



Mounds Public School
District No. 191005
Creek County
Special Audit Report
January 1, 2001 – May 31, 2004

JEFF A. McMAHAN, CFE

OKLAHOMA OFFICE
OF THE
STATE AUDITOR & INSPECTOR

Why the audit was performed

In accordance with a citizens'
petition

74 O.S 2001, § 212(L)

Audit Summary:

- ✓ Emergency General Fund expenditures are being paid by the Activity Fund and later reimbursed by the General Fund. **Pg 8**
- ✓ Activity Fund checks are not being counter-signed by the Activity Fund Custodian as required by 70 O.S. 2001, § 5-129(A). **Pg 9**
- ✓ Activity Fund checks are not pre-numbered. **Pg 10**
- ✓ Itemized receipts were not retained and present to support expenditures. **Pgs 15-18**
- ✓ In one instance, the District did not follow its own policy for the use of District property for non-school related functions. **Pg 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.

MOUNDS PUBLIC SCHOOL DISTRICT No. 191005

CREEK COUNTY

SPECIAL AUDIT REPORT

JANUARY 1, 2001 THROUGH MAY 31, 2004



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

Jeff A. McMahan
State Auditor and Inspector

July 8, 2005

Citizens and Petitioners
Mounds Public School District No. 19I005
Mounds, Oklahoma 74047

Transmitted herewith is the Special Audit Report of the Mounds Public School District No. 19I005, Creek County, Oklahoma. We performed our special audit in accordance with the requirements of **74 O.S.2001, § 212(L)**.

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 District.

The Office of the State Auditor and Inspector is committed to serve the public interest by providing independent oversight and by issuing reports that serve as a management tool to the State. Our goal is to insure a government, which is accountable to the people of the State of Oklahoma.

We wish to take this opportunity to express our appreciation for the assistance and cooperation extended to our Office during the course of our special audit.

Sincerely,

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

- Ray Driskell.....President
- Terry ButlerVice President
- Paul Blanchard.....Clerk
- Earl GreerMember
- Tim Hamilton.....Member

SUPERINTENDENT

Dennis Campbell

TREASURER

Angela French



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

Jeff A. McMahan
State Auditor and Inspector

Mr. Dennis Campbell, Superintendent
Mounds Public School District No. 19I005
P.O. Box 189
Mounds, Oklahoma 74047

Dear Mr. Campbell:

Pursuant to a citizens' petition and in accordance with the requirements of **74 O.S. 2001, § 212(L)**, we performed a special audit with respect to the Mounds Public School District No. 19I005, Creek County, for the period January 1, 2001 through May 31, 2004.

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 Mounds Public School District No. 19I005 for the period January 1, 2001 through May 31, 2004. 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 to provide information to the Petitioners, Board of Education and Administration of the District. This restriction is not intended to limit the distribution of the report, which is a matter of public record when released.

Sincerely,

JEFF A. McMAHAN, CFE
State Auditor and Inspector

April 28, 2005

INTRODUCTION

The Independent School District No. 191005, Creek County, Oklahoma, (Mounds Independent 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 Mounds 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 and the Mounds Public School District are subject to the provisions of the **Oklahoma School Code**.

The Mounds Public School District No. 191005 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 Mounds Public School District, primarily those records relating to the Petitioners' 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.

BOARD OF EDUCATION FIDUCIARY RESPONSIBILITIES

The Mounds Public School Board of Education and Superintendent have an obligation to act in the best interest of Mounds Public School as a whole. This fiduciary responsibility requires all funds belonging to the District be handled with scrupulous good faith and candor. Such a relationship requires that no individual shall take personal advantage of the trust placed in him or deal in such a way as to personally benefit him. When the Board of Education and the Superintendent accept responsibility to act in a fiduciary relationship, the law forbids them from acting in any manner adverse or contrary to the interest of the District.

CONCERNS, FINDINGS AND RECOMMENDATIONS

I. CONCERN: *Possible irregularities in Activity Fund accounts.*

Petitioners voiced concern over how the money and tickets are accounted for at school events in which there are ticket sales.

