



OHIO AUDITOR OF STATE
KEITH FABER



LOVELAND CITY SCHOOL DISTRICT
HAMILTON COUNTY

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OHIO AUDITOR OF STATE KEITH FABER



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Loveland City School District
Hamilton County
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To the Superintendent, Treasurer and Board of Education:

Background

The Auditor of State (AOS), Special Investigations Unit (SIU) conducted a criminal investigation and special audit of the Loveland City School District (the District) predicated on improper spending of public funds.

The investigation began in March 2020, after SIU received several complaints from a District resident. It was alleged the District used public funds in support of a levy campaign.

After the information obtained from interviews and preliminary examination of records was considered, a special audit was declared by the Auditor of State.

This engagement was conducted in accordance with the [Auditor of State Special Investigations Unit, Quality Standards](#).

Underlying Facts

Consulting Contracts

The District engaged in two one-year contracts with Allerton Hill Consulting (AHC), dated March 20, 2018 and March 19, 2019, respectively, to assist with its communication needs and provide a strategic communication, marketing and outreach plan.

The first contract, costing \$73,000, included an agreement that AHC would field a satisfaction survey using a third-party professional pollster. The subsequent contract cost \$60,000 as it did not include an agreement that AHC would field a survey. The District summarily canceled the second contract on November 22, 2019. Among the objectives contained within each of these contracts, was a goal to “offer high-quality, long-term, strategic communications, marketing and outreach plan so the District is successful in future public initiatives”. This intimates services provided to aid the passage of a tax levy. While there was no levy issue during the first contract period, the District did seek to pass ballot initiatives in both November 2019 and March 2020.

Surveys

Pursuant to the initial AHC Contract, Fallon Research & Communications, Inc. (Fallon) was hired to conduct a survey in May 2018 of 303 randomly selected residents of the District. This contract cost \$13,000 and was inadvertently paid twice by the District: once as part of the AHC contract and a second time directly to Fallon, resulting in a double-payment. Additionally, the District subsequently hired Fallon to conduct a survey in March 2019 of 301 registered voters at a cost of \$15,000. The first survey contained two general questions regarding how the District spends funds received from tax payers, while the second survey contained three questions that appear partially designed to aid in the passage of a levy. These questions provided different funding scenarios with detailed millage options to gauge the likelihood of community support if placed on the ballot.

Findings

Based on the special audit procedures and investigation, the Auditor of State confirmed noncompliance as well as a double-payment of survey costs by the District.

We issued \$13,000 in a finding for recovery for illegally spent funds as well as a management recommendation related to noncompliance regarding contracts partially advocating for the passage of a levy.

The full details of the finding for recovery and management recommendation are located in the Appendix.

Prosecution

At the conclusion of the special audit and investigation, the special audit results were reviewed by an Auditor of State attorney, who determined there was insufficient evidence to meet the standards for recommending criminal charges.

The exit conference was waived by the District; however, the Board of Education and Management were given five days to respond to this special audit report. A response was not received from the District.



Keith Faber
Auditor of State
Columbus, Ohio

March 12, 2024



APPENDIX
SCHEDULE OF FINDING FOR RECOVERY AND
MANAGEMENT RECOMMENDATION

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FINDING FOR RECOVERY – REPAID UNDER AUDIT

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit are to 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 District entered into a contract with AHC on April 1, 2018, which was paid in full on January 7, 2019. The contract states “AHC utilizes a professional pollster.” This is further discussed in emails between the District and AHC regarding a “Fallon survey” and the cost being included in the AHC quote. The email conversation continues with clarification from AHC that in year two the cost would go down since the survey wouldn’t be included.

The District received an invoice from Fallon dated May 24, 2018 for a facilities survey conducted for the District totaling \$13,000. The District issued a check on June 12, 2018 to Fallon to pay the invoice.

Subsequently, the District also paid for the cost of the survey as part of their contract with AHC, although AHC never remitted any payment to Fallon. The District failed to recognize they had double-paid for the Fallon survey.

In accordance with the foregoing facts and pursuant to **Ohio Rev. Code § 117.28**, a finding for recovery for public monies illegally expended is hereby issued against Allerton Hill Consulting, LLC, in the amount of \$13,000 and in favor of the District’s General Fund.

As part of addressing questions during the special audit, the District completed an internal review of payments issued to AHC and Fallon, and confirmed a duplicate payment was made on invoice number 2927 in April 2019 (unrelated to the survey). The District communicated this duplicate payment to AHC on October 19, 2021 and AHC issued a check to the District on November 16, 2021 in the amount of \$15,000. It was subsequently determined by AHC they had previously credited the District on invoice number 2932 dated July 1, 2019, to account for the duplicate payment. Therefore, we consider this finding for recovery repaid in full.

MANAGEMENT RECOMMENDATION – NONCOMPLIANCE

Ohio Rev. Code § 3315.07(C)(1) states: “Except as otherwise provided in division (C)(2) of this section, no board of education shall use public funds to support or oppose the passage of a school levy or bond issue or to compensate any school district employee for time spent on any activity intended to influence the outcome of a school levy or bond election.” **Ohio Rev. Code § 9.03(C)(1)(e)** prohibits political subdivisions, including school districts, from, among other things, publishing, distributing, or otherwise communicating information that supports the passage of a levy or bond issue.

District contracts included certain statements and messaging in support of a levy, contrary to the Ohio Rev. Code related to the following items:

- Both AHC contracts included the following language: “Offer high-quality, long-term, strategic communications, marketing and outreach plan so the District is successful in future public initiatives.” This language intimates services to aid in the passage of a levy.
- The second Fallon survey noted the below questions that were partially aimed to advocate for the passage of a levy:
 - “The District may ask voters for a combined request, which includes an operating levy to maintain existing services of about 5 mills...and a permanent improvement levy and bond

APPENDIX

issue for facilities of approximately 8 mills...to renovate the high school and construct 2 new buildings for the first through fifth grades. This would cost property owners about \$38 in additional taxes each month for each \$100,000 of property value. If the election were held today, and you were voting, would you vote for or against it?"

- "The District may ask voters for a combined request, which includes an operating levy to maintain existing services of about 5 mills...and a permanent improvement levy and bond issue for facilities of approximately 12 mills...to renovate the middle and high schools and construct 3 new buildings for pre-kindergarten through fifth grades. This would cost property owners about \$50 in additional taxes each month for each \$100,000 of property value. If the election were held today, and you were voting, would you vote for or against it?"
- "What is the biggest reason you would vote against it?"

Including such statements as part of District communications and consulting contracts could lead to the illegal expenditure of District funds and in the future similar activity could result in findings for recovery.

We recommend the District ensure all agreements and communications with/from the District include only factual statements and do not support or advocate for the passage of a levy. The District should review the frequently asked question guidance published by the Auditor of State as an additional resource.

OHIO AUDITOR OF STATE KEITH FABER



LOVELAND CITY SCHOOL DISTRICT SPECIAL AUDIT

HAMILTON COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 4/25/2024

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This report is a matter of public record and is available online at
www.ohioauditor.gov