



NEWCASTLE PUBLIC SCHOOL DISTRICT

Citizen Petition Audit Report

For the period July 1, 2016 through June 30, 2018

Cindy Byrd, CPA
State Auditor & Inspector

NEWCASTLE PUBLIC SCHOOL DISTRICT
CITIZEN PETITION AUDIT REPORT
FOR THE PERIOD JULY 1, 2016 THROUGH JUNE 30, 2018

July 22, 2019

TO THE NEWCASTLE PUBLIC SCHOOL DISTRICT PETITIONERS AND CITIZENS

Pursuant to your request and in accordance with the requirements of 74 O.S. § 212(L), we performed an audit of the Newcastle Public School District for the period July 1, 2016 through June 30, 2018.

The objectives of our audit primarily included, but were not limited to, the concerns noted in the citizen petition. The results of this audit, related to these objectives, are presented in the accompanying report.

The goal of the State Auditor and Inspector is to promote accountability and fiscal integrity in state and local government. Maintaining our independence as we provide services to the taxpayers of Oklahoma is of utmost importance.

This report is addressed to and is for the information and use of the petitioners and citizens of the Newcastle Public School District. This report is also a public document pursuant to the Oklahoma Open Records Act in accordance with 51 O.S. §§ 24A.1, *et seq.*

Sincerely,



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



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Executive Summary

Why We Conducted This Audit

We conducted this audit at the request of the citizens of the Newcastle Public School District (District) pursuant to 74 O.S. § 212(L).

What We Found

The Newcastle Public School District has excellent policies, procedures, and financial controls in place. They serve the District well as a standard for providing oversight and management of financial activity.

Overall, the allegations of impropriety in the District were either unfounded or unsubstantiated. We did note isolated instances of noncompliance with policies and procedures as reported in the following pages of this report.

Introduction The Newcastle Public School District, McClain County, Oklahoma, (District) is part of the Oklahoma State System of Public Education as described in 70 O.S. §§ 1-101 *et seq.* of the Oklahoma School Code.

The governing body of the District is the Board of Education (Board). As provided for in 70 O.S. § 5-117, the Board shall have the power to maintain and operate a complete public-school system of such character as the board of education shall deem best suited for the needs of the school district. The superintendent acts as the executive officer of the District.

**Objectives
Defined**

In a petition verified by the McClain County and Grady County Election Boards on July 12, 2018, and July 16, 2018, respectively, the citizens of the District requested the assistance of the Oklahoma State Auditor and Inspector (SA&I) to examine the books of said school district pursuant to 74 O.S. 212(L), for the period including, but not limited to, July 1, 2016 through June 30, 2018. In discussions with petitioners and based on review of the materials and information presented, it was determined our objectives would be the following:

- I. Review the establishment of an activity fee and financial activities associated with select school activity fund accounts for compliance with laws and regulations.
- II. Review the former superintendent's and the chief financial officer/chief operating officer's employment contracts, along with selected extra-duty contracts for compliance with laws and regulations.
- III. Review secretarial contracts to determine if preferential treatment was provided to select employees.
- IV. Review a sample of general fund expenditures to determine that funds were properly encumbered, purchases were properly receipted, documented, and for appropriate school purposes.
- V. Review possible misuse of Johnson O'Malley Program funds.
- VI. Determine if District employees were adequately bonded.
- VII. Review other issues brought forth by petitioners that were not addressed in the original citizen petition.

OBJECTIVE I Activity Funds

Objective ***Review the establishment of an activity fee and financial activities associated with select school activity fund accounts for compliance with laws and regulations.***

Petitioners were concerned with the assessment, collection, and transfer of a school activity fee. The activity fee was managed as a sub-account in the Activity Fund.

Petitioners also questioned the legitimacy of selected receipts, expenditures, and transfers within various Activity Fund sub-accounts including the Agricultural Activity Fund, the Cheer Activity Fund, the Cafeteria Fund, and the Skeet Club¹.

