



**PERRYSBURG EXEMPTED VILLAGE SCHOOL DISTRICT
WOOD COUNTY**

SPECIAL AUDIT

FOR THE PERIOD JANUARY 1, 2009 THROUGH JULY 15, 2014



Dave Yost • Auditor of State

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Board of Education
Perrysburg Exempted Village School District
Wood County
140 E. Indiana Avenue
Perrysburg, Ohio 43551

We conducted a special audit of the Perrysburg Exempted Village School District, Wood County, Ohio, (District) by performing the procedures described in the attached Supplement to the Special Audit Report for the period January 1, 2009 through July 15, 2014 (the Period) solely to:

- Determine whether certain disbursements made by the District during the Period were supported and were for a proper public purpose.
- Determine whether certain revenue collected during the Period by former District employee Eric Whitson was deposited into District bank accounts.

In addition to being employed at the District as an accounts receivable clerk, Mr. Whitson served as volunteer treasurer for the Bowling Green Bobcat Athletic Boosters (Boosters). At the request of the Wood County Prosecutor, we examined certain disbursements made from the Boosters' bank accounts during the Period to determine whether the disbursements were supported and for Booster purpose. We also examined the Booster accounts to identify the source of funds deposited into the accounts during the Period.

In accordance with Ohio Rev. Code 117.28, where disbursements were found to be unsupported or not for a proper public purpose, we issued findings for recovery. Generally, a finding for recovery reflects our finding that an individual or entity (e.g., a vendor who contracts with a public office) illegally received public money. A finding for recovery will identify the individual or entity specifically, the amount of public money due the public office, and direct the individual or entity to repay the public money. Failure to repay can result in legal proceedings.

This engagement was conducted in accordance with the Quality Standards for Inspection and Evaluation established by the Council of the Inspectors General on Integrity and Efficiency (January 2012). 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 certain disbursements made by the District and expenditures made using District credit cards.

Significant Results – During the Period, Eric Whitson was employed as an accounts receivable clerk in the District treasurer's office and had the ability to issue District checks. A District check in the amount of \$2,000 was issued to Mr. Whitson for athletic event change funds. The check was deposited in Mr. Whitson's personal bank account and the funds were not returned to the District. Mr. Whitson issued six District checks totaling \$156,627 to the Boosters. The checks were not authorized or for District purposes.

Mr. Whitson was also responsible for making payments on District credit card accounts. Mr. Whitson made personal and non-District related expenditures totaling \$84,331 using an unauthorized District credit card issued in his name. Mr. Whitson also made four expenditures totaling \$7,257 using the District treasurer's office credit card that were neither authorized nor for District purposes.

We issued findings for recovery against Eric Whitson totaling \$250,215. District treasurer Matt Feasel was named jointly and severally liable for \$91,588 of this amount. We also issued a finding for recovery against Mr. Feasel totaling \$3,751 for credit card expenditures made by District employees that were unrelated to District operations.

We issued a noncompliance citation regarding record retention and a management recommendation regarding District credit cards.

2. We examined certain revenue collected and deposited into District accounts by former employee Eric Whitson.

Significant Results – As an accounts receivable clerk for the District, Eric Whitson was responsible for collecting revenue, making deposits and posting transactions to the District's accounting system. Mr. Whitson also served as the District's ticket manager for high school athletic events.

Mr. Whitson failed to deposit ticket revenue from seven athletic events totaling \$6,778 in the District's accounts. He also failed to deposit in the District's accounts All Day Kindergarten fees totaling \$10,646 and background check fees totaling \$1,716.

A comparison of deposit contents to reported revenue sources indicated checks totaling \$169,220 were substituted in deposits for removal of cash. Additionally, checks totaling \$71,992 were substituted in deposits to fund what Mr. Whitson claimed were personal and corporate donations to the District's athletic department.

In July 2014, investigators from the Wood County Prosecutor's office seized un-deposited checks and cash totaling \$30,398 from Mr. Whitson's residence during execution of a search warrant. The funds were designated for District purposes. Additionally, during our audit a file folder containing un-deposited checks totaling \$10,900 was located in a District storage room.

We issued findings for recovery against Eric Whitson totaling \$229,658. We also issued a finding for adjustment for \$71,992, a noncompliance citation regarding timely deposits and two management recommendations regarding segregation of duties and revenue collection.

