



**WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY**

SPECIAL AUDIT

FOR THE PERIOD JULY 1, 2001 THROUGH NOVEMBER 30, 2005



**Auditor of State
Betty Montgomery**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Thomas Isaacs, Superintendent
Ron James, CFO/Treasurer
Dan McCloud, Board President
Wayne Local School District
659 Dayton Road
Waynesville, Ohio 45068-9504

At your request, we have conducted a special audit of the Waynesville Athletic bank account by performing the procedures enumerated in the attached Supplement to the Special Audit Report for the period July 1, 2001 through November 30, 2005, solely to:

- Identify the amounts deposited into the bank account and determine whether the monies deposited were public monies belonging to Wayne Local School District (District).
- Determine whether the withdrawals from the account were supported and expended for school-related purposes.

This engagement was conducted in accordance with the Quality Standards for Inspections established by the President's Council on Integrity and Efficiency (January 2005). The procedures and associated findings are detailed in the attached Supplement to the Special Audit Report. A summary of our procedures and significant results is as follows:

1. We reviewed amounts deposited and withdrawals made from the Waynesville Athletic bank account (Account) for the period July 1, 2001 through November 30, 2005 and determined whether funds deposited were public monies. In addition, we determined whether the withdrawals were for school-related purposes and in accordance with Ohio Revised Code requirements.

Significant Results – On July 6, 2001, Todd Cook, District Baseball Coach, opened a savings account as the sole signatory. Mr. Cook asserted the purpose of the account was to fund baseball-related expenses. During the period July 6, 2001 through August 1, 2005, Mr. Cook deposited \$40,195 into the Account, withdrew \$33,327 of the funds and returned \$6,868 to the District when he closed the account. We determined these funds were collected in Mr. Cook's official capacity as baseball coach and were considered public monies as defined in Ohio Rev. Code Section 117.01(C).

Upon reviewing Mr. Cook's documentation and conducting various interviews, we determined \$23,748 of the \$33,327 withdrawals were used for school-related purposes. For the remaining \$9,579 withdrawn, we issued a finding for recovery against Mr. Cook for \$3,529 of withdrawals for which the monies' use was unsupported or for a purpose not related to the school's operations. We also issued a finding for recovery against Mr. Cook and the recipients of \$5,550, jointly and severally, for unapproved appreciation gifts. Additionally, we issued a finding for recovery against Paul Bernard and Todd Cook, jointly and severally, for a \$500 overpayment resulting from banner sales.

We issued a noncompliance citation for the personal benefit (i.e. cashback rewards) that Mr. Cook received for expenses incurred and reimbursed to him via the Account and referred this matter to the Ohio Ethics Commission for its consideration.

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In addition, we issued two internal control recommendations for the District to monitor the activities of the coordinators and coaches for compliance with District policies for the collection and deposit of approved fees collected through review of documentation, inquiries and interviews; and for the District to consider amending its travel policy to address tips, alcohol, and the purchase of family members' meals.

2. On June 23, 2006, we held an exit conference with the following individuals representing the District:

Tom Issacs, Superintendent
Donna Tweel, Board Member
Dave Barton, Board Member
David Hurley, Board Member

Ron James, Treasurer
Jiles Farley, Board Member
Danny McCloud, Board Member

The attendees were informed that they had five business days to respond to this Special Audit Report. A response was received on June 23, 2006 from the Superintendent and Treasurer. This response was evaluated and modifications were made to the attached Supplement to the Special Audit Report as we deemed appropriate.



Betty Montgomery
Auditor of State

May 12, 2006

Supplement to the Special Audit Report

Background

In October 2005, Ron James, CFO/Treasurer of Wayne Local School District, Warren County, contacted the Auditor of State's office expressing concerns about an outside bank account. Through conversations held in September 2005 with Todd Cook, a teacher/baseball coach; other District employees; and citizens, Mr. James discovered that Mr. Cook maintained an outside bank account labeled "Waynesville Athletics". The account was used to receive and disburse funds for baseball team activities. Mr. Cook did not account for certain funds expended and expenditures in excess of \$30,000 appeared to be either undocumented or not for a school-related purpose.

This information was presented to the Auditor of State's Special Audit Task Force and on November 22, 2005, the Auditor of State initiated a special audit of the Waynesville Athletic savings account.

