



Mary Taylor, CPA
Auditor of State

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Mark Lucas, Superintendent
Tracey Obermiyer, Treasurer
Liberty Local School District
4115 Shady Road
Youngstown, Ohio 44505

We conducted a special audit of Liberty Local School District (the District), by performing the procedures enumerated in the attached Supplement to the Special Audit Report for the period July 1, 2003 through April 30, 2007 (the Period), solely to:

- Confirm the shortages identified by District personnel for receipts related to Pennies for Patients, transcript fees, and prom ticket sales.

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 documentation supporting the alleged shortages identified by District personnel regarding Pennies for Patients and transcript fees, to confirm the shortages. We also examined prom ticket sales to determine whether collected funds were accounted for and were deposited to a District account.

Significant Results – We confirmed the District's calculated shortage of funds in the Pennies for Patients fund-raiser (\$370), and we calculated shortages in transcript fees (\$964) and prom ticket sales (\$3,554). We issued Findings for Recovery against Marcie Cohen, former high school secretary, totaling \$4,888 for these shortages. We also issued two noncompliance citations for failing to make timely deposits and not charging transcript fees in accordance with District policy. We issued two recommendations regarding internal controls over receipts and using fund-raising financial reports.

2. On February 28, 2008, we held an exit conference with the following individuals representing the District:

Mark Lucas, Superintendent
Tracey Obermiyer, Treasurer

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

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

Mary Taylor, CPA
Auditor of State

January 7, 2008

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Supplement to the Special Audit Report

Background

On April 25, 2007, Tracey Obermiyer, District Treasurer, wrote a letter regarding an alleged theft to the District's auditors, the independent public accounting firm Julian & Grube. Julian & Grube contacted the Auditor of State's Youngstown office seeking guidance on how to proceed.

Ms. Obermiyer's letter stated that the Liberty High School principal became suspicious of fund-raising activities being supervised by the high school secretary, Marcie Cohen. A review by the District disclosed shortages in the Pennies for Patients fund-raiser and in transcript fee receipts. It also resulted in the discovery of a cash box containing \$535 that was found in the secretary's file cabinet. District representatives believed this money was proceeds from basketball concessions which had been held by the secretary beyond the time when these collections should have been deposited. Ms. Obermiyer's letter further disclosed that the secretary held supplemental contracts for student government and junior class advisor and that she acted as Treasurer for the Liberty Association of School Employees (LASE) union. The treasurer's letter stated the secretary previously admitted to taking money from the union and offered restitution to LASE. The District placed the secretary on administrative leave effective April 19, 2007.

On May 11, 2007, representatives of the Auditor of State met with Lawrence Prince, Liberty LSD Superintendent¹, and Ms. Obermiyer. It was learned that Ms. Cohen was responsible for collecting cash from teachers and students for charity fund-raisers, fees, and transmitting grade transcripts to colleges. As junior class advisor, she was responsible for operating the concession stand at basketball games. The proceeds from the concession stand were the main fund-raiser which financed the prom each year. Due to the District not maintaining adequate documentation to determine the amount of proceeds generated by the concession stand, we did not include concession stand receipts in the scope of the special audit.

On May 31, 2007, the Auditor of State initiated a special audit of Pennies for Patients, transcript fees, and prom ticket sales.

¹ Superintendent Lawrence Prince resigned in June 2007 and was replaced by Mark Lucas.

Supplement to the Special Audit Report

Issue No. 1 – Review of receipts and fund-raisers under the control of, and administered by, the high school's secretary

PROCEDURES

We examined documentation supporting alleged shortages identified by District personnel related to Pennies for Patients and transcript fees, to confirm the shortages.

We also examined supporting documentation pertaining to prom ticket sales to determine whether funds collected were accounted for and were deposited to a District account.

RESULTS

The total amount of funds documented as being received for the Pennies for Patients fund-raiser, transcript fees, and prom ticket sales were not deposited intact to a District account. We confirmed the District's calculated shortage in the Pennies for Patients fund-raiser, and we calculated the shortages in transcript fees and prom ticket sales. We issued Findings for Recovery for the amount of shortages which were calculated from the available documents.

FINDINGS FOR RECOVERY

Pennies for Patients

The Pennies for Patients fund-raiser was held to raise money for the Leukemia & Lymphoma Society. Each classroom collected donations from February 1, 2007 through February 23, 2007. Marcie Cohen, as high school secretary, managed this fund-raiser.

On April 12, 2007, Ms. Cohen faxed documentation to the Leukemia & Lymphoma Society indicating the District collected donations totaling \$1,485. District records confirmed that \$1,485 had been deposited for the Pennies for Patients fund-raiser; however, additional documents maintained by Ms. Cohen and the District indicated \$1,855 was actually collected in the classrooms, leaving a shortage of \$370.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies collected but not accounted for is hereby issued against Marcie Cohen and St. Paul Travelers, her bonding company, jointly and severally, in the amount of \$370, and in favor of Liberty Local School District.

Transcript Fees

As high school secretary, Marcie Cohen's responsibilities included collecting fees for sending official transcripts to colleges via certified mail. Students paid \$3 for each mailing.

