



**CITY OF WARREN
UTILITIES SERVICES DEPARTMENT**

TRUMBULL COUNTY

SPECIAL AUDIT REPORT

APRIL 1, 2000 THROUGH APRIL 30, 2000



**JIM PETRO
AUDITOR OF STATE**

STATE OF OHIO

**CITY OF WARREN UTILITIES SERVICES DEPARTMENT
TRUMBULL COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Schedule of Elected Officials	1
Report of Independent Accountants	3-4
Supplement to the Special Audit Report	
Background Information	5
Applicable Authority	6
Issue No. 1 Identify the City's policies and procedures for collecting and processing Utilities Services Department receipts.	7-10
Issue No. 2 Determine whether all recorded receipts of the City's Utilities Services Department during the Period were deposited to an authorized City bank account.	11-17

This Page Left Blank Intentionally

**CITY OF WARREN
TRUMBULL COUNTY**

**SCHEDULE OF ELECTED OFFICIALS
AS OF APRIL 30, 2000**

NAME	TITLE	TERM	BOND (A)
Henry J. Angelo	Mayor	01/01/00 - 12/31/03	\$ 5,000
William D. Franklin	Council President	01/01/00 - 12/31/01	
Virginia Bufano	Council 1 st Ward	01/01/00 - 12/31/01	
Alford L. Novak	Council 2 nd Ward	01/01/00 - 12/31/01	
John Homilitas	Council 3 rd Ward	01/01/00 - 12/31/01	
Ronald E. White	Council 4 th Ward	01/01/00 - 12/31/01	
James J. Cicchillo	Council 5 th Ward	01/01/00 - 12/31/01	
Helen L. Rucker	Council 6 th Ward	01/01/00 - 12/31/01	
Susan E. Hartman	Council 7 th Ward	01/01/00 - 12/31/01	
Sherry Cox-Calloway	Council-at-Large	01/01/00 - 12/31/01	
Robert A. Marchese	Council-at-Large	01/01/00 - 12/31/01	
Daniel E. Polivka	Council-at-Large	01/01/00 - 12/31/01	
Darla K. Neugebauer	Council Clerk	01/01/00 - 12/31/01	
Brenda E. Smith	Council Deputy Clerk	01/01/00 - 12/31/01	
David Griffing	Auditor	01/01/00 - 12/31/03	\$25,000
Greg Hicks	Law Director	01/01/00 - 12/31/03	\$ 5,000
Patty Leon-Games	Treasurer	01/01/98 - 12/31/01	\$25,000

(A) Bonded in the amounts stated above by the Westfield Companies

This Page Left Blank Intentionally



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

REPORT OF INDEPENDENT ACCOUNTANTS

The Honorable Henry J. Angelo, Mayor
City of Warren
391 Mahoning Avenue
Warren, Ohio 44483

Pursuant to your request, we have conducted a Special Audit and performed the procedures summarized below, and detailed in our "Supplement to the Special Audit Report", which were agreed to by you for the period April 1, 2000 through April 30, 2000 ("the Period"). These procedures were performed solely to identify City policies and procedures for the Utilities Services Department (the Department) receipts and to determine whether all recorded receipts of the Department during the period were deposited in an authorized City bank account. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of this report. Consequently, we make no representations regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested, or for any other purpose. The procedures we performed are summarized as follows:

1. We identified the City's policies and procedures for collecting and processing the Department's receipts.

Significant Result - There is confusion within the Department concerning the official policies currently in effect. Although a formal policy establishing the procedures for collection of water utility receipts was developed in 1996, there is confusion regarding the current applicability of these procedures.

2. We determined whether all recorded receipts of the Department during the period were deposited to an authorized City bank account.

Significant Result - Cash collections totaling \$26,036 for the Period were not deposited in a City bank account.

3. On May 16, 2001 we held and exit conference with the following City officials and personnel:

Henry Angelo, Mayor
David N. Griffing, City Auditor
Nancy Ruggieri, Deputy Auditor
Gary C. Cicero, Director of Human Resources
Frederick Harris, Director of Safety/Service
John N. Mandopoulos, Police Chief
Tim Roberts, Captain, City Police Department
Jeff Hoolihan, Detective, City Police Department

These individuals were given an opportunity to respond to this special audit report. We received a response on May 25, 2001. The response was evaluated and changes were made to the report as deemed appropriate.

