



**COLUMBUS CITY SCHOOL DISTRICT**

**FRANKLIN COUNTY**

**SPECIAL AUDIT REPORT**

**NOVEMBER 1, 1999 THROUGH APRIL 15, 2001**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



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**ELECTED OFFICIALS AND OTHER RELEVANT INDIVIDUALS AS OF APRIL 17, 2001**

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Board of Education: Stephanie Hightower, term expires December 31, 2003  
Karen Swartzwalder, term expires December 31, 2003  
Bill Moss, term expires December 31, 2003  
Jeff Cabot, term expires December 31, 2001  
David Dobos, term expires December 31, 2001  
Loretta Heard, term expires December 31, 2001  
Andrew Ginther, term expires December 31, 2001

Dr. Rosa Smith, Superintendent

Dr. Gene Harris, Deputy Superintendent

Jerry Buccilla, Treasurer

Sherry Bird-Long, Director of Instructional Information Services

Harvey Martin, Chief Information Officer

Mitch Coffman, Internal Auditor

Bob Heimbrock, Vice President Technology Integration Financial Services/Pomeroy Computer Resources



STATE OF OHIO  
OFFICE OF THE AUDITOR  
JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490  
www.auditor.state.oh.us

## REPORT OF INDEPENDENT ACCOUNTANTS

Columbus City School District Board of Education  
Dr. Gene Harris, Superintendent  
Jerry Buccilla, Treasurer

Columbus City School District  
270 East State Street  
Columbus, Ohio 43215

We have conducted a Special Audit and performed the procedures summarized below and detailed in our "Supplement to the Special Audit Report", for the period November 1, 1999 through April 15, 2001 ("the Period"). These procedures were performed solely to determine and evaluate the Columbus City School District (the District) procurement process, to determine if the payments made by the District to EZ Enterprises were for work performed, to determine if the deliveries made by EZ Enterprises should have been made by Dell Computer or Pomeroy as part of the capital lease purchase contract, and to review the work performed by the District internal auditor of other expenditures made and vendors utilized by Sherry Bird-Long. This engagement was performed in accordance with consulting standards established by the American Institute of Certified Public Accountants. The procedures we performed and the results of those procedures are summarized as follows:

1. We gained an understanding of the District's procurement process. We evaluated this process and offered recommendations for improvement.

Significant Results: We identified several internal control weaknesses in the procurement process and they were communicated to the District and Board President in a letter dated May 7, 2001. The more significant of these weaknesses included: the District's procurement process was not centralized, there was a lack of adequate segregation of duties, many significant purchasing functions were vested in the control of the Budget Administrators, budgetary amendments were made by the Budget Administrators without secondary approval, changes and additions were made to the vendor master file without approval or review, and the internal audit department did not periodically perform a review of the procurement process to determine the District's compliance with applicable regulations and sound internal controls. We issued management comments to assist the District in strengthening its internal controls in these areas. To date, several of these weaknesses have been addressed by management of the District. Additionally, the District has performed its own evaluation of the procurement process subsequent to our May 7, 2001 communication. The District has implemented controls over the budget amendment process and vendor master file changes and additions. Additionally, the District is in process of hiring a purchasing director and plans to centralize the procurement process at a future date.

2. We reviewed invoices, vouchers, purchase orders and delivery confirmations to determine whether the payments to EZ Enterprises were supported by documentation and the services billed were performed.

Significant Results: During the Period, the District disbursed \$258,770 to EZ Enterprises, a company owned and operated by the husband of Ms. Sherry Bird-Long, former Director of Instructional Information Services. \$20,000 of that amount was returned to the District by Ms. Bird-Long after her interview with Auditor of State representatives. Of 5,313 pieces of equipment invoiced by EZ Enterprises as having been delivered to various District locations, the District did not maintain documentation that 2,718 of these pieces of equipment were actually delivered. District employees did not always verify the completeness of deliveries received prior to signing confirmations. EZ Enterprises invoices did not contain sufficient detail to document the location of service and specific number of items delivered.

Pomeroy, the Dell delivery agent, was unable to provide bills of lading for 25 of 160 deliveries made by Pomeroy to the District. The District also did not maintain these bills of lading as evidence of the deliveries. As a result, we were unable to verify the delivery date and location of 2,015 computers, 1,847 chairs, 1,157 tables, 642 printers, and 56 servers. However, the District and representatives of Dell completed walk-through procedures prior to the first lease payment being made to ensure that all computers were received.

On September 14, 2001 Ms. Bird-Long reached an agreement with the county prosecutor which included a guilty plea to unlawful interest in a public contract and unauthorized use of property. This agreement requires Ms. Bird-Long to pay restitution of \$203,000 of which \$196,000 is payable to the School District and \$7,000 to the Ohio Ethics Commission. As part of the settlement, Ms. Bird-Long agreed to not seek or accept public employment for seven years from the date of her sentencing. Ms. Bird-Long was originally scheduled to be sentenced on November 2, 2001, however, her sentencing was postponed until January 11, 2002. In addition to the above conditions, Ms. Bird-Long also received five years probation and 100 hours of community service.

On January 7, 2002, Ms. Bird-Long paid \$6,584 to the Ohio Ethics Commission and \$93,416 to the Columbus City School District.

3. We reviewed the work completed by the Internal Audit Department. The Internal Auditor reviewed reports of other vendor payments approved by Sherry Bird-Long to determine if there were questionable vendors or payments which needed further review.

