



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



VILLAGE OF MT. ORAB  
BROWN COUNTY

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**VILLAGE OF MT. ORAB  
BROWN COUNTY**

**SCHEDULE OF ELECTED OFFICIALS AND PERSONNEL  
AS OF JANUARY 8, 2002**

<b>NAME</b>	<b>TITLE</b>	<b>TERM EXPIRES</b>	<b>BOND</b>
Joyce Wilson	Council Member	December 31, 2003	
Fred Feix	Council Member	December 31, 2003	
Joe Howser	Council Member	December 31, 2005	
Herm Scott	Council Member	December 31, 2005	
David Brenner	Council Member	December 31, 2005	
Fred Hansen	Council Member	December 31, 2005	
Bruce Lunsford	Mayor	December 31, 2003	(A)
Mike Boyd	Clerk-Treasurer	March 31, 2004	(A)

**BOARD OF PUBLIC AFFAIRS (BPA)**

Scott Liming	BPA Board Member	December 31, 2005	
Mike Kirk	BPA Board Member	December 31, 2003	
Virgil Moon	BPA Board Member	December 31, 2003	

**OTHER PERSONNEL**

Bonita Helton	BPA Clerk	January 9, 2002	(B)
Roxanne Holden	Mayor's Court Clerk	July 18, 2002	(B)

(A) The Mayor is bonded for \$5,000 and the Clerk-Treasurer is bonded for \$25,000 with the Ohio Government Risk Management Plan.

(B) Covered by a blanket bond in the amount of \$32,000 total with the Ohio Government Risk Management Plan.

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STATE OF OHIO  
OFFICE OF THE AUDITOR

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## REPORT OF INDEPENDENT ACCOUNTANTS

The Honorable Thomas Grennan  
Brown County Prosecutor  
200 E. Cherry Street  
Georgetown, OH 45121

Honorable Bruce Lunsford, Mayor  
Joe Howser, President of Council  
Village of Mt. Orab  
100 South High Street  
Mt. Orab, OH 45154

Pursuant to a request from Thomas Grennan, Brown County Prosecutor, we have conducted a "Special Audit" and performed the procedures summarized below and detailed in our "Supplement to the Special Audit Report", which were described in the Letter of Arrangement presented to you for the period January 1, 1999 through January 8, 2002 ("the Period"). These procedures were performed solely to:

- Determine whether all money collected for water tap-in and sewer tap-in receipts for the Water and Sewer Department were deposited into an authorized Village bank account and accurately posted to the Village's accounting records.
- Determine whether all money collected for utility receipts for the Water and Sewer Department were deposited into an authorized Village bank account and accurately posted to the Village's accounting records.
- Determine whether Mayor's Court receipts for the Village were deposited into an authorized Village bank account and accurately posted to the Village's accounting records.
- Determine whether goods/services purchased from the Water and Sewer funds were actually received and whether assets purchased are in the possession of the Village.

This engagement was conducted in accordance with consulting standards established by the American Institute of Certified Public Accountants. The procedures and associated results are detailed in the attached Supplement to the Special Audit. A summary of our results are as follows:

1. We reviewed documentation supporting recorded tap-in fee receipts and determined whether payments received by the Village were deposited intact into an authorized Village bank account and accurately posted to the Village's accounting records.

Significant Results – Confirmations from third parties noted that \$542,137 was paid by builders/developers and homeowners during the Period for tap-in fees. However, review of the Uniform Accounting Network (UAN) financial accounting computer system for tap-in fees noted only \$322,700 was posted to the Village's records as tap-in receipts. In interviews on January 22, 2002 and January 28, 2002, Ms. Bonita Helton, Board of Public Affairs (BPA) Clerk admitted to substituting tap-in checks for cash payments received for customer utility payments. The cash payments received were not deposited in the bank but retained by Ms. Helton. We confirmed by review of the utility deposits that tap-in checks were included in the utility customer batch billing deposits and the tap-in fees were not recorded on the UAN system as received.

We have issued a noncompliance citation for not having duplicate receipts and missing Utility Usage Agreements and recommendations relating to the internal control procedures of collecting tap-in fee receipts.

