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INDEPENDENT ACCOUNTANTS' REPORT

Todd Warner, Board President
Gregg Elchert, Superintendent
Alan Binger, Treasurer
Clyde-Green Springs Exempted Village School District
106 S. Main Street
Clyde, Ohio 43410

We conducted a special audit of the Clyde-Green Springs Exempted Village School District (the District), by performing the procedures enumerated in the attached Supplement to the Special Audit Report for the period July 1, 2001 through July 31, 2008 (the Period), solely to:

- Determine whether payments to selected vendors were supported and for valid District expenditures.
- Determine whether reimbursements to former superintendent, Todd Helms, and credit card charges initiated by Mr. Helms were supported and for valid District expenditures.
- Determine whether booster club donations for an alleged grant program were used for District purposes.

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 determined whether payments to selected vendors were supported and for valid District expenditures.

   Significant Results – We issued a finding for recovery against Mr. Helms totaling $110,031, for payments issued to fictitious companies which were deposited into bank accounts held in Mr. Helms’ name. We also issued one management comment for the District to improve its controls over the master vendor listing.

2. We determined whether reimbursements to Mr. Helms and his credit card charges were supported and valid District expenditures.

   Significant Results – We issued findings for recovery against Mr. Helms for the following items charged to the District: personal travel expenses ($3,720), gift certificates ($240), personal charges on the District credit card ($6,123), and travel disbursements ($13,928). We also issued six management comments related to controls over meal reimbursements, lodging, transportation expense forms, District credit cards, itemization of expenditures, and assets below the capitalization threshold.

3. We determined whether booster club donations for an alleged grant program were used for District purposes.
Significant Results – Mr. Helms enticed booster clubs and other contributors to donate to the District to take advantage of an alleged matching grant to purchase equipment or make improvements. Donations to the District by the booster clubs were deposited into bank accounts held in Mr. Helms’ name for his personal use. As a result, we issued a finding for recovery against Mr. Helms for $161,725.

4. On July 8, 2009, we held an exit conference with the following individuals representing the District:

   Gregg Elchert, Superintendent
   Laura Kagy, Assistant Superintendent
   Alan Binger, Treasurer
   Nancy Greenslade, Board Member
   Janet Frankart, Board Member

   The attendees were informed that they had five business days to respond to this special audit report. A response was received on July 17, 2009. The response was evaluated and changes were made to this report as we deemed necessary.

Mary Taylor, CPA
Auditor of State

April 30, 2009
Supplement to the Special Audit Report

Background

Clyde-Green Springs Exempted Village School District (District) Treasurer Alan Binger contacted the City of Clyde Police Department on July 26, 2008 regarding irregularities in the District’s purchasing process. Allegations included the superintendent, Todd Helms, submitting fictitious purchase orders and invoices to the treasurer to be paid with District funds. The invoices were from companies allegedly created by Mr. Helms. Payments to these companies were mailed to various post office boxes allegedly opened by Mr. Helms or his associates, and then deposited into Mr. Helms’ bank accounts. Additionally, there were allegations that some of Mr. Helms’ travel and credit card expenses were personal in nature, rather than for authorized District purposes.

On July 28, 2008, Auditor of State (AOS) representatives met with District officials and the Clyde Police Department to discuss the allegations. The District placed Mr. Helms on administrative leave and requested that AOS perform a special audit.

This information was considered by the AOS’s Special Audit Task Force and on August 5, 2008, the AOS initiated a special audit of the District.

On August 13, 2008, AOS representatives again met with District officials and the Clyde Police Department. At that meeting, an additional allegation was raised that Mr. Helms collected donations from local booster clubs and did not remit those funds to the District.

Mr. Helms resigned from the District on September 8, 2008.
Supplement to the Special Audit Report

Issue No. 1 – Payments to Selected Vendors

PROCEDURES

Through consultation with District officials and a review of the District’s Master Vendor List¹, we identified four suspected fictitious vendors and 1,035 additional vendors for further review. We examined available documentation for expenditures made to the identified vendors to determine whether the expenditures were supported and were for purposes related to the operations of the District. We conducted internet searches and performed other alternate measures to determine the authenticity of the additional vendors. We also reviewed the Ohio Secretary of State’s website to determine if any of the suspected fictitious vendors filed documentation with the Secretary of State to incorporate.

