



EAST CLEVELAND CITY SCHOOL DISTRICT

SPECIAL AUDIT REPORT

JULY 1, 1992 THROUGH JUNE 30, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

TABLE OF CONTENTS

TITLE	PAGE
Schedule of Elected Officials and Administrative Personnel as of June 30, 1999	1
Report of Independent Accountants	3
Supplement to the Special Audit Report	
Background Information	5
Relevant Individuals and Entities	7
Issue One - Maintenance Services	10
Issue Two - District Property Rentals	36
Issue Three - Leased Property	39
Issue Four - Transportation of Special Needs Students	44

This Page Left Blank Intentionally

**EAST CLEVELAND CITY SCHOOL DISTRICT
ELECTED OFFICIALS
AND ADMINISTRATIVE PERSONNEL
AS OF JUNE 30, 1999**

NAME	TITLE	TERM	BOND
<u>Elected Officials:</u>			
Jeffery J. Jemison	Board President	1/1/98 to 12/31/02	(A)
Delores B. Drake	Board Vice President	1/1/96 to 12/31/99	(A)
Dr. Mary Ann Harris	Board Member	1/1/96 to 12/31/99	(A)
Dr. Joy Jordan	Board Member	1/1/96 to 12/31/99	(A)
Emma Whatley	Board Member	1/1/98 to 12/31/02	(A)
<u>Administrative Personnel:</u>			
Hayward Sims*	Superintendent	8/1/98 to 7/31/01	(A)
Barbara Henry	Treasurer	7/1/98 to 6/30/00	(B)
Stephen Chapnick	Business Manager	7/1/98 to 6/30/00	(A)

(A) Bonded in the amount of \$25,000 by the Ohio Casualty Insurance Company
 (B) Bonded in the amount of \$50,000 by the Ohio Casualty Insurance Company

* Hayward Sims retired as Superintendent effective June 30, 1999. Elvin Jones was named acting Superintendent on June 17, 1999, and Superintendent on July 1, 1999.

This Page Left Blank Intentionally



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

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

REPORT OF INDEPENDENT ACCOUNTANTS

The Honorable Delores B. Drake, President
Board of Education

Mr. Elvin Jones, Superintendent
East Cleveland City School District

15305 Terrace Road
East Cleveland, Ohio 44112

Pursuant to your request, we have conducted a Special Audit and performed the procedures summarized below, and detailed in our "Supplement to the Special Audit Report", which were agreed to by you, for the period July 1, 1992, through June 30, 1999 ("the Period"). These procedures were performed solely to determine whether East Cleveland City School District ("the District") complied with requirements of the Ohio Revised Code, District policies, and contractual terms for expenditures related to maintenance services, District property rentals, District lease of bus storage facilities, and District expenditures for transportation of special needs students.

This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of this report. Consequently we make no representations regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested, or for any other purpose. The procedures we performed are summarized as follows:

1. We reviewed expenditures for maintenance services to determine if they were bid in accordance with the requirements of the Ohio Revised Code and District policies, whether services were performed and whether IRS Form 1099's were issued where applicable.
2. We reviewed District facilities rentals to determine whether facilities were rented in accordance with the requirements of the Ohio Revised Code and District policy, and to determine whether any District employees were paid by both the District and the party renting the facility.
3. We reviewed leased property for bus storage, to determine whether the District leased the property for bus storage and to determine whether improvements made to the building were paid for by the District.
4. We reviewed the payments to District vendors related to transportation of special needs students to determine if those payments were made in compliance with the terms of the transportation agreements.

5. On March 5, 2001 we held an exit conference with the following representatives of the East Cleveland City School District:

Delores B. Drake, Board President
Mary Ann Harris, Board Vice-President
Jeffery Jemison, Board Member
Joy Jordan, Board Member
Emma Whatley, Board Member
Elvin R. Jones, Superintendent
Myrna Loy Cosley, Assistant Superintendent
Barbara Henry, Treasurer
Juelene Thompson, Assistant Treasurer
Tom A. King, Attorney
Elliot Azoff, Attorney
George L. Forbes, Attorney

These individuals were given an opportunity to respond to this Special Audit. We received a response dated April 11, 2001 from Mr. Tom A. King on behalf of the District. No changes were necessary to this report based on the response.

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

This report is intended for the use of the specified users listed above and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Reports by the Auditor of State are a matter of public record and use by other components of state government or local government officials is not limited.

JIM PETRO
Auditor of State

January 18, 2001

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

BACKGROUND INFORMATION

Based on the results of a performance audit conducted by the Office of the Auditor of State, we contacted certain managers and administrators of the District to discuss allegations of improprieties related to the procurement of maintenance services at East Cleveland City School District. On May 27, 1999, the Auditor of State's Special Audit Committee voted to initiate a special audit of the District.

The Performance Audit division of the Auditor of State's Office completed a performance audit of the District, dated June 2, 1999. The results of this audit concluded that the District contracted approximately 30 percent of its maintenance work to private vendors. The purchased services cost center of the maintenance budget was 37% of the total maintenance budget which also indicated that the District contracted a significant amount of maintenance work. The District employs custodians at each one of their facilities who are responsible for the maintenance of the buildings. Additionally, the performance audit revealed that when compared to the peer group, the District spent the greatest amount on a per student basis for maintenance but the least amount in regards to instruction.

On January 1, 1998 the current Treasurer was appointed by the Board. Upon assuming her duties she noted several questionable practices with regard to the manner in which out-sourced maintenance vendors were being paid by the Business Manager's Office. Specifically;

- vendors were being paid without pre-approved purchase orders, comparative quotations, competitive bidding or District approvals;
- in many instances, vendor invoices did not specifically reflect what services were provided or the exact locations where those services were provided;
- vendor checks were requested outside of the established time table for checks to be issued in order that certain maintenance and transportation vendors could be paid sooner than they would have had the normal payment cycle been followed;
- actual vendor checks were issued to individuals while District financial records reflected those checks were issued to companies.
- certain vendor checks were picked up for distribution to vendors by a district employee rather than the general practice of mailing checks to vendors. Usually on Friday of each week, the Business Manager's office, through the Manager of Buildings and Grounds, would request that checks be prepared for certain vendors for distribution on that day. When the checks had been prepared they were delivered to the Buildings and Grounds supervisor for distribution; and
- federal Tax form 1099's were not issued to all maintenance vendors who were required to receive them.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

In addition to the questionable payment practices outlined above, the Treasurer also raised the following concerns:

- The District had received questions from groups/organizations who had rented school facilities, concerning the practice of remitting payments directly to the building custodians.
The District required custodial service for all rental events. In certain instances, those charges were to be paid for by the renting group, and in other instances, those custodial services were provided by the District.
- The Board of Education had approved lease agreements for the lease of a building which was used as a district bus garage. Included in these lease agreements were provisions which required the school district to pay for all utilities. The lessor included the utility billings on the monthly invoice which he prepared but did not include copies of the original billings received from the utility companies.
- Agreements were entered into between the District and various transportation companies for the transportation of special needs students. The monthly invoices which were received from all of these companies included charges for individuals who allegedly served as "monitors". Section 7-4.1(A).2 of the District's Policy and Procedures Manual requires that all chaperones must be approved by the transportation secretary. The District's transportation secretary is responsible for approving all billings of the transportation companies.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

RELEVANT INDIVIDUALS AND ENTITIES

District Employees and Administrators:

Stephen Chapnick

Mr. Chapnick was the Business Manager for the District. He was hired on September 4, 1990. His general responsibilities were to plan, organize, administer, and coordinate, directly and through the Superintendent's directions, the business services of the District. Included among such responsibilities were financial services (revenue and expenditures), logistical services (maintenance and operations), and food services. At the Board meeting of March 27, 2000, the Board elected not to renew Mr. Chapnick's employment contract. Mr. Chapnick was terminated July 31, 2000. Mr. Chapnick filed suit against the District with respect to his termination and that matter is currently in litigation.

Luke Kirksey

Mr. Kirksey was the Director of Buildings and Grounds, appointed by Mr. Chapnick. As the Director of Buildings and Grounds, he reported directly to the Business Manager, and was responsible for the maintenance of all buildings and grounds for all Board-owned or operated sites in the District. Mr. Kirksey was employed by the District from October 7, 1985 through July 31, 2000.

Audry Saunders

Ms. Saunders was the secretary to Luke Kirksey. Ms. Saunders prepared invoices for certain District vendors because they allegedly were unable to read or write. She accomplished this by generating a template on her computer in which she could enter various vendor names, as well as the dates and hours worked.

Alberta Litavec

Ms. Litavec was the accounts payable clerk who was responsible for the preparation of IRS Form 1099's to be issued to District vendors.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

Vendors Tested in Issue No. 1:

Vendor Name	Owner Name	Services Provided
Abraham Sears & Sons	Abraham Sears	landscaping, weed cutting, vine removal
L.G.S. Contractors	Lawrence Scurry ¹	painting
G & Burton Painting ²	Lawrence Scurry	painting
Quality Contractors	Lawrence Scurry	painting
Bumgarner Plumbing	Terry Bumgarner	plumbing
Bush Plastering	Eugene Bush	plastering
Chapman Masonry	Roderick Chapman	masonry
Charlie Durham & Son Construction	Charlie Durham	carpentry, plumbing, concrete
Caro Construction	Carey Durham ³	construction, maintenance, water-proofing
McMickles' Carpet Cleaning	James McMickles	carpet cleaning
William Munson	William Munson ⁴	carpentry
Willie Peoples & Son Plumbing	Willie Peoples	plumbing
Rease Construction	David Rease	roofing
D.B.J. Painting ⁵	John Riffe	painting
Engineering Economics	Richard Gardner	heating, ventilation, air conditioning
L & L Home Improvement	Michael Nettles	painting, remodeling
T.J. Smith Construction	T.J. Smith	construction
Ted Smith Electric	Ted Smith	electric
G and S Contractors	Garrett Bailey	general repair and moving services
Arick Cleaning Service	Eric Witherspoon	cleaning buildings

¹After providing services to the District, Mr. Scurry was hired as a maintenance employee.

²Although all of the invoices from this company were signed by Raymond Burton, Mr. Burton has resided in California since 1991.

³Carey and Charlie Durham are brothers. In addition to District checks issued to Caro Construction, Carey Durham endorsed all checks issued to Charlie Durham & Sons.

⁴William Munson provided carpentry services after retiring from the District as a teacher.

⁵Derrick Kirksey, the son of Luke Kirksey, worked for D.B.J. Painting and endorsed one of the District checks issued to the company.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

District Property Rentals, Issue No. 3:

Earl Weiss leased property to the District, which was used as their bus garage.

Transportation Vendors, Tested in Issue No. 4

Vendor Name	Owner Name
Keep in Touch Transportation	James Boyd
Chambers Transportation	Jacqueline Chambers
S & P Transportation	Fletcher Smith
Thomas Transportation	Waldwin Thomas
Rufus Webb Transportation	Rufus Webb

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

ISSUE NO. 1 - A REVIEW OF EXPENDITURES FOR MAINTENANCE SERVICES TO DETERMINE WHETHER THEY WERE BID IN ACCORDANCE WITH THE REQUIREMENTS OF THE OHIO REVISED CODE AND DISTRICT POLICIES, WHETHER SERVICES WERE PERFORMED, AND WHETHER IRS FORM 1099'S WERE ISSUED WHERE APPLICABLE.

PROCEDURES

1. We identified and scheduled all expenditures to all District vendors who provided maintenance services and were paid more than \$25,000 by the District during the Period. In addition, we scheduled all expenditures to 3 District vendors who were paid less than \$25,000 during the period. Those 3 vendors were specifically selected because of the following:
 - ▶ The son of the District's Supervisor of Buildings and Grounds was employed by D.B.J. General Contractors.
 - ▶ One of the vendors, William Munson, was a teacher in the District.
 - ▶ Quality Construction was alleged to be the same vendor as L.G.S. Contractors, who was one of the maintenance vendors paid more than \$25,000 during the Period.
2. We determined whether expenditures to vendors for maintenance services were made pursuant to applicable state law and District policies and procedures.
3. We determined whether vendors who allegedly provided those services were issued 1099's, if applicable.
4. We attempted to determine whether alleged services were provided by the vendors.
5. We subpoenaed the bank accounts and business records of the Business Manager, the Director of Buildings and Grounds, and vendors, as necessary, to determine whether any payments were made to the Business Manager by District vendors.
6. We interviewed relevant employees and vendors where necessary.

