



**STREETSBORO CITY SCHOOL DISTRICT**

**PORTAGE COUNTY  
SPECIAL AUDIT**

**FOR THE PERIOD  
NOVEMBER 1, 1996 THROUGH NOVEMBER 30, 2000**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



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**STREETSBORO CITY SCHOOL DISTRICT  
PORTAGE COUNTY**

**SCHEDULE OF ELECTED OFFICIALS AND ADMINISTRATIVE PERSONNEL  
AS OF NOVEMBER 30, 2000**

NAME	TITLE	TERM/CONTRACT	BOND (A)
<b>Board Members</b>			
William J. Koleszar, Jr.	President	01/01/98 - 12/31/01	\$10,000
Charles A. Defer	Board Member	01/01/98 - 12/31/01	10,000
Barbara Cowling	Board Member	01/01/00 - 12/31/03	10,000
Cynthia Pennock-Hanish	Board Member	01/01/00 - 12/31/03	10,000
Debra M. Wolff	Board Member	01/01/00 - 12/31/03	10,000
<b>Administrative Personnel</b>			
Dr. Mary Linton	Superintendent <b>(B)</b>	08/01/99 - 07/31/02	25,000
Todd Puster	Treasurer <b>(C)</b>	01/01/99 - 12/31/00	100,000

(A) Nationwide Surety Company

(B) Resigned on June 5, 2001

(C) Mr. Puster succeeded the former Treasurer, Patricia McLaughlin, when her contract was not renewed. Ms. McLaughlin served as the District's Treasurer from November 1, 1988 through December 31, 1998. Mr. Puster remains the District Treasurer, currently fulfilling a four-year contract dated January 1, 2001 through December 31, 2005.

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STATE OF OHIO  
OFFICE OF THE AUDITOR  
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## REPORT OF INDEPENDENT ACCOUNTANTS

Board of Education  
Streetsboro City School District  
9000 Kirby Lane  
Streetsboro, Ohio 44241

Pursuant to the written request of the Treasurer, Todd Puster, on behalf of the Board of Education (the Board) of the Streetsboro City School District dated November 10, 2000, 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 November 1, 1996 through November 30, 2000 (the Period). These procedures were performed solely to determine whether amounts paid to certain vendors or individuals were made in accordance with District policies, procedures, applicable state laws, grant applications and program narratives, and through inquiry of certain District personnel and the review of certain District employee payroll records to determine whether certain District personnel followed District policies, procedures, and state laws regarding prohibited political activity during the campaign for the District's November 1999 bond levy issue. 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 users of the report. Consequently, we make no representation regarding the sufficiency of the procedures discussed below for the purpose for which this report has been requested or for any other purpose. The procedures we performed and the results of those procedures are summarized as follows:

1. We gained an understanding of the District's procurement process by reviewing the District's policies and procedures for purchasing goods and services from vendors.

Significant Results: The District does not have any formal written policies and procedures for the purchase of services or entering into personal service contracts. We issued a recommendation that Board approval be obtained prior to engaging in these types of transactions.

2. We obtained the District's Appropriation Ledgers for the Period and identified amounts paid to certain vendors or individuals previously identified by the Board, and determined whether the purchases and payments were made in accordance with the District's policies, procedures, applicable state laws, grant applications, and program narratives. We also determined whether these expenditures were for purposes related to the District's operations.

Significant Results: Of \$284,534 expenditures reviewed, \$3,453 were unsupported and \$942 were unrelated to District operations. Reimbursements were received by the District for \$928 of the \$942 in unrelated expenditures. We issued noncompliance citations for unsupported expenditures and for failing to seek price quotations in accordance with District policy. Additionally, we issued 5 recommendations related to weaknesses in the District's internal controls and monitoring processes.

3. Through inquiry of certain District personnel and the review of certain District employee payroll records, we determined whether District personnel followed District policies, procedures, and state laws regarding prohibited political activity during the campaign for the District's November 1999 bond levy issue.

Significant Results: During the normal work day, District employees were involved in activities intended to influence the outcome of the bond levy, including distributing literature at voting locations and tallying the results of public opinion telephone calls to the District. Additionally, Campus Intermediate Elementary School was used for a rally in support of the levy. We issued two noncompliance citations against the District for participating in political activity and using District facilities to advocate passage of the levy.

4. We identified requirements related to allowable grant expenditures for the Ohio Partners in Character Education and Portage Elevates Assets in Kids state grants for the Period.

Significant Results: Each of the grant applications and the District's program objectives defined allowable costs.

5. We determined whether expenditures made with Ohio Partners in Character Education and Portage Elevates Assets in Kids state grant funds for the Period were allowable in accordance with the grant applications and program narratives.

Significant Results: All expenditures we reviewed appeared allowable in accordance with the grant agreements and were supported by invoices or receipts.

6. On December 18, 2001, we held an exit conference with the following District officials:

Debra M. Wolff, Board President  
Charles A. Defer, Board Member  
William J. Koleszar, Jr., Board Member  
Barbara Cowling, Board Member  
Cynthia Pennock-Hanish, Board Member  
Todd Puster, Treasurer  
Tom Giovagnoli, Superintendent  
Susan McGown, Board Legal Counsel

The attendees were given an opportunity to respond to this Special Audit. A written response was received from the Board of Education on January 15, 2002. The response was evaluated and changes to the report were made as we deemed appropriate.