Supplement to the Special Audit Report

Issue No. 1 – Waynesville Athletic Account Activity

We reviewed amounts deposited and withdrawals made from the Waynesville Athletic bank account (the Account) for the period July 1, 2001 through November 30, 2005 and determined whether funds deposited were public monies. In addition, we determined whether the withdrawals were for school-related purposes and in accordance with Ohio Revised Code requirements.

Procedures

1. We obtained the bank statements for the Waynesville Athletics savings account (Account) and identified the funds deposited into the savings account for the period July 1, 2001 through November 30, 2005. In addition, we determined whether the monies deposited into the account were public monies belonging to Wayne Local School District.
2. We identified the Account's withdrawals, reviewed available supporting documentation and conducted interviews to determine whether the withdrawals were expended for school-related purposes and in accordance with Ohio Revised Code requirements.

Results

1. Mr. Cook opened the Account on July 6, 2001. During an interview with Auditor of State representatives, Mr. Cook asserted he opened the Account to fund team-related expenses. During the period July 6, 2001 through August 1, 2005, Mr. Cook deposited \$40,195 into this account. We identified the following types of revenue deposited into the Account:

<u>Type of Revenue</u>	<u>Source</u>	<u>Amount</u>
Donations	Local businesses, individuals, and organizations	\$9,764
Banner Sale Proceeds	Local businesses	4,725
Sports Clinic Fees	Students	2,345
Sports Fees	Team members	638
Hotel Refund	French Quarter LLC	658
	Various cash fundraisers held and fees paid by team	
Trip Fees/ Fundraisers	members for trips to Florida and Kentucky	<u>22,065</u>
		<u>\$40,195</u>

Ohio Rev. Code Section 117.01 (C) defines public money as "any money received, collected by, or due a public official under color of office, as well as any money collected by any individual on behalf of a public office or as a purported representative or agent of the public office." Mr. Cook received these funds in his official capacity as baseball coach and for the benefit of the District's baseball team. Therefore, the funds deposited into this Account were public funds belonging to the District and should have been deposited into the District's bank account instead of a separate bank account.

2. During the period July 6, 2001 through August 1, 2005, Mr. Cook withdrew \$40,195 from the Account. Of the \$40,195, Mr. Cook withdrew \$4,000 and \$2,868 on July 15, 2005 and August 1, 2005, respectively, to close the account and provided a cashier's check to the District for \$6,868. Of the remaining \$33,327, we reviewed supporting documentation provided by Mr. Cook and determined withdrawals totaling \$23,748 were for school-related expenses.

Of the remaining \$9,579, we noted the following exceptions:

- Mr. Cook disbursed \$5,550 of public funds to individuals serving as volunteer coaches, assisting with the District's baseball field maintenance or as gifts. Ohio Rev. Code Section 3313.53, 3319.081 and 3319.082 requires the Board of Education to authorize payments for the "directing, supervising, and coaching the pupil-activity programs in music, language, arts, speech, government, athletics and any others directly related to the curriculum." A finding for recovery was issued against Mr. Cook for \$5,550 and the recipients of the \$5,550 in their respective amounts, jointly and severally, for these unallowable payments.

Supplement to the Special Audit Report

- In his January 18, 2006 interview, Mr. Cook stated for each banner sold by a team member, the member received a \$100 credit towards the cost of the hotel room for that year's trip. The team member's name who sold the banner was written at the bottom of the banner application. In 2002, Mr. Cook provided a statement that Paul Bernard's sons had sold seven banners entitling them to a \$700 "credit" or cash payment towards their hotel room.

However, the Advantage Sign invoice identified six banners purchased in 2002 by Mr. Cook and only two of the six banner contracts identified Mr. Bernard's sons as the individuals selling the banners. Therefore, the two brothers were only entitled to a \$200 credit resulting in a \$500 overpayment by Mr. Cook. A finding for recovery was issued against Paul Bernard and Todd Cook, jointly and severally, for the \$500 overpayment.

- For the remaining withdrawals totaling \$3,529, Mr. Cook was unable to provide original documentation supporting the expense; to identify the related items purchased; or was unable to provide documentation supporting the withdrawal was deposited into his personal bank account and used for payment of team-related charges on his credit card statement. As a result, we were unable to determine that these funds were withdrawn and expended for school-related purposes. A finding for recovery was issued against Todd Cook for \$3,529.