RESULTS

1. The table on the following page summarizes the payments issued to the vendors we selected to review during the Period. None of these expenditures was supported by a written contract between the vendor and the District.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

	Vendor Name	Payment Time Period	Number of Payments	Dollar Value of Payments
1.	Abraham Sears	July 1, 1996 June 30, 1999	54	\$67,650
2.	Bumgarner's Plumbing	July 1, 1996 June 30, 1999	35	179,310
3.	Bush Plastering	July 1, 1992 June 30, 1999	89	274,664
4.	Charlie Durham and Sons	July 1, 1995 June 30, 1997	15	79,410
5.	Caro Construction	July 1, 1997 June 30, 1999	13	87,307
6.	McMickle's Carpet Cleaning	July 1, 1996 June 30, 1999	55	125,892
7.	Michael Nettles - L and L Home Improvement	July 1, 1996 June 30, 1999	104	226,462
8.	LGS Contractors	July 1, 1996 June 30, 1999	61	185,300
9.	Rease Construction	July 1, 1996 June 30, 1999	9	30,280
10.	T.J. Smith Construction	July 1, 1996 June 30, 1999	16	66,058
11.	Ted Smith Electric	July 1, 1996 June 30, 1999	55	177,602
12.	Willie Peoples	July 1, 1996 June 30, 1999	60	65,022
13.	G and S Contractors	July 1, 1996 June 30, 1999	13	33,363
14.	Quality Contractors	July 1, 1996 June 30, 1999	3	16,600
15.	Engineering Economics	July 1, 1992 June 30, 1999	592	617,714
16.	G. Burton Painting	July 1, 1996 June 30, 1999	19	67,565
17.	William Munson	July 1, 1996 June 30, 1999	10	16,412
18.	D.B.J. Contractors	July 1, 1996 June 30, 1999	7	20,795
19.	Arick Cleaning Service	July 1, 1996 June 30, 1999	58	178,845
20.	R. Chapman Masonry, Inc.	July 1, 1996 June 30, 1999	<u>33</u>	<u>133,175</u>
	Totals		<u>1,304</u>	<u>\$2,649,426</u>

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

2. The state laws and District policies which are referenced in this Issue are as follows:

Ohio Revised Code

- A. Ohio Rev. Code Section 3313.46 states whenever a Board of Education determines to build, repair, enlarge, improve or demolish any school building with a cost in excess of \$25,000, the Board is required to:
- Prepare plans and specifications. [Section 3313.46(A)(1)].
 - Advertise for bids once a week for four consecutive weeks in a newspaper of general circulation in the district not later than 15 days prior to the date specified by the Board for receiving bids. [Section 3313.46(A)(2)].
 - Open the bids at the time and place specified by the Board in the advertisement for bids. [Section 3313.46(A)(3)].

When the work bid for includes both labor and materials, the Board may require that each be separately bid or may require that they be bid as one. [Section 3313.46(A)(5)].

The award of the contract is to the lowest responsible bidder. [Section 3313.46(A)(6)].

The contract is between the Board and the bidders. The Board is required to approve and retain estimates and make them available to the Auditor of State upon request. [Section 3313.46(A)(7)].

- B. Ohio Rev. Code Section 5705.41(D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. This section also provides for the issuance of blanket purchase orders in an amount not to exceed \$5,000 for a period not to exceed three months.
- C. Ohio Rev. Code Section 5705.41 (B) states that no subdivision or taxing unit is to expend money unless it has been appropriated.

East Cleveland City School District Policies and Procedures Manual

- A. Board Policy Section 3-1E provides that in the case where the Board decides to build or improve a school house, the cost of which will be at the bid limit or less, the Board has the discretion to determine the method to be followed to carry out its intention.
- B. Board Policy Section 3-1C provides that in the case of urgent emergency, or for the security or protection of school property, the Board is not required to follow the procedures specified else where in said statute in having schoolhouses costing more than \$15,000 built, enlarged, repaired, or improved. However, the law does not prescribe, in lieu of such procedure, any other or alternative method to be followed by the Board.
- C. Board Policy 3-1D provides that whether or not a case of urgent necessity exists must be determined by the Board from the facts in each particular case.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

3. The following discrepancies were noted during our review of the selected expenditures from the 20 vendors listed on page no. 11:
- A. 444 purchase orders were either generated after the services were completed or after the vendor invoice was submitted to the District.
 - B. According to District Policy, Article II, § 3-7, Requisitions, the District only required requisition forms be generated for the purchase of supplies and equipment. However, in a letter to all staff, dated February 17, 1998, Ms. Barbara Henry, the current Treasurer, required all District purchases begin with a requisition. The requisitions were to be originated at the building or department level and were to have the following information completed:
 - ▶ School Name
 - ▶ School Requisition Number
 - ▶ Date
 - ▶ Description of Purchase
 - ▶ Vendor Information
 - ▶ Related Information Attached
 - ▶ Signature of Building/Department Administrator

The completed requisition was to be forwarded to the Central Office for approval and coding and then processed by the Treasurer's Office resulting in the creation of a purchase order. From February 17, 1998 through the end of the Period, we identified 79 expenditures for which a requisition form was not generated and we identified 50 transactions which did not contain a requisition that was signed by a Building Principal or Department Head.
 - C. The invoices submitted by 18 of the 20 vendors reflected little or no descriptions of the work performed or services provided. As a result, we sent letters to those 18 vendors requesting further documentation to support the payments made to those vendors which included:
 - ▶ Specific location of the work performed
 - ▶ Description of the actual work performed
 - ▶ Identities of individuals who performed the work, and copies of the related time cards/ time sheets and canceled checks for payment to those individuals
 - ▶ Identity of the District employee who approved and accepted the completed work
 - ▶ Invoices for any materials purchased and a copy of the check for payment

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

We received only 9 responses to these letters, and of the 9 responses, only 2 vendors fully satisfied our request. The remaining seven incomplete responses, as well as the nine vendors who did not respond at all, were issued a subpoena to comply with our original request. Of the 16 subpoenas issued, we could only serve 15 subpoenas as we could not locate Mr. Raymond Burton to serve a subpoena. Of the 15 subpoenas served, we received only 2 responses which contained the information requested in the subpoenas and 6 responses which were comprised of copies of invoices submitted to the District for payment. Of the remaining 7 subpoenas served:

- ▶ James McMickles sent a letter stating he had no records;
- ▶ William Munson sent copies of his check stubs from the District;
- ▶ Eugene Bush provided some of his invoices;
- ▶ In a telephone interview, Charlie Durham stated he never performed any work for the District;
- ▶ In a telephone interview, John Riffe stated he had no records;
- ▶ In a personal interview, Lawrence Scurry stated he had no records; and
- ▶ David Rease did not respond in any manner to our subpoena. We served Mr. Rease with a subpoena at his last known address, where we attached the subpoena to his door.

- D. While performing our testing, we noticed that invoices submitted by different vendors appeared identical because they were prepared on standard invoice forms, which were pre-numbered but contained no other preprinted or identifying information. We brought these identical invoices to the attention of Mr. Kirksey. In an interview, Mr. Kirksey stated he personally filled out invoices along with his secretary for some of his contractors because they were not able to read or write. He stated Mr. Abraham Sears would bring in his own invoice booklet and he (Mr. Kirksey) would fill out the work which was performed and the hours worked. He also admitted that two invoices from Caro Construction, which originated from the same invoice pad as Mr. Sears' invoices, were prepared in his own handwriting. We determined that invoices from Mr. Sears, Mr. Willie Peoples, and Caro Construction were generated from the same invoice pad booklets.

In addition to those invoices which were generated from the same pre-numbered pad, in an interview with Ms. Audrey Sanders, Mr. Kirksey's secretary, she stated she generated a template on her computer in which she could enter various vendor names, as well as dates and hours worked. She stated she did this because some contractors' handwriting was illegible. She stated she was given scraps of paper by contractors which listed dates and hours worked along with the location of where the work was performed. She would use this information to generate an invoice and an invoice number. Ms. Sanders further stated she filed the scraps of paper used to generate the invoices in the contractors' files, but after reviewing the files of those vendors, none of those scraps of paper were located.

The following vendor detail reflects the results of Procedures No. 2, No. 3, and No. 4 for each specific vendor, as described below:

- ▶ Whether expenditures were made pursuant to applicable state law and District policies;
- ▶ Whether Federal IRS Forms 1099 were issued to applicable vendors; and
- ▶ Whether alleged services were actually performed by the vendor.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

While performing all related audit procedures and reviewing invoices which had been submitted by the various vendors for payment, we noted that these invoices lacked specific information to identify where the work was performed, the work actually performed, and appropriate breakdowns of charges for wages and materials. In an interview with Mr. Chapnick, he stated all maintenance invoices received by the District which were in amounts less than \$25,000 were the responsibility of Mr. Luke Kirksey, the Supervisor of Buildings and Grounds.

In an interview with Mr. Kirksey, he stated maintenance vendors were hired whenever his staff could not handle the workload. He said the District had no contracts or agreements with those maintenance vendors and that he personally made the determination what each of those vendors were to be paid. He also stated he reviewed most bills (invoices) received and determined whether the services were provided. Our procedures revealed that Mr. Kirksey signed all invoices received to provide authorization for payment of the invoice to the District Treasurer, even though many of the invoices were prepared by Mr. Kirksey himself.

For each of the following vendors, we refer to the number of invoices and the value of those invoices which were reviewed. In some instances, these amounts will not correspond to the Number of Payments reflected in the chart on page no. 11 because the District sometimes paid multiple invoices with one check.

Abraham Sears & Son

We were provided with 54 invoices submitted by Abraham Sears and Son in the amount of \$67,650. Of these 54 invoices, we noted 48 exceptions which are described below:

- A. 16 invoices in the amount of \$19,940 indicated Mr. Sears spent 1,232 hours performing landscaping work and clean-up of school property. Those invoices reflected the schools where work was done, however they did not reflect the exact services which were provided or where on the school grounds those services were performed.
- B. 8 invoices in the amount of \$12,040 indicated during the period June 24, 1996 through September 11, 1996, Mr. Sears spent 304 hours cutting trees, bushes and vines off fences, however they did not reflect where those services were performed.
- C. 16 invoices in the amount of \$18,370 reflected the District location of the work performed, but not the type of work performed.
- D. 6 invoices in the amount of \$5,880 reflected the work performed as cleaning and delivery, however, those invoices did not reflect the location where those services were performed or the exact services performed. Those invoices were prepared using the District template mentioned above.
- E. 2 invoices in the amount of \$2,400 reflected the work performed as delivery and maintenance. Although those invoices reflected the location where those services were performed, they did not reflect the exact services performed. Those invoices were prepared using the District template mentioned above.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

Due to the amount of time that had passed since the alleged services were provided to the District, and because the District was unable to provide substantive evidence that the invoiced services were received, we requested (by letter and then by subpoena) Mr. Sears to provide us with documentation supporting the work performed by his company in all District locations, along with copies of payroll information and the identification of any individuals, other than himself, who may have worked on these projects. Mr. Sears responded to our subpoena by providing us with copies of the same invoices which he had submitted to the District for payment. He provided no payroll information or identification of other individuals who may have worked on the projects.

In an interview, Mr. Sears stated Mr. Chapnick told him to create a vendor name that sounded like a contractor's name, which was the reason he conducted business as Abraham Sears & Son. Mr. Sears informed us that although he has a son, his son never worked with him at the District. He stated he could neither read nor write. As a result of this, he had a lady friend prepare a written invoice for him reflecting the hours he worked and the work he performed. He then took this document to Mr. Kirksey who would prepare a legible invoice for him. He stated he performed all work for which he was paid.

On three occasions, the District made expenditures to Abraham Sears & Son which exceeded the established purchase order in amounts ranging from \$550 to \$3,180.

The District did not issue an IRS Form 1099 for the year 1997 and did not correctly reflect the amounts paid to Mr. Sears on the IRS Form 1099's issued to him in 1996 and 1998. We will recommend the District reissue IRS Form 1099's with revised, accurate amounts, and to issue original Forms 1099 to those vendors who were not previously provided with such.

