



**LOVELAND CITY SCHOOL DISTRICT
HAMILTON COUNTY**

SPECIAL AUDIT

FOR THE PERIOD MARCH 1, 1999 THROUGH AUGUST 31, 2007



Mary Taylor, CPA
Auditor of State

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Dr. Kathryn Lorenz, Board President
Dr. Kevin Boys, Superintendent
Mr. Brett Griffith, Treasurer
Loveland City School District
757 South Lebanon Road
Loveland, Ohio 45140

We conducted a special audit of the Loveland City School District (the District), by performing the procedures enumerated in the attached Supplement to the Special Audit Report for the period March 1, 1999 through August 31, 2007 (the Period), solely to:

- Determine whether payments to former Treasurer Jill Manville for compensation and expense reimbursements were supported, District-related, and in accordance with contracts and District policies; and
- Determine whether payments for credit card charges, to cellular phone providers and to certain vendors were supported, District-related, and in accordance with District policies.

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 examined payments to Ms. Manville for compensation and benefits and determined whether she was paid for those items in accordance with approved contracts, amendments, addendums and Board resolutions.

Significant Results – Ms. Manville received overpayments for salary (\$230), compensated leave time (\$6,176) and certain other benefits (\$20,355) during the Period for which we issued findings for recovery.

We made three management recommendations regarding documenting approval of the treasurer's compensation, approving the treasurer's leave use and approving the treasurer's benefits payments.

2. We examined reimbursements to Ms. Manville for mileage and other business expenses and determined whether such reimbursements were supported, for District-related expenses and in accordance with District policies.

Significant Results – During the Period, the District reimbursed Ms. Manville \$18,286 for mileage and business expenses. We issued a finding for recovery against Ms. Manville totaling \$4,154 for expenses that were considered unallowable, unsupported and/or unrelated to District operations.

We issued one noncompliance citation for failing to report taxable fringe benefits on Ms. Manville's W-2 or 1099 and referred this matter to the Internal Revenue Service.

We made a management recommendation that the board of education appoint an individual to review and approve the treasurer's reimbursement requests prior to payment.

3. We examined available documentation supporting expenses charged to the District's credit card by Ms. Manville and conducted interviews as needed to determine whether the charges were supported, for District related expenses and were made in accordance with District policies. We also examined Ms. Manville's personal frequent flyer account to determine whether she received personal benefits from District paid travel.

Significant Results – During the Period, District employees charged \$1,084,378 on credit cards issued by Fifth Third Bank and American Express. We identified personal expenses and alcohol purchases by Ms. Manville totaling \$19,700 and by other District employees totaling \$704 for which we proposed findings for recovery. Several District employees repaid proposed findings for recovery totaling \$704 prior to the release of our audit.

During the Period, Ms. Manville earned 36,849 frequent flyer miles while on District paid travel. We determined Ms. Manville redeemed a portion of these miles for the purchase of airline tickets for personal trips. Additionally, we noted that Fifth Third Bank paid the travel expenses of certain District employees for a trip to New York, New York. We referred these matters to the Ohio Ethics Commission for further review.

We issued two noncompliance citations regarding personal purchases on the District's credit card and earning and redeeming personal frequent flyer miles earned from District paid travel.

We made four management recommendations regarding review and approval of the treasurer's and superintendent's credit card charges; amendment of the District's travel policy; amendment of the District's credit card policy; and prior approval of professional leave.

4. We examined payments to cellular telephone providers and determined whether payments were supported, in accordance with District policies and for District-related use.

Significant Results – During the Period, the District paid \$288,450 for cellular phone services. We issued findings for recovery against Ms. Manville totaling \$8,170 for unauthorized cellular telephone services and cellular telephone purchases.

We issued two noncompliance citations regarding failure to authorize purchases by signing the purchase order as required by the District's purchasing policy and for not retaining invoices and other documents supporting District purchases.

We made three management recommendations regarding allowable cellular telephone services, telephones and other equipment assigned to District employees and segregated duties for the purchasing agent and treasurer.

5. We examined payments to certain vendors and determined whether payments were supported, District-related, and were made in accordance with District policies.

Significant Results – Ms. Manville authorized a \$1,393 payment to her minor son for hours worked at the District. We also referred this matter to the Ohio Ethics Commission for further review.

We issued a noncompliance citation for failure to encumber funds prior to purchases as required by Ohio Revised Code.

6. On September 24, 2008, we held an exit conference with the following individuals representing the District:

Dr. Kathryn Lorenz, Board Member
Ms. Linda Pennington, Board Member
William M. Deters, II, Board Legal Counsel

Dr. Judy McClanahan, Board Member
Dr. Kevin Boys, Superintendent

The attendees were informed that they had five business days to respond to this special audit report. A response was received on October 6, 2008. The response was evaluated and changes were made to this report as we deemed necessary. In its response the District asserted that it had implemented District policies to address the management related comments in this report.



