



**SOUTHERN HILLS CAREER AND TECHNICAL CENTER  
BROWN COUNTY**

**SPECIAL AUDIT**

**FOR THE PERIOD  
SEPTEMBER 1, 2003 THROUGH SEPTEMBER 17, 2007**



**Mary Taylor, CPA**  
Auditor of State



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# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

Charles Guarino, Superintendent  
Michael Boyd, Treasurer  
Southern Hills Career and Technical Center  
9193 Hamer Rd.  
Georgetown, Ohio 45121

We have conducted a special audit of the Southern Hills Career and Technical Center ("SHCTC") by performing the procedures described in the attached Supplement to the Special Audit Report for the period September 1, 2003 through September 17, 2007 ("Period"). The audit procedures were performed solely to:

- Determine whether SHCTC disbursements made to Bryan Graphics and Design<sup>1</sup> were for a purpose related to the operations of SHCTC and were supported by documentation indicating that SHCTC received the goods or services.
- Determine whether revenue generated by the SHCTC graphics department from external customers was collected and deposited into a SHCTC bank account.

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 payments to Bryan Graphics and Design and determined whether the payments were related to SHCTC operations and whether purchased goods and services were received.

Significant Results – The goods and services listed on the Bryan Graphics and Design invoices were related to the graphics program operations; however, SHCTC did not maintain inventory or receiving records to document whether purchased goods and services were received.

We issued findings for recovery against Ms. Mathews totaling \$1,127, for incorrectly calculating the amounts due on 15 Bryan Graphics and Design invoices.

We referred this matter to the Ohio Ethics Commission because of the related party transactions conducted by Ms. Mathews as a school employee with her personally owned business, Bryan Graphics and Design. We also referred this matter to the Ohio Department of Taxation and the Internal Revenue Service because of the potential unreported business income of Ms. Mathews.

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<sup>1</sup> As the instructor for the SHCTC graphics department, Jacqueline Mathews' responsibilities included ordering and receiving the goods and services needed to support the graphics program. Starting in September 2003, Ms. Mathews sold goods and services to SHCTC using the name Bryan Graphics and Design.

We issued three management comments related to monitoring invoice totals, verifying purchases received and disclosing outside employment.

2. We examined documentation received from external customers of the graphics department and determined whether charges for services were deposited into a SHCTC bank account.

Significant Results – Of 32 external customer payments reviewed, 30 were deposited to SHCTC accounts. The two remaining payments from external customers were paid to Ms. Mathews. SHCTC received compensation from the external customer related to one of the payments, and accordingly, we considered this a finding for recovery repaid under audit. We issued a finding for recovery in the amount of \$1,905 against Ms. Mathews related to the second payment from the external customer.

3. On November 25, 2008, we held an exit conference with the following individuals from SHCTC:

Charles Guarino, Superintendent  
Michael Boyd, Treasurer

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



**Mary Taylor, CPA**  
Auditor of State

May 30, 2008

## Supplement to the Special Audit Report

### Background

In August 2007, SHCTC identified questionable disbursements made to a company operated by one of its teachers, Jacqueline Mathews. Ms. Mathews had been employed as the graphics communications instructor at SHCTC since August 2003. As the instructor for the graphics department, Ms. Mathews' responsibilities included determining the goods and services needed to support the graphics program. Ms. Mathews prepared requisitions for supplies, selected vendors, placed the orders, received the items and placed them into inventory. Starting in September 2003, Ms. Mathews sold goods and services to SHCTC using the name Bryan Graphics and Design<sup>2</sup>. According to SHCTC Treasurer Michael Boyd, SHCTC was not previously aware that Ms. Mathews was affiliated with Bryan Graphics and Design.

Ms. Mathews initiated orders for goods and services from, and approved payments to, Bryan Graphics and Design. SHCTC's internal review noted that checks written to Bryan Graphics and Design were deposited into Ms. Mathews' personal bank account. SHCTC estimated that it paid approximately \$53,000 to Bryan Graphics and Design over a three to four year period.