For payments which were not related to District operations, we scanned the Reduction of Expenditure reports and miscellaneous receipts to determine whether the District was reimbursed for those payments.

RESULTS

Of the 1,035 vendors identified for further testing, 30 vendors did not receive District payments during the Period; 848 were identified as authentic vendors through internet searches; 11 were identified as authentic vendors through alternative measures; and the remaining 146 were tested further through examination of District documentation.

The four fictitious vendors received payments that were not District related. Checks to these four vendors were deposited into personal bank accounts held in the name of Todd Helms. There were no reimbursements for these payments from Mr. Helms noted in the District’s Reduction of Expenditure reports or in the miscellaneous receipts.

FINDINGS FOR RECOVERY

Fictitious Vendors

During the Period, the District paid the following amounts to four fictitious vendors:

<table>
<thead>
<tr>
<th>Vendor Name</th>
<th>Amount Paid</th>
</tr>
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<tbody>
<tr>
<td>REM Components</td>
<td>$17,198</td>
</tr>
<tr>
<td>GTR Enterprises</td>
<td>26,335</td>
</tr>
<tr>
<td>Starpath Technology, Inc.</td>
<td>48,029</td>
</tr>
<tr>
<td>Shasta Supply &amp; Logistics</td>
<td>18,469</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$110,031</strong></td>
</tr>
</tbody>
</table>

Based on a search of the Ohio Secretary of State website, none of these companies were registered with the Ohio Secretary of State. Additionally, the mailing addresses for these companies were post office boxes opened by Mr. Helms or mailing addresses of associates of Mr. Helms. Our review of the purchase orders and invoices noted the payments were for supplies, furniture, computer equipment, and capital improvement projects. The purchase requisitions for these transactions were initiated and approved by Mr. Helms, and the purchase orders were initialed by Mr. Helms as having received the products. However, there was no evidence to support that items purchased had been received by the District. Documents obtained through subpoenas, revealed the checks issued to these companies were deposited into personal bank accounts of Mr. Helms.

¹ The Master Vendor List contained 2,767 vendors.
In accordance with the foregoing facts and pursuant to Ohio Revised Code §117.28, a finding for recovery for public monies illegally expended is hereby issued against Todd Helms, and his bonding company, the Travelers Casualty and Surety Company of America, jointly and severally, in the amount of $110,031, in favor of the Clyde-Green Springs Exempted Village School District.

MANAGEMENT COMMENT

Master Vendor Listing

The District’s vendor list included 30 vendors for which the District did not remit any payments during the Period, 32 duplicate vendors and four fictitious vendors. Also, the District did not have a written procedure for establishing new vendors.

Failure to remove inactive vendors from the vendor listing could result in the District issuing disbursements to vendors not currently in business. Furthermore, the lack of a written procedure for establishing new vendors could result in duplicate vendors and fictitious vendors being included in the District’s accounting system.

We recommend the treasurer periodically review the vendor listing to verify the accuracy of the information listed and remove vendors no longer used by the District. When the District authorizes a purchase order to a vendor which has not been used within a specified time determined by the District, the treasurer’s office should verify the vendor is still in business prior to payment. We further recommend the District create a written procedure for establishing new vendors. This procedure should contain such points of focus as documentation required to be completed to request the addition of a new vendor, and the designation of District personnel responsible for reviewing and approving the new vendor.
Supplement to the Special Audit Report

Issue No. 2 – Expense Reimbursements and Credit Card Expenditures

PROCEDURES

We identified expense reimbursements to former Superintendent Todd Helms, as well as credit card purchases made on the District’s credit card by Mr. Helms. We examined available documentation related to those expenses and determined whether they were related to District operations.

For payments which were not related to District operations, we scanned the Reduction of Expenditure reports and miscellaneous receipts to determine whether Mr. Helms reimbursed the District.

RESULTS

The District paid Mr. Helms $18,660 in travel and expense reimbursements during the Period. Of that amount, $9,232 was considered supported and related to District operations. Reimbursements totaling $5,468 to Mr. Helms, although supported by receipts, could not be verified as District related due to the purpose/description of travel being brief or the sponsor organization was unable to provide verification the event occurred. We issued Findings for Recovery for the remaining $3,960, which included $3,720 in non-District travel expenses, and $240 for the purchase of gift cards.