Bumgarner's Plumbing

The District provided us with payment vouchers which contained 35 invoices in the amount of \$179,310. All of these invoices identified the building where the work was performed, the number of hours worked, and an hourly rate of \$38. However, the invoices did not identify: a) specific services provided (e.g., unclog a bathroom drain); b) the location within the building of where the work was performed (e.g., specific bathroom or locker-room); and c) identification of the individuals who performed the work (e.g., plumber's name).

During an interview with Mr. Bumgarner, he stated he provided only manpower to the District and the District supplied all materials (i.e., piping). He stated they may have done a small job here or there for the District, but for the most part they sent individuals to the District warehouse where their work assignments would be given by Mr. Kirksey.

Due to the amount of time that had passed since the alleged services were provided to the District, and because the District was unable to provide substantive evidence that the invoiced services were received, we requested (via letter and subpoena) Mr. Bumgarner provide us with documentation supporting the work performed by his company in all District locations, along with copies of payroll information and the identification of any individuals, other than himself, who may have worked on these projects. Mr. Bumgarner provided us a one-paragraph letter which stated "Bumgarner's Plumbing, Heating and Cooling supplied men for labor only during the period July 1996 to June 1999. Any other work done for the East Cleveland City School District such as installing a boiler or replacing a pipe, we noted this information in the description area on the invoice." He also provided copies of invoices which he submitted to the District. Those were the same invoices which we reviewed which were provided to us by the District. Mr. Bumgarner did not provide us with any payroll information, time cards, copies of payroll checks, or federal tax forms.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

On two occasions, the District made expenditures to Bumgarner Plumbing which exceeded the established purchase orders in the amounts of \$12,548 and \$1,890.

Bush Plastering Co.

We were provided with 62 invoices in the amount of \$193,173. Those invoices contained the date work was performed, where the work was performed, the number of people who worked on the job, the total hours of work, and the cost of materials used. In addition, the District's ledgers indicated the District made 28 payments in the total amount of \$81,491 in the fiscal years ending June 30, 1993 through June 30, 1995 for which they could not locate the vouchers. The invoices reflected an hourly rate of \$22 for time worked and a 15% overhead charge which was added to the total cost of services and materials.

Due to the amount of time that had passed since the alleged services were provided to the District, and because the District was unable to provide substantive evidence that the invoiced services were received, we requested (via letter) Mr. Bush provide us with documentation supporting the work performed by his company, including copies of payroll information and the identification of any individuals, other than himself, who may have worked on these projects. Mr. Bush responded in person and provided copies of some of the invoices which he had submitted to the District for payment, which were the same invoices provided to us by the District. Mr. Bush stated he was directed to add the overhead charge to the invoices by Mr. Chapnick. He stated he did not have any records, such as time cards, payroll records, W-2 forms or 1099 forms which he had prepared for his employees. We then issued a subpoena for all payroll information from Mr. Bush related to work performed for the District. Mr. Bush responded to our subpoena by providing copies of some of his invoices.

On two occasions, the District made expenditures to Bush Plastering which exceeded the established purchase orders in the amounts of \$20,934 and \$3,257.

Charlie Durham & Sons Construction Co.

We were provided with 15 invoices in the amount of \$79,410. The invoices documented that Charlie Durham & Sons Construction repaired water damage, replaced a green house at Shaw High School, and performed carpentry, plumbing, and concrete work at various locations within the District.

All District checks which were issued to Charlie Durham & Sons Construction Co. were endorsed and deposited by Carey Durham. When questioned, Charlie Durham informed us that Carey Durham was his brother, and all checks were turned over to him because Charlie owed him money.

Charlie Durham & Sons Construction Company was not incorporated in the State of Ohio and the District did not issue any IRS Form 1099's to Mr. Charlie Durham for any of the services provided.

Due to the amount of time that had passed since the alleged services were provided to the District, and because the District was unable to provide substantive evidence that the invoiced services were received, we issued a subpoena to Charlie Durham & Sons Construction Co. requesting documentation supporting the work performed by his company in all District locations, which included ledger postings, payroll checks, cash payment to employees, plans, specifications, materials, invoices, names of employees who worked on the projects and the dates and times that they worked on those projects. In a telephone interview, Mr. Durham stated he never performed any work for the District.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

On two occasions, the District made expenditures to Charley Durham & Sons Construction Company which exceeded the established purchase order in the amounts of \$400 and \$1,940.

Caro Construction

We were provided with 13 invoices in the amount of \$87,307. Mr. Kirksey stated to us Caro Construction was a company operated by Charlie Durham, of Charlie Durham & Sons construction Co. After reviewing the District's vouchers to Caro Construction which included purchase orders and invoices, we determined the District hired Caro Construction to construct a 24' x 24' salt storage bin at the District bus garage and to install an 8" fire protection line at Shaw High School. Of the 12 invoices, the District provided us with 3 invoices totaling \$19,600 relating to the salt storage bin construction, and 4 invoices totaling \$24,625 relating to the fire protection line.

Although all of the invoices relating to both the construction of the salt storage bin and the fire protection line reflected the name of Caro Construction, the building permits were issued to K. Lamar Builders. We do not know if there is any relationship between K. Lamar Builders and Caro Construction. Neither Mr. Chapnick nor Mr. Kirksey knew who K. Lamar Builders were. In addition, although the building permits reflected estimated construction costs of \$8,000 for the salt storage bin and \$11,500 for the 8" fire protection line, the District paid Caro Construction \$19,600 for the construction of the salt storage bin and \$24,625 for the 8" fire protection line. The District did not prepare estimates for construction. Mr. Kirksey stated the reason for the increase in the cost of the salt storage bin was because it was originally supposed to be built from wood, but they determined that the salt would eventually rot the wood, so they decided to build it from a combination of wood, cinder block and steel. When questioned as to the difference in cost between the cost reflected on the building permit and the actual District cost of the 8 " fire protection line, Mr. Kirksey was unable to answer.

Although the District made their first payment for material and labor relating to the salt storage bin on November 24, 1997, the building permit was not issued until June 2, 1998. We do not know if any work was performed prior to the issuance of a building permit.

The first invoice submitted by Caro Construction on November 17, 1997 stated the total due for material and labor to build a salt storage bin was \$6,050 and requested a partial payment of \$3,000. When Caro Construction submitted its' next invoice to the District on July 6, 1998, the total material and labor cost to build this same salt storage bin was reflected as \$18,560.

Also, although the District made their first payment for the 8" fire protection line on June 23, 1998, the building permit was not issued until July 27, 1998. The invoice dated June 22, 1998 stated the total cost for equipment, material and labor for an emergency 8 " fire protection line was \$7,075.

Mr. Kirksey informed us that he prepared invoices for Caro Construction because Mr. Charlie Durham was illiterate. All of the District checks which were issued to Caro Construction were hand delivered, at the bus garage, to Charlie Durham by Mr. Kirksey. Although the normal District procedure is to send checks by mail, Mr. Kirksey would request to pick up certain checks at the Board office so he could deliver them.

Due to the amount of time that had passed since the alleged services were provided to the District, and because the District was unable to provide substantive evidence that the invoiced services were received, we requested (by letter and subpoena) Mr. Durham provide us with documentation supporting the work performed by his company in all District locations, along with payroll information and the dates on which services were rendered. In a telephone interview, Mr. Durham stated he never performed any work for the District.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

The District made expenditures to Caro Construction Co. against PO No. 99434 in the amount of \$39,550 which exceeded the \$25,000 purchase order amount by \$14,550.

McMickle's Carpet Cleaning

After reviewing the District's voucher packets, which included purchase orders and invoices, to McMickle's Carpet Cleaning, we determined the District hired McMickle's Carpet Cleaning to clean and deodorize the carpeting in various District buildings. We were provided with 57 invoices in the amount of \$125,892. Those invoices all reflected the square footage of carpeting cleaned. Of those 57 invoices, 25 invoices (which include 37 buildings, as some invoices reflect multiple locations) do not clearly reflect the exact rooms where the carpeting was cleaned. There were two invoices which reflected carpeting was cleaned at a location where the District had no carpeting. Through inquiry of employees at those two locations, we were informed there was never carpeting at those two locations.

The District hired a professional carpet cleaning company at our request to measure all carpeting in the District. After comparing the square footage of billings by McMickle's Carpet Cleaning to the actual square footage of carpeting installed in the various rooms of the District, we determined McMickle's Carpet Cleaning overbilled the District \$40,939 which results in our issuance of a Finding for Recovery. We were unable to quantify any overbilling in the 37 instances where McMickle's Carpet Cleaning identified the square footage of carpeting cleaned but did not clearly reflect the exact location where the carpeting was cleaned.

Due to the amount of time that had passed since the alleged services were provided to the District, and because the District was unable to provide substantive evidence that the invoiced services were received, we requested (by letter and subpoena) Mr. McMickle provide us with documentation supporting the work performed by his company in all District locations, along with payroll information and the dates on which services were rendered. In response, Mr. McMickle stated he paid his employee in cash and did not have any payroll records.

Although invoices were submitted by McMickle's Carpet Cleaning, the District issued checks directly to James McMickle until the current Treasurer assumed her position in 1998. The District did not issue IRS Form 1099's to James McMickle or McMickle's Carpet Cleaning for the years 1995, 1997, and 1998 although they were required to do so. The District did issue an IRS Form 1099 to Mr. McMickle in the amount of \$9,215 in 1996.

The table on the following two pages reflects our calculation of the overbilling.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

Voucher Date	School	Sq. Ft. Charged	Amount Charged	Actual Sq. Footage	Correct Charge	Over Payment
August 7, 1997	Kirk	10,560	\$2,323	8,324	\$1,832	\$491
August 21, 1997	Mayfair	7,420	1,632	3,854	848	785
September 4, 1997	Kirk	12,872	2,831	9,597	2,111	720
September 15, 1997	Kirk	588	588	0	0	588
September 15, 1997	Rozelle	7,138	1,570	5,225	1,150	421
September 30, 1997	Board Offices	14,452	3,179	8,550	1,881	1,298
October 16, 1997	Kirk	5,824	1,271	3,096	681	590
October 16, 1997	Rozelle	4,500	1,170	3,854	1,002	168
October 30, 1997	Mayfair	4,933	1,283	890	231	1,051
November 21, 1997	Kirk	7,482	1,646	7,250	1,595	51
January 9, 1998	Mayfair	3,760	978	2,186	568	409
January 21, 1998	Board Offices	7,497	1,949	6,446	1,676	273
January 30, 1998	Chambers	10,910	2,837	3,320	863	1,973
February 19, 1998	Kirk	7,138	1,853	5,424	1,410	443
February 19, 1998	Board Offices	1,320	343	288	75	268
March 9, 1998	Kirk	9,430	2,452	2,969	772	1,680
March 9, 1998	Chambers	2,105	547	648	168	379
March 31, 1998	Mayfair	7,516	1,953	3,854	1,002	951
April 16, 1998	Board Offices	7,681	1,996	6,446	1,676	320
April 16, 1998	Shaw	1,326	345	448	116	228
April 29, 1998	Rozelle	7,602	1,977	5,953	1,548	429
April 29, 1998	Board Offices	2,321	603	288	75	529
June 25, 1998	Mayfair	10,280	2,673	3,854	1,002	1,671
July 22, 1998	Shaw	9,520	2,475	2,146	558	1,917
July 31, 1998	Kirk	12,735	3,313	5,000	1,300	2,013
August 21, 1998	Rozelle	13,440	3,494	5,953	1,548	1,947
September 18, 1998	Kirk	9,646	2,508	3,096	805	1,703
This table continues	on next page					

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

Voucher Date	School	Sq. Ft. Charged	Amount Charged	Actual Sq. Footage	Correct Charge	Over Payment
September 18, 1998	Shaw	12,182	\$3,167	2,497	\$649	\$2,518
September 30, 1998	Prospect	8,236	2,141	4,858	1,263	878
October 16, 1998	Board Offices	8,981	2,335	6,446	1,676	659
October 16, 1998	Shaw	1,282	331	560	146	185
November 16, 1998	Mayfair	3,520	915	2,514	654	262
November 16, 1998	Prospect	5,800	1,428	4,828	1,255	173
November 25, 1998	Board Offices	8,981	2,335	6,446	1,676	659
November 25, 1998	Shaw	1,200	312	0	0	312
December 11, 1998	Sims Bldg.	4,320	1,112	2,940	764	348
December 23, 1998	Chambers	13,760	3,578	5,178	1,346	2,231
December 31, 1998	Kirk	10,860	2,824	5,356	1,393	1,431
December 31, 1998	Chambers	2,160	566	1,232	320	245
January 22, 1999	Prospect	8,440	2,184	6,724	1,748	436
January 29, 1999	Kirk	1,890	491	1,826	475	17
January 29, 1999	Kirk	5,760	1,498	2,904	755	743
February 19, 1999	Caledonia	13,580	3,531	6,420	1,669	1,862
April 16, 1999	Board Offices	8,981	2,335	6,446	1,676	659
April 16, 1999	Shaw	1,282	331	560	146	185
April 30, 1999	Kirk	10,234	2,661	2,954	768	1,893
June 25, 1999	Rozelle	13,440	<u>3,494</u>	5,953	<u>1,548</u>	<u>1,947</u>
Total			<u>\$87,360</u>		<u>\$46,421</u>	<u>\$40,939</u>

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

L & L Home Improvement

Based on discussions with Mr. Kirksey and Mr. Chapnick, Mr. Michael Nettles performed work for the District as L & L Home Improvement. After reviewing the District's vouchers to L & L Home Improvement, we determined they provided services such as tile removal and installation, door replacement, and lock installation. For those services, we were provided with 110 invoices in the amount of \$226,462. All invoices reflected the name of L & L Home Improvement; however, the District checks were issued to and endorsed by Michael Nettles, owner of L & L Home Improvement.

