



WESTERN HEIGHTS PUBLIC SCHOOL DISTRICT

Forensic Audit Report

December 11, 2025

Cindy Byrd, CPA

State Auditor & Inspector

Western Heights Public School District

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**TO THE CITIZENS OF THE WESTERN HEIGHTS PUBLIC SCHOOL DISTRICT AND
THE STATE SUPERINTENDENT OF PUBLIC INSTRUCTION**

Pursuant to 74 O.S. § 212(L) and § 213, an audit has been completed of the Western Heights Public School District.

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 services 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 a public document pursuant to the Oklahoma 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

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Western Heights Public School District Forensic Audit Report

Why This Audit Was Performed

This audit was initiated pursuant to a citizen petition submitted in accordance with 74 O.S. § 212(L) by residents of the Western Heights Public School District (District). In light of substantial disruptions within the District, the Oklahoma State Department of Education (SDE), exercised its authority under 74 O.S. § 213, and independently requested an audit for the same timeframe. This report addresses the concerns raised by both the citizen petitioners and SDE through a unified and coordinated audit process.

Note: It is important to note that most of the findings and observations in this report pertain to actions taken by prior Boards of Education, a former superintendent, and senior staff, that are no longer affiliated with the District.

Background

The District's long-time superintendent, Joe Kitchens, retired in July 2019. After his departure, the Western Heights Board of Education (Board) appointed Mannix Barnes as superintendent. About nine months into Barnes' tenure, the COVID-19 pandemic forced the District to suspend in-person learning. The District remained closed until April 2021, when the State Board of Education (SBE) placed it on probation due to several concerns, including the extended closure, alleged fiscal mismanagement, substantial declines in staff and student enrollment, and overall poor academic performance. On June 24, 2021, the SBE also suspended Barnes' administrator certificate.

The District was given until July 8, 2021, to submit a corrective plan addressing these issues. Rather than acknowledging the SBE's authority, District leadership initiated legal action challenging the state's authority and contesting Barnes' suspension.

At its July 12, 2021, meeting, the SBE imposed a yearlong Intervention Plan on the District and subsequently designated Monty Guthrie as Interim Superintendent, identifying him as the only individual authorized to act as superintendent. On July 15, 2021, the District's Board ignored this directive and appointed its own interim superintendent, Kim Race, who had served as assistant superintendent under Barnes. As a result, the District became subject to two competing governance structures, the locally elected Board and the SBE, each attempting to assert authority over District operations. This fractured governance contributed directly to increased superintendent compensation and mounting legal expenses.

Between July 2021 and December 2022, the period the District remained on probation and under state oversight, more than \$1.1 million was spent on superintendent-related pay. Notably, both Barnes and Race received full superintendent salaries for over a year despite performing neither superintendent duties nor any other work for the District.

Summary of Superintendent Pay					
July 2021 through December 2022					
FY ¹	Barnes	Guthrie	Race	Savage	Total
2022	\$312,820	\$116,183	\$139,272	\$78,859	\$647,134
2023 ²	\$317,585	-	\$62,647	\$95,318	\$475,550
Total	\$630,405	\$116,183 ³	\$201,919	\$174,177	\$1,122,684

In addition, the Board’s refusal to accept the SDE intervention directly led to more than \$500,000 in additional legal expenses arising from disputes between the SDE and the Board, as well as defending Barnes in both his official and individual capacities.

Together, these events triggered both a citizen-initiated petition audit and an audit request from the SDE, resulting in the findings outlined in this report.

Objective 1 Child Nutrition Program

Petition Objective Review child nutrition program expenditures.

Petitioners voiced the following concerns regarding the child nutrition program:

- Did the District spend federal child-nutrition monies on the child nutrition program?
- Was the District subsidized by the federal government for meals provided at no cost by a local food pantry?
- Was the Oklahoma Cost Accounting System (OCAS) coding accurately applied to distinguish between breakfast and lunch?
- Were students served meals during the COVID-19 pandemic prior to SDE intervention and were these meals sub-standard?

Were Federal Child-Nutrition Monies Spent on the Child Nutrition Program?

No Finding The District utilized federal child nutrition funds on their child nutrition program. Expenditures made exceeded federal child nutrition reimbursements received in accordance with program requirements.

In FY2020, the District received \$1,809,405 in child nutrition reimbursements from the federal government and incurred related child nutrition expenditures totaling \$2,217,357, an excess of \$407,952. In FY2021, federal reimbursements totaled \$975,432, while child nutrition expenditures totaled \$1,129,797, an excess of \$154,365. Contrary to citizen concerns, the District’s expenditure of child nutrition funds exceeded their Federal child nutrition reimbursements.

¹ FY is fiscal year ending June 30 of the applicable year noted.

² July 1, 2022, through December 31, 2022

³ Salary paid by SDE.

Was the District Improperly Subsidized by the Federal Government?

No Finding *The District did not receive federal reimbursement for meals it provided at no cost.*

In April 2020, during the height of the pandemic, the District administration decided to close their food service department and not serve meals for approximately two weeks. During that time Hunger Free Oklahoma reached out through the Regional Food Bank and provided shelf stable meals for the children of the District. The District did not receive or request reimbursement through the child-nutrition program for meals provided through the Regional Food Bank.

Was OCAS Coding Accurately Applied Between Breakfast and Lunch?

No Finding *Meals coded as breakfast and those coded as lunch receive the same monetary reimbursement.*

Petitioners expressed concern regarding the classification of meals as breakfast versus lunch. OCAS coding is separate for breakfast and lunch solely for reporting and tracking purposes. There are no financial or cost implications associated with how the meals are coded.

Were Students Served Meals During the COVID-19 Pandemic Prior to SDE Intervention and Were These Meals Sub-Standard?

No Finding *There is no evidence indicating that the District served substandard meals to students.*

In April 2020, when SDE mandated the closure of all schools due to the COVID-19 pandemic, the District initially announced that it would not continue providing meal services to students. In response, SDE intervened and collaborated with Hunger Free Oklahoma and the Regional Food Bank to distribute approximately 8,000 free meals, valued at \$21,615. The District resumed providing shelf-stable meals after an estimated two-week lapse in service.

A petitioner submitted photographs of meals allegedly served to students in September and October 2020, expressing concerns regarding their nutritional value. While 70 O.S. § 5-147 requires that schools provide food offering more than minimal nutritional value, SDE stated that the photographs provided were insufficient to determine whether the meals met the necessary nutritional standards. A director from SDE’s Child Nutrition Program also noted that during FY2021, the District provided meals through the Seamless Summer Option approved by the United States Department of Agriculture.

Objective 2

Attorney and Consulting Services

Petition Objective *Review payments related to consulting service contracts and attorney fees.*

Petitioners raised the following concerns regarding payments for consulting services and attorney fees:

- How many attorneys provided services to the District, and what was the total cost of these services?
- Did the District adhere to standard contracting and payment procedures in compensating attorney Jerry Colclazier?
- Were payments to consultant Barlow Education Management (Barlow) accurately coded in accordance with OCAS?

Attorneys Paid by the District and Total Associated Costs

The table below presents a summary of legal expenditures by fiscal year, detailing payments made to six outside legal firms and one in-house counsel employed by the District. Over a three-year period, the District paid⁴ \$1,001,233 in legal-related expenses with a large portion of these costs related to the conflict between the District and SDE. The table outlines both the nature of the legal services provided and the corresponding total amounts paid.

