

**INDEPENDENT AUDITORS' REPORT
ON APPLYING AGREED-UPON PROCEDURES
BROKEN ARROW SCHOOL DISTRICT NO. 1-3,
Tulsa County, Oklahoma**

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Independent Auditors' Report On Applying Agreed-Upon Procedures

The Honorable Board of Education
Broken Arrow School District Number 1-3
Broken Arrow, Tulsa County, Oklahoma

We have performed the procedures enumerated below, which were agreed to by you, solely to assist you in determining compliance with the Oklahoma Statutes and the District's policies in regards to the agreed-upon procedures as set out below of the Broken Arrow School District, No. 1-3, Tulsa County (the "District") prepared in accordance with the criteria specified therein for the noted periods. The District's administration is responsible for the athletic activity fund, the purchase order system through which the building fund purchase orders are issued and paid, insuring contracts are approved by the District's board of education, and that expenditures for the bond funds follow the purposes for which the bonds were approved. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

1. **Procedure:** Review the athletic activity fund for the 2002-03, 2003-04, 2004-05 and 2005-06 fiscal years to determine whether the money from the summer camps conducted by the coaches was properly accounted for and adhered to the District's policies.

Findings:

- a. The District has a variety of policies governing the use of District facilities. Section 13.1 *Use of School Property for Other Than Classroom Activities* notes that the District "may make a reasonable charge to cover the cost of use of such building or property". Section 13.2 *Use of Gymnasium Facilities* notes that "The use of gyms will require that all costs plus a reasonable fee for gym use...be paid by the contracting organization." Section 13.3 *Use of Athletic Fields* notes that "Approval of the Board of Education shall be required for use of school athletic fields for other than school activities" and "Agreement regarding the payment of utilities for use of the facility and/or field must be obtained prior to completion of the contract."

- b. It appears that camps for non-school activities were held by the District's coaches using the athletic fields and gymnasiums. The following pamphlets were observed advertising these non-school sponsored camps:

Rusty Stecker Tiger Basketball Camp (12/30/02-1/3/03)
Broken Arrow Tiger Boys Basketball Camps (5/27-5/30/03, 6/2-6/5/03, 6/16-6/19/03)
Baseball Athletic Training Skills Camps (6/2-7/10/03)
Broken Arrow Tiger Soccer School (6/2-6/5/03)
Broken Arrow Lady Tigers Basketball Camp (6/9-6/12/03)
Broken Arrow Lady Tiger Softball Camp (6/9-6/12/03)
Fastigers 2003 (6/16-7/31/03)
Broken Arrow Tiger Volleyball Camp (7/28-8/1/03)
Tiger Tennis Camp (7/14-7/18/03)
Broken Arrow Tiger Boys Basketball Camp (12/27-12/30/04)
Tiger Camps of Champions 2004 (5/25, 5/27-5/28/04, 5/29/04, 6/9-7/29/04, 7/8-7/9/04)
Baseball Athletic Training Skills Camps (5/27-7/1/04)
Broken Arrow Lady Tigers Basketball Camps (6/1-6/4/04, 6/14-6/17/04)
Middle School Volleyball Camps (6/21-6/24/04, 6/28-7/1/04)
Broken Arrow Tiger Camps (5/25-5/27/05, 6/13-7/28/05)
Broken Arrow High School Tiger Soccer School (5/31-6/3/05)
Coach Beer Broken Arrow Lady Tigers Basketball Camps (5/31-6/2/05, 6/20-6/23/05)
Broken Arrow Tigers Boys Basketball Camps (5/31-6/3/05, 6/6-6/9/05, 6/13-6/16/05)
Broken Arrow Lady Tiger Softball Camp (6/06-6/09/05)
Broken Arrow Baseball Athletic Training Skills Camp (6/1-6/30/05)
Broken Arrow Black 8th Grade Football Pad Camp (6/20-6/23/05)
Middle School Volleyball Camps (6/13-6/16/05, 6/20-6/23/05)
Broken Arrow Tiger Camps (5/24-5/26/05, 6/13-7/28/06)

- c. We observed receipts issued to camp participants by an athletic department employee for some non-school summer camp fees. However, these fees were not observed deposited into the District's funds. The receipts are detailed as follows:

2002-03 Fiscal Year:

Observed three (3) receipts issued for a total of \$300 in May 2003 for the receipt of cash for a baseball camp.

2003-04 Fiscal Year:

Observed six (6) receipts issued for a total of \$590 in April through June, 2004 for the receipt of cash for various camps.

2004-05 Fiscal Year:

Observed four (4) receipts issued for a total of \$335 in May 2005 for the receipt of cash for various camps.

2005-06 Fiscal Year:

Observed forty-one (41) receipts issued for a total of \$3,605 in March through June, 2006 for the receipt of cash and checks for various camps.