We also reviewed an incident that occurred prior to the audit period where funds available in the Cheer Activity Fund account were insufficient to cover Cheer related invoices.

Activity Fee

No Finding **The assessment of a school activity fee was properly approved by the Board and appears permissible under the Board’s authority. The transfer of activity fees to the General Fund was properly authorized by the Board.**

We reviewed statutes, administrative rules, State Department of Education (SDE) Guidance on Activity Funds, and Board minutes pertaining to the establishment and management of an activity fee.

According to Activity Fund criteria², the Board exercises control over all District Activity Funds and may establish accounts as deemed best suited to the needs of the school. Fees may be established as long as memberships for the clubs and organizations associated with the fees are not mandatory.

In June 2016, the Board authorized the collection of an activity fee and identified Activity Fund Sub-Account 912 for deposit of the fees.

8. Motion made by Gary Knowles and seconded by Ben Rice to approve activity fees of \$100.00 for first activity and \$50.00 for second activity; with students on reduced lunches paying \$50.00 and \$25.00 respectively; and students on free lunches with no activity charge to being assessed. Gate prices will be increased to \$7.00 for adults and \$5.00 for students.
D. Harryman-yes, G. Knowles-yes, J. Maker-yes, Ben Rice-yes, Randy Corbin-yes

The transfer of funds from the activity fee sub-account to the General Fund was also properly approved by the Board.

¹ The Skeet Club is considered part of the Agriculture Activity Fund.

² Title 70 O.S. § 5-129 and Administrative Rule AR 210:25-5-13.

In our review, we found that all activity fee revenue tested was deposited in, and properly transferred from, the Activity Fund to the General Fund as authorized.

Agricultural Activity Fund

No Finding **Revenue tested from the Agriculture Activity Fund was properly documented and deposited.**

We reviewed Agriculture Activity Fund revenue received during February 2017 and July 2017 and determined that revenue was properly documented and deposited.

Petitioners alleged \$5,000 was donated to the Skeet Club to pay for food and lodging for overnight travel. Purportedly, the funds were not available for use by the Skeet Club but had been directed to be deposited into the General Fund by the former superintendent. Per the Agriculture Activity Fund sponsor, he had not received a \$5,000 donation for the Skeet Club and the Club never took overnight trips. Petitioners failed to provide any evidence that this donation ever occurred, and we found no evidence of the transaction.

Finding **Of the 16 Agriculture Activity Fund expenditures tested, one invoice was missing and had to be obtained from the vendor.**

Fifteen of the 16 Agriculture Activity Fund expenditures reviewed were properly encumbered, documented, and for a legitimate Agriculture purpose. One expenditure was properly encumbered and for a legitimate purpose; however, the corresponding invoice was not included with the school's documentation. The invoice was subsequently obtained from the vendor and properly supported the expenditure in question.

Cheer Activity Fund

Finding **Adequate funds were not available in the Cheer Activity Fund to pay for all FY2015 Cheer expenditures. As a result, expenditures totaling \$9,765 were paid from the General Fund.**

Petitioners expressed concern over an incident regarding funds not managed properly for the Cheer Activity Fund during FY2015. Although the incident occurred more than a year prior to the petition audit period we agreed to review the issue.

This incident came to light in August 2015 when the District received invoices for payment totaling \$9,765 that could not be paid out of the Cheer Activity Fund due to insufficient funds. The District subsequently paid the \$9,765 out of the General Fund in February 2016.

Finding Funds totaling \$6,230, collected in March and April 2015, were not deposited until August 2015.

After the invoices were received in August 2015, the former Cheer sponsor provided \$6,230 for deposit to the Cheer Fund.³ These funds included checks dated as far back as March 2015, reflecting that cheer funds had not been deposited daily as required by 62 O.S. § 517.3 which states in part:

The treasurer of every public entity shall deposit daily, not later than the immediately next banking day, all funds and monies of whatsoever kind that shall come into the possession of the treasurer by virtue of the office...