Fiscal Year	Attorney/Firm Name	Role/Service Provided	Amount Paid
2020	Colclazier & Associates	General Counsel/Litigation	\$122,572
2021	Colclazier & Associates	General Counsel/Litigation	\$147,644
2022	Colclazier & Associates	General Counsel/Litigation	\$352,375
2021	Walter Murdock	In-House Legal	\$120,882 ⁵
2022	Walter Murdock	In-House Legal	\$120,882
2021	Floyd Law Firm	Bond Issue	\$9,500
2021	Cadenhead Law Firm	Termination Hearing	\$1,875
2022	Harris & Coffey	Appellate Action against SDE	\$81,407
2022	Rubenstein & Pitts	Superintendent Revocation of License against SDE	\$20,000
2022	Center for Education Law	General Counsel/Litigation	\$24,096
Total			\$1,001,233

Beginning in FY2021, the District employed Walter Murdock as full-time, in-house legal counsel while continuing to retain multiple outside law firms. Some of these firms also provided general counsel services.

In June 2021, Superintendent Mannix Barnes’ certification was suspended by SDE. The District elected to defend him during this process along with defending the takeover of the District by SDE, both of which caused a significant increase in the District’s legal expenditures. With the exception of a one-month period during which legal expenses were incurred without Board approval, all legal expenditures were authorized by the Board.

Payments to Attorney Jerry Colclazier

Finding In FY2020 and FY2021, the District overpaid Colclazier by \$1,389 across seven legal-service invoices due to mathematical errors the District did not detect.

Of the seven invoices reviewed, four overbilled the District by a total of \$4,631 and two underbilled by \$3,242. These variances were the result of mathematical errors that went

⁴ The District actually incurred \$1,024,886 in legal-related expenses but an invoice for \$22,953 from Colclazier could not be located in school records. The amount the school eventually paid on this invoice, \$10,000, was court determined in June 2024.

⁵ Includes benefits paid totaling \$10,882 per year for both FY2021 and FY2022.

undetected by the District. In one instance, an invoice reflected a \$6,275 charge at an hourly rate of \$250; however, at 13.83 hours billed, the implied rate would have been \$453 per hour. Additionally, only one of the seven invoices was itemized, restricting the District’s ability to evaluate the accuracy and appropriateness of the invoice.

Although the District followed standard payment procedures when compensating Colclazier, it did not sufficiently verify the accuracy of the invoices submitted.

COLCLAZIER & ASSOCIATES			
404 NORTH MAIN STREET			
SEMINOLE, OKLAHOMA 74868			
(405) 232-1666			
June 22, 2020			
Western Heights Independent School District No. I-41			
8401 S. W. 44th Street			
Oklahoma City, Oklahoma			
<u>INVOICE</u>			
Legal services rendered during the period of March 16, 2020, through June 22, 2020, and related expenses incurred:			
Code 354	General Counsel Services:		
	Legal fees	96.97 hours @ \$300.00	\$ 29,100.00 <i>should be \$29,091</i>
	Subtotal - Code 354		\$ 29,100.00 <i>(96.97*300)</i>
	Department of Education Litigation:		
	Legal fees	27.33 hours @ \$300.00	\$ 8,200.00 <i>should be \$8,199</i>
	Subtotal - DOE		\$ 8,200.00 <i>(27.33*300)</i>
Code 356	Employment Law:		
	Legal fees	13.83 hours @ \$250.00	\$ 6,275.00 <i>should be \$3,457.50</i>
	Subtotal - Code 356		\$ 6,275.00 <i>(13.83*250)</i>
	TOTAL - THIS INVOICE		\$ 43,575.00
	TOTAL AMOUNT DUE		\$ 43,575.00 <i>should total \$40,747.50</i>
THANK YOU FOR THE OPPORTUNITY TO SERVE YOU			

Finding *A portion of the District’s payments to Colclazier was connected to a lawsuit the District filed against the SDE, and some of these expenditures were incurred before the Board authorized the litigation.*

In April 2021, Colclazier filed a lawsuit in the name of the District and Superintendent Barnes against SDE, the SBE, and the State Superintendent of Public Instruction. The Board did not vote to file the lawsuit and did not acknowledge and ratify the filing of the lawsuit until May 10, 2021, after the lawsuit had already been filed. Therefore, any District expenditures involving this lawsuit prior to May 10 were not properly approved. The documents provided did not contain sufficient clarity to quantify this amount, the invoice for this time period dated June 23, 2021, was not itemized.

Payments to Barlow Education Management

No Finding *Payments made to Barlow that were coded as child nutrition expenditures were appropriate.*

The petitioners were aware that Barlow was generally involved in contract negotiations but were not aware that the District had also contracted with Barlow to serve as its child nutrition consultant during FY2020.

In FY2020, the District paid Barlow a total of \$19,241, of which \$9,800 was coded as child nutrition expenditures. In FY2021, Barlow received \$12,704, with none of it coded as child nutrition.

Objective 3

Activity Fund

Petition Objective *Review Activity Fund revenues and expenditures for athletics, cheerleading, Student Council, Junior and Senior Class clubs.*

Petitioners alleged the following concerns regarding the management of Activity Funds:

- Activity Funds were not adequately tracked or accounted for.
- Funds in high school activity accounts were reportedly zeroed out and transferred to the General Fund shortly after the arrival of Superintendent Barnes.
- The Activity Fund bank account was transferred from one bank to another shortly after Superintendent Barnes assumed office.
- The District failed to make timely payments to certain vendors related to yearbook expenses.
- Emails sent to employees containing Activity Fund account balances disappeared from school email accounts.

Activity Fund Tracking

No Finding *Activity Fund subaccounts were properly tracked by individual clubs and groups. Expenditures from the Activity Fund that were tested appeared appropriate and aligned with intended purposes.*

Finding *Ticket sales from sporting events were not consistently recorded with regard to the number of tickets sold or the amount of cash on hand following the events.*

The District maintained numerous Activity Fund subaccounts, all of which appeared to be allowable under applicable law.⁶ The District tracked expenditures, receipts, and transfers into and between these subaccounts.

All checks issued from the Activity Fund in excess of \$1,000 were reviewed. A sample of these transactions were traced to the District's transaction listings where associated payments, receipts, and adjustments were examined. Several of the largest payments were also traced to corresponding entries in the District's bank statements. No improprieties were identified during this review.

However, recordkeeping for ticket sales at sporting events was found to be deficient. Gate reports frequently lacked essential details, including beginning and/or ending ticket numbers and beginning or ending cash on hand.

⁶ 70 O.S. § 5-129 and 210 O.A.R. § 25-5-13

Activity Fund Transfers to General Fund

No Finding *The District did not improperly transfer any funds from the Activity Fund to the General Fund.*

Between July 2019 and July 2021, with the exception of two authorized checks totaling \$2,224 issued for “Lost Textbooks,” no funds were transferred from the Activity Fund account into the General Fund. Furthermore, ten current or former District employees stated they were not aware of any funds being removed from the Activity Fund subaccounts they managed.

Movement of Activity Fund Bank Account

No Finding *The District opened a new Activity Fund account at the First National Bank of Chickasha, South Oklahoma City branch, which was located closer to the school than the previous account; however, only \$25 was ever deposited into the account.*

Superintendent Barnes assumed his role on August 1, 2019. On September 20, 2019, the Board *approved* the transfer of the District’s Activity Fund account to the First National Bank of Chickasha, South Oklahoma City branch, which was 2.5 miles from the school. At that time, the District’s Activity Fund account was with Bank Of Oklahoma whose nearest location was 10 miles from the school.

Despite receiving Board approval in 2019, the District did not open the Activity Fund bank account at First National until October 2021. This account never contained more than \$25.

Payments to Yearbook-Related Vendors

Finding *The District made late payments to yearbook vendors.*

A number of vendor payments related to yearbook purchases were not made in a timely manner due to insufficient funds in the yearbook sub-account. However, It does appear that all vendors were ultimately paid.

