

**WESTERN TECHNOLOGY CENTER**

**WASHITA COUNTY**

**INVESTIGATORY REPORT**

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September 17, 1999

Honorable Drew Edmondson  
Attorney General, State of Oklahoma  
Room 112, State Capitol  
Oklahoma City, Oklahoma 73105

Transmitted herewith is the Investigatory Report of the Western Technology Center No. 75-V012-900, Washita County, Oklahoma. We performed our investigation in accordance with the requirements of **74 O.S. Supp. 1997, § 18f.**

A report of this type is critical in nature; however, we do not intend to imply that our report failed to disclose commendable features in the present accounting and operating procedures of the Western Technology Center No. 75-V012-900.

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

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

Sincerely,

JEFF A. McMAHAN  
State Auditor and Inspector

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**BOARD OF EDUCATION**

- Jack Sanders . . . . . President
- Ray Challis . . . . . Vice-President
- Don Greteman . . . . . Clerk
- C.H. Wyatt, Jr. . . . . Member
- Derrel Nutley . . . . . Member

**DISTRICT OFFICIALS**

- Charles E. Orsack . . . . . Superintendent
- Frankie Hinds . . . . . Business Manager

Board of Education  
Western Technology Center No. 75-V012-900  
P.O. Box 1469  
Burns Flat, Oklahoma 73624-1469

Pursuant to the Attorney General's request in accordance with the requirements of **74 O.S. Supp. 1997, § 18f**, we have performed the procedures enumerated below with respect to the Western Technology Center No. 75-V012-900, Washita County, Oklahoma.

The objectives of our investigation primarily included, but were not limited to, the following areas and are presented in their entirety in italics as they were communicated to us:

- I. Did the Western Technology Center maintenance personnel work at the Superintendent's home installing a swimming pool on School time?*
- II. Did WTC staff paint the Superintendent's Mother's home in Ardmore on School time with WTC materials and equipment?*
- III. Were WTC maintenance or teaching staff involved in performing work on the Superintendent's personal projects during School time?*
- IV. Irregularities in purchasing practices.*
- V. Board members are receiving compensation and travel payments for their spouses.*
- VI. Verify if WTC-Weatherford Campus property was purchased through the Board President's real estate company.*
- VII. Were air conditioners removed from the WTC-Weatherford Campus and placed in rental properties owned by the Board President or the Board President's real estate company?*
- VIII. Do relatives of any Board member work for the School?*
- IX. Board members and administrative staff travel to Las Vegas with an office supply vendor.*
- X. Auto Mechanics, Diesel and Auto Collision Program-Accountability of parts purchased by the School.*
- XI. The School purchased a 1991 Lincoln Town car for the Superintendent.*
- XII. Irregularities in inventory records including duplicate purchases; equipment purchased but not included on inventory records; and other inventory discrepancies.*
- XIII. Petty cash irregularities.*
- XIV. Board meetings at WTC are not open to all members of the public.*
- XV. Possibility of missing funds from fund raisers and/or misuse of fund raising proceeds.*

Our findings and recommendations related to these procedures are presented in the accompanying report.

Because the above procedures do not constitute an audit conducted in accordance with generally accepted auditing standards, we do not express an opinion on the account balances or financial statements of the Western Technology Center No. 75-V012-900. Further, due to the test nature and other inherent limitations of an investigatory report, together with the inherent limitations of any internal control structure, there is an unavoidable risk that some material misstatements may remain undiscovered. This report relates only to the accounts and items specified above and does not extend to any financial statements of the School taken as a whole.

This report is intended to provide information to the Board of Education and Administration of the District. This restriction is not intended to limit the distribution of the report, which is a matter of public record when released.

Sincerely,

JEFF A. McMAHAN  
State Auditor and Inspector

April 15, 1999

## INTRODUCTION

The Western Technology Center (formerly Western Oklahoma Vocational-Technical School) is an area vocational-technical school authorized by the **Constitution of Oklahoma, Article 10, § 9B**. The Western Technology Center (WTC) encompasses sixteen (16) school districts in west central Oklahoma. Campuses for WTC are located at Burns Flat (main campus), Weatherford and Sayre.

Western Technology Center is an integral part of the Oklahoma State Vocational-Technical training system and, with a few exceptions, is governed by Oklahoma Public School Law as set out in **Title 70** of the **Oklahoma State Statutes**.