We identified the following internal control weaknesses and/or noncompliance for which we have issued recommendations and/or citations:

- The Waynesville Athletics Coaches Manual distributed at the July 2004 coaches meeting and the Teachers Handbook distributed at the beginning of each year included guidance addressing fundraisers, purchasing policies, and travel reimbursements. In addition, the Coaches Manual contained guidance for outside accounts, in-kind services, advertising costs, and an acknowledgement form stating the coach had received the manual and a job description. However, we were unable to obtain signed acknowledgement forms stating Mr. Cook had received the manual. We also noted the Teachers Handbook distributed did not include an acknowledgement form stating teachers had received the handbook.

During the period, Mr. Cook was employed as a baseball coach and teacher at the Elementary and Middle Schools. Mr. Cook did not comply with the guidelines addressing maintaining outside accounts, depositing of funds collected, operating fundraisers, and withdrawing funds for cash payments. A recommendation was issued for the District to monitor the activities of its coordinators and coaches through inquiries, interviews, and review of activity documentation to ensure coordinators/coaches collect, deposit, and disburse District funds in accordance with the policies contained in both the Teachers Handbook and the Coaches Manual. We also recommend the District obtain signed acknowledgment forms from its employees/coaches stating the employee/coach has read and agrees to comply with the District's policies contained in the manuals/handbooks.

- Without board approval, Mr. Cook collected a sports fee between \$10 and \$30 from each team member based on the child's participation in fundraisers. In 2002, Mr. Cook withdrew the collected fees deposited into the Account and provided them to the Athletic Director for deposit into the District's bank account. However, for the period January 1, 2003 through August 1, 2005, Mr. Cook did not withdraw the collected fees for the Athletic Director to deposit into the District's bank account. Because of incomplete records and team rosters, we were unable to determine the amount of fees due. A recommendation was issued for the Board to approve all fees and the District to monitor the collection of fees due through review of documentation, inquiries, and interviews of employees, coaches, and team participants to ensure all fees are collected and deposited into the District's account in compliance with the District's policies.
- The District's current policies do not address limitations on meals, tips, and/or the purchase of meals for individuals such as coaches, spouses, players, and family members while on a school-sponsored trip or attending a school-sponsored banquet. A recommendation was issued for the District to consider amending its current travel policy to address these areas.

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- Mr. Cook withdrew funds from the Account and deposited the funds into his personal bank account for payment of team-related charges on his GM or Discover Cards. By charging District expenses on his personal credit cards, Mr. Cook earned Discover cashback rewards and GMC card earnings contrary to the provisions contained in Ohio Rev. Code Section 102.03(D). A noncompliance citation was issued for failure to comply with these provisions. This matter was referred to the Ohio Ethics Commission for its consideration.

Findings for Recovery

Appreciation Gifts

Ohio Rev. Code Section 3313.53(B) states in part "...such board may pay from the public school funds, as other expenses are paid, the expenses of establishing and maintaining such departments and schools of directing, supervising, coaching the pupil-activity programs in music, language, arts, speech, government, athletics, and any others directly related to the curriculum."

Ohio Rev. Code Section 3319.081 (A) provides "newly hired regular non-teaching school employees, including regular hourly rate and per diem employees, shall enter into written contracts for their employment which shall be for a period of not more than one year."

During the period July 6, 2001 through August 1, 2005, Mr. Cook made payments to the following individuals for gifts, volunteer coaches, and for providing baseball field maintenance without Board approval:

<u>Individual</u>	<u>Amount</u>
Louie Bowser	\$1,250
Jeff Gravitt	2,400
Brad Hardyman	900
Paul Bernard	400
Wayne Lipidy	300
Donnie Newton	300
	<u>\$ 5,550</u>

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a finding for recovery is hereby issued against Todd Cook for \$5,550 and the above named individuals for their respective amounts, jointly and severally, for public monies illegally expended in favor of the District's Athletic Fund.

Banner Sales

In March 2002, Todd Cook withdrew \$3,380 from the Account for the baseball team's spring break trip. Mr. Cook stated \$700 of the \$3,380 was used to pay for a hotel room for two brothers selling seven banners and earning a credit of \$100 for each banner sold. Paul Bernard, father of the two brothers, provided a written statement that the two brothers had sold seven banners and they had received "credit" for \$700.

We reviewed the invoices and contracts submitted by Mr. Cook in his February 10, 2006 response and determined only six banners were sold of which only two were identified as being sold by the brothers. Therefore, the two brothers would have been entitled to a \$200 credit resulting in a \$500 overpayment.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a finding for recovery is hereby issued against Todd Cook and Paul Bernard for \$500 for public monies illegally expended in favor of the District's Athletic Fund.

