5: During our review of the executive director's travel claims, a beginning or ending odometer reading did not support the miles shown for reimbursement. The claims did not show the specific dates in which the travel was conducted. We compared some of the miles claimed by the executive director for reimbursement to map miles, according to the Oklahoma Department of Transportation's mileage table for location within the State of Oklahoma and MSN maps and direction's internet site for mileage to locations outside the State. The following schedule reflects the total of all miles claimed, miles that were claimed and compared to the map miles, and variance.

FISCAL YEAR	TOTAL MILES	MILES REVIEWED	MAP MILES	VARIANCE	AMOUNT RECEIVED
2004	16,664	16,391	13,519	2,872	\$1,048.28
2003	43,547	36,924	31,582	5,342	1,930.93
2002	47,420	37,497	32,958	4,539	1,565.96
2001	<u>30,108</u>	<u>19,034</u>	<u>16,306</u>	<u>2,728</u>	<u>709.28</u>
Total	<u>137,739</u>	<u>109,846</u>	<u>94,365</u>	<u>15,481</u>	<u>\$5,254.45</u>

Based on the miles listed on the reimbursement claim and the map miles, it appears the executive director received \$5,254.45 for miles claimed in excess of the map miles to the locations traveled. Claiming miles in excess of the map miles appears to be a violation of **21 O.S. 2001, § 341**.

RECOMMENDATION: We recommend the District Attorney review this finding to determine what action, if any, should be taken. Also, we recommend the Board establish and implement policies to assure that the travel reimbursement claims reflect the date of travel, destination, map miles or actual miles that would be supported by the beginning and ending odometer reading, and the nature of business conducted.

II. CONCERN: *Possible irregularities in Federal grants.*

FINDING: We reviewed the indirect cost allowed per the grant agreements and budget to determine if funds received and credited to the Co-op's general account were in compliance with the grant agreements and budgets. We obtained the Co-op's general fund detailed income statements to determine the indirect cost funds received per grant.

**MCCURTAIN COUNTY EDUCATIONAL CO-OP
SPECIAL AUDIT REPORT
OCTOBER 1, 2000 THROUGH SEPTEMBER 30, 2003**

Based on the grant agreements, budgets and detailed income statements provided, we noted the following amounts in excess of the allowable indirect cost were transferred from the specific grant account to the general account.

Alcohol/drug prevention – S.I.C.A.	CFDA#94.118
FY03	\$ 12,131.00
Bilingual Education – Wright City/Moyers	CFDA#84.290
FY02	\$ 2,415.02
Goals 2000	CFDA#84.317
Project period	
June 1, 2000 – September 30, 2002	\$ 4,548.32

We received a letter from a Co-op employee stating the variance of \$2,415.02 for bilingual education was from the transfer of \$25,000 from training and training stipends and re-budgeted to personnel, supplies, and summer programs. Moving this amount to these categories increased the allowable indirect cost amount by \$2,415.02, leaving a \$0 variance.

RECOMMENDATION: We recommend the Co-op establish procedures to assure the proper amounts received for indirect cost are transferred from the grant accounts to the general account.

III. CONCERN: *Possible irregularities in the use of Co-op equipment.*

FINDING: We obtained the cellular telephone bills for the audit period. In January 2003, the executive director started making payments directly to the cellular telephone company for personal use of the Co-op’s cellular telephones. The amounts remitted for payment by the executive director were for the roaming charges reflected on the monthly billing. The independent auditors’ report for fiscal year 2002, dated January 13, 2003, includes a finding for the personal use of Co-op-provided cellular telephones. The following schedule reflects the total roaming charges per the cellular bills and the amount paid by the executive director for personal use during our audit period.

FISCAL YEAR	ROAMING CHARGES	AMOUNT REIMBURSED	VARIANCE
2004	\$ 705.21	\$ 705.21	\$ -0-
2003	\$ 823.58	\$ 398.49	\$ 425.09
2002	\$1,993.23	\$ -0-	\$1,993.23
2001	\$2,352.44	\$ -0-	\$2,352.44

Based on the information, it appears the executive director had charges to the Co-op’s cellular telephone totaling \$4,770.76 that was for personal use. The personal use of the Co-op’s cellular telephones by the executive director appears to be a violation of **Article 10 § 15** of the **Constitution of Oklahoma** and **21 O.S. 2001, § 341**.

Note: Fiscal year 2004 is for the period July through September 2003 and fiscal year 2001 is for the period September 2000 through June 2001.

**MCCURTAIN COUNTY EDUCATIONAL CO-OP
SPECIAL AUDIT REPORT
OCTOBER 1, 2000 THROUGH SEPTEMBER 30, 2003**

RECOMMENDATION: We recommend that the District Attorney review this finding to determine what action, if any, should be taken. Also, we recommend that the Co-op-owned cell phones not be used for personal calls either incoming or outgoing.

IV. CONCERN: *Possible irregularities in payroll.*

FINDING: We reviewed the executive director's and the program director's employment contracts to determine that payroll was being paid in accordance to the contract and all extra-duty pay was properly approved and supported by time accounting records.