Our detailed procedures and the results of applying these procedures are contained in the attached "Supplement to the Special Audit Report". Because these procedures do not constitute an examination conducted in accordance with generally accepted auditing standards, we do not express an opinion or limited assurance on any of the accounts or items referred to above. Also, we express no opinion on the City's internal control system over financial reporting or any part thereof. Had we performed additional procedures or had we conducted an examination of the financial statements in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported to you. This report relates only to transactions relating to the above procedures and does not extend to any financial statements of the City, taken as a whole.

This report is intended for the use of the specified users listed above and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Reports by the Auditor of State are a matter of public record and use by other components of state government or of local government officials is not limited.

Jim Petro
Auditor of State

March 21, 2001

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

BACKGROUND INFORMATION

The Department's Head Cashier, Debra Dunewood left work early on April 20, 2000 and failed to return to work that day or any subsequent day. On May 1, 2000, after the Office Manager determined utility receipts from the period April 13, 2000 through April 20, 2000 were not deposited, he retrieved the Head Cashier's lock box from the safe. The Office Manager opened the Head Cashier's lock box and discovered there were billing stubs and checks inside for utility receipts from the period April 13, 2000 through April 20, 2000; however, no cash. The Director of the Department instructed the Office Manager to secure the billing stubs and checks and call the City's Police Department the next morning. City Police Detective, D. J. Mason, prepared a police report concerning the incident based on an interview with Mr. Richard Griffing, Utilities Services Department Office Manager.

Based on this information, in a letter dated May 5, 2000, the City Auditor requested a special audit of the Department. On May 9, 2000, the Auditor of State's Special Audit voted to initiate a special audit of the City of Warren Utilities Services Department.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

APPLICABLE AUTHORITY

1. Ohio Rev Code Section 9.39 states, in pertinent part that, "[A]ll public officials are liable for all public money received or collected by them or by their subordinates under color of office." During the audit period, Ohio Rev. Code Section 9.38(2) provided in part that any, "public official other than a state officer, employee or agent , shall deposit all public moneys received by him with the treasurer of the public office or properly designated depository once every twenty-four consecutive hours."¹
2. Ohio Rev. Code Section 149.351 provides in pertinent part that, "[P]ublic records 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 commissions provided for under Ohio Rev. Code Sections 149.38 to 149.42. . . "

¹The language of ORC 9.38 was slightly changed effective 11-2-99, however, for purposes of this audit report, the import remains the same.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

ISSUE NO.1 - IDENTIFY THE CITY'S POLICIES AND PROCEDURES FOR COLLECTING AND PROCESSING THE DEPARTMENT'S RECEIPTS

PROCEDURES

1. We reviewed the City's Codified Ordinances and any formally approved policies to determine whether any authority existed governing the collection of the Department's receipts.
2. We documented the procedures which City employees followed when collecting and processing the Department's receipts.

RESULTS

1. The City's Codified Ordinances contained no authority governing the collection of the Department's receipts. We requested any formal written policies and procedures governing the processing of the Department's receipts from the Director and the Office Manager of the Department. The Director indicated he was not aware of any formal policies and procedures and indicated we should speak with the Department Office Manager. The Office Manager acknowledged that an old policy existed; however, when the Department's computer system changed, the policies were not updated and as a result, the Department no longer followed the old policy. Following our exit conference with City officials, the City Deputy Auditor provided us with Administrative Order No. 96-3, dated June 13, 1996, which outlined procedures for processing the Department's receipts. Administrative Order No. 96-3 was issued by the Director of Service and Safety to the Director of Water Utilities, Manuel Michelakis.
2. We performed the following to identify the procedures followed for collecting and processing the Department's receipts:
 - Obtained and updated a narrative of procedures prepared by the IPA firm which audits the City;
 - Interviewed the Department Director, Office Manager, and 8 cashiers, City Auditor's office personnel, and City Data Processing Department personnel;
 - Performed a "walk through" of a receipt transaction; and
 - Reviewed prior audit reports.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

The following is a description of the City's actual procedures followed for collecting and processing the Department's receipts. In some instances, these procedures significantly vary from those adopted in Administrative Order No. 96-3.

Utility Billing

After usage information from the meter readers is uploaded into the City's mainframe computer system, the invoices are printed by the Department. After they are printed, they are sorted and mailed together to take advantage of bulk mailing rates when possible. Invoices can be reprinted from the system at the Department by any of the clerks or cashiers. This normally occurs when someone claims to have lost their original bill. Citizens receive one monthly utility bill which is separated into three line items for water, sewage, and sanitation. The Department collects the money due for the utility bills. Citizens pay utility bills by one of three ways: at a local banking institution, by mail, or in person at the Department.

