



STILLWATER PUBLIC SCHOOLS SCHOOL NUTRITION SERVICES

Investigative Audit Report

May 4, 2022

Cindy Byrd, CPA
State Auditor & Inspector

**Stillwater Public Schools
School Nutrition Services**

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TO THE HONORABLE LAURA THOMAS, DISTRICT ATTORNEY, DISTRICT 9

Presented herein is the investigative audit report of Stillwater Public Schools.

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.

We wish to take this opportunity to express our appreciation for the assistance and cooperation extended to our office during our engagement.

This report is addressed to, and is for the information and use of, the District Attorney, as provided by statute. This report is also a public document pursuant to the Open Records Act, 51 O.S. §§ 24A.1, *et seq.*

Sincerely,

A handwritten signature in blue ink that reads "Cindy Byrd".

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



Stillwater Public Schools July 1, 2012 through May 31, 2019 Investigative Audit Report

Why We Performed This Audit

While performing an internal investigation of the School Nutrition Services funds, Stillwater Public Schools management identified potential misappropriation of funds. This information was provided to the Stillwater Police Department and District Attorney Laura Thomas.

In accordance with 74 O.S. § 212(H), District Attorney Laura Thomas requested the State Auditor & Inspector's office perform an investigative audit of Stillwater Public Schools in response to allegations of misappropriation of funds.

Summary of Findings

Between July 2012 and May 2019, Stacy Hampton, then School Nutrition Services Administrative Assistance for Stillwater Public Schools, appears to have misappropriated funds totaling \$216,197.

Background and Objectives

During the audit period of FY 2013 to FY 2019, Stacy Hampton was employed by the Stillwater Public School District (District) as an Administrative Assistant in the School Nutrition Services (SNS) Division. She reported directly to the SNS Division Director, and her primary responsibilities were collecting School Nutrition funds received from the various schools within the District, preparing deposits, and physically taking funds to the bank for deposit.

In May 2019, while Hampton was on administrative leave for an unrelated issue, the SNS Division Director discovered discrepancies while reconciling the School Nutrition account. The amount deposited for five deposits prepared by Hampton between April and May of 2019 did not agree to the detailed supporting documentation¹ submitted by the individual school sites. The SNS Division Director contacted the Stillwater Public Schools Chief Financial Officer (CFO) with her findings.

¹ *Daily Report of Money Received* manually generated by Hampton, *Daily Deposit reports* manually generated by cafeteria personnel, along with *Cash Collection Reports* generated from the Point-of-Sale system.

The CFO began an internal investigation of the SNS funds collected and deposited for the time period of December 2017 through May 2019 and subsequently expanded the investigation back to January 2011. The internal investigation identified \$215,317 in suspected misappropriation. The Stillwater Police Department was then notified.

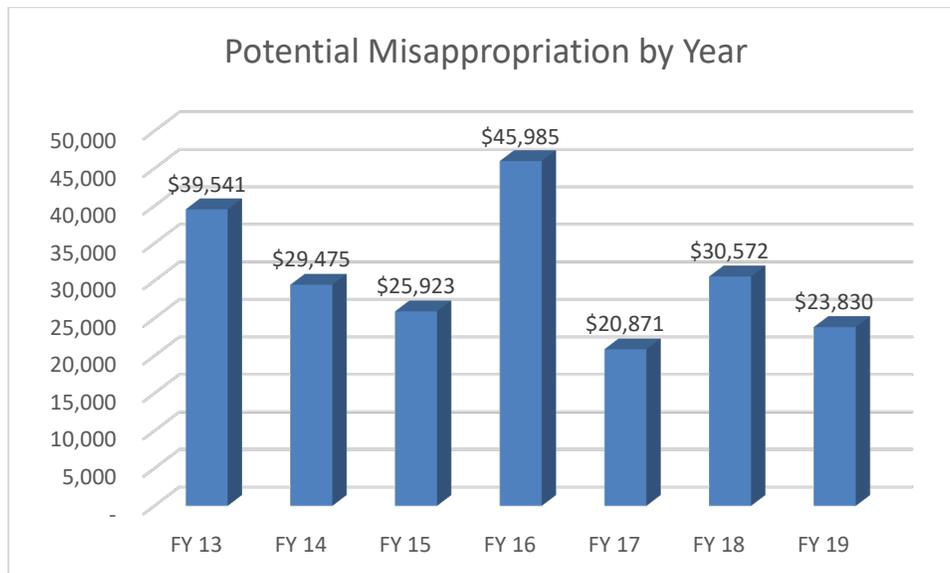
Subsequently, as referenced above, District Attorney Laura Thomas requested the State Auditor and Inspector (SAI) to perform an independent investigation to examine the books and accounts of the Stillwater Public School District to determine if an employee misappropriated funds.