Significant Results: Although neither we nor the internal audit department noted any additional vendors or payments which were questionable, we noted weaknesses regarding the documentation of the procedures applied, results, and conclusions of the internal audit staff. We made management comments to assist the District and the Internal Audit Department in improving these areas.

4. On January 23, 2002, we held an Exit Conference with the following elected officials and administrative staff:

Stephanie Hightower  
Jeff Cabot

Dr. Gene Harris  
Jerry Bucilla

The attendees were given five days to respond to this Special Audit.

Our detailed procedures and the results of applying these procedures are contained in the attached "Supplement to the Special Audit Report". Because these procedures do not constitute an examination conducted in accordance with auditing standards generally accepted in the United States of America, we do not express an opinion or limited assurance on any of the accounts or items referred to above. Also, we express no opinion on the District's internal control system over financial reporting or any part thereof. Had we performed additional procedures, or had we conducted an examination of financial statements in accordance with auditing standards generally accepted in the United States of America, other matters might have come to our attention that would have been reported to you. This report relates only to transactions relating to the above procedures, and does not extend to any financial statements of the District, taken as a whole.

This report is intended for the use of the specified users listed above. Reports by the Auditor of State are a matter of public record and use by other components of state government or local government officials is not limited.

**JIM PETRO**  
Auditor of State

September 24, 2001

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## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

### BACKGROUND INFORMATION

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In 1999, the Columbus City School District Board of Education entered into a capital lease purchase contract (the contract) of approximately \$30 million, with Dell Computer to upgrade the District's technology in the classrooms. The goal of this contract was to ensure that there was one computer for every five students within the District. Included in the contract with Dell computer was the cost of delivery and installation of the computers and related equipment by Dell's designee. Dell computer entered into an agreement with a third party, Pomeroy Computer Resources, to provide for the delivery and setup services of the computers and related equipment. Ms. Sherry Bird-Long, Director of Instructional Information Services, was in charge of ensuring the delivery and setup of the computers and the related equipment purchased as part of the contract.

The District received an anonymous allegation on April 7, 2001 regarding improprieties within the District's capital lease purchase contract of computers and related equipment. It was alleged that Ms. Bird-Long hired and authorized delivery and setup of some of the computers and equipment under the contract by another private company, EZ Enterprises. EZ Enterprises is owned and operated by Ms. Bird-Long's husband, Edward Long. Allegations of missing computers and unqualified Dell officials working on the project with the District were also made.

Ms. Bird-Long was interviewed by the District Deputy Superintendent on April 9, 2001 and at that time she was placed on administrative leave pending an investigation into the allegations. She initially denied the allegations but did admit her husband's involvement with EZ Enterprises.

On April 10, 2001, Jerry Buccilla, District Treasurer, approached representatives of the Auditor of State's office about the anonymous allegations.

On April 12, 2001, Ms. Bird-Long met with representatives of the Auditor of State and Jerry Buccilla, District Treasurer concerning the allegations. At this meeting, Ms. Bird-Long did admit to hiring EZ Enterprises to perform delivery and setup of the computers and related equipment. Additionally, Ms. Bird-Long admitted at this meeting that the last check to EZ Enterprises for \$20,000 was for services not rendered, and was an advance payment. This \$20,000 check was returned to the District through her legal counsel on April 18, 2001.

On April 17, 2001, the Special Audit Committee of the Auditor of State reviewed the allegation information and the interview with Ms. Bird-Long. The Special Audit Committee decided to perform a Special Audit of the District's procurement procedures and the invoice payments made to EZ Enterprises.

On April 26, 2001, Ms. Bird-Long resigned from the Columbus City School District.

On September 14, 2001, Ms. Bird-Long pled guilty of unlawful interest in a public contract and unauthorized use of property. The settlement requires Ms. Bird-Long to pay restitution of \$203,000 of which \$196,000 is payable to the Columbus Public School District and \$7,000 to the Ohio Ethics Commission. The parties agreed that Ms. Bird-Long will pay at least \$100,000 of the restitution before or at the time of sentencing. As part of the settlement, Ms. Bird-Long agreed not to seek or accept public employment for seven years from the date of her sentencing. Ms. Bird-Long was originally scheduled to be sentenced on November 2, 2001, however, her sentencing was postponed until January 11, 2002. In addition to the above conditions, Ms. Bird-Long also received five years probation and 100 hours of community service.

On January 7, 2002, Ms. Bird-Long paid \$6,584 to the Ohio Ethics Commission and \$93,416 to the Columbus City School District.

# SUPPLEMENT TO THE SPECIAL AUDIT REPORT

## SUMMARY OF RESULTS

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### ISSUE 1 - Overview of the District Procurement Process

We gained an understanding of the District procurement process. We evaluated this process and offered recommendations for improvement.

## PROCEDURES

1. We conducted interviews with District personnel including the Treasurer, Budget Director, Assistant Treasurer, Purchasing Director, Personnel Director, Budget Administrators and Internal Auditor. In these interviews we asked the employees about their understanding of the District procurement process.
2. We reviewed the District's policies and procedures concerning the procurement process.

## RESULTS

We identified several internal control weaknesses in the procurement process and they were communicated to the District and Board President in a letter dated May 7, 2001. The following overview and recommendations were included in that letter. The information has been updated to include changes made by the District as a result of the May 7, 2001 letter.