Payments at the Bank

The participating banks were First Federal, Cortland Savings, 717 Credit Union and Second National². Second National deposited the money they receive directly into the City's bank account held there and sent the payment stubs by courier to the Department. The other banks sent the payment stubs by courier to the Department along with the customers' checks and a cashier's check for the total daily customer payments received in cash. The payment stubs and checks³ were received by data entry operators who ensured the checks and cash received agreed to the stubs and then scanned⁴ the amounts into the billing system. Each of the operators prepared a calculator tape of the total amount of the stubs entered into the system for the day and forwarded the tape and the checks to one of the general clerks who agreed the checks to the tape and made any corrections on the tape. The tape and the checks were then forwarded to the head cashier who recorded the total number of payment stubs and amounts received from each bank onto a daily batch report.

² As of 3/1/2000, Second National no longer accepted payments.

³ Second National only submitted payment stubs.

⁴ A hand held optical scanner scans the bar code on the payment stub. If the amount paid is different than the amount on the payment stub, the entry is made by hand.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

Payments by Mail

Customers can also mail payments directly to the Department. The general clerk receives all payments by mail. The clerk opens these payments in batches and prepares a calculator tape of the total of both the payment stubs and the checks. She then forwards both tapes, the stubs, and the checks to a data entry operator who ensures that the amounts agree and then scans them into the system. Each operator then prepares a calculator tape of the total amount of payment stubs entered into the system for the day and forwards the tape and checks to a general clerk who agrees the tape total to the total amount of actual checks received. The general clerk then forwards the tape and checks to the head cashier. The Head Cashier then uses this tape to prepare the daily batch report in the same fashion as described in payments made at the bank.

Payments in Person

Customers can make their payments in person at the Department, where there are three cashiers to assist the customers (including a drive-up window). For payments received in person, cashiers endorse checks received "for deposit only", scan the payment stub into the computer system, and print a receipt from the cash register which is stapled to the customer's portion of the bill. For cash payments, cashiers scan the payment stub into the computer system, and print a receipt from the cash register which is stapled to the customer's portion of the bill. The bill and receipt are then returned to the customer. Each cashier has their own password to access the system. Each cashier is assigned her own drawer. All cash and checks received by cashiers are kept in their drawers. Whenever a cashier goes on break or lunch, the drawer is locked in a desk drawer. The Office Manager has duplicate keys to each desk where the drawers are temporarily stored. At the end of each day, each cashier prints a report which details the amount of cash and checks collected that day. Each cashier then reconciles her own drawer to her report. The head cashier agrees the total cash and checks collected that day by each cashier to each of these daily reports and then records the amount of cash and checks received along with the total stubs received to her daily batch report.

The head cashier then prints out a master report which details all payments received for the day, including those received from the banks and in the mail, and agrees this to the daily batch report. Finally, the head cashier prepares the deposit slip and forwards it, the cash, and the checks to a courier in a plastic, sealable bank bag for deposit at the bank.

When the receipts are deposited at the bank, a copy of the deposit slip is sent to the City Auditor's Office so a pay-in can be generated. At the end of each month, normal reconciliation procedures are followed by the City Auditor's Office.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

Miscellaneous Utilities Services Receipts

Over 99% of the receipts for the Department are from the monthly billings. The rest of the billings are done manually by each Department for miscellaneous services (frozen meter, septic tank dumping, and certain EPA restricted sanitation pick-up).

Credit/Adjustment Process

Credit/adjustments which are less than \$25 are approved and handled for processing via a documented EDP process by City service representatives. Those greater than \$25 must be approved and forwarded for processing via EDP by the Utility Department's Office Manager. All of the adjustments are documented on an "Adjustment Form." All adjustments are reconciled at the time the adjustments are made and a file is maintained of all "Adjustment Forms." In addition, after an adjustment is processed by the EDP system, an "Audit Edit" is printed and checked by EDP personnel to insure the output is correct based upon the input.

RECOMMENDATION

Formal Policy Statements

Written policies and procedures are essential to provide guidance to employees to ensure efficient, accurate, and consistent treatment of transactions. Without clear and precise guidance from management, individuals' personal preferences and decisions may be filtered through the organization which are inconsistent with management's objectives.