2. We reviewed documentation supporting recorded utility receipts and determined whether payments received by the Village were deposited intact into an authorized Village bank account and accurately posted to the Village's accounting records.

Significant Results – In Issue No. 1 we confirmed \$219,437 of tap-in fees was not posted to the Village's accounting system; although each month's reconciliation indicated that the bank balance agreed to the Village's records. When these receipts are posted to the Village's records, it results in \$219,437 in receipts that were collected but unaccounted for.

On January 22 and 28, 2002, we interviewed Bonita Helton, BPA Clerk to discuss these irregularities. Ms. Helton indicated that she made all the deposits. She stated she did not identify cash or check breakdown on the deposit slip to assist in covering her scheme. She also indicated she substituted tap-in checks received from builders and developers for cash receipts which she removed from batch utility billing deposits.

Confirmations identified \$793,322 was paid for utility bills. The billing system reflected payments of \$760,281 and adjustments of \$33,041. In an interview on January 28, 2002, Ms. Bonita Helton, BPA Clerk, admitted to using unauthorized adjustments to customer accounts to disguise cash she removed from utility deposits. When the adjustments are properly recorded as receipts, the Village has \$33,041 in receipts that were collected but unaccounted for.

Accordingly, we issued a finding for recovery for \$252,478 (\$219,437 tap-in fees and \$33,041 unauthorized adjustments) against Ms. Bonita Helton and her bonding company, jointly and severally, for public monies converted or misappropriated in favor of the Village of Mount Orab Water and Sewer Funds.

Additionally, as part of our investigation we found \$3,200 of tap-in fees deposited in the Mayor's Court account, which we have not included in the \$252,478 finding described above since these tap-in fees are part of the finding for recovery for the Mayor's Court below. We also found \$43,300 in tap-in fees which were not recorded or confirmed. We did not include the \$43,300 in the \$252,478 finding above because these tap-ins were not traced to a duplicate receipt and we did not receive a response to our confirmation request. For these tap-in fees, we found only a utility usage agreement. The utility usage agreement is between the Village and the applicant, in which the applicant agrees to pay a fee for tapping into the Village's water system. The usage agreement is a strong indicator that a tap-in fee was paid to the Village and is unaccounted for or the fee was never received. A list of these \$43,300 unrecorded tap-in fees was given to the Village officials for further review.

Also, we have issued one noncompliance citation for a customer account being removed from the utility billing system and recommendations relating to the internal controls of billing utility customers and collecting utility payments.

3. We reviewed documentation supporting recorded Mayor's Court receipts and determined whether payments received by the Village were deposited intact into an authorized Village bank account and accurately posted to the Village's accounting records.

Significant Results – The Mayor's Court posted receipts of \$117,164 consisting of \$63,164 in cash and \$54,000 in checks or money orders. The bank deposits received from the bank showed deposits of \$117,164 consisting of \$11,218 in cash and \$105,946 in checks and money orders, resulting in a cash shortage of \$51,946. Reviewing these deposits, we noted numerous occasions where utility checks and tap-in checks were included.

Cash in the amount of \$63,164 recorded per the Receipts or the Daily Cash Control Report did not agree with the duplicate deposit slip prepared by Mayor's Court Clerk Roxanne Holden; however the duplicate deposit slips did not always show the amount of cash received. In instances where the duplicate deposit slips identified amounts of cash we noted an \$8,685 difference between cash listed on the duplicate deposit slip prepared by Ms. Holden and cash posted to the Mayor's Court Computer System.

On June 11, 2002, we interviewed Roxanne Holden, Mayor's Court Clerk regarding differences between the cash amount recorded in the Mayor's Court Daily Cash Control Report and the amount of cash recorded on the deposit slip she prepared. Ms. Holden stated that the difference was because she cashed employee checks as well as checks from various local residents over the counter; however, she was not able to provide us with documentation to support this statement.

On March 7, 2002, we interviewed Bonita Helton, BPA clerk. Ms. Helton admitted she substituted checks received from customers for utility services for cash receipts which she removed from Mayor's Court deposits after they were prepared by the Mayor's Court Clerk. Ms. Helton also admitted to removing Mayor's Court checks, checks written to her husband's business (Helton Heating and Air) which were cashed over the counter as well as employee checks which were also cashed over the counter from Mayor's Court deposits and replacing them with stale BPA checks. She then altered the deposit slip before taking it to the bank to reflect the reduced cash amount. Ms. Holden allowed Ms. Helton to make the Mayor's Court deposits.