Undocumented Expenditures

We identified withdrawals from the Account, totaling \$3,529, for which Mr. Cook was unable to provide documentation which supported that the funds were used for a school-related purpose.

Supplement to the Special Audit Report

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a finding for recovery is hereby issued against Todd Cook for \$3,529 for public monies illegally expended in favor of the District's Athletic Fund.

Noncompliance Citation

Cashback Rewards

Ohio Rev. Code Section 102.03 (D) states "(n)o public official or employee shall use or authorize the use of the authority or influence of office or employment to secure anything of value or the promise or offer of anything of value that is of such a character as to manifest a substantial and improper influence upon the public official or employee with respect to that person's duties.

Ohio Rev. Code Section 102.03 (E) states "(n)o public official or employee shall solicit or accept anything of value that is of such a character as to manifest a substantial and improper influence upon the public official or employee with respect to that person's duties."

Mr. Cook earned Discover cashback rewards and GMC Earnings rewards for school-related expenses charged on his personal credit card. Mr. Cook withdrew funds from the Account and deposited the funds into his personal account to pay the credit card charges.

The District's reimbursement policies do not address the earning of cashback rewards or earnings rewards. We recommend the District work with these individuals to transfer these rewards to a District account for its use, or make other arrangements to utilize the earned rewards for District expenses. In addition, the District should amend its travel policy to specifically prohibit this practice, and monitor travel expenses for any violations of the policy. This matter was forwarded to the Ohio Ethics Commission for further review.

Management Comments

Collection of District Revenue

During the period July 6, 2001 through August 1, 2005, Mr. Cook collected, without the Board's approval, a \$10 sports fee from the players and deposited the fees into the Account. In 2002, Mr. Cook remitted the sports fees collected to the Athletic Director for deposit into the District's account but did not do so for fees collected in 2003, 2004 and 2005. In addition, Mr. Cook stated additional fees were charged based on the trips for that year and the player's participation in fundraisers. However, he did not maintain documentation supporting the calculation of the fees due or the amount paid by the players.

Treasurer Ron James stated the District's policy was to issue a receipt for each fee collected and the collections were to be remitted to the Athletic Director who was responsible for ensuring fees were deposited into the District's account. Mr. James also provided copies of policies distributed annually to the teachers and the Middle School Teacher Handbook. These policies required all funds received to be provided to the building secretary for deposit and that the Treasurer was to issue payment for all goods purchased. The policy also provided no expenses were to be paid with cash received from fundraisers.

Athletic Director Tim Gabbard provided a Coaches Manual to every coach in the District at a July 2004 meeting. This manual provided all funds should be deposited with either the Athletic Department or an organization formed pursuant to Section 501(C)(3) of the Internal Revenue Code and that money may not be deposited to any account under the personal control of any Wayne Local Employee. In addition, all advertising must be sold and collected by the Athletic Department.

However, Mr. Cook deposited donations, unapproved fees, advertisement banner sales, a refund due to the District, and cash from fundraisers into a savings account opened with his social security number. In addition, Mr. Cook often paid for expenses with cash and sold advertisement banners without involvement from the Athletic Department.

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We recommend the District conduct interviews of individuals involved in the activity and inquiries of coaches/coordinators for compliance with District policies and procedures. In addition, the District should perform periodic reviews of documentation supporting collections from fundraisers and/or fees to ensure compliance with District policies governing deposit and disbursement of funds. We also recommend the District require employees to sign, and for the District to maintain, a copy of an acknowledgement form documenting the employee's receipt and agreement to comply with the District's policies and procedures. Additionally, the District should review its handbooks and manuals for consistent guidance and amend them as needed.

Travel Policy

The District's expense reimbursement policies contained in the Coaches Manual and Teachers Handbook provided for reimbursement of expenses incurred while traveling on District business. The policies in place were general in nature and did not provide guidance regarding limitations on meals, tips, alcohol, and purchases related to spouses and family members or identify what constituted an unallowable expense.

In an explanation of documentation provided, Mr. Cook indicated \$1,134 of meals purchased at the Rib House; a breakfast at a hotel, and meals totaling \$1,538 purchased while attending a baseball tournament in Florida did include the cost of meals for spouses and in some cases other family members. Based on available documentation, we were unable to segregate the cost of meals provided to spouses and family members.

We recommend the District revise its travel policy to address documentation requirements, required approvals, any limitations on meals and tips, and whether reimbursement of meals for family members and spouses are permissible.



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**WAYNE LOCAL SCHOOL DISTRICT
WARREN 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
JULY 18, 2006**