Investigative Report

Arkansas Legislative Audit

Review of Selected Transactions
Conway School District

For the Period July 1, 2023 through March 31, 2026

INTRODUCTION

This report is issued in response to a request from the 20th Judicial District Prosecuting Attorney (PA) for Arkansas Legislative Audit (ALA) to assist Arkansas State Police (ASP) and review selected transactions of the Conway School District (District) Central Maintenance Department (Maintenance Department).

OBJECTIVES

Objectives of this review were to:

- Determine if District funds within the Maintenance Department were misappropriated.
- Determine if applicable state laws and District policies were followed.
- Assess internal control issues within the Maintenance Department that came to our attention.

SCOPE AND METHODOLOGY

This review was conducted primarily for the period July 1, 2023 through March 31, 2026. ALA staff interviewed District personnel, examined applicable accounting records, reviewed results of an independent investigation, reviewed Board meeting minutes, and evaluated internal controls and purchasing procedures relating to the Maintenance Department. A timeline of events related to this review is provided in **Appendix A**.

BACKGROUND

The District is located in Faulkner County and is governed by a seven-member Board. As the eighth largest public school district in Arkansas, the District operates 16 schools, including one high school, one junior high school, four middle schools, nine elementary schools, and a preschool program. The District had two Superintendents who served during the review period:

1. Jeff Collum served as Superintendent from July 1, 2021 through June 29, 2025, at which time the Board, in a special meeting, entered into a separation agreement with Collum totaling $461,000.
2. Assistant Superintendent Jason Black was named Interim Superintendent on June 29, 2025, and named Superintendent on December 21, 2025.

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Per the District website, the Maintenance Department is responsible for the safety, efficiency, and aesthetics of the District and employs skilled laborers, including carpenters, electricians, painters, and plumbers.

The District contracts annually with a private Certified Public Accounting (CPA) firm for a financial audit.

RESULTS OF REVIEW

Review of Independent Investigation

In January 2025, District officials and Board members became aware of allegations of misappropriation of District resources in the Maintenance Department. Subsequently, the District contracted with a law firm and a CPA firm to perform an independent investigation into the allegations. On February 21, the District notified the employees who were included in the investigation that they would be placed on leave, pending the outcome of the investigation.

ALA's review of the report revealed that two employees (Employee A and Employee B) were recommended for termination, and another employee was recommended for disciplinary action due to personal use of District resources and questionable purchases.

The final report of the independent investigation was provided to the Superintendent on May 9, 2025, and Employee A and B were notified by District officials of the results of the investigation on May 16, 2025. The other employees placed on administrative leave were allowed to return to active employment status, while Employee A and Employee B remained on leave, pending the Board accepting their retirement and resignation, respectively.

It should be noted that the cost of the independent investigation totaled $20,852, with the law firm billing the District $9,262 and the CPA firm billing the District $11,590.

Noncompliance with Applicable Arkansas Code

Ark. Code Ann. § 25-1-124(b)(1) states that a public employee with supervisory fiduciary responsibility over all fiscal matters of a public employer shall report to ALA a loss of public funds that amounts to $1,000 or more in one calendar year, including, without limitation, the apparent unauthorized disbursements of public funds or the apparent theft or misappropriation of public funds or property. This report shall be made within five business days of the date that the employee learns of the loss of public funds. The loss identified in the independent investigation was not reported to ALA until August 12, 2025, over three months after the Superintendent received the report.

Review of Board Meeting Minutes

During the meeting held on June 10, 2025, the Board unanimously approved the retirement of Employee A and the resignation of Employee B, both effective on June 30, 2025, allowing these employees to complete their contracts with the District. In addition, Employee A received a payment of $18,550 for unused sick leave and a retirement bonus of $900. Employee B received a payment of $836 for unused leave.

During the Board meeting held on September 9, 2025, a motion was made to request that the PA conduct an investigation regarding the District's Maintenance Department, including any financial transactions related to the Department or any current or former staff of the Department and the District. The motion failed, with two voting in favor and five voting against. Failure to notify law enforcement of suspected improprieties appears to conflict with Ark. Code

Ann. § 6-13-620 (7)(B), which states, in part, "The board of directors of each school district in the state is charged with...[ensuring] that: ...All properties belonging to the district are managed and maintained for the benefit of the school district."

Review of Independent Auditor's Report for the Year Ending June 30, 2025

As authorized under Ark. Code Ann. § 10-4-413(b), the District utilizes an independent CPA firm to conduct its annual audit. The most current audit completed was for the fiscal year ending June 30, 2025. The Board approved the audit report during the Board meeting held on March 10, 2026. The audit contained a material weakness finding provided below:

> "Former employees in the Maintenance Department of the District misused District funds and resources for personal use. The misuse of District funds was discovered through an independent investigation performed by an attorney/investigator brought on by a whistleblower."

