



Dave Yost • Auditor of State

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Mr. Ron Gore, Board President
Cincinnati College Preparatory Academy
1425 Linn Street
Cincinnati, OH 45214

We conducted a special audit of the Cincinnati College Preparatory Academy (CCPA) by performing the procedures enumerated in the attached Supplement to the Special Audit Report for the period July 1, 2006 through May 31, 2010 (the Period), solely to:

- Determine whether credit card charges were supported by documentation indicating the nature and purpose of the charge, for CCPA related purposes, and made in accordance with CCPA policies and certain sections of the Ohio Revised Code.
- Determine whether nonpayroll disbursements not made by credit card were supported by documentation indicating the nature and purpose of the disbursement, for CCPA related purposes, and in accordance with CCPA policies and certain sections of the Ohio Revised Code.
- Determine whether certain CCPA employees were compensated in accordance with governing board approved compensation.

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 documentation supporting credit card charges on CCPA's National City Bank VISA cards and American Express cards to determine whether the credit card charges related to CCPA operations and were made in accordance with CCPA policies and certain sections of the Ohio Revised Code.

Significant Results – We noted a general lack of internal control and monitoring of CCPA credit card activity to ensure CCPA funds were used for proper public purposes. We issued 17 findings for recovery totaling \$340,800. As the chief executive and chief financial officer responsible for ensuring appropriate use of CCPA funds, Lisa Hamm, superintendent, and Stephanie Millard, treasurer, were held accountable in virtually every instance we identified public monies due back to CCPA. The subjects of the findings for recovery included expenses related to best practice school visits, conferences and professional development events; doctoral program domestic and international residencies, tuition, and unauthorized expenses; administrative retreats; staff and student outings; staff and student incentives and tributes; meals; vehicle expenses; medical expenses; services at Ms. Hamm's personal residence; expenses related to private organizations associated with Ms. Hamm; and miscellaneous expenses unrelated to the operations of CCPA.

We noted and will refer to the Ohio Ethic Commission one instance whereby Ms. Hamm and David Speers, CCPA intervention specialist and director of facilities, used frequent flyer miles earned on CCPA credit cards for personal travel in violation of Ohio Revised Code.

We made nine management recommendations intended to improve CCPA's internal control and monitoring of its expenses. The recommendations relate to the areas of credit card, travel and asset policies; gift card purchases; personal use of credit cards; items delivered to the superintendent's personal residence; documentation supporting student outings; authorized trip attendees; and cash used for travel expenses.

2. We examined documentation supporting nonpayroll disbursements not made with a credit card to determine whether the disbursements related to CCPA operations, and were made in accordance with CCPA policies and certain sections of the Ohio Revised Code.

Significant Results – We issued 11 findings for recovery totaling \$164,247 for reasons similar to those noted during our examination of credit card charges. Also similar to our examination of credit card charges, Ms. Hamm and Ms. Millard were held accountable for most of the findings for recovery. The subjects of the findings for recovery included unauthorized healthcare insurance benefits; legal and other expenses of private organizations associated with Ms. Hamm; employee membership expenses; monetary donations to a private organization; event ticket purchases; property tax payments; unauthorized expenses related to Ms. Hamm's father who was a CCPA employee; utilities paid on-behalf of private businesses; unsupported cash withdraws; and contracted food service payments.

3. We examined documentation supporting compensation paid to certain employees to determine whether they were compensated in accordance with governing board approved compensation.

Significant Results - We issued findings for recovery totaling \$12,377 against relatives of Ms. Hamm who were CCPA employees but were compensated amounts greater than approved by CCPA's governing board. We issued a finding for recovery totaling \$1,675 against an employee for receiving duplicate payments for the same pay period. We issued a finding for recovery totaling \$400 against Ms. Millard for Christmas bonuses received each of the years audited. Ms. Millard's contract contained no provisions entitling her to such bonuses or benefits similar to those afforded CCPA employees.

We issued three management comments regarding inconsistent payment and supporting documentation of extracurricular activities stipends; inaccurate timesheets and inconsistent supervisory review; and lack of monitoring of employee leave usage.

4. CCPA's governing board provided minimal to no oversight of CCPA spending and its operations. The lack of effective monitoring controls created an environment of unchecked autonomy among CCPA's executives. That condition is supported by the numerous reported findings for recovery, and abuse of public funds. The *General Comments* portion of this report starting on page 8 details significant pervasive conditions for which CCPA's governing board should implement corrective action to enhance CCPA's accountability for public funds, improve its operations and clearly demonstrate CCPA expends public funds both effectively and judiciously.
5. On May 15, 2013, we held an exit conference with the following individuals:

Ron Gore, CCPA Board Chair
Glenda Cousins, CCPA Board Member
Charles Kelly, CCPA Board Secretary
Joe Calloway, CCPA Board Member

Jack Rubenstein, CCPA Board Attorney
Michael Ashmore, CCPA Treasurer
Ethel Harris, Kids Count Director

The attendees were informed that they had five business days to respond to this special audit report. A response was received on May 24, 2013.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

May 15, 2013

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Supplement to the Special Audit Report

Background

In November 2006, the Auditor of State's Office received an anonymous complaint alleging credit card abuse by the Cincinnati College Preparatory Academy's (CCPA) Superintendent Lisa Hamm. These concerns were forwarded to Von Lehman and Company¹ (Von Lehman) to review during CCPA's fiscal year 2006 financial audit.

In January 2009, Von Lehman forwarded documentation supporting questionable credit card expenditures to the Auditor of State's Cincinnati regional office for further review. These questionable expenditures included a trip to Florida and the purchase of a ring for the superintendent. Upon further review of the credit card statements containing these questionable charges, additional instances of potential misuse were noted.

The Auditor of State's Cincinnati regional office conducted a review of the transactions identified by Von Lehman. Numerous requests were made and discussions were held between the Auditor of State's Cincinnati regional office, Von Lehman, and CCPA to obtain applicable policies and procedures, supporting documentation, and clarification for the charges incurred.

On December 22, 2009, the Auditor of State initiated a special audit of CCPA's credit card charges.

In examining CCPA records and expenditure ledgers supporting credit card charges and CCPA payments, we identified transactions similar in nature to the questionable credit card charges. As such, the scope of the special audit was expanded to include a review of nonpayroll expenditures for payments unrelated to CCPA operations.

The CCPA financial audits conducted for the periods ending June 30, 2007, 2008, and 2009, identified discrepancies between compensation paid to certain CCPA employees and amounts authorized by the governing board. The scope of the special audit was expanded to include a review of certain employees' compensation to determine whether payments made were in accordance with governing board-approved amounts.

The CCPA Board of Directors terminated Superintendent Lisa Hamm and Treasurer Stephanie Millard on March 18, 2013.

¹ Von Lehman and Company was contracted by the Auditor of State's Office to perform the FY 2006 financial audit.

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General Comments

During the course of this engagement we identified conditions and exceptions general in nature or applicable to more than one of our audit objectives. As such, rather than reporting them in each of the sections of this report, they are reported here. These general comments, along with the numerous findings for recovery and specific comments elsewhere in this report demonstrate pervasive conditions within CCPA's operations which should be considered by its governing board for corrective action.

Abuse of Public Funds

2007 *Generally Accepted Government Auditing Standards*, Section 4.12, defines abuse as behavior that while not a violation of law, contract, or grant constitutes behavior which a prudent person would deem deficient or improper, when compared with behavior a prudent person would consider reasonable and necessary "business practice" given the facts and circumstances. We noted CCPA expended public funds in numerous instances and for purposes we believe meet the definition of abuse. These expenses included such categories as employee bonuses; employee holiday and life event gifts; food purchases; arena suite rentals with amenities; extravagant travel costs; and administrative retreats. While some of these expenses were authorized by CCPA's governing board, others were not; indicating an unchecked autonomy by CCPA's executive management. With the exception of the employee related expenses, many of the other expenses appear to have benefited only a certain group of CCPA employees, including the superintendent, the superintendent's father, the principal, the vice principal, the contracted treasurer, and various administrative staff. The following are some of the specific examples we noted during our audit.

- CCPA paid Christmas bonuses to employees totaling \$47,400. Certain executives and tenured staff received \$700 each of the first three years of the audit period and \$2,700 in the last year of the audit period. All other staff received \$100 each year during the audit period. The governing board approved the Christmas bonuses.
- The governing board approved expending public funds for staff Christmas gifts each year with totals ranging from \$5,000 to \$10,000. For the audit period CCPA identified Christmas gift expenses totaling \$14,825. For 2009 alone, the governing board approved Christmas bonuses, banquet expenses, and staff gifts of up to \$30,000.
- CCPA purchased Nutri-System weight loss meals totaling \$4,663 for staff lunches.
- CCPA catered its monthly board meetings costing \$11,226 during the audit period.
- As a student incentive CCPA expended \$4,000 of public funds to rent suites at U.S. Bank Arena for Taylor Swift and Justin Bieber concerts. As another student incentive CCPA expended \$2,157 to rent a suite at the Bank of Kentucky Center for a Cirque du Soleil show. In addition to the suite rentals CCPA purchased food in the suite for the Taylor Swift concert totaling \$1,521 and Cirque du Soleil show totaling \$881. None of these events were approved by the governing board.
- The governing board approved up to \$30,000 for an administrative retreat to attend a one day conference in Chicago. CCPA actually spent approximately \$19,000 for the retreat which included approximately \$8,400 in conference registration fees.
- The governing board approved an out of state administrative staff four day and three night team building exercise in Gatlinburg, Tennessee, for 20 CCPA employees not to exceed \$25,000. Because the event was outside our audit period, we did not determine the actual costs associated with this event; however, the governing board's approval of such an event is worthy of reporting.

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- Prior to each school year, CCPA held a three week staff development event for all of its employees known as “Staff Boot Camp”. During these three week periods, CCPA provided all employee snacks, drinks, and daily lunches and conducted team building exercises including such events as paintball, go-kart racing, and laser tag. During the first three years of the audit period, CCPA expended between \$14,000 and \$15,500 on this event. The governing board did not approve these expenses the first three years. The governing board approved the event and expenses up to \$10,000 for the fourth year of the audit period for which CCPA spent slightly over \$11,000.
- We noted domestic and international travel related expenses for professional development, educational, training and conference events not approved by the governing board. In some instances these events were attended by people not approved by the governing board to attend, including other CCPA employees and occasionally family members.
- CCPA paid the monthly car payments and auto insurance costs for Ms. Hamm’s father. The father was a CCPA employee as a Building Team member; however, no other CCPA employee received such a benefit.
- CCPA purchased sports memorabilia from one of its governing board members non-profit organization totaling \$1,150.
- The governing board approved staff tribute expenses in 2007, 2009, and 2010 ranging from \$35,000 to \$50,000 including i-pods, i-homes, digital cameras, jewelry, gift certificates, and other gifts. CCPA purchased similar items in 2008 for staff tribute items but they were not approved by the governing board.

In addition, we noted many expenses in the numerous findings for recovery detailed in this report which also represent abuse of public funds. We recommend the governing board provide a stronger oversight presence for the operations of CCPA. The governing board should initiate monitoring controls to ensure that only a select group of employees do not benefit from their positions of authority and the abuse of public funds. The governing body should require CCPA executive management be accountable to the governing board to ensure CCPA achieves the governing board’s operational and educational objectives and that CCPA expends public funds both prudently and judiciously.

MANAGEMENT COMMENTS

Developing and Implementing an Effective Monitoring Control System

Monitoring controls are management and governing board activities established to ensure compliance with established policies and procedures, achievement of operational and educational objectives, and proper and effective use of available resources.