## OVERVIEW OF THE DISTRICT POLICIES AND PROCEDURES REGARDING PROCUREMENT

On an annual basis, the District spends approximately \$150 million of its \$600 million budget on purchased goods and services. Of this \$150 million, District personnel have indicated that approximately only one percent of these purchases are acquired by the Purchasing Department. The remaining purchases are made by individual purchasers throughout the District, who are called Budget Administrators. The District has approximately 160 Budget Administrators, which include District Administrators and each school principal. Many of the functions of the procurement cycle are vested in the Budget Administrators with minimal oversight from management.

The following is Board Policy 3213.3 amended January 2, 2001 and Board Regulation 3213 dated March 1, 2001, in part, concerning authorization on purchases made by District Officials.

- ▶ Contracts and/or payments for professional and legal consulting services that, either individually or when added to previous payments made to a single vendor within the fiscal year, equal or exceed \$5,000 must be authorized by the board of education. There are two board authorization resolutions necessary for these types of purchases. The board must first authorize the engagement of the consultant with the encumbrance of funds for payment of consulting fees. Secondly the board must subsequently approve the claims for services performed must be submitted to the board to authorize the treasurer to pay fees.
- ▶ Contracts and/or payments for professional and legal consulting services that are not required to be approved by the board of education must be approved by the superintendent or superintendent's designee.

## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

- ▶ The approval of the Board shall be required for purchases of urgent necessity, or for equipment purchases of over \$25,000 for one facility. If a composite purchase is made for future distribution on several unidentified facilities, the \$25,000 limit shall apply to each vendor.
- ▶ Any contract greater than or equal to \$5,000 which is for collective bargaining, other employee contracts, construction contracts, contracts for legal services, salary and wage schedules, insurance and benefit contracts, appropriation measures, and multiple year contracts/leases must be approved by the legal affairs office.

The current Board policy does not require bidding for service contracts, other than professional and legal consultations. Although this policy meets the requirements of state law, it is still problematic since Budget Administrators are the designated approving authorities where Board approval is not required.

Additionally the Board has authorized, under Board Policy 3213.3 amended January 2, 2001, the establishment of a purchasing handbook detailing the purchasing policies, regulations, and procedures. This handbook is to be issued to all administrators who initiate purchasing transactions. The Treasurer's office has implemented a purchasing handbook amended December 5, 2000. This handbook contains additional requirements on District purchases as follows:

- ▶ When the budget administrator enters into purchases of supplies, services, or equipment in excess of \$500 they are required to maintain three written quotations for 2 years or until audit in the selection of a vendor and initiation of the purchase requisition.
- ▶ The district also requires competitive bidding for all purchases that are for the construction, remodeling, repairing, and site improvements over or under the \$25,000 Ohio Rev. Code requirement.

The Budget Administrators are responsible for; obtaining and documenting three quotes from vendors or competitive bids if applicable, and approval of the professional and legal consulting services as described above. In addition, Budget Administrators are responsible for creating the requisition and identifying the proper account code to charge.

This requisition process takes place online and includes the goods or services selected for ordering and the selection of the vendor. The requisition is submitted to the purchasing department for the creation of the purchase order. The Budget Administrator currently has the ability to select a secondary approval of the requisition. However, the current system does not require secondary approval on the purchase requisition.

If the Budget Administrator desires to utilize a new vendor or make changes to an existing vendor within the vendor mater file, they are required to complete a request using a Vendor Assistance Form. The Vendor Assistance form includes the following information:

- ▶ vendor name, address, social security or tax identification number,
- ▶ Budget Administrator name, return fax number and the date of request.

The Vendor Assistance Form is faxed to a clerk within the Treasurer's office. This form is then input into the accounting system and a vendor number is established for the new vendor without management review. The Budget Administrators are authorized to select vendors for their respective purchases and are authorized to add or change vendor information without any oversight by management.

## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

Once the requisition is received by the purchasing department the account coding is checked and the amount of the request is compared to the appropriations to ensure funds are available for the purchase. If the amount requested is in excess of the appropriation the requisition is rejected until the Budget Administrator requests and receives an amendment to their budget.

The Budget Administrator requests an amendment to their budget by filling out the Budget Account Assistance Form, which includes the following information:

- ▶ amount of funds to adjust, the account from where the funds are available and the account to where the funds are needed,
- ▶ Budget Administrator name, return fax number and the date of the request.

This information is faxed to a clerk within the Treasurer's office and input into the system without management review.

Once the funds are available in the correct budget account the requisition is processed by the Purchasing Department. The Purchasing Department creates the purchase order from the information included on the requisition. By the time the proposed purchase gets to the purchasing department, their involvement is reduced to merely processing a purchase order and affixing the Treasurer's signature certifying the availability of funds with a template maintained at the department. After the purchase order is approved, then the goods are ordered by the Budget Administrator.

Upon receipt of the goods, the Budget Administrator verifies the receipt of the goods and forwards documentation to the Accounts Payable Department. The documentation that the Budget Administrator forwards to the Accounts Payable Department is the receiving copy of the purchase order and the invoice with their initials affixed to indicate receipt of the goods and approval for the payment to take place.

The Accounts Payable Department matches the invoice to the receiving purchase order and enters the information in order to process the check to the vendor. This information is entered into the accounting system by invoice number, purchase order number, and amount of goods received. The Accounts Payable Department will also match a copy of the check to the information entered into the accounting system. Then this information is filed in numerical check order. The current account system does not have the capability to flag duplicate processed invoices on two different purchase orders. Additionally, the Accounts Payable Department does not consistently stamp invoices as paid or cancel these documents to ensure that duplicate payments are not made.