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 auditing standards generally accepted in the United States of America, 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 auditing standards generally accepted in the United States of America, 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

August 31, 2001

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# SUPPLEMENT TO THE SPECIAL AUDIT REPORT

## BACKGROUND INFORMATION

We received a letter dated November 10, 2000 from Todd Puster, Treasurer, which included a Board Resolution dated November 9, 2000, authorizing him to communicate with us and provide necessary information concerning the initiation of a Special Audit for the Streetsboro City School District. The Board Resolution did not identify specific allegations or concerns; however, we contacted Mr. Puster and Susan McGown, District legal counsel, to discuss the Board of Education's concerns and allegations concerning Mary Linton, Superintendent.<sup>1</sup>

The allegations and concerns were as follows:

- The Board believed Ms. Linton specifically directed District school supplies and furniture business to American Academic Suppliers, Inc.<sup>2</sup>, and School Specialty, Inc., of which Ms. Linton's spouse, Mark Linton, and his associate, Richard Griffith, were sales representatives. On April 3, 2000, Mr. Linton and Mr. Griffith were terminated by School Specialty for violating company policies and procedures.
- The Board was concerned about the propriety of reimbursements made to Mary Linton, as well as payments made to certain vendors during the Period which lacked sufficient required supporting documentation.
- The Board alleged that certain District personnel did not follow District policies, procedures, and state laws regarding prohibited political activity during the campaign for a November 1999 bond levy issue. Specifically, certain District employees were assigned to election polls during normal working hours to pass out fliers which supported the bond issue, Ms. Linton and Mr. Puster sat on the Campus Intermediate Elementary School roof during normal working hours to make the community aware of the District's bond levy issue on the upcoming ballot, and District administrative personnel used District telephones during normal working hours to poll responses of the rooftop telethon.
- The Board alleged that the Ohio Partners in Character Education and Portage Elevates Assets in Kids state grants, which are used to improve student morale, may have been expended inappropriately on community dinners and gifts for members of the community.

On November 16, 2000, the above information was presented to the Auditor of State Special Audit Committee which voted to initiate a special audit of the District.

On June 5, 2001, Ms. Linton submitted her resignation, effective immediately, to the Streetsboro City School District Board of Education. Ms. Linton's resignation was accepted by the Board on June 6, 2001.

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<sup>1</sup> Ms. Linton resigned on June 5, 2001.

<sup>2</sup> On April 1, 1998 American Academic Suppliers, Inc. was purchased by School Specialty, Inc.

# SUPPLEMENT TO THE SPECIAL AUDIT REPORT

## Issue No. 1 - Policies and procedures for purchasing goods and services

We gained an understanding of the District's procurement process by reviewing the District's policies and procedures for purchasing goods and services from vendors.

### Procedures

1. We reviewed the District's Administrative Policy Manual and identified the District's policies and procedures related to purchasing goods and services from vendors.
2. Through inquiry of certain District personnel, review of Board Minutes, and review of certain expenditures and the supporting documentation, we identified the process for purchasing goods and services from vendors.

### Results

1. We identified the following District policies and procedures related to purchasing goods from vendors. We noted the District's policies and procedures enumerated below were not consistently followed. The exceptions are detailed in the Results portion of Issue No. 2.
  - Board Policy No. 6320 - "Quotations and Bids" - states in part, administration should seek price quotations for purchases of single items costing more than \$1,000.
  - Board Policy No. 6423 - "Use of School Credit Cards" - states that the purpose of the policy is to authorize the use of credit cards under specified guidelines to be prepared by the Treasurer.
  - Board No. 6450 - "Local Purchasing" - states in part, the Treasurer may award purchase contracts to local merchants when their quotation is competitive.
  - Board Policy No. 6460 - "Vendor Relations" - states in part, the purpose of the policy is to "implement the intent of the legislature to limit strictly the interest that officers and employees of the Board of Education may have in purchases or contracts of the Board. Members of the Board and its authorized agents shall observe the guidelines in transactions for the Board."
  - Board Policy No. 6470 - "Payment of Claims" - states in part, each bill or obligation of the Board must be fully itemized and verified before a voucher can be drawn for its payment.

The District does not have any formal written policies and procedures concerning the purchase of services or entering into personal service contracts; therefore, we will issue a recommendation (included in Issue No. 2) that Board approval be obtained prior to the District entering into these types of transactions.

## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

2. Through inquiry of certain District administrative personnel, review of Board minutes, and review of certain expenditures and supporting documentation, we identified the process for purchasing goods from vendors was as follows:
- Requisition forms, which included the vendor's name, the item(s) to be purchased, and the estimated cost, were completed by employees initiating a purchasing transaction and were approved by the building principal. Upon approving the requisition, a purchase order was generated for the Superintendent's authorization<sup>3</sup>. Finally, the Treasurer received the authorized purchase order and certified that funds were available to meet the obligation.
  - Copies of the purchase order were distributed to the Accounts Payable department and the employee who initiated the purchase. That employee signed his or her copy of the purchase order upon receipt of items, then forward the signed purchase order to the Accounts Payable department.
  - The building secretaries opened mail at each location and vendor invoices were forwarded to the Accounts Payable department. After receiving the vendor invoice, the Accounts Payable department reconciled the invoice with the employee-signed purchase order and issued the applicable payment.

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<sup>3</sup> Purchase orders for goods exceeding \$10,000 required approval by the Streetsboro Board of Education.

# SUPPLEMENT TO THE SPECIAL AUDIT REPORT

## Issue No. 2 - Review of disbursements to certain vendors or individuals

We obtained the District's Appropriation Ledgers for the Period and identified amounts paid to certain vendors or individuals previously identified by the Board, and determined whether the purchases and payments were made in accordance with the District's policies, procedures, applicable state laws, grant applications, and program narratives. We also determined whether these expenditures were for purposes related to the District's operations.