FINDING 1: Based upon an interview with the Activity Fund Custodian (AFC) and review of the District's records, we noted the internal controls established by the District are very good. Prior to each event, the AFC decides the color scheme for the tickets at that particular event. She then prepares a report, which details the starting number on the tickets, both for the adult and children attendees. She also notes on this form what type of event is to take place. The sponsor in charge of the event then picks up the tickets and signs the form created by the AFC. At the conclusion of the event, the sponsor returns the report to the AFC who compares the reported ending ticket sale information with the actual number sold. The AFC then compares the gate receipts collected to make sure that all monies turned in, balance with the number of tickets sold.

We reviewed completed forms and forms that were being prepared to be assigned. The forms we reviewed had the appropriate signatures and computations.

RECOMMENDATION: A recommendation is not necessary.

Teachers received a stipend to do fund-raising activities.

FINDING 2: From examining the records, interviews with the Administrative Assistant /Elementary School Principal and the Activity Fund Custodian (AFC), and reviewing applicable laws, we noted what appears to be stipends paid to certain teachers are actually a reward paid to the students for their exemplary participation in a fund raising activity. The money paid to the class was given to the teacher, for the students to decide how they wanted to spend the money.

According to the Administrative Assistant/Elementary School Principal, money is built-in to the fund-raising activity to pay the "rewards". There is no reduction in the amount of money the school will earn on the activity.

We are not aware of any prohibition in State law or in Mounds Public School policy or guidelines against paying rewards to students for fund raising activities.

RECOMMENDATION: A recommendation is not necessary.

Individuals are being paid from the activity fund.

FINDING 3: From reviewing the records of the Activity Fund, we noted numerous examples of individuals being paid from the activity fund. We did not find any employees of Mounds Public Schools receiving money from this fund, other than reimbursements.

According to Oklahoma School Law, funds may be expended from the Activity Fund sub-accounts for any reason as long as the expenditure is related to activity of a given sub-account.

RECOMMENDATION: A recommendation is not necessary.

The petitioners want to know if the Activity Fund receives interest on the account and if the account does receive interest, what is the disposition of that interest.

FINDING 4: From examining the records, we determined that interest is paid on the Activity Fund account. Based upon interviews with the Activity Fund Custodian and examining the records, the money remains in the Activity Fund Account. The interest money is used to fund student activities that are not covered by specific Activity Fund sub-accounts.

RECOMMENDATION: A recommendation is not necessary.

The secretary has paid bills from the Activity Fund and has reimbursed the Activity Fund from the General Fund.

FINDING 5:

- From examining records in 2003-04 academic years, we noted a transaction, which should have been paid by the Activity Fund: Beta Club. However, the payment was made from the General Fund (GF). The Activity Fund: Beta Club reimbursed the General Fund (GF).
- Based upon our review of the General Fund Account and interviews with the District secretary, we determined a repair was made to a school building. The contractor needed immediate payment, so the bill was paid from the Activity Fund: General Account. The General Fund then reimbursed the Activity Fund: General Account.
- Based upon our review of the Activity Fund: General Account and interviews with the Activity Fund Custodian (AFC), a Special Needs instructor was brought in to work with a Mounds student. The Special Needs Instructor needed to be paid that day. The check was written from the Activity Fund: General Account and reimbursed by the General Fund.

RECOMMENDATION: We recommend that Activity Funds only be used for Board approved purposes, not emergency expenditures. In addition, we recommend the Mounds Board of Education develop and implement policies and procedures to address emergency payment situations.

OTHER ITEMS NOTED IN THE ACTIVITY FUND

CONCERN: *Currently the Superintendent and the Administrative Assistant/Elementary Principal countersign the Activity Fund checks.*

FINDING: Activity Fund checks, had not been counter-signed by the Activity Fund Custodian as required by **70 O.S. 2001 § 5-129(A)**, which states in relevant part:

“Disbursements from each of the activity accounts shall be by check countersigned by the school activity fund custodian [.]”

RECOMMENDATION: We recommend the Mounds Board of Education review their procedures for compliance with Oklahoma State Statutes.

CONCERN: *The Activity Fund Custodian is not denoting the receipted funds as cash or check.*

FINDING: Some of the receipts are not marked designating whether the money received is cash or checks.

RECOMMENDATION: We recommend the Activity Fund Custodian designate on the receipt slips whether the money received is cash or check. Implementation of this recommendation would ensure the exact amounts of cash and checks are properly accounted for and deposited.

