



Dave Yost • Auditor of State

**BROWN COUNTY CLERK OF COURTS
BROWN COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

Honorable L. Clark Gray
Brown County Clerk of Courts
101 S. Main Street
Georgetown, OH 45121

We conducted a special audit of the Brown County Clerk of Courts - Title Division (Clerk of Courts) by performing the procedures enumerated in the attached Supplement to the Special Audit Report for the period March 29, 2010, through June 6, 2012, (the Period) solely to:

- Determine whether vehicle title fees and sales tax charged to certain dealers were collected and properly accounted for by the Clerk of Courts.

This engagement was conducted in accordance with the Quality Standards for Inspection and Evaluation established by the Council of the Inspectors General on Integrity and Efficiency (January 2012). The procedures and associated findings are detailed in the attached Supplement to the Special Audit Report. A summary of our procedures and significant results is as follows:

1. Using available documentation, we determined the amount of vehicle title fees and sales tax due from certain dealers based on vehicle titles processed by the Clerk of Courts and compared the amounts due to the amounts paid and accounted for by the Clerk of Courts for the Period. We examined voided titles and receipts and determined whether they were voided for a valid reason.

Significant Results – During the Period it was a standard practice for the Clerk of Courts to process vehicle titles and complete blank checks on behalf of certain dealers. We determined that for one dealer, Heather Tapp, a deputy clerk, processed titles with fees and sales tax totaling \$52,544. For the payment of these fees and sales tax Ms. Tapp completed 151 checks totaling \$58,465 on behalf of the dealer. Of the 151 checks, 86 checks were written for more than the amount due resulting in an overpayment by the dealer totaling \$5,921. Due to the suspicious nature of the overpayments as described in the Supplement to the Special Audit Report we issued a finding for recovery against Ms. Tapp totaling \$5,921.

The Clerk of Courts voided 565 titles and receipts; however, none of the voided titles and receipts documented the reason for the void or contained documented supervisory approval. For 104 of the voided titles and receipts we were able to examine corroborating information indicating the voided titles and receipts appeared to be for a valid reason.

We issued four management recommendations regarding recording tender received in the computer system, processing large volumes of vehicle titles, managing daily shortages and overages, and voiding titles and receipts. In addition, we issued one noncompliance citation regarding maintaining records.

2. On July 9, 2013, we held an exit conference with the following individuals representing the Clerk of Courts:

Clark Gray, Clerk of Courts
Wendy Wagner, Chief Deputy Clerk

The attendees were informed that they had five business days to respond to this special audit report. A response was received on July 9, 2013. The response was evaluated and changes were made to this report as we deemed necessary.



Dave Yost
Auditor of State

July 9, 2013

Supplement to the Special Audit Report

Background

On June 5, 2012, Michelle Harris of the Brown County Prosecuting Attorney's Office called the Auditor of State's (AOS) Cincinnati regional office to advise the AOS a vehicle dealer that did business with the Brown County Clerk of Courts – Title Division reported suspicions of theft. The alleged theft occurred during the time Ms. Harris was interim Clerk of Courts from January 2012 through April 2012.

It was standard practice the Clerk of Courts provided a courier service for several local dealers that sold titled vehicles. The courier picked up the title applications and delivered them to the Clerk of Courts office for processing. The dealers gave the courier the titles for processing along with a signed blank check to pay for applicable fees and taxes. The Clerk of Court's office processed the titles, determined the fees and taxes, and completed the check amount on behalf of the dealers.

The dealer that contacted Ms. Harris stated the amount per the checks exceeded the amount due based on the titles processed. Ms. Harris expressed concern the excess check amounts were used to conceal other cash collections stolen or not deposited. On April 17, 2012, Ms. Harris and Clerk of Courts elect, Clark Gray¹, met with the Brown County Sheriff's Office (BCSO) to report the discrepancies and requested the BCSO to investigate the allegations.

On June 7, 2012, the Clerk of Courts sent letters to nine dealers requesting they review past transactions from the year 2010 to the present and report any discrepancies. In addition, the Cincinnati regional office contacted Mr. Gray, and he informed the AOS of the alleged theft and stated he placed Heather Tapp, a deputy clerk, on administrative leave.

AOS's Special Investigations Unit (SIU) contacted the BCSO on June 12, 2012, and was advised the dealer that contacted Ms. Harris provided documents to substantiate an alleged theft.

On July 20, 2012, Ms. Tapp was terminated from her employment with the Brown County Clerk of Courts - Title Division.

In late August 2012, the Brown County Prosecuting Attorney requested the AOS be assigned as a special prosecutor in this matter. On October 8, 2012, a special audit was initiated of the Brown County Clerk of Courts – Title Division to support a potential prosecution of certain financial irregularities.

¹ Clark Gray was sworn into office on April 21, 2012.

Supplement to the Special Audit Report

Objective No. 1 - Determine whether vehicle title fees and sales tax charged to certain dealers were collected and properly accounted for by the Clerk of Courts.

PROCEDURES

We identified the dealers who provided blank checks to the Clerk of Courts to pay for titles processed during the Period.

We obtained data maintained in the Clerk of Court's Automated Title Processing System (ATPS) from the Ohio Department of Public Safety and identified the title fees and sales tax to be collected for titles processed by the Clerk of Courts for the identified dealers for the Period.

We requested canceled checks and expenditure ledgers from the dealers to identify payments made to the Clerk of Courts and compared the payments to the total title fees and sales tax recorded in the ATPS by the Clerk of Courts for the Period.

Using reports from the ATPS and forms completed by the deputy clerks we reviewed daily activity reconciliations performed by the deputy clerks.