In most instances, we could not determine whether these billings were for labor only or if there were charges for materials included. Those invoices reflected lump sum charges for projects. For those invoices which did include charges for materials, there was no detail of the unit cost of the materials or the amounts of materials purchased.

Due to the amount of time that had passed since the alleged services were provided to the District, and because the District was unable to provide substantive evidence that the invoiced services were received, we issued a subpoena to Mr. Nettles requesting documentation supporting the work performed by his company in all District locations, which included ledger postings, payroll checks, cash payment to employees, plans, specifications, materials invoices, employees who worked on the projects and the exact dates and times that they worked on those projects. In response to this subpoena, Mr. Nettles provided copies of invoices, which we had already received from the District, copies of bank statements, and a letter explaining that he had no other records.

There were six instances where the invoices received from L & L Home Improvement exceeded the established purchase orders in amounts ranging from \$4,760 to \$10,951.

L. G. S. Contractors

According to invoices provided to us by the District, L.G.S. Contractors was hired to perform painting services. The District provided us with 96 invoices totaling \$145,160. In addition, the District's ledgers indicated the District made 25 payments in the total amount of \$40,140 in the fiscal year ended June 30, 1995 for which they could not locate the vouchers. The invoices which we did review reflected the location where painting was done and the cost. While reviewing these invoices as well as the invoices from the various other vendors mentioned in this report, we noted that the L.G.S. Contractors invoices appeared to be generated from the same generic invoice pad as those of G & Burton Painting. Although the invoices and related purchase orders reflected L.G.S. Contractors as the vendor, all District checks were issued directly to Mr. Lawrence Scurry. All District checks issued for services performed by L.G.S. Contractors and G & Burton Painting were endorsed by Mr. Lawrence G. Scurry.

A chronological review of the invoicing from L.G.S. and G & Burton Painting reflected that Mr. Scurry billed the District as L.G.S. Contractors for a period of time, then changed his billing to G & Burton Painting for a period of time, for the same types of services. Although he continued this procedure of alternately billing the District, Mr. Scurry endorsed all of the checks.

The District did not issue IRS Form 1099's to Mr. Scurry for the years 1995, 1996, and 1997. L.G.S. Contractors was paid \$44,885, \$35,770, and \$52,165, respectively, for those years. In addition, this did not include amounts paid to Mr. Scurry for G & Burton Painting for those three years, which amounted to \$13,700, \$47,835, and \$6,030. However, the District issued an IRS Form 1099 to Mr. Scurry for 1998 in the amount of \$25,750, which was \$3,000 less than what the District actually paid him in 1998.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

Due to the fact we could not verify whether all of the services were provided by visual inspection because of the time lapse involved and the voluminous number of locations where services were allegedly provided, we issued a subpoena to Mr. Scurry requesting documentation supporting the work performed by his company in all District locations, which included ledger postings, payroll checks, cash payment to employees, plans, specifications, materials invoices, employees who worked on the projects and the exact dates and times that they worked on those projects. Mr. Scurry did not respond to our subpoena. In an interview prior to our issuance of a subpoena, Mr. Scurry stated L.G.S. Contractors performed touch-up painting services for the District for problems such as water damage, graffiti, and paint peeling. He said he was a self-employed contractor who utilized the services of his son or a friend when needed. He stated paint was purchased by the District and he purchased minimal supplies such as clothing and brushes. He stated he was paid by the job and not by the hour, but could not explain how he determined pricing. He said had no payroll records and, if anybody worked with him on a job, they were paid in cash. All invoices were filled out either by himself or his fiancé.

G & Burton Painting

According to invoices provided to us by the District, we determined G & Burton Painting was hired by the District to perform painting services. We were provided with 51 invoices in the amount of \$67,565. The invoices which we did review reflected the location where painting was done and the cost. The invoices reflected Mr. Raymond Burton as owner of G & Burton Painting.

Although all District checks were made payable to G & Burton Painting, all checks were endorsed by Mr. Lawrence Scurry. In an interview with Mr. Scurry, he stated that G & Burton Painting was a company operated by Charlie Burton, and that Charlie Burton had moved to California. He said he was an employee of Charlie Burton's. We attempted to directly interview Mr. Burton, but were unable to locate him. He was not in the phonebook and neither Mr. Scurry nor Mr. Kirksey knew where to locate him. The social security number reflected on the invoices was that of a Raymond Burton. In an interview with a federal official, we determined Raymond Burton has lived in Sacramento, California since 1991, well prior to the time the alleged services were provided. We were also going to serve a subpoena to Mr. Burton requesting documentation supporting the work performed by his company in all District locations, however, as stated before, we could not locate him. As a result, we could not determine who worked for Mr. Burton, how many service hours were provided to the District, and who provided the painting materials and equipment.

As stated previously, under the heading of L.G.S. Contractors, invoices submitted to the District by both G & Burton Painting and Mr. Scurry's company, L.G.S. Contractors, originated from the same generic invoice pad. Although Mr. Scurry stated G & Burton Painting was operated by Mr. Charlie Burton, the invoices submitted by G & Burton Painting were signed by a "Raymond Burton". In addition, it appears as though the invoices submitted by G & Burton Painting and L.G.S. Contractors were completed in the same handwriting. Also, the signatures of Raymond Burton on G & Burton Painting invoices and Lawrence Scurry on L.G.S. Contractors invoices appear to be the same handwriting.

Quality Contractors

We were provided with three invoices in the amount of \$16,600. Those invoices reflected the services performed, the locations where those services were provided and the cost for each of those specific services. The invoices indicated the District was charged for painting services.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

Most of the painting services allegedly provided by Quality Contractors were for the painting of Shaw Stadium. L.G.S. Contractors was also paid for the painting of Shaw Stadium. In an interview, when we questioned Mr. Scurry as to why the work reflected on the invoices of both L.G.S. Contractors and Quality Contractors appeared almost identical, Mr. Scurry stated he billed for the painting of the home bleachers as L.G.S. Contractors and he billed for the painting of the visitors' bleachers as Quality Contractors.

Due to the fact we could not verify whether all of the services were provided by visual inspection because of the time lapse involved, we requested (by letter and then subpoena) Mr. Scurry to provide us with documentation supporting the work performed by his company in all District locations, along with payroll information and the dates on which services were rendered. Mr. Scurry did not respond to our subpoena. As stated previously, in an interview, Mr. Scurry said he was a self-employed contractor who utilized the services of his son or a friend when needed.

All District checks made out to Quality Contractors were endorsed by Mr. Lawrence Scurry. Although the District issued an IRS Form 1099 to L.G.S. Contractors in 1998, the year the services of Quality Contractors were provided to the District, the District neither issued an IRS Form 1099 to Quality Contractors during that period, nor included the amounts earned by Quality Contractors with the IRS Form 1099 issued to L.G.S. Contractors.

As stated previously, on February 11, 1998, Mr. Scurry applied for a position with the District and began employment with the District on July 13, 1998. Three proposals submitted by Quality Contractors, which served as invoices, in the total amount of \$10,000 are dated after his date of employment with the District. Although Mr. Scurry stated all work was completed prior to his employment with the District, he does not have any documentation to support that claim other than his statement.

On one occasion, the District made an expenditure to Quality Contractors which exceeded the purchase order in the amount of \$3,700. In addition, on one occasion, the actual purchase order amount did not agree to the amount reflected in the District's purchase order ledger.

Rease Construction

Based on our review of invoices submitted by Rease Construction to the District, we determined the District paid Rease Construction for roofing services. We were provided with 9 invoices in the total amount of \$30,280. Those invoices reflected the location of the services and the cost for those services. The owner of Rease Construction was David Rease.

Due to the fact we could not verify whether all of the services were provided by visual inspection because of the time lapse involved and the voluminous number of locations where services were allegedly provided, we issued a subpoena to Mr. Rease requesting documentation supporting the work performed by his company in all District locations, which included ledger postings, payroll checks, cash payment to employees, plans, specifications, materials, invoices, employees who worked on the projects and the exact dates and times that they worked on those projects. Mr. Rease did not respond to our subpoena, which was delivered to his last known address.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

On August 21, 1998, Rease Construction was paid \$1,250 for the repair of a leak over the girls locker room at Kirk Middle School and on July 22, 1998, Rease Construction was paid \$1,650 for work which included replacing the flashing around the dormers at Kirk Middle School. Then, according to the invoices from T. J. Smith and Son Construction Company, on October 30, 1998, they were paid \$1,875 for work which included the repair of a leaking flat roof over the girls locker room at Kirk Middle School and the repair of dormer and flashing at Kirk Middle School. The invoices from Rease Construction were prepared from generic invoice pads in handwriting, while the invoices from T. J. Smith and Son Construction company were typewritten on company letterhead.

T. J. Smith & Son Construction Company

We were provided with 13 invoices in the total amount of \$65,020 for roofing services provided during the fiscal year ending June 30, 1999. In addition, the District paid T. J. Smith and Son Construction Company \$78 in fiscal year ending June 30, 1995 and \$960 in fiscal year ending June 30, 1997; however the District could not locate the vouchers for those expenditures. The 13 invoices which we reviewed reflected the location of the services and the cost for those services.

Due to the fact we could not verify whether all of the services were provided by visual inspection because of the time lapse involved and the voluminous number of locations where services were allegedly provided, we issued a subpoena to Mr. Smith requesting documentation supporting the work performed by his company in all District locations, which included ledger postings, payroll checks, cash payment to employees, plans, specifications, materials invoices, employees who worked on the projects and the exact dates and times that they worked on those projects.

Our review of the invoices to T. J. Smith & Son revealed that on October 30, 1998, the Company was paid \$1,875 for work which included the repair of a leaking flat roof over the girls locker room at Kirk Middle School and the repair of dormer and flashing at Kirk Middle School. On August 21, 1998, Rease Construction was paid \$1,250 for the repair of a leak over the girls locker room at Kirk Middle School and on July 22, 1998, Rease Construction was paid \$1,650 for work which included replacing the flashing around the dormers at Kirk Middle School.

On two occasions, the District made expenditures to T. J. Smith & Son which exceeded the established purchase orders in the amounts of \$27,605 and \$6,975. In addition, on one occasion, the actual purchase order amount did not agree to the amount in the District's purchase order ledger.

Ted Smith Electrical Service

We were provided with 52 invoices in the total amount of \$176,972 for electrical work during the period July 1, 1995 through June 30, 1999. In addition, the District paid Ted Smith Electrical Service \$630 in fiscal year ended June 30, 1994. The District could not locate the vouchers for the 1994 expenditures. The invoices we reviewed reflected the location of services provided, the man hours charged, and charge per man hour. The invoices did not reflect the names of individuals who worked those hours.