### Procedures

1. Based on the allegations we received from the Board, as described in the Background Information portion of this report, we reviewed the expenditures made to certain vendors or individuals and determined whether the:
  - Expenditure was adequately supported by original documents (i.e., requisition form, purchase order, receiving document, invoice, authorization, and/or Board resolutions).
  - Expenditure was related to the operations of the District.
  - Expenditure was authorized and approved by the Superintendent.
2. We interviewed appropriate individuals concerning any questionable expenditures to obtain further clarification.

# SUPPLEMENT TO THE SPECIAL AUDIT REPORT

## Results

- The following table summarizes the payments issued to certain vendors or individuals selected for review. All payments reviewed contained a purchase order which was approved by Ms. Linton.

<u>Name of Vendor or Individual</u>	<u>Number of Payments</u>	<u>Total Payments</u>	<u>Amount Not Supported by Original Documents</u>	<u>Amount Not Related to District Operations</u>
Mary Linton	24	\$17,463	\$30	\$190
American Academic Suppliers, Inc.	33	65,428		
School Specialty, Inc.	31	72,958		
Blasiole's Pizza	48	7,209		
Scribes Unlimited	19	23,868		
William G. O'Callaghan & Associates	2	5,750		
David Hostetler	15	17,620	353	
Eileen Hogan	8	15,765		
Huntington Bank	38	25,070	3,070	752
Special Moments Catering	9	12,865		
Richard Griffith	5	20,538		
Mark Linton	0	0		
Time Warner Cable	<u>0</u>	<u>0</u>	<u>      </u>	<u>      </u>
<b>Totals</b>	<b><u>232</u></b>	<b><u>\$284,534</u></b>	<b><u>\$3,453</u></b>	<b><u>\$942</u></b>

Of the \$942 in expenditures unrelated to District operations, \$402 was reimbursed by Ms. Linton and \$526 was reimbursed by Linda Koleszar. The remaining \$14 was for inappropriate charges to Ms. Linton's District credit card which were not reimbursed to the District.

- We noted exceptions and/or questionable disbursements to the following vendors or individuals which required additional clarification.

### **Mary Linton**

During the Period, Ms. Linton received payments as reimbursements for mileage, meals, tuition, and other employee business expenses. Of the \$17,463 reimbursed to Ms. Linton, we noted the following:

- A \$30 reimbursement was not supported by a vendor invoice or vendor receipt. The purchase order indicated donuts were purchased for a Board meeting. According to Ms. Linton, a receipt was provided to the Treasurer's Office but must have been misplaced.
- Two reimbursements totaling \$99 for meals were not fully itemized in accordance with Board Policy No. 6470. We will issue a noncompliance citation against the District for not following its policy.

## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

- Two reimbursements totaling \$190 were not for a purpose related to the operations of the District. Of the \$190, \$125 represented a reimbursement for a non-sufficient funds charge against Ms. Linton's personal checking account. Ms. Linton's checking account became overdrawn on one occasion because her payroll check was not electronically deposited timely. The other \$65 reimbursement was for the cost of binding her Doctorate dissertation. On March 12, 1999 and April 5, 2000, Ms. Linton reimbursed the District \$125 and \$65, respectively.
- 5 reimbursements totaling \$425 were documented as meals, food, and candy. We could not determine whether these expenditures were business or personal in nature. We interviewed Ms. Linton concerning these reimbursements, and she asserted these expenditures were for District business.
- All 24 payments during the Period were unilaterally approved by Ms. Linton. We will recommend the Superintendent not approve his or her own reimbursements.

### **American Academic Suppliers, Inc.**

During the Period, American Academic Suppliers, Inc. received 33 payments totaling \$65,428 for school supplies, furniture and equipment.

- Contrary to Board Policy, 2 expenditures greater than \$1,000 did not have evidence that two quotes were obtained for a \$1,331 expenditure for a Paragon Kiln Unit which is used for baking pottery, and a \$3,998 expenditure for a desk and hutch. We will issue a noncompliance citation against the District for not following its policy.

### **School Specialty, Inc.**

During the Period, School Specialty, Inc. received 31 payments totaling \$72,958 for school supplies, furniture and equipment.

- There was no indication on the invoices that Mary Linton's spouse, Mark Linton,<sup>4</sup> was involved with these transactions. We contacted Jay Thomas, Vice President of Marketing for School Specialty, Inc., and inquired whether Mark Linton sold items to the Streetsboro City School District during the Period. Mr. Thomas asserted that Mark Linton did not make any sales to the District. Mark Linton was not assigned this territory and was not authorized to make sales outside of his territory. Mr. Thomas confirmed that Rick Griffith was the salesperson assigned this territory and was authorized to make sales to the District. We will recommend that the Board establish a formal written policy requiring key personnel approving transactions to disclose relationships with vendors that may appear to impair their independence.
- Contrary to Board Policy, there was no evidence that two quotes were obtained for a \$3,200 expenditure for two filing cabinets. We will issue a noncompliance citation against the District for not following its policy.

### **Blasiolo's Pizza**

During the Period, Blasiolo's Pizza received 48 payments totaling \$7,209 for pizza and chicken for student parties, faculty luncheons, training and workshop sessions for teachers.

We noted no exceptions or items which required further followup.

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<sup>4</sup> As noted in the Background portion of this report, Mark Linton was a sales representative for School Specialty, Inc. Mr. Linton was terminated from School Specialty, Inc. on April 3, 2000.

# SUPPLEMENT TO THE SPECIAL AUDIT REPORT

## **Paul Kraly and Paula Kalamaras d.b.a. Scribes Unlimited**

During the Period, Scribes Unlimited received 19 payments totaling \$23,868 for consulting services provided in connection with writing grant applications for the Ohio Reads Grant, Character Education Grant, Playground Grant, and Nurses Grant.