There is confusion within the Department concerning the official policies currently in effect for processing receipts of the Department. A formal policy establishing the procedures for collection of water utility receipts was developed in 1996; however, there is confusion regarding the current applicability of these procedures. Additionally, although several employees signed an acknowledgment sheet in 1998 for receipt of the formal policy, none these employees included the Department Director, Department Office Manager, or any employees of the City Auditor's Office. Even the best policies are not effective if all employees impacted by the policies are not provided a copy, properly trained, and required to acknowledge receipt of the policies.

We recommend the City update Administrative Order No. 96-3 to incorporate any changes since the policy was established in 1996 and consider whether the description of the procedures should be expanded. Once updated, the City should consider whether employees require additional training to address changes in the established procedures. The City should also require those employees, including Department management, which are impacted by the policy, formally acknowledge their receipt of the policy. In addition, the Department's management should periodically perform reviews of whether established policies and procedures are being followed. This review could also be performed by an internal auditor.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

ISSUE NO. 2 -	DETERMINE WHETHER ALL RECORDED RECEIPTS OF THE CITY'S UTILITIES SERVICES DEPARTMENT DURING THE PERIOD WERE DEPOSITED TO AN AUTHORIZED CITY BANK ACCOUNT
----------------------	--

PROCEDURES

1. We scheduled the Department's recorded receipts during the Period and identified the method of payment.
2. We traced recorded receipts during the Period to deposit slips by comparing checks received to checks deposited and cash received to cash deposited.
3. We traced the deposit slips prepared by the Department to the bank statement. We obtained cash-in tickets from the bank and agreed cash and check amounts recorded by the bank to the deposit slip maintained by the City.
4. We reviewed the City's monthly reconciliations for March and April of 2000 to verify any deposits in transit and reconciling items.
5. We attempted to interview Ms. Debra Dunewood, the former Head Cashier to obtain an explanation regarding the discrepancies between the amount of cash received and the amount deposited.

RESULTS

1. The Department's computer system documented both cash receipts and check receipts as entered by the cashiers for the utility payments received.

Miscellaneous receipts were not entered into the computer system but were documented as check or cash on manual records maintained by management.

During the Period, the Department recorded collecting total utility receipts of \$1,155,917 consisting of \$121,138 in cash and \$1,034,779 in checks. After reconciling their drawer at the end of the day, if a cashier detects a mistake in data entry, they will perform an edit to correct the entry. Following edits by the cashiers, the Department recorded collecting utility receipts totaling \$1,188,572 for the Period consisting of \$122,183 in cash and \$1,066,389 in checks. The \$32,655 difference between the utility receipts originally posted and the edited utility receipts totals was due to utility receipts not posted until the edit.

During the period, the Department recorded collecting total miscellaneous receipts of \$14,668 consisting of \$4,905 in cash and \$9,763 in checks.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

2. We noted 5 business days of utility cash receipts totaling \$23,281 which were not deposited into any City account. Those business days were April 13th, 14th, 17th, 18th, and 19th, 2000.

Miscellaneous cash receipts totaling \$2,755 for 13 business days from April 3, 2000 through April 19, 2000 were not deposited into any City account.

As noted in the Background Information of this report, Ms. Dunewood left work on April 20, 2000 and did not return. Recorded utility and miscellaneous cash receipts noted above as not being deposited into a City account related to business days prior to Ms. Dunewood leaving. Recorded utility and miscellaneous cash receipts collected on business days during the Period after Ms. Dunewood left were traced to deposits made by the City during May 2000, after the Office Manager discovered the receipts had not been deposited each day.

Utility and miscellaneous check receipts recorded as collected during the Period were traced to the deposits made by Ms. Dunewood prior to her departure or by the City after her departure. The elapsed time between the day the receipts were collected and the day that business days receipts were deposited ranged from 4 to 30 days.

Ms. Dunewood's last deposit was on April 20, 2000 and was for receipts collected on April 12, 2000. When we compared daily receipts to deposits, we noted the elapsed time between recorded receipts and deposit of those receipts for the business days April 3, 2000 to April 12, 2000 ranged from 4 to 8 days and increased as the month progressed. Ideally, deposits should be made daily. This delay along with the indication that cash receipts were not deposited, as noted above, are indicators of a potential lapping scheme. In a lapping scheme the perpetrator diverts the daily cash receipts and must delay depositing that days receipts until sufficient subsequent receipts are accumulated to cover the amount diverted. Eventually, the length of time necessary to accumulate subsequent receipts to cover the cash diverted becomes so great that the perpetrator can no longer continue the practice.