During the Period, the District paid $68,354 on its Visa credit card. Mr. Helms used the Visa credit card for purchases totaling $18,099. We issued Findings for Recovery against Mr. Helms for personal use of the Visa credit card totaling $6,123. Our examination also noted personal travel expenses paid directly on Mr. Helms’ behalf through the District’s non-payroll expenditure process, totaling $13,928.

The District also had a Wal Mart credit card. We reviewed Wal Mart transactions totaling $3,112 initiated by Mr. Helms. One purchase in the amount of $66 was personal in nature and was reimbursed by Mr. Helms. The remaining charges were for small electronics equipment. The District does not require small electronics to be identified for inventory purposes.

With the exception of the $66 reimbursement for the Wal Mart purchase, there were no reimbursements for these payments from Mr. Helms noted in the District’s Reduction of Expenditure reports or in the miscellaneous receipts.

FINDINGS FOR RECOVERY

Travel and Expense Reimbursements

During the Period, the District reimbursed former Superintendent Todd Helms $18,660 for travel and miscellaneous expenses. Of this amount, $266 was for duplicate reimbursements submitted by Mr. Helms which had previously been paid by the District, and $409 was for personal travel. Additionally, Mr. Helms requested and received reimbursement totaling $3,045 for travel to either fictitious events or actual events which Mr. Helms did not attend.

In accordance with the foregoing facts and pursuant to Ohio Revised Code §117.28, a finding for recovery for public monies illegally expended is hereby issued against Todd Helms, the Travelers Casualty and Surety Company of America, jointly and severally, in the amount of $3,720, in favor of the Clyde-Green Springs Exempted Village School District.
Supplement to the Special Audit Report

Gift Certificate Reimbursement

The District reimbursed Mr. Helms $240 for gift certificates that Mr. Helms stated were to be given to students at the Clyde Senior High School and McPherson Middle School as awards. The Clyde Senior High School and McPherson Middle School principals were unaware of these gift certificate awards, and there was no documentation to support which, if any, students received the gift certificates.

In accordance with the foregoing facts and pursuant to Ohio Revised Code § 117.28, a finding for recovery for public monies illegally expended is hereby issued against Todd Helms, the Travelers Casualty and Surety Company of America, jointly and severally, in the amount of $240, in favor of the Clyde-Green Springs Exempted Village School District.

Credit Card Charges

During the Period, the District paid $18,099 in credit card charges that Todd Helms initiated. Mr. Helms reimbursed the District $636 for personal and alcohol charges. Mr. Helms did not reimburse the District for additional personal charges of $6,065, and alcohol charges of $58.

Ohio Attorney General Opinion 82-006 addresses the expenditure of funds for public purposes. This opinion, citing the Ohio Supreme Court case of State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides guidance as to what may be construed as a public purpose. First, the expenditure is required for the general good of all inhabitants. Second, the primary objective of the expenditure is to further a public purpose, even if an incidental private end is advanced.

The determination of what constitutes a public purpose is primarily a legislative function. As such, the decision to expend public funds “...must be made in accordance with the procedural formalities governing the exercise of legislative power. Specifically, the decision must be memorialized by a duly enacted ordinance or resolution and may have prospective effect only.” 1982 Op. Atty. Gen. No. 82-006.

In accordance with the foregoing facts and pursuant to Ohio Revised Code § 117.28, a finding for recovery for public monies illegally expended is hereby issued against Todd Helms, the Travelers Casualty and Surety Company of America, jointly and severally, in the amount of $6,123, in favor of the Clyde-Green Springs Exempted Village School District.

Travel Disbursements

While reviewing the credit card charges for 2003, we noted one transaction initiated by Todd Helms to the Blackwell Hotel in Columbus, Ohio for a block of hotel rooms. A review of District non-payroll check disbursements revealed an additional five payments to the Blackwell Hotel for a block of rooms during fiscal years 2004 through 2008 totaling $13,928. The five additional disbursements were also initiated by Mr. Helms, purportedly for attendance at an Ohio High School Athletic Association (OHSAA) “rules review committee” meeting in Columbus. OHSAA officials confirmed that such a committee did not exist and Mr. Helms did not reimburse the District for the cost of the block of rooms.