Mary Taylor, CPA
Auditor of State

May 19, 2008

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Supplement to the Special Audit Report

Background

On August 29, 2007, the District placed former Treasurer Jill Manville on paid administrative leave pending an investigation of fraud allegations. Also on August 29, 2007, Superintendent Dr. Kevin Boys contacted the Auditor of State (AOS) via the Fraud Hotline stating the District had received fraud allegations involving Ms. Manville. On August 31, 2007, AOS representatives met with the Loveland Police Department to discuss witness statements and review documentation obtained during its investigation. It was alleged Ms. Manville used District credit cards for personal products and services; established unauthorized cellular phone accounts for family and friends on the District's plan; used frequent flyer miles earned on District employees' air travel for personal trips; and issued a non-payroll check to her son. On September 5, 2007, Superintendent Dr. Boys sent a formal letter requesting AOS' assistance in addressing these allegations.

On September 12, 2007, Auditor Taylor initiated a special audit of the identified allegations.

On October 4, 2007 and October 18, 2007, AOS representatives again met with Dr. Boys for further review of the allegations and concerns. Based on our preliminary examination of the District's payroll and non-payroll expenses, Dr. Boys requested the special audit be expanded to review compensation and reimbursements issued to Ms. Manville and payments to certain vendors.

On January 31, 2008, Ms. Manville resigned her position as Treasurer.

Supplement to the Special Audit Report

Issue No. 1 – Treasurer’s Compensation

PROCEDURES

We examined employment contracts, any addendums and amendments, and Board minutes and identified compensation and benefits to be paid to Ms. Manville during the Period.

Using District records, we identified actual compensation and benefits paid to Ms. Manville.

We compared actual compensation and benefit payments to Board authorized amounts and determined whether Ms. Manville was paid in accordance with established provisions.

RESULTS

In December 1998, the District hired Ms. Manville as its Treasurer Pro Tempore effective March 1, 1999 and as Treasurer effective January 1, 2000. During the Period, Ms. Manville’s compensation and benefits were established by four contracts, five contract addendums, a contract amendment and an approved Board resolution.

FINDINGS FOR RECOVERY

Tuition Payments to Xavier University

The District entered into an employment agreement with Ms. Manville effective at the January 2006 Board of Education’s Organizational Meeting which provided:

“The Treasurer/Chief Financial Officer shall be encouraged to continue her education with Board paid tuition up to thirty six (36) post graduate credit hours during the term of this Contract. The tuition payment will only allow for courses taken within her field of which she is currently employed and/or for courses taken in furtherance of a Masters degree in business administration.”

In December 2005, Ms. Manville enrolled in Xavier University’s Executive MBA program. According to the University, the Executive MBA program was a 44 hour program costing \$680 per credit hour. The District paid \$44,470 for 44 credit hours and other program costs resulting in a \$19,990 overpayment.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery is hereby issued against Jill Manville and her bonding company, Travelers Insurance Company, jointly and severally, for \$19,990 of public monies illegally expended in favor of Loveland City School District.

Compensation Time

District officials stated compensation time was provided to District employees in accordance with the Loveland City School District Administrator’s Handbook which contained the following:

“Compensation time for employees hired under ORC 3319.02/.03 will be considered by the superintendent/designee for such purposes as requiring the attendance of the administrator on a non-work day for a meeting/workshop. The compensation time may only be used on a non-student day and only with the permission of the superintendent/designee.”

Ms. Manville received \$5,483 for 14 days of compensation time used. Ms. Manville’s contracts were not pursuant to the above stated Ohio Revised Code Sections and did not contain provisions for the accrual or payment of compensation time.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery is hereby issued against Jill Manville for \$5,483 and her bonding companies, jointly and severally, Nationwide Insurance Company for \$1,710 and Travelers Insurance Company, for \$3,773 of public monies illegally expended in favor of Loveland City School District.

Supplement to the Special Audit Report

Personal Leave Overpayment

Section 2 of the Treasurer Pro Tempore contract effective March 1, 1999 through December 31, 1999 stated Ms. Manville was entitled to the same benefits contained in the treasurer's contract effective January 1, 2000.

Section 7 of the contract between the District and Ms. Manville effective January 1, 2000 referred to in the Treasurer Pro Tempore contract provided "(t)he Treasurer shall receive three (3) personal days per year and, after three years of employment, shall be able to accumulate unused days to a maximum of five (5) per year."

Ms. Manville received \$474 for 1.5 more personal days than entitled to by her contracts.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery is hereby issued against Jill Manville and her bonding company, Travelers Insurance Company, jointly and severally, for \$474 for public monies illegally expended in favor of Loveland City School District.