The camps held were apparently non-school camps because the few fees from camp participants that were receipted, as well as any other participant fees collected, were not observed deposited into the District's funds. Since these fees were collected for non-school camps it is not known why a District employee received and receipted some of the fees.

The District's current policies direct that the board of education approve use of school athletic facilities and establish fees for rent, reimbursement of utilities, janitorial services and/or any other operating expenses. We did not observe where the board of education had approved or was asked by the administration to approve such use nor did we observe the collection of rental fees.

The District does not have a policy specifically governing the conduct and administration of non-school sponsored camps using school facilities. Because there was no specific policy, no procedure was in place to over-see the collection of fees and reimbursement of expenses incurred in the operation of these camps.

2. **Procedure:** Review the building fund purchase orders for the 5-year period ending June 30, 2008 for the following:
 - a. Internal control procedures:
 - 1) Invoices with dates that were manually changed for payment in a subsequent fiscal year
 - 2) Purchase orders without adequate supporting documentation attached
 - 3) Purchase orders not encumbered prior to indebtedness
 - 4) Work orders issued subsequent to the receipt of invoices
 - 5) Payment for flagpole replacement prior to services being rendered
 - 6) Review the original invoices from Air Assurance to determine that they contained the required information for payment
 - b. Blanket purchase orders that were increased for unauthorized rather than unknown expenditures
 - c. Purchase orders issued in excess of \$25,000 to determine whether the Competitive Bidding Act, as defined by the District's legal counsel, was applicable, and, if so, whether the District adhered to the Act

Findings:

a. The following findings were noted in the examination of the District's internal control procedures governing the issuance and payment of building fund purchase orders:

- 1) Building fund purchase orders issued that included payments of prior year invoices:
 - a) Tested 269 purchase orders in the 2003-04 fiscal year of which four (4) included the payment of invoices from the previous fiscal year.
 - b) Tested 371 purchase orders in the 2004-05 fiscal year for which two (2) included the payment of invoices from the previous fiscal year.
 - c) Tested 400 purchase orders in the 2005-06 fiscal year for which three (3) included the payment of invoices from the previous fiscal year.
 - d) Tested 466 purchase orders in the 2006-07 fiscal year for which nine (9) included the payment of invoices from the previous fiscal year.
 - e) Tested 258 purchase orders in the 2007-08 fiscal year for which nine (9) included the payment of invoices from the previous fiscal year.

These errors represent a small percentage of the total number of purchase orders tested.

- 2) Building fund purchase orders issued that did not contain adequate supporting documentation (i.e., original, itemized invoices):
 - a) Tested 269 purchase orders in the 2003-04 fiscal year of which three (3) were issued in payment of at least one expenditure that was not supported by adequate documentation.
 - b) Tested 371 purchase orders in the 2004-05 fiscal year for which three (3) were issued in payment of at least one expenditure that was not supported by adequate documentation.
 - c) Tested 400 purchase orders in the 2005-06 fiscal year for which two (2) were issued in payment of at least one expenditure that was not supported by adequate documentation.
 - d) Tested 466 purchase orders in the 2006-07 fiscal year for which four (4) were issued in payment of at least one expenditure that was not supported by adequate documentation.

These errors represent a small percentage of the total number of purchase orders tested.

- 3) Building fund purchase orders that were not encumbered in advance of indebtedness (including those noted in 1 above):
 - a) Tested 269 purchase orders in the 2003-04 fiscal year of which twenty-six (26) were issued in payment of at least one invoice that reported indebtedness prior to the encumbrance of the corresponding purchase order.
 - b) Tested 371 purchase orders in the 2004-05 fiscal year of which twenty-seven (27) were issued in payment of at least one invoice that reported indebtedness prior to the encumbrance of the corresponding purchase order.
 - c) Tested 400 purchase orders in the 2005-06 fiscal year of which twenty (20) were issued in payment of at least one invoice that reported indebtedness prior to the encumbrance of the corresponding purchase order.
 - d) Tested 466 purchase orders in the 2006-07 fiscal year of which twenty-six (26) were issued in payment of at least one invoice that reported indebtedness prior to the encumbrance of the corresponding purchase order.
 - e) Tested 258 purchase orders in the 2007-08 fiscal year of which twelve (12) were issued in payment of at least one invoice that reported indebtedness prior to the encumbrance of the corresponding purchase order.

These errors represent a small percentage of the total number of purchase orders tested.

- 4) Although work orders were issued and maintained by the District's maintenance department, we determined, through inquiry, that there was no apparent correlation between these work orders and the actual invoices received by the District's accounts payable department. The District did not have adequate staff to go back through the previous five (5) years of work orders and attach them to the applicable invoices. It was also determined, through inquiry, that the work orders were not necessarily completed prior to the work being performed. In some instances, work orders would be prepared after the fact as a way of tracking maintenance and repair work performed at the request of the maintenance department. However, the accounts payable staff has recently implemented, at the direction of the Interim Superintendent and current Chief Financial Officer, the requirement that all work orders be attached to the invoices prior to submitting the invoices for payment.