In accordance with the foregoing facts and pursuant to Ohio Revised Code § 117.28, a finding for recovery for public monies illegally expended is hereby issued against Todd Helms, the Travelers Casualty and Surety Company of America, jointly and severally, in the amount of $13,928, in favor of the Clyde-Green Springs Exempted Village School District.
Supplement to the Special Audit Report

MANAGEMENT COMMENTS

Meal Reimbursement

The District’s Expense Reimbursements policy states, “Meals to be reimbursed must be supported by original receipts.” The District’s Credit Cards policy states, “…the meals of individuals at breakfast, lunch or dinner meetings where the purpose of the meeting is to discuss school business matters…is allowable.” The Credit Cards policy also states, “Customary gratuities are permissible.” However, neither policy establishes limits for meal reimbursements or gratuities.

During the Period, the District paid $7,403 for meals charged to the credit card and $1,358 for gratuities related to those meals. Gratuities typically ranged from 15 to 20 percent of the meal total; however, there were occasions where meal gratuities exceeded 30 percent. Additionally, there were a large number of local meals charged to the District’s credit card for meeting expenses.

On one occasion, the District paid $843 at Morton’s Steak House in Columbus, Ohio, for nine people attending a conference. Of that amount $124 was for alcohol, $76 of which was reimbursed and $48 which is included in a Finding for Recovery against Mr. Helms. The balance of the meal was $584, and the District paid $135 for a gratuity. The average cost per person for dinner was $80.

Failure to establish maximum allowable rates on meals and gratuities could result in the District paying excessive charges for these items. Additionally, allowing meals to be reimbursed locally when meeting to discuss business can be considered unreasonable when the same meeting could be held within the District’s facilities rather than at a restaurant.

We recommend the District amend its Expense Reimbursements and Credit Cards policies to establish limits on meal charges and gratuities. These limits should include, but not be limited to, the amount of charges allowable for breakfast, lunch, and dinner when traveling on overnight business, as well as what would be an appropriate local meal expense related to a District meeting. Consideration should be given as to whether a paid meal at a meeting is a valid expense of the District. We further recommend that prior to reimbursing employee travel expenses or paying for travel-related credit card charges; the treasurer’s office staff review meal expenses for compliance with District policies.

Lodging

The District’s Expense Reimbursements policy does not establish limits for lodging and meals. For lodging, the policy states, “Lodging will be reimbursed at a reasonable per diem rate. All claims must be supported by original receipted bills.” The District’s Credit Cards policy prohibits charges for entertainment expenses, including pay-per-view movie charges.

Our review of the credit card transactions documented pay-per-view movies and personal phone calls that were charged to employees’ hotel room and were then paid for with the District credit card with no reimbursement paid by the employee.

Failure to establish maximum reimbursement rates and to verify that all charges were related to District travel resulted in the District paying charges which may have been excessive and/or personal in nature.

We recommend the District revise its policies to specifically identify allowable expenses. The District should consider limitations for in-state and out-of-state hotel rates, and whether movies and personal phone calls will be reimbursed. If an employee is unable to find lodging within the established maximum rates, we recommend the District create a “hotel exception form” to substantiate the excess charge, with a supervisor’s approval. Prior to reimbursing employee travel expenses or paying for travel-related credit card charges, the treasurer’s office staff should review hotel expenses for compliance with District policies.
Transportation Expense Form

The District’s Expense Reimbursement policy states, “District personnel who incur expenses in carrying out their authorized duties are reimbursed by the District upon submission of a properly completed and approved voucher with such supporting receipts as required by the Administrative Procedures.”

The current Transportation Expense form being used by the District in order to record employee travel has a column entitled “Purpose of Trip”; however, our review of certain forms did not include a specific purpose and instead listed an abbreviation or a city name without details as to why the travel was District related.

Failure to record a detailed purpose and location of travel could lead to uncertainty when reviewing and/or auditing the travel documents at a later date. Without more specific information, it could be difficult to determine whether the mileage claimed was appropriate for the location of the travel, and whether the travel itself was, in fact, District related.