Analysis of Selected Disbursements

ALA review of selected disbursements in the Maintenance Department for the period July 1, 2023 through February 28, 2025, revealed questionable purchases totaling $34,373. These purchases appear to conflict with Ark. Const. art. 14, § 2, as interpreted in Op. Att'y Gen. no. 91-411.

The following questionable purchases totaling $30,760 were approved by Employee A and made from selected vendors by Employee B, who worked primarily as a painter:

- $16,675 for automotive parts not compatible with District-owned vehicles.
- $10,684 for other automotive parts, paint, supplies, and tools for which a business purpose could not be substantiated.
- $3,401 for automotive parts specific to race cars.

In addition, $3,613 in questionable purchases approved by Employee A and made by various Maintenance Department employees were as follows:

- $2,076 for other automotive parts, paint, supplies, and tools for which a business purpose could not be substantiated.
- $1,463 for automotive parts not compatible with District-owned vehicles.
- $74 in purchases without adequate supporting documentation or a documented business purpose.

Furthermore, the invoices for these questionable transactions did not identify a work location or reference a work order to indicate the purchases were for legitimate District use.

It should be noted that a disbursement of $1,892 to an automotive repair vendor was undocumented; without supporting documentation, ALA staff could not determine the individual who approved the disbursement or a business purpose.

Other Issues

ALA staff reviewed communications of several Maintenance Department employees. Comparison of the information obtained through this review with payroll documentation and other accounting records for the review period revealed the following:

- Maintenance Department employees indicated to Employee A they were taking off all or part of the workday, coming in late, or leaving early; however, the respective employees' timesheets do not reflect leave being taken.
- Employee B and other Maintenance Department employees performed non-school related work on Employee A's personal residence and provided assistance to relatives of Employee A during normal working hours, without recording leave.
- Employee A authorized Employee B to use District equipment for personal purposes.

It should be noted that Employee A was responsible for approving timesheets for Maintenance Department employees.

In addition, Employee A allowed an employee to take an extra sink from a District classroom and utilize the sink for personal purposes. ALA was unable to determine the condition or value of this item; however, this arrangement violates District Policy 7.17 regarding proper disposal of surplus District property.

Furthermore, photographs that were attached to the communications revealed District facilities and equipment were used on multiple occasions by Maintenance Department employees for personal purposes, such as cabinet painting and automotive repairs, which appears to violate District Policy 7.60 regarding public use of school buildings.

Internal Control Deficiencies

During this review, certain events came to ALA's attention that compromised the District's internal control environment and commitment to transparency:

- Management approved non-District related work that was performed by District employees during working hours, using District supplies and equipment.
- The Superintendent did not report the loss of funds to ALA within five business days, as required by Ark. Code Ann. § 25-1-124.
- The Board failed to notify law enforcement of suspected improprieties, in apparent conflict with Ark. Code Ann. § 6-13-620.

ALA review also revealed the following deficiencies in control activities within the Maintenance Department:

- Purchases were approved that appear to have no business purpose.
- Invoices or other supporting documentation were not maintained for some disbursements.
- Invoices were not adequately documented to support a business purpose.

RECOMMENDATIONS

ALA recommends that the District:

- Ensure disbursements are in compliance with Ark. Const. art. 14, § 2 and serve a District purpose.

- Develop purchasing polices that ensure all purchases are legitimate and for District purposes.
- Ensure that District facilities are used for District purposes or for other purposes approved and allowed by District policy.
- Comply with Ark. Code Ann. § 25-1-124 and report to ALA any potential loss of public funds that totals $1,000 or more in one calendar year.

MANAGEMENT RESPONSE

Management response is provided in its entirety in **Appendix B**.

SUMMARY

The District paid $20,852 for an independent investigation that identified personal use of District resources and questionable purchases within the Maintenance Department. This investigation also recommended termination of Employee A and Employee B and disciplinary action against a third employee. The Board failed to report suspected improprieties to law enforcement, and the Superintendent failed to report the loss of funds to ALA timely, in noncompliance with Arkansas Code.

ALA staff review of selected disbursements for the period July 1, 2023 through February 28, 2025, revealed numerous questionable purchases in the Maintenance Department totaling $34,373. The majority of these questionable purchases were made by Employee B and approved by Employee A.

In numerous instances, Maintenance Department employees did not accurately prepare timesheets to reflect actual hours performed on school-related work. Additionally, Employee A approved the timesheets, despite knowing that the employees had been away from the District. Employee A also allowed several employees to use District-owned equipment and facilities for personal use, which creates an opportunity for loss of, or damage to, District resources.

Internal control deficiencies surrounding Maintenance Department disbursements contributed to funds being misappropriated, as well as potential waste and abuse of District resources, and the misappropriation not being detected timely.

This report has been forwarded to the 20th Judicial District PA and the Attorney General.