3. We examined disbursements from and deposits to the Booster bank accounts.

Significant Results – During the Period, Mr. Whitson served as treasurer for the Boosters and had sole control of the Booster bank accounts. We found that during the Period Mr. Whitson issued six checks to himself totaling \$19,425 and made 82 electronic payments to his personal credit cards totaling \$121,760, all from Booster accounts. Additionally, Mr. Whitson issued seven checks totaling \$17,760 to the Perrysburg School District. These disbursements were not authorized, supported or for purposes of the Boosters.

In July 2014, pursuant to a search warrant executed at Mr. Whitson's residence, un-deposited checks and cash totaling \$13,724 were located. The funds were designated for Booster purposes.

On January 26, 2016, we held an exit conference with the following individuals representing the District:

Jarman Davis, Board President
Gretchen Downs, Board Member
Sue Larimer, Board Member
Ray Pohlman, Board Member

Calvin Smith, Board Member
Thomas Hosler, Superintendent
David Smigelki, Board Attorney

The attendees were informed they had five business days to respond to this special audit report. A response was received on February 1, 2016. The response was evaluated and changes were made to this report as we deemed necessary.



Dave Yost
Auditor of State

December 10, 2015

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SUPPLEMENT TO THE SPECIAL AUDIT REPORT

Background

In July 2014, the Wood County Prosecutor's office contacted the Auditor of State's office regarding an alleged theft by an employee of Perrysburg Exempted Village School District. The employee, Eric Whitson, was accused of taking money from the Bowling Green Bobcat Athletic Boosters, where Mr. Whitson served as volunteer treasurer, then replenishing the money with two checks totaling \$80,000 from the Perrysburg Exempted Village School District, where Mr. Whitson served as an accounts receivable clerk.

On July 2, 2014, Mr. Whitson was arrested and placed on administrative leave by the District. On July 3, 2014, the Wood County Prosecutor's office and Bowling Green Police Department executed a search warrant on Mr. Whitson's residence where they seized cash, un-deposited checks to the District and Boosters, computers and financial documents. On July 14, 2014, the District terminated Mr. Whitson's employment.

On July 8, 2014, the Prosecutor's office submitted a letter to the Auditor of State requesting a special audit and assistance with the criminal investigation. After preliminary meetings with the Prosecutor's office, the information was considered by the Auditor of State's Special Audit Task Force on July 24, 2014; the Task Force declared a special audit of the Perrysburg Exempted Village School District and the Bowling Green Bobcat Athletic Boosters.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

Objective No. 1 – Perrysburg EVSD Disbursements

PROCEDURES

We determined whether certain disbursements made during the Period were supported and for purposes related to the operations of the District.

We determined whether expenditures made during the Period using certain District credit cards were supported and for purposes related to the operations of the District.

RESULTS

This section provides an overview of our findings. Specific results are discussed, as necessary, in the findings for recovery, noncompliance citations, and management recommendations.

During the Period, Eric Whitson was employed by the District as an accounts receivable clerk responsible for revenue collection and posting transactions to the District's accounting system. Mr. Whitson also assisted with preparing disbursements, including credit card payments and had the authority to issue District checks. Mr. Whitson had access to the District Treasurer's signature stamp. Mr. Whitson also served as ticket manager for District athletic events.

General Disbursements

We examined 301 disbursements made by the District during the Period totaling \$4,834,632. The following is a summary of the disbursements examined:

Vendor	Number of Disbursements	Amount Examined
Eric Whitson	27	\$17,565
Debbie Whitson ¹	3	\$325
Toledo Community Foundation	3	\$72,200
Bowling Green Athletic Boosters	6	\$156,627
Miscellaneous Disbursements	262	\$4,587,915
	301	\$4,834,632

Disbursements to Eric Whitson, except as noted in the findings for recovery below, were for miscellaneous reimbursements and start-up banks for selling admission tickets at District athletic events. All disbursements examined, except as noted in the findings for recovery below, were considered to be for purposes related to the operation of the District.

Of the remaining disbursements, we noted seven disbursements totaling \$30,587 that were not supported. Based on the descriptions and nature of the vendors, however, and alternative procedures completed over these transactions, we concluded the disbursements were for District purposes and did not require findings for recovery.

¹ Debbie Whitson is Eric Whitson's mother. She worked occasionally as a ticket seller at athletic events.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

Credit Cards

Mr. Whitson's job duties included processing payments on all District credit card accounts. Mr. Whitson also maintained on-line access to all District credit cards which permitted him to adjust credit card dollar limits and add or delete card holders. Mr. Whitson made monthly credit card payments and posted the disbursements to the District's accounting system.