The scope of our investigation was limited to the concerns enumerated in the State Auditor and Inspector's Report and was expanded as we considered necessary when additional items of concern came to our attention.



## CONCERNS, FINDINGS AND RECOMMENDATIONS

**I. Concern:** *Did the Western Technology Center (WTC) maintenance personnel work at the Superintendent's home installing a swimming pool on School time?*

**Finding:** During discussions with the Superintendent, he stated his residence is rental property owned by the Midwestern Oklahoma Developmental Authority. We obtained affidavits from individuals reportedly involved in performing work at the Superintendent's home on School time. This work allegedly included installing a swimming pool, painting the house and constructing a storage building. All individuals providing affidavits stated the work was performed on personal time, such as weekends and holidays. We were unable to document instances in which WTC personnel worked on the Superintendent's home on School time.

**II. Concern:** *Did WTC staff paint the Superintendent's mother's home in Ardmore on School time with WTC materials and equipment?*

**Finding:** We obtained an affidavit from an individual who allegedly sided the Superintendent's mother's home on School time. The affidavit stated he went to Ardmore on a weekend (personal time) and was not required to work. We were unable to document WTC staff, materials or equipment used on the Superintendent's mother's home in Ardmore.

**III. Concern:** *Were WTC maintenance or teaching staff involved in performing work on the Superintendent's personal projects during School time?*

**Finding:** During the course of our review, we noted one instance in which an Auto Mechanics instructor worked on the Superintendent's vehicle during the summer and was paid by the School. The instructor stated he and his students were to rebuild an engine for the Superintendent's wife's Jeep Cherokee as a "Live Work" project during the regular School year. The students were unable to complete the work during the School year so the instructor stayed two(2) weeks into the summer. The instructor stated he was paid by the School for his personal time during the summer.

The payment of School funds for personal use appears to be contrary to **Article 10, § 15(A)** of the **Constitution of Oklahoma**, which states in pertinent part:

"A. The credit of the State shall not be given, pledged, or loaned to any individual, company, corporation, or association, municipality, or political subdivision of the State...nor shall the State become an owner or stockholder in, nor make donation by gift, subscription to stock, by tax, or otherwise, to any company, association, or corporation[.]"

**Finding:** In addition, we noted an instance in which a vehicle was rebuilt by the Auto Collision instructor and students for a an individual who is a major supplier of office supplies to WTC. According to the Auto Collision instructor, he was provided a sealed envelope, by the Superintendent, to give to a delivery man when the vehicle arrived.

Upon delivery, the driver informed the instructor that he could not accept a sealed envelope and the instructor would have to open it and give him the contents. The instructor stated he opened the envelope and found a check from the individual for the vehicle. According to the instructor, the vehicle involved was a Jaguar that was purchased from an insurance sale. The vehicle arrived late in the School year and was worked on by the instructor and students until the end of the School year. The vehicle was rebuilt during the summer and completed during the beginning of the following School year by the instructor and students. We were unable to locate a "Live Work" order for this project. Most

of the parts for this rebuild were purchased from a Jaguar dealership in Oklahoma City. During our review, we noted no payments made to this dealership.

While no parts appear to have been purchased for this project by the School, School facilities, equipment and personnel were used to rebuild a vehicle for an individual, at no charge, in a primarily non-instructional situation. Furthermore, we noted it to be a common practice for instructors to work on personal projects on personal time in the School's facilities with School equipment.

The above actions appear to be contrary to **Article 10, Section 15** of the **Constitution of Oklahoma** cited on the previous page.

**Recommendation:** We recommend the WTC Board of Education review this finding and implement policies and procedures to insure personal use of School property and personnel is prohibited. In addition, we recommend the proper authorities review these instances and determine if any action is warranted.

**IV. Concern:** *Irregularities in purchasing practices.*

**Finding:** The WTC Board of Education has approved purchasing procedures requiring the solicitation of bids on all purchases exceeding \$1,000.00. We noted numerous instances in which these procedures were either not followed or bid documentation was not maintained. We also noted WTC did not always comply with the **Public Competitive Bidding Act** when contracting for facilities, construction and repair.