Accordingly, we issued a finding for recovery for \$51,946 against Ms. Roxanne Holden, Mayor's Court Clerk, for public monies collected but unaccounted for and Ms. Bonita Helton, BPA clerk, for public money converted and misappropriated and their bonding company, jointly and severally, in favor of the Village's Mayor's Court.

Additionally, we have issued a noncompliance citation for untimely deposits and recommendations relating to the internal controls on the collection of Mayor's Court receipts.

4. We reviewed recorded disbursements from the Water and Sewer funds and determined whether goods/services purchased from these funds were actually received and whether assets purchased are in the possession of the Village.

Significant Result – We noted a generator costing \$415 could not be located in the Village's possession. In an interview on January 28, 2002, with Ms. Bonita Helton, BPA Clerk, she admitted to purchasing the generator for personal use. Accordingly, we issued a finding for recovery for \$415 against Ms. Bonita Helton and her bonding company, jointly and severally, for public monies illegally expended in favor of the Water Operating Fund.

A disbursement for \$8,400 was improperly posted to the Waste Fund and \$109 was improperly posted to the Sewer Operating Fund. Accordingly, we issued findings for adjustment for \$8,400 against the Village's General Fund in favor of the Waste Fund and for \$109 against the Village's Street Fund in favor of the Sewer Operating Fund.

Additionally, we issued recommendations relating to the internal control of the procurement process for Water and Sewer Funds and we have issued a recommendation to develop a policy to maintain an inventory listing.

5. On October 2, 2002 we held an exit conference with the following:

Bruce Lunsford, Mayor  
Mike Boyd, Clerk-Treasurer  
Joe Howser, Council Member  
John B. Houser, Solicitor  
Rob Baker, BPA Board Member  
Scott Liming, BPA Board Member  
Stephen Ogg, BPA Clerk

The Village officials indicated at the exit conference that they have taken corrective action to implement procedures to address various recommendations noted in this report.

This report is intended for the use of the specified users listed above and is not intended to be and should not be used by anyone other than those specified users. However, 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

October 2, 2002

**VILLAGE OF MT. ORAB  
BROWN COUNTY**

**SUPPLEMENT TO THE SPECIAL AUDIT REPORT**

<b>BACKGROUND INFORMATION</b>
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In 2001, Mike Boyd, Village Clerk-Treasurer discovered a tap-in fee check commingled with a utility billing batch receipt that was posted as a water/sewer billing receipt. Upon further investigation, he found that there were large unauthorized adjustments made to corporate customer utility accounts.

On November 14, 2001, at Mr. Boyd's request, Auditor of State representatives met with him to discuss his concerns regarding irregularities in the utility billing batch deposits and the tap-in fee receipts. Additionally, we were informed that Bonita Helton, Board of Public Affairs (BPA) Clerk, insisted that she was the only person to deposit cash receipts collected by the Village.

Mr. Boyd presented us with documentation regarding utility billing batch receipt deposits that included tap-in fee receipts. Tap-in fees are generally made by check and should have been deposited separately so they could be posted properly to the tap-in fee line item. Some of the utility billing receipts were cash receipts paid by individuals over the counter. Mr. Boyd also presented a copy of utility billing batch receipt deposits and the checks contained in these deposits which he obtained from the bank. These deposits included tap-in fee checks that had been held for a few weeks. Mr. Boyd then presented us with copies of other deposits and checks in which he tried to match up with their corresponding batches. The deposits contained tap-in fee checks and utility billing checks from different batches. When he investigated the tap-in fees with their source documentation, he found checks deposited to cover the tap-in fee documentation did not correlate to the name on the tap-in fee documentation. For example, Customer A's check was held for a while and then was paid with Customer B's tap-in documentation. Then Customer B's check was held. It appeared that the tap-in fee checks were held to cover for some cash shortages in the deposit.