Service Time Buy Back Overpayment

Board Resolution 04-93 authorized an addendum to the treasurer's contract stating "(t)he Board of Education shall pay for a tax-sheltered annuity of the Treasurer/Chief Financial Officer's choice of five thousand dollars (\$5,000) per contract year. The Treasurer/Chief Financial Officer has the option of buying back service time through her retirement system..., instead of a tax-sheltered annuity..."

For contract year 2005, the District paid \$5,265 to buy back service time for Ms. Manville resulting in a \$265 overpayment.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery is hereby issued against Jill Manville and her bonding company, Travelers Insurance Company, jointly and severally, for \$265 for public monies illegally expended in favor of Loveland City School District.

Salary Overpayment

The Board of Education entered into four contracts, one amendment, five addendums, and approved one pay increase documenting Ms. Manville's compensation. In comparing the amounts paid to the Board authorized amounts during the Period, we determined Ms. Manville was overpaid \$230.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery is hereby issued against Jill Manville and her bonding company, Travelers Insurance Company, jointly and severally, for \$230 for public monies illegally expended in favor of Loveland City School District.

Vacation Leave Overpayment

Section 7 of the contract dated January 23, 2001 between the District and Ms. Manville provided "(t)reasurer shall receive 25 days vacation annually exclusive of legal holidays. The Board agrees to grant the Treasurer the option of carryover or exchange of vacation leave."

The October 18, 2005 contract provided "(t)he Treasurer/Chief Financial Officer shall receive 25 days of vacation per Contract year exclusive of legal holidays. Any vacation days not used during the Contract year will be reimbursed to the Treasurer/Chief Financial Officer up to a maximum of 10 days." A November 7, 2006 addendum increased the number of vacation days to 30 and permitted the treasurer to be reimbursed up to 15 unused days.

Using Ms. Manville's daily rate of pay, we recalculated the amount due for unused vacation leave and determined Ms. Manville was overpaid \$219.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery is hereby issued against Jill Manville and her bonding company, Travelers Insurance Company, jointly and severally, for \$219 for public monies illegally expended in favor of Loveland City School District.

Supplement to the Special Audit Report

Automobile Allowance Overpayment

The contract entered into between the District and Ms. Manville beginning at the January 2006 Organizational Meeting provided “(t)he Treasurer will receive an automobile allowance of \$100 a month...”

For the period January 1, 2007 through August 31, 2007, Ms. Manville was entitled to an allowance of \$800 but received payments totaling \$900 resulting in a \$100 overpayment.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery is hereby issued against Jill Manville and her bonding company, Travelers Insurance Company, jointly and severally, for \$100 of public monies illegally expended in favor of Loveland City School District.

MANAGEMENT COMMENTS

Approval of Treasurer Compensation

During the Period, the board did not document its approval of one contract addendum and five salary bonuses awarded to Ms. Manville in its minutes. In addition, the District did not maintain signed copies of several employment contracts, addendums and an amendment. Failure to document the board's approval in the minutes and maintain the signed version of employment contracts could result in incorrect payment of salaries and/or benefits.

We recommend that the District record all actions taken by the board in the minutes. In addition, the District should maintain the signed version of approved contracts to document the District's obligations and responsibilities.

Approval of Leave Time

The current board policy requires that administrators submit a written request for vacation to the superintendent for approval. In its response the District asserted that this policy did not apply to the treasurer and superintendent and that it has not been the District's policy or practice to assign supervisory duties on the board's direct reports. Also, the policy did not address required approval to use sick leave, personal leave and compensation time or require verification of sufficient leave balances prior to approval. During the Period, Ms. Manville used 1.5 personal days in excess of available balances and also used 14 compensation days to which she was not entitled.

Failure to monitor employee's leave usage, document approval and verify sufficient leave balances increases the risk that payments are made for unauthorized or unavailable leave time.

We recommend the board appoint an individual responsible for approving the treasurer's and superintendent's leave usage. The District should monitor leave usage to ensure leave use is authorized and employees possess sufficient balances. In addition, the District should amend its policies to require employees to complete leave forms and obtain approval from their supervisors for all types of leave. The policy should identify who is responsible for approving the superintendent's and treasurer's leave usage.

Treasurer's Benefits

The District paid Ms. Manville benefits for tuition expenses, service time buy-back and automobile allowances in excess of her contractual provisions. The District's procedures did not include comparing these types of payments to established contractual provisions for authorization and appropriate amount.

Failure to compare benefit payments to established provisions increases the risk of payments made for unauthorized benefits or for incorrect amounts.

We recommend the board appoint an individual to review and authorize benefit payments to the superintendent and treasurer. Prior to issuing benefit payments, the appointed person should consult applicable employment contracts and verify the benefits being paid are in accordance with contractual provisions.

Supplement to the Special Audit Report

Issue No. 2 – Treasurer’s Expense Reimbursements

PROCEDURES

We selected payments issued to Ms. Manville for reimbursements in excess of \$200 during the Period.