We also noted the following internal control weaknesses:

- The Head Cashier performed incompatible duties. The Head Cashier was responsible for accumulating all receipts from the other cashiers, depositing the receipts, and had the authority to make any changes to the general ledger without anyone's required oversight or approval.
- Receipts issued for miscellaneous items such as water deposits did not have the receipt date reflected on the receipt.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

- Overall edit reports, which included the receipts of all cashiers for a day were run just prior to the deposits being made and were used to reconcile receipts to deposit amounts. These overall edit reports were run one week to one month later than the actual date the payments were collected and coincided with deposit dates.
 - Of the 20 deposits during the Period, 17 deposits did not reconcile to the Waterworks Revenue fund due to a combination of mathematical errors in the completion of the deposit slip and the shortage of cash funds. The variances ranged from \$.05 to \$13,080.34. The City Auditor's office made adjustments to the Waterworks Revenue Fund to reconcile the differences caused by these variances.
 - Two cashiers had numerous adjustments between cash and checks. No supervisor approval was needed for any adjustment or edit made by the Department's cashiers.
 - Miscellaneous type receipts did not always appear on the revenue accounting journal or on the daily cashiers report prepared by the City Auditor's office.
 - The Department does not require their individual cashiers to be individually bonded. The cashiers are covered under the blanket dishonesty bond which applies to all City employees with a \$50,000 limit. This amount of coverage appears inadequate as 7 out of the 20 days reviewed had collections which exceeded the amount of bond coverage in amounts ranging from \$1,646 to \$276,530.
 - Some Department cashiers cash personal checks for City employees. As a result, the checks and cash in the drawers of the individual cashiers who provided this service do not reconcile to the Receipts Report at the end of the day. In response, the cashiers edit their Receipt Reports to reflect the actual cash and checks in their drawers at the end of the day.
 - At the end of the day, Department Cashiers prepared a print screen of the report entitled "Works with Receipt Report," but did not print, nor electronically save, the entire report. The print screen reflected only the sum totals of the "Works with Receipt Report." The entire report documented customers, customer account numbers, amounts remitted, and form of payment. Without this original report, we could not determine which accounts were edited.
3. All of the deposit slips agreed to the bank statement amounts. The amount of cash and the amount of checks listed on the cash-in tickets received from the bank agreed to the deposit slip.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

4. The City Auditor's office changed their reconciliation process in 1999 because of a software change in the Department. They no longer listed any outstanding deposits on the reconciliation because the Department's receipts were not recognized as revenue by the Auditor's Office until the Auditor's Office was made aware of the Department's receipts via a system edit performed by the Department. Thus, there were no reconciling deposits.
5. While reviewing the personal accounts of Ms. Debra D. Dunewood, we noted she made cash deposits totaling \$4,464 in 15 bank transactions during the period July 1, 1999 through April 30, 2000 in amounts ranging from \$200 to \$404. This could indicate that Ms. Dunewood may have misappropriated funds prior to April 2000.

On two occasions we scheduled interviews with Ms. Dunewood. One to determine the procedures she followed for processing and depositing receipts and one to determine the source of the cash deposits into her personal accounts. Ms. Dunewood did not arrive for either of the scheduled interviews.

FINDING FOR RECOVERY

We compared the amount of checks and cash recorded for each business day during the Period to the amounts deposited and noted the following exceptions:

- 5 days of utilities cash receipts totaling \$23,281 were not deposited into any City account.
- 13 days of miscellaneous cash receipts totaling \$2,755 were not deposited in any City account.

Each cashier's daily receipts for the Period reconciled to the amount of cash and checks forwarded to the Head Cashier for deposit. It was the responsibility of the Head Cashier to make all Department bank deposits of receipts collected.

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public money collected but not accounted for is hereby issued against Ms. Debra D. Dunewood, former Department Head Cashier, and the Westfield Companies, her bonding company, jointly and severally, in the amount of \$26,036, and in favor of the City's Waterworks Revenue Fund.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

CITATIONS

1. Ohio. Rev Code Section 9.39 states, in pertinent part that, "[A]ll public officials are liable for all public money received or collected by them or by their subordinates under color of office." During the audit period, Ohio Rev. Code Section 9.38(2) provided in part that any, "public official other than a state officer, employee or agent , shall deposit all public moneys received by him with the treasurer of the public office or properly designated depository once every twenty-four consecutive hours."