CONCERN: *In November of 2002, there was a transfer of funds from the Child Nutrition program into the Mounds High School Activity Fund. The transfer totaled \$172.00.*

FINDING: We determined the Activity Fund Custodian (AFC) used to keep the deposit books from the Child Nutrition Program and the School Activity Fund in the same drawer. This particular transaction was the result of a previous error by the AFC in which she used the incorrect deposit slip. The transfer of funds was to rectify the previous error. The AFC also reported she has moved the deposit slips from each account to an entirely different part of the office to lessen the likelihood of repeating the same error.

RECOMMENDATION: A recommendation is not necessary.

CONCERN: *A check was created and issued in the amount of \$4,966.80. The check was written to Gaylord Opryland Hotel to cover the cost of students who stayed there while attending a Beta Club National Conference.*

FINDING: From a review of the supporting documentation from the hotel, we noted the invoice was \$4,832.76. The check was written to the hotel in the amount of \$4,966.80. The result is a difference of \$134.04. Further investigation of the documentation reveals that the hotel issued a refund check in the amount of \$134.04, which was deposited into the Beta Club Activity Account, by the Beta Club Sponsor on 07/14/2003.

RECOMMENDATION: A recommendation is not necessary.

CONCERN: *While reviewing the Activity Fund, we noted that some of the checks had typed check numbers and some had hand-written check numbers on the checks.*

FINDING: The possibility exists for duplicate checks to be issued, since the Activity Fund Account does not use pre-printed check numbers on the checks. Duplicate checks could allow for fraudulent purchases.

RECOMMENDATION: We recommend the Activity Fund Custodian (AFC) use checks pre-numbered by the printing company, to ensure that duplicate checks are not issued and reduce the opportunity for fraudulent purchasing activity.

II. CONCERN: *Possible irregularities in payroll.*

FINDING: We obtained the Superintendent's three year contract beginning July 1, 2002 through June 30, 2005 to ensure proper payment had been made. On July 15, 2002, the Mounds Board of Education approved the contract. We examined the calculations used by the District to determine if the proper amounts had been used. The following is a summary of the Superintendent's payroll amounts:

FY 02-03 (FIRST YEAR OF CONTRACT)

Base Salary	\$67,492.00	
CCOSA Dues	276.00	
Fringes: Health Insurance	3,134.88	
Teach.Ret. (3% per contract)	<u>2,127.09</u>	
Total Compensation per Contract		\$73,029.97
 (Actual Compensation)		
Base Salary (including CCOSA)	\$64,654.93	
Health Insurance (including increase)	3,576.28	
Teachers Retirement offset (per statute)	1,410.53	
Teachers Retirement	<u>3,705.25</u>	
Total Actual Compensation		<u>\$73,346.99</u>
	Difference	317.02 (overpayment)
 *Less: Health insurance increase not included in contract		
		<u>474.62</u>
	Difference	\$< <u>157.60</u> > (underpayment)

* The health insurance increase was not included in the original contract amount. The total increase for the year in health insurance was \$441.40 with a teacher's retirement percentage of .075269, an additional \$33.22, for a total of \$474.62.

FY 03-04 (SECOND YEAR OF CONTRACT)

Base Salary (4% increase per contract)	\$70,191.68	
CCOSA Dues	276.00	
Fringes: Health Insurance	4,194.24	
Teach.Ret. (5% per contract)	<u>3,733.10</u>	
Total Compensation per Contract		\$78,395.02

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(Actual Compensation)		
Base Salary (Including CCOSA)	\$68,712.38	
Health Insurance (including increase)	4,453.24	
Teachers Retirement offset (per statute)	1,410.53	
Teachers Retirement	<u>4,096.59</u>	
Total Actual Compensation		<u>\$78,672.74</u>
	Difference	277.72 (overpayment)
**Less: Health insurance increase not included in contract		
		<u>278.49</u>
	Difference	\$ <u><.78></u> (underpayment)

**The health insurance increase was not included in the original contract amount. The total increase for the year in health insurance was \$259.00 with a teacher's retirement percentage of .075269, an additional \$19.49, for a total of \$278.49.

RECOMMENDATION: We recommend the Mounds Board of Education reflect in the contract the total amounts to be paid to the Superintendent on an annual basis. Implementation of this recommendation would ensure that there is no speculation as to the Superintendent's total annual compensation.