We scanned payments to Ms. Manville for reimbursements less than \$200 and selected payments that did not appear related to District operations.

For the selected payments we examined available supporting documentation and determined whether the reimbursement was approved, for District-related business, and made in accordance with the District’s Expense Reimbursement policy and the Addendum to the Exempt Employee Handbook.

For any unallowable expenditures identified, we scanned the Reduction of Expenditure report and miscellaneous receipts for the Period and determined whether Ms. Manville reimbursed the District.

RESULTS

The District issued 147 checks to Ms. Manville totaling \$18,286. Of the 147 checks issued, we examined 43 checks totaling \$11,769.

FINDINGS FOR RECOVERY

Reimbursements

Board Policy 6510 approved effective June 15, 1999 provided:

“District personnel will be reimbursed for expenses incurred when the circumstances leading to such expenses are properly authorized and employees follow proper budgetary procedures in advance. Such expenses must be approved and incurred within the limits of budgetary allocations for the specific type of expense.

When official travel by personally owned vehicle has been authorized, mileage payment is made at the rate established by the IRS.

Reimbursable expenses include actual lodging, meals, travel expenses and registration fees, as a result of the approved meeting.”

When being reimbursed for mileage, District employees provided a log identifying the date of the trip, starting and ending points, the purpose of the trip and the mileage driven. During the Period, Ms. Manville did not provide logs or any other documentation identifying the travel dates, purpose of travel, or miles driven to support mileage reimbursements of \$1,003. As such, we were unable to determine the miles driven were related to District operations.

Ms. Manville was also reimbursed for the following expenses:

- Meals totaling \$703 for which we were unable to determine the purpose of the meal, attendees, prior authorization or how the meal was District-related.
- Unsupported expenses totaling \$52 which we were unable to determine the actual expenses incurred by Ms. Manville or how the expenses were District-related.
- Telephone and internet services totaling \$2,081 with no documentation supporting that Ms. Manville personally incurred and paid for those services.

Supplement to the Special Audit Report

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery is hereby issued against Jill Manville for \$3,839 and her bonding companies, Nationwide Insurance Company for \$1,699 and Travelers Insurance Company for \$2,140, jointly and severally, for public monies illegally expended in favor of Loveland City School District.

Improper Medical Reimbursement

The December 4, 2003 Addendum to the Exempt Employee Handbook provided employees enrolled in the District health plan who exceeded the 2003 maximum out-of-pocket expenses could be reimbursed for expenses incurred. To receive reimbursement, the employee was required to present documentation of the expenses with United Healthcare's verification form.

Ms. Manville was reimbursed \$315 for an alleged out-of-pocket medical expense. Ms. Manville provided a copy of an invoice from Cincinnati Children's Medical Center as support for the reimbursement request but did not provide the required United Healthcare verification form stating she was responsible for the \$315. In addition, Ms. Manville did not provide documentation supporting she actually paid the expense.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery is hereby issued against Jill Manville for \$315 and her bonding company, Travelers Insurance Company, jointly and severally, for public monies illegally expended in favor of Loveland City School District.

NONCOMPLIANCE CITATION

Taxable Fringe Benefits

26 C.F.R. Section 1.6041-2 provides that wages, as defined in 26 U.S.C. Section 3401, are to be reported on a Form W-2 or all other payments of compensation are to be reported on a Form 1099. 26 U.S.C. Section 3402 states "every employer making payment of wages shall deduct and withhold upon such wages as determined in accordance with the tables or computational procedures prescribed by the Secretary of the Treasurer."

In accordance with a December 1998 letter of intent to hire Ms. Manville, Ms. Manville received a \$2,000 stipend for relocation expenses which was paid in 1999. Ms. Manville also received a monthly \$100 automobile allowance for a total of \$1,200 in 2006. Neither of these payments was reported on Ms. Manville's W-2 or 1099 for the respective year, nor were taxes withheld.

We recommend the District review automobile allowances, relocation expenses and other benefits provided to District employees and determine whether they are taxable fringe benefits and if they should be reported on a W-2 or 1099. The District should consider re-issuing Ms. Manville's W-2 for 1999 and 2006 to include these benefits.

This matter has been forwarded to the Internal Revenue Service.

MANAGEMENT COMMENT

Expense Reimbursement

During the Period, Ms. Manville was reimbursed for mileage, internet services, phone usage, and meals. We noted no documented evidence that someone other than Ms. Manville reviewed her reimbursement requests or determined the requests were in accordance with District policy.

Lack of review and approval of personal reimbursements increases the risk of improper payments.

We recommend the board appoint an individual responsible for reviewing and approving the treasurer's and superintendent's reimbursement requests. Prior to approving the reimbursement, the individual should verify the expenses were District-related, authorized and supported. In the case of mileage reimbursements, the individual should consider whether the mileage appears reasonable. We recommend that the reviewer document his or her examination in some manner such as initials and date.

