



Mary Taylor, CPA
Auditor of State

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Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Mark Lippencott, Board President
Bob Humble, Superintendent
Aaron Johnson, Treasurer
Fairbanks Local School District
11158 SR 38
Milford Center, Ohio 43045

We conducted a special audit of the Fairbanks Local School District (the District) Panther Paws Program (the Program) by performing the procedures enumerated in the attached Supplement to the Special Audit Report for the period May 1, 2007 through May 31, 2008 (the Period), solely to:

- Determine whether Program fees collected during the Period were deposited into the District's bank account.

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 manual receipts issued and available documentation for the Program to determine whether payments collected during the Period were receipted and deposited into the District's bank account.

Significant Results – During the Period, we examined manual receipts, Program contracts, attendance sheets, and parent confirmations and identified Program fees totaling \$73,180. Of the fees totaling \$73,180, \$17,010 was not deposited by Program Coordinator Michelle Scholl into the District's bank account. As of January 12, 2010, Ms. Scholl repaid the District \$17,010 of which \$7,010 is considered a finding for recovery repaid under audit.

We made one noncompliance citation for the program coordinator failing to collect Program fees in accordance with the Board-approved resolution.

We made three management recommendations for the program coordinator to complete manual receipts issued in their entirety for Program fees collected from the parent, for the treasurer's office to complete manual receipts and monthly recap forms for summer session fees collected, and to maintain all attendance sheets for students participating in the Program.

2. On January 19, 2010, we held an exit conference with the following individuals representing the District:

Bob Humble, Superintendent
Aaron Johnson, Treasurer

The attendees were informed that they had five business days to respond to this special audit report. No such response was received.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

November 13, 2009

Supplement to the Special Audit Report

Background

In mid May 2008, a parent participating in the District's after-school childcare program, Panther Paws, notified the District that someone had altered the check used to pay for her child's participation in the Program. Michelle Scholl was the Program coordinator and was responsible for managing the Program. These duties included enrolling students in the Program, taking attendance, and providing validated deposit slips supporting payments received each week to the building secretary. When District treasurer Aaron Johnson questioned Ms. Scholl about the alteration, Ms. Scholl stated she was not depositing Program receipts collected and that she maintained a second set of Program records at her home identifying funds collected and not deposited.

On May 22, 2008, Ms. Scholl resigned as program coordinator.

On June 2, 2008, Auditor of State (AOS) representatives met with Mr. Johnson and a representative from Julian and Grube, Inc.¹ to discuss the allegations.

Based on further information obtained from the Union County Prosecutor's Office who had been contacted by the District regarding Ms. Scholl's statements, in July 2008, AOS requested Julian & Grube, Inc. begin the District's financial audit as soon as possible and, with AOS assistance, design audit procedures to test the Program's financial activity.

Based on further evaluation of the scope of work necessary to address the allegations, the Auditor of State initiated a special audit on September 17, 2008 of the District's Program.

¹ Julian and Grube, Inc. was conducting the District's financial audit for fiscal year ended June 30, 2008.

Supplement to the Special Audit Report

Issue No. 1 – Receipts

PROCEDURES

We examined and scheduled Program manual receipts issued and identified amounts collected during the Period.

We examined the Program's receipt ledger maintained by the treasurer and identified the amounts deposited into the District's bank account.

For voided receipts, we examined available documentation and determined whether the coordinator voided the receipt for a valid District action.

We obtained copies of the deposit slips and related supporting documentation for Program deposits made during the Period.

Using confirmations sent to the parents, we identified amounts paid to the Program and traced them to the manual receipts.

We traced funds collected per the receipts issued and parent confirmations to the items deposited and determined whether funds collected were deposited.

RESULTS

During the Period, the District operated a before and after school childcare program called Panther Paws (the Program). For a child to participate, parents paid a non-refundable \$25 registration fee for each child in the Program and completed a contract stating the number of participation days. The Program handbook stated only students whose parents paid the registration fee could participate in the Program.

The District stated the parents paid the required registration and tuition fees for students participating in the Program and no adjustments in the number of days previously identified on the contract were permitted. In a few cases, the payment deadline was extended until the parents were able to pay the required tuition payments. Additionally, the District stated the program workers' children were allowed to attend for free.

Using completed contracts, attendance sheets, and manual receipts, we identified 75 students who participated in the Program resulting in registration fees totaling \$1,875. Of the \$1,875 collected, Ms. Scholl did not deposit \$1,425 into the District's bank account.

The Program handbook required parents to pay their child's weekly Program fees one week in advance via cash, check, or money order. When paid, Ms. Scholl issued the parent a manual receipt for the amount received and deposited fees received into the District's bank account. During the Period, Ms. Scholl issued 724 manual receipts totaling \$54,393 of which \$165 collected was not deposited into the District's bank account.

To verify parent fees received were deposited into the District's bank account, we mailed letters to 45 parents requesting they identify amounts paid to the District for their child's Program participation. Using the amounts identified in the 12 responses received, we were unable to trace \$10,852 paid by parents to a manual receipt and a deposit into the District's bank account.

