HOCKING TECHNICAL COLLEGE
ATHENS COUNTY

SPECIAL AUDIT

FOR THE PERIOD JANUARY 1, 2005 THROUGH DECEMBER 31, 2007

Mary Taylor, CPA
Auditor of State

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INDEPENDENT ACCOUNTANTS' REPORT

Dr. Ron Erickson, President
Hocking Technical College
3301 Hocking Parkway
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We have conducted a special audit of the Hocking Technical College ("College") by performing the procedures described in the attached Supplement to the Special Audit Report for the period January 1, 2005 through December 31, 2007 ("Period"). The audit procedures were performed solely to:

- Determine whether expenditures made for certain executive level travel during the Period were for purposes related to the operations of the College and were supported by documentation.

- For the 2001/2002 SAIL grant, determine whether the College complied with significant grant provisions regarding disbursement of grant funds, program revenues and other funding sources.

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

1. We examined available documentation supporting certain executive level travel expenditures made during the Period.

   Significant Results – We examined travel related expenses of the following executive level employees during the Period: Dr. John Light, former President; Cynthia Baden, Chief of Staff; Roxanne DuVivier, Senior Vice President of Student Affairs; Russell Tippett, Senior Vice President; Tom Lambrecht, Dean of Hospitality Programs; and J. William Hill, Vice President of Fiscal Operations.

   The College paid for miscellaneous expenses related to personal travel by Dr. Light to his second home in Shelter Island, New York totaling $530. Dr. Light received $72 in personal expense reimbursements for two purchases charged to College credit cards and paid by the College.

   We issued a finding for recovery against Dr. Light for public monies illegally expended in the amount of $602, in favor of the College.

We issued a noncompliance citation regarding the use of the President's Development Fund. We also issued three management comments related to the President's Development Fund credit card, unsupported expenditures and commuting expenses.

2. We examined available documentation supporting the 2001/2002 SAIL grant expenditures, program revenues and other funding sources.

   <u>Significant Results</u> – In January 2002, the College was awarded $297,053 in grant funds from the Ohio Board of Regents for development of a software project titled Strength-based Advising for Individual Learners ("SAIL"). The College expended $287,301 of the grant funds on the project and received $252 in royalty payments through the related sale of the resulting program.

   College employees, Roxanne DuVivier, Lynette Hull and Myriah Short each received $9,224 from the grant funds as payment for project development and oversight. These payments were over and above their regular wages earned although the work performed on the project was inherent to the responsibilities of their positions with the College.

   We issued findings for recovery against Ms. DuVivier, Ms. Hull and Ms. Short for public monies illegally expended in the amount of $9,224 each, in favor of the College.

   We also referred matters involving the copyright registration of the grant end product and Dr. Light signing a supplemental contract between the College and Ms. DuVivier, his wife, to the Ohio Ethics Commission.

3. On September 29, 2009, we held an exit conference with the following individuals from the College:

   Dr. Ron Erickson, President
   J. William Hill, Vice President of Fiscal Operations
   Jack Cline, Board of Trustees
   Alan Geiger, Board of Trustees
   Patricia Light, Board of Trustees
   Joe Murtha, Board of Trustees
   Frank Newlon, Board of Trustees
   Tonya Sherburne, Board of Trustees
   Steve Swart, Board of Trustees
   Larry Willard, Board of Trustees

   The attendees were informed that they had five business days to respond to this Special Audit Report. A response was received from the College on October 7, 2009. The response was evaluated and modifications were made to the report as we deemed appropriate.

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 14, 2009

Supplement to the Special Audit Report

Background

In July 2007, representatives from the Athens County Prosecutor's Office and an agent from the Ohio Attorney General's ("OAG") Bureau of Criminal Investigation and Identification ("BCI&I") met with Auditor of State ("AOS") representatives from the Athens regional office. The individuals indicated that they were in the early stages of an investigation of Hocking Technical College Foundation, Hocking Technical College, and its president, Dr. John Light, but offered no details of the nature of the investigation.

AOS Special Investigations Unit ("SIU") contacted BCI&I to gather additional information regarding their investigation and if warranted, offer AOS assistance. Early responses to the contacts contained mixed indications of whether AOS's assistance was desired by the investigating entities.

In January 2008, at the request of the OAG's office, representatives from AOS Legal Division, SIU, and the Special Audit Section met with representatives from the OAG to preliminarily discuss information regarding the allegations being investigated. In addition to AOS, OAG and BCI&I, in attendance were representatives from the Ohio Ethics Commission ("OEC") and the Federal Bureau of Investigation.

