

## EXECUTIVE SUMMARY



### Justice Alma Wilson Seeworth Academy

### Investigative Audit Report

November 16, 2021

## WHY WE DID THIS AUDIT

Under 74 O.S. § 213 the State Board of Education requested the State Auditor & Inspector's (SA&I) office conduct an audit of Justice Alma Wilson Seeworth Academy (Seeworth). The audit period encompassed July 1, 2017 through December 31, 2019, but was extended to include key information when necessary.

The objectives of the audit were to determine whether revenues, expenditures, and payroll, were properly accounted for during the audit period and that the public funds entrusted to Seeworth were properly relinquished to the OKCPS. See the full report online at [SAI Website](#).

## WHAT WE FOUND

In a letter dated May 2, 2019, the Oklahoma State Department of Education (SDE) notified Seeworth that it was “seriously deficient in the areas of transparency, accountability, and policies and procedures as they related to the School’s federal funds.”

Due to insurmountable issues that had arisen, primarily with respect to special education programs and secondarily regarding financial oversight, on May 31, 2019, the Seeworth Board of Directors (Board) voted to relinquish the school’s charter. The school ceased to exist as of June 30, 2019.

Despite relinquishing the charter, the Board refused to undertake the necessary steps to conclude the operations of the school. On August 29, 2019, OKCPS filed a Temporary Restraining Order<sup>1</sup> in Oklahoma County District Court to “freeze the funds” of the school. Through a final Agreed Order filed on September 4, 2019, Seeworth was directed to transfer all property and funds to OKCPS.

### **Introduction and Oversight (Pages 1 - 6)**

The Oklahoma Charter Schools Act<sup>2</sup> provides for a governing body to be responsible for the oversight and operational decisions of a charter school. The Board was

<sup>1</sup> Case No. CV-2019-1965 filed in the District Court of Oklahoma County.

<sup>2</sup> 70 O.S. § 3-130 *et. seq.*

responsible for the financial management of the school and for hiring a management team to provide the leadership required for successful operations.

Despite the fact that financial and internal control issues, along with red flags for potential fraud, were brought to the attention of the Board, they failed to initiate follow-up procedures, increase oversight, or take other appropriate measures. In March 2019, when the Board received a whistleblower letter alleging financial improprieties, the allegations were dismissed. Soon after, when an individual offered to donate \$1,000,000 on the condition that an independent accounting firm conduct an audit of Seeworth, the donation was refused.

The overarching lack of oversight by the Board created an environment ripe for financial mismanagement and the misappropriation of funds.

### **Post June 30, 2019 Activity (Pages 28 - 35)**

The Seeworth Board voluntarily relinquished their charter effective June 30, 2019. In accordance with statute and the charter, Seeworth's assets were to be turned over to OKCPS, the charter sponsor. Instead of complying with statute, and despite written warnings from the closing officer, the Board continued to maintain the school's assets and pursue options for continuing Seeworth operations.

When it became apparent that the Seeworth assets were not going to be turned over and that the Seeworth bank account was being used to fund a possible reorganization effort, on August 29, 2019, OKCPS filed a Temporary Restraining Order in Oklahoma County District Court to "freeze the funds." On September 4, the court ruled in favor of OKCPS and ordered the transfer of all property and funds.

Because Seeworth ceased to exist as a public entity as of June 30, 2019, all unencumbered funds became the property of OKCPS. Seeworth received no appropriated funds for the fiscal year ending June 30, 2020. As a result, any expenditures incurred in this fiscal year were neither legal nor authorized transactions.

Prior to funds being transferred to OKCPS in September 2019, the Board authorized \$135,713 in improper expenditures. Costs were incurred against non-existent appropriations. Of this amount, \$81,704 was payroll related, \$9,255 was operations related, and \$44,754 was paid in legal services.

### **Payroll (Pages 7 - 11)**

Superintendent Janet Grigg's contract, including benefits and extra-duty pay, totaled \$163,000 per year. Under the School District Transparency Act,<sup>3</sup> Grigg was required to report her total compensation package to SDE. Grigg underreported her compensation to SDE by an average of \$49,000 per year; as a result, her actual earnings were never reported publicly as required by law.