According to District officials, delays in payment were primarily due to a decline in student yearbook purchases caused by the COVID-19 pandemic. These declines occurred after purchase orders had already been submitted to vendors. In response, the District now requires payment for yearbooks in advance of placing orders.

Activity Fund E-mails

No Finding *There was no evidence that any Activity Fund related emails were removed from employee school e-mail accounts.*

According to the District’s IT Director, all school employees use Microsoft Outlook Exchange accounts that are secured with passwords, which must be updated at least every 60 days. All email communications are archived externally, and the IT Director is the only District employee with administrative access to all employee email accounts.

Additionally, an external IT source confirmed that Outlook email messages cannot be deleted from password-protected accounts by anyone other than the individual account holder.

Objective 4

Donations

Petition Objective *Review select donations to the District.*

Petitioners expressed concern that the District did not use \$20,000 donated by Hobby Lobby in 2019 as designated.

Hobby Lobby \$20,000 Donation

Finding *A \$20,000 donation from Hobby Lobby was not expended in accordance with the donor's intent.*

Hobby Lobby's Ministry/Outreach Director communicated to the State Auditor's & Inspector's Office that the \$20,000 donation made in September 2019 was designated as follows: \$5,000 for Band, \$5,000 for High School Student Council, \$2,500 for Classroom Supplies, and the remaining \$7,500 was to be used among the three additional activities of Senior Class Sponsorship, Science and Environmental Education, and the Attendance Awareness Campaign. Hobby Lobby's Ministry/Outreach Director provided the same breakdown to a district employee in October 2019.

Despite receiving a letter from Hobby Lobby outlining the intended allocation of donor funds, Superintendent Barnes chose to allocate the entire \$20,000 donation to the Attendance Awareness Campaign. Barnes justified this decision by stating that the donation check itself did not include specific written instructions on how the funds were to be used.

According to Activity Fund records, the District spent \$18,187 on "attendance rewards" between September 26, 2019, and October 22, 2019. The District provided receipts for specific purchases and signed statements from students acknowledging the receipt of items. As of January 9, 2020, the Attendance Initiative subaccount had a remaining balance of \$2,355.

Objective 5

Overtime Payments

Petition Objective *Review overtime payments made to administrative staff.*

No Finding *Administrative staff did not receive overtime payments.*

Petitioners and their designated points of contact did not provide any information identifying specific administrative staff who had allegedly received overtime compensation. The statutory definition of "administrative staff" was applied to identify 11 employees including Superintendent Barnes. A review of records indicated that none of these individuals received overtime payments.

Employees who did receive overtime compensation were identified and none were classified as administrative staff.

Objective 6**Payroll Deduction Processing**

Petition Objective *Review monthly employee optional deductions and payments made to select companies and organizations.*

Petitioners expressed concerns about returned or bounced checks issued to employee withholding and deduction vendors, as well as payroll checks being received by employees after the designated pay date.

All Payments

The District had implemented an internal control process using bank software known as Positive Pay. Under this system, each check issued by the District must be manually approved for payment after being presented to the bank. If the Positive Pay system was not accessed daily to approve pending checks, the bank would not process the payment, and the check would be returned the next day. Each returned check was labeled as a “Returned Item” in the bank statements.

A review of General Fund bank statements for FY2020 and FY2021 indicated that the bank account balance exceeded \$1,000,000 every day with the exception of a single instance on September 26, 2019, when the account dropped to -\$285,333.27 for one day. Checks were never returned due to a lack of funds, instead they were returned because the Positive Pay system was not appropriately managed.

Delinquent Payments To Third-Party Vendors From Payroll Withholdings/DeductionsAmerican Fidelity

Finding *Checks issued to American Fidelity were not processed promptly by the District, resulting in \$45,699 in payments that took more than 120 days from the issue date to clear the bank.*

A review of American Fidelity payments for FY2020 and FY2021 identified 34 checks where the time between issuance and clearance exceeded 120 days. These checks totaling \$45,699 took between 123 and 323 days to clear the District’s bank account.

Typically, checks related to payroll withholdings are processed in the latter half of the month following the month of the deduction. For instance, deductions made in May would result in checks being issued in mid to late June and expected to clear by early July, or usually within 45 days.

None of the delayed payments were the result of insufficient funds, nor were they flagged as “Returned Items” under the District’s Positive Pay system. The delays appear to have been caused by a failure of the District to process, or possibly mail, the checks in a timely manner after they were written.

Oklahoma Education Association

Finding **Payments to the Oklahoma Education Association (OEA) were not processed promptly, resulting in \$16,497 in payments that required more than 70 days from date of issue to clear the bank.**

A review of payments to the OEA for FY2020 and FY2021 identified 20 checks that took more than 70 days to clear the District’s bank account. These delayed payments totaled \$16,497, with clearance times ranging from 73 to 144 days.

None of the delays were due to insufficient funds in the District’s accounts, nor were any of the payments returned as “Returned Items” under the Positive Pay system. The delays appear to have resulted from a failure by the District to process, or possibly mail, the checks after they were written.

Western Heights Education Association

Finding **Checks to the Western Heights Education Association (WHEA) were not processed promptly resulting in \$1,282 in payments that required 60 or more days from date of issue to clear the bank. Five of these checks failed to clear the bank in a timely manner due to failure to comply with Positive Pay requirements.**

A review of payments to the WHEA for FY2020 and FY2021 identified 15 checks that took 60 days or more to clear the District’s bank account. These payments totaled \$1,282, with clearance times ranging from 60 to 127 days. Five of the delayed checks failed to clear the bank in a timely manner because the District did not complete the required approval process under the Positive Pay system. These checks were returned by the bank and labeled as “Returned Items.” None of the delays were attributed to insufficient funds.

Selected Companies

Finding **Payments to various companies were not processed in a timely manner, resulting in \$11,524 in payments that required between 80 and 521 days from date of issue to clear the bank.**

A review of payments made from employee withholdings to companies such as MetLife, Mutual of Omaha, Texas Life, and others for FY2020 and FY2021 identified 29 checks that took 80 days or more to clear the District’s bank account. These payments totaled \$11,524, with clearance times ranging from 80 to 521 days. None of the delays were due to insufficient funds, and none of the checks were returned as “Returned Items” under the District’s Positive Pay system. The delays appear to have resulted from a failure by the District to process, or possibly mail, the checks after they were written.

Returned Checks

All returned checks were analyzed for FY2020 and FY2021 for the General Fund and Activity Fund accounts.

Finding **Failure to comply with Positive Pay requirements caused 207 checks totaling \$243,607 to be returned unpaid.**

A total of 207 checks, 173 from the General Fund and 34 from the Activity Fund, totaling \$243,607, did not clear the bank. These checks were not returned unpaid due to insufficient funds. Instead, they were returned because the District did not follow required Positive Pay procedures by failing to properly confirm payment in a timely manner.

Of the 168 checks that were reissued, 89 totaling \$104,218, did not clear within 20 days of their original issue date.

Payroll

Payroll was reviewed in response to a grievance filed by the WHEA on October 21, 2019, on behalf of District employees. The grievance stated that beginning in September 2019 and continuing in October 2019, some employees were not paid on time, and others did not receive negotiated stipends or extra duty pay. According to representatives of the WHEA and the OEA, there were also complaints of delayed pay from some employees in August 2020.

The District began using a new payroll vendor's software for payroll processing in FY2020. The transition started in July 2019, with both the new software and the District's previous payroll software being used for payroll payments until mid-September. By the end of September, most payroll payments were processed using only the new software.