The OAG representative identified five general areas in which he felt the AOS could provide assistance, as follows:

- Travel expenses incurred by certain executive level college employees.
- The financial operations of the college operated travel agency, Hocking Hills Travel Agency.
- The financial operations of the college operated Inn at Hocking College and Rhapsody Restaurant.
- A "barter" arrangement between the college and Sandal's Resorts International.
- The financial activity of the discretionary President's Development Fund.

In addition, the OEC identified issues regarding the involvement of Dr. Light's wife in a grant funded project including unused grant proceeds being distributed to her and two other employees, marketing and possible sale of the grant end product for personal gain, and other possible conflicts of interest.

This information was considered by the Auditor of State's Special Audit Task Force and on March 17, 2008, the Auditor of State initiated a special audit of certain executive level travel and the grant funded project.

Supplement to the Special Audit Report

Issue No. 1 – Executive Level Travel Expenditures

Procedures

We identified expenditures made by the College for the travel expenses of the following six College executives:

Dr. John Light, President
Cynthia Baden, Chief of Staff, Office of the President
Roxanne DuVivier, Senior Vice President of Student Affairs
Russell Tippett, Senior Vice President
Tom Lambrecht, Dean of Hospitality Programs
J. William Hill, Vice President of Fiscal Operations

We obtained check registers, voucher packets and supporting documentation to identify travel related expenditures. We scheduled and summarized the expenditures and traced travel related items to supporting documentation. We examined available documentation to determine whether the expenditures were supported and were for purposes related to the operations of the College. We did not evaluate the appropriateness of decisions made by College management where such decisions were at management's discretion.

Results

Travel related expenditures were paid from the following three sources: the President's Development Fund; the College owned Hocking Hills Travel Agency; and by the College directly to vendors or the individuals for reimbursement of out-of-pocket expenditures from funds other than the President's Development Fund.

The following table summarizes the expenditures examined paid from the three sources:

Expenditure Source	# of Expenditures Examined	Total $ Examined
President's Development Fund	65	$63,546
Hocking Hills Travel Agency	106	$38,031
Other Than President's Development Fund	211	$111,817
Total	382	$213,394

<u>President's Development Fund</u>
Expenditures from the President's Development Fund were made at the discretion of Dr. Light. The President's Development Fund was established by the College Board of Trustees in January 1975 as a petty cash fund controlled by the College president. The Fund received money from donations and commissions paid by vendors operating the campus cafeteria and vending machines. Disbursements from the Fund consisted of payments of the expenditures charged on the corporate credit card, personal reimbursements for travel, and purchase of flowers and gifts from the Board of Trustees. The corporate credit card was intended to be used by Dr. Light for his travel and expenses that occurred while performing the duties of president as they relate to the marketing and development of the College.

We noted 29 expenditures from the President's Development Fund that were not supported. This does not include per diem reimbursements for which receipts were not required. We noted 169 credit card purchases that were supported only by a credit card statement or a credit card receipt without an itemization of the purchase.

<u>Hocking Hills Travel Agency</u>
Hocking Hills Travel Agency is the College's enterprise operation for the training of travel and tourism technology students. The travel agency is considered a part of the reporting entity of the College and is included in the College's financial statements as auxiliary services.

The travel agency is a full-time travel agency and travel bureau operated to serve the public. Employees of the travel agency are employees of the College. Ownership and management of the agency is retained by the College. College employees were required to book all non-automotive travel, such as air flights and rail tickets, through the travel agency.

College Paid Travel Reimbursements
The College reimbursed employees for travel expenses incurred by the employees when supporting documents, such as receipts, were submitted with travel expense reports. Submission of receipts was mandatory except when per diem meal reimbursements were paid.

We noted ten reimbursed items that were not supported or supported only by a credit card statement. Additionally, we noted 24 instances where Mr. Hill and two instances where Mr. Tippett were reimbursed for mileage but there were no reasons indicated for the travel.

Findings for Recovery

Dr. John Light
The College paid for various expenses related to four personal trips taken by Dr. Light to his second home in Shelter Island, New York. The types of expenses included airline flights totaling $271, airport parking of $59, car rentals of $146 and a meal expense of $54. The College did not provide documentation supporting the purpose of the expenditures was related to the operations of the College.

Additionally, Dr. Light requested and received personal reimbursement for two purchases totaling $72 that were charged to College credit cards and paid by the College.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a finding for recovery is hereby issued for public monies illegally expended in the amount of $602, against Dr. John Light, and in favor of the College.