- In the September 9, 1999 Board minutes, the Board approved the hiring of Scribes Unlimited at an hourly rate of \$75 for a maximum fee of \$5,000. However, the District did not enter into a formal written contract which specified the nature of the services to be provided nor the time period for which the services were to be rendered. Total payments to these consultants were \$23,868, \$18,868 more than approved by the Board. We reviewed the Board minutes and inquired with all the Board members, and there was no evidence the Board formally approved the additional payments in its subsequent Board meetings. We will recommend the Board establish a policy to review and approve personal service contracts.

## **William G. O'Callaghan & Associates**

During the Period, William G. O'Callaghan & Associates received 2 payments totaling \$5,750 for consulting services in connection with assisting Ms. Linton in developing strategies to enhance relations between the Board of Education, District employees, and the community. In addition, Mr. O'Callaghan assisted Ms. Linton in preparing information for a public meeting to inform the public as to why the passage of a bond levy was needed.

- Invoices submitted by Mr. O'Callaghan were not fully itemized and did not detail services rendered or specify an hourly rate for consulting services provided. The District did not enter into a formal written contract with Mr. O'Callaghan, and there was no evidence within the Board minutes approving the use of this consultant or the nature of the services to be provided, nor the time period for which the services were to be rendered. We will recommend the Board establish a policy to approve personal service contracts.
- We reviewed a memo dated December 24, 1999 to Ms. Linton from Mr. O'Callaghan which outlined consulting services he was to perform concerning the District's March 7, 2000 bond levy issue. We discussed this with Mr. O'Callaghan who asserted that he assisted Ms. Linton in preparing information for a public meeting to inform the public as to why the bond levy was needed. He also asserted that he was aware of the laws concerning the passage of bond levies using public funds and did not bill the District for any of those types of services. Mr. O'Callaghan did not provide the District with a written report; therefore, we were unable to determine the specific services performed, and we could not determine whether these violated state laws or District policies.
- Ms. Linton's secretary provided us with a copy of a letter dated December 29, 1999 which outlined the scope of the consulting services to be provided by William G. O'Callaghan & Associates. The services included regular meetings with the Superintendent to develop strategies to enhance relations between the Board of Education, District employees, and the community. In order to determine these consulting services were actually provided, we reviewed Ms. Linton's calendar and determined there were 8 entries for the period January 21, 2000 through May 16, 2000; whereby, meetings with Mr. O'Callaghan were scheduled.

## **David Hostetler**

While employed as a District teacher, Mr. Hostetler received 15 payments totaling \$17,620 as reimbursements for travel and tuition. On June 30, 2000, Mr. Hostetler retired and in the June 8, 2000 Board minutes, the Board approved the hiring of Mr. Hostetler effective September 1, 2000, as a Public Relation's Consultant at an amount not to exceed \$25,000. As a consultant, Mr. Hostetler would prepare the District's monthly newsletter and photograph certain school and sporting events.

## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

- 2 expenditures totaling \$353 were not supported by an invoice or other supporting documentation. The purchase orders indicated the expenditures were for tuition reimbursements while Mr. Hostetler was a District teacher.

### **Eileen Hogan**

During the Period, Ms. Hogan received 8 payments totaling \$15,765 for consulting services in connection with developing the District's Future Search and Leadership Development Programs.

- There was no evidence the Board approved a personal service contract with Ms. Hogan. We will recommend the Board establish a policy to review and approve personal service contracts.

### **Huntington Bank**

During the Period, 38 payments totaling \$25,070 were issued to Huntington Bank for monthly credit card purchases made on the District's two Master Cards issued in the names of Mary Linton and Patricia McLaughlin, former District Treasurer.

- The District incurred finance charges and late charges totaling \$188 and \$192 on Ms. Linton's and Ms. McLaughlin's cards, respectively. We will recommend the District pay off the credit card balance each month.
- 25 charges totaling \$3,070 did not have itemized receipts or supporting documentation. Of these charges, \$523 was charged by Ms. Linton and \$2,547 was charged by Ms. McLaughlin. The purchase orders for these charges reflected the following types of purchases: meals, lodging, video tapes, flowers, software, candy, gifts, and truck rental for the District band equipment. We will issue a noncompliance citation for failing to follow an established Board policy by providing itemized receipts.
- 33 charges totaling \$1,869 for meals which receipts were submitted to the Treasurer's Office but were not fully itemized in accordance with the Board's policy. Of the 33 charges, 28 totaling \$1,714 were charged by Ms. Linton and 5 totaling \$155 were charged by Ms. McLaughlin. As stated previously, we will issue a noncompliance citation for failing to provide itemized receipts in accordance with an established Board policy.
- On March 23, 1997, Ms. Linton charged meals totaling \$42 while traveling on District business with her husband. Expenditures on behalf of a District employee's spouse are inappropriate and unrelated to District operations. On April 11, 1997, she reimbursed the District \$21 for half the cost of the meals.
- On March 4, 1997, Ms. Linton charged a movie totaling \$9 to her room while on District business at an Embassy Suites in Columbus, Ohio. She did not reimburse the District for the cost of the movie which appears unnecessary and unrelated to District operations.
- On April 21, 1997, Ms. Linton charged a movie totaling \$8 to her room while on District business at a Radisson Hotel in Columbus, Ohio. As stated previously, expenditures for movies are unrelated to District operations. On April 24, 1997, she reimbursed the District for the cost of the movie.
- On April 29, 1998, Ms. McLaughlin charged a meal to her room while on District business at a Hyatt Hotel in Columbus, Ohio which included a \$5 alcoholic beverage. An alcoholic beverage is an inappropriate expenditure of a school district. Ms. McLaughlin did not reimburse the District for the cost of the alcoholic beverage.

## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

- On June 4, 1999, Ms. Linton charged meals totaling \$34 to the District credit card for District related business. The \$34 included a \$7 gratuity which she reimbursed to the District on August 2, 2000.
- On June 7, 1999, Ms. Linton charged meals totaling \$141 to the District credit card for District related business. The \$141 included a \$10 gratuity which she reimbursed to the District on August 2, 2000.
- On December 21, 1999, a \$385 airline ticket to San Diego was charged to the District credit card for Linda Koleszar, a Board member's spouse who went with Ms. Linton to a District-related conference. This payment was unrelated to the operations of the District and on February 7, 2000, Linda Koleszar reimbursed the District for \$385.
- On February 10, 2000, lodging expenses totaling \$685 at the Town and Country Resort in San Diego for Ms. Linton and Linda Koleszar, a Board member's spouse, were charged to Ms. Linton's District credit card. In February 2000, Ms. Koleszar reimbursed the District \$141 for Ms. Koleszar's portion of the lodging expenses.
- On August 12, 1999, Mary Linton drafted a letter to Huntington National Bank requesting the credit limit on her District issued credit card be increased from \$1,000 to \$2,000. According to the credit card statement dated November 30, 2000, the credit limit was \$2,000. We will recommend the Board establish approved credit limits on all credit cards in the District's name.
- Other charges for meals made by both Ms. Linton and Ms. McLaughlin included gratuities totaling \$150 which were not reimbursed to the District. The District does not have a policy concerning gratuities; however, the District's credit card policy states that the charge should be necessary, customary and reasonable. We will recommend the District expand its credit card policy to encompass the necessity to use the credit cards to pay for expenses not related to the operations of the District and the payment of gratuities.
- 4 charges to Ms. Linton's District credit card totaling \$1,333 included the purchase of a TV, VCR, refrigerator, 2 ping pong tables, desk, and chairs which were in the possession of District. We will recommend items of this nature be purchased through the District's normal procurement cycle rather than by the use of credit cards.
- On April 7, 2000, the Streetsboro School Levy Committee, an outside organization, charged \$183 for lunch at a local Bob Evans Restaurant to Ms. Linton's credit card. This payment was unrelated to the operations of the District. On April 30, 2000, the Streetsboro School Levy Committee issued check No. 127 totaling \$183 to Huntington National Bank to pay for this luncheon.

We will recommend that the District consider discontinuing the use of direct bill credit cards issued to the District in the name of District officials.

### **Special Moments Catering**

During the Period, Special Moments Catering received 9 payments totaling \$12,865 for catering dinners, luncheons, and training sessions for District faculty and volunteers.

- Contrary to Board Policy, 5 expenditures greater than \$1,000 were approved by Ms. Linton without evidence that two quotes were obtained. We will issue a noncompliance citation against the District for failing to follow its policy.

# SUPPLEMENT TO THE SPECIAL AUDIT REPORT

## **Richard Griffith**

During the Period, Richard Griffith received 5 payments totaling \$20,538 for school supplies, furniture and equipment.

- Each payment issued to Richard Griffith was supported by a purchase order originally generated to American Academic Suppliers but altered to show Mr. Griffith's name instead. Ms. Linton asserted the modifications were made by the Treasurer's Office without her approval, and the Treasurer's Office asserted that the information was changed upon the request of Ms. Linton. We will recommend the District establish policies and procedures for reviewing, approving, establishing new vendors, and changing existing vendor information.

## **Mark Linton**

We noted no expenditures made directly to Mark Linton during the Period.

## **Time Warner Cable**

We noted no expenditures made to Time Warner Cable during the Period.

## **NONCOMPLIANCE CITATIONS**

### Board Policy No. 6470 - Payment of Claims

Board Policy No. 6470 states in pertinent part, "...Each bill or obligation of this Board will be fully itemized and verified before a voucher can be drawn for its payment. The originator of the purchase order shall verify that acceptable goods were received or satisfactory services were rendered and the date of receipts. All payments shall be submitted for Board review in the form of a listing that includes the vendor name; the number and amount of the check; and the description of the item."

We identified 3 expenditures and 25 credit card charges which did not have an invoice or supporting documentation attached. In addition, we identified 2 reimbursements to Ms. Linton, 1 reimbursement to a teacher, Beth Hepburn (see Results, Issue No. 5), and 33 credit card charges which were not fully itemized.

All credit card purchases and employee reimbursements should be evidenced by a vendor's invoice and/or fully itemized receipt. Without such documentation, payments for unnecessary, unauthorized, or expenditures for purposes not related to the District's operations may occur.

We recommend the District follow the Board policy concerning the payment of claims, and not make expenditures without proper supporting documentation and fully itemized receipts.

## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

### Board Policy No. 6320 - Quotations, Bids

Board Policy No. 6320 states in pertinent part, "It is the policy of the Board of Education that the administration seek at least two (2) price quotations on purchases of more than \$1,000 for a single item, except in cases of emergency or when the materials purchased are of such a nature that price negotiations would not result in a savings to the District or when the item is subject to formal bid."

There were 8 instances where expenditures exceeded \$1,000, and 2 quotations were not obtained nor an explanation why the quotes were not obtained.

By not obtaining the required quotations, the District, in the interest of the economy, fairness, and efficiency in its business dealings has not given responsible suppliers an opportunity to do business with the School District, or the opportunity for the District to obtain the best price.

We recommend the District follow the Board policy concerning quotations and bids, and the administration should seek at least 2 price quotations on purchases of more than \$1,000 for a single item.

### **MANAGEMENT COMMENTS**

#### Reimbursements to the Superintendent

The District does not have formal written administrative guidelines and procedures for the requisitioning, reviewing, approving, and the processing of reimbursements for business expenses to the Superintendent or other District personnel.