The District treasurer's office provided a list of 21 American Express credit cards and six Fifth Third Bank credit cards maintained during the Period. During our examination of credit card payment support, we identified an additional 12 American Express credit cards and 14 Fifth Third Bank credit cards not previously disclosed by the District, including a District American Express credit card issued in the name of Eric Whitson. According to the District's treasurer, the District was unaware of the existence of these additional 26 cards. District Treasurer Matt Feasel stated Mr. Whitson was not authorized to have or use a District credit card.

During the Period, the District made purchases totaling \$2,311,654 using the 53 credit cards. We examined 281 credit card transactions totaling \$255,951 made by District employees during the Period, including 58 transactions totaling \$88,581 made using the District American Express card issued in Mr. Whitson's name.

Of those 58 transactions, we noted 19 transactions totaling \$4,250 were supported and for a proper public purpose. The remaining 39 transactions totaling \$84,331 were for personal or Bobcat Athletic Booster purposes. We also identified four purchases totaling \$7,258 Mr. Whitson made using the District Treasurer's office credit card that were not for District purposes.

Of the remaining 223 credit card transactions examined, 66 transactions totaling \$12,859 were not supported and others were documented only by the credit card receipt, which was not itemized. We used alternative audit procedures including interviews or additional requests for information to determine whether the unsupported transactions were for District purposes. We concluded 18 of the 66 transactions totaling \$7,766 were for District purposes.

We concluded 63 of the 223 transactions totaling \$3,751 were not for District purposes. These transactions included flower purchases totaling \$334 sent to staff members; \$972 in gift purchases for staff members, board members and District recognitions; and \$416 for OSU men's basketball tickets. The transactions also included \$2,029 in personal food related purchases for the benefit of District employees and not directly related to official District business.

We identified \$585 in late charges and finance fees paid by the District on the Fifth Third Bank credit card accounts during the Period. Though we cannot attribute the full amount to Mr. Whitson, timely payment of credit card bills was one of Mr. Whitson's job responsibilities.

FINDINGS FOR RECOVERY

As indicated in the Independent Auditor's Report, a finding for recovery generally constitutes a finding that an individual or entity (e.g., a vendor) illegally received public money. Pursuant to Ohio Rev. Code section 117.28, when the Auditor of State's office issues a finding for recovery, the individual or entity can repay the amount voluntarily; however, the finding for recovery empowers the public office's statutory legal counsel or the Attorney General's office to institute legal proceedings to collect that amount.

Eric Whitson

As an accounts receivable clerk, Mr. Whitson was responsible for revenue collection and posting transactions to the District's accounting system. He assisted with preparing disbursements, including credit card payments and issuing checks.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

We identified a District check for \$2,000 issued to Mr. Whitson in September 2010 for change funds for ticket sales at athletic events. Change funds were issued for the purpose of making change for ticket sales at District athletic events. Mr. Whitson had already received a check for change funds for that school year and there was no record the \$2,000 was returned to the District. Mr. Whitson signed the District purchase order for the disbursement as “okay to pay”. The purchase order listed the description as “Start-up – Athletic Tickets.”

We identified six District checks totaling \$156,627 made payable to Bowling Green Bobcat Athletic Booster Club. We traced the six checks to deposits in the Boosters’ bank accounts controlled by Mr. Whitson, who served as volunteer treasurer for the Boosters. A review of the District’s vouchers indicated the checks lacked supporting documentation, and each check was stamped with the District Treasurer’s signature. District Treasurer Matt Feasel stated the disbursements were not authorized or for purposes of the District.

During the Period, Mr. Whitson charged \$84,331 for personal and other non-District related transactions on the District’s credit card issued in his name. Items charged included personal travel expenses, sporting event tickets, fitness equipment, Bowling Green Bobcat Booster expenses, luxury vehicle rentals, and other miscellaneous purchases. The District paid these charges.

Mr. Whitson also had access to the District Treasurer’s office American Express card. We identified purchases of seven iPads and two MacBook computers totaling \$7,257 made using the treasurer’s office credit card. Invoices for three of the four purchases listed Mr. Whitson’s name; the fourth invoice did not have a District employee listed. District Treasurer Matt Feasel and District Technology Director Brent Shafer stated the seven iPads and two MacBook computers purchased had not been received by the District, nor were they located during the search of Mr. Whitson’s residence.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a finding for recovery for public monies illegally expended is hereby issued in the amount of \$250,215 against Eric Whitson in favor of Perrysburg Exempted Village School District.