**61 O.S. Supp. 1994, § 102.4** states:

“Public construction contract’ or ‘contract’ means any contract, exceeding Seven Thousand Five Hundred Dollars (\$7,500.00) in amount, awarded by any public agency for the purpose of making any public improvements or constructing any public building or making repairs to the same except where the improvements, construction of any building or repairs to the same are improvements or buildings leased to a person or other legal entity exclusively for private and not for public use and no public tax revenues shall be expended on or for said contract[.]”

**61 O.S. 1991, § 103** states:

“All public construction contracts shall be let and awarded to the lowest responsible bidder, by free and open competitive bidding after solicitation for sealed bids, in accordance with the provisions of this act. No work shall be commenced until a written contract is executed and all required bonds and insurance have been provided by the contractor to the awarding public agency.”

**Finding:** WTC has made significant purchases of equipment without solicitation of formal or telephonic bidding. In Fiscal Years 1997 and 1998, surveillance cameras and monitoring equipment were purchased in the amount of \$28,106.16. We were unable to locate any evidence of competitive pricing for the surveillance systems.

In addition, we noted a significant number of televisions and video cassette recorders were purchased, without benefit of bids, from an office supply company.

While no violation of State Statutes may have occurred on these and similar purchases, prudent business procedures would require purchasing expensive supplies and equipment at the lowest price to insure taxpayer funds are used frugally.

**Recommendation:** We recommend the WTC Board of Education insure it's policies and procedures are adhered to and enforced.

**Finding:** During our review of purchase orders relating to inventory, we noted WTC purchased a significant number of shirts to be used as gift shop inventory and promotional "give-aways". As noted in the following schedule, it appears there is a significant variance in the shirts "given away" or sold and the total value of the shirts that should be on hand.

Shirts purchased from Fiscal Year 1996 through Fiscal Year 1998	\$12,798.50
Shirts given as promotional gifts	< 7,328.50 >
Shirts sold and receipted	< 121.50 >
Unaccounted variance	<u>\$ 5,346.50</u>

After discussions with WTC Administrative staff, we were unable to determine why such a significant variance existed. No shirt inventory could be located.

**Recommendation:** We recommend the proper authorities review this finding to determine if any action is warranted.

**V. Concern:** *Board members are receiving compensation and travel payments for their spouses.*

**Finding:** On December 11-14, 1997, and April 2-6, 1998, Board members attended out-of-state conventions. We noted in our review of purchasing documents that on the 1997 trip, WTC purchased airline tickets for two (2) spouses of Board members. On the 1998 trip, one (1) ticket for a spouse was purchased with School funds. We were unable to locate documentation in which the Board members reimbursed the School for the cost of these tickets. We also noted Board members attending the conventions were given cash advances to cover their per diem expenses. This action appears to be in conflict with **Article 10, § 15** of the **Constitution of Oklahoma**, which states in part:

"The credit of the State shall not be given, pledged, or loaned to any individual...or political subdivision of the State[.]"

In addition, we were unable to locate any documentation or receipts supporting expenditures of the cash advances.

**Recommendation:** The proper authorities should review this finding and determine whether Board members should reimburse the District for the airline tickets purchased for Board members' spouses. The Board should also cease the practice of providing cash advances to Board members or any other School employee.

**VI. Concern:** *Verify if WTC - Weatherford Campus property was purchased through the Board President's real estate company.*

**Finding:** On May 8, 1991, WTC entered into a contract agreement to purchase a parcel of land, in Weatherford, with three (3) buildings from Jesse Chisholm, Inc. in the amount of \$235,000.00. Jesse Chisholm, Inc. had previously purchased this property (March 2, 1991) from a Savings and Loan in the amount of \$200,000.00; however, had not closed at the time of the sale to WTC. When the property sold to Jesse Chisholm, Inc., it was listed for sale by the Board President's real estate company.

We reviewed closing documentation pertaining to the sale of the property to Jesse Chisholm, Inc. and noted a Cashier's Check remitted by WTC to the title company in the amount of \$235,000.00. The

Cashier's Check was provided by Jesse Chisholm, Inc. to close the transaction with the Savings and Loan. The amount actually required to be delivered at closing was \$191,997.73. This left a balance due back to Jesse Chisholm, Inc. from the title company of \$43,002.27 and the Board President's real estate company received a \$12,000.00 commission for the sale.

The Deed from the sale to Jesse Chisholm, Inc. and the Deed from the sale to the School, were filed as a package, one (1) minute apart. The title company stated the buyer (Jesse Chisholm, Inc.) came to closing with a Deed prepared for the School and a Cashier's Check from the School and requested the title company file the two (2) Deeds together.

