

WHITESBORO PUBLIC SCHOOL DISTRICT NO. 401062

LEFLORE COUNTY

SPECIAL AUDIT REPORT

JULY 1, 2002 THROUGH APRIL 30, 2003



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

Jeff A. McMahan
State Auditor and Inspector

February 10, 2004

Patrons and Citizens
Whitesboro, Oklahoma 74577

Transmitted herewith is the Special Audit Report of the Whitesboro Public School District No. 401062, LeFlore County, Oklahoma. We performed our special audit in accordance with the requirements of **74 O.S. 2001, § 212**.

A report of this type is critical in nature; however, we do not intend to imply that our report failed to disclose commendable features in the present accounting and operating procedures of the District.

The Office of the State Auditor and Inspector is committed to serve the public interest by providing independent oversight and by issuing reports that serve as a management tool to the State. Our goal is to 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 this special audit.

Sincerely,

JEFF A. McMAHAN
State Auditor and Inspector

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index of specific concerns

The following concerns are presented in their entirety in italics as they were communicated to us:

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BOARD OF EDUCATION

Gary Howard President
Gary Rose Vice-President
Doug Camp Clerk
Harley Johnson Member
Eddie Bohanan Member

SUPERINTENDENT

Dr. John Turner



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

Jeff A. McMahan
State Auditor and Inspector

Board of Education
Whitesboro Public School District No. 401062
P.O. Box 150
Whitesboro, Oklahoma 74577

Pursuant to the citizens' petition and in accordance with the requirements of **74 O.S. 2001, § 212**, we performed a special audit with respect to the Whitesboro Public School District No. 401062, LeFlore County, Oklahoma for the period July 1, 2002 through April 30, 2003.

The objectives of our special audit primarily included, but were not limited to, the items listed in the "index of specific concerns" noted in the table of contents. 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 Whitesboro Public School District No. 401062, for the period July 1, 2002 through April 30, 2003. Further, due to the test nature and other inherent limitations of a special audit report, together with the inherent limitations of any internal control structure, there is an unavoidable risk that some material misstatements may remain undiscovered. This report relates only to the accounts and items specified above and does not extend to any financial statements of the District taken as a whole.

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

Sincerely,

JEFF A. McMAHAN
State Auditor and Inspector

November 26, 2003

INTRODUCTION

The Independent School District No. 401062, LeFlore County, Oklahoma, (Whitesboro Independent School) is an integral part of the Oklahoma State System of Public Education as described in **70 O.S. 2001, § 1-101 et seq.**, the **Oklahoma School Code**. The Board of Education of the Whitesboro Public School District is responsible for the supervision, management and control of the District as provided by **70 O.S. 2001, § 5-117**. Both the Board of Education and the Whitesboro Public School District are subject to the provisions of the **Oklahoma School Code**.

The Whitesboro Public School District No. 401062 is audited annually by private independent auditors, and such audit reports were available for our review. The District Board of Education prepares an annual financial statement, presenting the financial position of the District as of the close of the previous fiscal year in accordance with the requirements of **68 O.S. 2001, § 3002**. The financial information presented was prepared from the District's records provided to us by the District Administration.

The State Auditor and Inspector conducted a special audit of the records of the Whitesboro Public School District, primarily those records relating to the petitioners' concerns listed in the "index of specific concerns" noted in the table of contents. The results of the special audit are in the following report.

BOARD OF EDUCATION FIDUCIARY RESPONSIBILITIES

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

CONCERNS, FINDINGS AND RECOMMENDATIONS

I. CONCERN: *Possible irregularities in general fund expenditures.*

FINDING NO. 1: We examined all purchases from Rose Grocery in Whitesboro, Oklahoma by the Whitesboro School District for our audit period. We summarized all gas expenditures by District employee's and/or District treasurer. Though the District has a gas tank on its premises, it appears some employees were allowed to purchase gas from a local vendor. The District maintains an account (by blanket purchase order) at the store and gas/food purchases would be initialed by the individual who purchased the items. Each month the store would send all initialed invoices to the school for payment.