FINDING: A "Personnel Report" provided by the State Department of Education denotes a special education teacher received \$20,000.00 in extra duty pay for FY 2001-02 school year. After further review of the District's payroll records, it appears the \$20,000.00 extra duty pay was actually a \$200.00 stipend that all teachers received during the FY 2001-02 school year. It appears the information was erroneously input by the District's secretary. A letter dated May 17, 2004 sent by the school's secretary to the State Department of Education requests the mistake be corrected with the proper amounts. A fax dated the same day, from the State Department of Education reflects the correction.

RECOMMENDATION: A recommendation is not necessary.

CONCERN: *A teacher is being paid Title I funds to teach a math class when she is not teaching the class.*

FINDING: We reviewed the teacher's payroll records for FY 02, FY 03 and FY 04 school years to determine the funding source. In FY 02, \$945.00 was paid to the teacher from Title I funds. The payment was coded for "At Risk Students". In FY 03, the majority of the teacher's salary was paid from Title I funds. We were informed the full time Title I Math services teacher for that year had left the District and a temporary replacement was needed. The teacher spent approximately half her day in the math class until a permanent teacher could be hired. The remainder of her day was performing library media services at the District's library. In FY 04, the teacher's salary was coded under "At Risk Students" and "No Child Left Behind" categories. The teacher provided math and reading tutoring, study skills and accelerated reading to individual students. From our review, there was no indication that the teacher was being paid specifically for a Title I "math service" teacher.

In addition, we contacted the State Department of Education and spoke with a Title I specialist and was informed that as long as the teacher was certified with the State in their specific area, there were no Federal regulations to prohibit the use of the funds.

RECOMMENDATION: A recommendation is not necessary.

III. CONCERN: *Possible irregularities concerning the Five Star Co-op.*

What happens to the money that the school receives from the Five Star Co-op?"

FINDING: In the FY 2001-02 school year, the Mounds School District entered into an agreement with the Five Star Inter-local Cooperative located in Cushing, Oklahoma. Mounds Schools is a member of the Co-op, along with 25 other school districts in a 5 county area. The Co-op provides classroom and itinerant teachers certified and qualified for those who are in need of an Individualized Educational Program (IEP).

The District approves to pass-through their portion of the IDEA (Individuals with Disabilities Education Act) flow through funds each year to the Co-op. The IDEA funds passed through to the Co-op are summarized as follows:

FY01-02	\$ 86,819.52
FY02-03	110,968.00
FY03-04	125,068.64

In addition, a yearly assessment fee is paid to the Five Star Co-op depending on the child count from the prior school year. The school assessments are summarized as follows:

FY01-02	\$13,998.86
FY02-03	13,998.86
FY03-04	11,761.81

As part of the Inter-local agreement, the Mounds school district receives an annual reimbursement from the Co-op for the special transportation (actual mileage basis only) of Co-op students with disabilities. Mounds students are transported on a daily basis to other Co-op classrooms in the surrounding areas. Per the agreement, only actual mileage can be claimed for reimbursement. These funds are placed in the District's general fund to reimburse for monies already paid by the District. The following travel reimbursements are summarized:

FY01-02	\$8,208.20
FY02-03	7,227.18
FY03-04	8,141.36

A one-time refund was made to the District in February 2003. We obtained the Five Star Inter-local Cooperative Board Minutes, dated January 9, 2003, which states,

“7. Motion made by [board member), seconded by [board member] to approve reimbursing the inter-local school districts 75% of their assessments by March 1st, 2003. All voted aye.”

The Co-op had excess funds at the end of the year and remitted to member schools a portion of their yearly assessment. Mounds Schools received \$10,499.15. The monies were deposited back into the District’s general fund to be used for special education services that the school itself also provides.

Funds expended by the District on special education are “out-of-pocket” expenses, not reimbursed by the State. The majority of these funds are used for salaries and benefits of special education teachers and staff. From the general fund, our office summarized the District’s expenses for special education services. They are as follows:

FY 01-02

Instruction:

Certified Salaries	\$136,193.40
Health Insurance	1,406.20
FICA	10,131.07
Stipends	800.00
Teacher Retirement	9,410.68
Non-Certified Salaries	12,523.00
Stipends	200.00
FICA	433.62
Health Insurance	1,673.04
Salary in Lieu of Fringe Benefits	1,673.04
Five Star Co-op Assessment	13,998.86
Supplies	7.15
Books	2,960.70
Technology	1,123.91
Vehicle Maintenance	<u>6,500.00</u>
Total General Fund Expenses	<u>\$199,034.67</u>