Matt Feasel

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.* (1929), 120 Ohio St. 47; 1980 Op. Att’y Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex. Rel. *Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen.

Board of Education Policy 6423 governing use of credit cards states in part, “(t)he Board directs the treasurer to determine and specify those employees authorized to use District credit cards. The treasurer shall be responsible for giving direction to and supervising such employees’ use of District credit cards.” District Administrative Guideline 6423 governing use of credit cards states in part, “(t)he treasurer’s office will monitor the credit card account(s) and reconcile all credit card accounts on a monthly basis.”

District Treasurer Matt Feasel was responsible for monitoring credit card activity and reconciling credit card accounts. Mr. Feasel assigned these responsibilities to Eric Whitson without proper supervision and review. District Treasurer Matt Feasel and his bonding company, Travelers Casualty and Surety Company of America, will be jointly and severally liable in the amount of \$91,588 and in favor of the Perrysburg Exempted Village School District.

Further, Board of Education Policy 6423 states in part, “(t)he Board affirms credit cards shall only be used in connection with Board-approved or school-related activities and that only those types of expenses that are for the benefit of the District and serve a valid and proper public purpose shall be paid for by credit card. However, under no circumstances shall credit cards be used for personal purchases or the purchase of alcoholic beverages regardless of whether the purchase of such beverages is made in connection with a meal.” The policy also states, “(t)he treasurer shall be responsible for giving direction to and supervising such employees’ use of District credit cards.”

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

During the Period, Matt Feasel served as Treasurer/CFO for the District, responsible for District-wide financial oversight and compliance with District credit card policies. As Treasurer, he supervised District staff responsible for making purchases and payments on credit card accounts and maintaining support for disbursements. District credit cards were used by employees to make expenditures for purposes unrelated to District operations. We noted 63 credit card expenditures totaling \$3,751 for personal expenses incurred for the benefit of District employees other than Mr. Whitson and not directly related to the official purpose of the District. The charges included purchases of food items, gifts, and flowers.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a separate finding for recovery for public monies illegally expended is hereby issued in the amount of \$3,751 against Matt Feasel and his bonding company, Travelers Casualty and Surety Company of America, jointly and severally, and in favor of Perrysburg Exempted Village School District.

NONCOMPLIANCE CITATION

Records Retention

Ohio Revised Code Section 149.351 (A) states in part, "(a)ll records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided for under sections 149.38 to 149.42 of the Revised Code." The District's records retention policy requires vouchers, invoices and purchase orders be maintained for 10 years.

The District was unable to provide the following records:

- Disbursement voucher packets for June 2012;
- Copies of cancelled checks received from Huntington Bank for April 2012 through December 2013;
- Deposit receipts and supporting documentation for July 2010 through February 2011 and May 2011;
- Complete sets of pre-numbered, duplicate receipt books for the Period.

Additionally, the District did not maintain complete itemized receipts supporting expenditures charged on the District credit cards. Of the 281 credit card transactions examined, 66 did not have charge receipts, original cash register slips, or other detailed receipts or invoices. Lack of supporting documentation for disbursements, revenue collections and deposits limits management's ability to review and approve transactions and increases the risk of errors. Failure to adequately control and maintain documents could result in the inability to review prior transactions for accuracy or fraud.

We recommend the District take measures to ensure all records are adequately safeguarded.

MANAGEMENT RECOMMENDATION

District Credit Cards

District Administrative Guideline 6423 governing use of credit cards states in part, "(a)ll credit cards issued to and in the name of the Perrysburg Exempted Village School District shall be held and supervised by the superintendent and/or treasurer and any other administrator designated by the superintendent and/or treasurer." During the Period, the District had 53 open credit card accounts issued in the names of various employees and departments.

The District's credit card policy did not contain guidance regarding allowable expenses, limitations, required supporting documentation, or review and approval of use. District management did not review monthly credit card expenditures to ensure items purchased were properly supported and allowable. As a result, supporting documentation for credit card purchases was disorganized or missing. Not maintaining documentation made it difficult to determine the nature of certain charges and whether each related to the operations of the District. Additionally, we found certain receipts submitted for meals were not itemized and may have contained the purchase of alcohol.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

It was management's responsibility to implement internal controls to reasonably ensure credit card transactions were supported, accurately recorded and for District purposes. It was management's responsibility to monitor these control procedures to verify they were operating effectively.