It appears the President of the Board, had knowledge of the School's intent to purchase the Weatherford property. The School could not legally purchase the property while the Board President's real estate company had the listing. A third party (Jesse Chisholm, Inc.) may have been used to give the appearance that the Board President was not involved in the sale to the School. In an interview with the Principal of Jesse Chisholm, Inc., he stated he did not recall the details of the transaction and could not recall how he gained knowledge of the listing.

In addition, it appears the School provided funds for the property to a seller (Jesse Chisholm, Inc.) prior to the actual ownership of the property by the seller.

**Recommendation:** We recommend the proper authorities review these transaction and determine if any action is warranted.

**VII. Concern:** *Were air conditioners removed from the WTC - Weatherford Campus and placed in rental properties owned by the Board President or the Board President's real estate company?*

**Finding:** Upon purchasing the Weatherford Campus property, the School Board verbally contracted with the School Board President to prepare one of the buildings for remodeling, according to an affidavit we obtained. This included removing interior walls, air conditioning units, and all other interior improvements. The Board President's compensation for this work was to keep anything that was removed. According to the affidavit, this being the terms of the contract, the Board President may have removed the units. We were unable to determine what exactly was removed from the building.

Contracting with the Board President to prepare the building for remodeling appears to be a violation of **62 O.S. 1991, § 371**, which states in part:

"A. No...district board of any school district in this state...shall make any contract with any of its members, or in which any of its members shall be directly or indirectly interested; and all contracts made in violation of this section shall be wholly void."

**70 O.S. 1991, § 5-124** states in part:

"No board of education of any school district in this state shall make any contract with any of its members or with any company, individual or business concern in which any of its members shall be directly or indirectly interested. All contracts made in violation of this section shall be wholly void. A member of a board of education shall be considered to be interested in any contract made with any company, individual, or any business concern if such member of the board of education or any member of his immediate family owns any substantial interest in same."

**Attorney General's Opinion No. 79-183** states in pertinent part:

"The standard that can be derived from these and similar cases is that it contravenes public policy for a school board member to place himself in a position which is inconsistent with his public function or which interferes with his unbiased performance of his duties or has a tendency to induce him to violate such duty regardless of whether it can be shown that the public actually suffered any detriment.

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**It is, therefore, the opinion of the Attorney General that a member of a school board is 'indirectly interested' in a contract let by the board when the member has or is likely to have a pecuniary or personal interest in the contract which interest is likely or would tend to interfere with the member's objective performance of his public duty."**

**Recommendation:** We recommend the WTC Board of Education discontinue contracting with Board members for work to be performed for the School. In addition, we recommend the proper authorities review this finding and determine if any action is warranted.

**VIII. Concern:** *Do relatives of any Board member work for the School?*

**Finding:** During the course of our review, we noted no individuals related to Board members employed by the School. However, we did note a vendor related within the second degree to the Board President. It appears one of the owners of Sexton and Sexton Office Supplies is the brother-in-law of the Board President. During a review of Board minutes, we noted the Board President did not abstain from votes to approve payments for purchases made from Sexton and Sexton Office Supplies.

Approving payments to a relative within the second degree appears to be a violation of **70 O.S. 1991, § 5-124**, cited previously. In addition, it appears to be contrary to **Attorney General's Opinion No. 79-183** also previously cited.

**Recommendation:** We recommend the WTC Board of Education discontinue business with vendors related to Board members.

**IX. Concern:** *Board members and Administrative staff travel to Las Vegas with an office supply vendor.*

**Finding:** We noted that Board members and Administrative staff travel to Las Vegas annually with the owner of the primary office supply company used by the School and the owner of a tire dealership. In an interview with one of the Administrative staff, they stated all charges, such as airline tickets and hotel rooms, were charged to the credit card of one of the vendors who was later reimbursed.

It appears no charges were made to the School for these trips. Without obtaining personal bank and business records from these companies, we were unable to determine if the companies or the owners paid for any expenses incurred by the Board members or the Administrative staff.