FY 02-03

Instruction:

Certified Salaries	\$137,449.20
Health Insurance	1,920.00
Salary for early retirement	11,000.74
FICA	10,037.39
Teachers Retirement	9,825.34
Non-Certified Salaries	6,290.97
FICA	481.28
Supplies	118.45
Textbooks	1,464.45
Technology	1,271.01
Transportation	<u>518.40</u>
Total General Fund Expenses	<u>\$180,377.23</u>

FY 03-04

Instruction:

Certified Salaries	\$ 98,075.25
Insurance	705.75
FICA	7,137.70
Teacher Retirement	6,975.51
Non-Certified Salaries	13,210.75
FICA	1,010.60
Salary in lieu of fringe benefits	2,300.43
FICA	175.89
Professional Education Services	2,034.58
Psychological Services	9,949.42
Five Star Co-op Assessment	11,761.81
Supplies	3,600.01
Books	489.50
Transportation	<u>936.61</u>
Total General Fund Expenses	<u>\$158,363.81</u>

We noted no irregularities in the affiliation between the Mounds School District and the Five Star Co-op.

RECOMMENDATION: A recommendation is not necessary.

OTHER FINDINGS

CONCERN: *The former Independent Auditor is not eligible to audit for the Mounds School District because of governmental auditing certification issues.*

FINDING: On April 24, 2003, the State Department of Education (SDE) informed school districts its selection for the FY02-03 Independent Auditor list. The letter states,

“ Each of the independent auditors, as shown on the attached list, was approved by the State Board of Education at its regular meeting on April 17, 2003. This list is to be used by you and your board of education in selecting an auditor for the 2002-2003 school year in accordance with **70 O.S. 2001, §22-103**, which states,

‘The board of education of each school district in this state shall provide for and cause to be made an annual audit of such school district for each fiscal year.’”

Both the former and the current Independent Auditor were named on the SDE’s approved selection. Though the auditor selected may not actually conduct the fieldwork, their staff is also encompassed under the supervision or umbrella of the approved auditor.

RECOMMENDATION: A recommendation is not necessary.

CONCERN: *The Superintendent installed a new roof on his mobile home at the same time the School was replacing their roof. Was the Superintendent's roof paid for by the School?"*

FINDING: With permission from the Superintendent, our office obtained a microfilmed canceled check, dated May 22, 1999, in the amount of \$2,625.00 from his personal checking account. The payee was denoted as Duane Skaggs of Warner, Oklahoma. We contacted Mr. Skaggs, a private contractor, and were informed he installed the new roof on Mr. Campbell's mobile home. Mr. Skaggs was unable to locate his invoice due to the lapse of time, but remembers being hired by Mr. Campbell to replace his roof. Mr. Skaggs also stated that he occasionally orders material from BRB Roofing (the same company who installed the school's new roof) located in Fort Gibson, Oklahoma, but otherwise has had no other affiliation with the company.

RECOMMENDATION: A recommendation is not necessary.

CONCERN: *Possible irregularities in school credit card purchases.*

In October 2003, the Board of Education adopted a School Credit Card Policy that instructs the handling of all school issued credit cards. The policy established strict guidelines for the maintenance of the School's credit cards (*Mounds School Board Policy, Book 1, Section 304.R.3; School Credit Card Administrative Regulations*), which states in pertinent part,

- “1. The credit cards will be maintained in the Superintendent's office. The Superintendent will carefully control the use of credit cards.
2. The Superintendent and the Superintendent's designees are the only district employees authorized to charge expenditures on the cards.
3. Personnel desiring use of the cards must obtain approval through the Superintendent's office.
4. The employee who is serving as a sponsor for a board-approved activity may check out the cards from the Superintendent's office. The cards will not be issued unless the employee has a signed out requisition and purchase order on file with the encumbrance clerk prior to checking it out.
5. A card usage log will be maintained in the Superintendent's office and will include the following information:
 - A. The signature of the employee checking out the card.
 - B. The activity for which the card is to be used.
 - C. The date the card is checked out.
 - D. The date the card is checked in.
 - E. Verification of receipts turned in for all purchases. Receipts for gasoline purchases must include the license number or vehicle number.

