



Dave Yost · Auditor of State

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INDEPENDENT ACCOUNTANTS' REPORT

Honorable Bert Dawson, P.E.
Columbiana County Engineer
235 S. Market Street
Lisbon, OH 44432

We conducted a special audit of the Columbiana County Engineer's office by performing the procedures described in the attached Supplement to the Special Audit Report for the period January 1, 2009 through August 17, 2012 (the Period) solely to:

- Determine whether Human Resources Manager/Chief Financial Officer Christina Phillips and her husband, Jordan Phillips, who was employed as a part-time, temporary worker, were compensated in accordance with authorized amounts.

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. We examined compensation paid to Christina and Jordan Phillips.

Significant Results – During the Period, Christina Phillips was compensated in accordance with her authorized rates of pay.

As the Human Resources Manager, Ms. Phillips had access to the Engineer's payroll reporting system and the ability to enter or change the hours worked by employees. Based on a payroll system audit trail report, Ms. Phillips made 155 unsupported manual adjustments to the hours worked by her husband, Jordan Phillips, of which, 71 adjustments increased his time worked by 394.25 regular hours and five overtime hours. The excess hours resulted in unauthorized compensation paid to Mr. Phillips totaling \$5,273.

We issued a finding for recovery for public money illegally expended against Mr. and Mrs. Phillips, jointly and severally, in the amount of \$5,273.

We also issued two management recommendations regarding payroll entries and adjustments, and employment of family members.

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We did not hold a formal exit conference with the Engineer's office. We provided the special audit report to Engineer Dawson and informed him that his office had the opportunity to submit a response if so desired. The Engineer's office did not submit a response to the report.

A handwritten signature in black ink, appearing to read "Dave Yost".

Dave Yost
Auditor of State

February 12, 2013

Supplement to the Special Audit Report

Background

In August 2012, Columbiana County Engineer Bert Dawson notified the Auditor of State's office of an alleged theft of funds by an office employee in charge of payroll processing. Mr. Dawson stated Human Resources Manager and Chief Financial Officer Christina Phillips made false entries in the payroll computer system to reflect higher number of hours worked for her husband, Jordan Phillips, who was a part-time employee. The computer software recorded changes made by Mrs. Phillips to the hours worked by Mr. Phillips. Mr. Phillips reportedly admitted to his supervisor that he did not work the hours recorded. When Mr. Dawson confronted Mrs. Phillips, she denied the accusation but offered to make restitution and later resigned her position.

On August 20, 2012, Mr. Dawson sent a letter requesting the Auditor of State review the matter.

The information was considered by the Auditor of State's Special Audit Task Force and on September 5, 2012, the Auditor of State initiated a special audit of the Columbiana County Engineer's office.

Supplement to the Special Audit Report

Objective No. 1 - Compensation Paid to Christina and Jordan Phillips

Procedures

We compared actual compensation paid to Christina and Jordan Phillips during the Period to authorized amounts.

We examined time clock information for Mr. Phillips to determine whether the compensation was for actual hours worked during the Period.

Results

Christina Phillips served as Human Resource Manager and Chief Financial Officer for the Columbiana County Engineer and was authorized to receive wages totaling \$184,011 during the Period. We noted only insignificant differences between the authorized amount and amount paid to Ms. Phillips.

Finding for Recovery

Compensation of Jordan Phillips

As Human Resource Manager and Chief Financial Officer, Mrs. Phillips was responsible for payroll reporting for the Engineer's administrative staff and water and sewer department. Mrs. Phillips also served as payroll clerk for the water and sewer department where her husband Jordan Phillips was employed as a part-time, temporary worker.

The Engineer's office used a payroll software system for tracking employee time clock punches and calculating the number of hours each employee worked. Mrs. Phillips had access to the system, which included the ability to enter and change time clock punches to process payroll transactions. System audit trail reports indicated Mrs. Phillips made 155 manual adjustments to her husband's timesheet records during the Period. Of those adjustments, we identified 52 occasions when Mrs. Phillips entered both the time in and out for Mr. Phillips without sufficient evidence that Mr. Phillips worked the hours. Additionally, we identified 19 occasions when Mrs. Phillips modified the times Mr. Phillips clocked in or out to add hours worked that were not supported and contradicted the actual time recorded by his time clock punches. These 71 adjustments resulted in increases of 394.25 regular hours and five overtime hours that added \$5,273 to Mr. Phillips' compensation.

We did not take exception when Mrs. Phillips clocked Mr. Phillips in or out when Mr. Phillips had made the corresponding in or out time clock punch indicating Mr. Phillips had been present.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a finding for recovery for public monies illegally expended is hereby issued in the amount of \$5,273 against Christina Phillips and Jordan Phillips, jointly and severally, in favor of the Columbiana County Engineer's office.

Supplement to the Special Audit Report

Management Recommendations

Payroll Entries/Adjustments

The Engineer's office did not have written procedures for processing entries and adjustments to employee payroll and hours worked. Entries and adjustments made by the Human Resources Manager did not have supporting documentation and were not individually reviewed or approved by a supervisor. The payroll system tracked changes made to time clock entries; however, lack of supporting documentation for the changes increases the risk that improper entries may be used to increase hours worked.

We recommend the Engineer's office develop specific, written procedures for making entries and adjustments to employee payroll. Proper documentation supporting the reasons for adjustments should be maintained, which may include signed, written requests for adjustments. All individual adjustments should be reviewed and approved by a supervisor.

Family Members

The Engineer's office did not have a policy that addressed the hiring and employment of family members. The Human Resources Manager had the ability to change the hours worked by her husband, a part-time, temporary employee. While the individuals became married after their initial employment with the office, care should be taken to ensure each employee does not have responsibilities that directly affect the other family member's employment. Without a policy concerning related employees, the office could be subject to abuses or ethics violations.

We recommend the Engineer's office adopt a policy that specifically addresses the hiring of family members which includes provisions for reviewing job responsibilities in the event current employees become related through marriage. The Engineer's office should consult the Ohio Ethics Commission for guidance.

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COLUMBIANA COUNTY ENGINEER

COLUMBIANA 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.

A handwritten signature in cursive script that reads "Susan Babbitt".

CLERK OF THE BUREAU

CERTIFIED
MAY 9, 2013