District records documented 453 transcripts sent certified mail during the 2005-2006 school year, and 272 sent from August 2006 through Ms. Cohen's last day, April 19, 2007. These mailings should have generated a total of \$2,175; however, only \$1,211 was deposited, leaving a shortage of \$964.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies collected but not accounted for is hereby issued against Marcie Cohen and St. Paul Travelers, her bonding company, jointly and severally, in the amount of \$964, and in favor of Liberty Local School District.

Supplement to the Special Audit Report

Prom Ticket Sales

Marcie Cohen was advisor to the junior class until being placed on administrative leave effective April 19, 2007. In this capacity, Ms. Cohen was responsible for various fund-raisers held by each year's junior class, which included the sale of prom tickets.

For the proms in 2004, 2005, and 2006, District records indicated tickets were sold totaling \$6,000, \$6,340, and \$8,492, respectively. However, the deposits in each year were only \$5,536, \$4,990, and \$6,752, resulting in a total shortage of \$3,554.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies collected but not accounted for is hereby issued against Marcie Cohen and St. Paul Travelers, her bonding company, jointly and severally, in the amount of \$3,554, and in favor of Liberty Local School District.

NONCOMPLIANCE CITATIONS

Untimely Deposits

Ohio Revised Code section 9.38 requires, in part, that all public monies received shall be deposited with a properly designated depository on the business day next following the day of receipt.

The Board of Education, Liberty Local School District, Policy 6600, Deposit of Public Funds: Cash Collection Points, states, in part, "If the monies received do not exceed \$1,000, the person shall deposit such monies with the Treasurer not more than two (2) business days following the day of receipt."

The Pennies for Patients fund-raiser contained nine pay-ins dated March 9, 2007 through March 27, 2007; however, the fund-raiser ended February 23, 2007.

Transcript fees were collected throughout the school year; however, pay-ins were often not recorded for months at a time. For example, there were no pay-ins of fees from February 28, 2006 until April 25, 2006.

Prom tickets for the 2004 dance were on sale through April 23, 2004; however, funds were not deposited until April 28, and April 30, 2004. The 2005 prom ticket sales ended April 29, 2005; however, funds were not deposited until May 11, and May 12, 2005. There were no records to indicate when the 2006 prom ticket sales ended.

We recommend the District institute additional controls to ensure funds collected are deposited in a timely manner and in accordance with Ohio Revised Code and District Policy 6600.

Transcript Fees

The Liberty High School Student Handbook states, "Requests for high school transcripts are to be made through the guidance office. There is a charge of \$5.00 for each transcript payable at the time of request."

During the Period, the District charged \$3.00 for each transcript request. By not charging fees in accordance with the established schedule, concern may arise over the validity of a decrease in fees, and whether the decrease was approved and authorized, or if the rate was changed to conceal the misappropriation of funds.

We recommend the District either approve changes to the policy to reflect a \$3.00 charge per transcript, or begin charging \$5.00 in accordance with the established policy.

Supplement to the Special Audit Report

RECOMMENDATIONS

Receipts

The District lacked controls over various receipts:

- Pay-ins to the treasurer could not be traced to the actual receipt. For example, we were unable to trace transcript fees received for a particular day to a specific pay-in. The pay-in did not reflect the day or days the money was receipted.
- Teachers did not receive a duplicate receipt when giving funds to the building secretary. For example, the Pennies for Patients fund-raiser solicited each homeroom for funds, yet there was no duplicate receipt or confirmation from the homeroom teacher for the amount of funds turned over to the secretary.
- There was no comparison of beginning inventory, additions, and ending inventory to the amount reported as sales and paid in to the District. For example, concession stand and candy sales were not reviewed by another individual to ascertain reasonableness by comparing sales to the amounts deposited.
- Ticket sales for dances were not scrutinized as to reasonableness. There was no documentation of ticket inventory or attendance at the dances compared to amounts paid in.

The lack of controls and oversight of receipts could increase the likelihood that errors or theft may occur and go undetected.

We recommend the District institute controls and oversight which should include obtaining the financial information of each fund-raiser or receipt function, reviewing revenues and expenditures, and ensuring that the proper documentation is on file for both the revenues and expenditures.

Fund Raiser Financial Reports

The Liberty Local School District's Policy 6610 states, "Fund raising for all student activities requires the prior approval of the Superintendent." The District provided a two part Fund Raiser Financial Report to advisors of student activities to complete. The first half of the report documents the Superintendent's approval of the fund-raiser and indicates the potential revenue and associated cost of the fund-raiser. The second half of the report was to be completed at the conclusion of the fund-raiser and identifies the actual cost and profit related to it. The Superintendent also signs this portion to document his acknowledgement.

During the Period, the District was unable to provide Fund Raiser Financial Reports for the concession stand, Pennies for Patients and prom ticket sales. This could lead to fund-raisers being held that are not authorized by the Board, and receipts not being collected and/or recorded correctly.

We recommend all school fund-raisers have a properly completed and approved Fund Raiser Financial Report on file. The first half should be completed prior to the start of each fund raiser. At the conclusion of the fund-raiser, the second half of the report should be completed and maintained.



Mary Taylor, CPA
Auditor of State

LIBERTY LOCAL SCHOOL DISTRICT

TRUMBULL 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
MARCH 20, 2008**