9. All usage of school credit cards will require the acquisition of an *original invoice* from the vendor in addition to the credit card invoice customer copy. Purchase made with the credit *will not be reimbursed* without either the original and/or the customer copy of the credit card invoices.”

Our office utilized the above guidelines while reviewing credit card expenditures. The following findings are summarized for three (3) District credit card vendors.

FINDING: We obtained the District’s Visa credit card purchases for the FY 02, 03 and 04 school years. The District was issued one (1) Visa card that was given to the Superintendent for District- related travel expenses. The credit card is maintained and controlled by the Superintendent. However, we were informed that activity sponsors would occasionally borrow the card for travel-related expenses on school trips (i.e. meals, lodging). Also, faculty will utilize the card for job-related travel to meetings and conferences.

While reviewing invoices related to the Visa billing statements, we noted that many of the expenses did not have *itemized* receipts attached to verify the expenditure. For instance, a meal receipt would be included in the support documentation, but it would be generic in nature and did not describe items ordered. This hindered our examination to ensure that unallowable expenses had not been paid with District funds.

In addition, we noted numerous instances where receipts could not be located to support the transactions. However, some of the missing receipts could have been due to a school club utilizing the school’s credit card for club trips. The activity fund would pay for their travel-related expenses and in turn the General fund would pay for its expenses separately. This method of payment meant that the club’s actual receipts were attached to the purchase order in the activity fund verifying the expenditure and not attached to the general fund purchase order with the Visa billing statement.

In several cases, the general fund’s portion of the expenses lacked the proper documentation for meals, lodging and miscellaneous travel expenditures.

As required by District policy, the Superintendent’s office does not maintain a check out list for the Visa card. Due to the lack of signed receipts and/or documentation, it was difficult to distinguish the user of the card and determine the purpose of the expenditure.

Even though supporting documentation and internal controls for credit cards could be improved, the expenditures we reviewed did not appear to be excessive. All purchases were for meals, lodging, and miscellaneous expenses that did not appear out of the ordinary for District-related activities.

RECOMMENDATION: We recommend enforcement of District policy. The policy, if followed, has excellent internal controls in safeguarding District funds. In addition, if *itemized* receipts are not submitted to the District secretary in a timely manner, we recommend the Board adopt a policy that will make the user responsible for the purchase.

FINDING: The District maintains a Phillips 66 credit card account at a local store in Mounds. The card is kept at the store and is used by District faculty and staff. There is not a formal check out list at the Superintendent's office as prescribed by District policy. While reviewing receipts to support credit card expenditures, it appears that several faculty members, staff and administration utilize the store's account. The following are our findings:

- The District's cafeteria manager and Home Economics teacher utilize the account frequently. Though the purchases are small amounts, the receipt is generic and does not describe what was purchased or its purpose.
- Administration, maintenance staff, and faculty routinely purchase gasoline. However, as prescribed by District policy, there is no vehicle information listed to validate the purchase or its purpose.

In the past (FY 01, FY 02) the credit card billing statements did not denote if the items purchased were non-fuel related. Currently, billing statements reflect the information in a generic description (fuel or non-fuel). The store has the purchaser sign a generic ticket with an amount and gives the District all tickets for validation each month. However, the tickets still do not reflect an *itemized* description of the purchase.

The Superintendent maintains that faculty and staff are supposed to have prior approval before using the account. However, without an authorization checklist, it is uncertain if each of the purchases were approved prior to the transaction.

RECOMMENDATION: We recommend the District utilize their own fuel pump system when filling District vehicles. Unforeseen circumstances may require fueling at the local store. If so, the Board of Education should establish procedures for the approval to do so. In addition, we recommend that if faculty and staff need to purchase gasoline for District-related travel in their personal vehicle, they submit a mileage reimbursement request, as required by District policy. This would alleviate the concern that vehicles are being fueled for personal use. Also, we recommend that prior approval be made before making a purchase at the local store. In addition, itemized receipts should be submitted (item description and purpose) to the District secretary.

CONCERN: *Petitioners voiced concerns that not all Wal-Mart credit card transactions were supported with documentation in December 2004.*

FINDING: Based on a review of the Wal-Mart vendor file, we noted documented information of expenditures totaling \$477.91. The receipts we noted for the same month totaled \$153.72, which leaves \$324.19 in unsupported purchases.

We question the credit card purchases in the amount of \$324.19. which were not supported by receipts.