The District engaged their independent auditor, at a cost of \$1,000, to investigate the matter. The finding from the independent auditor's report can be seen at the exhibit on page 15. Per the auditor, the Cheer Activity Fund records were so poor that it would have taken significant funds to conduct a more thorough analysis without any guarantee of producing actionable results. The District made a business decision to limit the resources spent investigating this issue to the \$1,000 already billed.

Finding In our review of two months of Cheer Activity Fund revenue, one of 13 deposits was made one day later than allowable by statute and one deposit exceeded monies received by \$135.

We reviewed all revenue for August 2016 and April 2018 and found that one deposit in April 2018 was receipted on Tuesday the 24th and not deposited until Thursday the 26th, one day later than authorized by statute.

We also noted that one deposit did not agree with the total of the individual receipts written. Receipts totaled \$990 and the deposit was made for \$1,125.

No Finding Of 16 Cheer Activity Fund expenditures reviewed, all were properly encumbered, approved, and appropriately documented.

Cafeteria Activity Fund

No Finding The Cafeteria Activity Fund was used for its intended purpose.

One petitioner provided a copy of a lunch money refund check paid out of the Activity Fund in May 2018. Petitioners alleged that lunch money refunds should not have been paid from an Activity Fund account.

The Cafeteria Activity Fund is an authorized and approved activity fund. When a parent provides money to pay for their child's lunch the funds are deposited in the Cafeteria Activity Fund. This account is approved for deposit of all lunch monies received during the year and for payment of all refunds due.

³ \$4,485 in checks dated from March and April 2015, and \$1,745 in cash.

OBJECTIVE II Employment and Extra-Duty Contracts

Objective *Review the former superintendent’s and the chief financial officer/chief operating officer’s employment contracts, along with selected extra-duty contracts for compliance with laws and regulations.*

Petitioners questioned the amount of pay, the coding of pay, and the number of full-time equivalents (FTE’s) associated with the former superintendent and the chief financial officer/chief operating officer’s⁴ employment contracts.

Petitioners were also concerned about the legality and appropriateness of the separation agreement between the Board and the former superintendent.

Superintendent’s Employment Contract

Finding **Payments made to former Superintendent O’Brien appeared contractually allowable, but one \$400 stipend payment was not properly reported to SDE as required by law.**

Former Superintendent O’Brien’s contracts and internal payroll documents for the FY2017 and FY2018 school years were compared with the information reported on the SDE and OCAS websites⁵ to ensure that amounts paid were contractually authorized and properly coded.

It was noted that a \$400 stipend⁶, a year-end holiday bonus approved by the Board for all employees in November 2017, was not identified in O’Brien’s contract or submitted to the State as an addendum to the contract as required by 70 O.S. §5-141(D) which states in part:

The school district shall not be authorized to pay any salary, benefits or other compensation to a superintendent which is not specified in the contract on file ...

No additional issues were noted with O’Brien’s regular pay. As per the Certified Staff Report, the superintendent position occupied one FTE.

No Finding **It appears that the separation agreement between the District and former Superintendent O’Brien was legal and that contractual payments authorized by the Board were properly made by the District.**

⁴ Hereinafter referred to as the Chief Financial Officer.

⁵ The Certified Staff Report and Superintendent Total Compensation Report.

⁶ As reported by the independent auditor in their FY2018 audit report.

The resignation of Superintendent O'Brien was discussed in Executive Session and approved in open session during the Board meeting held on June 25, 2018. The confidential separation agreement was also approved during the same meeting.

