

SPECIAL INVESTIGATIVE REPORT

**OKLAHOMA STATE
DEPARTMENT OF EDUCATION
INNOVATION 2011 CONFERENCE**

January 10, 2011 through June 30, 2012



*Independently serving the citizens of
Oklahoma by promoting the
accountability and fiscal integrity of
governmental funds.*



Oklahoma State
Auditor & Inspector
Gary A. Jones, CPA, CFE

OKLAHOMA STATE DEPARTMENT OF EDUCATION

SPECIAL INVESTIGATIVE REPORT

INNOVATION 2011 CONFERENCE

This publication, issued by the State Auditor and Inspector as authorized by 74 O.S. § 227.8, has not been printed, but is available on our agency's website (www.sai.ok.gov) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital Collection, pursuant to 74 O.S. § 3105.B.



Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

October 29, 2012

Dr. Janet Barresi, Superintendent
Oklahoma State Department of Education
2500 North Lincoln Blvd.
Oklahoma City, OK 73105-4599

Transmitted herewith is a Special Investigative Report of the Oklahoma Department of Education and the Oklahoma Foundation for Innovation in Education.

Pursuant to your request and in accordance with the requirements of 74 O.S. 2001, § 227.8, we performed an investigation with respect to the Oklahoma State Department of Education and its financial relationship with the Oklahoma Foundation for Innovation in Education.

Because investigative procedures do not constitute an audit in accordance with generally accepted auditing standards, we do not express an opinion on the account balances or financial statements of the Oklahoma State Department of Education or the Oklahoma Foundation for Innovation in Education.

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 this service to the taxpayers of Oklahoma is of utmost importance.

This report is addressed to and intended solely for the information and use of the Oklahoma State Department of Education, the Oklahoma State Board of Education and other state officials given oversight responsibilities, as provided by statute. This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.) and shall be open to any person for inspection and copying.

Sincerely,

A handwritten signature in blue ink that reads "Gary A. Jones".

GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

TABLE OF CONTENTS

	page
Executive Summary	ii
Introduction.....	1
Objective and Background.....	2
OBJECTIVE: Review the financial management of the Oklahoma State Department of Education Innovation 2011 summer conference.	
FINDINGS	
1. OSDE officials solicited, collected, and deposited funds in an unofficial and unauthorized bank account purporting to belong to a private non-profit organization.	3
2. An apparent verbal agreement was the only basis for the relationship between OSDE and the Foundation. There was no written contract.....	10
3. The Foundation’s Board of Directors never met and never voted.....	12
4. OSDE officials apparently discussed and may have determined the amounts to be paid to Foundation officials from the Foundation bank account	14
5. In addition to the pay for Foundation officials, OSDE exercised at least some control over <i>other</i> Foundation expenditures	16
6. OSDE paid \$16,429 for an overdue bill that appeared to be a Foundation obligation and not a debt of the State of Oklahoma.....	20
7. Near the end of our fieldwork, both the Foundation and the OSDE adopted the position that OSAI had no authority to review the “private” records of the Foundation	22
8. The Oklahoma Department of Education did not follow state law in “contracting” with the Foundation. We disagree with the position that the Foundation’s records are not subject to audit.	25
Other Concerns	28
Subsequent Events	29
Attachments	31

EXECUTIVE SUMMARY

This is the third in a series of investigative reports of activities and transactions of the Oklahoma State Department of Education (OSDE or Department) involving the past and present administrations. The first and second reports addressed issues and allegations involving officials primarily associated with the previous five-term administration.

This third report addresses the relationship between the present administration and a non-profit foundation created to handle the financial administration of the “Innovation 2011” summer conference.

Similar to the lead finding in our second report, OSDE officials solicited, collected, and deposited funds in an unofficial and unauthorized (by the state) bank account purporting to belong to a private non-profit organization, namely the Oklahoma Foundation for Innovation in Education.

Additional findings include there was no written contract between the Department and the Foundation. The Foundation’s board of directors never met and never voted as a board. The Foundation appeared to have operated as an extension of OSDE, largely through an OSDE employee who had been designated in some form or fashion as “chairman” of the three person Foundation board.

OSDE officials exercised substantial “operational control” over both the fund raising and disbursement activities of the Foundation. The extent of the control was difficult to fully evaluate due to the limited records, the overlapping activities and the conflicting interviews, but there appeared to be considerable control by OSDE officials over the fund raising and collection processes and some sharing of responsibilities for the contracting/disbursement/expenditure approval activities of the Foundation.

In an additional complication resulting from the shared responsibilities, OSDE utilized state funding to pay \$16,429.50 for an overdue bill (related to the 2011 conference) that appeared to be a Foundation obligation and not a debt of the State of Oklahoma. The OSDE records supporting the expenditure included nondescript language, an unsigned contract and a signed “settlement” agreement.

Following multiple attempts to obtain more information about the above payment of the overdue bill, as well as other 2011 conference related contracts, invoices, approvals and financial records, officials of both OSDE and the Foundation adopted the position that the Foundation’s records were “private,” and that OSAI had no authority to request or obtain any additional records from the Foundation, other than those that had already been provided. We disagree with that position.

Other Concerns:

Originally, the Foundation had been created primarily for the Innovation 2011 conference. We noted some evidence for the solicitation and use of certain funds unrelated to the Innovation 2011 conference.

We also noted a similar concern to that reported in the second OSDE report, in that vendors and contractors of OSDE had been solicited by OSDE officials to contribute to the Innovation 2011 conference, much the same as had been done for multiple years under the prior administration.

Subsequent Events

We report subsequent events related to new policies implemented by the present administration, partially in response to our OSDE Supplemental Report, dated March 7, 2012, and to new requests that OSAI has received by two state agencies in relation to non-profit entities, one request regarding entities connected to the state agency itself and one request with regard to a “foundation” related to a judicial district drug court.

OSAI is considering conducting a survey of state departments and agencies to determine the extent and nature of public entity relationships with private non-profit entities which are essentially functioning as “subsidiary” entities, as a preliminary step to a Legislative study of the potential issues involved.

Introduction

This is the third report in a series of reports concerning the Oklahoma State Department of Education (OSDE). The first was issued January 4, 2012, and was primarily to address various allegations related to a former Assistant State Superintendent.

The second report was supplemental to the first report and was requested by OSDE to investigate certain transactions that were not part of the initial allegations, but had been identified as questionable, as a result of the first OSAI investigation.

On March 7, 2012, the State Auditor and Inspector released the supplemental report related to the financial transactions and the relationship between the Oklahoma State Department of Education and the Oklahoma Curriculum Improvement Commission, a private non-profit entity. These transactions primarily related to an annual OSDE conference called the “summer conference” or “leadership conference” held in July and organized by the *former* OSDE administration.

The first and second reports are available on our website: <http://www.sai.ok.gov/#>, under Audits/Special Investigative/State.

On March 21, 2012, State Superintendent Dr. Janet Barresi requested the State Auditor and Inspector to “review detailed documents pertaining to the Innovation 2011 event held in July 2011, as well as the Foundation for Innovation in Education, the non-profit organization that managed funds for the event.”

We conducted a limited inquiry, as a result of the OSDE request. The nature of the limitation will be explained further, and this report is the result of our limited inquiry.

OBJECTIVE: Review the financial management of the OSDE Innovation 2011 summer conference.

Background

A new administration for the Oklahoma State Department of Education was inaugurated January 10, 2011. The *prior* administration, which had been in office for five terms (twenty years), had for many years organized an annual educational conference, primarily for school superintendents, which was held every summer in early July.

Upon entering office, the new administration had less than six months to plan for, organize, and finance an education conference that had become, more or less, an “expected” conference event.

An April 8, 2011, memorandum [attachment #1] from the OSDE legal office addressed to Damon Gardenhire, Communications Director, reviewed some of the questions then being raised as to how to manage the financial issues related to the conference. The memorandum discusses how to “legally solicit and collect vendor fees for the Innovation 2011 Conference,” the lack of a formal opinion by the Attorney General, an evaluation of the Ethics Commission Rules, and a two-fold recommendation to request an Attorney General opinion and establish an Agency Special Account or “ASA” with the Office of State Finance.

The memorandum only specified collection of “vendor fees” and was silent concerning the solicitation of “donations” or “sponsor support” from vendors and contractors.

According to interviews, during the 2011 legislative session, the new administration initiated legislation to authorize the creation and use of an official account of the State to be used for conducting fund raising and the disbursement of funds collected for educational conferences and training seminar purposes.

The legislation was eventually passed, but without the “emergency” clause, making the effective date of the new legislation “too late” for the 2011 conference preparations. Because there was no emergency clause, OSDE officials began reviewing alternatives for the financial management of the 2011 summer conference.

Finding #1

OSDE officials solicited, collected, and deposited funds in an unofficial and unauthorized bank account purporting to belong to a private non-profit organization.