Noncompliance Citation

Payment of Late Fees and Service Charges from President’s Development Fund
Board of Trustees Resolution 79-28 states that, “… (t)he President’s Development Fund has been established to defer costs for promotion, entertainment, and miscellaneous items, as deemed necessary by the President for the development and advancement of the College.”

The President maintained a credit card account for travel and conference costs associated with the President’s Development Fund. The President’s Development Fund did not pay the account in full each month and unpaid balances were at one point as high as $16,000. This resulted in $4,033 in finance charges and $507 in late fees during the Period, which we do not consider prudent use of funds for the development and advancement of the College.

We recommend the College fiscal office take steps to ensure that the credit card balances are paid in full monthly so as not to incur finance charges and late fees that are not in furtherance of the purposes intended by the establishment of the fund. If the President’s Development Fund was unable to pay the large balance of the account, the College General Fund could become liable for expenditures which the Board of Trustees did not approve and which were not included in the budget of the College.

Management Comments

President’s Development Fund Credit Card
The College did not have a written policy regarding the President’s Development Fund credit card usage and required documentation of purchases. Not requiring documentation made it difficult to determine the nature of certain charges and whether each related to the operations of the College.

The lack of controls and oversight resulted in double payments on three occasions and some unreimbursed personal purchases. Additionally, we found that receipts submitted for meals were not itemized.

We recommend the creation of a policy and the implementation of controls over credit card usage, including the submission of original, itemized receipts. We recommend all purchases made by credit card be supported as to purpose and the benefit that the College derives. The President's Development Fund credit card statements and supporting documentation should be reviewed and approved by the Board of Trustees.

Unsupported Expenditures

The audit identified instances in which expenditures were not supported and travel expense reports did not provide a clear description of the purpose for which the expenses were being reimbursed. Not requiring documentation made it difficult to determine the nature of certain charges and whether each related to the operations of the College.

We recommend the College obtain sufficient, detailed documentation to support the expenses incurred prior to making reimbursements to employees for travel related expenditures. In addition, the fiscal office should review the nature of the travel, travel policies, and supporting documentation prior to payment to ensure the expenses are for a purpose related to the operations of the College and in accordance with the College's travel policies.

Commuting Expenses

On certain occasions, the College paid for the expenses of Dr. Light and Ms. DuVivier to travel to and from their second home in Shelter Island, New York. While we do not take exception to travel from a personal residence when related to College business, it was not clear whether the Board of Trustees intended for the College to pay for the additional costs of the travel from New York rather than their home in Nelsonville, Ohio.

We recommend the College establish a reasonable limit for reimbursements paid to employees for commuting to and from their residence for College related business. The College should consider limiting reimbursements to employees who make a personal choice to stay at locations or residences that are not cost advantageous to the College.

Issue No. 2 – SAIL Grant Funded Project Expenditures

Procedures

We examined College accounting records to identify expenses charged to the grant.

We examined supporting documentation for all expenses charged to the grant to determine whether the expenses were allowable costs of the grant and whether the College complied with significant grant provisions regarding disbursement of grant funds.

We examined supporting documentation for program revenue and monies from other funding sources to determine whether the College complied with significant grant provisions regarding use of these funds.

Results

In 2001, Amended Substitute House Bill 640 (state capital budget bill) appropriated $10 million for the Technology Initiatives Program ("TIP") to be used by the Ohio Board of Regents ("OBR") to award grants to publicly assisted institutions of higher education in Ohio. The TIP funds were to be awarded in two categories; 1) Development or Enhancement of Content Projects and 2) Collaborative Student Services Projects. Eligibility for the latter category required collaboration between at least two state-assisted institutions. The TIP funds were limited in use to capital investment expenditures. Non-capital expenditures were to be paid by the institutions from required matching funds. The institutions were required to match at least one half (50%) of the funds requested from the grant program.

On October 21, 2001, Hocking College submitted a proposal requesting $400,000 in funding under the TIP Collaborative Student Services Projects category. The proposal was for a joint initiative between the College and the University of Rio Grande for development of a project titled Strength-based Advising for Individual Learners ("SAIL")[1]. The proposal named Hocking College's Myriah Short, Coordinator of College Partnerships, as the project director and listed individuals from both institutions who would be involved in the project development. This list did not include Roxanne DuVivier, Vice President of Student Affairs or Lynette Hull, Dean of Enrollment Services. These individuals later received payments from the grant funds.

