

**SAN CARLOS UNIFIED SCHOOL DISTRICT NO. 20**  
**Report on Special Investigation**  
**For the Period January 1997**  
**through August 1999**

July 21, 2000

**Governing Board  
San Carlos Unified School District No. 20**

We have conducted a limited investigation of alleged improper procurement practices during the period of January 1997 through August 1999 at San Carlos Unified School District No. 20. The purpose of our investigation was to determine if the District had violated certain procurement requirements during that period and whether the District's purchasing procedures were adequate to prevent misappropriation of public monies.

Our limited investigation consisted primarily of inquiries and examination of selected records and other documentation. Therefore, our investigation was substantially less in scope than an audit conducted in accordance with generally accepted auditing standards. Accordingly, we do not express an opinion on the adequacy of the financial records or the internal controls of San Carlos Unified School District No. 20. We also do not ensure that all matters involving the District's purchasing procedures that might be material weaknesses under standards established by the American Institute of Certified Public Accountants or other conditions that may require correction or improvement have been disclosed.

Our findings and recommendations as a result of our limited investigation are set forth below.

**Background**

The State of Arizona provides educational opportunities for children through a public school system organized by local districts. Each district has a governing board elected by the district's voters and is accountable to the local community for the quality of education provided. In addition, districts are fiscally accountable to Arizona taxpayers for the appropriate expenditures of state and local monies. San Carlos Unified School District No. 20 received local property taxes of \$34,568 and state revenue of \$5,915,475 for fiscal year 1997-98 based on a student count of 1,468.

The foundation of the District's financial accountability is effective internal control. The *Uniform System of Financial Records (USFR)* was developed jointly by our Office and the Arizona Department of Education to provide the required policies and procedures districts need to maintain effective internal control. In addition to being legally obligated to comply with these policies and procedures, the District should follow them as a matter of good business practice.

## **Summary of Improper Procurement Practices**

The District failed to be accountable for public monies for various purchases. The Superintendent modified Governing Board minutes regarding a food service contract without Board approval. Additionally, the District did not always maintain adequate supporting documentation to support expenditures. Further, the District allowed a payment substantially beyond the amount of the written quote. Finally, the District advanced public monies to a vendor without receiving any services.

### *Food Service Management Contract:*

- ◆ The Superintendent, without Governing Board approval, altered the Governing Board minutes for July 8, 1997, relating to the approval of a food service contract worth \$277,000 for the fiscal year ending 1998. These minutes were changed one year after the actual Board meeting. The Superintendent believed the changes would have authorized the District to contract with a certain food service vendor without re-bidding, not realizing that the original food service contract already allowed for four annual renewals. His changes were not supported by recorded tapes or by notes taken at the time of the original meeting.
- ◆ The District did not have on file a signed copy of the Food Service contract for fiscal year 1998-99.

### *Demolition and Debris Removal Contract:*

- ◆ The District received an undated written quote of \$3,040 from a local vendor for demolition and removal of debris from school property; however, on February 21, 1998, the District approved for payment \$21,279 over the amount quoted. Further, the District had no documentation as to the cause of the increase.

### *Internet Services Contract:*

- ◆ The District prepaid \$13,581 for Internet connection services that were never received. The District did not get a refund from the vendor for nearly three months.

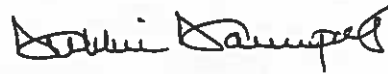
## **Recommendations**

To help ensure proper control over District assets and compliance with the USFR and School District Procurement Rules, the District should more closely monitor the procurement process. District administrators should not modify Governing Board minutes without the approval of the Governing Board and such changes should be ratified at a public meeting. In addition, the District should maintain documentation to support expenditures, such as a signed contract for services. The District should not pay vendors more than specified in documented quotes, except for valid change orders agreed to by the District in advance of the vendor's performance. Finally, the District should prepay only those items allowed by the USFR and statute, such as items normally prepaid (magazine subscriptions) or prepaid to receive a discount (insurance premiums).

This letter is intended for the information of San Carlos Unified School District No. 20. However, this letter is a matter of public record and its distribution is not limited.

Should you have any questions concerning the contents of this letter, please let us know.

Sincerely,



Debbie Davenport  
Auditor General

cc: Dr. John Bush, Superintendent  
Dr. Ram Kinkar Lal Das, Assistant Superintendent for Business  
San Carlos Unified School District No. 20

(520) 425-3231  
EXT. 298

FAX:  
(520) 425-3720



**GILA COUNTY ATTORNEY**  
1400 E. ASH STREET, GLOBE, ARIZONA 85501  
JERRY DeROSE

July 18, 2000

Ms. Debbie Davenport  
Office of the Auditor General  
2910 N. 44<sup>th</sup> Street, STE. 410  
Phoenix, AZ 85018

By Facsimile: (602) 553-0051  
Letter to Follow

RE: Letter to San Carlos Unified School District, June 16, 2000

Dear Ms. Davenport:

I have reviewed your letter to Dr. Ram Kinkar Lal Das, business manager for the San Carlos Unified School District. I have reviewed the incidents you have noted in your summary of improper procurement practices with Dr. Das, Dr. John Bush, and the San Carlos Unified School District Board.

1.) Foodservice management contract. Concur.

Changing the minutes of the meeting regarding the food service contract was improper. The District has been informed that minutes need to be corrected and adopted the following meeting. If a situation like this appears again, the matter needs to be placed on the agenda for ratification. If there is a question as to whether or not the Board wishes to enter into a renewal of a contract, that, too, should be put on the agenda. They have also agreed that copies of the contracts will be kept on file. It has further been suggested that all contracts, after review by the County Attorney's Office, be submitted to the Board with a routing sheet indicating legal review, administrator review, and business office review.

2.) Demolition contract. Concur.

The board paid the contractor for work performed above the quoted amount. In the future, it will be made clear that if a quote is given, a contract will be entered into that, absent unforeseeable