For the 33 parents who did not respond, we examined available signed contracts and attendance sheets for their children to identify the number of days per week or number of weeks each child participated in the Program. Using this information and the Program handbook requirements, we first determined whether the parent paid a daily or weekly rate for their child's participation. We calculated the fees for a child's Program participation by multiplying the number of days or weeks attended by the applicable rate and compared the calculated rate to amounts deposited into the District's bank account. We determined Ms. Scholl did not deposit \$4,603 into the District's bank account.

Supplement to the Special Audit Report

FINDING FOR RECOVERY REPAID UNDER AUDIT

Program Fees Receipts

In examining manual receipts, attendance sheets, and completed contracts and comparing fees collected to those deposited, we determined Ms. Scholl did not deposit fees totaling \$17,045. We also identified \$35 in cash deposited from an unknown source. On July 1, 2008, Ms. Scholl repaid the District \$10,000.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, we considered issuing a finding for recovery against Michelle Scholl for \$7,010 of public monies collected but unaccounted for in favor of the Fairbanks Local School District. As of January 12, 2009, Ms. Scholl had repaid the District the \$7,010. Accordingly, we consider this a finding for recovery repaid under audit.

NONCOMPLIANCE CITATION

Panther PAWS Rates

On August 20, 2007, the Board of Education approved daily and weekly rates for students participating in the Program for the 2007-2008 school year. The resolution did not address whether the children of the program coordinator and her assistant should be charged this fee or whether parents with multiple participating children should receive a reduced rate.

Contrary to Board-approved rates, the Panther Paws handbook reflected a lower rate for parents with more than one child in the program. Therefore, parents with more than one child in the program were charged at a lesser rate for the second and third child. In addition, program employees did not pay these fees for their children's participation in the program.

We recommend the program coordinator review current Board-approved rates and charge parents of participating students the appropriate rate. If the Board intends to offer discounted rates for additional children or for its employees, the Board should document its intent through a formal Board action in the meeting minutes.

MANAGEMENT RECOMMENDATIONS

Manual Receipts

During the Period, Ms. Scholl issued 724 manual receipts. These receipts should include the date, payer, the amount paid, the parent's name of the child participating in the Program, the type of tender received, the applicable check number, and should be signed by the individual collecting the payment. We noted the following exceptions in our review of receipts:

- Manual receipts were not issued for payments received totaling \$18,502 of which \$17,010 was not deposited into the District's bank account.
- Thirty-three manual receipts did not reflect the parent's name, type of tender, applicable check number, or the receipt date.
- Five receipts were not signed by the Program employee receiving the payment.

By not issuing a manual receipt or completing the receipt in its entirety the District is unable to accurately and timely identify the amount of fees collected, determine whether the fees were deposited, and monitor that only eligible children participate in the Program.

We recommend the program coordinator complete the receipt in its entirety when payments are received. Periodically, treasurer's office representatives should compare Program receipts to the manual receipts issued by the program coordinator to ensure funds collected were deposited into the District's bank account.

Supplement to the Special Audit Report

Monthly Re-Cap Forms

A manual receipt was issued to the program coordinator each time she deposited fees and provided a validated deposit slip to the building secretary. The building secretary completed a month-end recap form summarizing monthly deposits including Program receipts which agreed to the total of that month's validated deposit slips. Once in agreement, the building secretary forwarded a copy of the monthly recap form and the pink copies of the validated deposit slips to the treasurer's office for posting to the receipt ledger. We noted the following exceptions to this process during the Period:

- Three monthly recap forms did not include Program receipts totaling \$5,738.
- A monthly recap form was not prepared for July 2007. Instead, Ms. Scholl provided the validated deposit slips directly to the treasurer's office.
- The treasurer's office did not issue a manual receipt to Ms. Scholl for 22 of the 85 deposit slips received for summer session fees.

Failure to issue a manual receipt each time the program coordinator deposited funds and provided the validated deposit slip to the secretary or the treasurer's office and not recording Program funds received as deposited on the monthly recap form submitted to the treasurer's office could result in Program funds not being recorded on the District's receipt ledger. As such, the District is unable to monitor whether the Program revenues are sufficient to fund Program expenses.

We recommend the building secretary, or during summer sessions the treasurer's office, issue a manual receipt for deposit slips received from the program coordinator and complete a monthly recap form. Additionally, a treasurer's office representative should reconcile duplicate manual receipts issued by the building secretary to the monthly recap and to the Program's manual receipts to ensure funds collected are recorded on the District's ledgers and deposited into the District's bank account.

Attendance Records

The program coordinator completed daily student attendance sheets. The attendance sheet included the student name and the Program they attended. When a student withdrew from the Program, either the program coordinator or parent completed a withdrawal form requesting the student be removed from the attendance sheet. We noted the following exceptions to this process during the Period:

- Seven of the 82 attendance sheets for the 2007-2008 and the summer program could not be located.
- The program coordinator did not maintain the parent-completed withdrawal forms.

Failure to maintain the attendance sheets and withdrawal forms documenting the student's presence reduces the District's ability to ensure program revenue due is collected and monitor the Program's activity.

We recommend that the District maintain all attendance sheets and withdrawal forms to identify the amounts due to the District for the student's participation in the Program.



Mary Taylor, CPA
Auditor of State

FAIRBANKS LOCAL SCHOOL DISTRICT
UNION COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 8, 2010