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Issue No. 3 – Credit Card Payments

PROCEDURES

We obtained documentation supporting District payments to Fifth Third Bank and American Express for credit card charges during the Period and selected charges incurred by Ms. Manville¹ for further examination.

For the credit card charges selected, we examined available documentation and determined whether the credit card charges were supported, for District operations and made in accordance with District policies.

For the remaining charges, we scanned available documentation and identified credit card charges in violation of the District's Credit/Purchasing Card policy.

For any unallowable charges identified, we scanned the Reduction of Expenditure report and miscellaneous receipts for the Period and determined whether Ms. Manville reimbursed the District.

We obtained a listing of frequent flyer miles earned by Ms. Manville on her personal account, compared the miles earned to District expenses incurred for airline tickets and determined whether Ms. Manville earned frequent flyer miles from District paid travel. We examined Ms. Manville's frequent flyer account activity and determined whether she redeemed District earned miles for her personal use.

RESULTS

The District paid Fifth Third Bank and American Express \$715,603 and \$368,775, respectively, for District credit card charges made during the Period.

Ms. Manville earned 36,849 miles from District paid travel and redeemed a portion of those miles for personal use. In addition, five board members, the superintendent and 12 employees earned frequent flyer miles and/or hotel reward points for District paid travel expenses. We did not examine the frequent flyer or rewards accounts of board members, the superintendent, or other employees and draw no conclusion regarding their actual use of frequent flyer miles or rewards points. This matter has been forwarded to the Ohio Ethics Commission for further review.

FINDING FOR RECOVERY

Personal Charges

Board Policy 6424 governing Credit/Purchasing Cards provides that "Board employees authorized by the Treasurer may use purchasing cards only for school-related purposes." The policy also states that "the purchasing card may never be used for personal items or services."

During the Period, the District paid \$19,377 for personal expenses and/or alcohol charged by Ms. Manville on the District's credit card. Items charged included hotel stays, rental cars, electronic equipment, vehicle maintenance and repairs, meals, jewelry, retail purchases, airline tickets, retirement gifts and other miscellaneous purchases.

¹ Fifth Third Bank District-wide cards were issued in Ms. Manville's name but were available for District employee use. Ms. Manville often used this credit card for purchases instead of the card assigned specifically in her name. Because Ms. Manville was using both her assigned card and the District-wide cards, we reviewed all Fifth Third Bank credit card charges on all cards in Ms. Manville's name. For American Express charges, the credit cards were personally assigned to District administrators. We reviewed all charges on the American Express card assigned specifically in Ms. Manville's name and scanned charges on the cards assigned to other administrators for unallowable charges.

Supplement to the Special Audit Report

The District also paid \$323 for personal expenses charged on the District's credit card related to Ms. Manville's mother and a third party individual.

In accordance with the foregoing facts, we hereby issue findings for recovery, jointly and severally, against the following individuals and companies, in the named amounts, for public money illegally expended and in favor of the Loveland City School District:

Jill Manville and her bonding company, Travelers Insurance Company	\$17,377
Jill Manville and her bonding company, Nationwide Agribusiness Insurance Company	1,796
Jill Manville, Nationwide Agribusiness Insurance Company, and Travelers Insurance Co.	204
Jill Manville, Travelers Insurance Company, and Roland Smith	263
Jill Manville, Travelers Insurance Company, and Sharon Kerns	60
Total	\$19,700

FINDING FOR RECOVERY REPAID UNDER AUDIT

Personal Charges

Board Policy 6424 governing Credit/Purchasing Cards provides that "Board employees authorized by the Treasurer may use purchasing cards only for school-related purposes." The policy also states that "the purchasing card may never be used for personal items or services."

We noted personal expenses charged on the District's credit card by Board Members Linda Pennington totaling \$215 and Dr. James Kolp totaling \$233; former Superintendent Dr. Michael Cline for \$215, and by Superintendent Dr. Kevin Boys for \$41. Personal expenses included airline tickets, baggage fees, personal telephone calls and alcohol.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, we considered a finding for recovery for public monies illegally expended against Ms. Pennington for \$215; Dr. Kolp for \$233; Dr. Cline for \$215; and Dr. Boys for \$41. As of June 26, 2008, these individuals had reimbursed the District for these amounts. Accordingly, we consider this a finding for recovery repaid under audit.

NONCOMPLIANCE CITATIONS

Conflict of Interest/Frequent Flyer Miles

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 "(no) 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."

The Ohio Ethics Commission issued Advisory Opinion 91-010 regarding the acceptance of frequent-flyer miles which states in part:

"Divisions (D) and (E) of R.C. 102.03 prohibit a state official or employee from accepting, soliciting, or using the authority or influence of her position to secure, for personal travel, a discounted or free "frequent flyer" airline ticket or other benefit from an airline if she has obtained the ticket or other benefit from the purchase of airline tickets, for use in official travel, by the department, division, agency, institution, or other entity which she serves, or by which she is employed;"

"Although this opinion is written in response to your question concerning state officials and employees, it should be noted that the conclusions in the opinion also apply to all public officials and employees connected with any other governmental agency or political subdivision in the state."