SHCTC held an administrative hearing on September 7, 2007 at which Ms. Mathews offered to resign. Ms. Mathews subsequently resigned effective September 17, 2007.

This information was considered by the Auditor of State's Special Audit Task Force and on November 11, 2007, the Auditor of State initiated a special audit of payments SHCTC made to Bryan Graphics and Design and revenue generated by the SHCTC graphics department.

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<sup>2</sup> We attempted to verify the legal status of Bryan Graphics and Design and determined that the business was not formally organized, incorporated or registered with the Ohio Secretary of State. Ms. Mathews stated that Bryan is her maiden name.

## Supplement to the Special Audit Report

### Issue No. 1 – Examine Graphics Department Disbursements

#### Procedures

We obtained a schedule of all disbursements by SHCTC to Bryan Graphics and Design. For each disbursement, we examined documentation supporting that the disbursement was for a purpose related to the operations of SHCTC and that the goods or services were received. We attempted to corroborate the disbursements with business records obtained from Ms. Mathews indicating that Bryan Graphics and Design purchased the goods to resell to SHCTC and provided the graphics equipment maintenance invoiced.

#### Results

SHCTC provided a schedule of all disbursements made to Bryan Graphics and Design during the Period, along with copies of invoices, requisition forms and canceled checks. An examination of these documents indicated that the goods and services listed on the invoices were related to the purpose of operating the graphics program. However, SHCTC did not maintain inventories or receiving records to support that the goods and services were received.

When we requested she provide documents to substantiate her purchase of goods to be sold to SHCTC, Ms. Mathews stated she kept a binder of business records in her classroom, which had been packed and moved to another location during the summer of 2007. SHCTC officials were unable to locate the binder in the new classroom setting.

In lieu of business records, Ms. Mathews verbally identified certain vendors she used to obtain products for resale. We contacted four vendors identified by Ms. Mathews to obtain documentation of items she purchased; however, none of the four vendors identified any items purchased by Ms. Mathews which were included on the Bryan Graphics and Design invoices paid by SHCTC.

Because Ms. Mathews did not provide business records or tax information supporting Bryan Graphics and Design was an on-going business enterprise, we referred the matter to the Ohio Department of Taxation and the Internal Revenue Service. Because Ms. Mathews was a school employee and initiated purchases from her personally owned business for the school graphics department, we referred these matters to the Ohio Ethics Commission.

#### Finding for Recovery

Ms. Mathews sold products and services to SHCTC through her unincorporated business, Bryan Graphics and Design. The amounts due on 15 of the Bryan Graphics and Design invoices to SHCTC were incorrectly calculated. As a result, SHCTC overpaid Bryan Graphics and Design \$1,127 during the Period.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a finding for recovery is hereby issued for public monies illegally expended against Jacqueline Mathews for \$1,127, and in favor of SHCTC.

## Supplement to the Special Audit Report

### Management Comments

#### Monitor Invoice Totals

SHCTC did not effectively review invoices received from Bryan Graphics and Design to ensure that totals were accurately calculated. Invoices should not be approved for payment until prices and totals have been verified to reduce the risk of overpayments.

We recommend that SHCTC review and foot invoice totals. An employee of the treasurer's office should initial that they have confirmed the total prior to payment. We recommend that SHCTC document problems with vendors, such as overcharging, in order to evaluate the performance of the vendor.

#### Verify Purchases Received

As the instructor for the graphics department, Ms. Mathews was responsible for ordering goods and services needed to support the graphics program, and for verifying that purchases were received and placed into inventory. SHCTC did not maintain documentation, such as inventories or receiving records, to support that the goods or services were received.