Our audit noted the following conditions which are indicative of poor or nonexistent management and governing board monitoring of CCPA activities:

- Numerous personal purchases made on CCPA credit cards.
- A general lack of adequate documentation supporting disbursement of CCPA funds.
- While CCPA policy required executive management prior approval for staff requested professional development and other travel; no such provision applied to CCPA’s executive management. In many cases executive management’s travel was not presented to the governing board.
- Significant CCPA events such as staff and student outings, staff and student incentives, attendance at conferences and other professional development events, staff boot camps and best practice site visits were not approved by the governing board or were approved after significant costs were incurred or after the event occurred.

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- Costs for governing board approved activities such as certain conference and professional development attendance, the superintendent's and principal's doctorate program expenses, a student outing, and staff boot camp significantly exceeded the governing board's approved amount.
- Lack of governing board approval of employees hired.
- Inconsistencies between governing board approved staff employment contracts and those maintained by management, unsigned employment contracts, and lack of employment contracts.

We recommend the governing board implement monitoring controls to ensure executive management activities and decisions are periodically examined for reasonableness and consistency with the governing board's objectives, all significant CCPA activities are presented to the governing board for approval, executive management does not exceed the governing board's approved costs for events and activities, adequate documentation is maintained to support the nature and purpose of CCPA disbursements and that personnel decisions are presented to the governing board for approval.

Policy for Defining a Proper Public Purpose

The Ohio Supreme Court case of *State ex rel. McClure v. Hagerman*, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable.

The decision of what constitutes a public purpose should be memorialized by a duly enacted resolution of the governing board that sets forth the policy of CCPA and that has prospective effect only.

CCPA policy should state the governing board's view of the type and nature of expenditures which constitute a proper public purpose to support CCPA's educational goals and mission. Such a policy may include, but not necessarily be limited to:

- The permissiveness of various expenditure types or classifications to CCPA as a whole.
- Dollar limitations on the expenditure of funds for certain expenditure types or classifications.
- Restrictions on expenditures for specific types of CCPA programs or activities.
- The allowable use of gift cards for CCPA purchases and their required documentation.
- The permissibility of certain expenditure types or classifications in regard to federal programs.
- Designation regarding the appropriate uses of, allowable types of, dollar limitations to, and types of documentation that must be maintained for student and staff incentives.

CCPA has no policy that describes the appropriateness of expenditures in regard to an acceptable proper public purpose. In the absence of such a policy, expenditures that do not promote the goals or mission of CCPA or work to achieve such goals or mission may be entered into and approved by CCPA personnel.

We noted that CCPA purchased the following items for employees:

- Birthday cards.
- Gift cards for employee birthdays and year-end staff tributes.
- Gifts for Christmas, year-end staff tributes, weddings and showers.
- Flowers for individuals who were sick or leaving employment.
- Food and drinks provided at CCPA.
- Health supplements.
- Meals at, and provided by, restaurants unrelated to any CCPA travel.
- Personal care products.

We recommend the governing board pass a comprehensive proper public purpose policy that provides guidance and direction to CCPA's management and staff as to what expenditures are viewed to be for a proper public purpose that accomplish the goals and mission of CCPA.

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Insufficient Policies Governing Operations

CCPA did not establish specific formal policies for significant employee and operational related matters to ensure CCPA spent funds appropriately and prudently; and in furtherance of CCPA's objectives. During the audit period, we noted the following areas for which CCPA did not have an established policy:

- Employee pay advances.
- Petty cash disbursements and replenishment.
- Employee reimbursements.
- Executive travel expense approval.
- Employee tuition reimbursement.
- Purchasing, administering and dispensing over the counter medications to students.

Not establishing formal policies and procedures to govern significant employee and operational areas hinders the entity's ability to efficiently and effectively handle its affairs and ensure its objectives and directives are met. Formal policies and procedures reduce employee ambiguity and increase consistency when considering like circumstances. Inconsistent treatment of employees facing similar circumstances can cause employee dissention and the appearance of bias or favoritism. Other significant policy weaknesses were noted and are reported elsewhere in this report.

We recommend the governing board specifically assess and identify employee and operational areas that warrant formal policies and procedures. Those areas may include the ones identified above and others identified elsewhere in this report. CCPA management should develop formal policies and appropriate procedures to ensure the governing board's objectives and directives are met. The governing board should formally accept and approve the policies and procedures through official governing board action recorded in the governing board's meeting minutes.

Accounting Records and Source Documentation

CCPA should maintain an accounting system and accounting records sufficient to enable them to identify, assemble, analyze, classify, record and report their transactions; maintain accountability for the related assets and liabilities, and prepare financial statements. During the audit period, we noted the following prevalent conditions:

- Employees reimbursed for items without providing receipts.
- Lack of sufficient documentation for several employees reimbursed for compensation errors.
- Lack of documentation to clearly support the nature and CCPA related purpose of certain meals, trips, trainings, conferences, and event attendees.
- Checks issued to staff to replenish petty cash funds without detailed receipts or an accounting of the petty cash funds.
- Multiple gaps in check sequences resulting from checks and voided checks not recorded in the accounting system and check numbers not accurately recorded in the accounting system.
- Checks issued to vendors with check numbers that did not agree to check numbers posted to the accounting system.
- Checks posted to the accounting system at amounts different than cleared CCPA's bank account.
- ACH transactions from multiple bank accounts not recorded in the accounting system.

Failure to properly document and record financial transactions increases the risk of misappropriated funds and disbursements that do not serve a proper public purpose. We recommend that CCPA require and maintain supporting documentation for all reimbursements and expenses to ensure they were for a proper public purpose and furthered CCPA's objectives. In addition, we recommend all transactions be recorded and properly posted and reviewed for accuracy.

Classifying Employees and Independent Contractors

Section 148.5 of the Policies of the Governing Authority of Cincinnati College Preparatory Academy in part states that independent contractors are individuals who provide services to the school who are not treated as employees of the school for purposes of withholding federal employment and taxes.

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Additionally, independent contractors are generally not subject to an entity's policies and procedures nor share in the benefits afforded an entity's employee. CCPA did not demonstrate a clear understanding of rules and regulations governing the classification of individuals as employees or independent contractors creating confusion and inconsistent treatment of people related to income tax withholding and reporting and application of certain employee benefits. During the audit period, we noted the following conditions:

- Individuals who provided services and were paid without having federal employment and income taxes withheld; however, received medical and dental benefits afforded to CCPA employees.
- Individuals paid which did and did not have federal employment and income taxes withheld and received a W-2 and IRS Form 1099 for providing the same services.
- Individuals that were not clearly documented as either an employee or an independent contractor who received employee benefits such as staff bonuses, yearend awards, and paid holidays.

Failure to properly classify individuals as employees of CCPA or independent contractors can result in noncompliance with federal, state, and local employment and income tax regulations and unnecessary expenses. We recommend CCPA obtain an understanding of the rules and regulations for classifying individuals as employees and independent contractor. CCPA should clearly document its rationale when assigning individuals into either classification.

NONCOMPLIANCE CITATIONS

Ohio Rev. Code, Section 2921.42(A)(1), states that no public official shall knowingly authorize or employ the authority or influence of his office to secure authorization of any public contract in which he, a member of his family, or any of his business associates has an interest.

The following issues were noted during the period:

- Lisa Hamm is the Superintendent of CCPA and is the President of City Church International. City Church International is a private non-profit corporation organized for religious purposes. CCPA made purchases on the behalf of City Church International totaling \$1,489 for such items as equipment rental, food, telephone service, and banners. Two of the purchases totaling \$300 were paid using a CCPA credit card assigned specifically to Lisa Hamm and one of the purchases totaling \$60 was paid by a check issued by CCPA and signed specifically by Lisa Hamm.
- Lisa Hamm is the Superintendent of CCPA and is the President of ROAR Education. ROAR Education is organized and operated as a public benefit corporation for educational, scientific, and charitable purposes. ROAR Education operates for the purpose of providing instruction and training to individuals and organization involved in the field of education on topics that will improve their effectiveness as educators, and engaging in any other lawful educational, scientific, or charitable activity that may be conducted by an Ohio nonprofit corporation. CCPA made purchases on the behalf of ROAR Education totaling \$3,323 for services to design, build, maintain, update, link and promote an on-line marketing website, web page production, domain name registration, and to add ROAR Education to CCPA's website. Two of the purchases totaling \$106 were paid by checks issued by CCPA and signed specifically by Lisa Hamm.

We recommend CCPA, with the assistance of its legal counsel, develop a conflict of interest policy, and require its employees and appointed officials to sign an annual statement stating he/she has received a copy of the conflict of interest policy, has read and understands the policy, has agreed to comply with the policy, and disclose affiliations which may represent a potential conflict of interest. Designated management should review these statements to help reduce the likelihood of conflicts of interest or undisclosed related party transactions.

These matters will be referred to the Ohio Ethics Commission.

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Availability of Records

Article III of the sponsorship contract between KidsCount and CCPA requires CCPA to follow Ohio Rev. Code Section 149.43. Section (B)(2) provides in order “(t)o facilitate broader access to public records, a public office or the person responsible for public records shall organize and maintain public records in a manner that they can be made available for inspection or copying in accordance with division (B) of this section.”

We noted the following instances lacking documentation supporting the nature and purpose of CCPA financial transactions:

- 1,153 credit card transactions totaling \$203,685 with no receipt to support the charge.
- 455 credit card transactions with only a summary receipt to support the charge.
- 52 hotel charges for such items as meals, room service, and gift shop purchases that did not have a receipt to support the expense.
- 2,825 checks for which there was either no accompanying purchase order or invoice and supporting documentation.
- 532 electronic bank withdrawals with no supporting documentation.

In addition, we noted 12 instances of supporting documentation provided by CCPA that contained noticeable discrepancies as follows:

- Ticketmaster Receipts - Receipt charges were not properly calculated; quantity of tickets purchased did not agree to the quantity of seats listed on the receipt; order date on receipt did not agree to dates provided by Ticketmaster obtained through a subpoena; event date on receipt did not agree to date of the actual event; venue on receipt did not agree to the venue of actual event.
- Playhouse in the Park Receipts – Quantity of tickets purchased did not agree to the quantity listed on the receipt; charge on receipt did not agree to amount charged on credit card statement; receipt stated that CCPA used one of their American Express cards, however, the charges were made on one of their VISA cards; two receipts had charges that occurred in November and December 2006, but, the letterhead on receipt stated ‘Tony Award Winner 2004-2007’.

Failure to maintain adequate support for credit card charges, nonpayroll disbursements, and electronic withdrawals results in lack of accountability and increases the risk of disbursements that do not serve a proper public purpose.

We recommend CCPA maintain documentation supporting its expenses and all other financial transactions.

Taxable Fringe Benefits

26 C.F.R. Section 1.604-2 provides that wages, as defined in 26 U.S.C. Section 3401 are to be reported on a Form W-2 or all other payments of compensation are to be reported on a Form 1099. 26 U.S.C. Section 3402 states “every employer making payments of wages shall deduct and withhold upon such wages as determined in accordance with the tables or computational procedures prescribed by the Secretary of the Treasurer”

We identified the following types of taxable fringe benefits and other potential income not reported on an IRS Form 1099 or W-2 to the Internal Revenue Service:

- Car lease payments.
- Personal vehicle maintenance paid by CCPA.
- Personal vehicle insurance paid by CCPA.
- Vision expenses paid by CCPA that were not part of a governing board approved employee benefits package.