On April 21, 2011, Ashley Hahn, a temporary employee with OSDE, sent an email to Jennifer Carter and Damon Gardenhire outlining options for “*finding an alternative source for housing funds for the State Department Innovation Conference.*” The email listed three options:

1. Use OSSBA as has been done in the past for the fee of \$25,000 to help with the accounting of the event. Our contacts there are Martha Stewart and Jeff Mills. It doesn’t seem like they are wanting to negotiate that price for us but I’m still waiting to hear final response. The positive to using them is that they have done it in the past so they know exactly what they are doing although this will not be as hard as it has been in the past just because of us going completely electronic except for sponsors.
2. Use Community Foundation. I have put in a call to Community Foundation and I’m waiting to hear back regarding details. It doesn’t actually look promising as it appears that they require you to always have a set amount within their accounts at all times in addition to a fee from what I was told. However that was not from a person that was sure of what they were speaking so I’m waiting to actually hear back from them.
3. Our third option, is the option that I think does look the most promising on a time and budget scale however I’m not sure it would appear unique to individuals on the outside of the department (if anyone is even paying attention). I spoke with Todd Pauley yesterday and AJ Ferate who would like to set us up a 501c3 in order to house the conference funds. They said if we got the go ahead today they could have it set up through the secretary of state, through the IRS and have bank accounts set up by Tuesday end of day which would be amazing. They said that initially it will cost \$50 to set up through secretary of state, \$850 to set up through IRS and a fee for retaining AJ as legal counsel (paying him for overseeing it as well) as well as paying an accountant (possibly Pam Pollard). Total this option would run on the high end \$14,000 which is substantially less than the OSSBA option.

The “OSSBA” acronym in #1 above refers to the Oklahoma State School Boards Association, a nonprofit entity which was contracted one time to manage the 2010 conference, which was the final “summer” conference done by the prior administration, as described in our second OSDE report.

The same day, April 21, 2011, Jennifer Carter responded to the email stating:

I don't understand why it will cost so much to have anyone simply administer a checkbook for one conference. In any event, let's go the less expensive route and talk to Lisa to see if she foresees any problems.

On April 27, 2011, Hahn filed paperwork with the Oklahoma Secretary of State creating the "Foundation for Oklahoma's Excellence" and listed the address of the foundation as 5028 NW 19th Street, Oklahoma City, Oklahoma.

On April 29, 2011, Hahn opened P.O. Box 32, Oklahoma City, Oklahoma. The post office box was opened using the name "Foundation for Oklahoma's Excellence" and listed the address as 2100 Timberdale Drive Edmond, Oklahoma.

On May 2, 2011, a checking account was opened at an Edmond bank. The account was opened in the name of the "Foundation for Oklahoma's Excellence" with the address of P.O. Box 32, Oklahoma City, Oklahoma.

On May 9, 2011, Hahn was hired in a full-time capacity as the Events Coordinator for the State Department of Education. In addition to Hahn, on May 9, 2011, Jennifer Carter was *officially* hired as the SDE Chief of Staff and Damon Gardenhire was *officially* hired as the Director of Communications¹.

On May 13, 2011, a "restated certificate of incorporation" was filed with the Oklahoma Secretary of State to change the name of the new foundation from "Foundation for Oklahoma's Excellence" to "Oklahoma Foundation for Innovation in Education" (Foundation).

Between May 13, 2011, and February 16, 2012, check and credit card transaction deposits totaling \$207,857 were made to the Foundation bank account. The majority of the funds deposited into the Foundation bank account appear to be funds raised as a result of solicitations for sponsorships, donations, or the sale of exhibit booth space at the Superintendent's Innovation Conference.

¹ Carter and Gardenhire had previously been paid by private funds. The issue was addressed in Attorney General Opinion 2011 OK AG 5.

62 O.S. § 34.57(B) states, in part:

It shall be the duty of each state agency, officer or employee, to deposit in the agency clearing account, or agency special account, established under Section 7.2 of this title, all monies of every kind including but not limited to:

...

Income from money and property, grants and contracts, refunds, reimbursements, judgments, sales of materials and services of employees, and non revenue receipts, received by a state agency, officer or employee by reason of the existence of and/or operation of a state agency. [emphasis added]

Ashley Hahn, employed as the OSDE Events Coordinator since May 9, 2011, told us during an interview it was her job as the OSDE Events Coordinator to raise funds for the Superintendent's Innovation Conference. We asked Hahn how solicitations for the conference were handled. Hahn provided the following response:

The OSDE provided me with a listserv made up of vendors & sponsors from previous conferences. We then sent emails approved by Damon Gardenhire, Communications Director, sent by myself to those individuals telling them of the foundation website, or the exhibitor opportunities and the sponsorships opportunities. We also called individuals and met with individuals personally to try to raise awareness for the event and raise enough to ensure state funds were not used to support this event. In the last month the foundation brought on Teale Trammell who was a former fundraiser to finish the fundraising aspects of the event. Teale used private lists to which raise the final sponsorship dollars.

We also asked Hahn, if she or any other OSDE employee participated in soliciting and/or accepting donations. Hahn responded, in part:

Jennifer Carter, Chief of Staff at the time and Damon Gardenhire, Communications Director and my boss, were very concerned about the financial aspects of this conference and wanted to ensure that every dollar was raised and not spent out of state funds. We raised these funds to support the conference by vendor booths and sponsorships for the event. We received those by means of the foundation website, emails from myself using the agency listserv, follow-up phone calls by myself & in person meetings with Superintendent Barresi, myself and a potential donor. All of these activities were overseen and

approved by former Chief of Staff Carter and my direct boss Damon Gardenhire.

Emails provided by OSDE reflected solicitations for donations and sponsorships were being made from the OSDE email account used by Hahn [attachment #2]. Hahn was also utilizing the OSDE email account to coordinate booth space sales. For example, an email dated June 20, 2011, was sent from Hahn's state email account to several vendors. The email, [attachment #3] reflected:

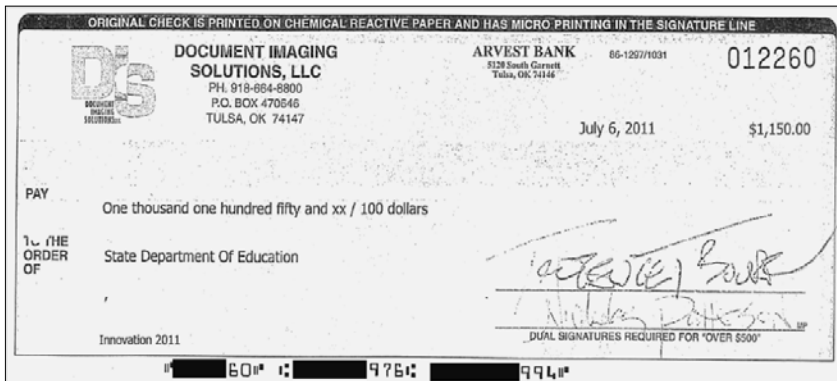
Thank you for participating in the Oklahoma Department of Education's annual superintendent's conference, Innovation 2011. I have attached an invoice for the price of your booth at the conference. Please send checks to the listed address, online payment via credit/debit card my *[sic]* be placed here: http://shop.okedconferences.com/Innovation-2011-Booths_c2.htm and if you are paying by purchase order then please contact me.

We noted emails sent from Hahn's state email account directing payments to be sent to P.O. Box 32, Oklahoma City, Oklahoma 73101. Documentation obtained from the Oklahoma Commission for Teacher Preparation (OCTP) supporting a \$575 payment to the Foundation, did not mention the Foundation, but directed the payment to be made to "Innovation 2011 PO Box 32 Oklahoma City, OK 73101."

According to Hahn, the mail was retrieved from P.O. Box 32 by several individuals including herself, Foundation accountant Pam Pollard, and OSDE intern Chrissy Zercher. According to Hahn, the deposits were prepared by either herself, Zercher, or Pollard. Hahn also stated that since the bank was on her way home, she never had an issue making the bank deposits.

During an interview with Pollard, she stated she did not retrieve the mail from the post office box, and she did not prepare any of the deposits made to the Foundation bank account.

Between May 13, 2011, and February 16, 2012, deposits to the Foundation bank account totaled \$207,857. The total deposit amount consisted \$50,881 in credit card deposits and 168 checks deposited totaling \$156,976.



Six of the checks deposited, totaling \$8,300, had been made payable to the State Department of Education. Five of the six checks had been endorsed “Foundation for Innovation in Education” and deposited into the Foundation bank account. One check was not endorsed but had also been deposited in the Foundation bank account.

In addition to the checks deposited into the Foundation bank account, although made payable to the State Department of Education, we also found in one instance in which a \$1,150 check payable to “Oklahoma’s Excellence” had been mailed to Hahn at the State Department of Education building, and subsequently deposited into the Foundation bank account.

On June 29, 2011, Foundation accountant Pollard sent an email to Hahn asking if the state had paid the Foundation any money. On June 29, 2011, Hahn replied, in part:

No ... *Since all the work is done by SDE and not the foundation there’s no fee to pay where as in the past OSSBA was paid for their services but they literally took on responsibility for a major piece of the event. [emphasis added]*

During an interview with Hahn, she described Chrissy Zercher as an intern hired by OSDE who served in some capacity as an assistant to Hahn. We contacted the OSDE Human Resources director who told us Zercher had been hired as an *unpaid* intern in the Communications section of OSDE from “approx the end of May – August 1st, 2011.”