We recommend employees provide more detailed information in the column entitled “Purpose of Travel.” Payment of travel expenses should not be processed until a manager has reviewed and approved the Transportation Expense form, ensuring it is complete and well documented.

District Credit Cards

The District maintained credit cards for use by the superintendent, treasurer, curriculum directors, board members and other approved employees. During the Period, the District paid credit card expenses which were not itemized ($5,957) or were not supported by receipts ($4,780). Through review of available documents, we identified six employees who charged personal expenses for telephone calls placed from hotel rooms while at school-related conferences.

Failure to require and review detailed itemized documentation can lead to a lack of accountability for purchases and the possibility of incurring purchases unrelated to the operations of the District.

We recommend the District adopt more stringent controls over credit card usage, including, but not limited to, requiring the employee to provide a detailed receipt as well as the credit card slip. All purchases made by credit card should be supported as to the purpose. We also recommend the District implement procedures that include a detailed examination of charges and resolution of questioned items. We recommend the review procedures include whether the charges were supported, for a school-related purpose and in accordance with District policies.

Itemization of Expenditures

The District’s Expense Reimbursements policy states,

- “In all instances of travel reimbursement, full itemization of expenditures is required.”
- Employees “…may find it advantageous to charge as many expenditures as possible on credit cards. The itemized statement may serve as a receipt…”
- “All claims must be supported by original receipted bills.”
- “Wherever possible, expenditures must be substantiated by receipted bills.”

The language in this policy is inconsistent and can lead to misunderstanding and confusion as to whether an itemized receipt is required for reimbursement. The credit card statement should not serve as the itemized receipt because it only documents the total amount charged to a particular item and not the detailed itemization which would reveal personal charges. Additionally, requiring “all claims” to have original receipts and “wherever possible” to have receipts is contradictory.

We recommend the District revise the language in the Expense Reimbursement policy to be consistent and to require detailed, itemized receipts for each reimbursement.
Electronic Equipment

The District did not maintain a listing of electronic equipment such as televisions, DVD players, stereos and other small electronics. These items were purchased for amounts less than the District’s capitalization threshold and therefore the District was not required to identify and monitor the items in accordance with the capital asset policy.

Failure to track and safeguard non-capitalized assets could result in the loss or unauthorized removal of the assets without management’s knowledge.

We recommend the District inventory its electronic equipment and update the inventory on a periodic basis to verify all items are still in use and in the District’s possession.
Issue No. 3 – Booster Club Donations

PROCEDURES

We obtained District booster clubs' bank records and identified the expenditures which were related to an alleged matching grant. We also obtained Mr. Helms' bank records and reviewed the activity in those accounts. We determined where the booster club donations were deposited, and whether the funds were used for District purposes. We contacted booster clubs to determine their intended use of donations paid in relation to the alleged grant.

RESULTS

During the review of District booster club's bank accounts and Mr. Helms' bank accounts, we noted checks issued by the booster clubs for an alleged grant were deposited into Mr. Helms' accounts. Representatives of the booster clubs indicated the intended purpose of the checks was for District equipment and improvements. The District's treasurer indicated the Board must approve all grant programs and neither he nor the Board had knowledge of a grant program being operated by Mr. Helms.

FINDINGS FOR RECOVERY

In order to entice contributors to donate to the school for certain supplies and equipment, Mr. Helms advised booster club representatives and potential contributors their donations would be matched by a grant program in which the District participated. Six booster clubs and one individual made donations totaling $161,725, for Mr. Helms to purchase equipment or make improvements to District assets using the matching grant. However, the grant program to which Mr. Helms referred did not exist and instead, Mr. Helms deposited the donations into his bank accounts for his personal use.

In accordance with the foregoing facts and pursuant to Ohio Revised Code § 117.28, a finding for recovery for public monies illegally expended is hereby issued against Todd Helms, and his bonding company, the Travelers Casualty and Surety Company of America, jointly and severally, in the amount of $161,725, in favor of the Clyde-Green Springs Exempted Village School District.
CLYDE-GREEN SPRINGS EXEMPTED VILLAGE SCHOOL DISTRICT

SANDUSKY 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 Babcock
CLERK OF THE BUREAU

CERTIFIED
AUGUST 4, 2009