



Mary Taylor, CPA

Auditor of State

MANAGEMENT LETTER

Southern Ohio Educational Service Center
Clinton County
3321 Airborne Rd.
Wilmington, Ohio 45177

To the Board of Education:

We have audited the financial statements of Southern Ohio Educational Service Center, Clinton County, Ohio (the Center), in accordance with *Government Auditing Standards*, as of and for the year ended June 30, 2010, and have issued our report thereon dated January 5, 2011.

Government Auditing Standards require us to report significant internal control deficiencies, fraud, and illegal acts (including noncompliance with laws and regulations), and also abuse and noncompliance with contracts and grant agreements that could directly and materially affect the determination of financial statement amounts. We have issued the required report dated January 5, 2011, for the year ended June 30, 2010.

Office of Management and Budget Circular A-133 requires that we report all material (and certain immaterial) instances of noncompliance, significant deficiencies, and material weaknesses in internal control related to major federal financial assistance programs. We have issued the required report dated January 5, 2011, for the year ended June 30, 2010.

We are also submitting the following comment for your consideration regarding the Center's internal control. This comment reflects a matter that does not require inclusion in the report *Government Auditing Standards* or Office of Management and Budget Circular A-133 require. Nevertheless, these comments represent matters for which we believe improvements in compliance or internal controls or operational efficiencies might be achieved. Due to the limited nature of our audit, we have not fully assessed the cost-benefit relationship of implementing this recommendation. However, this comment reflects our continuing desire to assist your government. If you have questions or concerns regarding these comments please contact your regional Auditor of State office.

RECOMMENDATION

Breach of Contract

When designing the public office's system of internal control and the specific control activities, management should consider the following:

Ensure that all transactions are properly authorized in accordance with management's policies;

- Ensure that records are properly designed and maintained;
- Ensure adequate security of records;
- Plan for adequate segregation of duties or compensating controls;

**RECOMMENDATION
(Continued)**

- Ensure the collection and compilation of the data needed for the timely preparation of financial statements.

The Southern Ohio Educational Service Center (SOESC) withheld employee 403B contributions which were subsequently remitted to Gatekeeper Administration and Consulting, LLC., a third party administrator. Gatekeeper did not remit all the 403B contributions to the various vendors. Upon the advice of their attorney, the SOESC remitted the additional amount of the withholdings directly to the vendors. This caused SOESC to expend additional money in place of the withholdings. SOESC has been attempting to recover the money, but no reimbursement has been received from Gatekeeper. The SOESC had a Liability and Indemnity clause in their contract with Gatekeeper, however Gatekeeper has been unable to reimburse them due to lack of funds. The SOESC should continue to explore all avenues to collect the funds.

We intend this report for the information and use of the governing board, audit committee, and management.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

January 5, 2011