In January 2002, OBR awarded the College $297,053 of the originally requested $400,000. OBR required the College to submit a revised budget based on the reduced award amount. In February 2002, the College submitted a revised budget as follows:

Budget Category	Original Request 10/12/2001	Revised Budget 2/6/2002	Actual Charges
Software Content Development	$110,000	$92,053	$44,672
Project Manager	$19,000	$15,000	$21,181
Software Programming	$190,000	$150,000	$185,500
Hardware and Software	$72,000	$40,000	$35,948
Training	$9,000	$0	$0
Total	$400,000	$297,053	$287,301

1 The project later became known as PAS Analytica: Strategic Futures.

As part of the initial proposal, the College identified specific vendors to be hired and paid under the project manager and software programming budget categories. Contracts were entered into with these vendors shortly after the grant was awarded. The proposal did not identify vendors or College personnel to be utilized under the software content development category. The general description provided in the proposal for this budget category was "professional consultants to utilize PAS for S.A.I.L. content development."

At the conclusion of the project in October 2002, Ms. DuVivier, Ms. Short and Ms. Hull were paid from the software content development budget category for professional services related to the grant. To support the payments, supplemental contracts were completed for each person. The contract between the College and Ms. DuVivier was signed by Dr. Light, her husband. We noted identically prepared invoices for consulting services obtained from all three individuals. The invoices were unsigned and specified the dates billed as October 10, 2001 through August 26, 2002. The College provided no documentation of the actual services rendered by the individuals.

In January 2003, the College requested and received reimbursement from OBR in the amount of $287,301 for expenditures made to that point.

In November 2002, a Certificate of Registration was filed with the U.S. Copyright Office for the PAS Analytica: Strategic Futures program. The registration listed Ms. DuVivier, Ms. Hull and Ms. Short as authors and the only copyright claimants. The registration made no mention of the College. A search of the U.S. Copyright Office website showed an active registration of PAS Analytica: Strategic Futures: Beta 1 with the three individuals listed as copyright claimants.

In April 2003 pursuant to recommendations from its legal counsel, the College filed additional copyright registrations to further protect the PAS software. A search of the U.S. Copyright Office website showed four active registrations held in the name of the College for the following:

- PAS Analytica Software: version 1.0
- PAS Analytica Software: look-up-tables module: version 1.0
- PAS Analytica Software: service module: version 1.0
- PAS Analytica Software: student module: version 1.0

In September 2003, the College entered a contract with Athens Analytica for marketing, sale and distribution of the PAS Analytica: Strategic Futures program. There was no indication in the licensing agreement between the College and Athens Analytica that any other party had rights to or received royalties from the program. The total royalties received by the College related to sale of the program through June 30, 2008 was $252.

Finding for Recovery

Ms. DuVivier, Ms. Hull and Ms. Short each were paid $9,224 in consideration for alleged services provided to the College in development of the grant funded project, PAS Analytica: Strategic Futures. The payments were in addition to wages earned for their regular employment.

Identical invoices were provided as support for the payments to the three individuals; however, the invoices provided no clear documentation of the work performed or services provided that was outside of the job duties described in their position descriptions. There were no signed contracts in place between the College and the three individuals for supplemental work on the project until after the end of the grant period. At the conclusion of the project, the three also registered for the copyrights to the beta version of the software without including the College in the application as the owner.

As Vice President for Student Affairs, Ms. DuVivier reported directly to the College President and her responsibilities included senior administrative staff supervision and oversight of program development. As Dean of Enrollment Services, Ms. Hull reported to Ms. DuVivier and was specifically responsible for the development and management of comprehensive systems for student matriculation. As Coordinator of College Partnerships, Ms. Short also reported to Ms. DuVivier and was specifically responsible for the development of partnerships with targeted universities and the creation of support systems for students.

Supplement to the Special Audit Report

The salaries paid to the three individuals were fixed by employment contracts for the duration of the grant period. As such, they were compensated above the established amount for performance of each individual's duties related to the College grant funded project.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, findings for recovery are hereby issued for public monies illegally expended against Ms. Roxanne DuVivier, Ms. Lynette Hull and Ms. Myriah Short, each in the amount of $9,224, in favor of the College.

We referred the matter of Dr. Light signing Ms. DuVivier's contract for services and the copyright registration to the Ohio Ethics Commission for further review.

Mary Taylor, CPA
Auditor of State

HOCKING TECHNICAL COLLEGE

ATHENS 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
NOVEMBER 5, 2009