No Finding *During the transition to a new software vendor, the District transferred payroll funds and processed direct deposits timely. Payroll funds were transferred from the District to the vendor in a timely manner and direct deposits were also processed promptly.*

All transfers from the District to the new payroll vendor were completed on time, and all direct deposit payroll payments made by the District prior to the new vendor assuming full payroll responsibility were also timely. Since the District no longer used the internal vendor's software, its records were not available for review, leaving the possibility of inaccuracies such as incorrect employee account information or delays in fund transfers between the new vendor's system and District employees. This concern is supported by the new vendor's return of \$4,071 to the District in October and November of 2019, labeled as Direct Deposit Return Refunds, which appear to be payroll payments that could not be deposited to the intended recipients.

August 2020 Payroll

August 2020 payrolls were processed on August 15 and August 30. Bank statements between July 1, 2020, and September 1, 2020, were reviewed and all payroll transfers from the District to the bank were timely. The transfer for the August 15 payroll occurred on August 14, and the transfers for the end of August payroll with a pay date of August 28 (last Friday of the month for some employees and August 31 for others) occurred on August 28 and August 31.

No Finding *Bank records indicated funds for the August payrolls were transferred from the District's General Fund bank account on August 14, 28, and 30, all occurring on or before each official pay date.*

Although the District made payroll transfers for direct deposits in a timely manner, due to bank processing times, these funds may not always be available to the recipient on the day of transfer. The District acknowledged that payroll transfers should be made at least two days

before the pay date to allow for bank processing time. Per a District official, timely transfer of payroll is now occurring.

Finding Two paper payroll checks bounced due to the District's failure to comply with Positive Pay requirements.

Due to problems with establishing one new teacher's direct deposit, the District issued paper checks to this individual as an interim measure. Checks for \$642.35 issued on August 28, 2020, and \$766.82 issued on August 31, 2020, were returned on September 1, 2020, reissued, and cleared the bank on September 2, 2020. These checks did not bounce due to a lack of funds but due to failure by the District to comply with Positive Pay requirements.

There were nine other payments, at least seven were payroll related, totaling \$8,199.04, that could not be completed as scheduled between July 2020 and January 2021. These funds were apparently also returned due to direct deposit issues.

Internal Revenue Service (IRS) Payments

A review of *outstanding* IRS quarterly tax payments was performed. As per federal guidelines, tax payments are due by the end of the month following the quarter being reported.

Finding Failure to file IRS payroll tax reports timely resulted in past due amounts, with penalty and interest, of \$9,984.70 for 2017 and \$463,271.42 for 2018.

As of October 12, 2022, the District owed \$9,984.70 for 2017 and \$463,271.42 for 2018. Payments were apparently withheld at the advice of the District's legal counsel, while negotiations to reduce penalties and interest charges were ongoing. The District negotiated a reduced payment and is now current on IRS payments.

Objective 7

Employee Overpayments

Petition Objective Review overpayments and collection of overpayments to Western Heights personnel.

According to petitioners, a number of employees at Western Heights were either overpaid or underpaid due to improper payroll processing. Purportedly some employees were required to repay the excess amounts received and some were not and those who were underpaid were allegedly not always fully compensated.

Finding Internal controls did not exist to ensure employees were properly paid in accordance with employment contracts. Of 61 employees tested, a total of 16 overpayments and/or underpayments of at least \$1,000 each were noted, with overpayments totaling \$46,951 and underpayments totaling \$20,083.

For FY2020 and FY2021, the appropriateness of payments to 61 employees was reviewed by comparing their contracts with payroll registers. The review noted that 11 employees were

overpaid by more than \$1,000, with a total of \$46,951 in excess payments and five employees⁷ were underpaid by more than \$1,000, with a total of \$20,083 in unpaid compensation.

The majority of payroll discrepancies have gone unaddressed. Rather than taking immediate corrective action, the District chose to delay any resolution, opting instead to wait for the results of this audit.

The District should review these payments and take the necessary action. They should also implement payroll reconciliation procedures, including regular reviews of payroll against employee contracts. Identified overpayments should be addressed through a formal recovery process, and underpayments should be corrected and paid to employees without delay. Clear responsibility and timelines should be assigned to ensure accountability for follow-up actions.

Finding Of 61 employees tested for payroll compliance, 15 lacked contracts with properly authorized signatures and one contract could not be located.

A properly approved employment agreement or contract should exist to document each District employee's compensation in the payroll system and help protect from over and under payments. Statute requires that all employees have written contracts and that those contracts be retained by the District, 70 O.S. § 6-101(A) states in part:

... no person shall be permitted to teach in any school district of the state without a written contract, except as provided herein for substitute teachers and except teachers of classes in adult education... One copy of the contract shall be filed with the clerk of the board of education and one copy shall be retained by the teacher.

No Finding Testwork did not indicate any unauthorized payments to four key administrators.

Payroll registers for December 2019, June 2020, August 2020, December 2020 and June 2021 were searched and scanned for multiple payments to four key administrative employees, Vicki Parker, Pete Parker, Gayle Mize, and Mannix Barnes. None received extra payroll checks nor did their checks exceed the contractually authorized amounts.

Finding The District took an average of 74 days to deposit 22 reimbursement checks collected from two employees who had previously received payroll overpayments. These funds had been withheld from the employees' paychecks and were made payable to the schools General Fund.

These repayments were collected through payroll deductions, where the District withheld the overpaid amounts from future paychecks. The repayment checks were issued from the General Fund and made payable back to the General Fund. ***One check was not deposited for 389 days, and another was never deposited.*** In fact, the checks never physically left the District's custody, indicating that the delay in deposit was not due to external factors but rather to internal administrative oversight.

⁷ Three additional employees were also underpaid more than \$1,000 during the regular payroll process but their underpayments were resolved through resignation/settlement agreements.

Objective 8 School Bus Bonds

Petition Objective *Review the issuance of school bonds used to finance the purchase of school buses.*

According to petitioners, school bonds were issued with the intent to purchase 22 school buses over a period of approximately four years. However, it was alleged that the District only acquired a maximum of 10 buses during that time. Additionally, the District reportedly purchased a party bus at a cost of nearly double that of a standard school bus. It was further alleged that a portion of the bond proceeds was used to pay off existing debt, which would not be an authorized use of funds.

No Finding *Bond proceeds designated for the purchase of school buses were spent properly.*

On October 10, 2017, voters approved \$2,200,000 in bonds. A campaign flyer distributed by the District during the election stated that the bond would be used to “acquire 22 School Buses.” However, both the election resolution and ballot language described the purpose of the bonds more broadly, stating the funds were “for the purpose of purchasing transportation equipment.” Neither the official resolution nor the official ballot specified the number of buses to be acquired, referring only to the total authorized amount of the bonds.

As of April 2022, the District had purchased a total of 18 buses at a combined cost of \$1,695,985.

Summary of Bus Purchases			
Date	Vendor	Purpose	Amount
Jan 2018	Ross Transportation	3 school buses	\$167,535
Apr 2019	Ross Transportation	5 school buses	\$450,567
Mar 2020	National Bus Sales	1 ultra-coach bus	\$241,600
Sep 2020	Ross Transportation	2 school buses	\$181,384
Oct 2021	Ross Transportation	7 school buses	\$654,899
		Total	\$1,695,985

The District purchased three buses in January 2018. This occurred after the bond issue was approved but prior to receiving the first disbursement of bond proceeds in January 2019. Subsequent disbursements were received in February 2020, January 2021, and March 2022. As of April 2022, the District had appropriately expended the bond funds, with a remaining balance of \$504,015.⁸

All bus purchases reviewed were found to be appropriate. The acquisition of the ultra-coach bus, while conducted without soliciting bids and involving a vendor not on the District’s approved list, was deemed proper. This purchase was exempt from competitive bidding requirements under applicable statute due to the bus being classified as “used.”⁹

Objective 9 Credit Card Expenditures

Petition Objective *Review District credit card expenditures for select administrative personnel.*

⁸ Less costs of issuance of the bond.
⁹ 70 O.S. § 9-109

Petitioners voiced concerns that Superintendent Barnes had allegedly issued credit cards to himself, and other select school officials including Jack Herron, Pete Parker and Vicki Parker.

