



**WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

SPECIAL AUDIT

FOR THE PERIOD JULY 1, 2006 THROUGH APRIL 30, 2007



Mary Taylor, CPA
Auditor of State

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WESTFALL LOCAL SCHOOL DISTRICT

SCHEDULE OF BOARD OF EDUCATION AND RELEVANT PERSONNEL

As of April 30, 2007

Board of Education

Larry Carfrey, President

Peg Reiterman, Vice President

Darrell Caudill

Kevin Steward

Thomas Timbrook

Superintendent

Randall Cotner

Treasurer

Scott Glandon

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Honorable Larry Carfrey, President
Mr. Randall Cotner, Superintendent
Westfall Local School District
19463 Pherson Pike
Williamsport, Ohio 43164

We have conducted a special audit of the Westfall Local School District by performing the procedures described in the attached Supplement to the Special Audit Report for the period July 1, 2006 through April 30, 2007 ("Period"). The audit procedures were performed solely to:

- Determine whether certain expenditures were authorized and made for a purpose related to the operation of the District.
- Review the results of expenditure testing performed by independent public accountants Balestra, Harr & Scherer, CPAs, Inc. for fiscal years ended June 30, 2005 and June 30, 2006.

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 available documentation supporting certain expenditures made during the Period.

Significant Results – Treasurer Scott Glandon wrote 12 District checks to himself totaling \$39,454 and deposited them into his personal account. Mr. Glandon used manual checks and did not post the payments to the District's computerized check register. The payments were not supported by documentation indicating any service was provided, authorized by the Board, or for a purpose related to the District's operations. On November 14, 2007, Mr. Glandon entered a plea of guilty to two counts of theft in office related to these findings.

We considered a finding for recovery against Mr. Glandon for public monies illegally expended in the amount of \$39,454. Mr. Glandon repaid the amount to the District, and accordingly, we consider this a finding for recovery repaid under audit.

We issued two management comments related to manual and duplicate checks, and bank reconciliations.

2. We reviewed the results of testing performed by Balestra, Harr & Scherer, CPAs, Inc. for expenditures made by the District during the fiscal years ended June 30, 2005 and June 30, 2006.

Significant Results – The firm did not identify any instances of payments to Scott Glandon that were not supported, unauthorized by the Board or for a purpose unrelated to the District's operations. Based on the results of the firm's testing, we concluded that no additional testing of the previous periods was warranted.

3. On November 29, 2007, we held an exit conference with the following individuals from the District:

Darrell Caudill, Board Member
Thomas Timbrook, Board Member
Randall Cotner, Superintendent
Ernie Strawser, Treasurer

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



Mary Taylor, CPA
Auditor of State

September 6, 2007

Supplement to the Special Audit Report

Background

In April 2007, Westfall Local School District Treasurer Scott Glandon raised suspicions at his personal bank by depositing District checks into his personal account. This bank contacted the District's bank to report the activity, which in turn notified the county prosecutor. At an executive meeting of the District's Board of Education, Mr. Glandon admitted to writing checks to himself from the District's account between January and April 2007. On April 30, 2007, Mr. Glandon submitted his resignation to the District's Board.

The District is a member of the Ross County School Employees Insurance Consortium ("Consortium") and served as the Consortium's fiscal agent during the Period. Mr. Glandon served as the treasurer for the Consortium and was the sole signatory on the Consortium's bank account. Subsequent to Mr. Glandon's initial admissions, the District received information from Mr. Glandon's attorney that Mr. Glandon also wrote checks to himself from the Consortium's account dating back to December 2006.

The Pickaway County Sheriff's and Prosecutor's Offices initiated a criminal investigation into the matter. The Auditor of State's Special Audit Task Force considered the matter and on May 3, 2007, initiated special audits of the District and Consortium.

On September 14, 2007, Mr. Glandon was indicted on two counts of theft in office, both third-degree felonies. Mr. Glandon entered a plea of guilty to the charges on November 14, 2007.

Supplement to the Special Audit Report

Issue No. 1 – Expenditures

Procedures

We compared the District's check registers to the bank statements and canceled checks to identify unauthorized expenditures.

We scanned the District's bank statements for transfers to non-District accounts to identify unsupported transfers to unknown or unauthorized accounts.

We tested Scott Glandon's compensation as District treasurer for compliance with his contract and to identify any outstanding payment advances.