Details on What Was Found

Objective *Determine if there is evidence of misappropriated funds in the School Nutrition Services department during the period of July 1, 2012 through June 30, 2019.*

The internal investigation conducted by the District included a detailed review of deposit records and supporting documentation for deposits prepared by Hampton for the time period of January 2011 to May 2019. The investigation included comparing the deposited amounts, as corroborated by bank statements, to the underlying detailed documents and system reports from the individual school sites. In addition, school officials reviewed travel claims submitted by Hampton which show dates she traveled to the bank to make deposits on behalf of SNS.

Finding *Evidence suggests that \$216,197 of the School Nutrition Service funds were misappropriated during the period of July 1, 2012 through June 30, 2019.*



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How Misappropriation Occurred

Hampton's daily job duties included collecting SNS funds from the various schools within the district, preparing the deposit and physically taking those funds to the bank for deposit.

Prior to Hampton receiving the funds from the school sites, each cafeteria site manager generates a report (*Cash Collection Report*) from the Point-of-Sale (POS) system showing the total amount of currency, coins and checks received. A site deposit is prepared and reconciled to the POS system report. Each site-level deposit includes the computer-generated POS system report and a hand-written deposit slip signed by the cafeteria manager and/or cashier. All documents must reconcile before transferring the deposit to Hampton at the School Nutrition Service (SNS) office. The deposit and all accompanying paperwork are put into a bank bag and locked. The school site and the SNS office both have keys to the bags.

Once Hampton received all site deposits, she created a district-wide deposit. The following is an example of one day's district-wide collection and deposit to illustrate the scheme used by Hampton to misappropriate funds.

The *Daily Report of Money Received* shows a compilation of the funds received from the various schools within the district indicating the total amount by currency, coins, and checks collected for the day.

School	Currency	Coin	Checks	Total
High School	56.00	.50	20.00	76.50
Junior High	225.00	.45	245.00	470.45
Middle School	269.00	6.65	455.00	730.65
Lincoln Academy	0	0	0	0
IR-MS-Pre-K				
Highland Park	5.00	0	0	5.00
Richmond	33.00	0	100.00	133.00
Sangre Ridge	31.00	.50	170.00	201.50
Skyline	8.00	0	0	8.00
Vestwood	3.00	0	60.00	63.00
Will Rogers	64.00	1.75	30.00	95.75
Total	694.00	9.85	1080.00	1783.85

Verified By: *S. Hampton*

A total of \$1,783.85 should have been deposited into the Lunch Account at Simmons bank on October 1, 2018. However, as documented on the deposit slip, the amount of currency deposited was \$594.00. This is \$100 less than the amount shown to be collected; therefore, only \$1,683.85 was actually deposited.

DEPOSIT TICKET FOR CASH/COIN, PULL MONEY
DATE: 10-1-18
STILLWATER SCHOOL DISTRICT 10
LUNCH ACCOUNT
314 S LEWIS ST
STILLWATER, OK 74068
bankSNB
\$ 1,683.85

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The example provided illustrates the reoccurring process used by Hampton to misappropriate the SNS funds.