Appendix A

Timeline of Relevant Events
Conway School District
For the Period January 2025 through March 2026

2025	Event
Early January	District officials and Board members became aware of allegations of misappropriation of District resources in the Maintenance Department.
January 23	The District contracted with a law firm, for $9,262, and a Certified Public Accounting (CPA) firm, for $11,590, to perform an independent investigation.
February 21	The District notified the employees included in the investigation that they would be placed on leave, pending the outcome of the independent investigation.
March 11	The Board reviewed the audit report, provided by a private CPA firm, for the year ending June 30, 2024, dated January 30, 2025. The report contained no findings.
May 9	The final report of the independent investigation was provided to the Superintendent.
May 16	Two Maintenance Department employees (Employee A and B) were notified by District officials of the results of the investigation. The other employees placed on administrative leave were allowed to return to active employment status, while Employee A and Employee B remained on leave, pending the Board accepting their retirement and resignation, respectively.
June 10	The Board approved the retirement and resignation of Employee A and Employee B, respectively, effective June 30, 2025.
June 29	The Board approved a separation agreement of $461,000 for Superintendent Jeff Collum. The Board appointed Jason Black as Interim Superintendent, effective immediately.
August 12	District officials reported the loss of funds identified in the independent investigation to Arkansas Legislative Audit (ALA).
September 9	The Board failed to adopt a motion to request that the Twentieth Judicial District Prosecuting Attorney (PA) conduct an investigation regarding the District's Maintenance Department.
October 1	The PA requested that Arkansas State Police and ALA investigate matters identified in the report resulting from the independent investigation.
December 21	The Board approved appointing Jason Black to serve as Superintendent, effective January 1, 2026
2026	**Event**
March 10	The Board reviewed the audit report, provided by a private CPA firm, for the year ending June 30, 2025, dated January 30, 2026. The report contained a finding regarding misuse of District funds through an independent investigation performed by an attorney/investigator brought on by a whistleblower.

Source: *District Board meeting minutes and other relevant documents provided by the District (unaudited by Arkansas Legislative Audit)*

Appendix B

Management Response

CONWAY PUBLIC SCHOOLS

August 6, 2026
Management Response to Legislative Audit
Conway Public Schools respectfully submits the following management response to the findings and recommendations contained in the Legislative Audit report.

1. Initial Response to the Allegations

In late January 2025, a whistleblower reported allegations involving the potential misappropriation of District funds.Due to the nature of the allegations, the then-serving superintendent, acting on the advice of outside legal counsel:

- Retained an independent law firm to conduct a third-party investigation.
- Notified the District's independent Certified Public Accounting firm.
- Coordinated an investigation involving outside legal counsel and the CPA firm.

On February 21, 2025, the employees implicated in the investigation were placed on paid administrative leave. The District also implemented additional safeguards, including:

- Appointing an interim supervisor to oversee the Maintenance Department.
- Restricting purchasing authority within the department to the interim supervisor.
- Requiring maintenance purchases to be reviewed with the Assistant Superintendent of Administrative Services.

These measures were implemented before the investigation was completed to protect District resources and strengthen oversight during the investigative process.

The final investigative report was received by the then-serving superintendent on May 9, 2025. Following receipt of the report, the District developed a formal corrective action plan addressing the identified concerns.

2. Investigative and Board Timeline

The following timeline provides context regarding the investigation, subsequent Board actions, and the District's response:

May 6, 2025: The Board held its regular May meeting one week early because the annual school election was scheduled for May 13, 2025.

May 9, 2025: The final investigative report was provided to the then-serving superintendent.

May 13, 2025: The annual school election occurred, resulting in the election of three new Board members.

May 27, 2025: The Board held a special meeting and entered executive session from 6:15 p.m. until 6:45 p.m. No formal action concerning the matter was taken in open session.

June 10, 2025: The Board unanimously accepted the retirement and resignation of Employees A and B.

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June 29, 2025: Following approval of a separation agreement with the former superintendent, the Board appointed the current superintendent to serve in the interim superintendent role.

September 9, 2025: The Board considered whether to refer the matter to the local prosecuting attorney and voted not to make the referral.

3. Personnel Actions

The third-party investigative report recommended termination of Employees A and B and disciplinary action involving Employee C.

The report was received by the then-serving superintendent. Any discussions between the superintendent and the Board regarding the report, its recommendations, or available personnel options occurred in executive session and are not reflected in the public record. Accordingly, the District will not speculate regarding what was discussed, what recommendations may have been made, or what actions may have been considered.

On June 10, 2025, the Board unanimously accepted the retirement and resignation of Employees A and B. Employees A and B received payment for eligible accrued leave in accordance with applicable Board policy. The policy applies to all eligible District employees.

Concerns involving Employee C were reviewed, documented, and addressed through reassignment. The related documentation is maintained in Employee C's personnel file. Employee C does not make or approve District purchases.