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- Doctorate educational expenses that were not part of a governing board approved tuition reimbursement policy.
- CCPA-paid private memberships unrelated to employee professional development.
- Gift cards, electronics, and other items given as gifts to employees.
- Christmas bonuses and cash staff tribute awards totaling \$76,550.
- Additional medical and dental benefits provided to employees and independent contractors.
- Extracurricular activity stipends.
- Payments to independent contractors in excess of \$600.
- Board members' stipends in excess of \$600.
- Employer-provided cellular phones with no monitoring to verify CCPA was reimbursed for personal minute usage.
- Meals outside of normal work hours and not associated with a CCPA related event or function.

We recommend CCPA review these and other benefits and payments to CCPA employees and contractors to determine whether they are taxable fringe benefits or income and if they should be reported on a W-2 or IRS Form 1099. For those identified, CCPA should consider reissuing the appropriate tax form to the employee or contractor.

This matter has been forwarded to the Internal Revenue Service.

Purchasing/Invoicing

Section 148.1 of the Policies of the Governing Authority of Cincinnati College Preparatory Academy in part states before placing a purchase order, each party authorized to place a purchase order should consider whether the material requested may be available elsewhere in the school or in the management company network. In the interests of economy, fairness and efficiency, the Board requires that:

- (A) All purchase orders shall be numbered consecutively.
- (C) Certain purchases may be below an amount of money allowed to be spent without a properly signed purchase order, as authorized by the management company and the principal.
- (E) Credit card agreements may be approved by the Principal and the management company, at their sole but joint discretion, and if so approved, all credit cards shall be kept in the custody of the Principal in a locked area. All credit card purchases require the prior written approval of the Principal and the _____ (sic). Any staff member or Board member entrusted with a credit card shall be personally liable for the proper use and safekeeping of the credit card.

During the audit period, we noted the following conditions:

- CCPA did not use purchase orders that were consecutively numbered.
- CCPA did not document an amount which would allow them to make purchases without a properly authorized purchase order.
- CCPA does not have a management company even though its policies refer to a management company.
- CCPA did not document who is authorized to place a purchase order.
- CCPA did not document who is required to approve credit card purchases in addition to the principal. Purchases were made on several credit cards issued to the superintendent, treasurer, principal, and administrative assistant prior to obtaining any approval.
- CCPA did not consistently document the items requested and the purpose of the purchase and how it related to CCPA operations on the purchase order form.

Failure to properly document and approve purchases before they are made could result in unauthorized purchases and purchases which are personal in nature.

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We recommend CCPA implement a process to obtain and document prior approval of the items purchased. We recommend CCPA implement appropriate monitoring controls to ensure CCPA management adheres to the governing board established policies for making CCPA purchases.

Supplement to the Special Audit Report

Issue No. 1 – Credit Card Payments – National City Bank (VISA) and American Express
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PROCEDURES

We obtained documentation supporting CCPA payments to National City Bank and American Express for credit card charges incurred during the audit period.

We examined documentation supporting charges on CCPA's National City Bank VISA and American Express credit cards and identified charges incurred by CCPA during the audit period.

For the credit card charges identified, we examined available documentation and determined whether the credit card charges related to CCPA operations and were made in accordance with CCPA policies and the Ohio Revised Code.

For significant assets identified as purchased using CCPA's credit cards, we determined whether the assets purchased were located at CCPA.

For identified unallowable expenditures, we scanned the CCPA receipts for the Period to determine whether CCPA was reimbursed for the identified charges.

RESULTS

During the audit period, CCPA issued 42 checks to National City Bank totaling \$199,260 and 48 checks to American Express totaling \$1,239,068.

We examined the following transactions related to expenses incurred on CCPA's credit cards:

Fiscal Year	VISA		American Express		Total	
	# of Transactions	Amount	# of Transactions	Amount	# of Transactions	Amount
2007	204	\$45,589	1,337	\$363,333	1,541	\$408,922
2008	258	42,867	1,111	290,992	1,369	333,859
2009	315	58,663	1,341	335,517	1,656	394,180
2010	238	45,802	1,048	227,747	1,286	273,549
Total	1,015	\$192,921	4,837	\$1,217,589	5,852	\$1,410,510

We scheduled credit card transactions into the following categories for examination:

Category	VISA		American Express		Total	
	# of Transactions	Amount	# of Transactions	Amount	# of Transactions	Amount
Trips	154	\$35,394	606	\$163,306	760	\$198,700
Staff & Student Outings	30	17,455	157	84,032	187	101,487
Staff & Student Incentives	9	7,671	136	125,038	145	132,709
Meals	102	13,941	892	153,252	994	167,193
Vehicles	96	5,182	503	50,215	599	55,397
Medical	10	2,847	10	2,057	20	4,904
General	613	110,381	2,508	541,400	3,121	651,781

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Walden University	1	50	25	98,289	26	98,339
Total	1,015	\$192,921	4,837	\$1,217,589	5,852	\$1,410,510

FINDINGS FOR RECOVERY

Conference Trips

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only.

Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper Public Purpose states that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect. The Bulletin further states that the Auditor of State's Office does not view the expenditure of public funds for alcoholic beverages as a proper public purpose and will issue findings for recovery for such expenditures as manifestly arbitrary and incorrect.

During the audit period, CCPA employees attended conferences of various professional organizations.

For evaluation purposes, we concluded for conferences not approved by the governing board to not be a proper public purpose unless we were able to verify the conference was for professional development related to the employee's position at CCPA and the employee actually attended the conference.

For conferences approved by the governing board, the following reasonable expenses were considered a proper public purpose:

- Travel expenses (flight, luggage, mileage, parking, taxi, etc.).
- Lodging the day before the scheduled conference and during the conference. If, the scheduled conference ended after 12:00 pm on the final day another night of lodging was allowed.
- Meals while traveling and during the scheduled time of the conference up to three meals a day per person unless a meal was provided by the conference.

Expenses including, but not necessarily limited to, the following were not considered a proper public purpose:

- Entertainment including such items as theatre shows, concerts, sporting event, and cruises and costs with such events.
- Clothing.
- Individual drinks and snacks not associated with a meal.
- Medicines and personal hygiene items.
- Magazines, books, postcards, movies.
- Gift shop items.
- Personal phone calls at hotel if the employee was provided a CCPA cell phone.
- Laundry and dry cleaning.
- Alcohol.

During the audit period, we identified expenses totaling \$53,888 for conferences attended that were not approved by the governing board or did not provide professional development for the employees' position at CCPA, for individuals not actually attending the conference, and for expenses considered not a proper public purpose using the criteria stated above.

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 made is liable for the

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amount of such expenditure. *Seward v. National Surety Co.* (1929), 120 Ohio St. 47, 198 Op. Att’y Gen No. 80-074, Ohio Revised Code Section 9.39, *State ex. Rel. Village of Lindale v. Mastern* (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 to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. *Cordray v. International Preparatory School*, 128 Ohio St. 3d 50, 1980, Op. Att’y Gen. No. 80-074.24.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery, jointly and severally, is hereby issued against the following individuals, in the named amounts, for public monies illegally expended in favor of CCPA:

Lisa Hamm and Stephanie Millard	\$39,357
Lisa Hamm, Stephanie Millard, and Ms. Millard’s bonding company, Ohio Farmers Insurance Company	4,613
Guyton Matthews, Lisa Hamm, and Stephanie Millard	6,500
Guyton Matthews, Lisa Hamm, Stephanie Millard, and Ms. Millard’s bonding company, Ohio Farmers Insurance Company	42
Olivia Cope, Lisa Hamm, and Stephanie Millard	543
Gina Pool, Lisa Hamm, and Stephanie Millard	543
Andrea Watson, Lisa Hamm, Stephanie Millard	504
Tracy Barnes, Lisa Hamm, Stephanie Millard	504
Edna Jones, Lisa Hamm, Stephanie Millard	504
Genesis Henderson, Lisa Hamm, Stephanie Millard	389
Cathy Crothers, Lisa Hamm, Stephanie Millard	389
Total	\$53,888

As of the date of this report, Guyton Matthews has issued a payment to CCPA totaling \$3,802. A balance of \$50,086 remains unpaid.

“Best Practices” Trips

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only.

Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper Public Purpose states that the Auditor of State’s Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect. The Bulletin further states that the Auditor of State’s Office does not view the expenditure of public funds for alcoholic beverages as a proper public purpose and will issue findings for recovery for such expenditures as manifestly arbitrary and incorrect.

During the audit period, Ms. Hamm and other key personnel traveled to various community schools around the country to observe their operations. CCPA referred to these trips as “Best Practices” visits. The “Best Practices” visits included travel to New York, Cleveland, Orlando, and Chicago. The “Best Practices” visits to Chicago, New York, and Cleveland were not approved by CCPA’s governing board.

For evaluation purposes, we concluded expenses for “Best Practices” visits not approved by the governing board to not be for a proper public purpose.

If the best practice visit was approved by the governing board we concluded the following reasonable expenses to be considered a proper public purpose:

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- Travel expenses (flight, luggage, mileage, parking, taxi, etc.).
- Lodging the day before the scheduled visit and during the visit. If, the scheduled visit ended after 12:00 pm on the final day another night of lodging was allowed.
- Meals while traveling and during the scheduled time of the visit up to three meals a day per person. A drink, appetizer, entrée, and dessert were allowed at each meal per individual.

Expenses including, but not necessarily limited to, the following were not considered a proper public purpose:

- Entertainment including such items as theatre shows, concerts, sporting event, and cruises and costs with such events.
- Clothing.
- Individual drinks and snacks not associated with a meal.
- Medicines and personal hygiene items.
- Magazines, books, postcards, movies.
- Gift shop items.
- Personal phone calls at hotel if the employee was provided a CCPA cell phone.
- Laundry and dry cleaning.
- Alcohol.

During the audit period, we identified expenses totaling \$20,530 for unauthorized “Best Practices” trips, for a non-CCPA employee attending a trip, and for expenses considered to not be a proper public purpose using the criteria stated above.

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 made is liable for the amount of such expenditure. *Seward v. National Surety Co.* (1929), 120 Ohio St. 47, 198 Op. Att’y Gen No. 80-074, Ohio Revised Code Section 9.39, *State ex. Rel. Village of Lindale v. Mastern* (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 to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. *Cordray v. International Preparatory School*, 128 Ohio St. 3d 50, 1980, Op. Att’y Gen. No. 80-074.24.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery, jointly and severally, is hereby issued against the following individuals, in the named amounts, for public monies illegally expended in favor of CCPA:

Lisa Hamm, Stephanie Millard, and Ms. Millard’s bonding company, Ohio Farmers Insurance Company	\$10,669
Lisa Hamm and Stephanie Millard	6,204
Genesis Henderson, Lisa Hamm, Stephanie Millard, and Ms. Millard’s bonding company, Ohio Farmers Insurance Company	1,266
Genesis Henderson, Lisa Hamm, and Stephanie Millard	263
Guyton Matthews, Lisa Hamm, Stephanie Millard, and Ms. Millard’s bonding company, Ohio Farmers Insurance Company	879
Elizabeth Ives, Lisa Hamm, Stephanie Millard, and Ms. Millard’s bonding company, Ohio Farmers Insurance Company	387
Michelle Simpson, Lisa Hamm, and Stephanie Millard	263
Stephanie Grimes, Lisa Hamm, and Stephanie Millard	263
Helen Johnson, Lisa Hamm, and Stephanie Millard	263
David Speers, Lisa Hamm, and Stephanie Millard	73
Total	\$20,530

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Residency Trips

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only.