During the Period, Ms. Linton received reimbursement for \$30 which was not supported by a vendor invoice or receipt, 2 reimbursements totaling \$99 which were not fully itemized, 2 reimbursements totaling \$190 which were not for a purpose related to the operations of the District, and 5 reimbursements totaling \$425 for meals, food and candy for which we were unable to determine whether these expenditures were business or personal in nature. On March 12, 1999 and April 5, 2000, Ms. Linton reimbursed the District in the amounts of \$125 and \$65, respectively.

All reimbursements to Ms. Linton were approved only by Ms. Linton.

The absence of written administrative guidelines and procedures for the reimbursement of employee business expenses could result in an inconsistent or improper reimbursement. Ms. Linton approving her own reimbursements is an incompatible function within the District and represents a serious lack of segregation of duties. The absence of review and approval of these reimbursements by the Board also increases the risk that fraud could have occurred and not been detected in a timely manner.

We recommend the Board establish written formal administrative guidelines and procedures for requisitioning, reviewing, approving, and processing reimbursements to the Superintendent and District personnel. Also, we recommend the Superintendent not approve reimbursement of business expenses to herself.

## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

### Board Approval of Service Contracts

Of the 4 consultants we reviewed, 2 were not approved by the Board in a formal resolution. Additionally, payments to 1 consultant, Scribes Unlimited, were approved by the Board not to exceed \$5,000; however, total payments were \$23,868, an amount \$18,868 in excess of Board approval.

The District does not have a procurement policy which governs expenditures for personal services. In addition, the existing Board policy does not require bidding or Board approval for personal service contracts. There was no evidence that the Board authorized the Superintendent to enter into certain personal service contracts.

We recommend the District require Board approval for all personal service contracts exceeding a preestablished amount and implement administrative guidelines requiring personal service contracts to outline and specify the nature of the services to be provided, the time period for which the services are to be rendered, and a fee for those services.

### Use of School Credit Cards

Board Policy No. 6423, Use of School Credit Card, states that the policy authorizes the Treasurer to apply for credit cards in the name of the District. The policy does not outline specific administrative guidelines for the use of credit cards. The policy states that the Treasurer shall prepare administrative guidelines; however, based upon the Treasurer's assertions, there were no formal written guidelines during the Period. Todd Puster, current Treasurer, asserted that costs which are ordinary, customary, and reasonable can be charged using the District's credit card.

The District incurred finance charges and late fees for 2 District credit cards during the Period totaling \$380. Additionally, there were 25 charges made by Ms. Linton and Patricia McLaughlin, former Treasurer, totaling \$3,070 which did not have itemized receipts or supporting documentation, and 8 instances whereby Ms. Linton and Ms. McLaughlin made charges on the credit card which were not for a purpose related to the operations of the District. Of \$752 considered unrelated to District operations, \$738 was reimbursed.

The Bond Levy Committee, an outside organization, charged \$183 for lunch at a local Bob Evans Restaurant to Ms. Linton's credit card. On April 30, 2000, the Streetsboro School Levy Committee issued check No. 127 totaling \$183 to Huntington National Bank to pay for this luncheon.

We recommend the District discontinue permitting the use of direct bill credit cards issued in the name of the District by District officials or employees. District-related expenses incurred by individuals on behalf of the District should be reimbursed to the individual following completion and approval of an expense reimbursement form and upon submission of appropriate documentation to support that the expense incurred related to the operations of the District.

Should the District desire to continue using direct bill credit cards issued in the name of the District, the District should pay the monthly credit card balances off timely in order to avoid finance charges and late charges. Additionally, the Board should establish and formally adopt a written credit card policy and related formal written administrative procedures. The policy and procedures should include, but not be limited to the following:

- Identify individuals authorized to use the District credit card.
- Identify the types of charges allowable, require purchase orders for all credit card transactions, and establish maximum gratuities permitted.
- Require all purchases made with credit cards be supported by a receipt or other supporting documentation.

## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

- Require all credit card expenditures be reviewed by the Board to ensure the purchases relate to the operations of the District.
- The Board should approve credit limits on the credit cards.
- Prohibit the use of District credit cards by other outside organizations or unauthorized individuals.

### Revisions to Vendor Purchase Orders and Standing Data

The District has no formal written procedures to initiate changes or additions to vendor standing data records such as social security numbers/tax identification numbers, vendor names, mailing addresses, or the signature of the person submitting the information.

Five purchase orders were altered from American Academic Suppliers, Inc., to Rick Griffith. Ms. Linton asserted the modifications were made by the Treasurer's Office without her approval, and the Treasurer's Office asserted that the information was changed upon the request of Ms. Linton.

Lack of independent approval or review of vendor master file information allows for fictitious vendors to be established or changes to standing data to occur and remain undetected.

Based upon the above issues, we recommend the following:

- All revisions to the District's existing vendor listing should be made after accurate, required information is obtained, and changes should be independently verified by the Treasurer, who will act as a monitor of the vendor data base.
- The current vendor master listing should be periodically reviewed by the Board to ensure the existence, validity, completeness and accuracy of the District's current vendors. In addition, based upon that review, vendors which lack the required documentation should be identified and evaluated by management or removed from the vendor listing. Evidence of this procedure should be maintained for review by the District's independent auditors. State software provides a report which details all changes to the accounting system including vendor master file information. The District's Treasurer can utilize this report to monitor the revisions to standing data on a monthly basis.

### Conflicts of Interest

While District personnel may not directly have a relationship with vendors or any service providers, any acts that would create the appearance of a conflict of interest should be brought to the attention of his or her supervisor or the Board. Thereafter, the Board or supervisor should decide whether circumstances of the individual case could impair the objectivity of the employee or create the appearance of such an impairment on the part of the employee, and could be considered a conflict of interest in a District contract. District personnel requisitioning goods and services and approving transactions must consider their employment positions to ensure objectivity is not impaired or that the appearance of impairment or a conflict of interest does not exist in a District contract.