**Title 257 of the Oklahoma Administrative Code, Section 20-1-9.(b) Restraints on solicitation or acceptance of anything of value—Disclosure**, states in pertinent part:

"(b) **Calendar year limits on things of value.** No state officer, state employee, or an immediate family member of a state officer or state employee shall, directly or indirectly, ask, demand, exact, solicit, seek, accept, assign, receive, or agree to receive things of value in a calendar year which, in the aggregate, are valued at more than three hundred dollars (\$300) from a person who the state officer or state employee knows or should know:

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(2) is seeking to do business or doing business with the governmental entity of which the state officer's or state employee's office or employment is a part; or

(3) has a substantial financial interest in actions or matters before or affecting the governmental entity of which the state officer's or state employee's office or employment is a part."

**Recommendation:** We recommend the proper authorities review these instances to determine if any action is warranted.

**X. Concern:** *Auto Mechanics, Diesel and Auto Collision Program - Accountability of parts purchased by the School.*

**Finding: 1)** Beginning in Fiscal Year 1996-97, the Auto Repair Program began to record all vehicles serviced in the shops on "Live Work Orders". These work orders are maintained by the individual instructors during the course of a vehicle entering and leaving their shop. When a part is ordered, it is placed on the work order with a description, vendor invoice number and cost. The work order number is also to be placed on the original vendor invoice which is attached to the purchase order. Upon completion of the vehicle, the work order is totaled and the customer is billed that amount. The District also has a policy providing a ten percent (10%) shop fee which is also applied at times.

We performed a test of parts purchased in Fiscal Years ending June 30, 1997, 1998, and 1999 in excess of One Hundred Dollars (\$100.00). These items were selected from General Fund purchase orders and supporting documentation chosen from a list of vendors. The parts were then crossed to the work orders to ensure the customers were billed accurately. In addition, all work orders were referenced to receipts to ensure all work orders billed were collected.

During the course of our review, we noted the following pertaining to the above procedures:

1. Work orders are not created for School-owned vehicles.
2. Work orders are not always created for vehicles for which parts were not ordered.
3. Work order numbers are not always placed on original vendor invoices.
4. Vehicles are released prior to collection of bills.
5. Only one instructor is charging the ten percent (10%) shop fee.

**Recommendation:** The procedures in place at WTC, pertaining to the purchase of parts for customer vehicles and the use of "Live Work" orders, appear to be an adequate and effective measure of accountability. However, in order for these procedures to be effective, they should be followed without exception by all instructors in a uniform manner. The following are our recommendations for the discrepancies noted above:

1. Any vehicle entering the shop area to be worked on by students should have a "Live Work" order created regardless of the vehicle's origin. This procedure would be effective in maintaining accurate records, as well as a learning tool for the students.
2. Same as above.
3. All original vendor invoices should contain the corresponding work order number as a means of tracking invoices to work orders when the invoice is the only information available.
4. In no instance should a completed vehicle (regardless of owner) be released prior to payment of expenses incurred by the School.
5. All instructors should add the ten percent (10%) shop fee to each invoice or a minimum fee (whichever is greater), which should be determined by the Board and the Administration. This would overcome costs derived from losses created by students and consumable items which cannot be billed effectively.

**Finding: 2)** During our review of Activity fund receipts for Fiscal Years ending 1997, 1998 and

1999, we noted a number of instances in which individuals and employees purchased auto parts through the School and received the School's discount and tax exemption. It appears parts were ordered through the Automotive Programs and then paid for as a "cash and carry" item as they were received. This procedure allows persons to obtain parts at a large discount and exempt of all taxes which normally may have applied.

This appears to be using the School's discounts and tax exemption for personal gain, which is prohibited by **Article 10, § 15** of the **Constitution of Oklahoma** cited above.

In addition, we noted one instance in which an employee purchased a power lawn and garden tool through the School and made payments on the item over a period of seven (7) months until the balance was paid. However, the School was actually shorted ten dollars (\$10.00) because of a miscalculation on one of the receipts.

The procedure of loaning funds is a direct violation of **Article 10, Section 15** of the **Constitution of Oklahoma** cited above.

**Recommendation:** We recommend the WTC Board of Education adopt policies and procedures to insure the above violations are prohibited. In addition, we recommend the proper authorities review these transactions to determine if any action is warranted.