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On November 7, 2006, the CCPA governing board approved a doctoral program for Ms. Hamm and principal, Guyton Matthews, at Walden University. To complete the doctoral program Ms. Hamm and Mr. Matthews were required to complete four residency sessions which included two international residencies. During the audit period, Ms. Hamm and Mr. Matthews attended residencies in Los Angeles, Denver, Madrid, and Liverpool.

For evaluation purposes, we considered the following reasonable expenses were a proper public purpose while attending the residencies:

- Travel expenses (flight, luggage, mileage, parking, taxi, etc.) to the site of the residency.
- Lodging the day before the scheduled residency and during the residency unless lodging was provided by the residency. If, the scheduled residency ended after 12:00 pm on the final day another night of lodging was allowed.
- Meals while traveling and during the scheduled time of the residency up to three meals a day per person unless a meal was provided by the residency.

Expenses including, but not necessarily limited to, the following were not considered a proper public purpose:

- Entertainment including such items as theatre shows, concerts, sporting event, and cruises and costs with such events.
- Clothing.
- Individual drinks and snacks not associated with a meal.
- Medicines and personal hygiene items.
- Magazines, books, postcards, movies.
- Gift shop items.
- Personal phone calls at hotel if the employee was provided a CCPA cell phone.
- Laundry and dry cleaning.
- Alcohol.

During the audit period, we identified expenses for Ms. Hamm and Mr. Matthews totaling \$16,966 and \$6,240, respectively, for expenses considered not a proper public purpose using the criteria stated above and for expenses related to a family member accompanying Mr. Matthews.

Prior to beginning their residency in Liverpool, England, Ms. Hamm and Mr. Matthews traveled to Paris, France and London, England. After the residency was completed they traveled to Edinburgh, Scotland. During these trips, they incurred expenses totaling \$7,760 for three nights lodging in Paris, transportation to London from Paris, two nights lodging in London, city tours of Paris and London, and two nights lodging in Edinburgh. The additional trips to Paris, London, and Edinburgh were not approved by the governing board. Since Ms. Hamm and Mr. Matthews equally benefitted from these expenses they each incurred \$3,880 in expenses not considered a proper public purpose.

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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 made is liable for the amount of such expenditure. *Seward v. National Surety Co.* (1929), 120 Ohio St. 47, 198 Op. Att’y Gen No. 80-074, Ohio Revised Code Section 9.39, *State ex. Rel. Village of Lindale v. Mastern* (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 to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. *Cordray v. International Preparatory School*, 128 Ohio St. 3d 50, 1980, Op. Att’y Gen. No. 80-074.24.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery is hereby issued against Guyton Matthews, Lisa Hamm and Stephanie Millard, jointly and severally, for \$10,120, \$30,966, and \$30,966, respectively, of public monies illegally expended in favor of CCPA.

Spain Residency Trip

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only.

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On May 1, 2007, the CCPA governing board approved a doctoral degree residency for Ms. Hamm and Mr. Matthews in Spain in August 2007.

According to credit card records CCPA purchased airline tickets to Madrid, Spain and transportation from Madrid to Barcelona for assistant principal Genesis Henderson; administrative assistant Gina Pool; and teacher Stacey Matthews. Genesis Henderson, Gina Pool, and Stacey Matthews were not approved by the governing board to attend the residency in Spain.

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 made is liable for the amount of such expenditure. *Seward v. National Surety Co.* (1929), 120 Ohio St. 47, 198 Op. Att’y Gen No. 80-074, Ohio Revised Code Section 9.39, *State ex. Rel. Village of Lindale v. Mastern* (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 to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. *Cordray v. International Preparatory School*, 128 Ohio St. 3d 50, 1980, Op. Att’y Gen. No. 80-074.24.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery, jointly and severally, is hereby issued against the following individuals, in the named amounts, for public monies illegally expended in favor of CCPA:

Gina Pool, Lisa Hamm and Stephanie Millard	\$3,277
Genesis Henderson, Lisa Hamm, and Stephanie Millard	3,240
Stacey Matthews, Lisa Hamm, and Stephanie Millard	3,197
Total	\$9,714

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England Residency Trip

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only.

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On March 4, 2008, the CCPA governing board approved a doctoral residency in England for Ms. Hamm and Mr. Matthews in June 2008.

Prior to beginning their residency in Liverpool, England, Ms. Hamm and Mr. Matthews went to Paris, France. Treasurer, Stephanie Millard was in France during the same time. The CCPA governing board did not approve Ms. Millard to attend this residency. While in Paris Ms. Millard charged expenses for food, entertainment, lodging, and other miscellaneous items totaling \$922 to a CCPA credit card assigned to her.

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 made is liable for the amount of such expenditure. *Seward v. National Surety Co.* (1929), 120 Ohio St. 47, 198 Op. Att’y Gen No. 80-074, Ohio Revised Code Section 9.39, *State ex. Rel. Village of Lindale v. Mastern* (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 to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. *Cordray v. International Preparatory School*, 128 Ohio St. 3d 50, 1980, Op. Att’y Gen. No. 80-074.24.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery is hereby issued against Stephanie Millard and Lisa Hamm, jointly and severally, for \$922 of public monies illegally expended in favor of Cincinnati College Preparatory Academy.

New York City Student Tour

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only.

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On December 9, 2008, the CCPA governing board approved a student tour to New York City and CCPA to contribute up to \$10,000 toward the trip’s expenses. The tour included visits to Ellis Island, the Statue of Liberty, the United Nations, and other historical venues.

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For evaluation purposes, since the trip was approved by the governing board, we considered only the following reasonable expenses to be for a proper public purpose:

- Travel expenses (flight, luggage, mileage, parking, taxi, etc.).
- Lodging the day before the scheduled visit and during the visit. If, the scheduled visit ended after 12:00 pm on the final day another night of lodging was allowed.
- Meals while traveling and during the scheduled time of the visit up to three meals a day per person. A drink, appetizer, entrée, and dessert were allowed at each meal per individual.

Expenses including, but not necessarily limited to, the following were not considered a proper public purpose:

- Entertainment including such items as theatre shows, concerts, sporting event, and cruises and costs with such events.
- Clothing.
- Individual drinks and snacks not associated with a meal.
- Medicines and personal hygiene items.
- Magazines, books, postcards, movies.
- Gift shop items.
- Personal phone calls at hotel if an employee was provided a CCPA cell phone.
- Laundry and dry cleaning.
- Alcohol.

Using the criteria above, we identified credit card expenses made by Ms. Hamm totaling \$2,655 considered to not be a proper public purpose.

Using the criteria stated above we identified \$16,572 in allowable trip expenses. The governing board approved paying only up to \$10,000 for the tour. We consider the \$6,572 in excess of the governing board approved amount to not be for a proper public purpose.

Two of Mr. Matthews's children attended this tour; however, they were not students enrolled at CCPA. CCPA purchased airline tickets for the children which Mr. Matthews repaid via payroll deduction. However, CCPA also incurred expenses totaling \$514 for such items as food, baggage fees, and tickets to historical venues for the children which were not repaid.

In addition, CCPA withdrew \$2,000 in cash from CCPA's checking account prior to leaving for New York. No receipts were maintained for the cash spent on the trip and there was no evidence that CCPA deposited any unspent cash back into their bank account(s) upon once returning from New York.

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 made is liable for the amount of such expenditure. *Seward v. National Surety Co.* (1929), 120 Ohio St. 47, 198 Op. Att'y Gen No. 80-074, Ohio Revised Code Section 9.39, *State ex. Rel. Village of Lindale v. Mastern* (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 to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. *Cordray v. International Preparatory School*, 128 Ohio St. 3d 50, 1980, Op. Att'y Gen. No. 80-074.24.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery, jointly and severally, is hereby issued against the following individuals, in the named amounts, for public monies illegally expended in favor of CCPA:

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Lisa Hamm, Stephanie Millard, and Ms. Millard's bonding company, Ohio Farmers Insurance Company	\$11,227
Guyton Matthews, Lisa Hamm, Stephanie Millard, and Ms. Millard's bonding company, Ohio Farmers Insurance Company	514
Total	\$11,741

Administration Retreat

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only.

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On June 1, 2009, the CCPA governing board approved an administration retreat to Chicago.

For evaluation purposes we considered the following as reasonable expenses to be for a proper public purpose:

- Travel expenses (flight, luggage, mileage, parking, taxi, etc.).
- Lodging the day before the scheduled visit and during the visit. If the scheduled visit ended after 12:00 pm on the final day another night of lodging was allowed.
- Meals while traveling and during the scheduled time of the visit up to three meals a day per person. A drink, appetizer, entrée, and dessert were allowed at each meal per individual.

Expenses not necessarily limited to the following were not considered a proper public purpose:

- Entertainment including such items as theatre shows, concerts, sporting event, and cruises and costs with such events.
- Clothing.
- Individual drinks and snacks not associated with a meal.
- Medicines and personal hygiene items.
- Magazines, books, postcards, movies.
- Gift shop items.
- Personal phone calls at hotel if the employee was provided a CCPA cell phone.
- Laundry and dry cleaning.
- Alcohol.

We identified credit card expenses totaling \$2,806 considered not to be for a proper public purpose using the criteria stated above.

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 made is liable for the amount of such expenditure. *Seward v. National Surety Co.* (1929), 120 Ohio St. 47, 198 Op. Att'y Gen No. 80-074, Ohio Revised Code Section 9.39, *State ex. Rel. Village of Lindale v. Mastern* (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 to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. *Cordray v. International Preparatory School*, 128 Ohio St. 3d 50, 1980, Op. Att'y Gen. No. 80-074.24.

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In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery is hereby issued against Lisa Hamm, Stephanie Millard, and Ms. Millard's bonding company, Ohio Farmers Insurance Company, for \$2,806, jointly and severally, for public monies illegally expended in favor of CCPA.

Staff and Student Field Trips and Outings

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only.

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During the audit period CCPA staff and students participated in various field trips and outings. These outings included concerts, sporting events, theater events, comedy shows, seminars, and movies.

For evaluation purposes, we concluded staff and student outings specifically approved by the governing board, and meal expenses associated with the outing, to be a proper public purpose. For staff and student outings generically approved by the governing board, we concluded the related expenses to be for a proper public purpose if the event was one for which it was reasonably expected staff and students would attend and we were able to verify that a large number of people attended the outing. We concluded event merchandise, such as souvenirs or gift items, paid for by CCPA during a staff or student outing to not be for a proper public purpose.

During the audit period, we identified expenses totaling \$69,542 for staff and student outings considered to not be for a proper public purpose using the criteria stated above.

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 made is liable for the amount of such expenditure. *Seward v. National Surety Co.* (1929), 120 Ohio St. 47, 198 Op. Att'y Gen No. 80-074, Ohio Revised Code Section 9.39, *State ex. Rel. Village of Lindale v. Mastern* (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 to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. *Cordray v. International Preparatory School*, 128 Ohio St. 3d 50, 1980, Op. Att'y Gen. No. 80-074.24.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery, jointly and severally, is hereby issued against the following individuals, in the named amounts, for public monies illegally expended in favor of CCPA:

Lisa Hamm and Stephanie Millard	\$49,619
Lisa Hamm, Stephanie Millard, and Ms. Millard's bonding company, Ohio Farmers Insurance Company	19,487
Guyton Matthews, Lisa Hamm, and Stephanie Millard	436
Total	\$69,542

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Staff and Student Incentives

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only.