We asked for the OSDE policy on hiring interns and were told there was no policy concerning interns, but that the hiring of interns “must always be in the best interest of the agency and fulfill a need within the agency.”

In addition to Hahn’s fundraising efforts, we also found emails were being sent from Hahn’s state email account by Zercher, coordinating or dealing with vendor payments and booth space sales. For example, an email dated July 13, 2011, sent from Hahn’s state email account reflected:

Thank you so much for attending Innovation 2011 and making this conference possible! We could not have done it without you! Attached is an invoice for your booth space, please submit payment as soon as possible.

Thanks again!
Chrissy Zercher

We noted in the Foundation records provided to us that a check had been written to Zercher on July 12, 2011, in the amount of \$2,000. Foundation documents reflected the payment was for “*Foundation Staff Support for services leading up to and during Innovation 2011.*”

The records provided were insufficient to determine whether the compensation paid to Zercher was for other work done for the Foundation or for the assistance provided to Hahn at the OSDE building during the summer internship.

If the latter, it appeared that not only were state employees and resources used to raise funds for the Foundation, but that OSDE also allowed a compensated Foundation employee to use state assets to coordinate and collect funds deposited into the Foundation bank account.

In addition to the above, other information provided by OSDE officials indicated some OSDE control over decisions related to Foundation revenue.

We noted emails referencing either waiving or reducing exhibitor booth space fees. We sent one of those emails to Hahn and asked who had the authority to waive or reduce the fees charged to exhibitors. Hahn told us Chief of Staff Carter was the person that could give the authorization or denial to waive or reduce booth fees.

Hahn provided an email supporting the position that she was relying on the authority or approval of Carter in order to change the fees being charged to vendors.

On May 26, 2011, then OSDE employee Misty Kimbrough sent an email to Hahn asking if the Oklahoma Health Care Authority (OHCA) could have a booth at the Innovation Conference. Hahn replied, in part:

If Jennifer approved I could possibly waive the fee entirely but that would be her call to make if she thought it was needed. I am

happy to ask her if you would like but otherwise if they are able to pay the non-profit rate that would be preferable.

A June 15, 2011 Kimbrough wrote in an email:

Hi Jennifer – Do you want the OHCA to pay the non-profit rate, or were you thinking in the spirit of working together we would just allow them space? Please let me know.

Carter responded on June 15, 2011:

On Wed, Jun 15, 2011 at 11:31 AM, Jennifer Carter <jennifer.carter@sde.ok.gov> wrote:
Let's let them have the space at the nonprofit rate.

Jennifer M. Carter, Esq.
Chief of Staff
Superintendent Janet Barresi
Oklahoma State Department of Education
jennifer.carter@sde.ok.gov
[405-521-4516](tel:405-521-4516) office
[405-343-3543](tel:405-343-3543) cell

Conclusion

All the above indicated substantial involvement by OSDE officials and employees in the fund raising and collection activities for the Innovation 2011 conference, activities that the Foundation had ostensibly been created to administer.

Finding #2

An apparent verbal agreement was the only basis for the relationship between OSDE and the Foundation. There was no written contract, contrary to 74 O.S. § 85.41(A).

Ordinarily, when we begin reviewing the relationship between government entities and entities or persons contracting with an agency, we review the contract to determine what the responsibilities of each party to the contract were, and who would be responsible, should either party fail to meet their respective obligations.

According to the former OSDE general counsel, OSDE did not enter into a contract with the Foundation. Former OSDE General Counsel Lisa Endres, in an email addressed to OSAI, stated, in part:

There was no formal written contract between the Foundation and OSDE. I do not know why other than to state it was discussed but apparently never drafted or executed. This was a failure of execution due to the new staff and rushed timing of events and nothing more.

Since OSDE did not enter into a written contract with the Foundation, we relied on other sources of information in an effort to determine what the relationship and responsibilities were between the OSDE and the Foundation.

An email dated May 28, 2011, between Ashley Hahn and officials of the Event 1 production company, states in part:

Belinda Tricinella and myself have reviewed the Event 1 contract and would like to ask for a few changes prior to signing.

...

This years [sic] Innovation 2011 conference is being managed financially by Oklahoma's Foundation for Education and Innovation. Due to that I need the contract to be directed at them for signature rather than the State Department of Education. The Department is still in full control of the conference and its management but the foundation is hosting all financial responsibilities.

During an interview with Foundation Director Todd Pauley, he stated the Foundation was responsible for all the contracts related to the conference and agreed the Foundation was the organization that had the overall financial responsibility for the Innovation Conference.

Conclusion

Although no written, formal contract was executed, it appeared the agreement between OSDE and the Foundation was to have the Foundation serve as an “alternative source for housing funds for the State Department Innovation Conference” and to, in turn, pay the bills associated with the 2011 conference.

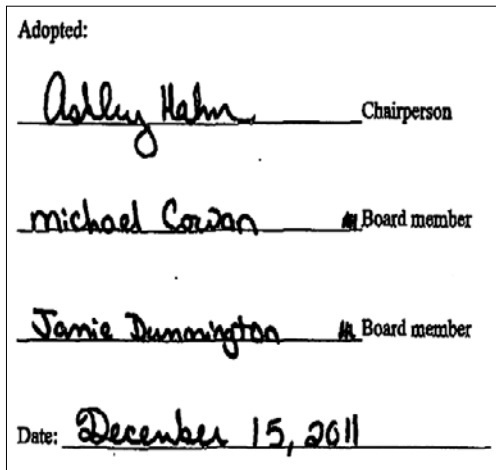
We observed the failure to execute a written contract was contrary to **74 O.S. § 85.41(A)**, an issue which will be addressed more fully in Finding #8.

Finding #3

The Foundation’s Board of Directors never met and never voted as a board.

The genesis of the Foundation appeared to have been the April 21, 2011, email between OSDE Event Coordinator Hahn and then Chief of Staff Carter specifying options for “finding an alternative source for housing funds for the State Department Innovation Conference.”

According to the Foundation’s bylaws, the governing board of the Foundation consisted of two members and a board chairman. Documentation filed with the Oklahoma Secretary of State reflected the board members consisted of Ashley Hahn, Mike Cowan, and Jamie Dunnington.



Documentation filed (December 16, 2011) with the Oklahoma Secretary of State [attachment #7] indicated the governing board of the Foundation *had* met and *had* voted on the bylaws. The last page of the filing included the handwritten names of Board Members Cowan and Dunnington (shown at left).

However, during an interview with Hahn, she confirmed she had written in the other board members’ names. Although the signature page of the filing to modify the Foundation bylaws included representations that the board had met and voted on the amendment, apparently no meeting had ever been held.

As of the end of fieldwork, the board had never met and had never voted on any matters related to the Foundation. According to Cowan, who is Hahn’s Uncle, he was asked by Hahn to be on a board but never heard anything further about it, until he was told the board was being dissolved.

Dunnington, a longtime friend of the Hahn family, received a text message from Hahn asking Dunnington to be on what Dunnington recalled as being a “committee” and not a board. Dunnington expressed a clear distinction between being on a board and being on a committee and told us she did not feel like she was on a board. Nonetheless, Dunnington also reported that she had never met with other board members and had never voted on any matters related to the Foundation.

Hahn, who was described as the “chairman” of the board, also agreed the board had never met and had never voted. Hahn was unaware of how she

became a board member and told us she was “apparently” the board chairman.

During our interview with Todd Pauley, who had become the Foundation’s Executive Director, he also indicated he had never met or spoke with any board member other than the chairman and OSDE employee, Ashley Hahn.

Conclusion

Based on the above and the previous two findings, the Foundation appeared to have operated more as an extension of OSDE, rather than as an *independent* entity, and largely through an OSDE employee who apparently by default had been designated “chairman” of the Foundation board.

Finding #4

OSDE officials apparently discussed and may have determined the amounts to be paid to Foundation officials from the Foundation bank account.

Given that the governing board of the Foundation had never met and never voted, one of our first questions for evaluating who had “operational control” of the Foundation bank account was to determine who had decided the pay for Foundation Executive Director Pauley, Attorney A.J. Ferate, and Accountant Pam Pollard. There were conflicting and confusing accounts of how payment to the Foundation’s officials had been determined and approved.

According to A.J. Ferate, his pay was determined by Executive Director Todd Pauley. Foundation Accountant Pam Pollard told us her pay was set by Todd Pauley and A.J. Ferate. Todd Pauley told us his salary was determined because they (Ferate, Pollard, and Pauley) “just put a number out there” that was thought to be fair and equitable.

We asked Pollard, who had signed the \$5,000 check to Ferate, who had instructed her to write the check. Pollard told us she could not remember but that she had “got the word” to pay Ferate somehow.

The payments to both Pauley (\$2,000) and Pollard (\$2,000 by two separate \$1,000 payments) had all been signed by Hahn. According to Pauley, the pay amounts had been agreed to, but he did not know how that agreement had occurred. Pauley later indicated the pay would have been approved by Hahn.

We asked Hahn how the pay amounts for Ferate, Pauley, and Pollard had been approved. Hahn told us the pay amounts had been approved by former OSDE Chief of Staff, Jennifer Carter.

