



ARKANSAS DEPARTMENT OF EDUCATION

Dr. Tom W. Kimbrell
Commissioner

September 8, 2010

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of Education**

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Dr. Charles Hopson, Superintendent
Pulaski County Special School District
P.O. Box 8601
Little Rock, AR 72216

Dear Dr. Hopson:

Pursuant to Ark. Code Ann. § 6-20-1904 (b) (1), this letter is to provide notice the Pulaski County Special School District (District) has been identified by the Arkansas Department of Education (ADE) as a school district which has experienced two (2) or more indicators of fiscal distress in one (1) school year determined to be at a nonmaterial level, but that without intervention could place the district in fiscal distress. These nonmaterial indicators include:

- State or federal audit exceptions or violations.
- Failure to comply with state law governing purchasing or bid requirements

Although the ADE currently deems these indicators as nonmaterial, the ADE may revise and deem these indicators to be material on the basis of future review and investigation. Evidence of these indicators having existed in one school year is provided in the Investigative Report prepared by the Arkansas Division of Legislative Audit and presented to the Legislative Joint Auditing Committee May 14, 2010. Specific findings in that report include:

- Overpayment of former superintendent James Sharpe's employment contract.
- Payment of unallowable travel expenses for former superintendent James Sharpe and members of the school board.
- Blanket purchases for small order purchases frequently exceeded \$1,000 per vendor monthly limit.
- Business purpose of goods purchased was not always documented.
- Excessive use of "emergency" purchase orders without documentation to support the nature of the emergency.
- Overtime compensation without adequate supporting documentation and authorization.
- Overpayments to vendors were not accounted for properly and refunds were not always requested.
- Inadequate documentation and overpayments pertaining to employee expense reimbursements.
- Failure to comply with district policy and state law pertaining to competitive bidding and purchasing of goods and services.
- Numerous internal control deficiencies which contributed to the misappropriation of District funds as well as potential waste and abuse of District resources. In particular, the administrative staff and board did not:

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- o Exercise proper management or fiscal oversight responsibility or provide safeguards to prevent and timely detect misappropriation of funds and potential waste and abuse of District assets.
- o Follow established District policies and procedures.
- o Establish a "tone at the top" that demonstrated to personnel the necessity of standards and fiscal prudence.

According to Ark. Code Ann. §6-20-1904, the District's board of directors shall place on the agenda for the next regularly scheduled meeting of the board of directors a discussion of the notice of nonmaterial indicators of fiscal distress. Please provide me with copies of the minutes within thirty days of this board meeting.

Included in this mailing is a copy of the ADE's rules on Identifying and Governing the Arkansas Fiscal Assessment and Accountability Program. This document outlines the identification and classification of Fiscal Distress and Early Intervention. Additional information may be found in Arkansas Code Ann. § 6-20-1901 et seq.

The ADE will provide technical support and assistance as the District develops a plan to correct each nonmaterial indicator. Please contact Hazel Burnett in the Fiscal Distress office at 501-682-5124 with any questions, comments, and/or requests for assistance.

Please retain this notice in the District's audit file.

Sincerely,


William J. Goff, CPA
Assistant Commissioner
Fiscal and Administrative Services

WJG:ddm

cc: Dr. Tom Kimbrell, Commissioner of Education
Mr. Tony Wood, Deputy Commissioner
Mr. Jeremy Lasiter, General Counsel
Ms. Hazel Burnett
Senator Tracey Steele
Representative Darrin Williams
Mr. Tim A. Clark, School Board President
Mr. Danny R. Gilliland
Ms. Mildred C. Tatum
Ms. Sandra Sawyer
Mr. William A. (Bill) Vasquez
Ms. Gwendolyn J. Williams
Mr. Charlie W. Wood