We examined available documentation supporting voided titles and receipts to determine if the voids were for a valid reason.

RESULTS

There were 17 dealers that used the Clerk of Court's courier service and provided blank checks to the Clerk of Courts to pay for title fees and sales tax processed by the Clerk of Courts for the Period. We obtained canceled checks and expenditure ledgers from 14 dealers and compared the payments to the data recorded in the Clerk of Court's system for the dealer. We requested payment documentation from the other 3 dealers but did not receive any records. The Clerk of Courts processed 8,919 titles with title fees and sales tax totaling \$1,038,445 for the 14 dealers.

FINDING FOR RECOVERY

During the Period, it was standard practice for the Clerk of Courts to process vehicle titles and complete blank checks on behalf of certain dealers. We determined that for one dealer, Heather Tapp, a deputy clerk, processed titles with fees and sales tax totaling \$52,544. For the payment of these fees and sales tax Ms. Tapp completed 151 checks totaling \$58,465 on behalf of the dealer. Of the 151 checks, 86 checks were written for more than the amount due for fees and sales taxes resulting in an overpayment by the dealer totaling \$5,921. The 86 overpayments ranged from \$4 to \$366 with all but eight overpayments equaling a round dollar amount. The frequency and amounts of the overpayments; and that the overpayments affected only one dealer indicate these transactions were not likely errors and are indications of a potential substitution scheme whereby excess amounts were used to conceal other payments, likely cash received, not deposited. Due to the manner in which the Clerk of Courts makes and records the deposit of cash and check items with the County Treasurer, and because the Clerk of Courts reconciles daily activity in total rather than by tender type received, we were unable to isolate deposits of only fees and taxes attributed to these transactions to substantiate such a scheme.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies collected but unaccounted for is hereby issued against Heather Tapp in the amount of \$5,921 and in favor of the Clerk of Courts.

Supplement to the Special Audit Report

NONCOMPLIANCE CITATION

Ohio Revised Code, Section 149.351, states that, in part, "All records are property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission." We determined that the daily checkout sheets prepared by the deputy clerks for the time period December 31, 2010, through January 2, 2012, were not maintained by the Clerk of Courts.

Without maintaining the daily checkout sheets the Clerk of Courts is unable to determine the deputy clerks properly reconciled their cash drawer. We recommend management implement a system to ensure all daily checkout sheets are prepared and maintained by the Clerk of Courts.

MANAGEMENT RECOMMENDATIONS

Tender Received

The Title Department computer system requires the deputy clerk to record the payment tender received. We noted the deputy clerks did not always accurately record the payment tender received. In addition, we noted the deputy clerks did not consistently record the check number in the system for the customers that paid with a check. The Title Department indicated there were instances when customers changed their method of payment after tender was entered into the computer system and the receipt was issued; however, the system does not allow the deputy clerk to adjust the type of tender in these instances or when an error has occurred. Additionally, the Clerk of Courts reconciles its daily activity in total rather than by tender received.

By not accurately recording the tender type, the system does not report the true activity of the Title Department's collections. It also does not enhance the reconciliation procedure by ensuring the amount of cash and checks entered into the system agrees to the cash and checks to be deposited.

We recommend the Clerk of Courts reconcile its daily activity by tender type. We recommend the deputy clerks record the correct tender type into the system at the time of payment. If changes need to be made, the deputy clerk should note the change of tender in the computer system and on the actual receipt to allow them to reconcile the tender for that day's collections.

Processing Titles

We noted that occasionally more than one deputy clerk processed a batch of titles for a dealer. However, only one deputy clerk receipted the payment in their cash drawer resulting in the other deputy clerks' receipt reports reflecting collections in the computer system not contained in their cash drawers. To eliminate this variance the deputy clerk who received the payment transferred cash from their cash drawer to the other deputy clerks' cash drawers. No supporting documentation was maintained for the transfer of cash.

By transferring the funds from one deputy clerk to another and not maintaining documentation supporting the transfers, the chief deputy clerk was unable to determine whether the deputy clerk remitted the funds intact.

We recommend the deputy clerk receiving the payment document the funds received for titles processed by other deputy clerks as a reconciling item when balancing their cash drawer. The other deputy clerks should also document the titles processed for which payments were not received. Upon receipt of the cash drawers, the chief deputy clerk should reconcile these differences and resolve any discrepancies.

Supplement to the Special Audit Report

Shortages and Overages

Deputy clerks were required to pay with their own funds any shortages in their cash drawer at the end of the day. There were no controls to ensure any overages were deposited by the Clerk of Courts which could result in a misappropriation of public monies.

We recommend the Clerk of Courts discontinue this practice and begin recording all overages as other revenue and all shortages as other expenditures. The shortages and overages incurred by each deputy clerk should be reviewed by a supervisor on a regular basis and considered during employee performance evaluations.

Voided Titles and Receipts

The Clerk of Courts did not document the reason in the system or on the actual title or receipt for voiding a title or receipt. Additionally, we noted no management approval or periodic monitoring of voided titles and receipts for reasonableness and appropriateness.

Failure to document the reason for the void and review the void to determine whether it was for a valid reason could result in the title and receipt being improperly voided and the monies collected not being deposited by the Clerk of Courts.

We recommend the Clerk of Courts implement a policy for voiding titles and receipts in their system and to properly document the reason for the void. We recommend management periodically review the voided items for reasonableness and appropriateness.



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BROWN COUNTY CLERK OF COURTS- TITLE DIVISION

BROWN 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
JULY 30, 2013**