



Mary Taylor, CPA
Auditor of State

SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Education
Mark Miller, Superintendent
Richard Koker, Interim Treasurer
Southern Local School District
Meigs County
920 Elm Street
Racine, Ohio 45771

To the Board of Education, Superintendent and Treasurer:

We have performed the procedures enumerated and for the period July 1, 2004 to August 31, 2006, which were agreed to by the addressees, solely to assist Southern Local School District, Meigs County, Ohio (the School District), in evaluating the overtime hours earned and paid to Debra Michael and other employees, and to determine the appropriateness of travel expenses paid to Debra Michael. Management is responsible for the School District's monitoring of overtime accumulation and payment and travel expense reimbursement and determining if they were properly recorded. We followed the American Institute of Certified Public Accountants' attestation standards for agreed-upon procedures engagements. The sufficiency of the procedures is solely the responsibility of the School District. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. Our procedures were as follows:

1. Compare the amounts paid to Debra Michael during the period June 12, 2005 to August 31, 2006 for payroll from the Pay Date Earnings Register (ERNREG) to the amounts authorized under her contract in effect during that period.

We found that 13 of 31 timesheets tested contained variances between the amount approved in Debra Michael's contract and approved overtime on the timesheets as reported as actually paid on the ERNREG. We also found that the School District could neither locate nor provide timesheets for the year ended June 30, 2005 and the period June 11, 2006 through June 18, 2006.

Additionally, there was no supporting documentation available to prove that hours claimed as overtime were actually worked. Accordingly, as identified in Finding 5, Debra Michael was determined to have been overpaid by \$10,822.95.

2. Compare the hours worked from the time sheets to authorized holidays, the school calendar and leave records for Debra Michael for the period June 12, 2005 to August 31, 2006 in order to determine if regular hours and/or overtime hours were charged on authorized holidays, days the School District was closed, or on days claimed as leave.

2. We found 5 instances where Debra Michael claimed two hours overtime on each of the following holidays:

- November 24 and 25, 2005 (Thanksgiving);
- December 23, 2005 (Christmas Eve);
- February 20, 2006 (President's Day); and
- May 29, 2006 (Memorial Day)

We noted no errors regarding the hours worked and the 2005/2006 school calendar. We noted no overtime claimed on days reported as leave taken. The School District could neither locate nor provide a timesheet for the period June 11, 2006 through June 18, 2006.

3. Examine the hours recorded as regular hours and overtime for Debra Michael for the period June 12, 2005 through August 31, 2006. We will compare this information to the time recorded as "time in" and "time out" and document any differences.

We found that for 25 of 31 timesheets reviewed, errors were noted in which the hours recorded as regular hours and overtime hours did not agree to the "time in" and "time out" columns on the timesheets.

4. Examine the time sheets and leave records for Debra Michael for the period June 12, 2005 to August 31, 2006 for evidence of supervisory approval of said time sheets and leave records.

We found that on two separate occasions, for the pay periods ending June 24, 2005 and July 22, 2005, respectively, Debra Michael did not obtain supervisory approval of timesheets. For the leave records reviewed, she did obtain supervisory approval.

Additional errors, however, were noted in our examination of the timesheets and leave records. The errors included the timesheets did not indicate leave had been taken although the leave records had been approved; a timesheet that did not foot; a timesheet where for individual days the time in and time out was not totaled, but total hours worked did agree; a timesheet where no overtime hours were noted by day, but the total included 20 hours of overtime; six timesheets were noted where hours were recorded as "time in" and "time out" for holidays and/or on days when leave forms were completed; and, a timesheet where time in and time out columns indicated two hours of overtime per day were worked but the hours were not carried to the total column and were not included in the overtime hours that were actually paid.

5. Examine the hours recorded as regular hours and overtime recorded for 100% of other non-certified employees of the School District for the period June 12, 2005 through August 31, 2006. We will compare this information to the time recorded as "time in" and "time out" and document any differences.

We found that for 15% of the other non-certified timesheets tested, errors were noted in which the hours recorded as regular hours and overtime hours did not agree to the "time in" and "time out" columns of the timesheets. Further, for 20% of the timesheets tested, the time documented as worked did not agree to the total hours worked on the timesheets.

6. Examine the time sheets and leave records for the employees selected in step 5 for the period June 12, 2005 to August 31, 2006 for evidence of supervisory approval of said time sheets.

We found that 15% of the timesheets tested were not approved prior to submission. 10% of the timesheets tested were stamped as approved by a supervisor who was on leave during the period the work was performed. 10% of the timesheets did not agree to the approved leave forms on file.