We interviewed Carter, who initially said she was not aware Ferate, Pauley, and Pollard had been paid, saying, “this is the first that I even knew about that.” Carter then told us there had been a conference call between Ferate and Pauley along with various OSDE officials including Carter, Hahn, Damon Gardenhire, and possibly OSDE General Counsel Endres to discuss the pay to be given to the Foundation officials.

According to Carter, the reason for the conference call was because Hahn had come to Carter and told her Ferate and Pauley wanted to be paid. Carter said the initial response was that they not be paid. Carter then said she did know they paid them something.

Concerning an agreement for Pauley, Ferate, and Pollard to be paid Carter initially said if there was an agreement then she did not approve the agreement. A moment later she said maybe there was an agreement that she had approved and/or she thought it would have been perceived that she had approved the payments.

Carter told us the operational control of the bank account should have rested with the Foundation's Board of Directors. Carter told us she never saw the bills and had nothing else to do with the Foundation's bank account.

After being informed that the Foundation board had never met, Carter then told us when it came to approving payments, then that responsibility would have to have been Hahn's responsibility, although "Damon [OSDE Communications Director Damon Gardenhire] should have been involved."

Conclusion

Based on the above interviews and information provided, we concluded the responsibility for establishing and/or approving the payments to Foundation officials was vague and somewhat contradictory, but appeared to us to have been at least shared between OSDE and Foundation officials.

Finding #5

In addition to the pay for Foundation officials, OSDE exercised at least some control over *other* Foundation expenditures.

When we asked Hahn who was approving other payments from the Foundation account, Hahn replied it was not any one person. According to Hahn, Carter gave the authority for some things and Damon Gardenhire gave approval for everything.

When we asked Pauley about the approval process, he said that he, Ferate, and Pauley *were involved* in the payment process, although he may not have seen all of the payments.

During a telephone call with Ferate, he told us that he believed Hahn, as the chairman of the board, would have had the authority to appoint Foundation positions and approve payments absent any approval of the governing board.

During our interview with Hahn, she told us while Carter had approved the payments to Ferate, Pauley, and Pollard, Carter was not making all of the decisions. Hahn told us the “smaller things” were being authorized by Gardenhire.

We asked Hahn about payments to the various vendors for production related costs and asked who had the ultimate authority to decide who was going to be paid what amount. Hahn responded:

I don't know that it was one person because Jennifer [Carter] gave authority for some things, Damon [Gardenhire] gave approval on everything, Dawn Jones at our department had already started some of the contracts, so I kept trying to move those through here, so like Belinda [Tricinella], our attorney here [OSDE] was helping with some of those, and then we stopped dead track on some of them went from having Superintendent Barresi signing some of them to having the Foundation sign them.

Pam gave authority for some of the expenses, but she really, the only ones I actually remember her saying let's pay were people that came on like Todd and Pam gave authority for Teale Trammel to be paid, for Jonathon McIntrey to be paid to do the website, Teale came on and did some fundraising that last month or so.

...

Jennifer gave authority, Damon gave approval, so and then Todd [Pauley] stayed in the track the whole time, he would call me constantly and say so where are our funds, where are our dollars, but he was more, he was a little concerned with who we were contracting with, well in fact he was very concerned with who we were contracting with but more on just the fact that he wanted to ensure it got done, got done effectively, efficiently, and like paid, like he seemed to be getting more and more like make sure this gets done.

So I don't know, I don't know if that even answers your question, Pam [Pollard] gave some approval and authority and then Damon [Gardenhire] gave other approval and authority and then Jennifer [Carter] gave Foundation approval.

Pollard told us her approval of payments from the Foundation was limited to only approving if they had enough money to make the payment or not.

In addition to payments related to the Innovation 2011 conference, the Foundation account was also used to pay for costs associated with other OSDE purposes.

On July 11, 2011, OSDE employee Carla Stillwell wrote an email to Hahn which read:

Ashley –

We will be having our Milken Blue Ribbon Panel meeting on 22 Jul. We would like to provide lunch for the Panel so we can work straight through. Dr. Jennifer Watson asked me to contact you to see if there is \$50-\$60 left in the Innovations fund that we can use to buy lunch.

On July 19, 2011, Hahn sent an email to Damon Gardenhire. The contents of the email read, in part:

Carla contacted me back today for confirmation one way or the other regarding providing lunch with the Innovation dollars. I'm happy to write a check for this using Innovation funds if that's what you would like however as you know there are not extra funds in that account at all. The funds are there currently but won't be there once bills are paid. And until I have the extra donor dollars in hand I'm not counting on anything. However, it is only \$60.00 and if is something you would like me to do I'm happy to. I know they would appreciate it.

In the Foundation records provided to us initially, we found what appears to be a corresponding entry indicating Gardenhire had approved the payment for the Milken luncheon.

7/22/11	Some Place Else	\$ 34.77	Lunch for Milken - Jennifer Watson approved by Damon
---------	-----------------	----------	--

During our interview with Hahn we asked about this specific transaction. Hahn told us “Milken was a whole separate entity.” Hahn said the way it was conveyed to her was that Jennifer Watson, who was at the time an OSDE employee, had gone to Gardenhire and asked that a luncheon be paid for with the conference funds.

Hahn told us Gardenhire approved her paying for the lunch with the Foundation funds. Hahn said she paid for the lunch with a Foundation debit card.

Hahn told us she had the ability to make payments when she was instructed to do so. Hahn told us, for example, she used the Foundation debit card to pay \$4,575.26 for furniture used during the Innovation 2011 conference. Hahn said she had gotten approval to purchase the furniture from Gardenhire and Carter.

According to Hahn, the furniture purchased by the Foundation for the conference was subsequently distributed and used in the OSDE building.

Without a board meeting or board vote, this apparent disposition of the Foundation’s furniture assets following the 2011 conference again raises the issue of whether the Foundation or the Department was in control of the Foundation’s assets.

Conclusion

From the limited documentation provided, as well as interviews with both OSDE officials and Foundation officials, we concluded “control” over the approval and payment process had been shared by both entities.

During our interview with Foundation Chairman and OSDE Events Coordinator Hahn, we were told that approvals were made by a combination of OSDE officials and Foundation officials. Foundation Executive Director Pauley said he was involved in the payment approval process, although he may not have seen all of the payments made from Foundation funds.

Because we were provided only limited records related to the approval process, we are unable to determine the total extent of the OSDE involvement in the operational control of the Foundation's expenditures.

At the conclusion of our interview with Hahn, we asked if the operational control of the Foundation bank account was coming from OSDE. Hahn replied it was OSDE.

Finding #6

OSDE paid \$16,429.50 for a debt that appeared to be a Foundation obligation and not a debt of the State of Oklahoma.

One issue that we inquired about was the payment of an apparently overdue bill that was related to the 2011 Innovation conference. The bill is from the same vendor, Event 1, referred to in the Hahn/Tricinella email in Finding #2.

On September 27, 2011, Hahn sent an email to OSDE Communications Director Damon Gardenhire, OSDE Chief of Staff Jennifer Carter, and State Superintendent Janet Barresi with a carbon copy to Todd Pauley, Foundation attorney Anthony Ferate, and Foundation accountant. The email stated, in part:

I need to update you on a couple things. Yesterday, I received a email from a vendor with Innovation who was asking about payment for the conference, one which I was sure had been paid. After Pam (foundation accountant) and myself looked further into it, it actually appears we did not pay this vendor for their service but marked them paid.

...

I have double checked everything and all other bills have been paid in full with Event1 being the only outstanding bill.

...

Once this is resolved AJ is ready to dissolve the foundation and at that point with no left over funds it will be easy to do.

On February 14, 2012, OSDE issued a purchase order and payment to Event 1 Productions, Inc. in the amount of \$16,429.50. Attached to the purchase order was an invoice from Event 1 [attachment #4] reflecting a balance due of \$16,429.50 on a total billing amount of \$25,929.50. The difference between the amount billed and the amount owed (\$9,500) apparently resulted from a \$9,500 payment by the Foundation on October 27, 2011.

The invoice attached to the purchase order was dated July 14, 2011, and reflected the services being billed for were in relation to the Innovation 2011 conference. Also attached to the purchase order was a requisition form dated January 6, 2012, noting the description of the payment as “payment for services on July 14, 2011 for the Innovation 2011 Conference.”

Attached to the purchase order was an agreement [attachment #5] indicating the \$16,429.50 payment by OSDE was being made to “settle a dispute between the parties” and included the following clause:

The Department agrees to pay Claimant the sum of **\$16,429.50** in full satisfaction of all claims arising from the provision of goods or services by Claimant to the Department of Education as detailed on the attached invoice(s): Dated **July 14, 2011**.
[Emphasis in original]

Attached to the purchase order was an *unsigned* contract between OSDE and Event 1 “in cooperation with Oklahoma’s Foundation for Education and Innovation” for services related to the Innovation 2011 conference.

Neither OSDE nor Event 1 was able to provide a signed copy of the contract. On June 11, 2012, we asked OSDE General Counsel for a copy of the contract. We received the following reply:

I have referred your questions about vendor contracts for Innovation 2011 to Keith Hicks here in purchasing. Please be advised that as far as I know, OSDE was not a party to those contracts.

Although several requests were made, we were not provided any additional information or documentation to help us clarify the circumstances related to this transaction.