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During the audit period, CCPA purchased various gift items distributed as staff and student incentives. These items were purchased for such events as staff boot camp, holidays, graduations, staff birthdays, staff baby showers, and staff tributes at the end of the school year. Gifts included such items as gift cards/certificates, spa treatments, clothing, satellite radio subscriptions, and other items.

For evaluation purposes, we concluded that incentives approved by the governing board that did not exceed the amount approved by the governing board to be for a proper public purpose. Incentives purchased for staff and students not specifically authorized in the governing board’s minutes or that exceeded the governing board approved amount were concluded to not be for a proper public purpose.

We identified credit card expenses totaling \$61,345 for staff and student incentives that were not authorized by the governing board or that exceeded the board approved amount.

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 made is liable for the amount of such expenditure. *Seward v. National Surety Co.* (1929), 120 Ohio St. 47, 198 Op. Att’y Gen No. 80-074, Ohio Revised Code Section 9.39, *State ex. Rel. Village of Lindale v. Mastern* (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 to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. *Cordray v. International Preparatory School*, 128 Ohio St. 3d 50, 1980, Op. Att’y Gen. No. 80-074.24.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery is hereby issued against Lisa Hamm and Stephanie Millard for \$61,345; and Ms. Millard’s bonding company, Ohio Farmers Insurance Company, for \$23,567, jointly and severally, for public monies illegally expended in favor of CCPA.

Meals

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only.

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During the audit period, CCPA paid for numerous meals at restaurants occurring on weekdays during school hours, weekdays after school hours, weekends, and holidays. Neither governing board minutes nor CCPA policies authorized meals as a benefit afforded its employees. Without appropriate documentation, including governing board approval and itemized documentation, it was difficult to determine whether the meals were for a proper public purpose.

For evaluation purposes, we concluded meals purchased in either of the following circumstances to be for a proper public purpose:

- Purchased during regular school hours on weekdays.
- Purchased after regular school hours on weekdays or weekends in relation to a CCPA scheduled event that could be verified.

For the audit period we identified expenses totaling \$27,822 for meals that were not for a proper public purpose according to the guidelines mentioned above. We identified an additional \$127 spent for alcoholic beverages.

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 made is liable for the amount of such expenditure. *Seward v. National Surety Co.* (1929), 120 Ohio St. 47, 198 Op. Att'y Gen. No. 80-074, Ohio Revised Code Section 9.39, *State ex. Rel. Village of Lindale v. Mastern* (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 to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. *Cordray v. International Preparatory School*, 128 Ohio St. 3d 50, 1980, Op. Att'y Gen. No. 80-074.24.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery is hereby issued against Lisa Hamm and Stephanie Millard for \$27,949; and Ms. Millard's bonding company, Ohio Farmers Insurance Company, for \$14,029, jointly and severally, of public monies illegally expended in favor of CCPA.

Fuel for Superintendent's Vehicle

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only.

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CCPA owns vehicles used for transporting employees and students. CCPA employees use credit cards assigned to them by CCPA to purchase gasoline for these vehicles.

During the audit period, Lisa Hamm made nine purchases of gasoline totaling \$399 that were determined to be for personal use and not associated with any event related to CCPA based on the date and location of the purchase. These transactions occurred on holidays, weekends, during the summer when CCPA was not in session and at locations not associated on or around dates of scheduled CCPA events or activities. Therefore, these fuel purchases are not considered a proper public purpose.

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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 made is liable for the amount of such expenditure. *Seward v. National Surety Co.* (1929), 120 Ohio St. 47, 198 Op. Att'y Gen. No. 80-074, Ohio Revised Code Section 9.39, *State ex. Rel. Village of Lindale v. Mastern* (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 to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. *Cordray v. International Preparatory School*, 128 Ohio St. 3d 50, 1980, Op. Att'y Gen. No. 80-074.24.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery is hereby issued against Lisa Hamm and Stephanie Millard for \$399; and Ms. Millard's bonding company, Ohio Farmers Insurance Company, for \$163, jointly and severally, of public monies illegally expended in favor of CCPA.

Medical Expenses

Section 391.1 of the Policies of the Governing Authority of Cincinnati College Preparatory Academy (CCPA) in part states that the Board provides single health and dental insurance for all employees.

We noted Lisa Hamm used \$2,283 of CCPA funds for immunizations, dermatology co-pays, dental services, holistic wellness products and services, spa services and prescription eyeglasses not covered by the governing board approved insurance. Medical related expenses not covered by the existing health and dental plans were not approved by CCPA's governing board and no other employees received these benefits. As such we considered these personal expenses and not a proper public purpose.

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 made is liable for the amount of such expenditure. *Seward v. National Surety Co.* (1929), 120 Ohio St. 47, 198 Op. Att'y Gen. No. 80-074, Ohio Revised Code Section 9.39, *State ex. Rel. Village of Lindale v. Mastern* (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 to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. *Cordray v. International Preparatory School*, 128 Ohio St. 3d 50, 1980, Op. Att'y Gen. No. 80-074.24.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery is hereby issued against Lisa Hamm and Stephanie Millard for \$2,283; and Ms. Millard's bonding company, Ohio Farmers Insurance Company, for \$949, jointly and severally, of public monies illegally expended in favor of CCPA.

Miscellaneous Expenses Unrelated to CCPA Operations

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only.

Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper Public Purpose states that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect. The Bulletin further states that the Auditor of State's Office does not view the expenditure of public funds for alcoholic beverages as a proper public purpose and will issue findings for recovery for such expenditures as manifestly arbitrary and incorrect.

We noted numerous credit card purchases totaling \$47,813 that did not relate to the operations of CCPA. These expenses included the following type of expenses considered not to be a proper public purpose:

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- Individual purchase of snacks and drinks not associated with an allowable meal.
- Personal luggage immediately preceding a trip.
- Clothing not associated with extra-curricular activities.
- Candles.
- Personal hygiene products.
- Personal fitness program.
- Medicines.
- Nutritional supplements and weight-loss products.
- Video game systems and printer located at superintendent's residence.
- Pet related products.
- Airline tickets for student workers and a foreign exchange student.
- Mail ordered DVD's delivered to the superintendent's personal residence.
- Superintendent's personal Macy's card.
- Frozen meat products maintained at the superintendent's residence.
- Speaker fees for religious themed presentations.
- Religious themed materials and lifetime membership to a religious themed museum.

These expenses were not approved by the governing board or authorized by a CCPA policy.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery, jointly and severally, is hereby issued against the following individuals, in the named amounts, for public monies illegally expended in favor of CCPA:

Lisa Hamm and Stephanie Millard	\$32,538
Lisa Hamm, Stephanie Millard, and Ms. Millard's bonding company, Ohio Farmers Insurance Company	13,676
Andrea Watson, Lisa Hamm, and Stephanie Millard	1,000
David Speers, Lisa Hamm, and Stephanie Millard	412
Guyton Matthews, Lisa Hamm, and Stephanie Millard	187
Total	\$47,813

Tuition

On November 7, 2006, Cincinnati College Preparatory Academy's (CCPA) governing board approved tuition expenses of a doctoral program for Lisa Hamm, superintendent, and Guyton Matthews, principal, at Walden University to cost approximately \$2,700 per quarter.

Actual tuition charges paid by CCPA for Ms. Hamm and Mr. Matthews totaled \$46,069 and \$41,520, respectively; however, the total calculated governing board approved tuition for Ms. Hamm and Mr. Matthews equaled only \$28,699 and \$27,000, respectively. CCPA paid Ms. Hamm and Mr. Matthews a total of \$17,370 and \$14,520, respectively, in excess of the amount approved by the governing board.

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 made is liable for the amount of such expenditure. *Seward v. National Surety Co.* (1929), 120 Ohio St. 47, 198 Op. Att'y Gen. No. 80-074, Ohio Revised Code Section 9.39, *State ex. Rel. Village of Lindale v. Mastern* (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 to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. *Cordray v. International Preparatory School*, 128 Ohio St. 3d 50, 1980, Op. Att'y Gen. No. 80-074.24.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery, jointly and severally, is hereby issued against the following individuals, in the named amounts, for public monies illegally expended in favor of CCPA:

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Lisa Hamm and Stephanie Millard	\$14,150
Guyton, Matthews, Lisa Hamm and Stephanie Millard	11,300
Guyton Matthews, Lisa Hamm, Stephanie Millard, and Ms. Millard's bonding company, Ohio Farmers Insurance Company	3,220
Lisa Hamm, Stephanie Millard, and Ms. Millard's bonding company, Ohio Farmers Insurance Company	3,220
Total	\$31,890

Services at Private Residence

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only.

Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper Public Purpose states that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect. The Bulletin further states that the Auditor of State's Office does not view the expenditure of public funds for alcoholic beverages as a proper public purpose and will issue findings for recovery for such expenditures as manifestly arbitrary and incorrect.

During the audit period, CCPA paid \$1,642 for lawn care services and magazine and newspaper delivery at Lisa Hamm's private residence. These services were unrelated to CCPA operations and were for the personal benefit of Ms. Hamm.

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 made is liable for the amount of such expenditure. *Seward v. National Surety Co.* (1929), 120 Ohio St. 47, 198 Op. Att'y Gen No. 80-074, Ohio Revised Code Section 9.39, *State ex. Rel. Village of Lindale v. Mastern* (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 to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. *Cordray v. International Preparatory School*, 128 Ohio St. 3d 50, 1980, Op. Att'y Gen. No. 80-074.24.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery is hereby issued against Lisa Hamm and Stephanie Millard for \$1,642; and Ms. Millard's bonding company, Ohio Farmers Insurance Company, for \$701, jointly and severally, of public monies illegally expended in favor of CCPA.

Payments of Expenses On-behalf of City Church

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only.

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CCPA made purchases on the behalf of City Church International totaling \$1,489 for such items as equipment rental, food, telephone service, and banners. City Church International is a private non-profit corporation organized for religious purposes associated with Lisa Hamm.

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 made is liable for the amount of such expenditure. *Seward v. National Surety Co.* (1929), 120 Ohio St. 47, 198 Op. Att'y Gen No. 80-074, Ohio Revised Code Section 9.39, *State ex. Rel. Village of Lindale v. Mastern* (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 to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. *Cordray v. International Preparatory School*, 128 Ohio St. 3d 50, 1980, Op. Att'y Gen. No. 80-074.24.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery is hereby issued against Lisa Hamm and Stephanie Millard for \$1,489, and Ms. Millard's bonding company, Ohio Farmers Insurance Company, for \$78, jointly and severally, of public monies illegally expended in favor of CCPA.

Unauthorized Doctoral Program Expenses

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only.

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During the audit period, CCPA made payments totaling \$6,177 for textbooks, professional writing and editing services, and dissertation publishing related to Lisa Hamm's doctoral program. While the governing board approved Ms. Hamm's participation in the doctoral program and certain expenses such as limited payment for tuition and expenses associated with required residencies, the governing board did not approve payment for other doctoral program expenses.

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 made is liable for the amount of such expenditure. *Seward v. National Surety Co.* (1929), 120 Ohio St. 47, 198 Op. Att'y Gen No. 80-074, Ohio Revised Code Section 9.39, *State ex. Rel. Village of Lindale v. Mastern* (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 to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. *Cordray v. International Preparatory School*, 128 Ohio St. 3d 50, 1980, Op. Att'y Gen. No. 80-074.24.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery is hereby issued Lisa Hamm and Stephanie Millard for \$6,177; and Ms. Millard's bonding company, Ohio Farmers Insurance Company, for \$4,614, jointly and severally, of public monies illegally expended in favor of CCPA.