**XI. Concern:** *The School purchased a 1991 Lincoln Town car for the Superintendent.*

**Finding:** On June 24th, 1995, the Superintendent privately purchased a salvaged 1991 Lincoln Town car from an auto sales and parts dealer in Guthrie, Oklahoma in the amount of \$5,500.00. A personal loan was obtained from Southwest State Bank for the purchase price plus parts, totaling \$7,595.81. In addition, this loan also included \$339.85 in Credit Life Insurance premiums and finance charges. The total amount financed was \$7,937.66. The loan was to be paid in a single payment due on November 6, 1995.

On November 3, 1995, the School issued General Fund warrant no. 1090 in the amount of \$7,935.10 to Southwest State Bank retiring the Superintendent's personal loan. The variance of \$2.56 was due to the three-day early payoff.

On November 10, 1995, the School issued Activity Fund check no. 5827 in the amount of \$603.00 to the Oklahoma Tax Commission for Excise Tax, Title and Registration fees transferring the ownership from the dealership to the Superintendent. Also included in this amount were \$52.50 in penalties due to the delayed transfer and preregistration.

During the period July 19, 1995 to August 29, 1997, we noted the following expenditures made for this vehicle which remained registered to the Superintendent:

07-19-95	Barber-Dyson Ford	\$ 411.75	Misc. Parts
09-09-95	Barber-Dyson Ford	613.69	Misc. Parts
09-14-95	Barber-Dyson Ford	71.78	Misc. Parts
10-20-95	Barber-Dyson Ford	22.53	Misc. Parts
10-23-95	Barber-Dyson Ford	1,269.30	Parts and Labor
11-03-95	Southwest State Bank	7,935.10	Loan Payoff
11-10-95	Okla. Tax Commission	603.00	Initial Registration
11-10-95	Barber-Dyson Ford	29.66	Misc. Parts
11-19-95	Barber-Dyson Ford	147.42	Parts and Labor

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12-26-95	Barber-Dyson Ford	370.88	Parts and Labor
02-23-96	Barber-Dyson Ford	202.30	Parts and Labor
04-02-96	Word Alternator Repair	80.00	Alternator Rebuild
08-13-96	Barber-Dyson Ford	364.71	Misc. Parts
08-16-96	Graves Tag Office	260.50	Registration and Insurance fee
10-16-96	Barber-Dyson Ford	345.05	Parts and Labor
-----	O'Reilly Auto Parts	153.99	Starter
11-21-96	Word Alternator Repair	48.00	Alternator Repair
11-22-96	Mahaney Bros.	111.90	Misc. Parts
-----	Unknown - Sch. Maint.	227.51	Power Steering Pump
02-04-97	Barber-Dyson Ford	1.82	Misc. Parts
02-10-97	Barber-Dyson Ford	437.82	Parts and Labor
08-14-97	Graves Tag Office	236.50	Registration and Insurance fee
08-29-97	Barber-Dyson Ford	63.52	Misc. Parts
		<u>\$14,008.73</u>	

The above list may not include all expenditures applied to this vehicle and it would appear the amount is understated. Due to the lack of records, we were unable to determine the extent of the understatement.

In addition to the above expenditures, the School carried this vehicle on it's insurance policy at an amount which we were unable to determine.

On July 16, 1998, the Lincoln was transferred, at the School's expense, to the School from the Superintendent. The cost of this transfer was \$27.50. However, a non-School license plate remains on the vehicle. On September 10, 1998, the registration was renewed at a cost of \$214.50 due to the non-School plate. If a School plate were issued, there would be an initial cost of \$10.00 for the plate and no annual renewal. The School also owns an older Lincoln which displays a non-School plate. All other School-owned vehicles noted display School plates.

During the course of our review, we noted only two (2) instances which the Board of Education discussed the purchase of a 1991 Lincoln Town car. In the minutes of the October 10, 1995 Board meeting, the Board approved the purchase of the Lincoln; however, no identification was given of the seller. In the November 14, 1995 Board meeting minutes, an encumbrance was approved to pay Southwest State Bank for the vehicle (the Board was actually approving the payoff of the Superintendent's personal loan).

As previously noted, the Superintendent retained legal ownership of the 1991 Lincoln for a period in excess of three (3) years while the School spent approximately \$14,008.73 on initial cost of the vehicle, repairs and registration, in addition to insurance. When the vehicle was transferred to the School, we noted no compensation to the Superintendent.