The District treasurer stated the former Superintendent allowed her to go to the store and get gas for her trip to and from Poteau, Oklahoma, which is approximately 100 miles round trip. She stated during the FY02-03 school year she had to make weekly deposits at the District's banking institution located in Poteau and the District's gas tank would usually be locked up and/or unavailable. A review of the treasurer's gas purchases indicated her gas purchases averaged \$26.00 per round trip. The District did not maintain travel documentation to verify the treasurer's trips. However, we reviewed bank statements to determine deposit dates (63 round trips compared to 50 gas purchases) and found the trips to be valid.

Subsequently, on July 24, 2003, the Board approved a District-wide travel policy allowing employees .32 per mile for travel reimbursement. Employees of the District (including the treasurer) will fill out a travel reimbursement form stating the date, destination, purpose, and expenses before payments are remitted. The treasurer will now be paid \$32.00 per round trip to Poteau for the District's banking business.

FINDING NO. 2: While reviewing the District's purchases from Rose Grocery, we were informed the owner of the store was a Board member's uncle (the store was purchased by new owners in June 2003). This finding does not meet the requirements of a conflict of interest per state statutes.

RECOMMENDATION: A recommendation is not necessary.

II. CONCERN: *Possible irregularities in employment and extra-duty contracts.*

FINDING NO. 1: We were informed that a certified teacher was receiving the Flexible Benefit Allowance not permitted by state law because the teacher was employed as a "temporary teacher" paid for by grant monies.

70 O.S. 2001, § 26-103.8 defines the benefit allowance for certified staff, it states:

"8. 'Certified personnel' means a certified person employed on a *full-time* basis to serve as a teacher, principal, supervisor, administrator, counselor, librarian, or certified or registered nurse, but shall not mean a superintendent of a school district[.]" (ea)

Our office spoke with three different representatives from the State Department of Education (SDOE). All stated that even though statutes say a certified teacher must be a full-time employee to receive the Flexible Benefit Allowance, the legislature did not define "full time employee". The State Department of Education's interpretation given to our office was that even though the certified teacher works only 52 days a year, she can still receive the benefit. The SDOE stated that even if a certified employee works one (1) hour a day, they would permit the payment of the Flexible Benefit Allowance. The District's secretary also stated that she and the former Superintendent had sought advice on this particular teacher and the SDOE relayed the same information.

In addition, an SDOE accreditation officer annually reviews the District's records pertaining to employees who are enrolled in the Flex Benefit Allowance program and have never disallowed this particular teacher.

Even though the statutes do not define "full time", it appears the teacher may not have met with the qualifications required to receive the Flexible Benefit Allowance.

RECOMMENDATION: We recommend the proper authorities review this finding to determine if the above-certified teacher meets the requirements needed to receive the Flexible Benefit Allowance as required by statute.

FINDING NO. 2: A teacher (also the District treasurer) is being paid as a 21-year teacher when she has only been teaching for 19 years. The teacher stated that before she received her teaching certification in 1981, she was the secretary for the Whitesboro School Superintendent. The Superintendent was newly appointed that year and asked if she would stay on as secretary for a couple of years. At the end of the second year she learned a teaching position would become available for the next school year and she applied for the job. She informed our office that the Superintendent had agreed that since she had stayed on as secretary at his request, he would give her the two years salary when she began teaching. We attempted to research Board minutes to validate the approval of the teaching contract and found that there are no Board minutes prior to 2000 (See **OTHER FINDINGS** on page 11). We were unable to validate this agreement with the former Superintendent, since he is recently deceased.

70 O.S. 2001, § 18-114.7 states in part:

"Nothing in this section shall prohibit boards of education from crediting more years of experience on local salary schedules than those allowed for state purposes."

RECOMMENDATION: We recommend the Board review this finding and determine the number of years that should be credited.

FINDING NO. 3: We were told the Vo-Ag teacher was being paid \$7,000 by the District for the use of his personal vehicle (a pickup truck) but the extra money was being paid through an "extra-duty" contract. A review of the Vo-Ag teacher's employment contract for FY 2002 revealed he was paid \$7,700 for "extra duty" but the contract did not specify what the extra duty consisted of; it merely states "[name] has been assigned to an "extra-duty" for this school year in the capacity as [blank]. The teacher will be paid \$7,700.00 during this school year for the performance of the "extra-duty"." In the FY 2003 contract for this teacher, the same language is

used except the words 'for TRUCK' has been added after "in the capacity as" and the payment amount is raised to \$8,400 per year.