In accordance with the confidential agreement, the Chief Financial Officer was instructed via email from legal counsel and the Board president, to pay the following:

- His regular salary and benefits through July 31, 2018;
- A lump sum payment of \$123,348.00 as salary with appropriate deductions with one-half of the payment due on or before June 30, 2018 and the remaining one-half due on or before July 31, 2018; and
- A payment to Oklahoma Employees Insurance and Benefits Board the Employee's cost of continuation coverage under Consolidated Omnibus Budget Reconciliation Act ("COBRA") for his individual health insurance from August 1, 2018 through July 31, 2019.

The two lump sum payments were made on July 10, 2018, and July 31, 2018, and were processed as normal payroll. The District improperly paid retirement benefits on the payments, which was detected by the District's independent auditor in October 2018. The District was reimbursed for the improper payments on October 31, 2018.

Chief Financial Officer's Employment Contract

Finding

Payments made to the Chief Financial Officer were properly authorized. However, the FY2017 through FY2019 contracts did not reflect a Board approved raise of \$5,130.

On June 20, 2016, the District approved a 'Memorandum of Understanding' (MOU) defining a 5.7% raise for all support employees for the FY2017 school year. The MOU stated in part:

All remaining support employees who are not on one of the negotiated hourly pay scales will receive a 5.7% raise on their annual salary.

The Board approval of the MOU gave proper authorization for the Chief Financial Officer's raise; however, the corresponding contract was not adjusted to reflect the increase in pay.

Because the Chief Financial Officer's \$5,130 raise was coded as a stipend it was not included in the online SDE Support Staff Report. According to SDE personnel, all reported compensation for the Chief Financial Officer is in their system but not reflected in the Support Staff Report. These reports are correct but *incomplete* because they only include salary and fringe benefits.

As a result of stipends, professional dues, and other items not being included in the SDE Support Staff Report, the FY2017 amount was underreported by

SDE in the amount of \$22,800 and the FY2018 amount was underreported by \$17,889.

SDE has added a “Total Other Salary” column to their Support Staff Report effective with the FY2019 school year to capture previously omitted data.

No Finding

The Chief Financial Officer occupied one FTE in the FY2017 school year and two FTE’s in the FY2018 school year. FTE’s for both years were calculated according to SDE criteria.

The Support Staff Reports reflected that the Chief Financial Officer position occupied one FTE in FY2017 and two FTE’s in FY2018. The FTE’s assigned to the Chief Financial Officer were calculated by SDE in accordance with SDE policy. One FTE equals 1032 work hours as associated with a specific job title.

In FY2018 the Chief Financial Officer had two job codes⁷. Working 20 hours each week per job code would equate to two FTE’s as per SDE’s calculations.

As shown in the table, statewide school support personnel occupying more than one FTE are routine and individuals occupying two or more FTE’s are not unusual.

Entity	Max FTE Number for one Employee	Number of Support Employees with FTE’s >= 2	Number of support Employees with FTE’s >1
SDE-Wide	24	1071 or 3.0%	3219 or 9.2%
Newcastle	2	3 or 2.9%	18 or 17.1%

Extra-Duty Contracts

Petitioners were concerned about two issues regarding extra-duty contract pay:

- 1) Can teachers be paid for work performed during planning periods that are part of a regular work day; and
- 2) Did the District properly account for extra-duty pay in OCAS.

No Finding

Payment for work performed during a teacher’s planning period is contractually required.

Teacher contracts are approved by both the Board as well as the Newcastle Association of Classroom Teachers. The contracts require that teachers be

⁷ 109 Manager and 301 Accountant.

paid for work performed during their planning period. Article 50 of the Teachers Negotiated Agreement, Compensation for Forfeiture of Planning Period, states in part:

D. Teachers required to set aside classroom preparation time for an entire year in the same position will be compensated per the annual period rate of pay in Article 65.³⁴

Finding

Extra-duty contracts reviewed were authorized, properly approved, and contractual amounts agreed with amounts paid. The contracts reviewed were properly coded in OCAS but were not coded consistently from year-to-year.