Supplement to the Special Audit Report

Additionally, Ohio Rev. Code Section 2921.42(A)(4) prohibits a public official from having an interest in the profits or benefits of a public contract entered into by or for the use of the political subdivision or governmental agency or instrumentality with which he is connected.

Two board members, the superintendent, the treasurer, the business manager and a Fifth Third account manager flew to New York City for a bond rating on May 12, 2005. Fifth Third Bank reimbursed the District \$4,071 for the cost of the airfare on June 15, 2005. In an interview, Superintendent Dr. Boys stated Fifth Third Bank paid for the attendees lodging and meal expenses.

We also noted the treasurer, board members, superintendent and other District employees earned frequent flyer miles, valet parking points and/or hotel rewards/points while on District travel using the District's credit card. In reviewing frequent flyer miles earned and redeemed by Ms. Manville, we determined Ms. Manville redeemed SkyMiles earned from District travel for her personal use. We did not examine the frequent flyer or rewards accounts of board members, the superintendent, or other employees and draw no conclusion regarding their actual use of frequent flyer miles or rewards points.

We recommend the District implement a policy for earning airline miles and hotel rewards in accordance with the above Ohio Ethics Commission opinion. This matter has been forwarded to the Ohio Ethics Commission for further review.

District Purchases

Board Policy 6424 governing credit/purchasing cards provides that "Board employees authorized by the Treasurer may use purchasing cards only for school-related purposes." The policy also provided "(c)ardholders must use common sense and good judgment when using school resources."

As a result of a lack of planning and monitoring District activities, the District paid \$8,427 for room cancellation fees incurred because rooms were reserved at more than one hotel or were not used. In addition, Ms. Manville missed two District paid flights on one occasion, stayed overnight at a hotel, and booked a one way flight on another airline which resulted in the District incurring additional expenses totaling \$522.

Because employees did not submit their receipts in a timely manner, the District paid \$7,594 of credit card late fees and finance charges from April 2000 through August 2005. In addition, the District paid \$269 of sales tax on 43 purchases even though the District is a tax exempt entity.

We recommend the treasurer's office coordinate travel arrangements with employees to ensure the District's funds are used efficiently. The District should also require receipts be submitted in a timely manner to reduce credit card late fees and finance charges. For those receipts not remitted timely, the District should consider whether employees should be responsible for any credit card late fees and/or finance charges incurred. In addition, the District should provide tax-exempt certificates to employees using District credit cards to make tax-exempt purchases.

MANAGEMENT COMMENTS

Personal Use of District Credit Cards

Ms. Manville charged personal expenses for herself, her mother and a third party individual on the District's credit cards during the Period. In addition, two board members and the former superintendent charged personal expenses to the District credit card.

The treasurer's office identified personal charges made by Ms. Manville but did not verify Ms. Manville reimbursed the District. No evidence existed documenting the remaining charges were reviewed to determine whether the purchases were supported, District-related and in accordance with District policies.

Failure to review monthly credit card statements for personal charges and to request reimbursement for personal charges identified increases the risk of improper payments.

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We recommend the board appoint an individual responsible for reviewing and approving the treasurer's, superintendent's and board members' credit card charges. We recommend review procedures include whether the charges were supported, for a school-related purpose and in accordance with District policies.

Travel Policy

The District's policy governing expense reimbursements provided limited guidance on allowable travel expenses and did not require the submission of receipts prior to payment. Although the policy did state the expenses were to be approved, it did not state who was responsible for performing the review or what documents were required to be submitted. Our review of travel expenses disclosed no evidence that review or approval had occurred.

Failure to require supporting documentation and to verify expenses incurred on District travel were in accordance with District policies resulted in the District paying for charges which were unsupported and/or personal in nature. Such charges included, but were not limited to, hotels and rental cars for personal trips, meals unrelated to District travel, alcohol, movies, event tickets, and a massage.

We recommend the District amend the expense reimbursement policy or implement a specific travel policy to address allowable travel expenses, documentation requirements, and required approvals.

The District should also consider including in the policy any limitations for the following types of expenses incurred by District employees while traveling:

- Transportation and parking
- Maximum in-state and out-of-state hotel rates
- Maximum meal reimbursements

Prior to reimbursing employee travel expenses or paying for travel-related credit card charges, the treasurer's office staff should review expenses for compliance with District policies.

District Credit Cards

The District's credit/purchasing card policy required credit cards to be used for District-related purposes and to never be used for personal items or services. The policy did not contain guidance regarding allowable expenses; limitations; or required supporting documentation. The treasurer's office did not consistently review the credit card charges for personal purchases and when such purchases were identified, did not request or verify reimbursement was received.