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NONCOMPLIANCE CITATION

Personal Use of Frequent-Flyer Miles

Ohio Revised Code Section 102.03 (D) states “No public official or employee shall use or authorize the use of the authority or influence of office or employment to secure anything of value or the promise or offer of anything of value that is of such a character as to manifest a substantial and improper influence upon the public official or employee with respect to that person’s duties. Ohio Revised Code Section 102.03 (E) states “No public official or employee shall solicit or accept anything of value that is of such a character as to manifest a substantial and improper influence upon the public official or employee with respect to that person’s duties.

The Ohio Ethics Commission issued Advisory Opinion 91-010 regarding the acceptance of frequent-flyer miles which states in part:

“Divisions (D) and (E) of R.C. 102.03 prohibit a state official or employee from accepting, soliciting, or using the authority or influence of her position to secure, for personal travel, a discounted or free “frequent flyer” airline ticket or other benefit from an airline if she has obtained the ticket or other benefit from the purchase of airline tickets, for use in official travel, by the department, division, agency, institution, or other entity which she services or by which she is employed;”

“Although this opinion is written in response to your question concerning state officials and employees, it should be noted that the conclusions in the opinion also apply to all public officials and employees connected with any other governmental agency or political subdivision in the state.”

Lisa Hamm and David Speers, Intervention Specialist and Director of Facilities used frequent-flyer miles earned on CCPA credit cards for a personal trip to Ft. Lauderdale, FL and then to Brazil to work in an orphanage. The trip was not approved by the governing board and did not serve a CCPA purpose.

We recommend the governing board monitor the earning and usage of “frequent flyer” miles earned on CCPA credit cards to ensure they are only used for CCPA business. This matter was referred to the Ohio Ethics Commission.

MANAGEMENT COMMENTS

Credit Card Policy

CCPA did not have a credit card use policy to provide guidance regarding allowable expenses; limitations; or required supporting documentation. During the audit period, we noted the following conditions with credit card usage by CCPA employees:

- No evidence that CCPA required or maintained written approval prior to credit card purchases.
- CCPA did not retain adequate credit card charge supporting documentation which clearly demonstrated the nature and purpose of numerous charges and that the charges related to the provision of educational services and were for a proper public purpose.
- Cardholders did not maintain receipts for purchases.
- CCPA employees used CCPA credit cards not assigned to them.
- CCPA did not consistently review credit card charges for personal purchases.
- CCPA purchased airline tickets for personal travel using frequent flier miles.
- CCPA incurred fraudulent charges that were subsequently paid back to CCPA by vendor.

Failure to provide detailed guidance regarding required supporting documentation, allowable expenses, and purchase limits; and failing to review the charges for personal expenses resulted in personal purchases paid by CCPA which were not reimbursed by employees.

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We recommend CCPA adopt a credit card policy that includes such provisions as purchase limits; allowable expenses and required documentation to support the nature and purpose of charges. Additionally, CCPA should implement specific procedures and internal controls to review credit card usage and ensure charges are for a proper public purpose and comply with CCPA's policy.

Travel Policy

CCPA's policy for Travel and Professional Development does not provide guidance on allowable travel expenses, cash advances for use during trips, meal allowances, travel and lodging limits, use of petty cash for trip expenses, required expense documentation or guidelines for travel expense reimbursement.

Failure to require supporting documentation and to verify expenses incurred on CCPA travel resulted in CCPA paying for charges which were unsupported and/or personal in nature. Such charges included, but were not limited to, airline flights, hotels, and rental cars for personal trips, meals unrelated to CCPA travel, alcohol, movies, event tickets, and spa treatments. For several trips CCPA took large amounts of cash and did not maintain supporting documentation for all purchases.

We recommend CCPA amend their Travel and Professional Development policy or implement a specific travel policy to address allowable travel expenses, documentation requirements, allowable payment methods, applicable expense limits, employee expense reimbursements and required approvals.

Cash Advances Used While Traveling

We noted five instances totaling over \$11,000 where CCPA withdrew cash for anticipated travel expenses such as meals, gratuities, and transportation prior to a CCPA sponsored student trip, doctorate residency, and conferences. Supporting documentation was not maintained in all instances to support the travel expenses paid in cash.

Failure to require receipts and supporting documentation for all purchases made with CCPA money could result in cash being used for personal purchases or being lost or stolen.

We recommend CCPA discontinue the practice of withdrawing cash intended for expenses during employee related travel and instead require the employee to seek reimbursement for permitted travel expenses.

Trip Attendees

We noted instances where individuals who were not CCPA employees or students traveled with CCPA employees while attending student trips, professional conferences, and residencies. We also noted instances where other CCPA employees not approved by the governing board or who were not registered for an approved event accompanied approved employees on various trips. During these instances CCPA paid the expenses of these individuals totaling \$14,580. In some instances employees reimbursed CCPA for the expenses. We issued findings for recovery in those instances in which the employee did not reimburse CCPA.

Paying the travel expenses of individuals not employed or associated with the school; or are not approved by the governing board to attend approved events is not the proper use of public funds.

We recommend that the governing board establish monitoring controls to ensure all out-of-state and significant in-state travel is presented to the governing board for approval. The presentation should include the expected attendees and expected travel costs for all attendees. The governing board should formally approve these items prior to the actual travel. The governing board should require presentations from attendees after the events to ensure employees actually attended and evaluate whether the attendance provided value to CCPA.

Student Outing Documentation

CCPA did not maintain signed permission slips for various student outings and field trips. When requested during the audit, CCPA provided unsigned examples of the permission slips CCPA asserted were used for the events. Due to the nature of some of the events and the lack of documentation

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supporting student attendance at these events, there is significant question whether any students attended certain events or whether the event was attended instead by only certain CCPA executives. In one instance for which CCPA provided an unsigned permission slip stating that students were to attend, representatives of the Auditor of State's Office attended the event and observed four CCPA staff members and no students in attendance. Additionally, purchase orders and receipts for staff and student outings did not include information to clearly demonstrate the outing or field trip related to the provision of educational services or CCPA's operations. CCPA does not have an approved policy requiring permissions slips to be maintained and to document how the staff and student outings are related to CCPA operations.

We noted 71 outings not specifically approved by the governing board prior to the outing taking place. During a portion of the audit period the governing board provided blanket approvals for certain types of outings such as concerts, theatre shows, football games and other events; however, they did not approve specific events and as such did not monitor the nature and purpose of the events to ensure they were appropriate and furthered CCPA's educational objectives.

Failure to maintain signed permission slips could result in CCPA liability for unforeseen circumstances during the event. Failure to clearly demonstrate the outing or field trip relates to the provision of educational services leaves CCPA exposed to public criticism and increases the risk of spending public funds on events that do not constitute a proper public purpose.

We recommend CCPA maintain all signed permissions slips and also document the relation of the event to the provision of educational services or CCPA's operations. We recommend the governing board approve all staff and student outings prior to the event taking place. We also recommend the governing board approve the attendees of the event, the purpose of the event in relation to CCPA operations, and the total amount of the event. This allows the governing board to monitor staff and student outings to ensure activities are in accordance with their intentions.

Gift Card Purchases

During the audit period, we identified 536 gift cards purchased by CCPA totaling \$26,452. The gift cards were purchased from the following vendors: AMC Newport, Amazon, Babies R Us, BP, Barnes and Noble, Bed Bath and Beyond, Best Buy, Bonefish, Borders Books, Chipotle, Cold Stone Creamery, Dick's Sporting Goods, Frisch's, Indigo, Joe's Crab Shack, Johnny's Toys, Kohls, Kroger, Macaroni Grill, Macy's, Montgomery Inn, O'Charleys, Old Navy, Outback, Pacific Sunwear, and Target. In most instances, CCPA did not retain documentation to demonstrate the purpose of the gift card purchase or the gift card recipients. CCPA asserted that many of the gift cards were distributed to students and CCPA employees as incentives, rewards, and gifts for such events as birthdays, weddings and baby showers. CCPA did not consider the employee income tax implications of distributing gift cards to its employees and did not report any such activity as income on employee W-2 forms.

Due to the anonymity of gift cards and their susceptibility to theft and personal use, CCPA should establish strong internal controls to authorize gift card purchases, safeguard the physical gift cards and adequately document recipients and the reasons they were received.

Purchases Delivered to Superintendent's Residence

CCPA did not require CCPA items purchased to be delivered directly to CCPA. Additionally, the governing board did not monitor the superintendent's credit card activity. Lisa Hamm purchased numerous items on CCPA credit cards that were delivered to her personal residence. These items included books, DVD's, CD's, newspapers, clothing, dolls, video games and accessories, a Kindle, a Pulse Smartpen, Medifast weight loss meals, luggage, a projection television, and a surround sound system. The items purchased were below CCPA's asset capitalization threshold and not recorded in CCPA's asset records. We were unable to conclude whether many of these items were brought to CCPA for CCPA use. Ms. Hamm reimbursed CCPA for the cost of the projection television.

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Failure to require purchased items to be delivered directly to CCPA could lead to theft or loss of the items purchased. We recommend all purchases made for CCPA be delivered directly to CCPA to ensure they are for CCPA operations and related activities. We recommend the governing board appoint an individual responsible for reviewing and approving the superintendent's credit card charges to ensure charges are supported, for a CCPA-related purpose and in accordance with CCPA policies.

Personal Use of CCPA Credit Cards

CCPA has a fiduciary responsibility to ensure public monies received are used to provide educational activities and maintain CCPA related operations. During the audit period, we noted the following:

- Lisa Hamm charged personal expenses including pet expenses, video game systems, and newspaper and magazine delivery to her residence resulting in findings for recovery.
- Ms. Hamm charged trees delivered to her residence and landscaping fees totaling \$1,478 and repaid CCPA a month later.
- Ms. Hamm charged a projection television delivered to her residence totaling \$1,311 and repaid CCPA a month later.
- Ms. Hamm charged two airline tickets and fees totaling \$670 for the principal's children to attend a student trip in New York. The principal repaid this charge through payroll deductions over four pay periods.

Allowing the practice of paying personal expenses using public monies and reimbursing CCPA at a later date could result in misappropriation of public monies, abusive spending and personal expenses not being identified within a timely manner. We recommend CCPA discontinue the practice of permitting payment of personal expenses with subsequent employee reimbursement. We recommend CCPA establish a formal policy prohibiting the use of CCPA credit cards for personal purchases and implement controls to review credit card activity to ensure compliance with the policy.

Asset Policy

CCPA's fixed asset policy requires items purchased that have a useful life of one year or more and a cost greater than \$1,500 to be tagged and inventoried. However, CCPA has not developed and implemented procedures to account for other assets that do not meet the capitalization threshold. We noted purchases of such items as digital cameras, iPods and accessories, video gaming systems, televisions, GPS devices, laptop computers and numerous DVDs which can be easily removed from CCPA. Also, procedures have not been implemented to perform periodic physical inventories of assets to ensure completeness. Failure to maintain records or employ adequate controls over the acquisition and disposal of assets could result in misappropriation of assets and possible theft.

A listing of assets which do not meet CCPA's capitalization threshold should be maintained and updated to reflect additions and deletions throughout the year. CCPA should also conduct periodic physical inventories of its assets and reconcile the actual inventory with its inventory list.

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Issue No. 2 – Non-Payroll Disbursements

We obtained expenditure reports and CCPA bank statements for the audit period and identified payments CCPA made using a check or electronic withdrawal.

We obtained and examined documentation supporting CCPA's payments to determine whether the payments were for CCPA operations and in accordance with CCPA policies and the Ohio Revised Code.