**Recommendation:** The use of State funds for personal use is a direct violation of **Article 10, § 15** of the **Constitution of Oklahoma** which states:

"A. The credit of the State shall not be given, pledged, or loaned to any individual, company, corporation, or association, municipality, or political subdivision of the State...nor shall the State become an owner or stockholder in, nor make donation by gift, subscription to stock, by tax, or otherwise, to any company, association, or corporation[.]"

All expenditures made for the 1991 Lincoln Town car while legally owned by the Superintendent, appear to be contrary to the above-cited Article. We recommend the proper authorities review these transactions to determine if any action is warranted.

Furthermore, we recommend the School Board of Education require all School-owned vehicles display



School license plates, not only as a means of identification, but to insure unnecessary funds are not expended on vehicle registration.

**XII. Concern:** *Irregularities in inventory records including duplicate purchases; equipment purchased but not included on inventory records; and other inventory discrepancies.*

**Finding:** Western Technology Center has an estimated \$1.5 million inventory which includes approximately 6,000 items. However, the majority of the items were purchased at a cost of less than \$100.00 each.

We examined the inventory records maintained by WTC, including a review of internal controls relating to inventory acquisition and accounting. We selected 378 inventory items for detail review, which represented approximately one-half (1/2) of the total value of the inventory. Our testing included tracing items from the inventory record to a visual inspection of the items. We also traced items back to the inventory record. Our review of inventory indicated a significant number of exceptions:

1. Costs of acquisition reflected on the inventory records are often inaccurate and tend to understate the original cost.
2. Physical location of items shown on the records is often inaccurate.
3. Item descriptions shown on inventory records do not always match the physical description of the item.
4. Purchase acquisition dates do not always reflect when items were actually purchased.
5. Inventory of assets is not performed on a periodic basis.
6. Items that are disposed through surplus auctions are still on inventory records.

WTC does not have a full-time inventory control officer nor written procedures relating to inventory control. As a result, items received into inventory may not be recorded or may be recorded inaccurately. The responsibility for receiving purchases, recording the purchases on inventory records, assigning inventory control numbers, and actually tagging the items with the numbers may require three (3) to five (5) employees of WTC.

In addition, WTC does not have a written policy outlining procedures for declaring and disposing of surplus property. WTC has held auctions of surplus inventory; however, records of those auctions did not adequately identify the auctioned items.

In summary, it appears the inventory records maintained by WTC are generally inaccurate and do not reflect the true value of the assets as stated on the financial records of WTC.

**Recommendation:** The WTC Board of Education should consider appointing a full-time inventory control officer who would be responsible for receiving, recording, and numbering all equipment purchased by WTC. The Board should also insure written policies and procedures are established for inventory control. These policies should set a reasonable minimum value for inclusions on inventory records; and should insure tracking of inventory from purchase through disposal.

The Board should also request a complete inventory of all assets to insure an accurate starting point for any policies and procedures implemented.

**XIII. Concern:** *Petty cash irregularities.*

**Finding:** The Petty Cash Fund is a subaccount of the WTC Activity Fund. During Fiscal Year 1996-97, only four (4) expenditures were made from the subaccount. Three (3) of these were for postage and one (1) was for freight charges. Two (2) of the four (4) expenditures exceeded the \$75.00 limit on

expenditures from petty cash set by **70 O.S. 1991, § 5-129(C)** and adopted by the WTC Board.

**70 O.S. 1991, § 5-129(C)** states in pertinent part:

"The board of education of such district may establish petty cash accounts to be used only for the purpose of making small cash expenditures...provided, no single expenditure from a petty cash account shall be made in excess of Seventy-five Dollars (\$75.00), and the total expenditures during any one (1) fiscal year shall not exceed Two Thousand Five Hundred Dollars (\$2,500.00) per school building."

On March 18, 1997, a freight-in charge of \$88.43 was paid from petty cash (this payment was made with two (2) checks; one (1) in the amount of \$75.00 and the other in the amount of \$13.43). On February 10, 1997, postage for a bulk mailing was paid from petty cash in the amount of \$93.91. Both of these expenditures were reimbursed from the proper General Fund accounts the following month.

In Fiscal Year 1997-98, a total of nine (9) expenditures were made from the Petty Cash Fund; eight (8) of these were for postage and one (1) for freight-in. None of these expenditures exceeded \$75.00.