As the Chief Executive Officer and Superintendent of the District, Mary Linton approved purchase orders for the purchase of school supplies and office furniture from companies in which her husband and his associate were employed. In addition, she authorized and approved the contracting of certain consultants without the approval of the Board. This could create the appearance of a conflict of interest on the part of the employee when approving and authorizing these types of transactions.

We recommend the Board establish written formal procedures whereby District personnel are required to confirm in writing on an ongoing basis any circumstance(s) which could create the appearance of a conflict of interest.

# SUPPLEMENT TO THE SPECIAL AUDIT REPORT

## Issue No. 3 - Review of Board policy and state law regarding prohibited political activity

Through inquiry of certain District personnel and the review of certain District employee payroll records, we determined whether District personnel followed District policies, procedures, and state laws regarding prohibited political activity during the campaign for the District's November 1999 bond levy issue.

### Procedures

1. We gained an understanding of the District's policies and procedures, and applicable state laws for campaign activities.
2. We interviewed certain District personnel to determine whether campaign activities were conducted during normal working hours.
3. We reviewed payroll and leave records for individuals who participated in the November 1999 bond levy activities to determine whether any of the participants took leave time to participate in the activity during normal working hours.

### Results

1. We reviewed Board Policy No. 7510, "Use of School Facilities," which states, in pertinent part that, "...the use of school facilities shall not be granted by the Board for the following:
  - Partisan Political Activity
  - Private Social Functions
  - Any purpose which is prohibited by law"

Ohio Rev. Code Section 3315.07 (c)(1) generally provides: "... (n)o Board of Education shall use public funds to support or oppose the passage of a school levy or bond issue or compensate any school district employee for time spent on any activity intended to influence the outcome of a school levy or bond issue."

2. We interviewed administrators and certain other District personnel and were informed that on Monday, November 1, 1999, Todd Puster, current Treasurer, and Mary Linton, former Superintendent, went on the rooftop of Campus Intermediate Elementary School to begin a telethon to make the public aware that the District had a 25-year 4.9 mill bond levy on the upcoming November election ballot. The two expected to remain on the roof until 1,300 telephone calls were received by the community voicing their opinions concerning the levy, and whether they would vote in favor or against the levy. In a press release from Ms. Linton, residents were asked to call six published District telephone numbers to voice their opinion. Certain District personnel, during their normal working hours, compiled the results of the phone survey and periodically provided updates to Ms. Linton on the rooftop during the day.

We interviewed certain District personnel who answered the telephones during normal working hours and were informed that 3 or 4 individuals answered the telephones related to this telethon activity for approximately 30-45 minutes each throughout the day. We determined none of the personnel who answered the phones kept a detailed log of the time they spent answering the phones for this activity. All were administrative and salaried employees rather than hourly. Also, as part of this activity, District students and staff gathered in front of Campus Intermediate Elementary School at 9:45 a.m. for approximately one hour while Ms. Linton remained on the rooftop leading a rally to show support for the levy.

## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

In addition, we interviewed 9 administrative personnel, 7 of whom Ms. Linton requested to work the polls. Of the 7 individuals who were requested to work the polls, 2 of the administrators each worked the polls for approximately 1 hour outside the normal work day, 2 administrators each worked the polls for approximately 2 hours during normal working hours, and the other 3 did not work the polls. As a result, a total of 6 hours was worked on election day by 4 administrators. These individuals were instructed to distribute bond levy information during that time period.

We obtained correspondence provided to the Board on October 29, 1999 from Ms. Linton which informed the Board of Education these activities would take place. We discussed this correspondence with the Board and inquired whether any written response from the Board existed disapproving this activity. We were told there was no written communication disapproving this activity. The Board and current Treasurer, Todd Puster, asserted that Ms. Linton was instructed to consult with the District's legal counsel prior to undertaking this activity. We spoke with Ms. Linton who asserted verbal affirmation was received from the District's legal counsel. We spoke with the District's legal counsel, Susan McGown, Britton, Smith, Peters, & Kalail Co., L.P.A., who asserted that Ms. Linton was advised not to undertake this type of activity; however, no formal written legal opinion from the District's legal counsel was issued addressing this matter. We will issue a noncompliance citation and recommend the District follow its policy concerning political activities.

3. We reviewed the payroll for the administrators and certain District personnel who participated in this activity and noted that Todd Puster, current Treasurer, used 8 hours of vacation on November 1, 1999 while on the rooftop. Ms. Linton did not use any leave that day while on the rooftop. We reviewed payroll records for certain District personnel who answered the telephones and worked the polls and determined detailed time sheets were not required to be completed because these employees were salary; therefore, we could not quantify a definitive block of time for which these activities were conducted. We confirmed with Betty Defer, District Payroll Clerk, who informed us these employees did not use any leave during this day and were paid their full salary amount for the day.

### NONCOMPLIANCE CITATIONS

#### Ohio Rev. Code Section 3315.07 - Political Activity

Ohio Rev. Code Section 3315.07 (C)(1) generally provides: "...no board of education shall use public funds to support or oppose the passage of a school levy or bond issue or to compensate any school district employee for time spent on any activity intended to influence the outcome of a school levy or bond issue election."

Two administrators each worked the polls for approximately 2 hours during normal working hours. These administrators did not take leave, and were paid their salaries for that day. In addition, approximately 3 or 4 District personnel answered the telephone during the telethon on the rooftop. These individuals did not take leave and were paid their salaries for that day.

Public funds are not to be used to support or oppose the passage of a school levy or bond issue, or to compensate any District employee for time spent on any activity intended to influence the outcome of a school levy or bond issue.