Ted Smith Electrical Service charged the District 2,409 hours for electrical work in 1998, which is more than a standard work-year for a full-time employee working 80 hours per week, or 2,080 hours per year.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

Due to the fact we could not verify whether all of the services were provided by visual inspection because of the time lapse involved and the voluminous number of locations where services were allegedly provided, we issued a subpoena to Mr. Smith requesting documentation supporting the work performed by his company in all District locations, which included ledger postings, payroll checks, cash payment to employees, plans, specifications, materials invoices, employees who worked on the projects and the exact dates and times that they worked on those projects. Mr. Smith provided us with licenses from the City of East Cleveland Building Department; invoices for work performed November 1, 1995 through July 1, 1999 (the same invoices we received from the District); IRS Forms 1099 received from the District for services provided in 1998 and 1999; IRS Forms 1099 and IRS Forms W-2 issued to individuals who did work for Ted Smith Electrical Service in 1996, 1997, 1998, and 1999; a copy of a revenue ledger reflecting receipts from the District in 1998; and copies of Regional Income Tax Forms for payment of taxes to the City of East Cleveland. Mr. Smith provided no payroll records or any records as to who worked the hours reflected on his invoices to the District.

We found no direct relationship between Ted Smith Electrical Service and T.J. Smith and Son Construction Company.

Willie Peoples & Son Plumbing

We were provided with 36 invoices in the total amount of \$45,590. The invoices consisted of a listing, on a bi-weekly basis, of the date alleged plumbing work was performed, along with the building location, the number of hours worked, and the total amount due. There was no indication as to what specific work was performed, if there were any materials purchased by the company, or if the District had supplied necessary materials and supplies. In addition, the District's ledgers indicated the District made 23 payments in the total amount of \$19,432 in the fiscal years ending June 30, 1993 and June 30, 1994 for which they could not locate the vouchers. Mr. Peoples was paid at the rate of \$16 per hour. In addition to the plumbing work which Mr. Peoples allegedly performed, based on our review of the invoices, he was paid for work which he did on base-board heating at one of the District buildings and for attending a seminar (topic unknown). No one at the District was able to explain why they paid for a seminar.

Due to the amount of time that had passed since the alleged services were provided to the District, and because the District was unable to provide substantive evidence that the invoiced services were received, we requested (by a letter and subpoena) Mr. Peoples to provide us with documentation supporting the work performed by his company, along with payroll information and the dates on which services were rendered. Mr. Peoples responded to our subpoena by providing copies of the invoices he submitted to the District which we already received from the District. Mr. Peoples did not submit any identification of what work was performed at those sites.

The District issued Federal Tax Form 1099's to Mr. Peoples for the tax years 1996 and 1998, but did not issue a form for 1997. Mr. Peoples was paid \$11,174.20 in 1997.

On three occasions, the District made expenditures to Mr. Peoples which exceeded the purchase order in amounts ranging from \$2,264 to \$7,858. In addition, on two occasions, the actual purchase order amounts did not agree to the amounts reflected in the District's purchase order ledger.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

G & S Contractors

G & S Contractors submitted 13 invoices in the amount of \$33,363, requesting payment for locker repairs and moving furniture and supplies between two of the District schools. Each invoice contained the location of the work performed, description of work, and the total charge. Of the payments processed by the District, the first six checks were issued to Garrett Bailey, and the remaining seven checks were issued to G & S Contractors. All thirteen checks were endorsed by Garrett Bailey.

The District issued IRS Form 1099 to Garrett Baily in the amount of \$1,900 for the year 1998, but did not issue an IRS Form 1099's to G & S Contractors.

Due to the amount of time that had passed since the alleged services were provided to the District, and because the District was unable to provide substantive evidence that the invoiced services were received, we requested (by letter and subpoena) Mr. Bailey provide us with documentation supporting the work performed by his company in all District locations, along with payroll information and the dates on which services were rendered. We did not receive a response. As a result, we could not determine who worked for Mr. Bailey or how many man hours were provided to the District.

A chronological review of the invoicing from and payments to G & S Contractors indicated G & S Contractors was paid \$8,500 on June 23, 1998 for moving furniture, boxes, books, and supplies from Chambers school to Mayfair school. Then on July 22, 1998 G & S Contractors was paid \$8,500 for moving furniture, boxes, books, and supplies at Mayfair school and Chambers school. A separate purchase order was issued for each invoice paid.

Engineering Economics

We were provided with 592 invoices in the amount of \$526,299 during the period January 1, 1995 through October 14, 1998. In addition, the District's ledgers indicated the District made payments in the total amount of \$91,415 during the period July 1, 1992 to December 31, 1994 for which the District could not provide vouchers. The District could not locate any vouchers prior to January 1, 1995. The invoices reflected the location of the services provided, the services provided, hours charged and cost per hour, mileage charge, and parts and materials used along with their cost. The invoices indicated that Richard Gardner, the owner of Engineering Economics, charged the District for heating, air conditioning, and ventilation work allegedly provided by his company.

Due to the fact we could not verify whether all of the services were provided by visual inspection because of the time lapse involved and the voluminous number of locations where services were allegedly provided, we issued a subpoena to Mr. Gardner requesting documentation supporting the work performed by his company in all District locations, which included ledger postings, payroll checks, cash payment to employees, plans, specifications, materials invoices, employees who worked on the projects and the exact dates and times that they worked on those projects. Mr. Gardner responded to our subpoena by providing copies of the invoices submitted to the District (which we had already received from the District), work orders (which were identical to the invoices except handwritten instead of typed), bank statements, checks issued, and materials invoices.

Engineering Economics was not incorporated in the state of Ohio. We were not provided with any evidence by the District which indicated they had issued IRS Form 1099's to Engineering Economics during the Period.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

Our review of the payments made to Engineering Economics, the related invoices, and the documents provided to us by Mr. Gardner revealed the following:

- ▶ During the period January 1, 1995 through October 14, 1998, Mr. Gardner charged the District \$24,356 for mileage. Those daily mileage amounts increased throughout the years from \$39 per day in 1995 to \$49 per day in 1998. Although Mr. Gardner charged those amounts for mileage, he only lived 23 miles away from the District. If Mr. Gardner had used the federal mileage rate of \$.325 per mile, the District would only have been charged \$14.95 per day. Mr. Gardner stated those amounts included the costs related to bringing his equipped truck to the job site. For any other help which he may have employed to work at the District, he charged the same reimbursement rate even though they just traveled to the work site. After reviewing Mr. Gardner's expenditure ledgers, we determined he did not pass on those mileage expenses to employees whose mileage expenses were charged to the District.
- ▶ During the period January 1, 1995 through October 14, 1998, Engineering Economics sold 1,896 pounds of refrigerant. Mr. Gardner bought the refrigerant at an average price of \$2.63 per pound (a purchase total of \$4,986). Mr. Gardner sold it to the District at rates from \$11.50 per pound in the beginning of the period to \$15.50 per pound at the end of the period. This amounted to a markup of \$21,236, or 525%, to the District for refrigerant during the period.
- ▶ Engineering Economics charged the District \$2,879 for 48 hours of labor provided by Ronald Burkhard for the period January 20, 1998 through February 5, 1998. The check and IRS Form 1099 issued to Mr. Burkhard by Mr. Gardner indicated he was only paid \$1,080 for his services. In addition, Engineering Economics charged the District \$294 for mileage charges for Mr. Burkhard (\$49 per day for 6 days). The bank records of Engineering Economics did not reflect that any payment was made to Mr. Burkhard for mileage expenses.
- ▶ Engineering Economics charged the District \$2,398 for 40 hours of labor provided by Warner Auto Electric during the period July 15, 1997 through August 8, 1997. The invoices of Warner Auto Electric reflected they charged Engineering Economics \$990 for those services. In addition, Engineering Economics charged the District \$245 for mileage charges for services provided by Warner Auto Electric. The records of Engineering Economics did not reflect that any payment was made to Warner Auto Electric for mileage expenses.
- ▶ The District entered into a contract with Total Energy Management on April 25, 1995 to provide an energy conservation study for the District. The total contract amount was \$44,500. In a letter dated November 29, 1995, from Laurence Dykes, the owner of Total Energy Management, to Mr. Chapnick, he stated "enclosed is a proposal from Engineering Economics to extend the control investigation to nearly all the control systems in your school buildings." The letter further stated the new cost would be \$101,251 which included \$55,751 for the services of Engineering Economics. In a letter to our office, dated June 12, 2000, Mr. Dykes stated he had no written contract with Mr. Gardner related to the work Mr. Gardner performed for his contract with the District. He further stated all work was agreed to in person or in telephone conversations. We were not provided with the above mentioned proposal from Engineering Economics by either Total Energy Management, the District, or Mr. Gardner.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

In a letter to the District dated March 6, 1996, Mr. Dykes stated the study was complete and the reports were delivered to Mr. Chapnick's office. After reviewing the ledgers and vouchers of the District, we determined the District paid Total Energy Management \$100,400 for those services. After reviewing the payments from Total Energy Management to Engineering Economics, we determined Engineering Economics was paid \$55,900 for their services.

Based on our review of Mr. Gardner's invoices, he charged the District \$55 per hour in 1995 and \$57.50 per hour in 1996 for any services which he directly billed to the District.

During the period November 29, 1995 (the date Mr. Gardner's alleged proposal was sent to Mr. Chapnick for acceptance) and March 6, 1996 (the date Mr. Dykes stated the entire project was completed), our review of provided documents revealed the following:

Number of Work-Days⁶ from 11/29/95 - 03/06/96	496 hours, or 62 work-days
Amount Charged Directly by Mr. Gardner to the District	76.5 hours, or 9.5 work-days
Amount Charged through Total Energy Management for Mr. Gardner's Time	\$55,900 divided by \$57.50 per hour = 972 hours, or 121.5 work-days
Additional Charges by Mr. Gardner to Other Customers:	72.5 hours, or 9 work-days
Mr. Gardner's Total Charges:	131 work-days charged to District 9 work-days charged elsewhere

As you can see from the above statistics, Mr. Gardner charged 140 work-days during the period of November 29, 1995 and March 6, 1996. In order to accomplish this, Mr. Gardner would have had to work 625 additional hours, or 78 days above and beyond the established eight-hour days.

- ▶ Mr. Gardner routinely purchased various parts, equipment, and supplies, then sold them to the District at a price in excess of what it cost him to purchase. Mr. Gardner purchased parts in the amount of \$16,008 which he later sold to the District for \$27,445, resulting in a mark-up of \$11,436. According to a representative from Refrigeration Sales, one of the parts suppliers to Mr. Gardner, the District could have purchased the parts directly from Refrigeration Sales at the same price as Mr. Gardner.

William Munson

We were provided with nine invoices in the amount of \$16,412. These invoices reflected the period of time worked, work site, hourly rate, total hours worked, and total amount due for carpentry work.

⁶Work-days are defined as 8-hours days, not including holidays and weekends.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

Due to the amount of time that had passed since the alleged services were provided to the District, and because the District was unable to provide substantive evidence that the invoiced services were received, we requested (via letter and subpoena) Mr. Munson provide us with documentation supporting the work performed by his company in all District locations, along with payroll information. Mr. Munson provided us only with copies of the check vouchers received from the District. In a letter to us, Mr. Munson stated he taught woodshop at Kirk Middle School and Shaw High School, and that in the summer months he worked for Chester Brown, former Director of Buildings and Grounds. He retired from teaching on July 1, 1996. He stated the carpentry services he provided to the District were supervised by Mr. Kirksey.

The District did not issue IRS Form 1099's to Mr. Munson for the years 1996 and 1997.

D.B.J. Contractors

We were provided with seven invoices in the amount of \$20,795. These invoices reflected the name of the school, room number, charge for painting each individual room, and the total charged on the invoice. The invoices indicate that John Riffe, Owner, D.B.J. Contractors, was hired during the summer months of 1998 to do painting work in various District buildings.

Due to the amount of time that had passed since the alleged services were provided to the District, and because the District was unable to provide substantive evidence that the invoiced services were received, we requested Mr. Riffe, by letter and subpoena, provide us with documentation supporting the work performed by his company in all District locations, along with payroll information and the dates on which services were rendered. We received a telephone call from Mr. Riffe who indicated there were two employees, Derrick Kirksey and himself, and that each was paid for the work performed. Mr. Riffe then stated that since there were only two employees, the money was equally divided. Mr. Riffe informed us he would forward a written response to indicate he did not maintain any records related to the work performed at the District; however, no such response was received.