We discussed the extra-duty contract with the Superintendent and the Vo-Ag teacher. Both told our office the extra-duty consisted of more than just the lease of the truck. It also involved extra hours the Vo-Ag teacher incurred in hauling students' livestock, after school hours trips to assist the students with their livestock, taking students to agriculture judging events and other school-related activities. The District does not pay for any vehicle or related expense (i.e. insurance); these are borne by the Vo-Ag teacher. The Superintendent agreed the extra-duty contract was too vague and needed to be more explicit in stating what the extra-duties were.

State law allows a district to pay a teacher for extra-duties not covered by the teacher's regular employment contract. Such practice is common in most school districts. However, the duties expected of the teacher should be expressly set forth in the extra-duty contract. While the Vo-Ag teacher may have insurance on the vehicle, the District could possibly be at risk in the event of an accident.

RECOMMENDATION: We recommend the Whitesboro School Board review and revise the current extra-duty contract with the Vo-Ag teacher and set out specifically what is expected as "extra-duty". This review should include an examination of any liability the District might face and any restrictions or requirements on the use of the truck that the District may need to include in the revised contract.

FINDING NO. 4: While reviewing the Vo-Ag teacher's extra-duty contract, we noted the Board member who made the motion to approve the contract was the Vo-Ag teacher's first cousin. This finding does not constitute a legal conflict of interest

RECOMMENDATION:; No recommend necessary.

III. CONCERN: *Possible irregularities in general fund receipts.*

FINDING NO. 1: We reviewed four (4) months of general fund deposits for our audit period. We traced each receipt to a deposit for each day and found all monies accounted for. However, we noted the duplicate receipts did not indicate whether the monies were cash, check, or money order. Statutes do not require this step; however, it would implement a sound internal control to ensure that cash and check receipts agree with the deposit slip totals and reduce the chance of misappropriation.

FINDING NO. 2: While reviewing deposits, we were informed of the District's procedure for the preparation of deposits. The secretary receives the money, writes the receipts, and prepares the deposit. The treasurer, in turn, takes the deposit to the bank. The treasurer stated that she does not confirm the amounts on the deposit slips back to the receipts to ensure accuracy.

In addition, teachers, students and a lunchroom attendant give the lunch monies to the secretary without reconciling to the amount. The secretary stated that most of the time monies are handed to her in a sealed envelope; she then records the amount on the child's lunchroom

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account.

RECOMMENDATION: We recommend a proper segregation of duties for utilization of sound internal controls. The District should divide (between two individuals) the responsibility of collecting and documenting the District's money from the preparation of deposits and reconciliation to daily receipts. Furthermore, we recommend individuals remitting monies to the secretary reconcile to the amount by initialing the proper receipt.

IV. CONCERN: *Possible irregularities in activity fund receipts and expenditures.*

FINDING NO. 1: We performed a receipts to deposits test of all monies received and deposited into the activity fund checking account for the FY 2003. The following schedule is a summary of the results of this test:

MONTH/YEAR	DEPOSITS TOTAL	RECEIPTS TOTAL	VARIANCE
July 2002	\$25.00	\$25.00	\$0.00
August 2002	3,565.03	3,565.03	0.00
September 2002	8,323.24	8,323.24	0.00
October 2002	18,126.12	18,126.12	0.00
November 2002	11,422.40	11,331.90	90.50
December 2002	7,422.29	7,636.29	(214.00)
January 2003	5,943.99	5,943.99	0.00
February 2003	4,517.29	4,452.69	64.60
March 2003	8,619.01	8,639.39	(20.38)
April 2003	3,395.07	3,395.07	0.00
May 2003	2,840.92	2,840.92	0.00
June 2003	514.31	514.31	0.00
TOTALS	<u>\$74,714.67</u>	<u>\$74,793.95</u>	<u>(\$79.28)</u>

The variance for the year is approximately one-tenth of one percent. The variance may be due to returned checks, receipt/deposit timing differences, and/or human error.

We do not see any evidence of misuse of activity account funds. The internal control system currently in place appears adequate to safeguard activity fund accounts.

RECOMMENDATION: No recommendation necessary.

