



**ROSS COUNTY SCHOOL EMPLOYEES INSURANCE CONSORTIUM
ROSS COUNTY**

SPECIAL AUDIT

FOR THE PERIOD JULY 1, 2006 THROUGH APRIL 30, 2007



Mary Taylor, CPA
Auditor of State

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ROSS COUNTY SCHOOL EMPLOYEES INSURANCE CONSORTIUM
SCHEDULE OF MEMBER DISTRICTS AND RELEVANT PERSONNEL
As of April 30, 2007

Member District	Superintendent
Adena Local School District	Dave Warne
Bright Local School District	Dee Wright
Circleville City School District	Sam Lucas
Huntington Local School District	John Barr
Logan Elm Local School District	Asa Bradbury
Paint Valley Local School District	Gary Uhrig
Pickaway-Ross County Joint Vocational School District	Brett Smith
Ross-Pike County Educational Service District	Phil Satterfield
Southeastern Local School District	Brian Justice
Teays Valley Local School District	Jeff Sheets
Union-Scioto Local School District	Dwight Garrett
Westfall Local School District	Randall Cotner
Zane Trace Local School District	Carolyn Everidge

Westfall LSD Treasurer

Scott Glandon

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Mr. Randall Cotner, Board President
Ross County School Employees Insurance Consortium
19463 Pherson Pike
Williamsport, Ohio 43164

We have conducted a special audit of the Ross County School Employees Insurance Consortium ("Consortium") by performing the procedures described in the attached Supplement to the Special Audit Report for the period July 1, 2006 through April 30, 2007 ("Period"). The audit procedures were performed solely to determine whether certain expenditures were authorized and made for a purpose related to the operation of the Consortium.

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 expenditures made during the Period.

Significant Results – Westfall Local School District acted as the Consortium's fiscal agent. During the Period, Scott Glandon, Westfall Local School District's treasurer, wrote six Consortium checks payable to himself totaling \$17,700 and deposited them into his personal account. The names of regular Consortium payees were written on the check carbons to conceal the nature of the payments. The payments were not supported by documentation indicating a service was provided, authorized by the Board, or for a purpose related to the Consortium's operations. On November 14, 2007, Mr. Glandon entered a plea of guilty to two counts of theft in office related to these findings.

We considered a finding for recovery against Mr. Glandon for public monies illegally expended in the amount of \$17,700. Mr. Glandon repaid the amount during the audit, and accordingly, we consider this a finding for recovery repaid under audit.

We issued two management comments related to segregation of duties and authorization of the amount paid to the fiscal agent.

2. On November 29, 2007, we held an exit conference with the following individuals from the Consortium:

Randall Cotner, Superintendent, Westfall Local School District
Cindy Ritter, Treasurer, Circleville City School District
Erin Kirby, Treasurer, Ross-Pike County Educational Service District
Stacy Overly, Treasurer, Teays Valley Local School District
Janet Stebelton, Benefits Administrator, Teays Valley Local School District

The attendees were informed that they had five business days to respond to this Special Audit Report. The Consortium did not provide a response to the report.



Mary Taylor, CPA
Auditor of State

September 6, 2007

Supplement to the Special Audit Report

Background

The Ross County School Employees Insurance Consortium (“Consortium”) is a regional council of governments organized under Ohio Revised Code Chapter 167. The Consortium administers a cooperative health insurance program on behalf of its member school districts. The Consortium’s Board of Directors is composed of the superintendents from each member school district. As of the end of our audit period, April 30, 2007, thirteen school districts were actively participating in the Consortium.

The Board of Directors appointed Consortium member Westfall Local School District (“Westfall”) as fiscal agent for the Consortium. During the Period, Westfall Treasurer Scott Glandon served as the treasurer of the Consortium. Mr. Glandon was the sole signatory on the Consortium’s bank account.

In April 2007, Mr. Glandon raised suspicions at his personal bank by depositing Westfall checks into his personal account. This bank contacted Westfall’s bank to report the activity, which in turn notified the county prosecutor. At an executive meeting of Westfall’s Board of Education, Mr. Glandon admitted to writing checks to himself from Westfall’s account between January and April 2007. Subsequent to Mr. Glandon’s initial admissions, Westfall received information from Mr. Glandon’s attorney that Mr. Glandon also wrote checks to himself from the Consortium’s account dating back to December 2006. On April 30, 2007, Mr. Glandon submitted his resignation to the Westfall Board.

The Pickaway County Sheriff’s and Prosecutor’s Offices initiated a criminal investigation into the matter. The Auditor of State’s Special Audit Task Force considered the matter and on May 3, 2007, initiated special audits of the Consortium and Westfall.