4. Corrective Actions Implemented

Upon receipt of the final investigative report, the District developed a formal corrective action plan identifying each concern, the required corrective measure, and the implementation date.

Vehicle Parts and Maintenance Purchases

Purchasing responsibility for District vehicle parts was transferred to the Transportation Department.

Under the revised process:

- The Maintenance Department initiates the purchase order.
- The Transportation Department orders the parts.
- The Transportation Department installs the parts or documents the repair.

This process was implemented on June 1, 2025.

Open Purchase Orders

The District reviewed open purchase orders and:

- Eliminated unnecessary open purchase orders.
- Verified that remaining open purchase orders were operationally necessary.

- Reduced authorized amounts where appropriate.

These changes were implemented on June 1, 2025.

Documentation of Vehicle Repairs

The Transportation Department implemented a formal work order process for all District vehicle repairs and maintenance.

This process was implemented on June 1, 2025.

Maintenance Department Leadership

- A new Maintenance Department supervisor was hired on June 10, 2025.
- A new assistant supervisor was hired on July 8, 2025. The assistant supervisor does not currently have purchasing authority.
- Monthly Purchase Review
- The Maintenance Department supervisor is required to review and verify all departmental purchases each month.

This requirement was implemented on July 1, 2025.

Supervisor Training

On July 21, 2025, District general counsel provided training to supervisors and assistant supervisors regarding:

- Their responsibility to understand and follow CPSD policies.
- Their obligation to report known or suspected policy violations.
- Their responsibility for appropriate departmental oversight.

Employee Policy Review

The Maintenance Department supervisor was directed to ensure that all department employees:

- Review applicable District policies.
- Understand their responsibilities under those policies.
- Know where District policies are located on the CPSD website.

Completion was required by September 4, 2025.

Administrative Oversight

Effective July 1, 2025, the Maintenance Department supervisor began meeting with the Assistant Superintendent of Administrative Services every two weeks to review departmental purchasing activity.

Under this process:

- Unexpected costs must be reported immediately.
- Non-emergency purchases require prior administrative approval.
- Departmental purchasing activity is regularly reviewed.
- Relevant purchasing information is reported to the executive leadership team.

5. Statutory Reporting

The District acknowledges that the report required under Ark. Code Ann. § 25-1-124 was not submitted within the statutory five-day period.

Once the District became aware that the required report had not been submitted, it promptly filed the report.

To prevent a similar issue in the future, the District has:

- Trained administrators and bookkeepers on the requirements of Ark. Code Ann. § 25-1-124.
- Incorporated this requirement into annual financial and administrative training.
- Established quarterly reminders regarding the statutory reporting obligation.
- Added the requirement to the District's compliance-monitoring procedures.

6. Cooperation With Outside Authorities

The District understands that the matter has since been referred to the 20th Judicial District PA and the Attorney General.

CPSD will fully cooperate with all lawful requests from either office.

7. Independent Verification of Corrective Measures

To verify that the corrective actions were working as intended, the District proactively requested that its independent CPA firm conduct an additional limited-scope review.

The CPA firm evaluated purchasing controls within the Maintenance and Transportation Departments and determined that the proposed controls had been implemented.

As part of that review, the auditors selected a sample of 60 expenditure transactions. All 60 sampled purchase orders contained the required approval of the Assistant Superintendent of Administrative Services.

This independent review confirmed that the District's corrective controls were operational and being followed within the sample tested.

8. Continuing Compliance Measures

Moving forward, CPSD will continue strengthening its financial controls and compliance practices by:

- Providing recurring training for District bookkeepers and purchasing agents regarding purchasing procedures, procurement requirements, and Board policies.
- Conducting annual training on internal controls, segregation of duties, ethical responsibilities, and state reporting requirements.
- Implementing a finance compliance-monitoring tool to identify risks and provide targeted support.
- Conducting periodic internal audits to evaluate compliance with District policies and state requirements.
- Reviewing purchasing authority and approval processes on a recurring basis.
- Providing additional training and corrective support when compliance concerns are identified.

Conclusion

CPSD acknowledges that the statutory report was not filed within the required timeframe. The District has corrected that deficiency and implemented procedures designed to prevent its recurrence.

The District acted promptly after receiving the original allegations by retaining independent investigators, notifying its CPA firm, placing implicated employees on administrative leave, restricting purchasing authority, and strengthening administrative oversight. Following receipt of the completed investigation, the District developed and implemented a formal corrective action plan.

The District has since independently verified that the revised purchasing controls were implemented and functioning within the transactions tested.

CPSD remains committed to transparency, accountability, sound financial management, and full cooperation with Legislative Audit and any other appropriate governmental authority.

Respectfully submitted,

Conway Public Schools
By: Jason Black, Superintendent