### MANAGEMENT COMMENTS

#### Centralization of the Purchasing Function

Several incompatible functions within the procurement process, such as obtaining quotes or competitive bids if necessary, identifying the vendor, initiating budget changes, initiating vendor information changes and additions, and ensuring receipt of goods for payment of the goods and services are vested in the Budget Administrators with minimal management review and monitoring. The purchase order process is under the direction of a department separate from the Treasurer's office. If funds are available, the accounting system automatically certifies the availability of funds. The Treasurer (his office) does not complete the certification as required by law.

The lack of segregation of the duties performed by the Budget Administrators increases the chance for errors, irregularities and/or fraudulent acts to occur and go undetected by management in a timely manner.

## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

The District should revise its procedures to centralize the procurement process in the Purchasing Department. The Budget Administrator should make the requisition for the items or services to be purchased to the Purchasing Department. The Superintendent or an appointed purchasing agent within the Purchasing Department should approve the requisition for purchase. Once the requisition is approved, the Purchasing Department should be responsible for the remainder of the process. The Purchasing Department should conduct the bidding process or obtain quotes, as appropriate, to ensure that the procurement meets other applicable laws and regulations as well as complies with the Board's policy, procedures and objectives. The Purchasing Department should also be responsible for initiating, selecting and maintaining all contacts with vendor purchases. The Purchasing Department should then maintain the original copies of all purchase orders and their respective supporting documents such as contracts, request for proposals, and quotes, in a central location. The Budget Administrator should continue to receive the goods or services and authorize payment.

The purchase order process should also be consolidated under the Treasurer and become a substantive monitoring of purchasing activities. This consolidation will also eliminate the issue of the availability of funds on the purchase order being certified outside of the Treasurer's responsibilities. The Treasurer should adopt a policy that requires his original signature to certify the availability of funds if the purchase exceeds a certain dollar amount.

Subsequent to our letter of May 7, 2001 the District implemented some new procedures. The District is in process of hiring a new purchasing director and once this position is filled the plan is to centralize the purchasing function of the District. In the interim, the District has established additional controls for purchases over \$1,000. The budget administrators are to obtain three written quotes or an exemption request as to why these quotes could not be obtained. Once this information is obtained the budget administrator can submit a requisition for the creation of the purchase order. This information is also required to be maintained by the budget administrator for at least two years. This applies to purchases for supplies, services, equipment, legal and consultant services, and construction expenditures. These policy guidelines were put into place as of August 3, 2001, as notified to the District in the Treasurer's Office Update number 19.

### Secondary Approval of Budgetary Changes

The current system for budgetary changes is by initiation of the requestor using the budget account assistance form. This process is currently completed by the Budget Administrators of the District, forwarded to a clerk in the Treasurer's office and posted to the system without management review.

This practice places control of these changes with the Budget Administrator who performs other incompatible functions in the procurement process. The District should change this process to require management approval on all budgetary changes prior to being posted by the Treasurer's office. It is suggested that this approval be by the Treasurer's office or an equivalent level of management independent from the Budget Administrator.

Subsequent to our letter of May 7, 2001 the District implemented some new procedures. The District Budget Director is required to review and either approve or disapprove any budget changes over \$1,000. This is indicated by a signature on the budget account assistance form. If the request is denied by the Budget Director the form is maintained on file.

### Board Approval of Service Contracts

The current Board policy does not require bidding of service contracts. Consequently, contracts for services, other than professional and legal consultations, do not require Board approval. Although this policy meets the requirements of state law, it may not meet the criteria of proper segregation of functions due to the fact the Budget Administrators are the designated approving authorities where Board approval is not required.

## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

This practice allows for errors and irregularities to occur without timely detection of management. The District should require Board approval for all service contracts exceeding an identified amount to a vendor, for example \$10,000 annually.

Subsequent to our letter of May 7, 2001 the District implemented some new procedures. The District established a policy requiring Board approval of blanket vendor purchase orders. This policy was established on August 21, 2001. The new policy applies to all type of vendor purchases including purchased services. Additionally, the District updated procedures for obtaining quotes whereby all legal and consulting services in excess of \$5,000 must have a signed agreement.

### Review of Revisions to the Vendor Master File

The Budget Administrators are authorized to select vendors for their respective purchases and approve, add or change, vendor information on forms and submit for processing without any oversight by management. The District accounting system (state software) can generate a report that details all changes to the accounting system including changes to the vendor master file called the "audit report". There is no indication that the District has generated or reviewed this report on changes to the master file or performed any review of the current vendor master file.

The lack of independent approval or review of vendor changes or additions allows for fictitious vendors to be established or unauthorized changes to occur and go undetected by management.

The current vendor master file should be reviewed in its entirety by the District internal audit department to ensure the existence and validity of the current vendors. Based on this review, vendors which lack the appropriate documentation should be identified and evaluated by management for removal from the vendor listing. In the future, any additions or changes to the master vendor listing should only be made after management review and approval.

Subsequently the master vendor listing should be periodically reviewed for completeness and accuracy of the information. Additionally evidence of this review should be maintained for independent review by the internal audit function, independent auditor, or senior management review. The District management should utilize the "audit report" available through the accounting system to monitor the revisions to the standing vendor data periodically.

Subsequent to our letter of May 7, 2001 the District implemented some new procedures. For new vendors or changes to existing vendors, other than reimbursements to employees and parents, a supplier application must be completed and signed by the vendor. This application is then reviewed and approved by the purchasing director and forwarded to the Treasurer's office for addition to the accounting system. This procedure was implemented by the District on October 4, 2001.