The executive director's and program director's contracts reflect the following compensation to be received:

EXECUTIVE DIRECTOR:

FISCAL YEAR 2004	
Base salary	\$51,000
Administration	12,000
Insurance benefit (district)	546
Insurance ed flex benefit certified	<u>1,863</u>
TOTAL	<u>\$65,409</u>

FISCAL YEAR 2003	
Base salary	\$51,000
Administration	12,000
Insurance benefit	<u>465</u>
TOTAL	<u>\$63,465</u>

FISCAL YEAR 2002	
Base salary	\$51,000
Administration	<u>12,000</u>
TOTAL	<u>\$63,000</u>

FISCAL YEAR 2001	
Base salary	\$51,000
Safe school administration	<u>12,000</u>
TOTAL	<u>\$63,000</u>

PROGRAMS DIRECTOR:

FISCAL YEAR 2004	
Base salary	\$37,500
Administration	6,000
Insurance benefit	546
Safe school administration	6,000
Insurance ed flex benefit certified	<u>1,863</u>
TOTAL	<u>\$51,909</u>

FISCAL YEAR 2003	
Base salary	\$37,500
Administration	6,000
Insurance benefit	465
Safe school administration	<u>6,000</u>
TOTAL	<u>\$49,965</u>

**MCCURTAIN COUNTY EDUCATIONAL CO-OP
SPECIAL AUDIT REPORT
OCTOBER 1, 2000 THROUGH SEPTEMBER 30, 2003**

FISCAL YEAR 2002

Base salary	\$37,500
Administration	6,000
Safe school administration	<u>6,000</u>
TOTAL	<u>\$49,500</u>

FISCAL YEAR 2001

Base salary	\$37,500
Administration	6,000
Safe school administration	<u>6,000</u>
TOTAL	<u>\$49,500</u>

The employment contracts state:

“Additional monies may be paid at a fair and reasonable amount for specified additional duties performed. This is not part of a continuing contract.”

We obtained the warrant register and copies of the “paid” payroll checks to document the total salary received by the executive director and programs director for the fiscal years 2004 (July through September 2003), 2003, 2002, and 2001 for their regular and extra-duty salary. The following schedules reflect the gross compensation for their regular and extra-duty salaries. The extra-duty compensation is listed by account number, which represents the grant program (see tic mark legend below).

EXECUTIVE DIRECTOR

Fiscal year	Gross regular	Salary extra	(009)	(011)	(574)	(774)	(779)	(771)	(561)	(775)	(778)	(008)
2004	15,752	6,000	3,000	3,000	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
2003	63,000	35,600	12,000	11,600	3,000	3,500	1,500	-0-	1,000	3,000	-0-	-0-
2002	63,000	38,000	10,000	7,000	2,000	3,000	2,000	4,000	3,000	4,000	3,000	-0-
2001	63,000	16,500	-0-	-0-	2,000	1,000	4,500	4,000	-0-	-0-	3,000	2,000

PROGRAMS DIRECTOR

Fiscal year	Gross regular	Salary extra	(009)	(011)	(574)	(774)	(779)	(771)	(561)	(775)	(778)	(008)	(573)	(001)
2004	12,375	3,000	500	500	2,000	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
2003	49,500	20,350	6,000	6,600	-0-	2,500	1,000	-0-	750	2,000	-0-	-0-	1,500	-0-
2002	49,500	22,000	4,500	3,000	2,000	2,000	2,000	4,000	-0-	2,000	2,000	-0-	500	-0-
2001	49,500	12,200	-0-	-0-	6,000	500	2,500	200	-0-	-0-	1,500	1,000	-0-	500

TIC MARK LEGEND FOR ACCOUNTS:

009 – Idabel safe schools
 011 – Hugo safe schools
 574 – Bilingual – Wright City/Moyers
 774 – Goals 2000
 779 – 21st Century
 771 – Goals 2000

561 - Indian education title IX
 775 - Community tech center
 778 - Coalition for change
 008 - Special education
 573 - Bilingual – Battiest/Smithville
 001 - Special education coop (schools)

**MCCURTAIN COUNTY EDUCATIONAL CO-OP
SPECIAL AUDIT REPORT
OCTOBER 1, 2000 THROUGH SEPTEMBER 30, 2003**

The Board approves the encumbrance for each employee's contract salary amount at the beginning of each fiscal year. During the year, the executive director delegates extra-duties to himself and other employees. A "claim for activities" is submitted to the financial officer for payment. The claim reflects the name of the claimant, account and/or grant to be charged, date of activity, name of activity, total wages, and claimant's signature. The name of the activity listed on the claims is "tech assistance – admin" and the date reflects a month or months the duties were performed. There is no visible documentation that the executive director or Board approved the claims. The extra-duty amount is added to the employee's original payroll encumbrance. We found no documentation that the Board approved the additional encumbrances. Also, there were no time records available to document the hours the employee charged to the task or if it was done during regular work hours, as defined in their policies and procedures manual. Further, it appears the extra-duty assignments would be part of the executive and program directors' regular duties.