Additionally in mid November 2001, Mr. Boyd noticed there were large unauthorized adjustments posted to corporate customers' utility accounts. Bills were generated for the customers from the meter readings downloaded into the utility billing system. Customers paid the amounts on their billing stub. When the payment was posted, it showed partial payment of the bill and the rest of the billing amount was adjusted so it would show no additional payment due. It appeared that these adjustments were posted to cover cash shortages in the deposits.

On December 10, 2001, Auditor of State representatives met with the Clerk-Treasurer and the Brown County Prosecutor to discuss the irregularities found in the utility deposits.

On January 8, 2002, Auditor of State representatives met with the Village Council, Village Solicitor, Board of Public Affairs members, the Clerk-Treasurer, the Mayor, and the Brown County Prosecutor to review these possible irregularities. The Village put Ms. Helton, BPA Clerk, on administrative leave effective January 9, 2002. On January 10, 2002, Ms. Helton resigned her position. On January 22, 2002; January 28, 2002; and March 7, 2002, Ms. Helton admitted during interviews with the Auditor of State to misappropriating money from the Village.

In a letter to the Auditor of State dated January 16, 2002, Thomas Grennan, Brown County Prosecutor requested a special audit. On January 18, 2002, the Auditor of State's Special Audit Committee voted to initiate a special audit of the Village of Mt. Orab.

In late January 2002 following the initiation of our special audit, Mr. Boyd suggested that we review the Mayor's Court Clerk deposits since there may be problems with those deposits also. Mr. Boyd also presented us with a copy of deposits and checks he obtained from the bank for the Mayor's Court account. The deposits contained checks for utility payments and the actual cash amount deposited was relatively small. A review of the Mayor's Court receipts was included in the scope of the special audit.

**VILLAGE OF MT. ORAB  
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**SUPPLEMENT TO THE SPECIAL AUDIT REPORT**

Throughout our testing we found deposits prepared by the Mayor's Court Clerk, Roxanne Holden, in which the cash amount per detail of the bank deposit was less than the cash amount reflected on the Daily Cash Control Report of the Mayor's Court. On February 11, 2002 and June 11, 2002, we interviewed Ms. Holden regarding these discrepancies. On July 18, 2002, Ms. Holden was placed on leave by Village officials and drew her vacation pay until September 4, 2002, when Ms. Holden was terminated by the Village, retroactive to July 18, 2002.

**VILLAGE OF MT. ORAB  
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**SUPPLEMENT TO THE SPECIAL AUDIT REPORT**

<b>ISSUE NO. 1 - REVIEW OF TAP-IN RECEIPTS</b>
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We reviewed documentation supporting recorded tap-in fee receipts and determined whether payments received by the Village were deposited in tact into an authorized Village bank account and accurately posted to the Village's accounting records.

**PROCEDURES**

1. We obtained an understanding of procedures used to receive tap-in money, collection of payment and how a work order is assigned.
2. From the records available (such as tap-in applications, sewer permits, and work orders), we identified tap-in fees that should have been collected. We confirmed payments for tap-in fees with the large builders/developers and with homeowners. We compared the confirmation to the posted tap-in fees recorded to the Uniform Accounting Network (UAN) computer system and to the amount which should have been collected.

**RESULTS**

1. We obtained an understanding through interviews with Bonita Helton, Board of Public Affairs (BPA) Clerk, Mike Spitznagel, Water Superintendent; Esther Young, part-time BPA employee; and Mike Boyd, Village Clerk-Treasurer regarding the procedures for receiving tap-in money, collection of payment, and how a work order is assigned and noted the following weaknesses:
  - There are no written policies and procedures for the collection of tap-in money and how a work order to install a tap is assigned.
  - The Utility Usage Agreements did not indicate tap-in fees were paid before the Water Department installed the tap-in.
  - The Utility Usage Agreements are not pre-numbered.
  - There is no reconciliation of the tap-ins installed and tap-ins paid.
  - Bank deposits for customer utility payments included customer checks for Tap-in fee receipts, which are not part of the customer utility payments, and the checks comprising a deposit designated as tap-in fees did not correspond with the source documentation for the tap-in fee (i.e. check names on deposit did not match the documentation of whom the tap-in fee was collected from).
  - A log of customer complaints and actions was not kept.

We will issue a citation and make recommendations to management.