Additionally, 55% of the timesheets tested included overtime hours that did not have the applicable pre-approval notation or documentation of an emergency situation. 65% of the timesheets tested included overtime hours claimed that were for time that was not in excess of 40 actual working hours. This resulted in \$1,215.44 in overtime hours being paid that employees were not entitled to, as identified in Finding 1.

7. Vouch the travel expense payments made to Debra Michael from July 1, 2004 through August 31, 2006. We will compare the amounts paid to authorized reimbursement rates.

We found that travel expense reimbursements were overpaid to Debra Michael in the amount of \$1,726.87, as identified in Finding 5. These reimbursements were primarily for excessive mileage charged. We also found on different occasions, total miles reimbursed to the same destination (SEOVEC in Athens) was inconsistent. Further, of four meal reimbursements, three were for two persons, although there was no indication who those persons were, and one of the four did not include an itemized receipt. Also, there were conflicting travel expense reimbursement policies that existed.

8. Vouch the travel expense payments made to Dennie Hill from June 12, 2005 through July 14, 2006. We will compare the amounts paid to authorized reimbursement rates.

We found there were no travel expense reimbursements made to Dennie Hill for the period noted.

We were not engaged to and did not perform an examination, the objective of which would be the expression of an opinion on these transactions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that we would have reported to you.

This report is intended solely for the information and use of the addressee listed above and is not intended to be, and should not be used by anyone else.



Mary Taylor, CPA
Auditor of State

January 25, 2007

Finding 1 – Finding for Recovery

Article XLII of the Negotiated Agreement with the Ohio Association of Public School Employees states that: "Any employee who works more than forty hours during any single week shall be paid at the rate of time and one-half. The Superintendent or designee must approve any work beyond forty hours in a single week absent an emergency where it is impractical to seek prior approval. Only hours actually worked are considered to computing eligibility for overtime. Thus, for example, sick leave, vacation leave, holidays, or lunch time is not considered 'hours worked'".

Article XXXIV states that: "Any bargaining unit member who is required to report for work at anytime which is not contagious with his/her normal shift shall be compensated for a minimum of two hour pay. The employee must work the two hours to receive the two hour pay."

Article XXXIII states that: "Each employee who works a seven hour shift or an eight hour shift will be entitled to a half-hour lunch break for each shift he/she works. Each employee that works a split shift may take their lunch away from their place of employment."

55% of the timesheets tested included overtime which did not document pre-approval or an emergency situation. 65% of the timesheets tested included overtime for hours which were not in excess of 40 actual working hours. Timesheets did not always document "time in" and "time out" for two hours overtime. This resulted in overpayments to employees who were paid overtime in excess of the amounts allowed per the contract.

We recommend the Board require Supervisors to award overtime in compliance with the negotiated agreement. Supervisors should review the timesheets to verify the overtime reported was necessary and authorized. Timesheets should also document "time in" and "time out" for all instances noted. Supervisors and the Assistant Treasurer should recalculate hours actually worked to verify overtime pay is for actual overtime worked.

Further, because of the errors noted in the calculation and approval of overtime hours claimed, as noted above, eight non-certified employees received payment for overtime hours they were not entitled to. These hours were incorrectly approved by their respective supervisors. The employees, supervisors and amounts are noted below:

Employee	Supervisor						Total
	Robert Grueser	Michaela Kucsma	Ron Minard	Mark Miller	Shawn Bush	Tim Thoren	
Jeff Beaver	\$65.74			\$318.55			\$384.29
Jeremy Dill	94.32			31.44			125.76
Mindy Patterson	6.68	\$24.03	\$15.28				45.99
Garry Smith	37.80						37.80
Mary Smith	56.41	8.46	90.23				155.10
Carla Teaford		20.96	285.58	10.63	\$10.48		327.65
Sheila Theiss				15.87			15.87
Alice Williams	60.79			28.21		\$33.98	122.98
Total	\$321.74	\$53.45	\$391.09	\$404.70	\$10.48	\$33.98	\$1,215.44

Finding 1 – Finding for Recovery (Continued)

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, findings for recovery for public money illegally expended are hereby issued against those employees and supervisors noted above, and the Travelers Casualty and Surety Company, the supervisors' bonding company, jointly and severally, in the amounts noted above. Of the amounts noted above, the findings attributed to Mary Smith and Sheila Theiss, as well as \$97.58 of the finding attributed to Alice Williams (totaling \$268.55) are in favor of the Southern Local School District's Food Service Fund.

The remainder of the finding (totaling \$946.89) is in favor of the Southern Local School District General Fund.

As of February 27, 2007, the employees noted above, with the exception of Garry Smith, entered into settlement agreements with the Board of Education in order to resolve the noted findings for recovery. As part of these agreements, the employees have agreed to work additional unpaid hours as necessary to repay the amounts owed.