### Accounts Payable Control Enhancement

The District does not consistently stamp invoices as paid or cancel these documents to ensure that duplicate payments are not made. Additionally, the District's accounting system will only identify a potential duplicate payment if the same invoice number is processed on the same purchase order. However, if payment of the same invoice is processed on multiple purchase orders the current system will not identify this as a potential duplicate payment.

The accounts payable department should consistently stamp the invoices as paid to cancel the documents and ensure they are attached to the voucher after payment. Additionally, the accounts payable department should only make payments from original invoices. The District should contact the Department of Education (A- Site) and request a report for duplicate invoice numbers processed from the same vendor. This report should be used to determine if duplicate payments have been made.

## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

The District should also pursue a software enhancement that would identify duplicate invoice numbers entered for payment.

Subsequent to our letter of May 7, 2001 the District implemented some new procedures. The District Accounts Payable Department consistently stamp the voucher payment including the invoice as "Paid" and the date of the check run is added.

### Major Project Management

The District may embark on projects that would require it to make major and/or special acquisitions for the entire District such as the recent project to wire and computerize all District school buildings. Currently project management is delegated to the requestor (i.e., Budget Administrator) whose responsibility is in that area of the project. This enhances the chance of errors, irregularities and fraud occurring and not being detected by management in a timely manner.

The District should establish a project management team of experts from all pertinent areas of the District to oversee major projects including planning, budgeting, purchasing, and delivery of the service. This project management team approach will compel accountability, and help ensure that best practices are used to leverage the District's bulk purchasing power. This team would be responsible for periodically briefing management on the status of the project until completion.

### Internal Audit Review of Procurement Cycle

The District has initiated an Internal Audit Department. The internal audit function is an essential part of evaluating the District's compliance with Board policies, and state and federal laws. Independent review of the District processes including the procurement cycle, with a cost benefit approach in mind, can be invaluable to meeting the District's goal of operating efficiently and effectively. Lack of a timely review allows for an inability to give timely feedback on the District's processes to prevent noncompliance with state and federal laws or inefficient and ineffective controls.

The District's internal audit function should periodically perform a review of the procurement process to determine the District's compliance with applicable regulations and sound internal controls.

Subsequent to our letter of May 7, 2001 the District Internal Audit department with the assistance of an outside consulting company began reviewing the District's procurement cycle. This is in an effort to identify weaknesses in the system and to use this information in the purchase of new accounting software. This will help to identify the needs of the District and to ensure sound internal controls in the new system.

## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

### ISSUE 2 - Review of Payments made to EZ Enterprises

We reviewed invoices, vouchers, purchase orders and delivery confirmations to determine whether the payments to EZ Enterprises were supported by documentation and that the services billed were performed.

#### PROCEDURES

1. We reviewed all payments the District made to EZ Enterprises. We also obtained the bank statements of EZ Enterprises to ensure that each deposit into their bank account from a District payment had a corresponding expenditure on the District's records.
2. We compared the number of computers, tables, and chairs moved per the invoices from EZ Enterprises to the number of items received at the schools per the Instructional Information Services Delivery Confirmation forms. We also attempted to determine that services billed were performed.
3. We compared the bills of lading (a delivery confirmation) from Pomeroy to the deliveries scheduled in the capital lease purchase agreement.
4. We reviewed the request for proposals obtained during the bidding phase of the computer lease contract in order to compare delivery rates proposed by other vendors to the rates charged by EZ Enterprises.
5. We selected a sample of 20 individuals that were responsible for acknowledging the receipt of computer goods at their respective schools and we asked them to verify their signature on the delivery confirmation form and identify the individuals who completed the delivery.
6. We interviewed employees at the District warehouse and reviewed the procedures utilized to track the deliveries of the computer equipment under the capital lease purchase received at the warehouse from Pomeroy and subsequently picked up and delivered by EZ Enterprises.

#### RESULTS

1. The District disbursed a total of \$258,770 to EZ Enterprises during the period November 18, 1999 to March 30, 2001. The last disbursement to EZ Enterprises on March 30, 2001, check number 358267 for \$20,000 was returned to the District after Ms. Bird-Long was interviewed by representatives of the Auditor of State. Ms. Bird-Long's attorney delivered this reimbursement to District Officials on April 18, 2001. The payment of this \$258,770 was above and beyond the delivery price the District was paying to Dell and Pomeroy for delivery and setup of the computers and equipment.

The credit activity within the EZ Enterprise bank account consisted of the deposits from the District and miscellaneous adjustments to the account. All deposits made to the account matched the funds disbursed by the District. The debit activity within the bank account consisted of payments made for living expenses of Ms. Bird-Long and Mr. Long such as, payments to family members, payments to "cash", payment for county taxes, mortgage payments, payments for purchase of vehicles, and various purchases from retail stores.



## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

2. Our review of the number of tables, chairs, printers, and computers delivered and moved per EZ Enterprises invoices as compared to the District's supporting documentation of delivery showed a lack of documentation of the services rendered. The EZ Enterprises invoices indicated that deliveries were made from the District warehouse and also made between school buildings. There were several items invoiced by EZ Enterprises as delivered or services performed that are unsupported by the signed receipt of the goods at the individual school locations. Additionally, the invoices from EZ Enterprises lack sufficient detail to determine which specific school each EZ Enterprise invoice was for. The purchase orders from the District also lack sufficient detail to determine which specific school each order pertained to. Due to the lack of specific documentation our comparison was completed in total by type (ie. tables, chairs, printers, and computers) and is summarized in the following table:

Items Delivered	Documented As Received by Schools (A)	Invoiced by EZ Enterprises	Difference
Tables	1,407	2,406	(999)
Chairs	248	486	(238)
Printers	360	395	(35)
Computers	580	1,080	(500)
Moved Items (B)	0	946	(946)
Total	2,595	5,313	(2,718)

**Key:**

(A) - This is per the Instructional Information Services Delivery Confirmations maintained by Ms. Bird-Long which were provided to the AOS.

(B) - Five EZ Enterprises invoices indicated that items were moved from location to location. The type of items were not identified.

As noted in the Background portion of this report, on September 14, 2001 Ms. Bird-Long reached an agreement with the county prosecutor in which she pled guilty to having an unlawful interest in a public contract and unauthorized use of property and is required to pay restitution of \$203,000, of which \$196,000 is payable to the Columbus Public School District and \$7,000 to the Ohio Ethics Commission. Ms. Bird-Long was scheduled to be sentenced on November 2, 2001, and it was postponed till January 11, 2002.

3. The District did not obtain and/or retain the bills of lading which verify shipment of the goods by Pomeroy, the responsible party for delivery under the capital lease purchase contract with Dell Computer. There were 160 delivery shipments under the capital lease purchase agreement, and we were also unable to obtain 25 bills of lading verifying delivery from Pomeroy. The following is the total number of computers, tables, chairs, printers, and servers under the capital lease purchase agreement that we were unable to obtain a bill of lading verifying delivery from Pomeroy.

	Computers	Tables	Chairs	Printers	Servers
	2,015	1,157	1,847	642	56

## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

The District insured completeness of delivery by doing a walk-through of each school site to insure that the computers to be paid for under the lease agreement were at the school site prior to the first lease payment.

4. EZ Enterprises charged the District \$50 a computer, \$10 a printer, \$5 a chair, and \$10 a table for delivery and setup. We made several attempts to obtain comparable quotes from local vendors for these, or similar delivery services, but we received none. Therefore, we could not determine if the fees charged by EZ Enterprises were reasonable.
  
5. Our sample of the 20 individuals included 7 custodians, 9 school secretaries, 1 teacher, and 3 principals. In all cases the District employees confirmed their signatures on the delivery confirmation. In all cases the delivery confirmation slip was not retained at the school, however, they were forwarded to Ms. Bird-Long by EZ Enterprises. In the case of the custodians, all counted and verified the amount of the equipment prior to signing the delivery confirmation. However, many could not remember exactly who delivered the equipment other than it was a small operation of 2-3 individuals. In the case of the principals, secretaries, and teachers 11 of 13 could not remember who delivered the equipment and many did not see the delivery take place. These individuals noted that they signed for the equipment without counting the items to ensure all were received by the school.
  
6. Our review of the deliveries made by Pomeroy under the capital lease purchase agreement indicated there were shipments made to the District's warehouse for future delivery to the schools. The shipments incorporated into the payment schedules indicated six deliveries for computers, tables, chairs, and printers were delivered to the Hudson Street Warehouse of the District. It was further noted that the contract specified that Dell will plan, develop, and execute specific processes to deliver the equipment to the District designated locations. The following is the total number of computers, tables, chairs and printers delivered to the District's Warehouse.

	Computers	Tables	Chairs	Printers
	758	469	781	477

Additionally, our interviews of Ms. Bird-Long indicated that EZ Enterprises was hired to make deliveries for shipments made to the District's warehouse by Pomeroy. The District warehouse utilizes a database tracking system on goods received at the warehouse. The database tracking system is mainly utilized for purchase of goods made by the warehouse and subsequent delivery to school buildings.

For the deliveries made by Pomeroy to the warehouse and subsequently delivered by EZ Enterprises, there was inadequate documentation available to determine what was actually received at the warehouse and delivered by EZ Enterprises. Additionally, when these computers and related equipment were picked up at the warehouse for delivery there was no documentation maintained of who picked them up. From our review of the records, several of the fields in the database were not completed on many items received. The database was incomplete as to where the items went once received by the District, and other supporting documentation was not maintained by the warehouse.

The record keeping at the warehouse was found to be lacking the appropriate documentation to ensure that all of the activity of the warehouse is reflected in the District's records. Additionally, without this documentation the District could pay for goods which may be susceptible to misappropriation.

## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

### MANAGEMENT COMMENTS

#### Accounts Payable Procedures

For EZ Enterprises and Pomeroy deliveries to decentralized locations (i.e. individual schools), the District did not require evidence of receipt of the goods or services other than the signature of the Budget Administrator on the invoice or purchase order. Failure to require documents verifying delivery of goods and services may result in the District paying for goods or services that have not been rendered to the District.

The District should require evidence such as a packing slip or delivery confirmation be obtained and attached to the approved invoice or purchase order prior to payment by the accounts payable department. Upon receipt of the documentation from the Budget Administrator, the accounts payable staff should also review the documents to ensure the purchase order, invoice, and packing slip all agree prior to processing payment.

#### Detailed Invoices and Purchase Orders

The District did not always require a detailed description of goods or services on invoices approved for payment to EZ Enterprises or on purchase orders executed with EZ Enterprises. Without such specific information on the invoice or the purchase order regarding the item, quantity, and delivery location, the District may be unable to ensure that all items/services have been received as ordered, and that items received match the intended purpose.