Conclusion

We consider this to still be an open issue.

Finding #7

Near the end of our fieldwork, both the Foundation and OSDE adopted the position that OSAI had no authority to review “private” Foundation records.

In the Superintendent’s request, we were asked to review “*detailed documents pertaining to the Innovation 2011 event held in July 2011, as well as the Foundation for Innovation in Education, the non-profit organization that managed funds for the event.*”

When we began our audit, OSDE officials provided us with a packet of records from the Foundation, including some bank records, some invoices, spreadsheets accounting for the funds, and spreadsheets related to vendor and sponsor collections.

We were not provided invoices or any supporting documentation for payments made to various officials associated with the Foundation. For example, A. J. Ferate was paid \$5,000. The documentation provided to us indicated the \$5,000 payment to Ferate was for “Foundation General Counsel.” During a telephone conversation, Ferate advised us he was not the Foundation general counsel; he was the attorney that set up the Foundation.

Todd Pauley was paid \$2,000 for “Foundation Services” according to records provided. During an interview with Pauley he stated he served as the Executive Director of the Foundation.

In addition to Ferate and Pauley, additional payments included \$2,000 to Pam Pollard for accountant services, \$2,000 to Teale Trammel, \$2,000 to Chrissy Zercher and \$500 to Evan Handy for “foundation staff services leading up to and during Innovation 2011.”

No invoices or accounting was provided of what services were being provided or who was requesting or approving the payments.

We interviewed Pam Pollard, the Foundation accountant, on May 22, 2012. During that interview Pollard told us she had additional records including contracts and payment approvals she could provide to our office.

On June 5, 2012, we sent an email to Pollard asking about records discussed during the interview. Pollard responded on June 5, 2012, indicating the records would be provided by the end of the week.

On June 20, 2012, the day following an interview with Foundation Director Todd Pauley, we received a telephone call from Foundation attorney Ferate. Ferate expressed that the State Auditor's office was exceeding its authority in asking for records related to the financial activities of the Foundation, as the funds collected by the Foundation were "private funds" of the Foundation.

Also on June 20, 2012, we sent an email to OSDE General Counsel Lisa Endres asking why OSDE did not execute a contract with the Foundation and asking if a contract had been executed, would the contract have fallen under the provisions of **74 O.S. § 85.41**.

Later the same day OSDE General Counsel Endres weighed in on the subject stating, in part:

I agree with the legal interpretation that the State Auditor does not have the authority to demand to inspect a private foundation's financial records simply because a state employee served in a dual capacity. I find no case law or legal authority in statute or opinion to support your position.

Although the Endres email did not answer the question we had asked, it did seem to clarify that OSDE concurred with Foundation attorney Ferate and did not believe the State Auditor and Inspector's office had a right to ask for "private" records related to the Foundation.

In addition, on June 20, 2012, we sent a series of questions for Hahn as both a state employee and as the chairman of the board for the Foundation. The questions were sent to both the Foundation attorney and the OSDE general counsel, but were not responded to until September 2012.

The response included answers and confirmations that:

- Attorney Ferate did not represent Hahn;
- The circumstances of how Hahn became chairman were still uncertain;
- Hahn no longer considered herself the board chairman or a member of the board, and indicated that she "turned all responsibilities" over to Ferate and Pauley, as of February 2012;
- Hahn maintained "the funds were donated to a private foundation," although at the time she had not "distinguished whether the funds were private or public;"

- Hahn again confirmed there was no written agreement with the Foundation; and
- Hahn provided a list of OSDE officials that oversaw “conference activities.”

Although Hahn now considers herself to be off the Foundation board, a check of the filings at the Secretary of State’s office indicated that no changes in the board membership had been filed there, as of the end of fieldwork.

On June 23, 2012, Foundation accountant Pollard responded to our request for Foundation records (records which she had previously indicated that she would provide) by referring us to attorney A. J. Ferate for all future questions.

Overall the Foundation expended \$207,857 according to the bank records provided.

Conclusion

We were unable to obtain additional records pertaining to the Foundation’s expenditures, including contracts, invoices, payment approval forms, and other records, which Foundation officials had indicated do exist, but that they are now unwilling to provide. Accordingly, we suspended that line of inquiry and consider the matter(s) to be inconclusive due to insufficient records and documentation.

We consider this to still be an open issue.

Finding #8

The Oklahoma Department of Education did not follow state law in “contracting” with the Foundation. We disagree with the position that the Foundation’s records are not subject to audit.

Although OSDE did not formally contract with the Foundation, the purpose of the Foundation appeared to have been to serve as the financial arm of OSDE, with respect to the Innovation 2011 conference revenue and expenses.

On June 20, 2012, officials of both OSDE and the Foundation asserted that the records of the Foundation were private records and not subject to review by the Oklahoma State Auditor and Inspector.

74 O.S. § 85.2 provides, in part:

"Professional services" means services which are predominantly mental or intellectual in character rather than physical or manual and which do not involve the supplying of products. Professional services include services to support or improve state agency policy development, decision making, management, administration, or the operation of management systems;

...

"Services" or "contractual services" means direct engagement of the time and effort of a contractor for the primary purpose of performing an identifiable task rather than for the furnishing of an end item of supply;

74 O.S. § 85.41(A) provides, in part:

A state agency that acquires professional services shall comply with the provisions of this section. [emphasis added]

74 O. S. § 85.41(E) provides:

A professional services contract shall include an audit clause which provides that all items of the supplier that relate to the professional services are subject to examination by the state agency, the State Auditor and Inspector and the State Purchasing Director. [emphasis added]

During an interview with a state contract specialist with the Oklahoma Department of Central Services (DCS) we asked if, in her opinion, OSDE should have executed a contract with the Foundation for the services provided.

According to the DCS contract specialist, there should have been a contract, if for no other reason than to protect the interest of the state in the event the contractor failed to pay the bills associated with the conference. The contract specialist told us that *had* OSDE entered into a contract with the Foundation, the contract would have been considered a professional services contract within the meaning of **74 O.S. § 85.41(E)**, and therefore would have included the “audit clause” required by that statute.

Former OSDE General Counsel Endres stated in her email the reason OSDE did not execute a contract was, “[t]his was a failure of execution due to the new staff and rushed timing of events and nothing more.” However, we find no exemption in the statute for inexperienced staff or “rushed timing” or for any other reason. Therefore, OSDE’s failure to enter into such a contract did not comply with **74 O. S. § 85.41(A)**, which required a written and executed contract for such circumstances.

We observed that as a result of having *not* entered into a contract specifying what each entity was agreeing to, OSDE ended up paying \$16,429.50 for an overdue conference bill that should reasonably have been a debt of the Foundation and not of the State of Oklahoma. That unforeseen or unanticipated situation is the type of circumstance that the DCS contract specialist indicated written contracts are designed to avoid.

Prior to the 2011 conference, the May 28, 2011, email between OSDE and Event 1 specified the Event 1 contract should have been directed to the Foundation. During our interview with Hahn, who served as both the Foundation chairman of the board and as OSDE event coordinator, the reason OSDE paid the \$16,429.50 was because “the foundation was \$16,000 upside down and couldn’t pay that bill.”

OSDE General Counsel Endres again described the function of the Foundation in an email to us on June 20, 2012 in which she stated:

It is the entire purpose of that foundation and all of the foundation members knew was [sic] it was for and what it was doing and it terminated upon completion of its goal and function: to provide services to OSDE on contracting and management of funds for the conference.

While the failure of OSDE to execute a professional services contract with the Foundation may have been the result of a hurried effort to put on a conference and “nothing more,” that omission subsequently allowed the Foundation and OSDE to take the position that the records of the

Foundation were private records and not subject to review by the State Auditor and Inspector's office.

Conclusion

We disagree with OSDE's and the Foundation's position.

The argument that OSDE did not have a contract, because it was an administrative oversight or due to inexperience, does not grant an automatic exemption from making such a contract nor from the statutorily required "audit clause," which states, in part, "all items of the supplier that relate to the professional services are subject to examination by ... the State Auditor and Inspector..."

Other Concerns

Superintendent Barresi requested the State Auditor and Inspector “review detailed documents pertaining to the Innovation 2011 event held in July 2011, as well as the Foundation for Innovation in Education, the non-profit organization that managed funds for the event.”

During our review of the Innovation 2011 conference and the relationship between OSDE and the Foundation, we found in addition to the funds related to the Innovation 2011 conference, other funds may have been solicited by various OSDE officials and deposited into the Foundation bank account.

The solicitation and use of those other funds did not appear to be related to the Innovation 2011 conference.

We have additional concerns related to OSDE officials soliciting donations from companies that may be contracting or otherwise receiving payments from OSDE.

Although our inquiry was limited, during a preliminary review, we found examples of deposits made to the Innovation 2011 account which came from business entities having received substantial payments from OSDE. We noted, for example:

- A \$5000 deposit to the Foundation bank account was from NCS Pearson. In calendar years 2010 and 2011, NCS Pearson had been paid \$24,271,913.
- \$575 deposit to the Foundation bank account was from Computer Automated Systems, Inc. In calendar years 2010 and 2011, Computer Automated Systems, Inc. had been paid \$2,838,000.
- A \$3,500 deposit to the Foundation bank account was from Teachers-Teachers.com. In calendar years 2010 and 2011, Teachers-Teachers.com was paid \$454,020.