To corroborate that Hampton actually made the deposit, we reviewed the corresponding travel claim for which she was seeking reimbursement for traveling to and from the bank when making the deposits. For the daily example illustrated above, the following travel claims indicates that Hampton took the deposit to the bank on October 2nd.

PO# 12

STILLWATER PUBLIC SCHOOLS
314 SOUTH LEWIS
STILLWATER, OK 74074
405/533-6300 PHONE - 405/533-6311 FAX

RECEIVED DEC 14 2018

INTER-DISTRICT DAILY MILEAGE RECORD

DATE	STARTING POINT-DESTINATION-PERSON CONTACTED-PURPOSE	TOTAL MILES PER DAY
10/1	Kicker - Bank - Kicker	10
10/2	Kicker - Bank - Kicker	10
10/3	Kicker - Bank - Kicker	10
10/4	Kicker - Bank - Kicker	10
10/8	Kicker - Bank - Kicker	9
10/9	Kicker - Bank - Kicker	10
10/10	Kicker - Bank - Kicker	9
10/11	Kicker - Bank - Kicker	10
10/15	Kicker - Bank - Kicker	9
10/16	Kicker - Bank - Kicker	10
10/17	Kicker - Bank - Btk - Kicker	10
10/22	Kicker - Bank - Kicker	10
10/23	Kicker - Bank - Kicker	10
10/24	Kicker - Bank - Kicker	10
10/25	Kicker - Bank - Kicker	10
10/29	Kicker - Bank - Kicker	10

K. Neal
ADMINISTRATOR APPROVAL
EFFECTIVE JANUARY 1, 2018

TOTAL MILES @ 0.545 = 157
TOTAL DUE @ 0.545 = \$85.56

Stacy Hampton
Payable to Signature
Stacy Hampton
915 E. Main Ave
Stillwater, Ok. 74015
Printed Name & Address

FOR ACTUAL MILES DRIVEN 1/1/18-12/31/18

Evaluation of Internal Investigation

The District conducted an internal investigation prior to the audit request. To verify the validity of the District's investigation, SAI began by conducting interviews of District employees from the central office and school sites that are involved in the daily collection and deposit process of SNS funds and also those that were involved in the internal investigation. We also attempted to contact Hampton multiple times for an interview but were unsuccessful.

SAI obtained the District's spreadsheet used to reconcile collection and deposit records. Since the same methodology was used to compile the information from January 2011 through May 2019, SAI focused on the FY 19² detailed records. We reviewed the information and verified the methodology and supporting documentation utilized to determine its validity.

A few minor clerical errors were noted in the spreadsheet, and when corrected, the alleged amount of misappropriation increased by \$880 for FY 2019.

² August 2018 through May 2019

There were 169 deposits between August 2, 2018 and May 28, 2019³ for a total of \$228,927. When compared to internal records, a total of \$252,757 was reported as cash/checks received during that same period; therefore, it appears \$23,830 (9%) was misappropriated. Although not all supporting reports and deposits were signed, deposits with missing funds were prepared and made by Hampton based on the handwriting⁴ and corresponding travel claims submitted. A summary of the District's work, verified by SAI, for the period of August 2, 2018 and May 23, 2019 included:

- 143 deposits, or 85%, were prepared by Hampton according to the District's investigation
 - 109 of the 143, or 76%, of the deposits prepared by Hampton in FY 2019 appear to include misappropriated funds.
- Average misappropriation per deposit for FY 2019 = \$218
- Single smallest misappropriation for FY 2019 = \$50
- Single largest misappropriation for FY 2019 = \$1,418
- Only one *Daily Report of Money Received* was signed by Hampton for all of FY 2019. Others have no signature, but the handwriting appears to be consistent with that of Hampton.
- There is also no signature, initials, etc. on deposit slips to notate the preparer; however, the handwriting on the 143 deposit slips we reviewed was consistent with other confirmed examples of Hampton's handwriting.
- **For FY 19 there were 128 deposits totaling \$20,799 in suspected misappropriation that were corroborated with signed travel claims.**

In the District's investigation documentation for the period of January 1, 2019 through February 28, 2019, there were 33 deposits totaling \$47,802 compared to \$53,299 reported in collections.

