



WESTERN HEIGHTS PUBLIC SCHOOL DISTRICT

Special Audit Report

December 12, 2019

Cindy Byrd, CPA
State Auditor & Inspector

Western Heights Public School District

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TO THE WESTERN HEIGHTS PUBLIC SCHOOL BOARD OF EDUCATION

Presented herein is the special audit report for 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 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 Western Heights Public School Board of Education as provided by statute. 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,



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR





Western Heights Public School District Special Audit Report

Why We Performed the Audit

Our audit was conducted in response to a request from the Western Heights Public School Board of Education, in accordance with 74 O.S. § 227.8. The request was to audit the difference between the amount of state appropriated funds due to and received by the Western Heights Public School District No. I-41 from the Oklahoma State Department of Education (SDE) between FY2004¹ and FY2018.

The special audit was also 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 amount of additional state aid owed to the Western Heights Public School District for FY2004 through FY2018 was determined to be \$7,367,550.

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. These lawsuits were eventually combined by the presiding judge and are currently ongoing.

In November 2017, all parties to the lawsuit voluntarily participated in mediation. An agreement was reached between the parties and presented to the SDE Board for their consideration. Between November 2017 and August 2018, SDE Board minutes reflected the Board met in Executive Session every meeting to potentially “discuss pending litigation.” Per the minutes of each meeting, “no decisions were made on the matters discussed in Executive Session.”

Details on What We Found

Finding **The amount of additional state aid owed to the Western Heights Public School District for FY2004 through FY2018 was determined to be \$7,367,550.**

Between FY2004 and FY2014, calculations by SDE failed to account for the change in statute regarding capping of assessment ratios for commercial personal and agriculture personal property. Upon discovery of the improper allocation SDE recalculated the funding using the statutory mandated 11% cap. The corrected computations by SDE, accounting for the statutorily required change were determined to be accurate; SDE made no errors in their recalculation process.

However, in FY2007, SDE was provided an incorrect “Fractional Assessment Percent Applied” by the Oklahoma Tax Commission. The proper percentage for Oklahoma County was 13.75% instead of the 13.83% provided. Although SDE performed the calculation correctly, the incorrect information resulted in Western Heights receiving \$13,186 more than what should have been paid as part of the original calculations.

Western Heights state aid payments between FY2015 and FY2018 were proper.

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

Final Thoughts

The audit period initially requested by Western Heights was FY1992 through FY2018. It was determined the availability of source data required to calculate the District's underpayments prior to FY2004 progressively decreased with time, resulting in a corresponding decrease in the confidence of the results.

At their November 11, 2019 board meeting, the Western Heights Board of Education voted to reduce the audit period for the initial audit, FY1992 through FY2018, to FY2004 through FY2018. The Board then requested a separate audit of state aid payments received by the District from FY1992 through FY2003.

O·K·L·A·H·O·M·A
S·A·I
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