In both FY2017 and FY2018, all extra-duty pay for teachers was coded with Object Code 192 – “Extra-Duty/Addenda – Certified.” In FY2017 most of the extra-duty pay was coded with a Function Code of 1000 – “Instruction.” In FY2018 most of the extra-duty pay was coded with a Function Code of 2199 – “Other Support Services – Student.”

Year	Function/Object Code	Amount	Function/Object Code	Amount
FY2017	1000/192	\$223,412	2199/192	\$44,834
FY2018	1000/192	\$1,500	2199/192	\$276,958

The difference between the two years was a result of a change in how the extra-duty function code was assigned. In FY2018 athletic extra-duty contracts were coded with Function Code 2199 and in FY2017 athletic extra-duty contracts were coded with Function Code 1000. It appears that either code would be reasonable for athletic related extra-duty pay depending upon interpretation; however, there was a lack of year-to-year consistency in reporting.

OBJECTIVE III Employee Preferential Treatment

Objective Review secretarial contracts to determine if preferential treatment was provided to select employees.

Petitioners requested we determine if the former superintendent’s daughter received health benefits not available to other District employees in comparable positions.

No Finding The former superintendent’s daughter was afforded the same benefits that were available to other comparable support employees.

As per state law, every full-time District employee is offered a flexible benefit allowance to pay for health costs. A support employee, as per statute, can either accept the insurance as 100 percent paid for, or they can opt to forfeit the insurance and receive \$189.69 in additional salary per month.

The former superintendent’s daughter’s FY2018 contract was compared to the contracts of four other site secretaries in similar positions. The structure of these four support employee contracts was equal to the contract of the former superintendent’s daughter.

All four of the site secretary contracts required 1600 work hours per year, fewer hours than the 1920 hours required in the former superintendent’s daughter’s contract. All were offered the same flexible benefit allowance. It should also be noted the former superintendent’s daughter was the lowest paid full-time employee in the District.

OBJECTIVE IV General Fund Purchasing

Objective Review a sample of general fund expenditures to determine that funds were properly encumbered, purchases were properly receipted, documented, and for appropriate school purposes.

Petitioners concerns regarding purchasing were primarily related to Activity Fund purchases which were addressed in Objective I. In addition to our review of selected Activity Fund purchases, we performed a purchase order test of General Fund disbursements.

The District has a well-defined “Purchasing” policy and several purchasing Procedural Memorandums, including but not limited to, Accounts Payable, Blanket Purchase Orders, Purchase Requisitions, and Purchase Order Filing.

No Finding General fund expenditures reviewed were properly approved, encumbered, documented, and appeared to be for proper school purposes.

Twenty general fund purchases totaling \$317,896 were tested verifying that:

- The purchase was properly encumbered;
- The purchase was supported with a properly signed receipt or invoice;
- The purchase was for a school related purpose; and
- The expenditure amount and vendor name in the District’s accounting system agreed with the amount and name on the cancelled/paid check.

We found no exceptions in our review of General Fund expenditures.

OBJECTIVE V Johnson O’Malley Program

Objective *Review possible misuse of Johnson O’Malley Program funds.*

Petitioners requested a review of the Johnson O’Malley (JOM) grant to determine if the overall accounting for JOM funds was appropriate. Petitioners were also concerned with the processing of one JOM refund payment.

JOM funds are U.S. Department of Interior funds passed through the Bureau of Indian Affairs for use by eligible students for various programs. The local program is operated under an educational plan which contains educational objectives to address the needs of the American Indian and Alaska Native students.

No Finding **Johnson O’Malley grant expenditures reviewed were appropriate, properly documented, and reimbursement payments received from the Chickasaw Nation were properly deposited.**

The annual Johnson O’Malley application identified the proposed use of funds, as determined by the Newcastle Education Parent Committee. The application included a budget summary and was approved by the Parent Committee Chair and the Superintendent. The District was approved for funding in the amount of \$8,225 in FY2017 and \$8,601 in FY2018. These funds were administered through the Chickasaw Nation.