Derrick Kirksey is the son of District employee, Luke Kirksey. Mr. Luke Kirksey approved the invoice for payment which generated a check to D.B.J. Contractors, dated August 31, 1998, in the amount of \$450 which was endorsed by Derrick Kirksey.

The District did not issue an IRS Form 1099 to Mr. Riffe.

On one occasion, the District made an expenditure to D.B.J. Contractors which exceeded the established purchase order in the amount of \$3,625.

Arick Cleaning Service

We were provided with 65 invoices in the amount of \$178,845. The invoices indicate the District was charged for cleaning classrooms and offices. Each invoice identified the rooms cleaned and the charges for cleaning and was approved for payment by Luke Kirksey.

We requested (via letter) copies of payroll information including the identification of any individuals, other than Eric Witherspoon, Owner, who may have worked on these projects. We received the names and social security numbers of the individuals who worked for Arick Cleaning but there was no identification of when or if any of these individuals had worked on the East Cleveland City School District projects. Also, we did not receive any payroll information.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

On seven occasions, the District made expenditures to Arick Cleaning Services which exceeded the established purchase orders in amounts ranging from \$950 to \$27,400. Also on these seven occasions, the actual purchase order amounts did not agree to the amounts reflected in the District's purchase order ledger.

Chapman Masonry

We were provided with 33 invoices in the amount of \$133,175. Each invoice indicated that Roderick Chapman, Owner, Chapman Masonry, charged the District for masonry work, and included the location of the work performed, work performed, and charges for labor and material.

Ten invoices submitted by Chapman Masonry between April 1997 and January 1998 were not dated by the contractor, nor was the date recorded when the approval for payment was signed. Consequently, we could not determine whether those invoices were received prior to the District's issuance of purchase orders.

Due to the amount of time that had passed since the alleged services were provided to the District, and because the District was unable to provide substantive evidence that the invoiced services were received, we requested, by letter and subpoena, information from Chapman Masonry pertaining to payroll, detailed descriptions of work performed for the District during the audit period, copies of invoices for the lease or rental of equipment used for which the District was billed, and the dates that the actual work was performed. We did not receive a response to our request. As a result, we could not substantiate when the work was performed, the accuracy of the invoices received, or if the District had been invoiced for equipment used.

Although payments were made to Chapman Masonry from 1995 through 1998, the District only issued one IRS Form 1099 to Chapman Masonry for the year 1998.

On three occasions, the District made expenditures to Chapman Masonry which exceeded the established purchase order in amounts ranging from \$10,315 to \$19,430.

5. We did not identify any payments from District vendors, or any unidentified cash transactions within the personal accounts of the Business Manager, therefore we did not issue subpoenas for any vendor's personal bank account information.
6. For the purposes of this report, statements and information obtained through interviews of District employees and vendors are reflected, when pertinent, within the results of each section.

FINDING FOR RECOVERY

As stated on pages no.19-21, after comparing the square footage of carpeting cleaned in the billings to the District by McMickle's Carpet Cleaning to the actual square footage of carpeting installed in the various rooms of the District, we determined McMickle's Carpet Cleaning over billed the District \$40,939.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money converted or misappropriated is hereby issued against Mr. James McMickle, Mr. Luke Kirksey, and the Ohio Casualty & Insurance Company, Mr. Kirksey's bonding company, jointly and severally, and in favor of the District's General Fund in the amount of \$40,939.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

NON-COMPLIANCE CITATION

Ohio Revised Code, Section 5705.41 (D)

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.

This section also provides for two exceptions to the above requirements:

1. Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board of Education may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
2. If the amount involved is less than \$1,000 dollars, the Treasurer may authorize payment through a Then and Now Certificate without affirmation of the Board of Education, if such expenditure is otherwise valid.

In 444 instances, the school district incurred obligations and/or was provided a service prior to the funds being certified to meet those obligations/services. In addition, in 20 instances, the District made expenditures in excess of the amount certified by the fiscal officer. In none of these (444 and 20) instances did the District utilize a "Then and Now" Certificate which are provided for by statute, therefore, neither of the exceptions stated above apply to any of these instances.

MANAGEMENT COMMENTS

Performance of In-House Maintenance Duties

The Performance Audit division of the Auditor of State's Office completed a performance audit of the District, dated June 2, 1999. The results of this audit concluded that the District contracted approximately 30 percent of its maintenance work to private vendors. The purchased services cost center of the maintenance budget was 37% of the total maintenance budget which indicated the District contracted a significant amount of maintenance work. The District employed custodians at each one of their facilities who were responsible for the maintenance of the buildings. Additionally, the performance audit revealed that when compared to the peer group, the District spends the greatest amount on a per student basis for maintenance but the least amount in regards to instruction.

We recommend the District perform maintenance services in-house when practical. All of the head custodians and assistant custodians are licensed boiler operators. The district employs carpenters, painters, mechanics, a plumber, a carpenter, and numerous laborers and cleaners. The District should utilize this staff when possible before turning to outside contractors. This will enable the District to decrease it's expenditures to private maintenance vendors and allow for a potential increase in spending for the instruction of their students.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

District Policy on Requisitions

According to District Policy, Article II, § 3-7, Requisitions, the District only required requisition forms be generated for the purchase of supplies and equipment. However, in a letter to all staff, dated February 17, 1998, Ms. Barbara Henry, the current Treasurer, required all District purchases begin with a requisition. The requisitions were to be originated at the building or department level and were to have the following information completed:

- ▶ School Name
- ▶ School Requisition Number
- ▶ Date
- ▶ Description of Purchase
- ▶ Vendor Information
- ▶ Related Information Attached
- ▶ Signature of Building/Department Administrator

The completed requisition was to be forwarded to the Central Office for approval and coding and then processed by the Treasurer's Office resulting in the creation of a purchase order. From February 17, 1998 through the end of the Period, we identified 79 expenditures for which a requisition form was not generated and we identified 50 transactions which did not contain a requisition that was signed by a Building Principal or Department Head.

We agree with the procedures developed by the current Treasurer which require requisitions to be generated for all District purchases. We recommend the Board formally approve those procedures as District policy. The requisition process should formally document specific maintenance services to be provided and the exact location of those services.

Establish Informal Bidding Requirements

The District did not conduct any type of formal or informal competitive bidding process when selecting maintenance vendors. Also, based on the lack of information reflected on vendors invoices, and the lack of documentation maintained by both the District and the maintenance vendors, we were not able to determine whether any of the maintenance services were required to have been formally bid. Although Board Policy Section 3-1E provides that in the case where the Board decides to build or improve a school house, the cost of which will be at the bid limit or less, the Board has the discretion to determine the method to be followed to carry out its intention, the Board has not developed any procedures as to how this would be accomplished.

We recommend the District formally implement a policy to obtain informal quotes over the telephone for all purchases up to a predetermined threshold, established by the Board. The process should be documented and those records should be retained by the District.

Pre-qualification of District Vendors

The District hired maintenance vendors who, in some instances, could not read or write, were not reflected in any local phone book, did not maintain a place of business, and did not create their own invoices. Most vendors did not respond to our request for records by subpoena, and those that did respond did not have sufficient records to document the services they allegedly provided.

We recommend the District, when outsourcing maintenance services, use qualified vendors to ensure the District is receiving the best possible services at the best possible price. We also recommend the District formally implement a process to pre-qualify District vendors.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

Preparation of Invoices

Multiple vendors submitted handwritten pre-numbered invoices which came from the same standard invoice pad. In addition to those invoices which were generated from the same pre-numbered pad, in an interview with Ms. Audrey Sanders, Mr. Kirksey's secretary, she stated she generated a template on her computer in which she could fill in various vendor names, dates worked, hours worked, etc. She stated she did this because some contractors' handwriting were poor. She stated she was given scraps of paper by contractors which listed dates and hours worked along with the location of where the work was performed and use this information to generate an invoice. She assigned the invoice number as well.

We recommend the District employees never prepare invoices for vendors.

IRS Forms 1099

The District did not issue IRS Form 1099's to eight maintenance vendors in 1996, to all maintenance vendors in 1997, and to five maintenance vendors in 1998. As a result, some District vendors may not have paid the proper federal and state taxes in those years. We have been informed by the IRS that they have initiated action against those District vendors who did not comply with IRS regulations.

The District should obtain and review the IRS guidelines on the issuance of Form 1099. All District Form 1099's should be issued to those vendors required to receive an IRS Form 1099, per the established federal guidelines. Additionally, the District should reissue 1099's to those vendors whose previous forms were determined to be inaccurate, and issue original 1099's to those vendors who never received such forms.

Issuing Checks to Vendors

The District issued checks to people rather than the vendors names to whom purchase orders were issued. We also identified people who endorsed all of the checks for multiple vendors. Carey Durham endorsed all checks issued to Charlie Durham & Sons Construction Co. and Caro Construction. Lawrence Scurry endorsed all checks issued to L. G. S. Contractors, G & Burton Painting, and Quality Contractors. As a result, it was possible for the District and those vendors to circumvent competitive bidding requirements by dividing jobs between multiple companies owned by the same person.

We recommend the District issue checks only to the vendors reflected on purchase orders. The District should also review canceled checks to verify endorsements, which could help identify if the same person is endorsing checks issued to multiple vendor names.

Payment Approval Process

All invoices submitted for payment by maintenance vendors were signed by Mr. Kirksey to indicate approval for payment. Even in instances where the invoices were vague, Mr. Kirksey stated he was able to verify that services were provided. Inasmuch as most invoices did not clearly show the exact services provided or the exact location of those services, we question whether Mr. Kirksey actually verified whether all maintenance services were provided. Although some maintenance vendors billed the District for the labor of two or more individuals on a given day, those vendors either did not or could not provide us with payroll documentation which would verify that they employed people who provided those services.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

We recommend the District formally approve a policy which outlines the procedures to be followed to verify that goods or services have been received by the District prior to processing payments. We also recommend this procedure include authorizations by the building principal or head janitor and the Business Manager. Further, the District should establish specific criteria which are expected to be included in the invoice descriptions, including, but not limited to, specific location of the work performed, a detailed description of the work, the type and quantity of any materials purchased, and the names and hours of individuals working on a project.

Pricing Structure

Our review of the payments to Engineering Economics (Richard Gardner) and the related invoices revealed the following:

- ▶ The District paid Engineering Economics \$617,714 during the Period. This did not include \$55,900 which was paid to Engineering Economics by Total Energy Management for services provided to the District as part of a \$100,400 contract Total Energy Management had with the District.
- ▶ During the period January 1, 1995 through October 14, 1998, Mr. Gardner charged the District \$24,356 for daily mileage. Although Mr. Gardner lived only 23 miles from the District, he charged the District at rates of \$39 to \$49 per day.
- ▶ During the period January 1, 1995 through October 14, 1998, Mr. Gardner purchased 1,896 pounds of refrigerant at an average price of \$2.63 per pound, then sold it to the District at rates from \$11.50 to \$15.50 per pound.
- ▶ Mr. Gardner sold parts and equipment to the District at virtually double the cost of his purchase price.

Although Mr. Gardner stated to us that his prices were discounted to him by suppliers and the District could not purchase parts and equipment at those same prices, a representative from Refrigeration Sales, a local supplier, stated to us that the District could have bought all of the parts and equipment from them at the same cost they charged Mr. Gardner. Also, the payment of a \$49 mileage charge to a vendor who lives 23 miles away seems unreasonable given the current federal mileage reimbursement rate.

We recommend the District exercise discretion when authorizing payments to vendors, by providing a thorough review of invoices, not only for content but also for reasonableness, as is the case with the mileage payments to Mr. Gardner. Further, when procuring goods or services, we recommend the District actively attempt to obtain parts and equipment at the lowest available prices, and when possible, perform maintenance services in-house. Additionally, the District should ensure written contracts contain descriptive pricing structures and allowable overhead charges, so the District is not charged in excess of what was originally the intent of the Board.

Reconciliation of Purchase Orders

At least eleven of the District's printed purchase orders did not reconcile to the information contained in the purchase order ledger in the District's software system. According to Barbara Henry, this occurred because the District's old computer software system possessed few internal controls. This system allowed easy access to the programs by most personnel which led to data corruption. She stated the current software does not allow for purchase orders to be altered in the ledgers, except by authorized personnel.