The Department's receipts were collected and recorded daily by the Department's cashiers. For the 20 business days during the Period, the elapsed time between receipt and deposit into a City bank account ranged from 4 days to 30 days.

We recommend the Department deposit their receipts daily. By doing so, the Department will reduce the susceptibility of cash being misplaced or stolen.

2. Ohio Rev. Code Section 149.351 provides in pertinent part that, "[P]ublic records 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 commissions provided for under Ohio Rev. Code Sections 149.38 to 149.42. . . "

At the end of the day, Department Cashiers prepared a print screen of the report entitled "Works with Receipt Report," but did not print, nor electronically save, the entire report. The print screen reflected only the sum totals of the "Works with Receipt Report." The entire report documented customers, customer account numbers, amounts remitted, and form of payment. Without this original report, we could not determine which accounts were edited.

We recommend the City maintain this report in its entirety for each cashier for every collection day. If a computerized copy cannot be maintained, then it is recommended this report be printed and maintained in accordance with the City's record retention policy to document adjustments made.

RECOMMENDATIONS

Miscellaneous Receipts

Manual receipts issued for miscellaneous items such as water deposits did not have the receipt date reflected on the receipt. This does not provide for adequate accountability of receipts.

We recommend manual receipts always include the date the collections were received.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

Implementation of this will lead to greater control over the receipting process and ensure receipts have been posted for the days they were collected.

Edit Reports

Overall edit reports, which included the receipts of all cashiers for a day were run just prior to the deposits being made and were used to reconcile receipts to deposit amounts. These overall edit reports were run one week to one month later than the actual date the payments were collected and coincided with deposit dates. This situation was caused by deposits not being made in a timely manner.

We recommend the Department implement procedures to aid in balancing daily receipts in a timely manner. Department collections should be balanced at the end of the business day and deposited, at latest, by the next business day. Edit reports should be generated and have evidence that they have been reviewed by the appropriate level of management.

Deposit Errors

Of the 20 deposits of the Period's business day's receipts, 17 contained a deposit error ranging from \$.05 to \$13,080.34. The City Auditor's office made adjustments to the Waterworks Revenue Fund so that booked receipts would equal the amount of deposit.

The City did not have any independent review of the deposits prior to them being made. The bank would sometimes catch errors in footing on deposit slips.

We recommend the Department implement procedures where the Office Manager would perform a review of all deposits with the Head Cashier present. Segregation of duties is an important control, and where segregation is limited, management's monitoring controls are very important.

Approval of Edits

Two cashiers had numerous adjustments between cash and checks. No supervisor approval was needed for any adjustment or edit made by the Department's cashiers.

This situation lends itself to a poor internal control environment. Employees can alter computer generated amounts without anyone approving these adjustments. Edits and adjustments should be properly supported, adjusted, and approved.

We recommend supervisory approval be obtained prior to the posting of any adjustment or edit. This can be accomplished by a supervisor's electronic signature on computer generated documents or by their manual signature on printed reports.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

Recording Miscellaneous Receipts - City Auditor's Office

Miscellaneous type receipts do not always appear on the revenue accounting journal nor on the daily cashiers report prepared by the City Auditor's office. All revenues received should be accurately recorded.

Failure to include these miscellaneous receipts, may lead to problems reconciling all activity of the Department.

We recommend the City Auditor's office record these revenues when they are collected.

Bonding of Cashiers

The Department does not require its cashiers to be individually bonded. The cashiers are covered under the blanket dishonesty bond which applies to all City employees with a \$50,000 limit. This amount of coverage appears inadequate as 7 out of the 20 days reviewed had collections which exceeded the amount of bond coverage in amounts ranging from \$1,646 to \$276,530.

We recommend the City consider bonding the Department cashiers with an amount commensurate with the average daily collection amount. An alternative would be to consider obtaining a blanket dishonesty bond in a higher dollar amount.

Personal Checks

Department cashiers would cash personal checks for City employees. As a result of this practice, the checks and cash in the drawers of the individual cashiers who provided this service would not reconcile to their Receipts Report at the end of the day. This caused the cashiers to have to edit their Receipt Reports to reflect the actual cash and checks they had on hand in their drawers at the end of the day.

We recommend the City implement a formal, written policy which prohibits any City employee from cashing personal checks. All monies collected should be deposited intact.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

CITY OF WARREN UTILITIES SERVICES DEPARTMENT

TRUMBULL 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
JUNE 14, 2001**