Failure to provide detailed guidance addressing required supporting documentation and allowable expenditures, and failing to review transactions resulted in personal purchases being paid by the District and a District employee obtaining his own credit card without District knowledge. In addition, the District paid late charges and finance fees on credit card transactions made during the Period.

We recommend the District implement additional controls over the use of credit cards. To be effective, the performance of an internal control must be sufficiently documented to provide assurance the control was in place and functioning as intended. We recommend the District limit the use of credit cards and significantly decrease the number of open credit card accounts. To further enhance the District's management over remaining credit card activity, we recommend the following:

- The District should establish updated written policies and procedures relating to credit card transactions that specifically address items such as authorized users, allowable and prohibited expenditures, and required documentation, including the submission of original, itemized receipts.
- The District should establish procedures for review and approval of credit card transactions and specifically designate those individuals required to review and approve transactions to ensure sufficient documentation is provided to support the nature and business purpose of credit card charges prior to paying bills.
- The District should inform and provide training to each card holder regarding the credit card policies and procedures to ensure users are aware of and understand the requirements. Signed acknowledgements should be obtained from all card holders stating they received the training, understand the policies and are responsible for any inappropriate charges.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

Objective No. 2 – Perrysburg EVSD Revenue Collections

PROCEDURES

We examined available documentation supporting revenue generated from certain sources to determine the amounts collected during the Period.

We examined District revenue reports and deposit documentation for the Period to identify amounts deposited and posted to the District's accounting system.

We compared amounts collected to the amounts deposited to determine whether the revenue collected was deposited into the District bank accounts.

We examined un-deposited checks and cash found during the execution of a search warrant at Eric Whitson's residence to determine the nature, source, and amount of revenue seized.

RESULTS

As with Objective No.1, this section will generally describe the results of our findings. Specific results will be described more fully below in the findings for recovery and adjustment, noncompliance citations, and management recommendation.

During the Period, in addition to serving as an accounts receivable clerk for the District, Eric Whitson also served as the District's ticket manager for high school athletic events. Mr. Whitson had several responsibilities within the revenue cycle, including collecting funds from various sources, preparing and making deposits, and posting transactions to the District's accounting system.

Athletic Event Admissions

The District charged admissions for certain athletic events. At these events, gate workers sold tickets and gave the proceeds to Mr. Whitson for deposit. Mr. Whitson signed duplicate receipts documenting he received the funds. Gate workers completed ticket sales reports summarizing the amounts collected that were also submitted to Mr. Whitson, who was responsible for posting the amounts collected to the District's accounting system. Copies of the reports were also maintained by the District athletic department.

From July 2009 through July 2014, the District hosted 484 high school athletic events that generated \$746,901 in revenue. We examined ticket reports for 420 of these events that generated \$689,047 in revenue, and were unable to trace revenue from seven events totaling \$6,778 to deposits or postings to the District's accounting system. We noted 156 events where the deposits were made five or more days after the event date, including 38 made between 30 to 98 days after the event date.

Athletic Participation Fees

Student participation fees were required for certain high school and junior high school athletic activities. The athletic department collected the fees and turned the funds over to Mr. Whitson for deposit and posting to the District's accounting system. The athletic department prepared spreadsheets to track student payments; however, the spreadsheets were only maintained by the athletic department for the current 2014 fiscal year. As such, we limited our examination to fiscal year 2014.

The spreadsheets indicated \$60,150 and \$18,725 were collected for high school and junior high participation fees, respectively, during fiscal year 2014. District revenue reports indicated \$60,125 and \$19,475, respectively, were deposited and posted to the District's accounting system. The differences were due to the incompleteness of the spreadsheets maintained by the athletic department.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

During the special audit, we located a file folder containing 213 un-deposited checks totaling \$10,900 in a records storage room at the District administrative building. The checks were dated August 2011 for junior high athletic participation fees.

All Day Kindergarten Fees

For a fee, the District provided an optional program for students to attend all-day kindergarten rather than the traditional half-day of school. Families that selected this program were provided the option to make monthly payments or pay the entire amount in advance and receive a discounted tuition. Low income families could receive a reduced or waived fee. Families designated their payment option on enrollment forms. Generally, the fees were collected by the District's Pupil Services office and pre-numbered duplicate receipts were provided to those payers that requested a receipt.