We are cognizant of the fact that vendors who would want to have an exhibit booth at an OSDE event, such as the Innovation 2011 conference, are most likely vendors who have some connection or interest in education. Thus, they would likely be or could reasonably be vendors or contractors with OSDE.

However, as noted in our second report on OSDE, our concern is that when vendors and contractors are contacted by OSDE officials and are

solicited to make donations, they may feel compelled or obligated to make those donations in order to maintain their contracts with OSDE.

Subsequent Events Since the release of our OSDE Supplemental Report (March 7, 2012), and the effective date of the legislation authorizing an Agency Special Account for the OSDE, the present administration has implemented additional policies concerning events and training seminars and the proper procedure for accepting donations and gifts for public schools, as authorized by **70 O.S. 3-104(12)**. These policies are included in this report as Attachments #7 and #8.

The 2012 “summer” conference was held in June. According to OSDE officials, the 2012 conference was funded through vendor fees and state appropriations. We have not been engaged to and have not reviewed any documentation, policies or procedures related to the 2012 conference.

Also, since the release of the OSDE Supplemental Report, OSAI has received requests from two other state agencies to review three non-profit entities, one request regarding two entities connected to the state agency itself and one request with regard to a “foundation” related to a judicial district drug court. It has also been brought to our attention that there is another non-profit entity that is providing a significant function for a state department, but which we have not been requested to review.

Due to these other requests and the other NPO that we have become aware of, OSAI believes that there are likely other relationships between state agencies and private non-profit entities that may need more clarification and/or greater scrutiny by the Legislature.

OSAI is considering conducting a survey of state departments and agencies to determine the extent and nature of public entity relationships with private non-profit entities which are essentially functioning as “subsidiary” entities, as a preliminary step to a Legislative study of the potential issues involved.

DISCLAIMER

In this report there may be references to state statutes and legal authorities which appear to be potentially relevant to the issues 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. Such determinations are within the exclusive jurisdiction of regulatory, law enforcement, and judicial authorities designated by law.

Attachment #1

JANET C BARRESI
STATE SUPERINTENDENT OF PUBLIC INSTRUCTION
OKLAHOMA STATE DEPARTMENT OF EDUCATION

MEMORANDUM

TO: Damon Gardenhire, Communications Director

FROM: Lisa Endres, General Counsel, and Belinda Tricinella, Assistant to General Counsel

SUBJECT: Innovation 2011

DATE: April 8, 2011

The question at issue here as we understand it is whether state employees can legally solicit and collect vendor fees for the Innovation 2011 Conference. Our findings are as follows:

- Gay Tudor, Assistant Attorney General, recalls discussing this issue with the former administration, however, **no formal opinion was issued** by the Attorney General.
- To the best of our ability, based on the information we have been given, we have determined that the concern in the past was likely related to the Ethics Commission Rules regarding elected official and state employees soliciting or receiving anything of value.
 - South Carolina has an Ethics Commission Opinion that is directly on point, at Op S.C. St. Ethics Comm., SEC AO92-172, May 27, 1992 (See also § 8-13-705). This opinion states that where contributions made from vendors in support of conferences for the purpose of reducing expenses, general conference expenses or for booth space to display products, the Commission does not believe the solicitations are ipsa facto violations, but recommends that solicitation be done by a separate foundation and/or employees who are not directly involved in agency activities regarding businesses which are being solicited **and** that all interested potential sponsors be given the opportunity to contribute **and** that contributions be made to a separate fund or account.
- The Oklahoma Ethics Commission does not appear to have an opinion directly on point. However, the Ethics Commission Rules, at 257:1-1-2(2)(T), provide pertinent definitions related to Administrative Operations. 257:1-1-2(2)(T) states that:
 - “These terms [“Anything of value”, “Thing of Value” or “Things of Value] **do not include:** any gratuity provided at a meeting, conference, or seminar by sponsors, exhibitors, etc., the cost of which is not borne by a registrant to such meeting, conference, or seminar, and which is available to all registrants.” (Emphasis added).
 - “T” is a new provision in the Ethics Rules (proposed in 2009) and has not been met with Commission interpretation to date. However, we feel that “T” is clear and there is not an Ethics violation here.

- The Office of State Finance (OSF) has a process whereby state agencies can establish an Agency Special Account (ASA). There is an application on OSF's website that has to be filled out and approved by OSF's Board. ASA approval would offer the State Department (OSDE) protection with respect to any potential challenges to the receipt and use of the money.
 - The other state agencies utilizing the method which we are considering appear to be utilizing the website solely for registration purposes, not taking vendor fees.

Our recommendations are as follows:

- The most cautious approach and best protection would be to ask for an Attorney General or Ethics Opinion prior to proceeding. However, we do not feel that there is an Ethics violation based on our reading and interpretation of 257:1-1-2(2)(T).
- In addition, we feel that establishing an ASA Account with OSF would be wise and provide security for the OSDE. OSF should be contacted to see if an ASA can or should be set up for the purpose of receiving and spending vendor fees.

Attachment #2

Thursday, May 3, 2012 9:57:45 AM Central Daylight Time

Subject: Innovation 2011 Conference Sponsorship State Department of Education

Date: Wednesday, June 1, 2011 5:12:12 PM Central Daylight Time

From: Ashley Hahn

To: carrie@payneeducationcenter.org

Good Afternoon Carrie,

In the past you have supported the State Department of Education in its bid to positively impact public education in the state of Oklahoma. We are incredibly grateful for your support, and we are proud to say that because of your support children across the state of Oklahoma have been impacted in wonderful ways.

However, as we are taking education to a new level in Oklahoma we realize that we cannot do this without your continued support.

You, Superintendent Barresi, and I realize that we need to make Oklahoma a leader in education. **But if we hope to make the future brighter for young people across the state it's going to take your help.**

Today I ask for your help in this mission. I present you with an opportunity to impact the future of education in Oklahoma, while also generating exposure for your business and yourself.

The Oklahoma State Department of Education holds a conference each year for school superintendents and administrators from across Oklahoma. The mission of this conference, **Innovation 2011**, is to ensure local educational leaders understand the State Department of Education's vision for education across the state and give them the tools to enact that vision where it counts. Now is the time to facilitate educational reform and move education in Oklahoma into a league of its own.

The **Innovation 2011** conference is asking for your help. Attached to this message is a packet explaining how you can help by being a sponsor of this event. Your sponsorship will help maximize the visibility of your business to educational leaders across Oklahoma. Your sponsorship will ensure the educational goals of Superintendent Barresi are enacted, and it will advance the interests of your business.

Thank you for your past and future contributions. The cause of advancing education in Oklahoma would not be possible without you.

Sincerely,

Ashley Hahn

--

Ashley Hahn
Event Coordinator
Oklahoma State Department of Education

Ashley.Hahn@sde.ok.gov

Office | [405.521.4893](tel:405.521.4893)

Fax | [405.522.0768](tel:405.522.0768)

2500 North Lincoln Boulevard
Oklahoma City, Oklahoma 73105-4599

<http://sde.state.ok.us/>

<http://okedconferences.com/>

Attachment #3

Thursday, May 3, 2012 10:22:55 AM Central Daylight Time

Subject: Innovation 2011 Invoice

Date: Monday, June 20, 2011 4:05:04 PM Central Daylight Time

From: Ashley Hahn

BCC: jenifer.randle@okdcc.ok.gov, tales@character Tales.com, Behrens, Andy

Hello,

Thank you for participating in the Oklahoma Department of Education's annual superintendent's conference, Innovation 2011. I have attached an invoice for the price of your booth at the conference. Please send checks to the listed address, online payment via credit/debit card may be placed here: http://shop.okedconferences.com/Innovation-2011-Booths_c2.htm, and if you are paying by purchase order then please contact me.

Thank you

--

Ashley Hahn
Event Coordinator
Oklahoma State Department of Education

Ashley.Hahn@sde.ok.gov

Office | 405.521.4893
Fax | 405.522.0768

2500 North Lincoln Boulevard
Oklahoma City, Oklahoma 73105-4599

<http://sde.state.ok.us/>
<http://okedconferences.com/>

Page 1 of 1

Attachment #4

EVENT 1 PRODUCTIONS, INC.
 1601 S. 129th W. Ave.
 Sand Springs, OK 74063

b7/b

Invoice

Date	Invoice #
7/14/2011	E1P-8367

Bill To
Oklahoma State Department of Education 2500 N. Lincoln Blvd. Suite 215 Oklahoma City, Ok 73105-4599

P.O. No.	Terms	Rep
Innovation 2011	Due on receipt	BS

Description	Qty	Rate	Amount
Tradeshow Booths	300	30.00	9,000.00
Food Court and Dining Area Carpet	500	4.50	2,250.00
Carpet and Padding for Registration	100	6.00	600.00
Carpet for Entrance and Hallway	240	4.50	1,080.00
8' Black Drapes Behind Registration	100	3.00	300.00
8' Drapes for Breakfast/Lunch/Concession Area	90	3.00	270.00
8' Drapes Entering into the Arena	180	3.00	540.00
8' Drapes in the Arena	360	3.00	1,080.00
8' Drapes for Onsite Registration Area	60	3.00	180.00
10-Set of Uprights and Plates and Extensions for Registration	10	0.00	0.00
Truss Display (Tomados and Lights) Commons Area	1	3,000.00	3,000.00
Graphic Entrance Display in Lobby	1	3,500.00	3,500.00
30" Highboy Table with Linens	16	35.00	560.00
Counter High Stools for Exhibitor Registration	3	25.00	75.00
30" Highboy Table with Linens for Registration	4	35.00	140.00
6' Counter-High Skirted Tables for Registration	11	30.00	330.00
6' Skirted Tables for Registration	3	17.50	52.50
6' Non Skirted Tables for Registration	1	15.00	15.00
8' Non Skirted Tables for Onsite Registration Area	2	17.50	35.00
8' Counter High Skirted Table for Onsite Registration Area	2	35.00	70.00
Counter High Stools for Registration	20	25.00	500.00
Counter High Stools for Onsite Registration Area	4	25.00	100.00
Vendor Move In Labor	20	30.00	600.00

It's been a pleasure working with you!