No Finding *The District did not utilize credit or debit cards for expenditures.*

There was no evidence indicating that the District issued or used credit cards. A review of available bank statements reflected no debit or credit card activity. Furthermore, a staff member's use of a *personal* credit card to cover school-related expenses in an emergency situation provided additional proof that the District did not have institutional credit cards during the review period.

Charge Accounts

No Finding *There was no evidence of improper charge account purchases.*

The District maintained a charge account with Home Depot, individual charge cards were not issued until late 2021. Before the issuance of these cards, employees were required to present Purchase Orders to Home Depot to complete any purchases.

A review of Home Depot transactions indicated that items acquired were reasonable and related to school purposes. The District adhered to proper procedures by requiring purchase orders for these transactions.

Additionally, the District held a purchasing account with Mardel, issuing two store-specific cards for in-store purchases. However, no payments to Mardel were made during the audit period.

Of the four individuals named by petitioners, only Superintendent Barnes was issued a Sam's Club charge card. No purchases were made by Barnes at Sam's Club during the audit period.

Finding *The District was unable to provide documentation for nine Sam's Club transactions totaling \$2,204.*

During the audit period, the District purchased a total of \$35,803.34 from Sam's Club. While Sam's Club statements lacked itemized purchase descriptions, most transactions were deemed appropriate based on available receipts, or the remarks provided in the Activity Fund Vendor Expenditure Log. However, nine purchases totaling \$2,204, could not be fully evaluated due to the absence of supporting documentation.

Objective 10

Superintendent – Hiring/Contract Issues

Objective *Evaluate governance decisions and determine compliance with the Open Meeting Act regarding the hiring of Superintendent Barnes on or near June 2019 and the amendments to his employment contract on or near June 2021.*

Finding *Barnes was an active Board member when he was appointed superintendent on July 1, 2019. Because he did not resign from the Board until July 26, 2019, any employment contract before that date was void.*

Finding ***Barnes’ contract was never placed on an agenda for a Board meeting, nor was it voted on and approved by the Board in compliance with the Open Meeting Act, thereby rendering it wholly void.***

The agenda for the July 1, 2019, Board meeting stated only that the Board would “discuss and take possible action regarding the Superintendent’s position.” According to the corresponding minutes, the Board voted to “appoint Mannix Barnes as the new Superintendent of Western Heights, effective August 1, 2019.” Neither the agenda nor the minutes referenced the review or approval of a contract, only the action of appointment.

Barnes’ resignation from the Board did not occur until July 26, 2019. If the Board intended for the July 1 vote to serve as approval for his employment contract, it exceeded the agenda’s stated scope of action. Moreover, any such action would have been invalid since Barnes was still a sitting Board member at the time of the vote.

State law prohibits a school district from entering into a contract with one of its Board members. Title 70 O.S. § 5-124(A) states:

[No] board of education of any school district in this state shall make any contract with any of its members... All contracts made in violation of this section shall be wholly void. [Emphasis added]

Barnes contract was never added to later agendas or approved in any subsequent open meeting resulting in a violation of the Open Meeting Act.¹⁰

The Board’s intention to treat the July 1 vote as contractually binding was further reinforced by its July 8, 2019, actions, where the Board voted to appoint/approve¹¹ Barnes as the:

- Authorized representative for federal programs including Child Nutrition, Title I, Title II, Title III, Title IV, Title VI, JOM, Career Tech, and SIG;
- Entity Administrator for the System for Award Management; and
- Fiscal agent for Bank of Oklahoma, BancFirst, Oklahoma State Department of Education, and Career Tech.

These actions were also invalid since Barnes was still officially a Board member on July 8.

Finding ***The renewal contracts for Barnes, effective July 1, 2020, and July 1, 2021, were also invalid.***

Three primary issues rendered the renewal contracts invalid:

- Because Barnes’ original employment contract was invalid, any extensions or renewals of that contract were likewise invalid.
- The renewal contracts were never presented to the Board for consideration and were not listed on any agendas or included in any minutes. Although the Board voted in May 2020 and June 2021 to “continue the employment of Mannix Barnes as superintendent,” it never formally approved any renewal contracts.

¹⁰ 25 O.S. § 301, *et seq*

¹¹ All appointments were effective August 1, 2019.

- The employment contracts effective August 1, 2019, and July 1, 2020, contained a clause¹² stating that no modifications or changes would be binding unless approved by a majority vote of the Board during a regular meeting and listed as an agenda item. Both contracts were modified without such approval.

Payments

All payments to Barnes, direct or indirect, would be considered improper due to the lack of any valid contracts. The District paid Barnes \$220,000 per year in salary, \$50,000 per year in stipends, 8% of his salary into a tax-sheltered annuity per year, all required Oklahoma Teacher Retirement System contributions, and provided benefits that included, medical, dental, vision, life, and disability insurance. He was also allowed 40 vacation days, 20 sick leave days, and 20 personal business days per year.

The total amount paid to Barnes in salary and benefits between August 1, 2019, and December 31, 2022, was more than \$1.13M.

District Response

See Exhibit 3 for the “District Response to Finding.”

Objective 11 Purchasing and Bid Procedures

Objective *Assess adherence to internal controls, policies, procedures, and laws regarding purchases, payments, timing of encumbrances, and Board approval. Evaluate purchases to determine if negligence, breach of duty or deception occurred. Consider if bids were solicited when required; purchases were reasonable and necessary; payments were made for products not used or services not rendered; and whether bribery, kickbacks, or conflicts of interest occurred.*

Purchasing

A total of 41 purchases were judgmentally selected for review from FY2020 and FY2021.

In accordance with state statute¹³ and the District’s procurement policy,¹⁴ all purchases must be initiated through properly created purchase orders and encumbered prior to purchase. A “Receipt of Merchandise” is required when merchandise is received. All encumbrances and resulting payments are required to be properly approved by the Board,¹⁵ and all purchases in the amount of \$1,000 or greater are required to include a non-kickback collusion affidavit.

Finding *Four of the 41 purchases reviewed were not approved by the Board and five purchases were not encumbered prior to the ordering of the goods or services.*

¹² Section 10.H. – Integration of All Contracts and Understandings

¹³ 70 O.S. § 5-135

¹⁴ Policy 2.001

¹⁵ 70 O.S § 5-135(D)

In two of the five unencumbered purchases, District personnel completed an “Explanation for Illegal Purchase” form, formally acknowledging that proper procedures had not been followed.

Finding ***Nineteen purchases lacked proper documentation for the receipt of the goods or services and six transactions lacked the properly completed non-kickback collusion affidavit.***

These 25 exceptions included:

- Nine receipts for goods and services were missing.
- Eight receipts for goods and services only contained one signature when two signatures were required.
- One receipt for goods and services contained no signatures.
- One receipt for goods and services form was not properly completed.
- Three non-kickback affidavits were not obtained.
- Three non-kickback affidavits were not notarized.

Bid Policy

The District’s written “Procurement Policy and Procedures 2.001” outlines bid requirements for purchases as follows:

- Sealed quotations shall be required on any single expenditure for goods, equipment or supplies that totals \$5,000 or greater.
- The lowest and best purchase price will be determined and awarded. Three quotations by phone, catalog, or verbal will be required from vendors for any prospective purchase which is likely to exceed \$25,000.
- Quotes shall be awarded to lowest responsible vendor.