RECOMMENDATION: We recommend enforcement of District policy. The policy, if followed, has excellent internal controls in safeguarding District funds. In addition, if *itemized* receipts are not submitted to the District secretary in a timely manner, we

recommend the Board adopt a policy that will make the user responsible for the purchase.

FINDING: *Based on the results of the December 2004 review, we reviewed all Wal-Mart transactions and receipts for August 15, 2004 through March 15, 2005.*

We examined statement summaries for the Wal-Mart account from August 15, 2004 through March 15, 2005. We compared the summaries to the receipts that were submitted for each time period. Receipts were missing in each month that we reviewed; the follow table details the unsupported purchases, by months:

MONTH	AMOUNT
July 2004	\$ 1,040.32
August 2004	1,098.64
September 2004	1,435.57
October 2004	59.80
November 2004	285.21
December 2004	324.19
January 2005	100.52
February 2005	999.80
March 2005	745.88
TOTALS	\$ 6,089.93

RECOMMENDATION: We recommend enforcement of District policy. The policy, if followed, has excellent internal controls in safeguarding District funds. In addition, if *itemized* receipts are not submitted to the District secretary in a timely manner, we recommend the Board adopt a policy that will make the user responsible for the purchase.

CONCERN: *Petitioners reported a school District patron is “renting” some of the school bleachers. The patron pays the school around \$1,000 in cash and pays the Superintendent \$500 in cash for the use of the bleachers.*

FINDINGS:

- In reviewing the bank statements and receipts for school year 2003–04, we noted receipts and deposit slips, which reflect the patron made a payment to the District as a donation. The payment was made on 5/13/2004, in the form of a check. The check was reported on receipt number 3477, in the amount of \$1,000.
- In reviewing the bank statements and receipts for school year 2002–03, we noted receipts and deposit slips, which reflect the patron made a payment to the District as a donation. The payment was made on 5/9/2003, in the form of a check. The check was reported on receipt number 2670, in the amount of \$1,000.

- In reviewing the bank statements and receipts for school year 2001–02, we noted receipts and deposit slips, which reflect the patron made a payment to the District as a donation. The payment was made on 5/15/2002, in the form of a check. The check was reported on receipt number 6065, in the amount of \$500.00.

A review of the *Mounds Board of Education Policy Manual, Section 400, General Administration, Use of School Facilities*, provides a specific allowance for this type of activity. In addition, this policy references School Laws of Oklahoma, **70 O.S. § 5-130(A)(1)**.

Board of Education Policy Manual, Section 400, General Administration, Use of School Facilities, states in part,

“Mounds Board of Education believes that the first priority in the use of school district facilities is the education of the children in the district. However, local citizens are encouraged to use the facilities for other reasonable educational, recreational, and social functions. School facilities shall not be used for commercial use or personal gain or profit.

The board may open any school building and permit the use of any property belonging to the district for religious, political, literary, community, cultural, scientific, mechanical, agricultural or parental involvement purposes of general public interest.

The board shall exercise its authority to fix and collect rental rates and charges for the occupancy or use of school facilities in such amounts and in such manner as may be determined.

The superintendent or superintendent’s designee will establish rules and regulations in support of this policy.”

In addition, **70 O.S. § 5-130(A)(1) & (3)** states:

“A. The board of education of any school district may, under such regulations and conditions as it may prescribe:

1. Open any school building and permit the use of any property belonging to such district for religious, political, literary, community, cultural, scientific, mechanical, agricultural, or parental involvement purposes, and other purposes of general public interest including the provision of public library services pursuant to agreements with governing boards or commissions of public libraries or library systems;
* * *
3. Make a reasonable charge to cover the cost of the use of such building, property or transportation equipment.”

In the minutes of the May 12, 2003 Mounds Board of Education meeting, the Superintendent reported to the Board,

“A school patron made another generous donation to the school for the use of our athletic bleachers.”

On Monday, April 18, 2005, we met with the school patron at his place of business. He provided the following background on his donations to Mounds Public Schools. He said he has had a number of children and grandchildren who have gone to school in this district, and he is happy with the education they have received and wanted to give something back to the District. He also informed our office that he utilizes the bleachers for his company's annual "cow sale." He agreed to the amounts of money that have been deposited in the activity fund. The money donated by this patron was deposited into the Activity Fund. He said he has never paid the District with cash; he has only donated money by check.