We recommend the District periodically review purchase orders which have been processed, and attempt reconciliation of those documents with the purchase order ledgers, to insure the access controls over these ledgers are working as designed.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

ISSUE NO. 2 - A REVIEW OF SCHOOL DISTRICT FACILITIES RENTALS TO DETERMINE WHETHER SCHOOL DISTRICT FACILITIES WERE RENTED IN ACCORDANCE WITH THE REQUIREMENTS OF THE OHIO REVISED CODE AND SCHOOL DISTRICT POLICY, AND TO DETERMINE WHETHER ANY SCHOOL DISTRICT EMPLOYEES WERE PAID BY BOTH THE DISTRICT AND THE PARTY RENTING THE FACILITY.

PROCEDURES

1. We attempted to identify and schedule all District property rentals during the Period by reviewing the revenue ledgers of the District. Using the account code designated for property rentals, we determined the amounts which were recorded for the collection of property rentals. We then requested the Treasurer provide us with the rental contracts which supported those ledger entries.
2. We determined whether all District property rentals were made in compliance with applicable state law and District policies and procedures.
3. We interviewed custodians and attempted to contact outside organizations to determine whether parties who rented school buildings paid cash to District employees at the time of the rental.
4. If District employees were paid cash for services provided during the rental of the building, we determined whether those employees were also paid by the District.

RESULTS

1. The Treasurer stated her office did not maintain the information which we were requesting. The Assistant Treasurer was able to provide us with copies of three rental contracts from the Period. We requested, via letter and verbal inquiry, Mr. Kirksey and Mr. Chapnick provide us with property rental contracts. Mr. Chapnick directed us to Mr. Kirksey, who alleged he maintained the rental contracts in his office; however, after searching Mr. Kirksey's office, no property rental files were located. As a result, we could not schedule any property rentals during the period other than the three rental contracts we received from the Assistant Treasurer.
2. According to Ohio Revised Code, Section 3313.77, the District is required to adopt policy which lists all fees to be paid for the use or rental of the facilities.

Section 3-11 of the Policies and Procedures Manual of the District titled " Rental of School Building" provides specific guidelines concerning the rental of School District property and the charges to be made for such rentals, including custodial charges. Section 3-11 (3) provides for certain non-profit organizations, such as the Parent-Teacher Association, the Boy Scouts, and the Girl Scouts can use school property without paying the "Regular Rental Fee" under certain conditions. Those conditions included two meetings or less in a month and a minimum number of members in attendance for the meetings. If an organization did not meet those conditions, they were then on the "Pay Custodian Only" basis. Under this requirement, the rental contract states the custodian is to be paid \$25 per hour for each hour which the meeting is in process, but does not specify if the outside organization is required to pay the custodian directly or the District. Organizations which promote the general welfare of the community are permitted to use school property on the "Pay Custodian Only" as long as there is only one meeting per month.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

Other organizations which charge an admission fee, food fee, donation, or any other monetary consideration for admission, shall be permitted use on a "Pay All Expenses" basis. These expenses were to be calculated based on a fee schedule included in Section 3-11 of the District's Policy and Procedures manual. Since the District provided us with only three of the rental contracts from the Period, we could not determine whether any of the other rentals of school property during the Period were in compliance with the District's policies and procedures.

Our review of the three rental contracts which were provided indicated two of the rental agreements were on the "Pay Custodian Only" basis and the other rental contract charged the proper fee of \$50 for the rental of the facility and also required the organization to pay the custodian \$25 per hour. After reviewing the District's ledgers, we determined custodial fees in the total amount of \$250 for those three rentals were paid directly to the custodians, and not to the District.

3. In separate interviews, both Mr. Chapnick and Mr. Kirksey stated custodians were paid directly by organizations who rented the facilities. They stated that only District custodians would work when an organization rented a District facility.

We interviewed two of the individuals listed as contacts on the rental agreements. They both stated they paid the custodians at the time of the event in cash. We were not able to contact the individual listed as the contact on the other rental agreement. The two custodians who worked the three rentals identified above stated they were both paid directly by the organizations. They could not recall whether they were paid by cash or check, but both agreed that whenever they worked for a facility rental they were always paid by the organization at the time the event occurred.

4. After reviewing District payroll records, we determined no custodians were paid by the District for time worked on the dates and times of the above mentioned facility rentals.

NON-COMPLIANCE CITATIONS

Ohio Revised Code, Section 149.351

Ohio Rev. Code Section 149.351 provides in pertinent part that, "[P]ublic records not be removed, destroyed, 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 Ohio Rev. Code Sections 149.38 to 149.42. . ."

Mr. Chapnick and Mr. Kirksey could only provide us with 3 rental contracts, which are public records, during the Period for the rental of school facilities. In an interview, Mr. Kirksey stated he searched his office for the rental contracts and found the files which maintained those rental contracts were missing. As a result, we could not determine whether the District rented property in compliance with Board policy during the Period.

We recommend all documents supporting the rental of District facilities be maintained at a central location within the District, and filed in chronological order. Procedures should be formulated, and a filing system should be established, that will provide a mechanism for all records generated by District facility rentals to be filed and maintained.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

Ohio Revised Code, Section 117.01(C), 9.38, 9.39

Ohio. Rev Code Section 9.39 states, in pertinent part that, "[A]ll public officials are liable for all public money received or collected by them or by their subordinates under color of office." Ohio Rev. Code Section 9.38(2) provides in part that any, "public official other than a state officer, employee or agent, shall deposit all public moneys received by that person with the treasurer of the public office or properly designated depository on the business day next following the day of receipt," if the total amount is over \$1,000. If the total amount is not over \$1,000, the same shall be done, "unless the public office of which that person is a public official adopts a policy permitting a different time period, not to exceed three business days," for making such deposits. ORC 9.38(2)

The definition of "public money" is given at Ohio Rev. Code Section 117.01(C) as:"Public money' means any money received, collected by, or due a public official under color of office, as well as any money collected by any individual on behalf of a public office or as a purported representative or agent of the public office." The definition of "public official" is given at Ohio Revised Code Section 117.01(E) as,"Public official' means any officer, employee or duly authorized representative or agent of a public office."

In separate interviews, both Mr. Chapnick and Mr. Kirksey stated that custodians, who were District employees, were paid for their work during the District facility rentals directly by organizations who rented District facilities. We interviewed 2 custodians who worked during facility rentals and they both stated they were paid directly by the renting organizations. As a result of renters of District facilities having paid custodians directly and those payments not having been deposited and posted to District accounts, District issued IRS W-2 Forms were understated for custodians who worked those events and the possibility exists that those employees may have not paid the proper federal and state taxes.

We recommend the District add language to the standard rental contracts directing the renting organization to pay the District for all services provided by custodians. The District should record a revenue for these fees, then generate payments to the applicable custodian(s) who worked at the event. Finally, the District should include these payments to custodians in their Form W-2.

We also recommend the District interview its custodians who performed work related to facilities rentals to determine how much money was received by custodians directly from the renting party. The District should then issue these employees revised Forms W-2, including the amounts received from such rental agreements.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

ISSUE NO. 3 - A REVIEW OF LEASED PROPERTY FOR BUS STORAGE TO DETERMINE WHETHER THE DISTRICT LEASED THE PROPERTY FOR BUS STORAGE AND TO DETERMINE WHETHER IMPROVEMENTS MADE TO THE BUILDING WERE PAID FOR BY THE DISTRICT

PROCEDURES

1. We identified the lease for the property used for bus storage, and made a determination of whether a contract was entered into by the District and the lessor.
2. We determined whether the lease was entered into pursuant to state law and the policies and procedures of the District.
3. We determined whether any improvements were made to the facility leased by the District, and if those improvements were paid for with District funds. We made a determination of whether any expenditures for that purpose were made pursuant to the lease agreement.

RESULTS

1. The District leased two buildings located within the City of East Cleveland from the Earl Weiss Trust for use as the District's Bus Garage.
 - ▶ On May 1, 1983, the District entered into an agreement with Earl Weiss to lease approximately 11,000 square feet of space and a basement below a portion of the first floor at 14461 Euclid Avenue in the City of East Cleveland. The term of that original lease was for three years with two successive five year renewal terms which were both exercised.

In addition to the agreement above, on April 18, 1996, the District entered into a succeeding agreement with the Earl Weiss Trust to lease 12,000 square feet of space and a basement below a portion of the first floor at 14461 Euclid Avenue for three years with two successive three year renewal terms.
 - ▶ On April 18, 1996, the District entered into an agreement with the Earl Weiss Trust to lease approximately 10,000 square feet of space 14481 Euclid Ave. in the City of East Cleveland. This space adjoined the space mentioned above. The District removed part of a common wall between the two spaces so, for all practical purposes, it served as one facility. The term of the lease for this additional space was for nine years commencing on September 1, 1997.
2. The District's Board properly entered into those leases as provided for in Ohio Rev. Code Section 3313.37. After reviewing all 96 payments issued to Earl Weiss during the Period, we determined the District accurately paid the amounts required under contract for the designated space rental.

All of the agreements stated that "the Lessee shall be responsible for the payment of all electricity, gas, water/sewer and telephone service to and used by the Lessee at the demised premises." All of the invoices which were submitted to the District by Earl Weiss for lease payments included charges for electricity and gas at 14481 Euclid Ave. and charges for gas at 14461 Euclid Ave. The Cleveland Illuminating Company directly billed the District for electrical usage at 14461 Euclid Ave. because that premises had a separate meter.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

In August of 1999, the current District Treasurer, Ms. Henry, requested support documentation from Mr. Weiss before she would approve District payment to Mr. Weiss for utilities. When he provided the District with a copy of a utility bill for that month, Ms. Henry discovered a discrepancy between what Mr. Weiss was charging the District for utilities and what the utility company charged Mr. Weiss. Mr. Weiss told Ms. Henry that he had a verbal agreement with Mr. Paul Hammer, the former Business Manager, to overcharge the District for utilities. Mr. Weiss informed Ms. Henry there was nothing in writing which memorialized this alleged verbal agreement. Mr. Hammer is deceased.

Mr. Weiss voluntarily provided us with copies of 21 billings from the Cleveland Illuminating Company and 15 billings from the East Ohio Gas Company which were all he had in his possession. After reviewing the copies of those billings, we determined Mr. Weiss charged the District more per kilowatt hour for electricity than the Cleveland Illuminating Company charged him, and he charged the District more per thousand cubic feet of gas used than the East Ohio Gas company charged him.

We then issued a subpoena to the Cleveland Illuminating Company and East Ohio Gas Company for all billings to Earl Weiss for the two premises.

- ▶ The billings from the East Ohio Gas Company to Mr. Weiss were for gas usage at the entire combined premises of 14461 Euclid Ave. and 14481 Euclid Ave. Based on the records received from the East Ohio Gas Company, we were able to calculate their charges to Mr. Weiss per thousand cubic feet of gas used each month for the entire Period, and compared those charges to what Mr. Weiss charged the District for gas. We determined Mr. Weiss over billed the District for gas in the amount of \$9,534 during the Period, as reflected in the charts on pages no. 41 and 42.
- ▶ The billings from the Cleveland Illuminating Company were for electrical usage at 14481 Euclid Avenue only, because, as mentioned above, the District was directly billed for electricity used at 14461 Euclid Avenue. Based on the records received from the Cleveland Illuminating Company, we were able to calculate their charges to Mr. Weiss per kilowatt hour used by month for the entire Period, and compared those charges to what Mr. Weiss charged the District per kilowatt hour. We determined Mr. Weiss over-billed the District for electricity in the amount of \$1,881 during the Period, as reflected in the chart on page no. 42. According to the job description of Mr. Chapnick, he was the person responsible for the supervision of lease arrangements. All payments from Mr. Weiss were directed to Mr. Chapnick who would walk the invoice over to accounts payable for payment.
- ▶ For both gas and electrical utilities, the invoices received from East Ohio Gas Company and Cleveland Illuminating Company included utilities used by three other lessors of Mr. Weiss at 14481 Euclid Ave. Mr. Weiss installed sub meters at the premises to identify the utility usage by the District for the floor space they leased; however, there were no documents which verified the sub meter readings by Mr. Weiss for gas and electrical usage other than the usage amounts reflected on the invoices Mr. Weiss issued to the District. For the purposes of this report, we have accepted these amounts as accurate.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

Gas Over Billings at 14461 Euclid Ave.