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<sup>3</sup> 70 O.S. § 5-135.4

Between January 1, 2014 and March 4, 2019, Grigg misappropriated \$210,751.08. The fraud consisted of 31 payments all processed by the Seeworth accountant *without board approval*. When staff bonuses were approved by the Board, Grigg was authorized to determine how much each individual staff member would receive. With this authority, Grigg routinely took a portion of the approved staff bonuses for herself. There were also a number of instances where neither Grigg nor the staff were approved for a bonus, but Grigg still ordered bonus payments to be paid.

Seeworth's accountant questioned Grigg about her bonus amounts but accepted her statement that they were board approved. As a result, when Grigg provided payment lists, the bonuses were paid without question. At times the list only consisted of Grigg's name.

### **Expenditures (Pages 12 - 19)**

Seeworth owned two bank accounts, the General Fund account, and the Corporate Account. The General Fund account was used for the overall operation of the school and was included in the assets of the annual audited financial statements. Although the Corporate Account was established with the school's tax identification number and the statements were mailed to the school's address, it was never included in the annual audited financial statements.

Even though the board was aware of the existence of the Corporate Account, it was managed outside the purview of Board oversight with all deposits and expenditures made by Grigg. The account was primarily funded through donations, student-related income, and reimbursements from the General Fund.

Grigg misappropriated over \$41,000 from the Corporate Account. The fraud consisted of improper ATM cash withdrawals, improper debit card purchases, and improper checks. Almost \$10,000 was spent with QVC, HSN, and Evine, online retailers. Of the \$4,500 in ATM withdrawals, over \$2,200 was made at a local casino. Over \$15,000 consisted of checks made out to Grigg or to cash. The remaining \$11,500 were additional debit card transactions which included charges and cash withdrawals at Dillard's, PayPal, Priceline, and various local convenience stores.

Grigg was reimbursed \$3,167 out of the General Fund for Christmas presents she purchased for board members and school staff. Not only did this purchase constitute an improper expenditure from the General Fund, but the reimbursement to Grigg was also paid by the Seeworth accountant without receiving adequate documentation.

School credit card invoices were often paid late and not paid in full. As a result, Seeworth incurred \$493 in late fees and \$1,132 in interest charges.

### **Cash Collections (Pages 20 - 24)**

Seeworth generated cash through basketball ticket sales and concessions, cafeteria operations, and the sale of T-shirts, hoodies, and graduation related items. Basketball revenue was deposited into the Corporate Account, clothing and cafeteria sales were typically deposited into the General Fund, and cap and gown sales were deposited in both the General Fund account and the Corporate Account.

No receipts or tickets were used to account for basketball related income and there were no basketball related revenues deposited in 2015 and 2018. There were also no cash deposits made into the Corporate account in 2019. When cash deposits were made, they were not timely; the frequency of deposits decreased from once per week in 2015 to once every other month in 2018.

All *available* cash receipts and money sheets were analyzed; based on this analysis at least \$3,826 in cafeteria and clothing sale funds were misappropriated. Evidence suggests that a significant quantity of receipt books was lost or destroyed.

### **Inventory (Pages 25 - 27)**

Comprehensive inventory records could not be located in the available Seeworth documentation. The lack of complete inventory records restricted the analysis of inventory items turned over to the charter sponsor, OKCPS.

A review of vehicle titles identified that a GMC Yukon purchased in 2007 for \$47,450, that should have been transferred to OKCPS, was unaccounted for. The vehicle was still titled to Seeworth, had school license plates, and was insured by Seeworth until the policy lapsed in October 2019. The Yukon was located at Grigg's residence eight months after Seeworth terminated her employment. It was subsequently repossessed by OKCPS.

An e-mail dated August 7, 2019, a month after the Seeworth charter was relinquished, contained a limited inventory listing of technology items and refrigerators and freezers. Some of the technology items such as computers and flat screen televisions were not turned over to OKCPS. There were also refrigerators and freezers not turned over that were valued at \$10,000 or more.