During a telephone conversation with the executive director, he stated that he assigned duties other than their regular duties after hours and on weekends for a certain dollar amount.

The State Auditor and Inspector's audit report for the period July 1, 1991 through June 30, 1992 includes the following finding which states, in part:

"All Co-op employees, including each of the aforementioned individuals, received compensation for Facilitation/Training, in addition to their salary. These payments included in this category were described on the payment vouchers as "facilitation, organization, training, preparation, evaluation, etc." There is no supporting documentation describing the services provided nor could we determine how the amounts were calculated. We question the payments for the services described above, since it appears these employees' regular function, for which they receive their salaries, includes duties such as facilitation, organization, etc."

This audit reflected that the executive director and co-director (program director) received compensation of \$18,318.28 and \$13,993.63, respectively in excess of their contract amounts.

Also, we noted claims for activities, extra-duty pay, to other Co-op employees during our audit period. These claims totaled \$6,150.00, \$72,460.00, \$62,300.00, and \$36,500.00 for fiscal years 2004 (July through September), 2003, 2002, and 2001, respectively.

Further, **OMB Circular A-87 Section 8(h)(4)** states:

"(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in this subsection."

RECOMMENDATION: We recommend the District Attorney review this finding to determine what action, if any, should be taken.

V. CONCERN: *Possible irregularities in credit card expenditures.*

FINDING: The Co-op maintains an account with American Express Credit Card Company. The credit cards are issued to certain employees for business related travel expenses. We reviewed the expenses charged to the executive director and the programs director, to determine if the expenses were supported by an itemized receipt and allowable.

**MCCURTAIN COUNTY EDUCATIONAL CO-OP
SPECIAL AUDIT REPORT
OCTOBER 1, 2000 THROUGH SEPTEMBER 30, 2003**

We obtained the purchase orders issued to American Express from October 1, 2000 through September 30, 2003.

For the audit period, we noted total credit card expenses of \$56,812.43 and \$44,855.58 for the executive director and programs director, respectively. During our review of the charges to the executive director and programs director's credit cards, we noted: 1) payments totaling \$55,463.47 were made in which the purchase order had no itemized vendor receipt attached (no receipt); 2) meals totaling \$20,545.25 were purchased for "staff/business meetings" at restaurants located in Idabel and Broken Bow (local meals); 3) payments for meals totaling \$1,263.96 which included meals for more than one (1) individual at the time which the executive director was on travel status alone (meals for others; and 4) payments totaling \$12,894.47 were made in which there was no itemized vendor receipt attached, only the credit card receipt. The following schedule documents the exceptions by the executive director and programs director and fiscal year.

EXECUTIVE DIRECTOR:

FISCAL YEAR	NO RECEIPT	LOCAL MEALS	MEALS FOR OTHERS	RECEIPT NOT ITEMIZED
2004	230.30	759.87	263.28	352.54
2003	2,408.13	7,050.43	612.85	4,764.66
2002	5,592.94	6,790.97	387.83	6,125.90
2001	<u>23,200.68</u>	<u>3,616.56</u>	<u>-0-</u>	<u>368.18</u>
TOTAL	<u>31,432.05</u>	<u>18,217.83</u>	<u>1,263.96</u>	<u>11,611.28</u>

PROGRAMS DIRECTOR:

FISCAL YEAR	NO RECEIPT	LOCAL MEALS	MEALS FOR OTHERS	RECEIPT NOT ITEMIZED
2004	31.54	193.07	-0-	79.01
2003	300.00	1,517.89	-0-	360.10
2002	945.43	286.32	-0-	434.98
2001	<u>22,763.45</u>	<u>330.14</u>	<u>-0-</u>	<u>409.10</u>
TOTAL	<u>24,040.42</u>	<u>2,327.42</u>	<u>-0-</u>	<u>1,283.19</u>
TOTAL	<u>54,909.70</u>	<u>20,545.25</u>	<u>1,263.96</u>	<u>12,894.47</u>

The Co-op's personnel policy states, in part:

"Reimbursement for meals while in travel status is authorized for actual expenses incurred and receipts for each meal must be attached to the claim form."

We find no authority that allows the purchase of meals when the individual is not in travel status.

Also, receipts did not always document whom the Co-op was providing the meal to; therefore, we were unable to determine if the individual was an employee of the Co-op.

RECOMMENDATION: We recommend the District Attorney review this finding to determine what action, if any, should be taken.

**MCCURTAIN COUNTY EDUCATIONAL CO-OP
SPECIAL AUDIT REPORT
OCTOBER 1, 2000 THROUGH SEPTEMBER 30, 2003**

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There may have been other areas of concern expressed by patrons of the Co-op, which are not addressed. Because they were noted to be either (1) unfounded, or (2) sufficient information was not available to reach a definite conclusion, they are not set out and discussed in this report.

Throughout this report there are numerous references to state statutes and legal authorities, which appear to be potentially relevant to issues raised by the patrons 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 Co-op or any of the individuals named in this report or acting on behalf of the Co-op 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 Co-op 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