The provisions in this policy contradict each other, requiring sealed bids for purchases over \$5,000, while simultaneously prescribing a less formal quotation process for purchases exceeding \$25,000. Per the District’s office manager, Policy 2.001 was in error and did not reflect actual procedures followed by the District. Actual procedures were essentially the reverse of the written policy. Purchases between \$5,000 and \$25,000 required three quotes and purchases of \$25,000 or more required sealed bids. The purchases tested were reviewed based on this application of the policy.

Purchases Reviewed

Petitioners voiced concerns regarding bids for two specific contracts, one for mowing with Lara Cleaning and Landscaping, also called Marcos Landscaping, and one for food services with Southwest Foodservice Excellence.

Finding ***Although the contract with Marcos Landscaping was properly bid and Board approved, the services were ordered prior to having an approved purchase order and a kickback affidavit was not obtained.***

A contract with Marcos Landscaping was let after the Board voted to accept the lower of two bids. The bid for services were from American Outdoor for \$5,777.50 and Marcos Landscaping

who bid \$3,190.00. Even though the contract was properly let, the District failed to timely encumber the purchase, and a kickback affidavit was not obtained.

There were two contracts with Southwest Foodservice in FY2021. One contract was for providing food services and one contract was for consulting services.

No Finding Both contracts with Southwest were properly bid and Board approved.

As part of the audit, in addition to the two specific contracts mentioned by the petitioners, ten additional purchases subject to bidding requirements were reviewed. No documentation was available to determine if bids were solicited or awarded in accordance with District policy for five purchases.

Finding Of the 10 purchases reviewed that were subject to bidding requirements, the District could not provide documentation demonstrating that bids were obtained for five transactions.

The five transactions for which required bid documentation could not be located included:

Purchases With No Documented Bid Process			
Fiscal Year	Vendor	Amount	Purchased
2020	Safety and Security Services	\$58,483	Security Services
2020	American Outdoor Contracting Services	\$67,350	District Wide Lawn Care
2020	Transpar Group	\$209,100	Management Fee
2021	Scott Rice	\$213,841	Furniture
2021	Clifford Power Systems	\$280,839	Generators

The District should obtain bids when required by policy and law or appropriately document the allowable exceptions when applicable. All bids received and other relative documentation to support decisions in the purchasing process should be maintained.

Objective 12 Review of Independent Auditor Findings

Objective Review the FY2019 and FY2020 findings of the school district’s independent auditor. Determine whether corrective actions were taken as required and if not, evaluate the resultant consequences.

Audit Findings and Corrective Action Plans

The FY2019 and FY2020 audit reports were reviewed to ascertain any audit findings reported by the District’s independent auditor during these periods and whether management properly addressed and corrected the findings. The FY2019 audit report contained no findings. The FY2020 audit report contained one finding, 2020-1, which stated:

2020-1

Condition: At June 30, 2020 the District's accounting records were not properly reconciled with subsidiary records of school district bank accounts. The District treasurer had made numerous adjusting entries to the District's books in order to attempt to balance with bank records. These entries were made in lieu of clearing individual warrants/checks the way the software system is designed to work. Many checks cleared by adjusting entry were done in batches and in several instances checks were cleared twice. The following were proposed journal entries necessary to balance bank with bank records:

1. There was \$169,006.80 in investment interest which was not recorded as revenue.
2. At June 30, 2020 the school district had \$514,760.19 in outstanding warrants/checks which had previously been cleared through adjusting entry wire transfers. These checks had to be manually removed from the outstanding warrant list.
3. There was a District wire transfer to the school 'IRS Account' on 6/29/20 in the amount of \$614,408.95 that was made in error and had to be reversed.
4. There was a District wire transfer of \$240,000.00 to the schools Teacher Retirement Clearing Account on 1/8/20 which was never coded to general fund expenditures.
5. There was a direct wire transfer of \$46,000 that went to the schools Teacher Retirement Clearing Account in June 2020 which was never coded to general fund expenditures.
6. There was \$18,276.78 in bank analysis charges which were not appropriately coded to general fund expenditures.
7. There was \$32,087.44 in Teacher Retirement System late penalties that were not coded to general fund expenditures.
8. Bank statements reflected \$822,450.00 of double posted transactions relative to direct deposit payroll transactions. This problem was largely due to bank error.
9. Bank statements reflected \$144,837.97 of returned items which had to be reconciled.

Finding District management failed to correct FY 2020 audit finding 2020-1.

As documented in the Board minutes and confirmed by the independent auditor, the FY2019 and FY2020 audit reports, along with their respective findings, were presented to and approved by the Board. Additionally, a corrective action plan addressing the eight issues outlined in Finding 2020-1 was published as part of the final FY2020 audit report.

In the FY2021 independent audit report, under the "Summary of Prior Audit Findings" the current status of Finding 2020-1 was reported as not corrected as reflected in the excerpt below:

Current Status: The condition was not corrected during the FY2020-21. Similar findings were noted in the 2021 audit.

The failure to resolve finding 2020-1, specifically, the reconciliation of school accounting records to bank records, significantly hindered the timely completion of subsequent audits. As a result, the FY2021 audit exceeded the authorized nine-month completion period, requiring more than 12 months to finalize, while the FY2022 audit completion required almost 14 months.

Audit Comments

Audit comments were presented to the Board as part of the FY2019 and FY2020 audit reports within a *Schedule of Comments*. These comments addressed matters that were not classified as material weaknesses in the internal accounting control system, nor were they considered material to the financial statements as a whole. Each audit report also included a Corrective Action Plan for every comment, signed by Superintendent Barnes.

The *Schedule of Comments* included in the FY2019 audit report identified four comments which are summarized as follows:

- The Activity Fund was not balanced timely with bank transactions resulting in late reconciliations and sometimes, multiple voided receipts.
- Activity fund profit and loss statements were not available for all fundraisers.
- A "receipt of merchandise and/or services" was often used as a check request or requisition before an event. Sixty-six percent of activity fund purchase orders tested did not have complete documentation for the purchase. Sixty-four percent of activity fund

purchase order invoices or shipping receipts or other documentation were not signed by a school employee.

- The District did not comply with O.S. Title 62, section 430.1, sub-section E relating to payments of lease-purchasing agreements. The District used proceeds from the 2018 lease-financing agreement to make payments on the 2009 and 2013 lease-financing agreements.

Finding *District management did not resolve two issues that had been reported as audit comments in the FY2019 audit.*

The *Schedule of Comments* included in the FY2020 audit report identified three comments which are summarized as follows. Comments 1 and 2 from FY2019 were not corrected and were repeated as comments in the FY2020 audit.

- The Activity Fund was not balanced timely with bank transactions resulting in late reconciliations and sometimes, multiple voided receipts. (repeat of #1 from 2019)
- Fifteen percent of activity fund purchase orders tested did not have adequate documentation for the purchase. (repeat of #3 from 2019)
- Although the Board was approving subaccount names and fundraisers, the purposes of the Activity Fund subaccounts and their associated revenues were not always included in these approvals.

None of the FY2020 comments were repeated in FY2021.

Objective 13 Superintendent's Logins into WAVE & Single Sign On

Objective *Determine if any logins or access to state systems (WAVE, Single Sign On) using Superintendent Barnes' log-in credentials, on or after June 24, 2021, were for appropriate and authorized purposes.*

Background

The Single Sign On (SSO) application serves as the SDE online account-management system for school district personnel. Each school district is required to maintain a single superintendent SSO account at all times, with only one superintendent account allowed per district.