Payments collected by the Pupil Services office were turned over to Mr. Whitson for deposit and posting to the District's accounting system. Payments collected by other personnel in the treasurer's office were placed in Mr. Whitson's desk when he was unavailable. Mr. Whitson was responsible for tracking payments made by families to assure the fees were paid in full as stipulated on the enrollment forms.

The District was unable to provide a complete set of pre-numbered receipt books for the collection of All Day Kindergarten fees for any given year within the audit period. Additionally, there was no documentation used, such as a pay-in receipt, to identify the amount turned over by the Pupil Services office to Mr. Whitson for deposit. The District provided supporting documentation in the form of spreadsheets maintained by the Pupil Services office for students enrolled in the program; however, the spreadsheets did not identify actual fees collected.

Due to the lack of collection documentation, we used program enrollment forms and duplicate receipts where available to trace payments to deposits and limited our examination to fiscal years 2013 and 2014. We were unable to trace 33 payments totaling \$10,646 received for All Day Kindergarten fees to deposits or posting to the District's accounting system. The fees were identified on enrollment forms and duplicate receipts.

Student Laptop Fees

Beginning in fiscal year 2014, the District issued laptops to students in the fifth, eighth and ninth grades. An assessment fee was charged for each device and optional cases were offered for purchase. Mr. Whitson participated in the initial collection of the fees and was responsible for depositing and posting the collections to the District's accounting system.

The District's technology department prepared a spreadsheet listing the student identification numbers and serial numbers of devices issued during the initial two days of the program. The list was not complete for the entire fiscal year and did not contain dates or amounts collected, or whether the optional case was purchased. As such, we were unable to determine the amount of revenue generated by this program.

In July 2014, investigators from the Wood County Prosecutor's office executed a search warrant at Mr. Whitson's residence where they located un-deposited checks and cash totaling \$30,398. Many of the checks were designated as payments for student laptop fees.

Background Check Fees

As part of the hiring process for employees, volunteers, and coaches, the District collected fees from individuals for background checks conducted by the Bureau of Criminal Identification. The fees were collected at the District's Human Resources office and individuals that paid by check or cash were given a pre-numbered duplicate receipt. The payments and duplicate receipts were turned over to Mr. Whitson for deposit and posting to the District's accounting system.

A preliminary comparison of fee collections to expenditure records made for the background checks indicated minimal variances prior to fiscal year 2013, with more significant variances during and subsequent to fiscal year 2013. As such, we limited our examination to fiscal years 2013 and 2014 where it was evident expenditures exceeded the receipts.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

We examined 518 fee payments totaling \$21,192 received by the District during fiscal years 2013 and 2014. We were unable to trace 46 payments totaling \$1,918 to deposits. Additionally, we were unable to trace two deposits totaling \$202 to duplicate receipts or other supporting documents making a net unaccounted for of \$1,716. We also noted 134 deposits were made between five to 84 days after the payments were received.

FINDINGS FOR RECOVERY

Eric Whitson

As indicated above, during the Period, Eric Whitson was employed by the District as an accounts receivable clerk responsible for making deposits and posting transactions to the District's accounting system. Mr. Whitson also served as ticket manager for the District's high school athletic events and signed duplicate receipts attached to athletic ticket reports documenting that he received funds from ticket sellers.

We were unable to trace gate revenue totaling \$6,778 from seven athletic events to deposits or postings to the District's accounting system. For five of the seven events, Mr. Whitson signed duplicate receipts indicating he received the funds. The District was unable to locate the remaining two duplicate receipts.

We identified 16 deposits totaling \$169,220 in which checks issued to the District for other purposes were substituted in the deposits for the removal of cash. Check substitution occurs when cash is stolen and replaced with a check that is of equal value, but intended for other purposes. This creates the impression no money is missing. We concluded a check was substituted in a deposit when its purpose did not match that posted by Mr. Whitson to the District's accounting system. The checks issued to the District were from multiple sources including: Express Scripts, Mutual Health Services, All Day Kindergarten fees and seven checks from the Bobcat Athletic Boosters totaling \$17,760. For many of the transactions, Mr. Whitson signed duplicate receipts indicating he had received the cash from athletic event ticket sales.

