



**Auditor of State
Betty Montgomery**

FEDERAL HOCKING LOCAL SCHOOL DISTRICT
ATHENS COUNTY

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Education and
James R. Patsey, Superintendent and
Steven C. Garris, Treasurer
Federal Hocking Local School District
Athens County
P.O. Box 117
Stewart, Ohio 45778

We have performed the procedures enumerated and for the periods identified below, which were agreed to by the addressees, solely to assist the Federal Hocking Local School District, Athens County, Ohio (the School District), in evaluating compensation of salary, severance, and travel reimbursements to the School District's former Superintendent, Ted Bayat, and former Treasurer, Richard Koker, and compensation to certain School District Employees for a Title I training event. Management is responsible for the School District's payment of these expenditures, and for determining that these transactions were properly authorized and accurately computed. We followed the American Institute of Certified Public Accountants' attestation standards for agreed-upon procedures engagements. The sufficiency of the procedures is solely the responsibility of the School District. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. Our procedures were as follows:

1. We compared the amounts paid to former Superintendent Ted Bayat during the period August 1, 2000 to July 31, 2003 for payroll from the Bi-Weekly Payroll Report (PAYRPT) and canceled checks to the amounts authorized under his contract in effect during that period.

Amounts paid to former Superintendent Ted Bayat included salary authorized under his contract paid via direct deposit, retroactive pay adjustments on check numbers 103496 and 111406, and personal leave converted to cash on check number 108414. No exceptions were noted.

2. We recomputed severance pay (compensation for unused vacation leave) granted to former Superintendent Ted Bayat from the Bi-Weekly Payroll Report (PAYRPT), Current Leave Usage and Balances Report (CHKSTS), leave forms on file and cancelled checks and compared it to the amount authorized in his contract or by Board of Education policy. Leave accumulated was compared to the amount authorized in his contract or by Board of Education policy. Leave used was compared to leave forms filed with the School District.

The total amount paid to former Superintendent Ted Bayat on July 31, 2003, for severance pay was \$19,575. This amount was calculated based upon 60 days of accrued but unused vacation at a daily pay rate at the time of separation of \$326.25. However, our tests indicated that Mr. Bayat's leave balances should have been 59.89 days, and the daily rate of pay at separation should have been \$303.175, for a total of \$18,157.15. The difference of \$1,417.85 was attributed to an error in calculating the daily rate of pay and to an error in the vacation leave balance. Accordingly, a finding for recovery will be issued against former Superintendent Ted Bayat, as disclosed in Exhibit 1.

3. We vouched the amounts paid to former Superintendent Ted Bayat during the period August 1, 2000 to July 31, 2003 for all non-payroll items such as travel reimbursements and other reimbursement or payment of expenses, as listed in the Check Register (CHKREG). We inspected the supporting documentation for adherence to the contract he had with the Board of Education regarding reimbursement of expenses and the Board of Education policy entitled "Expense Reimbursements."

According to former Superintendent Ted Bayat's contract, he was to receive a flat rate of \$250 bi-weekly for travel and other expenses. During the period reviewed, the expense reimbursement totaled \$135.52 more than allowable under the contract and no supporting documentation was provided for the amounts in excess of the contract allowance. Accordingly, a finding for recovery will be issued against former Superintendent Ted Bayat, as disclosed in Exhibit 2.

4. We compared the amounts paid to former Treasurer Richard Koker during the period January 1, 2001 to June 30, 2004 for payroll from the Bi-Weekly Payroll Report (PAYRPT) and canceled checks to the amounts authorized under his contract in effect during that period.

Amounts paid to former Treasurer Richard Koker included salary authorized under his contract paid via direct deposit, retroactive pay adjustments on check numbers 103487, 111407, 116193 and 116320, and personal leave converted to cash on check numbers 108404 and 112905. No exceptions were noted.

5. We recomputed severance pay (compensation for unused vacation leave, sick leave, and early retirement incentive) granted to former Treasurer Richard Koker from the Bi-Weekly Payroll Report (PAYRPT), Current Leave Usage and Balances Report (CHKSTS), leave forms on files and cancelled checks and compare it to the amount authorized in his contract or by Board of Education policy. Leave accumulated was compared to the amount authorized in his contract or by Board of Education policy. Leave used was compared to leave forms filed with the School District.

Mr. Koker was entitled to 20 days of vacation leave per year, to be used during the year, with a maximum accrual of 60 days. At various times during the period reviewed, the maximum accrual of 60 days was reached. No payment was made for any excess hours. Vacation accrual records were not presented to us when requested. Accordingly, we could not verify or deny the accuracy of the vacation leave balance at the time of severance.

Mr. Koker was initially paid an amount based on a superseded salary schedule. The Board of Education approved a new salary schedule in April 2004 that was retroactive to January 1, 2004. Rather than issue a separate check for retroactive pay, the payroll clerk increased the daily rate paid to Mr. Koker to ensure that the retroactive pay was received. The payroll clerk failed to revert back to the actual daily rate of pay of \$234.203 and inadvertently used \$242.75. This resulted in an overpayment to Mr. Koker in the amount of \$473.16 for accrued but unused vacation.

We recalculated the sick leave balance based on the January 1, 2001 balance obtained from School District records, the amount of leave accumulated between January 2, 2001 and June 30, 2004 based on the Treasurer's contracts, and the leave used for the same period based on the absence report provided by the School District. The actual amounts paid differed from the amounts we recomputed based upon the aforementioned information. A total of \$493.62 was underpaid to Mr. Koker.

The total of both errors for accrued but unused vacation and sick leave resulted in an underpayment of \$20.46 to Mr. Koker.