FINDING NO. 2: The allegation was made that the Vo-Ag teacher was purchasing steel tubing and steel bar with District funds and having it delivered to his farm and using it for his personal use.

We reviewed all tubing and steel purchases that had been made by the District during FY 2003 and verified the delivery invoices all noted delivery to the District property. We also noted that tubing and steel were in inventory at the Vo-Ag shop. We discussed the purchases with the Vo-Ag teacher and he advised us the materials were purchased for student projects (which are required) but the students reimburse the District for the materials used.

We then scheduled all tubing and steel purchases and student payments in the activity fund and found that for FY 2003 the amount of steel bar, steel tubing and hay rings purchased totaled \$1,422.72 and the students had reimbursed the activity fund \$1,460.30. We then went to the supplier of the materials and he pulled all invoices and delivery tickets to the District and to the Vo-Ag teacher. Only one (in FY 2002) had been delivered to the Vo-Ag teacher's farm and this invoice had been billed and paid by the Vo-Ag teacher.

We found no evidence that would indicate any of the District purchases made were converted to the Vo-Ag teacher's personal use.

RECOMMENDATION: We recommend the Vo-Ag department maintain an inventory for steel, hay rings, etc. to reconcile its usage to amounts purchased and sold. Implementation of this recommendation would insure that all materials are accounted for.

FINDING NO. 3: We reviewed and scheduled all purchases and receipts for Vo-Ag fundraisers for the FY 2003 school year. The fundraisers were sales of meat products (sausage, beef jerky, etc.) and the purchase price from vendors totaled \$9,183.83. The amount raised through sales totaled \$10,667.90 for a profit to the Vo-Ag activity fund sub-account of \$1,484.07. The profit realized on the purchase price was about 17%. Because no estimate of the potential amount to be raised had been made when the fundraisers were approved, we were unable to determine if the profit realized adequately represents the maximum potential of what should have been realized or if a discrepancy exists.

The District has designed a new form that will be used for future fundraiser approval that will indicate what profit should be realized from a fundraiser so that the activity fund custodian can determine if the fundraiser was successful and better judge if all monies taken in are deposited in the activity fund sub-accounts. The action being taken should provide better internal control over fundraiser activity and help the custodian to determine if various fundraisers are justifiable through their monetary return to the activity holding the sale.

RECOMMENDATION: No recommendation is necessary.

OTHER FINDINGS

As noted in the above finding (page 8), based on interviews with District personnel, all Board minutes prior to 2000 had been disposed of by the former Superintendent. The secretary stated that the former Superintendent declared the District could dispose of these records after five (5) years. Again, we were unable to confirm this with the former Superintendent, since he is recently deceased.

70 O.S. 2001, § 5-122 states:

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“The clerk of the board of education of any school district is hereby authorized to destroy all claims, warrants, contracts, purchase orders and any other financial records, or documents, including those relating to school activity funds, on file or stored in the offices of the board of education of such district for a period of longer than five (5) years.”

However, the Oklahoma Open Meeting Act, **25 O.S. 2001, § 312(A)**, states,

“A. The proceedings of a public body shall be kept by a person so designated by such public body in the form of written minutes which shall be an official summary of the proceedings showing clearly those members present and absent, all matters considered by the public body, and all actions taken by such public body. The minutes of each meeting shall be open to public inspection and shall reflect the manner and time of notice required by this act.¹”

In addition, the Oklahoma Open Records Act, **51 O.S. 2001, § 24A.4**, states,

“In addition to other records which are kept or maintained, every public body and public official has a specific duty to keep and maintain complete records of the receipt and expenditure of any public funds reflecting all financial and business transactions relating thereto, except that such records may be disposed of as provided by law.”

School Board minutes are official summaries reflecting Board decisions, votes and discussions. Minutes are also historical documents that can be a crucial necessity for research and to confirm decisions made by former Board members.

RECOMMENDATION: We recommend the Whitesboro School Board attempt to recover old school Board minutes. In addition, we recommend the Board adopt a policy for the destruction of records and insure that official Board minutes are documented and maintained as historical official summaries of the District.

* * * * *

There may have been other areas of concern expressed by patrons of the District which are not addressed. Because they were noted to be either (1) unfounded, or (2) sufficient information was not available to reach a definite conclusion, they are not set out and discussed in this report.

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

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