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INVESTIGATIVE REPORT St. Paul Public Schools Independent School District No. 625

September 16, 2009

PUBLIC VERSION

The Office of the State Auditor (“OSA”) received concerns that an employee of the St. Paul Public Schools, Independent School District No. 625 (“District”), may have used District funds to pay for a private residential Xcel Energy (“Xcel”) account.

The OSA conducted a review for the time period of January 1, 2006, through August 24, 2009. The review disclosed that \$81,087.68 in District funds were diverted to a District employee’s Xcel account. This report summarizes our findings.

In compliance with Minn. Stat. § 6.51, this Report is being filed with the Ramsey County Attorney to institute such proceedings as the law and the public interest require.

District Xcel Energy Payments

The District owns a variety of properties receiving services from Xcel. The District’s central office receives separate Xcel bills for the various properties owned by the District. The District has several Xcel account numbers covering the various properties, although the same Xcel account number is used for many of the properties.

When the District received Xcel billings, the total amount that the District owed to Xcel for the various District accounts was compiled. A District request for payment form was completed and submitted to the District’s business office. In response to the request for payment, the District prepared a check made payable to Xcel. Frequently, the check would be picked-up by a District employee who would sign a log indicating that the check had been picked-up, rather than directly mailed to Xcel by the District’s business office. The check was then sent to Xcel with a document directing Xcel how the funds should be distributed among the various Xcel accounts (a “payment distribution document”). Xcel distributed the check proceeds to the various Xcel accounts according to the payment distribution document it received, applying payments in each account to the oldest outstanding balances in that account.

OSA Review

The OSA's period of review was January 1, 2006, through August 24, 2009. From the District, the OSA received copies of District checks to Xcel, request for payment forms, and payment distribution documents when they were available in the District files. The District also provided the OSA with a copy of a log that District employees signed when they picked-up a District check from the business office, rather than having the business office directly mail the check.¹ From Xcel, the OSA received copies of checks Xcel received from the District, the payment distribution documents Xcel received from the District, billing records for residential Xcel account (51-XXXXXXX-3) belonging to an Accounting Technician employed by the District, and logs maintained by Xcel for contacts it received regarding the residential account. The OSA also discussed procedures for handling Xcel billings with District personnel.

Our review found that \$81,087.68 in District funds were applied to the Xcel account for the Accounting Technician's residence during the time period of January 1, 2006, through August 24, 2009. Our findings are reflected in Attachment A to this Report.

More specifically, we found payment distribution documents received by Xcel that directed payments to be made to the private residential account (51-XXXXXXX-3). We compared the payment distribution documents available from the District with the payment distribution documents received by Xcel. We found that in each case where funds were diverted to the private residential account, the payment distribution document was either not available from the District's files, or the document available from the District's files differed from the document received by Xcel. Where the documents were different, the payment distribution document received by Xcel directed payment into the private residential account; the payment distribution document available from the District did not.

In all cases where funds were directed to the private residential account and a copy of the District's logs showing when an employee picked up a District check was available, the District's logs showed that the checks to Xcel were picked up by the Accounting Technician. In most of the cases where funds were directed to the private residential account, the request for payment forms had handwritten notes requesting that the checks not be mailed to Xcel and that the Accounting Technician be called when the checks were ready. In the remaining cases, the copy of the request for payment forms provided to us had sections that were unreadable, as though the sections had been highlighted with a marker that blacked out the text on the copies.

¹ The OSA was provided with a copy of the log for the time period of May 31, 2006, through August 24, 2009.

The OSA also determined that the only payments made to the Accounting Technician's residential Xcel account during the time period of January 1, 2006, through August 24, 2009, were comprised of District funds. In total, \$15,918.76 in District funds were applied to the Accounting Technician's residential Xcel account to pay the account's utility charges.²

In addition, the Accounting Technician periodically requested refunds of credit balances accumulated in his Xcel account. The requests were made by telephone, and the Accounting Technician's District telephone number was listed as the contact number for the requests. For one such request, an Xcel employee noted that the Accounting Technician stated his wife suffered from Alzheimer's disease and had erroneously written checks to Xcel that should have gone for house payments. In response to the refund requests, Xcel sent the Accounting Technician ten checks totaling \$45,500.

This matter was discovered when Xcel was asked to issue a refund check of \$18,000. Xcel did not process that refund request. Instead, Xcel contacted the District. As of August 12, 2009, the Accounting Technician's residential Xcel account had a credit balance of \$19,668.92, comprised of District funds.³ Meanwhile, the District's Xcel payments were in arrears.

Conclusion

The Office of the State Auditor's review disclosed that \$81,087.68 in District funds were diverted to a District employee's residential Xcel account.

The Office of the State Auditor thanks the District, the St. Paul Police Department's Crimes Against Property Unit, and Xcel Energy for their cooperation during this review.

² As demonstrated in Attachment A, District funds paid \$15,918.76 of the account's charges. [\$15,967.23 (charges to account) - \$48.47 (other credits to account) = \$15,918.76 (District payments for account's charges).]

³ \$19,668.92 (account's ending balance) + \$15,918.76 (District payments for account's charges) + \$45,500 (refund checks) = \$81,087.68 (total amount of District funds diverted to account).