In regards to Garry Smith, he resigned his position with the School District effective March 2, 2007. He has agreed to repay the amount due in full prior to release of his final paycheck.

Finding 2

Classified employees submit timesheets bi-weekly to the Assistant Treasurer to document the hours worked, overtime hours worked, and leave taken. These timesheets are signed for approval by the employee's supervisor.

15% of the timesheets tested did not indicate the in and out time for all of the hours the employee worked. The time documented did not agree to the total hours on 20% of the timesheets tested. 15% of the timesheets tested were not approved by the employee's supervisor prior to submission. 10% of the timesheets tested were stamped for approval with M. Kucsma's stamp while she was on sick leave. 10% of the timesheets tested did not agree to the approved leave forms on file. This could result in discrepancies in employees' pay.

We recommend the Board of Education implement policies which require timesheets to include documented time in and out for all time worked, including overtime. Supervisors should compare timesheets to authorized leave forms and pre-authorized overtime. The Assistant Treasurer should only accept timesheets which are signed by the supervisor in charge during the pay period.

Finding 3

The Negotiated Agreement between the Ohio Association of Public School Employees/AFSCME-CIO, Local Chapter #453 and the Southern Local School District Board of Education, dated July 1, 2003 – June 30, 2005, states in Article XVII (entitled 'Work Schedules and Leaves') that personal bonuses are to be paid at the last payroll of June.

It was noted during testing that the personal bonuses were paid to employees on June 2, 2006, which was not the last payroll of June. This resulted in employees being paid the personal bonus for unused personal leave days prior to the end of the period and could result in an employee receiving said bonus and then using the personal leave days.

We recommend the personal bonus be paid at the last payroll of June as specified by the contract.

Finding 4

On 1 of the 31 pay dates tested for employee Debra Michael, the actual amount paid to her for regular wages did not agree to her approved contract amount. This appeared to be the result of over-time charged to the regular pay line instead of to the over-time line. In addition, on 13 of the 31 pay dates tested for Ms. Michael, the actual amount paid to her for over-time did not agree to the approved amount on the corresponding time sheet. There was no apparent reason for these variances.

This resulted in variances between the amounts approved and the actual amounts paid to the employee.

We recommend the Treasurer take an active role in monitoring payroll and ensure the amounts paid to employees agree to the amounts approved.

Finding 5 – Finding for Recovery

Wages paid to employee Debra L. Michael for pay dates July 1, 2005 through August 18, 2006 were not always properly calculated. This was due in part to a violation of The Negotiated Agreement Between the Ohio Association of Public School Employees/AFSCME-CIO, Local Chapter #453 and the Southern Local School District Board of Education, dated July 1, 2003 – June 30, 2005, which states in Article XLII (entitled 'Overtime and Comp-time') that any employee who works more than forty (40) hours during any single work week shall be paid at the rate of time and one-half as required by the Fair Labor Standards Act. The Superintendent or designee must approve any work beyond forty (40) hours in a single week absent an emergency where it is impractical to seek prior approval. Only hours actually worked are considered to computing eligibility for overtime. Thus, for example, sick leave, vacation leave, holidays or lunch time are not considered "hours worked." Sick and vacation leave, holidays and lunch time were improperly considered as hours worked in the computation of her over-time. The overpayments were also due in part to the fact that the actual amounts paid to Ms. Michael for over-time during this period did not always agree to the approved over-time recorded on her timesheets.

Further, there was no direct evidence that the hours claimed for overtime had actually been worked. Ms. Michael has acknowledged that the hours claimed as overtime were intended to be an allowance of un-worked hours each day in order to increase her salary, at the insistence of her supervisor at the time, former Treasurer Dennie Hill. According to Ms. Michael, via a letter from her attorney dated October 5, 2006, Mr. Hill routinely approved the timesheets submitted by Ms. Michael, and, on occasion, completed the timesheets for her. There was one pay period in 2006 that was approved by current Treasurer Richard Koker that contained un-worked overtime hours. There was no evidence that receiving compensation for hours not worked but claimed as overtime had been approved by the Board of Education. The value of the hours claimed as overtime and paid to Debra Michael totaled \$10,822.95.

In addition, travel expense reimbursement forms submitted by Ms. Michael for the period June 20, 2005 through July 11, 2006 for trips to the bank and post office reflected daily travel claims of five miles round trip. However, the actual mileage (roundtrip) was 1.2 miles. Evidence indicates that Ms. Michael did not personally make the trips claimed. Allegedly, these trips were actually made by former Treasurer Dennie Hill.