JOM funds are federal funds and as such are audited on an annual basis by the District’s independent auditor. According to the audits, the District had \$8,225 in grant expenditures in FY2017 and \$8,003 in FY2018; these amounts were also confirmed by the SDE.

We tested the validity of JOM expenditures and confirmed the receipt of JOM reimbursement funds. All tested expenditures were valid and properly documented and all program reimbursements received agreed with the corresponding expenditures made.

Johnson O’Malley Refund Payment

Finding **One Johnson O’Malley refund payment was initially not processed properly or in a timely manner.**

Selected funds provided through the JOM program are used to pay for school supplies for eligible Native American students. Transfer students and new Early Childhood Center students pay \$25 upfront for school supplies

provided by the District and are then subsequently refunded the \$25 through the JOM program after a request for reimbursement is submitted and the student’s eligibility has been established.

The refund request for one student was submitted in October 2017 but not processed until January 2018. The employee responsible for processing refund requests failed to complete the refund process in a timely manner. When the parent followed up on the \$25 refund, the District’s employee decided to immediately write a personal check to the parent because she felt responsible for the delay. The parent did not cash the check and when the District became aware of the situation a refund was properly processed through normal channels.

OBJECTIVE VI Surety Bonding Requirements

Objective Determine if District employees were adequately bonded.

According to statute, the superintendent and any financial officer of a school district shall be required to furnish a surety bond in the sum of not less than \$100,000 or an amount otherwise set by law or set by the State Board of Education. The school activity fund custodian, encumbrance clerk, and minutes clerk are also required to be bonded in a sum of not less than \$1,000.

No Finding All District employees requiring a surety bond were bonded at an amount above the required minimum.

The following positions were bonded for FY2017 and FY2018.

Surety Bonds Summary			
FY	Position	Bond Amount	Minimum
2017	Superintendent	\$250,000	\$100,000
2017	Treasurer/Activity Fund Clerk	\$250,000	\$100,000
2017	COO/Encumbrance Clerk	\$100,000	\$1,000
2017	Minutes Clerk	\$100,000	\$1,000
2018	Superintendent	\$250,000	\$100,000
2018	CFO/Treasurer	\$250,000	\$100,000
2018	Activity Fund Clerk #1	\$100,000	\$1,000
2018	Minutes Clerk	\$50,000	\$1,000
2018	Activity Fund Clerk #2	\$25,000	\$1,000
2018	Encumbrance Clerk	\$25,000	\$1,000

OBJECTIVE VII Other Issues

Objective *Review other issues brought forth by petitioners that were not addressed in the original citizen petition.*

1) Line of Credit

Petitioners alleged the District had obtained a loan for the General Fund in the amount of \$250,000. It was believed the loan was indicative of poor money management.

No Finding

The District participates in a Cash Management Program which is authorized by statute. The Program’s implementation suggests that the District possesses the fiscal aptitude required to oversee its financial operations.

The District does not have a line-of-credit, nor did they obtain a loan for \$250,000. The District does participate in an SDE authorized Cash Management Program. As per 70 O.S. § 5-115b, a cash management agreement has to meet two criteria, 1) the agreement can’t extend beyond the end of the fiscal year, and 2) the interest rate is limited to the United States Treasury Bill rate plus five percent.

Each year, the Board approved a \$1,500,000 Cash Management Agreement with the First National Bank & Trust Company, Chickasha Oklahoma, at an interest rate of three percent. According to the bank, since 2014, there has only been one instance where the Agreement was used by the District. On November 6, 2014, the bank covered warrants in the amount of \$25,950.74. This balance was only outstanding for four days which resulted in a loan fee of \$1.78. The District was not charged the fee because the bank deemed it insignificant.