Mr. Whitson was responsible for depositing All Day Kindergarten fees, posting collections to the District's accounting system and tracking payments made by families to assure the fees were paid in full. We were unable to trace 33 payments totaling \$10,646 received for All Day Kindergarten fees to deposits or posting to the District's accounting system. The fees were identified on enrollment forms and duplicate receipts.

Duplicate receipts issued for payments of background checks indicated fees totaling \$1,716 were not deposited in District accounts. Duplicate receipts for 17 of the payments were located at Mr. Whitson's residence and seven receipts were located in a box of items from Mr. Whitson's desk at the District.

In July 2014, investigators from the Wood County Prosecutor's office executed a search warrant at Mr. Whitson's residence where they located 496 un-deposited checks totaling \$30,033 and cash totaling \$365 designated for District purposes. The checks were made payable to the District and were dated from August 2013 to February 2014.

A file folder containing 213 un-deposited checks totaling \$10,900 was located in a records storage room at the District administrative building. The checks were dated August 2011 for junior high athletic participation fees.

There was no specific information in the folder linking it to Mr. Whitson; however, Mr. Whitson was involved in collection of the fees and was responsible for their deposit. During the fall registration period, Mr. Whitson set up a desk to collect fees. Mr. Whitson was in charge of making the deposit and posting the revenue to the accounting system.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a finding for recovery for public monies collected but unaccounted for is hereby issued in the amount of \$229,658 against Eric Whitson in favor of Perrysburg Exempted Village School District.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

FINDING FOR ADJUSTMENT

Athletic Department Donations

Ohio Revised Code Section 5705.10 (D) requires all revenue derived from a source other than general property tax and which the law prescribes shall be used for a particular purpose is to be paid into a special fund for such purpose.

We identified three transactions totaling \$71,992 in which the check substitution method was used to fund what Eric Whitson claimed were personal and corporate donations to the District's athletic department. Checks issued to the District from Express Scripts and Mutual Health Services were deposited by Mr. Whitson and posted to the District's accounting system as donations to fund the baseball field and locker room facility projects.

A finding for adjustment is hereby issued against the High School Athletic Donations Fund for \$10,992 and Locker Room Facility Fund for \$61,000 in favor of the General Revenue Fund for a total of \$71,992.

NONCOMPLIANCE CITATION

Timely Deposits

Ohio Revised Code Section 9.38 states in part, "...a public official other than a state officer, employee, or agent shall deposit all public moneys received by that person with the treasurer of the public office or properly designated depository on the business day next following the day of receipt, if the total amount of such moneys received exceeds one thousand dollars. If the total amount of the public moneys so received does not exceed one thousand dollars, the person shall deposit the moneys on the business day next following the day of receipt, unless the public office of which that person is a public official adopts a policy permitting a different time period, not to exceed three business days next following the day of receipt, for making such deposits, and the person is able to safeguard the moneys until such time as the moneys are deposited."

During the Period, the District had not adopted a written policy regarding the length of time funds can be held prior to being deposited. The District's accounts receivable clerk deposited certain athletic event revenue up to 98 days after the events. The accounts receivable clerk deposited certain background check fees up to 84 days after funds were collected, and no deposits were made for certain athletic participation fees and student laptop fees. Failure to timely deposit public funds with the designated depository increases the possibility of theft.

We recommend the District implement a written policy regarding depositing funds in a timely manner as described in Ohio Revised Code Section 9.38. The treasurer or his designee should monitor the District's financial activity to ensure funds are deposited in accordance with the policy.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

MANAGEMENT RECOMMENDATIONS

Segregation of Duties

As the District's accounts receivable clerk, Eric Whitson was responsible for the collection of revenue from various sources, including over-the-counter cash payments, preparing deposits and posting revenue to the District's accounting system. Mr. Whitson assisted with preparing disbursements, including credit card payments, had the authority to issue District checks and had access to the treasurer's signature stamp. Mr. Whitson also served as ticket manager for District high school athletics, responsible for collecting cash from ticket sales and reconciling ticket sales reports. Having one employee performing these duties without close management oversight resulted in errors and irregularities occurring without timely detection by management.

We recommend duties be segregated to ensure no single individual has control over all phases of the accounting cycle. As a matter of internal control, different individuals should be responsible for collection, deposit, posting and review of revenue collection. Additionally, different individuals should be responsible for issuing disbursements, preparing checks and reviewing credit card activity. When duties cannot be segregated, it is vital for management to provide substantive oversight to ensure the appropriateness of all transactions.