We recommend SHCTC verify that goods and services are received prior to payment of the vendors' invoices. An individual, other than the instructor who placed the order, should perform this function. SHCTC should maintain all packing slips and use those slips as a method of verifying that all items included on the slip were received. Each item should be documented as received and the reviewer should affix his or her signature to the packing slip as verification of such review. The packing slips should then be compared to the vendor requisition forms and any outstanding items should be investigated. Copies of the signed packing slips and vendor requisition forms should be forwarded to the finance office for payment.

#### Outside Employment

SHCTC did not require employees to disclose outside employment or ownership of businesses in which they had a financial interest. SHCTC was not aware that their graphics instructor was affiliated with one of their vendors. The instructor did not submit documentation of the relationship for approval by SHCTC.

We recommend that SHCTC, at a minimum, annually require employees to disclose any instances of outside employment and/or ownership of businesses to ensure employees are not in a position to authorize payment to outside businesses which they are employed by or own.

## Supplement to the Special Audit Report

### Issue No. 2 – Examine Revenue Generated by the Graphics Department

#### Procedures

We obtained from SHCTC a list of external customers for which the SHCTC graphics department provided graphics and design services during the Period. We sent letters to twenty customers requesting they provide a history of payments made to SHCTC, Ms. Mathews and Bryan Graphics and Design along with the invoices for such payments.

We examined supporting and corroborating documentation to identify whether SHCTC performed the services for which the external customers paid SHCTC, Ms. Mathews or Bryan Graphics and Design.

We traced payments for services provided by the SHCTC graphics department to deposit into a SHCTC bank account.

#### Results

The responses received from the external customers identified 32 occasions when payments were made to SHCTC. We were able to trace 30 of the payments to deposits in SHCTC accounts. Two SHCTC invoices issued to the Clermont County Agricultural Society Junior Sale Committee could not be traced to payments deposited by SHCTC.

In addition to the 32 payments made to SHCTC by the above customers, two respondents provided information regarding payments made to Ms. Mathews and Bryan Graphics and Design. There was no documentation available to identify whether Ms. Mathews or SHCTC had performed the services for which the two customers paid Ms. Mathews and Bryan Graphics and Design.

#### Finding for Recovery

In November 2003, Ms. Mathews facilitated the sale of SHCTC computer equipment for \$412 to the Clermont County Agricultural Society Junior Fair Sale Committee ("Sale Committee"). SHCTC Assistant Treasurer Donna Wallingford signed the invoice acknowledging the release of the equipment from SHCTC for resale. According to Ms. Wallingford, the payment was not received by SHCTC. On December 23, 2003, the Sale Committee issued a check for \$412 payable directly to Ms. Mathews.

Subsequently, the Sale Committee returned equipment of similar value to SHCTC as compensation. On September 18, 2008, Ms. Mathews entered a plea of guilty to a first-degree misdemeanor charge of Attempted Theft in Office related to the sale of the computer equipment. As part of her sentence, Ms. Mathews was ordered to pay restitution of \$412 to the Sale Committee. Accordingly, we considered this a finding for recovery repaid under audit.

On a separate occasion, in March 2004, an SHCTC invoice in the amount of \$1,905 was sent to the Sale Committee for materials for the 2004 Clermont County Livestock Sale. The Sale Committee issued a check for \$1,905 to SHCTC in April 2004; however, the check was marked void and returned to the Sale Committee with a note from Ms. Mathews. In the note, Ms. Mathews stated that she personally paid for the items and requested to be reimbursed directly. On April 27, 2004, in response to the note, Mary Jane West, treasurer for the Sale Committee and an employee of National Bank and Trust, transferred the \$1,905 payment into Ms. Mathews' personal account at the bank.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a finding for recovery is hereby issued for public monies collected but unaccounted for against Jacqueline Mathews for \$1,905 and in favor of the Southern Hills Career and Technical Center.



**Mary Taylor, CPA**  
Auditor of State

**SOUTHERN HILLS CAREER AND TECHNICAL CENTER**

**BROWN 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  
DECEMBER 24, 2008**