We recommend the District follow the Ohio Revised Code and not use public funds to support or oppose the passage of a school levy or bond issue or compensate any District employee for time spent on any activity intended to influence the outcome of a school levy or bond issue.

## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

### Board Policy No. 7510 - Use of School Facilities

Board Policy No. 7510 states in pertinent part, "the Board believes the school facilities of this District should be made available for community purposes, provided that such use does not infringe on the original and necessary purpose of the property or interfere with the educational program of the schools." The policy goes on to state "the use of school facilities shall not be granted for:

- Partisan Political Activity
- Private social functions
- any purpose prohibited by law"

Ms. Linton, former Superintendent, and Todd Puster, current Treasurer, went on the rooftop of Campus Intermediate Elementary School to conduct a telethon to make the public aware and advocate passage of a bond levy issue which was on the November 1999 election ballot.

We recommend the District follow the Board policy and not use school facilities for partisan political activities.

# SUPPLEMENT TO THE SPECIAL AUDIT REPORT

## Issue No. 4 - Identification of requirements for allowable grant requirements

We identified requirements related to allowable grant expenditures for the Ohio Partners in Character Education and Portage Elevates Assets in Kids state grants for the Period.

### Procedure

We obtained and reviewed the grant applications and program narratives in effect during the Period for these state grants, and identified the types of allowable expenditures for which these grant funds could be used.

### Result

The guidelines in the grant applications and the approval of District's program objectives defined the following costs as generally allowable:

#### Ohio Partners in Character Education Grant

- 12% of the award totaling \$6,000 to be paid to the Council for Ethics in Economics for professional development,
- Consulting services to develop a pilot character education program,
- Promote core ethical values as the basis of good behavior,
- Educate the community and District staff on character education, and
- Purchase of equipment and supplies related to promoting character education.

#### Portage Elevates Assets in Kids Grant<sup>5</sup>

- Promote asset building initiatives,
- Train teachers, administrators, parents, and students in asset building,
- Dinners and workshops for 200 participants to promote asset building, and
- Assemblies with speakers for students.

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<sup>5</sup> The grant is to promote safe and healthy communities. The grant is to be used by the District to facilitate and mobilize the collective energies, commitments, and the creativity in building assets in kids to promote healthy lives and bright futures of children and youth.

# SUPPLEMENT TO THE SPECIAL AUDIT REPORT

## Issue No. 5 - Review of grant expenditures

We determined whether expenditures made with Ohio Partners in Character Education<sup>6</sup> and Portage Elevates Assets in Kids<sup>7</sup> state grant funds for the Period were allowable in accordance with the grant applications and program narratives.

### Procedures

1. Using District appropriation ledgers, we identified expenditures made with Ohio Partners in Character Education and Portage Elevates Assets in Kids grant funds.
2. We examined invoices and supporting documentation for these expenditures to determine whether these expenditures were allowable in accordance with the grant applications and program narratives.

### Results

1. The District made 64 expenditures totaling \$41,642, for the Ohio Partners in Character Education state grant during the Period for the following purposes:
  - 24 expenditures totaling \$24,467 were paid to consultants for the development of a character education program.
  - 34 expenditures totaling \$8,427 were paid for supplies.
  - An expenditure for \$168 was paid for equipment.
  - A \$6,000 expenditure was paid to the Council for Ethics in Economics as required by the grant.
  - 4 expenditures totaling \$2,580 were paid for training.

The District made 92 expenditures totaling \$17,857 for the Portage Elevates Assets in Kids state grant during the Period for the following purposes:

- 26 expenditures totaling \$6,301 was paid for supplies.
- 35 expenditures totaling \$1,000 paid to 6<sup>th</sup> and 8<sup>th</sup> grade students as proficiency test incentives.<sup>8</sup>
- 5 expenditures totaling \$1,306 was paid for training.
- 26 expenditures totaling \$9,250 was paid for meals related to sponsored workshops and training sessions.

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<sup>6</sup> The Ohio Department of Education is the grantor for the Ohio Partners in Character Education state grant.

<sup>7</sup> Kent State University is the grantor of the PEAK grant.

<sup>8</sup> Expenditures were determined to be allowable based on a review a of PEAKS Evaluation Report for the Period July 1, 1999 through June 30, 2000 issued by Kent State University.

## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

2. We determined that all expenditures were supported by invoices or other supporting documentation without exception. All expenditures appeared allowable in accordance with the grant applications and program narratives, except for 1 reimbursement for \$180 to a teacher, Beth Hepburn, for a receipt from the China Buffet Express which was not fully itemized, and had no explanation of what was purchased. We discussed this reimbursement with the Assistant Treasurer who talked with Ms. Hepburn concerning the reimbursement. Ms. Hepburn asserted that this was not a reimbursement for a meal, but supplies purchased for her classroom to demonstrate Asian cultures, foods, and recognition of diversities in their way of life. We will recommend the District follow its policy for the payment of claims (see the Noncompliance Citations in our Results of Issue 2).

In addition, we contacted representatives of both Ohio Department of Education and Kent State University, and inquired whether these types of expenditures identified above were allowable in accordance with the grant application and program narrative.

Lloyd Stuller, Ohio Department of Education, asserted these types of expenditures are allowable when they are in accordance with the approved grant application and program narrative, and has no knowledge of any noncompliance by the District.

Colleen Mahoney, former Kent State University Director, Center for Health Promotion Through Education, who was the grant coordinator at the time the District received the grants, asserted the District's Portage Elevates Assets in Kids state grant has been evaluated each of the previous 2 years, and there have been no unfavorable results.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**STREETSBORO CITY SCHOOL DISTRICT**

**PORTAGE 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  
JANUARY 29, 2002**