This practice appears to be contrary to District policy stating, "School facilities shall not be used for commercial use or personal gain or profit."

RECOMMENDATION: We recommend the Board of Education review this finding and insure compliance with the District's policies and procedures.

CONCERN: *Petitioners voiced concern that two school employees were paid stipends for extra duties that were done during their normal workday.*

FINDING: The employment contracts for the two employees were reviewed. The following summarizes the contracts.

- Employee number one was hired mid-year in the 2001–02 contract year. The contract has not been located.
- The employment contract for employee number one for the school year 2002–03 states: "the employee will work for 10 months at an annual salary of \$10,808.00." In addition, this employee was given an additional \$1,000 as a designated Computer Tech for the Elementary School. The contract period was from August 1, 2002 through May 31, 2003. There was a note at the bottom of the contract that a stipend may be paid if funds are available and in addition to the salary, the employee will receive \$960 for health insurance, state law requires this amount.
- The employment contract for employee number one for the school year 2003-04 states: "the employee will work for 10 months at an annual salary of \$10,808.00." In addition, this employee was given an additional \$1,000 as a designated Computer Tech for the Elementary School. The contract period was from August 4, 2003 through May 28, 2004.
- The employment contract for employee number two for the school year 2001–02 states: "the employee will work for 10 months at an annual salary of \$10,237.50". The contract period was from August 1, 2001 through May 31, 2002. There was a note at the bottom of the contract that a stipend may be paid if funds are available and in addition to the salary, the employee will receive half of a single rate of state insurance if the employee chooses to participate in the insurance plan.

- The employment contract for employee number two for the school year 2002–03 states: “the employee will work for 10 months at an annual salary of \$10,808.00.” The contract period was from August 1, 2002 through May 31, 2003. There was a note at the bottom of the contract that a stipend may be paid if funds are available and in addition to the salary, the employee will receive \$960 for health insurance, state law requires this amount.
- The employment contract for employee number two for the school year 2003–04 states: “the employee will work for 10 months at an annual salary of \$11,808.00.” The contract period was from August 4, 2003 through May 28, 2004.

Based on discussions with the District secretary, since the employees in question have 10-month contracts which detail their work assignments and compensation, any work they perform during their duty hours would be considered part of their job. Each employee received a \$200 stipend in March 2004 for attending computer technology training. According to the District secretary, this training did not occur during duty time. The classes were offered both after hours and on Saturdays. The employees would receive compensation on a separate contract if they worked during the summer, which is off contract.

RECOMMENDATION: A recommendation is not necessary.

CONCERN: *Petitioners voiced concern over a former employee, who reportedly was paid in 2001 or 2002 for not taking a sick day from work. When the former employee told the District secretary she did not deserve the money, the former employee was reportedly told by the District secretary, “. . . It is okay if you missed a day we take care of our own. We are good to those who are good to us”.*

FINDING: A review of the contracts for teaching years 2001–02 and 2002–03 reflects there were no provisions for payment of sick leave to the employee.

A review of the payroll for the teaching years 2001–02 reflects a \$200 stipend paid to the employee in December 2001 and a \$315 stipend was paid to the employee in June 2002.

The stipend paid in December 2001 was paid to all employees of the Mounds School System. The stipend paid in June 2002, was paid to employees who did not take any sick leave. According to the District’s secretary and the Superintendent, the District was having difficulty ensuring that teachers would be available. This was incentive money to keep the teachers in their classrooms. The school received Board approval for Policy #507, which explained and detailed how the money was determined.

Mounds Board of Education, “Policy 507 Perfect Attendance Incentive Policy”, states in relevant parts:

“Full time certified personnel and full time non-certified personnel may receive a \$315.00 reward for perfect attendance during the current fiscal year.

If no days are used for the current fiscal year, an amount of \$315.00 may be rewarded at the end of the year . . . The 2001 – 2002 time schedule will be August 13, 2001 until May 31, 2002.”

In an interview with the District secretary, she denies ever having had a conversation with the former employee as reported above. In addition, we obtained a signed receipt by the employee, agreeing to the calculation of sick leave pay for that year. The

employee has since left the employment of the District and we were unable to validate the signed receipt for the sick leave payment.

RECOMMENDATION: A recommendation is not necessary.

* * * *

There may have been other areas of concern expressed by patrons of the District, 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 District 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 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.