Further, these travel expense forms for Ms. Michael for the period of July 1, 2004 through August 31, 2006 contained numerous errors. Five expense forms contained errors such as mileage claimed on days when vacation leave was taken, mileage for the same date claimed on two different expense forms and mileage claimed for dates in which no time sheet existed.

Finding 5 – Finding for Recovery (Continued)

Four expense forms included mileage and/or meals when traveling to Sam's Club in Parkersburg, West Virginia; however, the documentation did not support that Ms. Michael made the trips. For example, the receipts from Sam's Club corresponding to two of the Expense Forms were signed by former Treasurer Dennie Hill indicating he made the purchase. Three Sam's Club receipts corresponding to three of the Expense Forms were for either 50 or 80 cases of paper and it is unlikely Ms. Michael could have transported that quantity in her personal vehicle. One of the expense forms included two trips to Sam's Club and to deliver a school bus, but a vehicle log from a School District-owned vehicle indicated a School District vehicle and a school bus were used for the trips.

This resulted in Ms. Michael being over-compensated in wages by \$10,822.95 for pay dates June 20, 2005 through August 18, 2006 and in mileage by \$1,726.87 for the period June 20, 2005 through July 11, 2006.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public money illegally expended is hereby issued against Debra L. Michael, former Treasurer Dennie Hill, and the Travelers Casualty and Surety Company, his bonding company, jointly and severally, in the amount of \$12,185.62, in favor of Southern Local School District's General Fund.

Additionally, in accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public money illegally expended is hereby issued against Debra L. Michael, Treasurer Richard A. Koker, and the Auto-Owners Insurance Company, his bonding company, jointly and severally, in the amount of \$364.20, in favor of Southern Local School District's General Fund.

Finding 6

Four travel expense forms for employee Debra Michael for the period July 1, 2004 through August 31, 2006 included reimbursements for meals and appeared to be for meals for two persons. Three of the four reimbursements did not state who the meals were for and one of the four meal reimbursements did not contain an itemized receipt.

In addition, the number of miles Ms. Michael charged to the same destination was not always consistent. For example, three miles were charged for the nearly daily travel to the bank and post office from July 1, 2004 – July 31, 2005 and five miles were charged for the same trip from August 1, 2005 – August 31, 2006. Miles charged for round-trip travel to SEOVEC in Athens ranged from 60 miles to 80 miles.

This resulted in a variance of reimbursement for mileage to the same destination.

We recommend the Board of Education review their policies and ensure they comply with actions adopted by the Board. Further, we recommend the Treasurer more closely review Expense Forms prior to approving them. The Treasurer should ensure proper documentation is provided and that miles charged appear to be reasonable and consistent.

Finding 7

A motion passed by the Board of Education on October 25, 2004 revised Administrative Guidelines 3440A (Professional Staff) and 4440A (Classified Staff) to provide a daily meal allowance of \$40.00 for employees traveling to professional meetings, conferences, and other required school business meetings, retroactive to July 2003.

Finding 7 (Continued)

The published School District Administrative Guidelines 3440 stated meals would be reimbursed at a rate not to exceed \$16.00 per day with allowance for separate meals as follows:

- Breakfast \$ 4.00
- Lunch \$ 5.00
- Dinner \$ 7.00

This resulted in conflicting policies and could result in errors and/or irregularities.

We recommend the Board of Education review their policies and ensure they comply with actions adopted by the Board.

Finding 8

Timesheets for employee Debra Michael did not always appear to be properly and accurately completed. On five holidays, November 24 and 25, 2005, December 23, 2005, February 20, 2006 and May 29, 2006, Ms. Michael claimed over-time and was paid for such over-time. Twenty-five of the thirty-one timesheets tested contained errors in which the hours recorded as regular and over-time did not agree to the time recorded as "time in" and "time out". Two of the thirty-one timesheets were not approved by a supervisor. On the timesheet for pay period ending July 28, 2006, no overtime hours were recorded by day but the timesheet included twenty hours of overtime on the total line. Of the thirty-one timesheets tested, twenty-nine included overtime hours ranging from ten to thirty hours per pay period totaling \$10,876.78 for the thirty-one timesheets.

Timesheets completed in an inaccurate manner caused errors and or irregularities to occur. Due to the large number of timesheets with errors that were approved by either former Treasurer Dennie Hill or Treasurer Richard Koker, it was not possible to positively determine the validity of the overtime paid to Ms. Michael.

We recommend the Treasurer take due care in reviewing timesheets prior to approving them and ensure they are properly and accurately completed. This should include matters such as comparing the time recorded as time in and time out to the regular hours and overtime hours claimed and overtime hours only being claimed when actually worked.



Mary Taylor, CPA
Auditor of State

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS 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
MAY 10, 2007**