**Recommendation:** We recommend the WTC Board of Education consider eliminating the Petty Cash subaccount in the Activity Fund and replace with a "postage and freight" subaccount. Postage and freight charges could then be paid without exceeding the \$75.00 restriction. The account could still remain at the \$100.00 limit set by the Board.

**XIV. Concern:** *Board meetings at WTC are not open to all members of the public.*

**Finding:** We obtained affidavits from several instructors and employees of WTC who stated the staff had been informed by the Superintendent that they were not to attend WTC Board meetings unless invited. The reason given was that it made the Board members uneasy when instructors and staff were at the meetings.

In accordance with **25 O.S. 1991, § 301 et. seq.**, denying anyone access to Board meetings would be contrary to the **Oklahoma Open Meeting Act. 25 O.S. 1991, § 302** states:

"It is the public policy of the State of Oklahoma to encourage and facilitate an informed citizenry's understanding of the governmental processes and governmental problems."

In addition, **25 O.S. 1991, § 303** states in pertinent part:

"All meetings of public bodies...shall be held at specified times and places which are convenient to the public and **shall be open to the public**[" (ea)

**Recommendation:** The WTC Board of Education should make known that instructors and staff are not only welcome to attend Board meetings but are encouraged. The proper authorities should review this finding to determine if any action is required and if Open Meeting violations have occurred.

**XV. Concern:** *Possibility of missing funds from fund raisers and/or misuse of fund raising proceeds.*

**Finding:** The WTC held three (3) golf tournaments to raise money to fund scholarships for students enrolled in the Adult Education Programs. The following schedule reflects the net proceeds (income less expenses) realized from the fund raisers:

08/27/93	\$ 469.84
09/26/94	395.85

10/16/95	3,735.00
Total Funds generated	<u>\$4,600.69</u>

At the time of our audit, no funds had been expended from the Adult Education Activity Fund subaccount for scholarships or any other student benefit.

However, we noted that the Adult Education subaccount is primarily used as a clearing account for postage spent on mailing night class brochures and for liability insurance obtained for students in medical training courses.

A clearing account would be utilized for postage or insurance purchased with subaccount funds which are reimbursed from other funds. We noted that some postage expenses had not been reimbursed during the period covered by our review. Some miscellaneous expenses had been paid which did not appear to be reasonable Adult Education expenses.

The following schedule reflects those reimbursements which appear to be owed to the Adult Education subaccount and those payments made from the subaccount which should not have been made from the subaccount:

Postage paid, not reimbursed	\$ 2,457.59
R. Clark - meat	8.29
Cookies - blood drive	5.07
Cordell Beacon	14.00
Clinton Daily News	73.44
Foundation Grant Writing Fee	330.00
King's Flowers - plant	<u>21.00</u>
Total	<u>\$2,909.39</u>

With the reimbursement of the postage paid from the Adult Education subaccount, the total raised by the golf tournaments could be used to fund expenditures for Adult Education purposes. In accordance with **70 O.S. Supp. 1993, § 5-129**:

"...Disbursements from each of the activity accounts shall be by check...and shall not be used for any purpose other than that for which the account was originally created."

It does not appear the subaccount is currently used to benefit the students enrolled in Adult Education.

**Recommendation:** We recommend that either the Adult Education Activity Fund subaccount be used only for purposes that benefit the students in this Program or that a new subaccount be established with the \$4,600.69 raised in the golf tournaments and that this subaccount be used for the purposes specified for the fund raiser.

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Throughout this report there are numerous references to State Statutes and legal authorities which appear to be potentially relevant to issues raised by the Attorney General and reviewed by this Office. The State Auditor and Inspector has no jurisdiction, authority, purpose or intent by the issuance of this report to determine the guilt, innocence, culpability or liability, if any, of any person or entity for any act, omission, or transaction reviewed and such determinations are within the exclusive jurisdiction of regulatory law enforcement, and judicial authorities designated by law.

The inclusion of cites to specific Statutes or other authorities within this report does not, and is not intended to, constitute a determination or finding by the State Auditor and Inspector that the District or any of the individuals named in this report or acting on behalf of the Western Technology Center have violated any statutory requirement or prohibition imposed by law. All cites and/or references to specific legal provisions are included within this report for the sole purpose of enabling management and other interested parties to review and consider the cited provisions, independently ascertain whether or not District policies, procedures or practices should be modified or discontinued, and to independently evaluate whether or not the recommendations made by this Office should be implemented.