On September 14, 2007, Mr. Glandon was indicted on two counts of theft in office, both third-degree felonies. Mr. Glandon entered a plea of guilty to the charges on November 14, 2007.

Supplement to the Special Audit Report

Issue No. 1 – Expenditures

Procedures

We compared the Consortium's check register to the bank statements and canceled checks to identify unauthorized expenditures.

We scanned the Consortium's bank statements for transfers to non-Consortium accounts to identify unsupported transfers to unknown or unauthorized accounts.

We tested Scott Glandon's compensation as Consortium treasurer for compliance with applicable authority and to identify any outstanding payment advances.

We determined if there were any repayments made by Mr. Glandon, and if so, traced the repayments to the Consortium accounts.

Results

Between December 2006 and January 2007, Scott Glandon wrote six Consortium checks to himself totaling \$17,700 and deposited them into his personal bank account. The names of regular Consortium payees were written on the check carbons to conceal the nature of the payments. The payments were not supported by documentation indicating a service had been provided, authorized by the Board, or for a purpose related to the Consortium's operations.

There were no transfers to unknown or unauthorized bank accounts during the Period.

Westfall received \$1,200 per month from the Consortium for serving as the fiscal agent. From this amount, Mr. Glandon was paid \$900 per month to serve as treasurer for the Consortium. Westfall Assistant Treasurer Lisa Ater was paid \$300 per month to serve as Consortium assistant treasurer. There were no payment advances made to Mr. Glandon or Ms. Ater.

On April 30, 2007, Mr. Glandon repaid \$1,500 directly to the Consortium. By May 31, 2007, Mr. Glandon repaid the remaining \$16,200 to Westfall. On July 17, 2007, Westfall transferred \$16,200 to the Consortium. We traced the repayments to deposits to the Consortium and Westfall accounts.

Finding for Recovery Repaid Under Audit

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, we considered a finding for recovery against Mr. Glandon for public monies illegally expended in the amount of \$17,700. By May 31, 2007, Mr. Glandon repaid the amount to the Consortium. Accordingly, we consider this a finding for recovery repaid under audit.

Management Comment

Segregation of Duties

The treasurer performed the majority of the accounting functions for the Consortium, including but not limited to, the creation of various accounting reports and the preparation of checks, voucher packets and bank reconciliations, without being reviewed by another party. Additionally, the treasurer was the lone signatory on the Consortium's account. The lack of segregation of duties increases fraud risk and could result in errors and irregularities not being discovered in a timely manner.

Supplement to the Special Audit Report

We recommend that duties be segregated to ensure that no single individual has control over all phases of the receipt and expenditure processes. In a small operation, such as the Consortium, it is not always possible to have enough staff to properly segregate duties. Understanding this, the Board should take a more active role in monitoring financial activity and reviewing work performed by the treasurer. Additionally, we recommend that an additional signature be required on checks and that board members periodically review supporting documentation for disbursements and bank account reconciliations.

We recommend that an individual other than the treasurer be responsible for performing the monthly bank reconciliations to provide segregation of duties over receipts and expenditures. Further, we recommend that the person performing the reconciliation document it on a standard form with their signature to provide evidence of this action. We recommend one party perform and sign-off on the reconciliation, and a second party review the reconciliation for accuracy. Each party should sign the reconciliation form, and those forms should be retained.

Authorization of Payment to Fiscal Agent

According to its definition in Section 1 of the Agreement Establishing Ross County School Employees Insurance Consortium, "Fiscal Agent means the Board of Education designated by the Board of Directors, pursuant to the By-laws, to coordinate and administer the Insurance Program of the Consortium." The Board of Directors appointed Consortium member Westfall Local School District ("Westfall") as fiscal agent for the Consortium.

Section 3(F) of the Consortium's By-laws states that "(a)s consideration for its services, the Fiscal Agent may receive a management fee from the Consortium in an amount approved by the Board." During the Period, Westfall received \$1,200 per month from the Consortium for serving as the fiscal agent.

Section 2(A)(4) of the By-Laws states that "(t)he Treasurer of the Fiscal Agent shall be the Treasurer of the Consortium." Westfall Treasurer Scott Glandon served as the treasurer of the Consortium and was paid \$900 per month. Westfall Assistant Treasurer Lisa Ater was paid \$300 per month to serve as Consortium assistant treasurer.

We requested documentation authorizing the amount of \$1,200 per month paid to the fiscal agent and the division of this amount between Mr. Glandon and Ms. Ater. The Consortium was unable to provide such documentation.

We recommend that Board authorization of these payments, including the amount, be documented and maintained in the Consortium's records.



Mary Taylor, CPA
Auditor of State

ROSS COUNTY SCHOOL EMPLOYEES INSURANCE CONSORTIUM

ROSS 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 3, 2008**