For all deposits during this period, we reconciled totals on the *Daily Report of Money Received* prepared by Hampton to the individual site deposit slips without exception, including confirmation of the cash/check composition. We also compared the individual site deposit slips to the POS deposit reports.

All 33 deposits during this time period appear to have been prepared by Hampton.

- Of the 33 deposits reviewed, 24 appear to include a misappropriation of \$5,497.
- All but three of those 24 deposits with suspected misappropriation were corroborated with travel claims signed by Hampton seeking reimbursement for travel to the bank on the date of the deposit.

³ Deposits were not made in summer months when school was not in session.

⁴ An expert handwriting analysis was not performed but the unique handwriting style appears to be that of the suspect. This comparison is based on a review of the suspect's handwriting on the documents that were signed.

- The suspected misappropriation for the three deposits that could not be corroborated, with signed travel claims was \$700, leaving the amount of misappropriation for the period of January 1, 2019 through February 28, 2019 at \$4,797.

Conclusion Overall, the District's investigation techniques appeared appropriate, effective, and accurate. We concur with their findings regarding the misappropriation of SNS funds totaling \$216,197.

According to 19 O.S. § 641, any public funds used for a personal purpose is defined as an embezzlement. The statute states in part:

If any...officer or person charged with the collection, receipt, safekeeping, transfer or disbursement of the public money, or any part thereof, belonging to the state or to any...school district ... shall convert to the officer's or person's own use or to the use of any other person...in any way whatever, any of such public money...of any kind received, controlled or held by such officer or person by virtue of such office or public trust for safekeeping, transfer or disbursement, or in any other way or manner, or for any other purpose...such...officer or person shall be guilty of an embezzlement.

**Internal
Control
Findings**

As part of our investigation, we also noted the following internal control deficiencies that allowed the misappropriation to occur and not be detected in a timely manner:

- There was a significantly inadequate segregation of duties related to the SNS administrative assistant's duties. For most of the audit period, Hampton was solely responsible for:
 - receiving funds from the individual school sites,
 - preparing the deposit,
 - taking the deposit to the bank, and
 - reconciling the bank statements for the School Nutrition holding/clearing account.

This increased the risk and provided opportunity for funds to be misappropriated without detection.

- There were no mitigating controls such as periodic reviews of reconciliations or reviews of deposits compared to original source documents by someone independent of collecting and depositing the funds.
- There were no written policies and procedures related to the collection, transportation, physical safeguarding, deposit, and reconciliation of SNS Funds.

- Cafeteria managers and the SNS administrative assistant had total access to the POS System including the ability to alter entries after they were made. According to all staff interviewed, alterations in the system require a user comment and create an audit log. In addition, reports can be generated showing all alterations made during a given period. However, during our audit period, reports documenting such alterations were not generated and reviewed for any unusual trends or entries.

We recommend the following related to the internal control deficiencies noted:

- Development of detailed written policies and procedures for all phases of the collection, transportation, physical safeguarding, deposit, and reconciliation of School Nutrition funds.
- Preparation of the combined SNS deposit by at least two individuals. Both persons should count and verify the deposit amounts and indicate their review by signing or initialing both the deposit slip and the *Daily Report of Money Received*.
- Preparation of the bank reconciliation by someone independent of the depositing process.
- Periodic independent reviews of bank reconciliations and comparison of deposit slips to the corresponding *Daily Report of Money Received*, the individual site deposit slips, and the POS daily receipt reports.
- Periodic reviews of POS system reports of changes and edits for evidence of unusual trends or transactions.

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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 the State Auditor & Inspector's Office. This Office 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, prosecutorial, and/or judicial authorities designated by law.

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



Cindy Byrd, CPA | State Auditor & Inspector

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