Prior to processing purchase orders the Purchasing Director should review the requisition submitted by the Budget Administrator to ensure that a complete description, including the items to be ordered, the quantity of each item, and the delivery location, is documented. If detailed information is not submitted, the Purchasing Director should postpone issuing the purchase order until the information is properly documented. Furthermore, invoices received by the District should also contain this detailed information prior to approval for payment. Invoices received without specific documentation of the goods or services rendered should not be processed until sufficient documentation is provided to the District.

#### Instructional Information Service Delivery Confirmation

Upon receipt of goods or services, a District representative completes an Instructional Information Service Delivery Confirmation documenting the items received. Interviewing District personnel revealed that many individuals completing the form do not physically count the items received. Failure to inspect the delivered goods to ensure agreement with the packing slip or delivery confirmation may result in the District paying for goods or services that were not received.

All District personnel who sign/acknowledge receipt of goods or services should physically inspect the delivery to ensure all items are received as documented on the packing slip, invoice and purchase order prior to their acknowledgment. The District should provide training to District personnel concerning this process and ensure timely monitoring of this procedure for compliance.

## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

### Fixed Assets

The District's procedures over fixed asset tracking are not being followed on a consistent basis. New computers are not always tagged and accounted for at the time of delivery. In several instances, equipment deliveries to schools were accepted without verifying the actual number received. An effective fixed asset tracking system helps to ensure District assets are safeguarded against loss, theft, misappropriation or misuse and that the asset listing is representative of assets currently owned. Asset tracking forms are used by various departments of the District, but they are not always filed with the Treasurer's office where the asset status can be monitored, tracked and updated on a master fixed asset listing so a complete and accurate listing of fixed assets can be perpetually maintained.

These control weakness could result in the loss, misappropriation, theft, or diversion of District assets . Also, lack of properly tagging fixed assets may lead to misstatement of fixed asset balances, improper tracking of the District assets and/or other irregularities without management's knowledge.

We recommend the District ensure the following procedures are being followed:

- ▶ a fixed asset tracking system that monitors and records, by location, additions, deletions, transfers and retirements and ensures that District assets are safeguarded against loss, theft, misappropriation and misuse.
- ▶ All equipment is being properly tagged.
- ▶ A physical inventory of fixed assets is being performed on a sample basis and updated annually;
- ▶ Procedures over the disposal of assets. Disposal forms should be completed each time a fixed asset is sold or disposed. When the form is completed, the fixed asset would subsequently be removed from the District's fixed asset listing;

### Contract Centralization of Purchases and Documentation

Currently no one department of the District is responsible for control over processing of contracts from initiation of requests for proposals to entering into the contract, monitoring its progress and finalizing adherence and completion prior to payment. These responsibilities are spread to various departments and personnel of the District and this practice allows for errors and irregularities to occur without timely detection by management.

We believe the centralization of contracting activity under the purchasing department would be beneficial to the District in the following ways.

- ▶ It would help ensure uniformity in new agreements and allow area vendors to have a central point of contact. This could eventually lead to better prices and savings to the District due to the District's bulk purchasing power. This is due to potential combining of purchases between the District's many decentralization buildings and purchasers.
- ▶ It would aid in the monitoring of contract progress. One department would have responsibility for contract compliance and payment upon completion.

## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

- ▶ It would aid in record maintenance in that all documents related to a contract would be maintained by one department.
- ▶ There would be separation from the department receiving the goods or services and the department responsible for the contract and performance under the contract.

We recommend that the District centralize the contracting process and retention of contract records under the purchasing department.

### Warehouse Procedures

The District does not fully utilize a tracking system for the receipt and delivery/pickup of goods from storage at the warehouse. The District does have a data base for this information but not all the fields in this data base are utilized for all deliveries. If the database was fully utilized it would allow the District to maintain documentation of all goods received and/or delivered. The District should maintain documentation of goods received which includes at a minimum the following:

- ▶ the vendor (and delivery agent, if different) of the goods received,
- ▶ the purchase order for which this delivery was ordered,
- ▶ the amount of goods which includes supporting documentation that indicates all goods per the packing slip has been received prior to acceptance of the delivery, and
- ▶ the individual who received the goods.

Subsequently, when the goods are delivered to the school or department using them, the following information should be maintained by the warehouse facility:

- ▶ the supporting documentation in the form of a bill of lading indicating the amount of the goods leaving the warehouse,
- ▶ the signature of the person making the delivery or picking up the goods at the facility,
- ▶ the signature of the person at the warehouse checking out the goods to these individuals,

Failure to establish and maintain the above procedures could allow for errors and irregularities to occur and go undetected by management.

We recommend that the District utilize the above procedures for all goods received and distributed at the warehouse facility.

### Warehouse Financial Operations

The current system of accounting for the activity of the warehouse from the purchase of the goods to subsequent distribution is to record this activity within the general fund of the District. Expenditures for operating the warehouse are accounted for in the general fund which include the personnel within the warehouse and the cost of the goods purchased. However, these costs are not matched to the ultimate users (ie. individual school budgets). For example, a school principal account is used to purchase supplies from the warehouse and the expenditure is recorded in the principal's fund. However, the cost charged to the principal's account is only the cost of the goods. The cost of operating the warehouse ( ie., salaries of the warehouse employees) are not expenditures of the ultimate users (ie., school officials).