Phone #	Fax #	Web Site
918-245-8006	918-245-8007	www.event1inc.net

Subtotal
Sales Tax (8.375%)
Total
Payments/Credits
Balance Due

Osahly Kalm
 2/6/12

Attachment #5

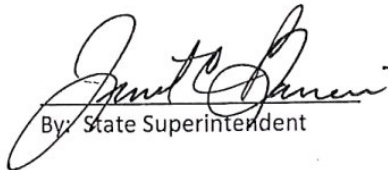
Ratification Agreement And Release

Agreement made this 5th day of January, 2012, between Event 1 Productions, Inc, referred to as Claimant, and the State Department of Education, hereinafter referred to as the Department.

1. This agreement is made to settle a dispute between the parties by ratifying a commitment made on behalf of the Department.
2. Claimant asserts a claim against the Department for goods or services provided to the Department as described on the attached invoice(s).
3. In exchange of mutual promises and considerations, the parties agree as follows:
 - The Department agrees to pay Claimant the sum of \$16,429.50 in full satisfaction of all claims arising from the provision of goods or services by Claimant to the Department of Education as detailed on the attached invoice(s): Dated July 14, 2011.
 - The Department agrees to pay Claimant for any outstanding invoices within forty-five (45) days of receipt of final invoice.
 - Claimant agrees that all financial charges, claims, demands, rights and causes of action they have or may have had against the Department or the State of Oklahoma and any of their officers, agents, servants and employees arising from the provision of the goods or services detailed on the invoices identified herein, are hereby satisfied, discharged, settled and released.
4. This agreement shall be binding on and inure to the benefit of the parties and their respective legal representatives, successors and assignees. This agreement constitutes the complete agreement of the parties and may not be modified without written agreement of the parties.

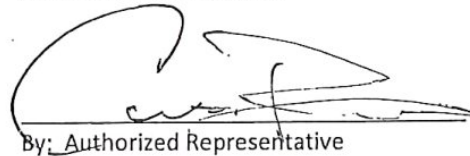
In witness thereof, the parties named herein have executed this agreement in accordance with OAC 580:15-6-17 on the day and the year written beside their signatures.

State Department of Education



By: State Superintendent

Event 1 Productions, Inc.



By: Authorized Representative

Attachment #6

CHECK ONE OF THE FOLLOWING STATEMENTS, WHICHEVER IS APPLICABLE:

The governing body of the corporation adopted a resolution setting forth the amendment proposed and declaring its advisability.

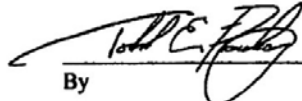
At a subsequent meeting held upon notice stating the purpose thereof and given in accordance with the provision of Title 18, Section 1067, a majority of all the members of the governing body voted in favor of the amendment.

OR

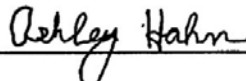
_____ At a meeting of the governing body of said corporation, a resolution was duly adopted setting forth the foregoing proposed amendment(s) to the certificate of incorporation of said corporation, declaring said amendment(s) to be advisable and calling a meeting of the members for consideration thereof.

Pursuant to such call and to due written notice given to each member, a meeting was held, at which meeting the necessary number of members as required by the certificate of incorporation of said corporation voted in favor of the amendment(s).

IN WITNESS WHEREOF, said corporation has caused this certificate to be signed by its President or Vice President and attested by its Secretary or Assistant Secretary, this 16th day of ~~NOVEMBER~~ DECEMBER, 2011


By _____ President
Todd E. Pauler
(PLEASE PRINT NAME)

ATTEST:


By _____ Secretary
ASHLEY HAHN
(PLEASE PRINT NAME)

(SOS FORM 0015-10/98)

Attachment #7

OSDE Event, Training and Seminar Policy

2012

Event, Trainings & Seminar Scheduling Procedure for OSDE

A. OSDE Master Schedule. In order to keep track of all events, conferences, trainings, seminars, professional development and other OSDE sponsored activities, OSDE will maintain a Master Schedule, which will be posted on the website. All events, conferences, trainings, seminars, professional development or other OSDE sponsored activities must be calendared on this Master Calendar and approved through the OSDE Events Coordinator. This does not include scheduling of internal OSDE staff meetings or meetings scheduled with districts or the public that occur in the performance of routine daily business.

1. In order to ensure cost savings for the agency, it is the policy of OSDE to utilize OSDE facilities and free venues for all OSDE sponsored events, conferences, trainings, seminars, professional development or other activities sponsored by OSDE.
2. OSDE staff shall complete the Workshop Requisition form prior to scheduling or planning any OSDE event. (See attached Workshop Requisition form.) To obtain prior approval, the completed Workshop Requisition form shall be approved by the Assistant State Superintendent and forwarded to the Events Coordinator for final approval.
3. Upon approval of the Assistant State Superintendent and the Events Coordinator, OSDE staff responsible for planning the event shall be notified that the request has been approved and provided a copy of the signed (approved) Workshop Requisition form. OSDE staff may proceed with the training, meeting or conference planning. Approval Workshop Requisition form is necessary prior to purchasing, ordering or booking any venue, food or beverage.
3. All signatures on the Workshop Requisition Form must be obtained at least 45 days prior to the scheduled event. If the event requires an expenditure over \$50,000.00 and requires a contract to be approved through the formal bid procedures involving Department of Central Services, the Workshop Requisition Form should be completed at least 8 to 12 weeks in advance of the event. Failure to provide at least 45 day notice of the scheduled event to the Events Coordinator may result in a denial of the request to hold an event.
4. Staff should make every effort to secure a free venue for all events and activities (including training, professional development, seminars and conferences). When possible, events and meetings should be planned or scheduled on OSDE premises. When an OSDE room or meeting space cannot be secured, staff must then attempt to secure a free venue off premises. Only after OSDE space and free venue space cannot be secured should staff request to use funds for venue space. If OSDE or free venue space cannot be secured due to scheduling, location or size restrictions, documentation and evidence showing the justification for paid venue space must be submitted to the Events Coordinator for approval in addition to the workshop requisition. For guidance, costs associated with food and beverage shall be in accordance with the State Travel Reimbursement Act. Failure to comply with the State Travel Reimbursement Act or guidelines of this paragraph may result in the cancellation or denial of a requested event.

6. By December 31st of each year, the supervisor of each Division shall provide a list of OSDE sponsored activities and events projected or known for the upcoming year to the Events Coordinator.

B. Contracting Procedures. In addition to authorization from the Events Coordinator, all staff involved in planning a conference, activity, seminar, training, professional development or major event must also ensure that they follow the appropriate OSDE internal purchasing procedures. Requests for Bid or Proposals shall be in writing and shall be submitted and approved by the Purchasing Manager. For events with an expenditure totaling \$50,000.00 or more, the Request for Bid or Proposal must be submitted to the Purchasing Manager at least 8 to 12 weeks in advance of the event. For all other Requests for bids or proposals, the appropriate documentation must be submitted to the Purchasing Manager at least 45 days prior to the event or service. Interdepartmental requisitions sent to Purchasing associated with a Workshop must include a copy of the approved Workshop Requisition Form before any contract or acquisition will be completed.

C. Substitutes and Stipends. The OSDE will not grant stipends for individuals to attend trainings, seminars, meetings and/or conferences. In cases where OSDE holds mandatory training sessions, seminars, meetings or conferences during the school/work day, districts will be reimbursed for the cost of providing a substitute teacher for those teachers who are required to attend mandatory training. To qualify for reimbursement, the school district must authorize the educator to be absent to attend mandatory training, and the substitute teacher must be used for the full day of instruction.

D. Travel. The expense of travel for individuals attending trainings, seminars, meetings or conference will no longer be reimbursed by the OSDE. This does not include costs associated with OSDE employees who attend mandatory and preapproved trainings, seminars, meetings or conferences, or travel stipends for which the OSDE has entered into limited or specific contractual agreements to pay. This provision does not apply to boards or commissions by which we are statutorily required to reimburse their travel expenses.