Revenue Collection

The District collected revenue from a number of sources. We noted the following issues during our examination of revenue collection:

- Cash collections from various sources were not deposited or posted to the District's accounting system;
- Checks issued to the District from other sources substituted in deposits for cash;
- Deposits of District funds made five or more days after collections;
- Pre-numbered, duplicate receipts were not always issued.

Spreadsheets were maintained for athletic participants, laptops issued and the All Day Kindergarten program; however, the lists were not complete and did not contain fee collection information. In instances when other departments collected funds, the treasurer's office did not issue pre-numbered receipts documenting pay-ins as proof of funds remitted for deposit.

Failure to create and maintain documentation of revenue collections reduces the District's ability to determine whether all funds collected were deposited. Failure to reconcile collection documents to amounts deposited and posted increases the risk that discrepancies due to errors or irregularities will not be detected in a timely manner.

We recommend the District issue pre-numbered, duplicate receipts to individuals to document fees received. Lists maintained by departments should contain collection information, including the receipt numbers, dates and amounts paid. We recommend the treasurer's office issue pre-numbered receipts for pay-ins from all District departments. The pay-in receipts should be retained by the departments as evidence of amounts remitted. We also recommend the treasurer's office reconcile pre-numbered, duplicate receipts and pay-in receipts to deposits and the District's revenue ledger to ensure all monies are accounted for and properly posted to the ledgers.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

Objective No. 3 – Bowling Green Bobcat Athletic Boosters

PROCEDURES

We examined disbursements and withdrawals from the Boosters' bank accounts to determine whether the funds were used for purposes related to the operations of the Boosters.

We examined documentation supporting deposits into the Boosters' bank accounts to determine the nature and source of the deposits.

RESULTS

The Boosters maintained two checking accounts and one savings account during the Period. Eric Whitson became treasurer of the Boosters in June 2008 and was added as signor on the Boosters' bank accounts in October 2008. Mr. Whitson had sole access to the accounts and was responsible for maintaining financial records, collecting and depositing Booster funds, writing checks, and making withdrawals on behalf of the Boosters. Supporting documentation for disbursements and deposits was disorganized or missing.

During the Period, Mr. Whitson issued himself six checks from the Boosters totaling \$19,425 that were not supported by documentation. Booster president Van Spears stated the checks were not authorized or for purposes of the Boosters.

Mr. Whitson made 82 electronic payments on his personal American Express and Capital One credit card accounts totaling \$121,760 from Booster funds. In addition, seven electronic payments totaling \$9,224 were made to HSBC Retail Services. We were unable to determine the purpose of the HSBC payments; however, Mr. Whitson made similar payments from his personal bank account to HSBC. The electronic payments were not authorized or supported by documentation.

Mr. Whitson issued seven checks totaling \$17,760 to Perrysburg School District for purposes unrelated to Booster operations. The checks were not authorized or supported. We traced the checks to deposits into District accounts where they were substituted for cash.

We identified six checks from Perrysburg School District totaling \$156,627 deposited in the Booster accounts. Additionally, a credit card charge for \$16,000 on a Perrysburg School District American Express account assigned to Mr. Whitson was deposited in a Booster account. The payments to the Boosters were not authorized or for District purposes.

In July 2014, investigators from the Wood County Prosecutor's office executed a search warrant at Mr. Whitson's residence where they located 281 un-deposited checks and cash totaling \$13,724 designated for purposes related to the Boosters. The checks were dated from August 2009 to October 2013.

Investigators also located deposit receipts and empty Booster collection envelopes at Mr. Whitson's residence. The envelopes identified cash and checks collected for various Booster purposes, such as concession and program sales, that were turned over to Mr. Whitson for deposit. We attempted to match the deposit receipts and envelopes to deposits; however, the records were incomplete. We noted 45 envelopes that identified cash and checks totaling \$11,920 that we could not trace to deposits. We were unable to determine whether these included the un-deposited funds mentioned above.

The Auditor of State's office does not have authority to issue findings for recovery on behalf of the Boosters, a nonprofit entity. We examined the Boosters' accounts at the request of the Wood County Prosecutor's office to provide assistance with their criminal investigation. We identified a total of \$181,893 in theft from the Boosters.



Dave Yost • Auditor of State

PERRYSBURG EXEMPTED VILLAGE SCHOOL DISTRICT

WOOD 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
FEBRUARY 2, 2016**