## **SUPPLEMENT TO THE SPECIAL AUDIT REPORT**

The District should begin the practice of developing a mark-up on the various items maintained by the warehouse operations. This mark ups should be sufficient to cover all costs incurred by warehouse operations in providing goods to the operational units including, but not limited to: labor and benefits associated with warehouse personnel; overhead such as utilities; and capital equipment, including depreciation. By allocating the true cost of items obtained from the warehouse, the District is initiating procedures to capture the true cost of the various operational units, activities and programs. The District should establish an internal service fund in it's accounting system to help facilitate this process. An internal service fund is used to recover the entire cost of providing centralized services among the different funds, operational units and programs that benefit from the services provided. By accounting for the activity of the warehouse in an internal service fund, additional management focus could be placed on performance and efficiency due to the activity being accounted for using full accrual accounting.

In the AOS performance audit issued on September 23, 1998, we recommended that the cost and operational efficiency of the warehouse should be evaluated, and if it is determined that it is not cost efficient to operate, considered for closing. We still believe these are valid recommendations and action by the District should be completed in the very near future.

## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

### ISSUE 3 - District Internal Auditor Review

We reviewed the work completed by the Internal Auditor as a result of the Internal Auditor's review of other vendor payments approved by Ms. Bird-Long to determine if there were questionable vendors or payments which needed further review.

#### PROCEDURES

1. We reviewed the working papers of the Internal Auditor to gain an understanding of the procedures applied by the Internal Auditor while reviewing the payments to other vendors approved by Ms. Bird-Long and the significant results.
2. We scanned two reports used by the Internal Auditor which identified vendors for whom Ms. Bird-Long approved payment. Our review was to determine unusual vendors and/or payments to these vendors.
3. We obtained a vendor report for all budget accounts under Ms. Bird-Long's oversight and we scanned it for any unusual vendors or transactions.

#### RESULTS

1. We reviewed the Internal Auditor's working papers in which he reviewed all the vendors that were authorized under Ms. Bird-Long's control. The Internal Auditor utilized two reports from the District's financial records in this review. The first report was based on Ms. Bird-Long's budget administrator identification number and the second report was based on vendors she did business with as identified by her supervisor. In this review the Internal Auditor completed procedures to determine the validity of the vendors under Ms. Bird-Long's control. The review by the Internal Auditor concluded that there was one vendor in question and this vendor was reviewed in further detail. The Internal Auditor concluded based on inquiry of District officials that the vendor was valid and that the goods were received. The internal audit review did not document a comprehensive review of whether or not the District received the goods and services paid for by the District from the other vendor payments approved by Ms. Bird-Long. Additionally, in our review of the internal audit working papers they lacked sufficient detail to understand all the procedures performed, the results of the review, and the conclusions reached.
2. We scanned the reports provided by the Internal Auditor for unusual vendors or items that on the surface appeared to be questionable. We noted one vendor that appeared to be unusual. Upon further review we noted that this vendor was paid for the installation of a new student software package. This vendor provided training, consulting, software, and was reimbursed for travel costs. It was further noted that this purchase was not under Ms. Bird-Long's control. The software package was purchased by the manager of application systems support, manager of computer operations, and the project leader of student information systems. This vendor was for services under a different operation of the District than the department in which Ms. Bird Long was responsible.
3. At our request, the District ran a report from the accounting system of vendor payments approved by Ms. Sherry Bird-Long in which we scanned for the validity of the vendors. We did not find any vendors or payments which appeared to be unusual in nature.

## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

### MANAGEMENT COMMENTS

#### Internal Auditor

The District's Internal Audit Department working papers for the review of the other vendors utilized by Sherry Bird-Long did not contain sufficient detail of which another auditor could understand the procedures used, the results of the procedures, and the conclusions reached. The working papers provided by the Internal Auditor appeared to contain a review of the validity of the vendors with one vendor noted as questionable. Upon inquiry, the Internal Auditor concluded that this was a valid vendor of the District. This information was not corroborated with outside parties and/or the vendor was not contacted for further supporting documentation. The District internal auditor review of whether the goods or services were provided to the District did not contain a review of all items received or outside documentation from the vendors such as bills of lading. The working papers of the internal audit department at a minimum should contain the following:

- ▶ the procedures performed;
- ▶ the population from which a sample is selected;
- ▶ the sample selected;
- ▶ the results of testing the sample;
- ▶ the conclusions and findings reached.

The Internal Auditor did not write a report on his review of the other vendors documenting the results of the review and any conclusions reached. Failure to report in writing the work completed, results, conclusions and recommendations could result in important information not being communicated to management and corrective action not being properly initiated.

The internal audit department should review the standards adopted by the Institute of Internal Auditors and auditing standards to ensure that the working papers meet at a minimum the following applicable requirements:

- ▶ audit programs and procedures,
- ▶ indication of supervision and review of working papers,
- ▶ sufficient details to ensure that the conclusions reached are properly supported in the working papers, and,
- ▶ a report issued at the completion of the work that contains results attained, and recommendations issued.

Subsequent to this review the Internal Audit department has completed in draft form an Internal Audit manual which outlines the procedures and policies of the Internal Audit department. This manual includes the requirements for continuing education requirements, quality control reviews, and the report process of reports issued to management. It is recommended that the District ensure that these procedures are in place and operating effectively and that they meet audit standards established by the Institute of Internal Auditors.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**COLUMBUS CITY SCHOOL DISTRICT**

**FRANKLIN COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 7, 2002**