Oklahoma State Department of Education
Release Date: October 29, 2012

**OKLAHOMA STATE DEPARTMENT OF EDUCATION
 WORKSHOP REQUISITION**

INSTRUCTIONS:

1. **No commitment of funds can be made prior to approval of this form.** The *original* workshop requisition must be submitted to the Comptrollers Office. Upon final approval, Comptrollers will send a copy to the Contact Person designated on the form.
2. **This form should be submitted for approval at least 45 days prior to the event.** If the Department may be required to solicit bids, the requisition should be submitted at least **8-12 weeks** in advance.
3. Follow the sequence of approval as presented on the form; i.e. Director, Assistant Superintendent, etc.
4. In compliance with House Bill 1950, the following information *must* accompany the workshop requisition for stipend fees/travel, regardless of whether there is a cost associated with the event:
 - a. Justification of Request
 - b. Indicate federal regulation or state statute requiring expenditure (please elaborate)
5. If paying stipend, list grant number (Federal funds only). **Unless otherwise indicated, all stipend payments are considered income.**
6. **If travel and stipend only send form directly to Comptroller's office, all other forms need event's coordinator signature.**

FUNDING: State: _____ Federal: _____ Other: _____

Program: _____ In-house _____
 Contact Person _____

Name of Workshop: _____

Location (Name, address and telephone number of facility): _____

Date (s): _____ Hours of Workshop: _____

Purpose: (Brief description) _____

Number expected to attend _____

CONSULTANT/TRAINER/SPEAKER COSTS (fee):

Yes _____ No _____

(If Yes, contact the Comptrollers Office immediately for appropriate forms and assistance)

SUBSTITUTE COSTS:

*SUBSTITUTE: (School Cost). Grant Number _____

_____ No. of participants (x) \$ _____ a day (x) _____ days = _____ \$ _____

Total Costs of Participants _____ \$ _____

FACILITIES: If using commercial facilities, attach two copies of the contract. If meeting facilities are provided at no cost to the agency, a letter stating such from the selected facility must be provided.

Free Venue Available Yes _____ No _____

Room Rental: \$ _____ per day (x) _____ days (x) _____ No. of rooms = _____ \$ _____

Food, Beverage and/or Other (Description): _____

\$ _____

Total Cost of Facilities \$ _____

Total Cost of Activity \$ _____

APPROVAL:

Program Director/Administrator _____ Date _____ Events Coordinator _____ Date _____

Assistant State Superintendent _____ Date _____ Superintendent of Public Instruction _____ Date _____
 *If expense above \$500 is incurred

Comptrollers Use Only: Fund Codes

OSDE Event Policy Workshop Requisition Form -Effective Date: 7/30/2012

Attachment #8

Gift/Donation Solicitation; Acceptance Policy | 2012

I. Donation Solicitation & Acceptance Policy for OSDE

- A. **Donations to OSDE.** Pursuant to 70 O.S. §70 3-104(12), the State Board of Education is authorized to accept and provide for the administration of any land, money, buildings, gifts, donations or other things of value which may be offered or bequeathed *to the schools* under the supervision or control of said Board. This means that *donations that will benefit public schools can be accepted by the State Board for use*. This includes but is not limited to donations of gifts or money to assist with providing professional development, training, seminars, etc. to schools and/or school staff.
- B. Donations that would be used solely for the purpose of OSDE's benefit (i.e. to pay only for OSDE staff training or needs) will need to be submitted to the Governor of Oklahoma for acceptance on behalf of the agency pursuant to 60 O.S. §381 *et seq.*
- C. **Donation/Gift Acceptance Procedure:** All donations or gifts of money, goods, or services must be formally accepted by either the Oklahoma State Board or the Governor of Oklahoma prior to use by OSDE. To be properly processed, all gifts and donations of any kind offered to the OSDE shall be made and recorded as follows:
1. Each donor shall fill out a Sponsorship/Donation Approval Form (See Attachment A) which can be found on our OSDE website. Donors are required to disclose and describe the gift, the dollar figure of the gift, and the intended purpose of the gift.
 2. Value is the fair market value of the item or gift and not the wholesale or discounted value of the item.
 3. Calls or inquiries about how to donate to OSDE should be directed to the Director of Financial Services or the Purchasing Manager.
 4. The donation forms should be submitted to the Director of Financial Services, who in collaboration with the Purchasing Manager, will determine if the nature of the gift is for the use and benefit of the public schools or is for the use or benefit of the OSDE.
 - (a). If the gift or donation is determined to be for the benefit of OSDE, the Director of Financial Services will notify General Counsel and the Superintendent of the gift information so that it may be transmitted to the Governor's office for approval and acceptance.
 - (b). If the gift or donation is determined to be for the use and benefit of the public schools, the Director of Financial Services will place the gift on the Gift Donation Report, which will be a regular agenda item for approval by the Oklahoma Board of Education. The Gift Donation Report shall include a list of all gifts received during the last month by OSDE and include the name of the donor, the amount of the gift, the intended use of the gift, the fair market value of the gift and shall disclose any conflicts of interest (i.e. donor has a state contract with OSDE, is regulated by the agency, is a

Gift/Donation Solicitation; Acceptance Policy | 2012

lobbyist or lobbyist principle, is seeking to do business with OSDE). The Director of Financial Services and Purchasing Manager will determine if the gift will or will not benefit public schools and make a recommendation to the Board in the written Gift Donation Report.

5. No donation or gift can be used by OSDE without prior approval from the State Board of Education. Therefore, all gifts must be approved by the Board before they are used.
 - (a) The Donation/Sponsorship Form must be turned in to the Director of Financial Services at least thirty (30) days prior to the event, training, conference or seminar that for which the gift is intended to ensure its inclusion in the Gift Donation Report.
 - (b) In the event a gift or donation is made less than (30) days prior to the event, training, conference or seminar for which it is intended, the Director of Financial Services immediately upon receipt of the Donation/Sponsorship Form will check to ensure the gift can be considered and accepted by the Board in time for it to be accepted and used.
6. Once a gift or donation is approved by either the State Board of Education or by the Governor, the Director of Financial Services will communicate the approval to the appropriate OSDE personnel for use by OSDE.
7. The Director of Financial Services shall keep a list of all approved and non-approved donations and will issue appropriate correspondence to the donors. The Director of Financial Services will also be responsible for reporting the gifts received and used in any required accounting or reporting mandates.
8. The donor of any gift or donation that is not approved or accepted by the State Board of Education or the Governor, regardless of the reason of denial, will receive a written explanation explaining the denial of the gift or donation. Donors will receive a this written explanation as to why the gift or donation is not accepted within thirty (30) days of the denial.
9. If a gift or donation is approved but not used for the purpose intended, the donor will be notified and OSDE will offer to return the gift or donation within thirty (30) days after the event, training, or seminar for which the gift or donation was offered. In the event the gift or donation is returned, the donor will be given the opportunity to modify the intended purpose of the gift or donation and the gift or donation will be put back on the agenda for acceptance for the amended purpose.

- D. **Solicitations of Gifts/Donations on behalf of OSDE.** Pursuant to the Oklahoma State Ethics laws, contained at 74 O.S. § 257: 20-1-9, state officers and employees shall not directly or indirectly solicit, seek or accept anything of value in return for being influenced in the performance of an official act; influenced to commit, aid in committing, collude or allow fraud; or induced to perform or fail to perform an act in violation of the officer's or employee's official

Gift/Donation Solicitation; Acceptance Policy | 2012

duty. Additionally, this statute also prevents state employees from directly or indirectly asking, demanding, soliciting or accepting anything of value individually or on behalf of the state from a business entity, its employees, officers, or board members that have greater than 10% interest in the business OR solicit from a business entity which is subject to regulation by OSDE. In order to eliminate risk to OSDE employees and to manage any possible conflicts regarding solicitations of gifts and/or donations made by the OSDE, no state employee shall engage in any solicitation of donations on behalf of the OSDE. Employees who solicit donations, either verbally or in writing from any source may be subject to disciplinary action.

Gift/Donation Solicitation; Acceptance Policy | 2012

Attachment A

Sponsorship/Donation Approval Form

Thank you for your interest in donating to the Oklahoma State Department of Education. Your gift will be used for the benefit of Oklahoma public schools. In order to process your gift, please provide the below information:

1. Name, Address & Phone Number of Donor: _____

2. Description of the gift/ donation: _____

3. Value of the gift/donation: (market value): \$ _____
4. What is your intended purpose or use for this gift? _____

5. Do you have or are currently seeking to establish a contractual relationship with OSDE? If so, please disclose the nature of the contractual relationship: _____

DATE: _____

(Signature and Title of Donor)

INTERNAL OSDE USE ONLY

OSDE Received application: _____
Date

This Application is: _____ Accepted by the State Board of Education on _____

Rejected by the State Board of Education on _____

RETURN FORM TO: Oklahoma State Department of Education
Director of Financial Services
2500 North Lincoln Boulevard, Room 415
Oklahoma City, OK 73105



OFFICE OF THE STATE AUDITOR AND INSPECTOR

2300 N. LINCOLN BOULEVARD, ROOM 100

OKLAHOMA CITY, OK 73105-4896

WWW.SAI.OK.GOV