For identified unallowable payments, we examined documentation to determine whether CCPA was reimbursed for the payment.

RESULTS

We obtained and examined documentation for nonpayroll disbursements made by check as follows:

Fiscal Year	Total Transactions	Dollar Amount
2007	930	\$1,657,942
2008	1,002	1,900,607
2009	1,048	3,435,668
2010	1,061	2,424,820
Total	4,041	\$9,419,037

We obtained and examined documentation for electronic withdrawal and transfer transactions as follows:

Fiscal Year	Total Transactions	Dollar Amount
2007	487	\$2,898,598
2008	326	2,887,662
2009	498	2,705,655
2010	519	3,129,093
Total	1,830	\$11,621,008

FINDINGS FOR RECOVERY

Insurance Benefits

Section 148.5 of the Policies of the Governing Authority of Cincinnati College Preparatory Academy (CCPA) in part states "for purposes of this policy, independent contractors are individuals who provide services to the School who are not treated as employees of the School for purposes of withholding federal employment and income taxes. To the extent required by law, the School shall issue a 1099 form to each independent contractor reporting the amount paid to the contractor and file the form with the appropriate governmental agency(ies)."

Further, section 391.1 of the policies in part states "the Board provides single health and dental insurance for all employees."

During the audit period, CCPA paid FA Cleaning Services \$239,545 for janitorial services without a contract documenting the cost and services to be provided. During this same period, CCPA remitted medical and dental premiums totaling \$17,006 for FA Cleaning Services owner Gabriel Flores with other CCPA employees. Mr. Flores was not a CCPA employee but an independent contractor and was not entitled to these benefits. CCPA's governing board did not approve to provide health and dental insurance for Gabriel Flores during the audit period. Mr. Flores reimbursed CCPA \$203 for the benefits paid on his behalf as an independent contractor.

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CCPA entered into contracts with Stephanie Millard to provide treasurer services for the period July 1, 2006 through May 31, 2010. Ms. Millard's contract provided an hourly rate and an allocation for professional development. During the audit period, CCPA did not withhold federal employment or income taxes for compensation paid to Ms. Millard and issued a 1099 form to her for 2006, 2007, and 2008. During this same period, CCPA remitted medical and dental premiums totaling \$18,305 for Ms. Millard with other CCPA employees. CCPA's governing board did not approve to provide health and dental insurance for Ms. Millard during the audit period.

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 made is liable for the amount of such expenditure. *Seward v. National Surety Co.* (1929), 120 Ohio St. 47, 198 Op. Att'y Gen No. 80-074, Ohio Revised Code Section 9.39, *State ex. Rel. Village of Lindale v. Mastern* (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 to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. *Cordray v. International Preparatory School*, 128 Ohio St. 3d 50, 1980, Op. Att'y Gen. No. 80-074.24.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery, jointly and severally, is hereby issued against the following individuals, in the named amounts, for public monies illegally expended in favor of CCPA:

Lisa Hamm, Stephanie Millard, and Ms. Millard's bonding company, Ohio Farmers Insurance Company	\$11,055
Gabriel Flores, Lisa Hamm, Stephanie Millard, and Ms. Millard's bonding company, Ohio Farmers Insurance Company	10,851
Lisa Hamm and Stephanie Millard	7,250
Gabriel Flores, Lisa Hamm, and Stephanie Millard	5,952
Total	\$35,108

Legal Fees of Other Private Entities

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only.

Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper Public Purpose states that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect. The Bulletin further states that the Auditor of State's Office does not view the expenditure of public funds for alcoholic beverages as a proper public purpose and will issue findings for recovery for such expenditures as manifestly arbitrary and incorrect.

CCPA paid legal fees totaling \$2,207 for private legal entities associated with Lisa Hamm and unrelated to CCPA operations.

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 made is liable for the amount of such expenditure. *Seward v. National Surety Co.* (1929), 120 Ohio St. 47, 198 Op. Att'y Gen No. 80-074, Ohio Revised Code Section 9.39, *State ex. Rel. Village of Lindale v. Mastern* (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 to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. *Cordray v. International Preparatory School*, 128 Ohio St. 3d 50, 1980, Op. Att'y Gen. No. 80-074.24.

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In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery is hereby issued against Lisa Hamm and Stephanie Millard for \$2,207; and Ms. Millard's bonding company, Ohio Farmers Insurance Company, for \$1,326, jointly and severally, of public monies illegally expended in favor of CCPA.

Donations

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only.

Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper Public Purpose states that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect. The Bulletin further states that the Auditor of State's Office does not view the expenditure of public funds for alcoholic beverages as a proper public purpose and will issue findings for recovery for such expenditures as manifestly arbitrary and incorrect.

During the audit period, CCPA issued three checks totaling \$3,000 to the YMCA of Greater Cincinnati for annual campaigns in 2007, 2008, and 2010. The donation requests were addressed to Lisa Hamm. The donations made by CCPA were not approved by the governing board.

The donations made by CCPA were not related to CCPA operations and were considered not for a proper public purpose.

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 made is liable for the amount of such expenditure. *Seward v. National Surety Co.* (1929), 120 Ohio St. 47, 198 Op. Att'y Gen. No. 80-074, Ohio Revised Code Section 9.39, *State ex. Rel. Village of Lindale v. Mastern* (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 to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. *Cordray v. International Preparatory School*, 128 Ohio St. 3d 50, 1980, Op. Att'y Gen. No. 80-074.24.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery is hereby issued against Lisa Hamm and Stephanie Millard for \$3,000; and Ms. Millard's bonding company, Ohio Farmers Insurance Company, for \$1,000, jointly and severally, of public monies illegally expended in favor of CCPA.

Payment of Property Taxes

Ohio Rev. Code Section 3314.082 provides, "no state moneys paid to a community school under section 3314.08 of the Revised Code be used by the school to pay any taxes the school might owe on its own behalf, including, but not limited to, local, state, and federal income taxes, sales taxes, and personal and real property taxes."

During the audit period, CCPA paid \$26,259 of commercial property taxes owed by LKH Victory Corp., a private legal entity unrelated to the operations of CCPA, of which Lisa Hamm is the president.

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 made is liable for the amount of such expenditure. *Seward v. National Surety Co.* (1929), 120 Ohio St. 47, 198 Op. Att'y Gen. No. 80-074, Ohio Revised Code Section 9.39, *State ex. Rel. Village of Lindale v. Mastern* (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 to the

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extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. *Cordray v. International Preparatory School*, 128 Ohio St. 3d 50, 1980, Op. Att'y Gen. No. 80-074.24.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery is hereby issued against Lisa Hamm, Stephanie Millard, and Ms. Millard's bonding company, Ohio Farmers Insurance Company, for \$26,259, jointly and severally, of public monies illegally expended in favor of CCPA.

Payments of Expenses on behalf of ROAR Education

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only.

Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper Public Purpose states that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect. The Bulletin further states that the Auditor of State's Office does not view the expenditure of public funds for alcoholic beverages as a proper public purpose and will issue findings for recovery for such expenditures as manifestly arbitrary and incorrect.

CCPA made purchases on the behalf of ROAR Education totaling \$3,323 for services to design, build, maintain, update, link and promote an on-line marketing website, web page production, domain name registration, and to add ROAR Education to CCPA's website. ROAR Education is a corporation associated with Lisa Hamm operated for the purpose of providing instruction and training to individuals and organizations involved in the field of education on topics that will improve their effectiveness as educators.

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 made is liable for the amount of such expenditure. *Seward v. National Surety Co.* (1929), 120 Ohio St. 47, 198 Op. Att'y Gen. No. 80-074, Ohio Revised Code Section 9.39, *State ex. Rel. Village of Lindale v. Mastern* (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 to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. *Cordray v. International Preparatory School*, 128 Ohio St. 3d 50, 1980, Op. Att'y Gen. No. 80-074.24.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery is hereby issued against Lisa Hamm and Stephanie Millard for \$3,323, jointly and severally, of public monies illegally expended in favor of CCPA.

Food Services

On August 28, 2006, CCPA entered into a catering contract with DADS Catering Service to provide breakfast and lunch to CCPA staff and students. The contract was signed by Angie Henson of DADS Catering Service and Stephanie Millard, CCPA treasurer.

In addition to the food services provided by DADS Catering Service, CCPA was invoiced separately by Angie Henson during the period of September 1, 2006 through December 15, 2006 as the Food Service Supervisor totaling \$8,500. The signed contract did not provide for additional billing for the supervisor's position and CCPA did not provide a separate contract for these services.

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 made is liable for the

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amount of such expenditure. *Seward v. National Surety Co.* (1929), 120 Ohio St. 47, 198 Op. Att'y Gen No. 80-074, Ohio Revised Code Section 9.39, *State ex. Rel. Village of Lindale v. Mastern* (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 to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. *Cordray v. International Preparatory School*, 128 Ohio St. 3d 50, 1980, Op. Att'y Gen. No. 80-074.24.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery is hereby issued against Angie Henson, Lisa Hamm, and Stephanie Millard for \$8,500, jointly and severally, of public monies illegally expended in favor of CCPA.

Memberships

Section 399.3 of the Policies of the Governing Authority of Cincinnati College Preparatory Academy (CCPA) provides that the Leadership Team members receive AAA road service benefits and YMCA Family memberships. During the audit period, CCPA paid \$18,778 for YMCA memberships and \$507 for AAA memberships for non-Leadership Team members contrary to this policy. Governing board minutes did not contain approval to provide these benefits to additional employees. As the superintendent, Lisa Hamm was responsible for ensuring employee benefits were in accordance with governing board-approved policies.

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 made is liable for the amount of such expenditure. *Seward v. National Surety Co.* (1929), 120 Ohio St. 47, 198 Op. Att'y Gen No. 80-074, Ohio Revised Code Section 9.39, *State ex. Rel. Village of Lindale v. Mastern* (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 to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. *Cordray v. International Preparatory School*, 128 Ohio St. 3d 50, 1980, Op. Att'y Gen. No. 80-074.24.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery is hereby issued against Lisa Hamm and Stephanie Millard, treasurer, for \$19,285; and Ms. Millard's bonding company, Ohio Farmers Insurance Company, for \$13,945, jointly and severally, of public monies illegally expended in favor of CCPA.

Season Tickets – Entertainment Events

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only.

Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper Public Purpose states that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect. The Bulletin further states that the Auditor of State's Office does not view the expenditure of public funds for alcoholic beverages as a proper public purpose and will issue findings for recovery for such expenditures as manifestly arbitrary and incorrect.

During the audit period, CCPA purchased four season tickets to Broadway Across America, a series of theater shows and events, and the Cincinnati Bengals professional football team.

CCPA's governing board did not approve the purchase of season tickets for the 2006-2007 and 2007-2008 school years.

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On October 7, 2008, CCPA's governing board approved, "Staff incentive/activities events: Bengals, Broadway, Concert Tickets, Cirque De Soleil, Walking with the Dinosaurs".

On August 4, 2009, CCPA's governing board approved, "Staff incentive and team building expenses for the school year: Bengals season tickets, Broadway series, Superintendent selected activities for concerts, theatre, shows, or other opportunities for up to \$15,000."

CCPA did not provide documentation to identify the participants at each event and the criteria used to identify eligible staff to attend these events. Based on our surveillance of the attendees at certain events, we concluded the individuals attending the events were often select executive level administration and did not include CCPA teachers. As such, we concluded the purchases totaling \$8,168, for Broadway Across America tickets and \$11,014, for Cincinnati Bengals season tickets to not be a proper public purpose.