<u>Month</u>	<u>Billings by Weiss to the District</u>	<u>Billings by the East Ohio Gas Company to Weiss</u>	<u>Variance</u>	<u>Month</u>	<u>Billings by Weiss to the District</u>	<u>Billings by the East Ohio Gas Company to Weiss</u>	<u>Variance</u>
12/92	\$936	\$801	\$135	02/96	\$1,510	\$1,103	\$407
01/93	694	593	101	03/96	1,669	1,222	447
02/93	1,474	1,316	158	04/96	765	604	161
03/93	1,484	1,310	174	05/96	316	278	38
05/93	44	43	1	06/96	30	28	2
06/93	16	0	16	10/96	582	524	58
09/93	35	0	35	11/96	1,086	988	98
10/93	158	211	-53	12/96	1,235	1,087	148
11/93	393	398	-5	01/97	1,380	1,353	26
12/93	711	460	251	02/97	1,089	1,044	45
01/94	1,488	1,353	135	03/97	968	0	968
02/94	902	814	88	04/97	506	485	21
03/94	705	712	-7	05/97	278	265	13
04/94	293	296	-3	10/97	161	0	161
05/94	95	83	12	11/97	871	0	871
07/94	10	0	10	12/97	1,055	992	63
08/94	10	0	10	01/98	1,294	1,200	94
09/94	10	0	10	02/98	939	843	96
10/94	100	93	7	03/98	823	718	105
12/94	654	557	97	04/98	301	276	25
01/95	1,088	924	164	06/98	25	20	5
02/95	1,277	1,029	248	11/98	1,079	1,114	-35
03/95	712	575	137	12/98	1,528	1,285	243
04/95	513	416	97	01/99	2,252	1,889	363
05/95	91	74	17	02/99	1,881	1,575	306
11/95	1,102	812	290	03/99	1,594	1,240	354
12/95	1,175	850	325	04/99	748	580	168
01/96	1,471	1,073	398	05/99	<u>33</u>	<u>26</u>	<u>7</u>
				Total	<u>\$43,646</u>	<u>\$ 35,536</u>	<u>\$8,110</u>

(Table continues to the right.)

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

Gas Over Billings at 14481 Euclid Ave.

<u>Month</u>	<u>Billings by Weiss to the District</u>	<u>Billings by the East Ohio Gas Company to Weiss</u>	<u>Variance</u>
01/98	\$ 1,164	\$ 1,078	\$ 86
02/98	1,098	986	112
03/98	940	820	120
04/98	381	350	31
06/98	14	12	2
11/98	906	935	-29
12/98	1,121	942	179
01/99	1,235	1,036	199
02/99	1,372	1,148	224
03/99	1,571	1,222	349
04/99	609	473	136
05/99	<u>68</u>	<u>53</u>	<u>15</u>
Total	<u>\$10,479</u>	<u>\$ 9,055</u>	<u>\$1,424</u>

Electric Over Billings at 14481 Euclid Ave.

<u>Month</u>	<u>Billings by Weiss to the District</u>	<u>Billings by the Cleveland Illuminating Company to Weiss</u>	<u>Variance</u>
01/98	\$ 460	\$ 336	\$ 124
02/98	388	288	100
03/98	397	298	99
04/98	393	299	94
05/98	271	205	66
06/98	264	0	264
07/98	277	0	277
08/98	214	180	34
09/98	212	177	35
10/98	191	148	43
11/98	220	170	50
12/98	237	183	54
01/99	221	171	50
02/99	343	264	79
03/99	380	292	88
04/99	270	0	270
05/99	362	278	84
06/99	<u>420</u>	<u>350</u>	<u>70</u>
Total	<u>\$5,520</u>	<u>\$3,639</u>	<u>\$1,881</u>

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

3. According to the terms of the agreements, the District could “make any reasonable alterations, improvements or additions to the interior of the leased premises as may be necessary to the operation of its business.” The District built a salt storage garage behind 14461/14481 Euclid Ave. on property owned by Mr. Weiss. In addition, the District also improved the premises at 14461/14481 Euclid Ave. when it built office space, a kitchen facility, and improved the restroom facilities. Those District expenditures were made pursuant to the lease agreement.

FINDING FOR RECOVERY

After comparing the rates which were charged to Mr. Weiss by utility vendors to the rates he charged the District, we determined Mr. Weiss over billed the District for electricity and gas in the amounts of \$1,881 and \$9,534, respectively.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money converted or misappropriated is hereby issued against Mr. Earl Weiss, Mr. Stephen Chapnick, who was responsible for the supervision of lease arrangements, and the Ohio Casualty & Insurance Company, Mr. Chapnick’s bonding company, jointly and severally, and in favor of the District’s General Fund in the amount of \$11,415.

MANAGEMENT COMMENT

Compliance with Contractual and Lease Agreements

As reflected in the above Finding for Recovery and in the results of our procedures, the District was overcharged by Mr. Earl Weiss for electrical and gas utilities at their bus storage facilities. This practice occurred over the entire Period. According to the job description of the Business Manager, it was his responsibility to supervise lease arrangements. No one from the District monitored compliance with the lease arrangement between Mr. Weiss and the District.

We recommend the District develop formal procedures to ensure the District, contractors and lessors comply with the terms of all contractual and lease agreements. These procedures could include specific steps which the Business Manager should perform prior to granting approval of lease and utility payments.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

ISSUE NO. 4 - WE REVIEWED THE PAYMENTS TO DISTRICT VENDORS RELATED TO TRANSPORTATION OF HANDICAPPED STUDENTS TO DETERMINE IF THOSE PAYMENTS WERE MADE IN COMPLIANCE WITH THE TERMS OF THE TRANSPORTATION AGREEMENTS
--

PROCEDURES

1. Through interviews of the Treasurer and employees of the Transportation Department, we obtained and reviewed the contracts between the District and all vendors who transported handicapped students during the Period. We determined the fees to be paid for the services provided (including the fees for regular and special transportation monitors), and the type of documentation which the District required from the vendors in order to process payments. We interviewed Mr. Chapnick to determine the guidelines used by the District when contracting for transportation of its Special Needs students.
2. We identified the payments made by the District to transportation vendors during the Period. Using the invoices submitted by the transportation vendors, along with the attached attendance records, we determined whether the District's payments to transportation vendors for the billing of regular transportation monitors and special transportation monitors were correct. We also recalculated the invoices for accuracy.

RESULTS

1. The District provided us with copies of all contracts between the District and the transportation vendors during the Period. These contracts specified that students would be transported from their place of residence to their assigned school location and returned to the location which was identified by the District. The District required that all transportation services be provided in compliance with Ohio Rev. Code Chapter 4511 and the provisions of Chapter 4501-1 of the Ohio Administrative Code.

Each transportation vendor submitted to the District a detailed monthly transportation billing on the first working day of each month for the prior month's services. This detailed information consisted of attendance records of each student and monitor transported for the month. The contract provided a schedule of per diem charges for handicapped students, special transportation monitors, and regular transportation monitors. The contracts provided fees for special transportation monitors of \$30 per day during fiscal year 1999, and \$26 per day during fiscal years 1995 through 1998. All of the contracts stated the District would not pay for regular transportation monitors. In an interview, Mr. Stephen Chapnick defined a special transportation monitor as "an individual requested and assigned by the District's Department of Special Education based on its assessment of need of a particular student." He defined a regular transportation monitor as "an individual assigned to a van by the transportation vendor based on its assessment of need." Although those were the definitions of Mr. Chapnick, neither District policy nor the District's contracts with the transportation vendors defined a regular monitor or a special needs monitor.

Ms. Katherine Sullivan, the District's Supervisor of Special Education, was the person responsible for determining which students required a special needs monitor as defined by Mr. Chapnick. She maintained a loose-leaf binder with pertinent information for each student transported by a transportation vendor. This information included students names, names of parents or guardians, addresses, phone numbers, schools where they were to be transported. According to the student files we reviewed, only one student was identified by Ms. Sullivan as requiring a special needs monitor.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

2. The table below identifies the payments made by the District to the transportation vendors during the Period. Although the contracts stated the District would not pay for regular transportation monitors, the invoices we reviewed showed the District did, in fact, pay \$205,176 to the vendors for these monitors. Additionally, even though the District files documented only one student who required a special needs monitor, the District incurred fees in the amount of \$58,133 for these types of monitors during the Period.

Ms. Deidre White, the Transportation Secretary, stated that based on phone conversations she had with Ms. Sullivan, the invoices which included charges for more than one special needs monitor were approved for payment. We were unable to interview Ms. Sullivan, as she was deceased during the Period. However, neither the District, Ms. White, nor the transportation vendors could provide us with any supporting documentation which could validate Ms. White's statements that those monitors were approved by Ms. Sullivan.

After reviewing available invoices, we identified the following amounts which the District paid to transportation vendors:

Vendor Name	Total Amount Paid	Amounts Charged for Monitors	Amounts Charged for Special Monitors	Total Amounts Charged for All Monitors
Thomas Transportation	\$918,506	\$97,048	\$18,540	\$115,588
Chambers Transportation	420,758	49,624	0	49,624
S & P Transportation	337,888	45,120	19,394	64,514
Keep in Touch Transportation	31,398	0	4,290	4,290
Rufus Webb Transportation	395,712	8,548	7,459	16,007
JAS Transportation	<u>371,126</u>	<u>4,836</u>	<u>8,450</u>	<u>13,286</u>
Total	<u>\$2,475,388</u>	<u>\$205,176</u>	<u>\$58,133</u>	<u>\$263,309</u>

The amounts charged for Special Monitors were charges where a monitor was specifically reflected in the billings for a particular child. The amounts charged for Monitors were charges reflected in the billings for a monitor, in general, and were not associated with a specific child.

The following discrepancies were noted during our review of the payments included in the table above:

- Thomas Transportation: A charge of \$338 for the transportation of a special needs monitor for a student who was not transported. The invoice for this transaction documented a monitor and the student's name with zero days transported. We will issue a Finding for Recovery.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

- S & P Transportation: The same student was billed twice on one invoice. Both billings were in the amount of \$300 for 15 days of transportation. This double billing will result in a Finding for Recovery.
- JAS Transportation: There was an error in the calculation of an invoice resulting in an overpayment to this company in the amount of \$50.

FINDINGS FOR RECOVERY

Charges for a Student who was not Transported

We identified charges in the amount of \$338 for the transportation of a special needs monitor for a student who was not transported.

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 Thomas Transportation, Ms. Deidre White, and the Ohio Casualty & Insurance Company, Ms. White's bonding company, jointly and severally, and in favor of the District's General Fund in the amount of \$338.

Charging for the Same Student Twice

We identified the billing of the same student twice on one invoice for transportation services. Both billings were in the amount of \$300 for 15 days of transportation.

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 S & P Transportation, Ms. Deidre White, and the Ohio Casualty & Insurance Company, Ms. White's bonding company, jointly and severally, and in favor of the District's General Fund in the amount of \$300.

MANAGEMENT COMMENT

Transportation Monitors

Although the District's Business Manager verbally defined what regular and special monitors were, the contractual agreements entered into between the District and the transportation vendors did not specifically address the definition of regular and special monitors. In addition to the vague contract language which did not define regular or special monitors, the District's policies did not address regular or special monitors. As a result, the District spent \$321,481 for regular and special monitors which may have been the responsibility of the transportation vendors, considering the District only had one documented special needs student and regular monitors were supposed to be at no charge to the District.

We recommend the District implement a policy which clearly defines regular and special transportation monitors. This policy should clearly establish the responsibilities of regular and special monitors and the appropriate levels of approval for these monitors by District personnel. Accordingly, specific criteria should be developed and documented for the process of justifying the requirement of a special needs monitor. The District should also enter into more well-defined written contracts with transportation vendors which clearly define regular and special monitors, and establish the responsibilities for the payment of those monitors.

We believe the District's legal counsel should review the contract language and available documentation to determine if a civil suit could be filed against the transportation vendors for excessive costs associated with regular and special needs monitors. In the future, transportation contracts should be well-defined and adhered to, in order to ensure payments have been made according to the intent of the contract language.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

EAST CLEVELAND CITY SCHOOL DISTRICT

CUYAHOGA 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 3, 2001**