Finding *Superintendent Barnes' SSO account was accessed on 13 separate dates between the suspension of his superintendent certification by SDE on June 24, 2021, and the eventual deactivation of his SSO account on July 19, 2021.*

No Finding *The WAVE system, which is used for the collection and management of staff and student data, was not accessed using Barnes' account after his superintendent certification was suspended on June 24, 2021.*

A timeline of access to Superintendent Barnes' account included the following dates:

June 24, 2021 - SDE suspended Barnes' superintendent/educator certification and ordered the District's Board of Education to suspend his employment.

June 25, 28, 29, 30 & July 2, 6, 7, 8, 2021 – Superintendent Barnes SSO account was accessed.

July 12, 2021 – the State Board of Education voted to fully intervene in the District’s operations and appointed an interim superintendent for the District.

July 12, 14, and 15 – Superintendent Barnes SSO account was accessed.

July 15, 2021 – The District’s Board appointed a different interim superintendent than was appointed by the State Board of Education.¹⁶

July 16 and 19, 2021 – Superintendent Barnes SSO account was accessed, including on July 19, the day the account was deactivated by SDE.

July 19, 2021 – Superintendent Barnes account was deactivated by SDE.

There was no system in place to verify authorization for access to Barnes’ SSO account, track who accessed the account, or assess whether the access was appropriate. Additionally, the SDE arguably should have promptly terminated Barnes’ access following the suspension of his Superintendent certificate on June 24, 2021.

Objective 14

Inventory and Asset Management

Objective *Determine compliance with inventory and asset management controls from July 1, 2019, to August 12, 2021.*

Oklahoma Administrative Rules¹⁷ require the District to develop and implement a system for inventory “issue, usage, storage, repair, and replacement” of equipment, furnishings, and supplies. Federal rules are defined at 2 CFR 200.313 which require that physical inventory, purchased with federal funds must be taken and reconciled every two years.

Finding *The District did not maintain proper and complete inventory records in accordance with federal requirements or SDE Administrative Rules and did not perform an annual physical inventory of equipment.*

The District began maintaining inventory records for Information Technology (IT) equipment purchased with federal funds in April 2019, and inventory records for IT equipment purchased with non-federal funds have been maintained since April 2020.

While some non-IT equipment purchased with federal funds has been inventoried, the District does not have a formal or comprehensive inventory system in place for non-IT assets. For example, four generators purchased with federal funds for \$280,839 were neither inventoried nor properly tagged for asset tracking purposes.

¹⁶ Kim Race was appointed as interim superintendent but was not provided with a personal login to SSO.

¹⁷ 210 O.A.R. §§ 35-3-186(d), 35-13-114, 25-5-4(g)

Oklahoma Administrative Rules¹⁸ require that the District review and update its inventory at least annually. Additionally, federal regulations¹⁹ require a review and update of equipment purchased with federal funds at least once every two years.

The District did not perform an annual physical inventory count on equipment, although some equipment is checked in/out on an annual basis to students and staff, and a district policy²⁰ requires teachers to provide an inventory of all supplies and equipment at the end of each year.

Finding *Inventory records did not reflect all information required by federal law and Administrative Rules.*

Oklahoma Administrative Rules²¹ require the District’s inventory records to include the following:

(g) Inventory cards or data processing records shall be kept on all equipment and removable fixtures, showing purchase order number when known, date of purchase (when known, if not known an estimated date shall be used), amount of purchase (if known, if not known present value must be estimated) a description of the item, the serial number (when applicable) and the location of the item. New purchases shall be included in the records on the same day in which they are physically received by the district. Disposed equipment must be removed from the records on the disposal date and a detailed description of the circumstances which results in the disposal recorded. Disposed equipment should not be included in the records of future years.

Federal law²² requires the District’s records of equipment purchased with federal funds to include the following:

(d) *Management requirements.* Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part under a Federal award, until disposition takes place will, as a minimum, meet the following requirements:

(1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the FAIN), who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.

The District’s inventory records did not include all of the required information.

Finding *Of 30 technology items included in the District’s inventory records, six could not be located.*

The six technology items that could not be physically located consisted of four HP Chromebook computers, with an estimated cost of \$269 to \$699 per item, and two mobile hotspots with an estimated cost of \$240 each. According to inventory records, these six items, which were purchased with federal funds, were checked out to students and never returned.

¹⁸ 210 O.A.R. § 30-3-1(c)(4)

¹⁹ 2 CFR § 200.313(d)(2)

²⁰ 3.904

²¹ 210 O.A.R. § 25-5-4(g)

²² 2 CFR § 200.313(d)(2)

Finding **One of fifteen asset-tagged items tested was not recorded in inventory records.**

A high-definition imaging camera with an asset tag, valued between \$130-\$330, was not found in the official inventory records.

Finding **Seven equipment items, totaling \$703,823, were not recorded in inventory records, nor did they have asset tags affixed.**

Purchases from seven purchase orders were reviewed to determine whether items met inventory requirements, were tagged appropriately, and could be physically located. In accordance with administrative rules, items valued at \$5,000 or more with a useful life exceeding one year are classified as “equipment” and must be recorded in inventory records.

Seven items, acquired through three purchase orders with a combined value of \$703,823, were neither listed in the inventory records nor had asset tags affixed. Despite these omissions, all items were successfully located.

Objective 15

Bank Reconciliations

Objective **Determine if accurate bank reconciliations were presented to the Western Heights Board of Education from July 1, 2019, to August 12, 2021.**

General Fund

State law²³ requires the local treasurer of a school district, when required by the Board, to submit a written report on the District’s financial condition and produce all relevant records at Board meetings. District policy²⁴ requires the treasurer to present reports for Board approval at regularly scheduled meetings. These reports should include a warrant register and an income and expense summary.

SDE Administrative Rules²⁵ also require a District to code all revenues and expenditures according to OCAS and reconcile with bank receipts and statements, purchase orders, warrant registers, investment ledgers, and balance sheet accounts.

Finding **The District did not consistently comply with reporting and reconciliation requirements. Specifically, treasurer’s reports, income and expense summaries, and warrant registers were not presented at the District’s regularly scheduled Board meetings. There was also no evidence that the District ever documented the reconciliation of General Fund revenues and expenditures with supporting financial records as required by Administrative Rules.**

During the audit period, the Board held 24 regular meetings. At these meetings:

- Treasurer reports and income and expense summaries were not presented at 15 meetings.²⁶
- Warrant registers were not provided at four meetings.

²³ 70 O.S. § 5-115

²⁴ 2.001

²⁵ 210 O.A.R. § 25-5-4

²⁶ Three of the 15 treasurer reports and three of the income and expense summaries were provided late.

- Bank reconciliations were never presented to the Board.

The District did not maintain documentation of General Fund bank reconciliations. Although two employees indicated that informal bank reconciliations were performed, no supporting evidence was available to verify the reconciliations.

Activity Fund

According to Administrative Rules,²⁷ the District’s Activity Fund custodian must reconcile bank statements to Activity Fund records and provide monthly reconciliation reports to the superintendent and the Board of Education.

Finding *Activity Fund reconciliations during the audit period were not consistently provided or accurate. For the 24 Board meetings reviewed:*

- ***Reconciliations were not provided for nine meetings.***
- ***Of 15 reconciliations provided, eight were submitted late.***
- ***Four of the reconciliations presented were incomplete or not properly reconciled.***

In addition, the reconciliations that were provided did not accurately reflect the financial position of the Activity Fund. Specifically:

- Outstanding checks totaling \$8,257, were not removed from the records after expiring.
- Entries labeled as “receipts in transit” were used as balancing items rather than reflecting actual pending deposits. For example, \$1,204 shown as receipts in transit on July 31, 2019, and \$2,843 in transit on July 31, 2020, remained in transit and unreconciled as of May 31, 2021.²⁸
- Duplicate entries totaling \$4,047.12, were not reversed, but instead were offset by a “receipt in transit,” to force reconciliation to bank statements.

