



OKLAHOMA CITY PUBLIC SCHOOLS

Special Audit Report

April 14, 2022

Cindy Byrd, CPA
State Auditor & Inspector

Oklahoma City Public Schools

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TO THE OKLAHOMA CITY PUBLIC SCHOOLS BOARD OF EDUCATION

Presented herein is a special audit report of the Oklahoma City Public Schools. 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 this service 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 addressed to, and is for the information and use of, the Oklahoma City Public Schools Board of Education. This report is also a public document pursuant to the Oklahoma Open Records Act, in accordance with 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



Oklahoma City Public Schools Special Audit Report

Why We Performed the Audit

Our audit was conducted in response to a request from the Oklahoma City Public Schools Board of Education, in order to comply with 70 O.S. § 18-118(C). The request was to audit the difference between the amount of state appropriated funds due to and received by the Oklahoma County Public School District No. I-89 (OKCPS) from the Oklahoma State Department of Education (SDE) between FY2004 and FY2014.¹

This special audit was specifically requested to comply with the audit requirement addressed in 70 O.S. §18-118(C) which states:

If audits disclose that state monies have been illegally apportioned to, or illegally disbursed or expended by, a school district or any of its officers or employees, the State Board of Education shall make demand that the monies be returned to the State Treasurer by such school district. If the monies are not returned, the State Board of Education shall withhold the unreturned amount from subsequent allocations of state funds otherwise due the district.

Summary

The Oklahoma City Public Schools were underpaid \$13,161,137 in state aid between FY2004 and FY2014.

Background

Beginning in FY1991, real property assessment ratios were capped at 11% for the purpose of determining chargeable valuations to be used in the calculation of the State Aid Formula.² In FY1992, the commercial personal and agricultural personal property valuations were also capped at 11%. The ratios used in the State Aid Formula were adjusted by SDE for real property. However, the adjustments for commercial personal and agricultural personal property slated to take effect in FY1992 were not incorporated into the State Aid Formula.

¹ FY refers to a fiscal year ending June 30.

² 70 O.S. § 18-109.1

This failure to implement the statutory directive was acknowledged by then State Superintendent Janet Barresi at the December 18, 2014, Oklahoma State Board of Education meeting. Discussion reflected:

“...earlier this year we were alerted by a legislator...on behalf of Ponca City Schools Superintendent Pennington...who brought to their attention a miscalculation in the state aid that actually has occurred, year after year, since 1992...this change will mean the reallocation of millions of dollars. Some districts will see a sizeable increase in state dollars, more districts will see a decrease.”

With no plan implemented to recover and redistribute the improperly allocated funds, on September 14, 2016, four school districts³ filed a joint lawsuit against SDE for recovery of their state aid. On September 21, 2016, Western Heights filed a separate lawsuit against SDE for the same purpose.

Details on What We Found

Finding **The Oklahoma City Public Schools were underpaid \$13,161,137 in state aid between FY2004 and FY2014.**

Between FY2004 and FY2014, SDE calculations failed to account for the change in statute regarding the capping of assessment ratios for commercial personal and agriculture personal property. Upon discovery of the improper calculations, SDE recalculated funding amounts using the statutory mandated 11% cap.

Data was reviewed for four of the eleven years in question. It was determined that SDE underpaid OKCPS \$4,807,538 during FY2013, FY2010, FY2007, and FY2006. Except for not implementing the 11% cap, it was determined the initial calculations made by SDE for these four years were correct with the exception of FY2007.

In FY2007, SDE was provided an incorrect “Fractional Assessment Percent Applied” by the Oklahoma Tax Commission that affected calculations for all school districts in Oklahoma County. The proper percentage for Oklahoma County was 13.75%, not the 13.83% provided. Although SDE performed the calculation correctly, the incorrect information resulted in OKCPS receiving \$40,664 more for FY2007 than what should have been paid based on the original calculations.

An identical funding formula recalculation audit was performed for the Western Heights Public School District in 2019. Based on the fact that SDE uses the same formula for every school district across the state and that the Western Heights audit and this audit were both error free,⁴ it was extrapolated that the calculations for the seven years not tested were correct. As a result, we conclude that OKCPS was underpaid \$13,161,137 in state aid between FY2004 and FY2014.

³ Midwest City-Del City #52; Enid #57; Ponca City #71; Oklahoma City #89

⁴ Except for the small error in 2007 generated by incorrect data provided to SDE by the Tax Commission.

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S·A·I
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