Failure to provide detailed guidance addressing supporting documentation required, allowable expenses, and failing to review the charges for personal expenses resulted in \$19,700 of personal purchases being paid by the District which were not reimbursed by employees.

We recommend the District enhance its credit card policy and develop written procedures to address, at a minimum:

- Authorized users
- Allowable charges
- Card and transaction limits
- Required documentation

Additionally, we recommend procedures be implemented that include a detailed examination of charges and resolution of questioned items.

Professional Leave

The District required its administrators to obtain approval to attend professional meetings and/or conferences. No evidence was presented that the board and/or superintendent monitored and/or authorized Ms. Manville's attendance at 30 such events during the Period.

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Failure to monitor and to approve the treasurer's attendance at professional meetings, trainings or conferences can result in the appearance the treasurer is absent without using leave.

We recommend the board appoint an individual to authorize the treasurer's requests to attend professional meetings and/or conferences when opportunities arise for continuing education or other types of professional development. Such approvals should be documented on a form or in the board minutes. In addition, the appointee should verify Ms. Manville attended the approved meeting and/or conference prior to authorizing payment of expenses incurred as a result of her attendance.

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Issue No. 4 – Payments to Cellular Telephone Providers

PROCEDURES

Using the District's master vendor list, we identified cellular telephone vendors in addition to those identified by the District.

Using an expenditure report, we scanned payment descriptions for the identified vendors and selected payments for cellular telephone services.

We obtained the vouchers for the identified cellular telephone vendors and determined the amount paid during the Period.

We obtained a listing of telephone numbers assigned to District employees during the Period, compared the identified numbers to the list of District-owned telephone numbers reflected on the monthly invoices.

We examined supporting documentation for expenses incurred by Ms. Manville and determined whether the payments for those services were for valid District expenditures and in accordance with District's cellular telephone policy.

For any unallowable expenditures identified, we scanned the Reduction of Expenditure report and miscellaneous receipts for the Period and determined whether Ms. Manville reimbursed the District for personal use of District cellular telephones.

Through confirmation with the District, we determined whether the cellular telephones used by Ms. Manville were returned to the District.

RESULTS

The District issued 234 checks totaling \$288,450 for cellular telephone services during the Period.

FINDINGS FOR RECOVERY

Unauthorized Cellular Telephone Charges

Board Policy 7530 states "(d)istrict issued cellular telephones, pagers, and desk telephones are intended for official business use. While occasional personal use is permitted, employees must reimburse the school district for personal long distance calls and for cellular phone minutes that exceed the plan's bank of minutes."

The policy also states, "(e)mployees must reimburse the District for any costs associated with minutes exceeding the plan's bank of minutes. Any employee who exceeds monthly-allotted minutes shall be billed by the Treasurer's office."

The District paid \$845 for Ms. Manville's minute overage charges.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery is hereby issued against Jill Manville and her bonding company, Travelers Insurance Company, jointly and severally, for \$845 of public monies illegally expended in favor of Loveland City School District.

Unauthorized Purchase of Cellular Telephones and Services

During the Period, the District paid for the following cellular telephone purchases and services unrelated to District operations:

- Cellular telephone service for two personal telephone lines in Ms. Manville's name totaling \$3,761.

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- Cellular telephone service for a telephone assigned to Ms. Manville's son totaling \$1,919.
- Three cellular telephones totaling \$846 purchased for Ms. Manville's personal line and a third party individual.
- Call forwarding charges for calls forwarded from Ms. Manville's personal line to her District line totaling \$426.
- VCAST, VPak, Video and Music downloads; Ringback Tones; Get it Now Downloads; and Premium Text Messaging Services Charges totaling \$373.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery is hereby issued against Jill Manville and her bonding company, Travelers Insurance Company, jointly and severally, for \$7,325 of public monies illegally expended in favor of Loveland City School District.

NONCOMPLIANCE CITATIONS

Purchasing Policy

Board Policy 6320.03 provides:

"The Board of Education is charged with assuring that all District purchases are made for proper public purpose and in accordance with the Ohio Auditor's Office purchasing regulations. Any District employee purchasing an item or contracting for a service on behalf of the District must have prior authorization from the Treasurer for the purchase or contract. If an authorized purchase order is not issued for a purchase or service contract, the employee shall then assume personal responsibility for payment."

Three purchase orders supporting payments were not signed by the treasurer and/or business manager. No other documentation was available supporting approval of these three purchase orders. We also noted 22 purchase orders did not document the receipt of goods or services on the purchase order.

Prior to payment, we recommend the treasurer's office verify the expenditure was pre-authorized, supported, for District operations and the goods or services were received.

Records Retention

Ohio Rev. Code Section 149.351 provides a general prohibition against the destruction or damage of public records. Ohio Rev. Code Section 149.351(A) states, in pertinent part, "All records are the property of the public office and shall not be mutilated, transferred or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under sections 149.38 to 149.42 of the Revised Code..."