Finding *Deposits intended for the Activity Fund were mistakenly made into the General Fund. These errors were corrected on the books, but the funds were never transferred back to the proper account.*

According to the Activity Fund clerk, some of these discrepancies were caused by a District employee who mistakenly used the wrong deposit book, leading to misdirected deposits. Instead of correcting the errors, staff offset them with unsupported entries to reconcile.

Objective 16 Chief of Staff’s Use of Sick Leave

Objective *Ascertain the total sick leave transferred into the District by the Chief of Staff, evaluate whether the amount of leave used exceeded the available balance, and determine whether the Chief of Staff used sick leave improperly.*

²⁷ 210 O.A.R. § 25-5-13(o)(10)

²⁸ This issue was reported as a finding by the District’s independent auditor for FY2019 and FY2020.

Multiple individuals raised concerns that Jack Herron, appointed by Superintendent Barnes as his Chief of Staff, possibly misused sick leave and exceeded the amount of leave to which he was entitled. The District properly accepted 100.30 days of sick leave from Herron’s previous school district. There was no evidence that Herron used more sick leave than the combination of sick leave transferred in, combined with sick or other leave, accumulated while with the District.

Records show that Herron took continuous leave between August 2, 2021, and March 22, 2022. During this period Herron attended certain social functions and provided expert witness testimony in court. These activities raised questions about the extent of sick leave used. However, District policies did not require employees to submit medical documentation, such as a doctor’s note, as long as they had sick leave available. Although the District requested appropriate documentation required for the purpose of the FMLA,²⁹ none was provided.

Objective 17 Potential Payments to Board Member’s Wife

Objective *Determine whether the spouse of the Board chairman was inappropriately compensated for Board related activities.*

A petitioner alleged that the spouse of Board Chairman Robert Everman may have been improperly compensated by the District for participating in activities related to a Board meeting.

No Finding *No evidence was found to support this claim. A review of the District’s financial records revealed no documentation indicating that the Board Chairman’s spouse received any payments from the District.*

Board agendas and meeting minutes showed that Nancy Everman provided a single update to the Board regarding the Western Heights Implementing Resources Everywhere program. Her participation, as per Board minutes, appeared to be voluntary. Additionally, reviews of the District’s activity fund and general fund bank accounts, purchase orders, and payroll and non-payroll registers provided no evidence that she received any compensation for her involvement.

²⁹ Family and Medical Leave Act

Exhibit 1

CITIZEN PETITION REQUEST FOR SPECIAL AUDIT BY THE STATE AUDITOR & INSPECTOR

We, the undersigned electors of the Western Heights Public School District, I041, Oklahoma County, Oklahoma, do hereby petition and request you to examine the books of said school district pursuant to **74 O.S. § 212(L)**. Specifically, the investigation will include, at a minimum, a review of alleged concerns regarding:

1. Child nutrition program expenditures.
2. Payments related to consulting services contract and attorney fees.
3. Activity Fund revenues and expenditures for the athletics, cheerleader, Student Council, Junior and Senior Class clubs.
4. Select donations to the district.
5. Overtime payments made to administrative staff.
6. Monthly employee optional deductions and payments made to select companies and organizations.
7. Overpayments and collection of overpayments to Western Heights personnel.
8. The issuance of school bonds used to finance the purchase of school buses.
9. District credit card expenditures for select administrative personnel.

The alleged concerns identified above will be addressed for the fiscal years ending June 30, 2020 and 2021. The Office of the State Auditor and Inspector is not precluded from examining other records or issues of which it becomes aware that may be outside the scope of the concerns stated on this petition.

The estimated cost of said investigation will range from \$30,000 to \$75,000, which shall be paid by the Western Heights Public School District, Oklahoma County, Oklahoma, in accordance with **74 O.S. § 212(L)(7)**. The cost is based on estimated audit hours and travel expenses.

We further understand that the circulators of the petition have thirty (30) days from the date this petition was received by the Petition representative to obtain the requisite number of signatures and return it to the State Auditor and Inspector.

The names of the signers of any petition shall be confidential and neither the State Auditor and Inspector, the county election board, nor the county treasurer may release them to any other person or entity except upon an order from a court of competent jurisdiction per **74 O.S. § 212(L)(8)**.

A F F I D A V I T

We, the undersigned being of lawful age, upon oath or affirmation and subject to the criminal penalty for perjury, as prescribed by **21 O.S. § 500**, to the best of his/her knowledge and belief declare that he/she is a resident of the Western Heights Public School District, an elector in Oklahoma County, and that he/she resides at the address designated on this petition.

NAME (PRINT)	ADDRESS (PRINT)	SIGNATURE	DATE
_____	_____	_____	_____

Exhibit 2

STATE DEPARTMENT OF EDUCATION
REQUESTED AUDIT OBJECTIVES
WESTERN HEIGHTS PUBLIC SCHOOLS

1. Evaluate governance decisions and determine compliance with the Open Meeting Act regarding the hiring of Mannix Barnes on or near June 2019 and the amendments to Barnes employment contract on or near June 2021.
2. Assess adherence to internal controls, policies, procedures, and laws regarding purchases, payments, timing of encumbrances, and board approval. Evaluate purchases to determine if negligence, breach of duty or deception occurred. Additionally, consider if:
 - bids were solicited when required
 - purchases were reasonable and necessary
 - payments were made for products not used or services not rendered
 - bribery, kickbacks, or conflicts of interest occurred
3. Review the 2019 and 2020 findings of the school district's independent auditor. Determine whether corrective actions were taken as required and if not, evaluate the resultant consequences.
4. Determine if any logins or access to state systems (WAVE, Single Sign On) using Mannix Barnes' log-in credentials, on or after June 24, 2021, were for appropriate and authorized purposes.
5. Determine compliance with inventory and asset management controls from July 1, 2019, to August 12, 2021.
6. Determine if accurate bank reconciliations were presented to the Western Heights Board of Education from July 1, 2019, to August 12, 2021.

Exhibit 3**District Response to Finding:**

To create a contract, the law requires an offer and acceptance of the offer. *Nat'l Outdoor Advertising Co. v. Kalkhurst*, 1966 OK 85, 418 P.2d 661. A contract is not “made” until all the elements are completed. The July 1, 2019 vote to “appoint Mannix Barnes as the new Superintendent of Western Heights, effective August 1, 2019” by the Western Heights Board of Education was an offer of employment which Barnes accepted by resigning as a board member on July 26, 2019 and signing the employment contract to be effective on August 1, 2019. The express language of the statute states that “no board of education ... shall **MAKE** any contract with any of its members...” 70 O.S. §5-124(A) (emphasis added). The express language of the contract between Superintendent Barnes and the District states that it is “made and entered into this 1st day of August, 2019” which is consistent with the condition upon which the Board of Education appointed Barnes as superintendent. At the time the contract was made on August 1, 2019, Barnes had resigned as a board member, and the contract was not void by operation of the provision of state law. The payments made to Barnes were based on a valid contract.

Additionally, the initial Superintendent Contract of Employment remained in effect until June 30, 2022 without any further Board action. Oklahoma law allows for a school district to employ a superintendent for the current fiscal year plus three (3) additional fiscal years which would be the 2019-20, 2020-2021, 2021-2022, and 2022-2023 fiscal years. Okla. Const., Art. 10, §26(a)(2). Therefore, any payments of salary paid beyond the 2019-2020 fiscal year were valid as the initial contract remained in effect.

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.

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