- 5) Purchase order number 77, issued in the 2007-08 fiscal year in the amount of \$4,757 for the replacement of the flagpole at the ESC, was reviewed for statutory compliance. This purchase order was issued on July 5, 2007 and paid on August 31, 2007, while the actual installation was not performed until October 27, 2007. We observed correspondence attached to the purchase order that reported that the vendor admitted error in billing for work performed prior to installation. The District's maintenance department inappropriately approved the invoice for payment prior to verifying delivery and installation.
 - 6) The majority of the invoices submitted by Air Assurance appeared to contain the required information for payment. Several of the invoices observed did not separate the materials purchased from the labor provided, but rather had one price for both labor and materials. Some purchase orders that were issued in payment of invoices based on quotes did not have the quotes attached. Additionally, it was not always clear whether invoices were for services performed under the maintenance agreement or under the blanket purchase order for as-needed repairs. It appeared that some records, for example copies of the original bids for the maintenance agreement and quotes for some of the HVAC repairs, were not available for our review. Security over records to prevent lost information is another area that needs to be addressed by the administration.
- b. Oklahoma law (OKLA. STAT. tit. 62 § 310.8) requires that a written explanation be attached to blanket purchase orders to address increases to said purchase orders for unforeseen expenditures. We did not observe where these explanations were attached for most blanket purchase orders. Therefore, we could not determine whether such increases were for unforeseen expenditures.
 - c. The following items were noted when testing purchase orders issued in excess of \$25,000 (\$50,000 beginning July 1, 2006) that did not appear to be bid in strict compliance with the Oklahoma Competitive Bidding Act:
 - 1) We did not observe competitive bids obtained for services and purchases paid through York Electronics Systems. The District did state that they considered York Electronics Systems as a single source vendor due to the uniqueness of the alarms, etc. that they install.
 - 2) The District's current attorneys have advised the District that contracts for HVAC maintenance services in excess of \$50,000 should be bid pursuant to the Oklahoma Competitive Bidding Act. We did not observe where the maintenance services provided by Air Assurance were bid in strict compliance with the Oklahoma Competitive Bidding Act. While competitive quotes appeared to have been solicited and received for the 2007-08 contract for HVAC maintenance services and the contract was awarded to the company offering the lowest price per the quote tabulation form presented, strict compliance with the Act did not occur. The actual documents for the two (2) quotes received, per the quote tabulation form presented, do not appear to have been preserved by the District. The actual documents underlying one (1) of these quotes was subsequently provided by the vendor awarded the contract.

3. **Procedure:** Review the contracts signed by the Superintendent beginning July 1, 2005 through October 6, 2008 to determine whether these contracts were approved by the board of education.

Findings:

- a. One hundred eighty (180) contracts were presented for examination. Of these, three (3) were signed by the superintendent, detailed as follows:
 - 1). Supplemental Schedule No. 4 for Beck Design was signed by Dr. Sisney, but this schedule was approved by the board of education on January 8, 2007.
 - 2). Transition School-To-Work Program for Students with Disabilities for the 2007-08 fiscal year was signed by Dr. Sisney, but this contract was approved by the board of education on September 17, 2007.
 - 3) Engagement Letter on Applying Agreed-Upon Procedures was signed by Dr. Sisney on September 29, 2008. This contract was not approved by the board of education.
 - b. Observed an agreement between Dr. Gerber and Dr. Sisney regarding Dr. Gerber's retirement that did not appear to be approved by the board of education.
 - c. Observed Human Resources Department form for employment payment changes that apparently only require a supervisor's and/or the superintendent's signature. We did not observe where these changes, that are outside of the negotiated agreement, were approved by the board of education.
4. **Procedure:** Review the bond funds for the purchase of buses out of construction bond issues.

Finding: We observed four (4) expenditures for the purchase of buses out of bond funds during the 2007-08 fiscal year. Two (2) buses, totaling \$114,250, were purchased out of the November 2004B Building Bond fund (fund 35). Two (2) buses, totaling \$72,400, were purchased out of the December 2005B Building Bond fund (fund 37). The 2004 bond issue provided \$1,000,000 for the purchase of transportation equipment. Oklahoma law (OKLA. STAT. tit. 70 § 5-160) permits the District to transfer interest earnings as an un-obligated appropriation from one account (building) to another (transportation equipment) within the same bond fund. Both of these bond funds had sufficient un-obligated interest earnings to more than cover the cost of acquiring these buses. The use of such funds for this purpose is permitted by Oklahoma law.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the athletic activity fund, the purchase order system through which the building fund purchase orders are issued and paid, insuring contracts are approved by the District's board of education, and that expenditures for the bond funds followed the purposes for which the bonds were approved. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the superintendent, chief financial officer, the District's attorneys and the board of education, and is not intended to be and should not be used by anyone other than those specified parties.

Wilson, Dotson & Associates

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January 26, 2009