We determined if there were any repayments made by Mr. Glandon, and if so, traced the repayments to the District's account.

Results

Between January and April 2007, Scott Glandon wrote 12 District checks to himself totaling \$39,454 and deposited them into his personal bank account. Mr. Glandon used manual checks and did not post the payments to the District's computerized check register. The payments were not supported by documentation indicating any service was provided, authorized by the Board, or for a purpose related to the District's operations.

During the Period, duplicate check numbers were used on nine occasions. Scott Glandon was the payee on six of these checks.

There were no transfers to unknown or unauthorized bank accounts during the Period.

We noted that Mr. Glandon's pay rate did not agree to the amount authorized on his contract for 2007. District Superintendent Randall Cotner explained that a pay increase was approved for the treasurer by the Board in December 2006; however, a new contract had not been timely completed.

By May 31, 2007, Mr. Glandon repaid \$39,454 to the District. We traced the repayments to deposits to the District's account.

Finding for Recovery Repaid Under Audit

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28 we considered a finding for recovery against Mr. Glandon for public monies illegally expended in the amount of \$39,454. By May 31, 2007, Mr. Glandon repaid the amount to the District. Accordingly, we consider this a finding for recovery repaid under audit.

Management Comments

Manual Checks and Duplicate Check Numbers

Sequential pre-numbered checks should be issued for expenditures in order to provide accounting control over the disbursement of funds. Examination of the District's canceled checks noted that duplicate check numbers were issued in nine instances. Additionally, manual checks were issued and not posted to the computerized check register.

We recommend that strict numerical control be maintained over all checks issued and that checks be issued in sequence. The District should limit the use of manual checks and reconcile manual checks issued to the computerized check register to aid in the proper reporting of monies expended. Any identified discrepancies or sequence gaps should be investigated and resolved.

Supplement to the Special Audit Report

Bank Reconciliations

The treasurer and budgetary clerk performed reconciliations of the District's bank accounts on a monthly basis. The budgetary clerk prepared checks for signature and reconciled canceled checks to the check register and bank statements. The treasurer prepared manual checks, was the lone signatory on the account and completed the reconciliation process. The reconciliation was given to the Board for their review and approval at their monthly meetings.

In March 2007, the treasurer stopped allowing the budgetary clerk to perform the reconciliation of canceled checks. By not allowing another individual to review the canceled checks received from the bank, the treasurer was able to conceal the checks written to himself.

We recommend that an employee independent of the cash receipt and disbursement activities review the bank reconciliations for any unusual items and document their approval. The bank reconciliation should include a comparison of the check register to the canceled checks and bank statement to ensure that payees and amounts expended agree to the accounting system. Additionally, we recommend that the District require two signatures on checks and that those individuals designated as signatories not prepare checks or perform reconciliations.

Supplement to the Special Audit Report

Issue No. 2 – Review of Independent Public Accountants' Testing of Expenditures

Procedures

We reviewed the results of expenditure testing performed by independent public accountants Balestra, Harr & Scherer, CPAs, Inc. to determine whether testing of previous periods by the AOS was warranted.

Results

Balestra, Harr & Scherer, CPAs, Inc. conducted financial audits of the District for fiscal years ended June 30, 2005 and June 30, 2006. Prior to issuing their audit report for the fiscal year ended June 30, 2006, the firm was notified of the allegations regarding Mr. Glandon. In response, the firm performed additional audit procedures to determine if irregularities occurred during periods covered by their audits. We reviewed the firm's work papers to determine the extent and nature of the additional procedures performed.

The firm performed the following additional procedures for fiscal years ended June 30, 2005 and June 30, 2006:

- Verified that the payee on the face of each check matched the endorsement and check register.
- Verified that manual checks cleared the bank and were posted to the accounting system.
- Verified Mr. Glandon's payroll and the authenticity of employees paid per the payroll records.
- Scanned the check register for potential fraudulent vendors.
- Verified transfers from bank accounts.
- Reviewed the District's cash collection policy and deposits made by Mr. Glandon.
- Performed a proof of cash.

The firm did not identify any instances of payments to Scott Glandon that were not supported, unauthorized by the Board, or for a purpose unrelated to the District's operations.

Based on the results of the firm's testing, we concluded that no additional testing of the previous periods was warranted.



Mary Taylor, CPA
Auditor of State

WESTFALL LOCAL SCHOOL DISTRICT

PICKAWAY 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
JANUARY 3, 2008**