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 made is liable for the amount of such expenditure. *Seward v. National Surety Co.* (1929), 120 Ohio St. 47, 198 Op. Att'y Gen. No. 80-074, Ohio Revised Code Section 9.39, *State ex. Rel. Village of Lindale v. Mastern* (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 to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. *Cordray v. International Preparatory School*, 128 Ohio St. 3d 50, 1980, Op. Att'y Gen. No. 80-074.24.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery is hereby issued against Lisa Hamm and Stephanie Millard for \$19,182; and Ms. Millard's bonding company, Ohio Farmers Insurance Company, for \$7,715, jointly and severally, of public monies illegally expended in favor of CCPA.

Nelson Hamm's Medical Expenses

Section 391.1 of the Policies of the Governing Authority of Cincinnati College Preparatory Academy (CCPA) in part states that the Board provides single health and dental insurance for all employees. During the audit period, CCPA did not provide vision insurance for its employees. CCPA paid medical expenses not covered by the governing board approved health insurance for Nelson Hamm totaling \$194 and vision expenses totaling \$632. Neither the governing board nor a CCPA policy authorized such a benefit.

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 made is liable for the amount of such expenditure. *Seward v. National Surety Co.* (1929), 120 Ohio St. 47, 198 Op. Att'y Gen. No. 80-074, Ohio Revised Code Section 9.39, *State ex. Rel. Village of Lindale v. Mastern* (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 to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. *Cordray v. International Preparatory School*, 128 Ohio St. 3d 50, 1980, Op. Att'y Gen. No. 80-074.24.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery is hereby issued against Nelson Hamm, Lisa Hamm, Stephanie Millard and Ms. Millard's bonding company, Ohio Farmers Insurance Company, for \$826, jointly and severally, of public monies illegally expended in favor of CCPA.

Cash Withdrawals

During the audit period, CCPA made six cash withdrawals from their checking account totaling \$2,349. CCPA did not maintain records to document the cash was spent for a proper public purpose and did not provide any evidence the cash was deposited into a CCPA bank account. Since we were unable to

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determine who executed the cash withdrawals all of the signatories of CCPA's checking account are responsible for the transactions.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery is hereby issued Lisa Hamm, Guyton Matthews, Genesis Henderson, and Stephanie Millard for \$2,349; and Ms. Millard's bonding company, Ohio Farmers Insurance Company, for \$1,549, jointly and severally, of public monies illegally expended in favor of CCPA.

Utility Payments Paid On-behalf of For-profit Tenants

LKH Victory, Corp. is a private not-for-profit corporation associated with Lisa Hamm. LKH Victory Corp. owns the building that houses CCPA facilities. LKH Victory Corp. leased portions of the building not used for CCPA operations to private for-profit businesses. The lease agreements with the private for-profit businesses stated the tenant shall pay all charges against the premises for water, sanitary sewer, gas, light, heat, electricity and any other utility services furnished to or consumed on the premises.

CCPA paid water and sewer charges totaling \$3,912 for portions of the building leased to for-profit businesses and not used for CCPA operations.

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 made is liable for the amount of such expenditure. *Seward v. National Surety Co.* (1929), 120 Ohio St. 47, 198 Op. Att'y Gen No. 80-074, Ohio Revised Code Section 9.39, *State ex. Rel. Village of Lindale v. Mastern* (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 to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. *Cordray v. International Preparatory School*, 128 Ohio St. 3d 50, 1980, Op. Att'y Gen. No. 80-074.24.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery is hereby issued against Lisa Hamm, Stephanie Millard, and Ms. Millard's bonding company, Ohio Farmers Insurance Company for \$3,912, jointly and severally, of public monies illegally expended in favor of CCPA.

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Issue No. 3 –Payroll Disbursements

We compared payments for salary and benefits paid to CCPA's Executive Team to the governing board-approved resolutions and supporting documentation to determine whether these individuals were paid in accordance with governing board authorized rates.

We scanned the remaining payroll expenditures for payments made to CCPA employees in excess of their bi-weekly paycheck and examined documentation to determine whether the identified payments were governing board-authorized.

RESULTS

Per Section 302 of the Policies of the Governing Authority of CCPA the Executive Team consists of Lisa Hamm, superintendent, Guyton Matthews, principal, and Genesis Henderson, assistant principal.

During the audit period, the Executive Team's annual salaries were as followed:

Executive Team	Salary amount paid per school year			
	2006-2007	2007-2008	2008-2009	2009-2010
Lisa Hamm	\$130,000	\$135,200	\$139,258	\$144,826
Guyton Matthews	80,297	82,947	85,435	87,998
Genesis Henderson	52,187	53,909	55,526	62,500

FINDINGS FOR RECOVERY

Duplicate Wage Payment

David Mackzum's compensation for the 2006-2007 school year equated to \$1,675.58 per pay period (\$43,565.19 / 26 pay periods) beginning August 14, 2006. During the pay period ending August 13, 2006, David Mackzum received two separate direct deposits of \$1,595 and \$1,675, respectively.

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 made is liable for the amount of such expenditure. *Seward v. National Surety Co.* (1929), 120 Ohio St. 47, 198 Op. Att'y Gen No. 80-074, Ohio Revised Code Section 9.39, *State ex. Rel. Village of Lindale v. Mastern* (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 to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. *Cordray v. International Preparatory School*, 128 Ohio St. 3d 50, 1980, Op. Att'y Gen. No. 80-074.24.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery is hereby issued against David Mackzum, and Stephanie Millard, jointly and severally, for \$1,675 of public monies illegally expended in favor of CCPA.

Staff Christmas Bonus

For each year of the audit period, the CCPA governing board approved Christmas bonuses for CCPA employees. During the audit period, Stephanie Millard worked as an independent contractor for CCPA as their treasurer. Ms. Millard received a \$100 Christmas bonus each of the four years of the audit period. Ms. Millard's contract did not contain a provision entitling her to the Christmas bonus or the same benefits applicable to CCPA employees.

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 made is liable for the amount of such expenditure. *Seward v. National Surety Co.* (1929), 120 Ohio St. 47, 198 Op. Att'y Gen

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No. 80-074, Ohio Revised Code Section 9.39, *State ex. Rel. Village of Lindale v. Mastern* (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 to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. *Cordray v. International Preparatory School*, 128 Ohio St. 3d 50, 1980, Op. Att’y Gen. No. 80-074.24.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery is hereby issued against Lisa Hamm, and Stephanie Millard for \$400; and Ms. Millard’s bonding company, Ohio Farmers Insurance Company, for \$200, jointly and severally, of public monies illegally expended in favor of CCPA.

Overcompensated Per Governing Board Approved Contract

For the 2007-2008 school year, a contract signed by Steven Hamm and approved by CCPA’s governing board stated Mr. Hamm was to be compensated at the rate of \$11 per hour. During a portion of the school year Mr. Hamm was compensated at the rate of \$13 per hour. An amended contract or governing board action was not provided stating Mr. Hamm was entitled to the increased rate. As a result, Mr. Hamm was over compensated \$1,975.

For the 2008-2009 school year, a contract signed by Steven Hamm to be a Technology Team Member stated an annual salary of \$32,331; however, the CCPA governing board approved an annual salary of \$30,850. Mr. Hamm received bi-weekly pay based on the higher contract amount totaling \$32,206 resulting in overcompensation \$1,356.

For the 2007-2008 school year, no signed contract existed for Nelson Hamm’s employment at CCPA; however, the CCPA governing board approved a contract related to Mr. Hamm identifying the annual salary of \$3,321. CCPA paid Mr. Hamm at inconsistent rates throughout the school year totaling \$12,367 resulting in overcompensation of \$9,046.

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 made is liable for the amount of such expenditure. *Seward v. National Surety Co.* (1929), 120 Ohio St. 47, 198 Op. Att’y Gen No. 80-074, Ohio Revised Code Section 9.39, *State ex. Rel. Village of Lindale v. Mastern* (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 to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. *Cordray v. International Preparatory School*, 128 Ohio St. 3d 50, 1980, Op. Att’y Gen. No. 80-074.24.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery, jointly and severally, is hereby issued against the following individuals, in the named amounts, for public monies illegally expended in favor of CCPA:

Nelson Hamm, Lisa Hamm, and Stephanie Millard	\$9,046
Steven Hamm, Lisa Hamm, and Stephanie Millard	1,975
Steven Hamm, Lisa Hamm, Stephanie Millard, and Ms. Millard’s bonding company, Ohio Farmers Insurance Company	1,356
Total	\$12,377

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MANAGEMENT COMMENTS

Extra-Curricular Activity Stipends

During the audit period CCPA paid various staff who served as coaches and advisors a stipend as approved by its governing board. However, CCPA did not monitor these payments to ensure they complied with CCPA's policy that payments were made for approved sessions provided the team or activity met CCPA's standards for practice, participation and performance. Our examination noted instances of employees who worked sessions but did not receive a stipend, advisors and coaches paid at rates inconsistent with those approved by the governing board or not approved at all, and a general lack of documentation to support the number of sessions worked and CCPA's evaluation of whether the activity met CCPA standards for practice, participation and performance.

We recommend CCPA formally identify all extracurricular activities for which the coach or advisor shall receive a stipend. The coach and advisor positions and stipend amounts should be approved by the governing board through an official action recorded in the governing board's minutes. CCPA should establish procedures to ensure that only the positions approved by the governing board receive stipend payments. CCPA should retain documentation of the number of sessions performed by each coach or advisor as support for the amount of the stipend paid.

Recording Work Time

CCPA policy places the responsibility of accurate time records of hourly workers on the employee. Our examination of various payroll related documentation noted instances of timesheets not reviewed and approved by supervisors, incorrect hours resulting in inaccurate employee compensation, work hours submitted on post-it notes or a sheet of paper, and no timesheet submitted to support the hours claimed for compensation. Failure to require and ensure documentation is obtained, accurate, reviewed and approved prior to making payroll payments increases the risk employees are paid for hours not worked or at the incorrect amount.

We recommend CCPA enhance its procedures to ensure all employee timesheets are reviewed for reasonableness and accuracy; and approved by a supervisor prior to making payroll disbursements.

Employee Leave Usage

CCPA grants eligible employees "Combined Time Off" based on employee contract provisions. Combined Time Off included vacation, personal, sick and other employee leaves. CCPA did not monitor employee leave usage to ensure employees did not exceed their contracts' Combined Time Off. Our examination noted the following conditions:

- Employee contracts for only 25 of 211 employees contained provisions addressing Combined Time Off.
- Contracts for the superintendent, principal, and assistant principal contained no provisions regarding leave time and usage and their usage was not documented and monitored.
- CCPA did not require leave forms or other documentation for requesting and approving leave.
- CCPA did not record the type of leave used to be able to monitor compliance with employee contract provisions.

Failure to accurately record and actively monitor leave usage increases the risk employees receive and use leave time for which they are not entitled by contract or CCPA policy, causing unnecessary expenses to CCPA. We recommend CCPA enhance its monitoring of employee leave usage. Employee contracts or CCPA policies should contain provisions governing the amount of leave available to employees and clearly explain the conditions under which leave can be used. Leave forms or other documentation should be used and retained to record the request and approval of leave usage. Employee leave balances should be adjusted accordingly for leave time taken and monitored to prevent employees exceeding the leave time granted them.

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Dave Yost • Auditor of State

CINCINNATI COLLEGE PREPARATORY ACADEMY

HAMILTON 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 18, 2013**