Section 6211 of the District's Schedule of Records Retention and Disposition requires the District to retain vouchers, invoices and purchase orders ten years provided the documents have been audited.

The microfiche records maintained by the District for fiscal year 1999 for cellular telephone payments did not include the vendor invoices. Additionally, the District was unable to provide documentation supporting 1,420 credit card purchases.

We recommend the District maintain documentation supporting expenses in accordance with the District's record retention policy.

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MANAGEMENT COMMENTS

Cellular Telephone Policy

During the Period, no evidence was presented documenting the cellular telephone invoices were reviewed for personal charges made by District employees. In addition, the District did not maintain an inventory of assigned District cellular telephones or a listing of assigned phone numbers.

The District's policy did not address making personal telephone calls; purchasing premium services (including VCAST, downloading of ring tones, premium text messaging, internet services and informational calls); and did not require reimbursement of identified personal charges except for minute overages.

Failure to provide guidance regarding allowable cellular telephone services; to examine monthly cellular phone bills for personal usage and unauthorized charges; and to monitor employees' cellular telephone purchases resulted in the District remitting payment for \$7,325 of unauthorized non-District services and phones. In addition, the District did not request reimbursement from Ms. Manville for \$845 of minute overage charges as required by its policy.

By not maintaining a listing of cellular telephones assigned to District employees and their related cellular telephone numbers, the individual reviewing the invoices was unable to determine whether the District remitted payment for only District-owned cellular telephones and numbers.

We recommend the District:

- Amend its cellular telephone policy to prohibit personal use of cellular telephones.
- Identify allowable cellular telephone services.
- Maintain an accurate list of cellular telephones and numbers assigned to District employees in accordance with the District's records retention schedule.

The treasurer's office or business manager should review cellular telephone purchases and charges to identify non-District activity and minute overages, and should request reimbursement for identified purchases.

Equipment List

During the Period, District officials did not identify employees' assigned cellular telephones and related equipment. As such, the District was unable to confirm Ms. Manville returned all cellular telephones and equipment purchased by the District when she was placed on administrative leave.

We recommend the District inventory cellular phones and other equipment assigned to its employees. Upon termination, resignation or retirement, the District should verify the assigned equipment is returned.

Purchasing Agent

At the 2006 and 2007 organizational meetings, the board appointed Ms. Manville as purchasing agent. As purchasing agent, Ms. Manville decided the quality and quantity of purchases made and determined the District's needs. As treasurer she was able to authorize payment for purchases she initiated.

Ms. Manville's ability to authorize and approve purchases and payments permitted her to use District monies to make personal purchases.

We recommend the District appoint an individual other than the treasurer as purchasing agent to provide an appropriate segregation of duties.

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Issue No. 5 – Payments to Certain Vendors

PROCEDURES

Using the Master Vendor list, AOS and District representatives selected vendors requiring further examination based on the types of services provided by the vendor and concerns expressed by the District.

For those vendors to whom payments were issued during the Period, we scanned the related vouchers and selected payments during the Period for examination.

We examined supporting documentation and determined whether the payments were supported, for valid District expenditures and in accordance with the District's purchasing policy.

RESULTS

We reviewed available documentation supporting 159 checks totaling \$51,984 issued during the Period.

In 2003, the District hired Ms. Manville's minor son to work in the Information Technology Department at \$10.61² per hour for 6.5 hours per day during the summer. Ms. Manville approved the purchase order attached to her minor son's timesheet authorizing the payment for 120 hours and the District paid \$1,393 to Ms. Manville's minor son. This matter has been referred to the Ohio Ethics Commission for further review.

NONCOMPLIANCE CITATION

Failure to Encumber

Ohio Rev. Code Section 5705.41(D) requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon. There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in Sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Rev. Code:

1. "Then and Now" Certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Board can authorize the drawing of a warrant for the payment of the amount due. The Board has thirty days from the receipt of the "Then and Now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Board.

² All student workers were compensated at \$10.61 per hour.

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2. Blanket Certificate – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The Board may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Although all 159 expenditures tested were supported by invoices and/or purchase orders, only 55 expenditures had both a purchase order and a dated invoice. Ten of the 55 expenditures with a dated invoice and 35 of the 234 expenditures were not encumbered in accordance with this Section. None of the above exceptions were applicable.

Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances. Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval.

We recommend that the treasurer certify the availability of funds prior to the District incurring an obligation. The District should consider whether additional Blanket and Super Blanket purchase orders should be issued to encumber available funds for District expenditures. When prior certification is not possible, “Then and Now” certification should be used.



Mary Taylor, CPA
Auditor of State

LOVELAND CITY SCHOOL DISTRICT

HAMILTON 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
OCTOBER 14, 2008**