6. We vouched the amounts paid to former Treasurer Richard Koker during the period January 1, 2001 to June 30, 2004 for all non-payroll items such as travel reimbursements and other reimbursement or payment of expenses, as listed in the Check Register (CHKREG). We inspected the supporting documentation for adherence to the contract he had with the Board of Education regarding reimbursement of expenses and the Board of Education policy entitled "Expense Reimbursements."

No exceptions were noted.

7. We vouched the amounts paid to Board of Education employees for a Title I training event held in June 2003. We inspected the authorization for the event and compared the amounts paid to the Title I program allowable costs.

Ten individuals, as noted below, were paid a total of \$5,000 on June 11, 2003 for the Title I training event. These payments ranged from \$400 to \$1,000. The evidence provided that the session took place were time sheets signed by the employee and the Title I Coordinator indicating the session was attended and the payments to those individuals attending. The Title I program did have sufficient monies budgeted for training and professional development, and the training would normally be considered an allowable cost under OMB Circular A-87, Attachment B for employee development.

<u>Name</u>	<u>Position</u>	<u>Date</u>	<u>Check Number</u>	<u>Amount</u>
Richard Koker	Treasurer	6/11/2003	42477	\$ 400.00
Leslie Lawrence	Tech Coordinator	6/11/2003	42475	400.00
Peggy Williams	Teacher	6/11/2003	42473	400.00
Ted Bayat	Superintendent	6/11/2003	42472	400.00
Kim Chadwell	Principal	6/11/2003	42471	400.00
Rochelle Repp	TAG Coordinator	6/11/2003	42469	800.00
Shirley Sayre	Principal	6/11/2003	42468	400.00
George Wood	Principal	6/11/2003	42467	400.00
Ron Stephens	Title I Coordinator	6/11/2003	47474	400.00
Lenora Offenberger	Payroll Clerk	6/11/2003	42464	<u>1,000.00</u>
Total				<u>\$ 5,000.00</u>

We were not engaged to and did not perform an examination, the objective of which would be the expression of an opinion on these transactions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that we would have reported to you.

This report is intended solely for the information and use of the addressees listed above and is not intended to be, and should not be used by anyone else.



Betty Montgomery
 Auditor of State

April 5, 2005

Exhibit 1

Finding for Recovery

Ohio Rev. Code Section 3319.01 states that a Board may establish vacation leave for its Superintendent. Upon the superintendent's separation from employment a Board that grants such leave may provide compensation at the superintendent's current rate of pay for all lawfully accrued and unused vacation leave to the superintendent's credit at the time of separation, not to exceed the amount accrued within three years before the date of separation. Section 7, of the Superintendent's Contract, entitled "Vacation and Holidays," states that the Superintendent shall be entitled to accumulate any and all unused vacation benefit for a total equivalent to the maximum attainable for a three year period, the total of which shall not exceed sixty (60) days. Such benefits may be paid to the Superintendent at the time of separation at his current rate of compensation. Section 5 of the Superintendent's Contract, entitled "Other Compensation," states that the Board shall set an incentive pay each fiscal year in the amount of six thousand dollars (\$6,000.00), payable annually in August, provided the Superintendent does not receive a poor evaluation by the Board.

Former Superintendent Ted Bayat's current rate of pay at the separation date of July 31, 2003, was annualized at \$78,825.60, or \$303.175 per day. Mr. Bayat's vacation leave balance at the time of separation was determined to be 59.89 days. When paid for these accrued but unused vacation benefits, the School District calculated Mr. Bayat's current rate of pay at an annualized rate of \$84,825.60, or \$326.25 per day. Pursuant to the contractual provisions, his "rate of pay" does not include the incentive pay. Therefore, Mr. Bayat's correct rate of pay under the contract was \$303.175 per day. Further, an error was noted in the calculation of Mr. Bayat's vacation leave balance, reducing the total amount available from 60 days to 59.89 days.

Mr. Bayat was paid a total of \$19,575 at separation for his accrued but unused vacation leave benefits. However, this payment should have totaled \$18,157.15 under the terms of his contract and with the corrected leave balance. The difference totaled \$1,417.85.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Ted Bayat, former Superintendent, and The Ohio Casualty Insurance Company, his bonding company, jointly and severally, in the amount of \$1,417.85 and in favor of the General Fund of the Federal Hocking Local School District.

Exhibit 2

Finding for Recovery

Ohio Rev. Code Section 3319.01 provides, in part, that the Board of Education shall fix the compensation of the Superintendent. Section 5 of the Superintendent's Contract, entitled "Other Compensation," provides that the Board of Education shall set a flat amount of two hundred fifty dollars (\$250.00), bi-weekly, for travel and other expenses of the Superintendent.

During the period from August 1, 2000 through July 31, 2003, Ted Bayat was reimbursed for certain unknown expenses in excess of the \$250 allowance authorized by the Board of Education, as noted below:

<u>Check Number</u>	<u>Date</u>	<u>Amount</u>
38081	8/15/2001	\$ 13.00
38161	8/24/2001	5.00
38590	10/23/2001	7.00
38876	12/17/2001	23.00
39294	2/26/2002	7.00
39730	4/22/2002	22.52
40727	10/8/2002	7.00
41691	3/12/2003	14.00
41911	4/8/2003	7.00
42013	1/21/2003	7.00
42307	5/21/2003	9.00
42400	5/30/2003	7.00
42805	7/15/2003	7.00
Total		<u>\$ 135.52</u>

No supporting documentation was provided to determine the nature of these expenditures.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Ted Bayat, former Superintendent, and The Ohio Casualty Insurance Company, his bonding company, jointly and severally, in the amount of \$135.52 and in favor of the General Fund of the Federal Hocking Local School District.



**Auditor of State
Betty Montgomery**

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**FEDERAL HOCKING LOCAL SCHOOL DISTRICT
ATHENS COUNTY**

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 9, 2005**