2) Determine the Nature of a Business Relationship between the District and a Vendor

Petitioners requested that we investigate the relationship between Capp Promotional, Inc. and the District. Capp Promotional is a local business owned by Gary Knowles, Board President. It was alleged the company sold promotional items to the middle school which could possibly be a conflict of interest.

No Finding

There did not appear to be any improper business relationship between Capp Promotional, Inc. and the District.

We reviewed the District’s vendor files which represents all the vendors doing business with the District. In order to create a purchase order and

make subsequent payments from the General Fund or Activity Fund each payee must exist in the electronic payment system vendor file.

The vendor file did not include Capp Promotional or Gary Knowles. We did note one payment for \$44 to Kathy Knowles, Gary Knowles' spouse. This payment was a refund for an Advanced Placement test payment.

3) Donations to the School Lunch Program

Petitioners were concerned that a \$100 donation made to the school lunch program by a private citizen was not credited to, or used for the benefit of, the program.

No Finding

It appears the \$100 donation was properly processed and utilized appropriately by the District.

A former District high school cafeteria worker stated that a citizen had delivered donations by check directly to the District's various school cafeterias. However, the donation for the high school was received at the administration building and was not provided directly to the cafeteria staff.

The District was not aware of the fact that some donations had been delivered directly to the cafeterias and that cafeteria workers were determining which students would have their accounts credited.

Using bank records and a copy of the check, we confirmed the \$100 donation in question was deposited in the cafeteria account and used to provide free lunches and/or credits to student accounts with negative balances.

4) Daycare Center Pick-up and Drop-off Charges

Petitioners were concerned about the legality and appropriateness of the District charging daycare centers to pick-up and drop-off students.

No Finding

It appears the District had the authority to charge day care centers for providing transportation between the day care centers and District facilities.

According to 70 O.S. § 5-117, the Board shall have power to govern the District in a manner deemed best suited to the needs of the school district, including the authority to utilize buses in any manner permitted by law.

The Board approved charging daycare centers for transportation costs. There were no contracts between the District and the daycare centers; however, invoices for \$5,000 and \$10,500 were paid by two-day care centers for the FY2017 school year. Under statute, it appears the District would have the authority to charge daycare centers for transportation costs.

Exhibit

2015-4 – Finding

Statement of Condition - It was brought to our attention that the school was receiving several bills (in August 2015) for cheerleading activities (e.g. camp fees) that the Newcastle High School Cheer or Newcastle Middle School Cheer activity fund subaccounts did not have adequate funds to pay. It was also noted that these invoices were for activities in the fiscal year 14-15. The Superintendent inquired of the cheer sponsor regarding this shortfall. The sponsor then brought over various checks (\$4,485) and cash (\$1,745) in August 2015 to deposit into the cheer subaccount. The checks were all dated March or April 2015. It appears these funds were held by the sponsor well in excess of the daily deposit rule. In FY14-15, those participating in the cheer program were required to pay \$950 (high school cheer) and \$600 (middle school cheer) per person. Upon review of the High School Cheer and Middle School Cheer detail by code ledger, we were unable to determine if all participants actually paid their required fees. Many payments on account were made, but we had no documentation to determine who had paid, how much they paid or if they still owed. It did appear that not all of the fees were paid; therefore, the cause of the subaccount not having sufficient funds to pay the outstanding bills. The school will be paying the additional bills from the General Fund during the fiscal year 15-16. Even though the bills are for a prior fiscal year, the school was not aware of these obligations until the 15-16 fiscal years and should be able to encumber these funds from the current year appropriations. It also appears that the sponsor did not follow proper procedures to purchase goods/services by getting an approved purchase requisition prior to purchasing the goods/services. The school was not aware of these expenditures until the invoices began to show up from the vendor.

Source: FY2015 Independent Audit Report prepared by Angel, Johnston & Blasingame, P.C.

O·K·L·A·H·O·M·A
S·A·I
STATE AUDITOR & INSPECTOR



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