2. Using Utility Usage Agreements, sewer permits, a tap-in installation list compiled by the Water Superintendent, building permits provided by the zoning department, and new customers to the utility system identified by audit software, we determined that the Village issued permits and/or installed a total of 292 tap-ins during the Period.

The number of tap-ins purchased per the Utility Usage Agreements and the tap-ins installed list during the Period is reasonable to the number of zoning permits inside the Village and to the number of new houses built outside the Village.

**VILLAGE OF MT. ORAB  
BROWN COUNTY**

**SUPPLEMENT TO THE SPECIAL AUDIT REPORT**

We sent 121 confirmation letters to large builder/developers and homeowners for whom the Village had record that a tap-in was installed or a permit issued. These letters represented \$642,187 in tap-in fees that should have been collected.

From the 63 confirmations for which we received responses, the confirmations indicated that builders/developers and homeowners paid the Village \$542,137 in tap-in fees. From the 58 confirmations not received, 39 of these were posted as paid to the UAN computer system. The other 19 confirmations not received, represent \$43,300 of the total amount that should have been collected.

We reviewed the UAN computer system and noted that of the \$542,137 confirmed paid to the Village for tap-in fees, only \$322,700 was posted to the UAN system as such.

According to Ms. Helton, she substituted tap-in checks received from builders/developers and homeowners for cash receipts which she removed from batch utility billing deposits. As noted in Issue No. 2, this was confirmed since we noted tap-in fee checks included in the batch utility deposits and these batches contained minimal cash.

**CITATION**

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....”

Duplicate receipts were not maintained for tap-ins purchased during the period, and all Utility Usage Agreements were not available for audit.

We recommend the Village maintain duplicate receipts for tap-ins receipts and the Utility Usage Agreements as a check between the Village and the Water Department for tap-ins paid and tap-ins installed.

**RECOMMENDATION**

Few internal controls were noted to be in operation during the period covered by this report for the collection of tap-in receipts. This creates an environment in which fraud and accounting errors could remain undetected. The following internal control deficiencies over the collection of tap-in receipts were noted:

- There are no written policies and procedures for the collection of tap-in money and how work orders are assigned.
- Bank deposits for customer utility payments included customer checks for tap-in fee receipts, which are not part of the customer utility payments. Tap-in fees are generally made by check and should be deposited separately since they are not part of the customer utility payment system. These fees should be separately identified and posted by the Clerk to the accounting system. The checks comprising a deposit designated as tap-in fees did not correspond with the source documentation for the tap-in fee (i.e. check names on deposit did not match the documentation of whom the tap-in fee was collected from). Additionally, we found that some tap-in checks were included in the bank deposits for customer utility payments to cover cash shortages in these utility payment deposits.
- The Utility Usage Agreements did not indicate tap-in fees were paid before the Water Department installed the tap-in.

**VILLAGE OF MT. ORAB  
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**SUPPLEMENT TO THE SPECIAL AUDIT REPORT**

- The Utility Usage Agreements are not pre-numbered.
- There was no reconciliation of the tap-ins installed and the tap-ins paid. The Water Department Superintendent assumed that all the tap-in fees had been paid at the time that the agreement was signed. However there was no indication on the tap-in agreement that the amount was paid.
- A log of customer complaints and actions was not kept.

To improve accountability over tap-in receipts, the Board of Public Affairs should adopt policies and procedures for tap-in receipts including procedures for the following:

- The Village should initiate a system of internal control over the tap-in fee receipts. We recommend that the Utility Clerk and the Water Department reconcile tap-in fees paid to tap-ins installed to ensure all fees are collected prior to installation and that customers that delay installation are given proper credit for prepayment of their tap-in fee. A pre-numbered duplicate receipt book should be maintained to record tap-in fees paid. The Utility Usage Agreement which is issued when a tap-in is collected should be stamped paid, initialed and dated by the clerk collecting the tap-in money. These utility usage agreements should be pre-numbered and kept in a secure location. These should be signed and dated by the applicant.
- The Water Department should maintain a log of customer complaints regarding water and sewer billings. The log should also include how the problem was addressed or fixed. A copy of the log should be sent to the Village office with any recommended action such as an account adjustment and this recommendation should be initialed by someone at the water plant. This log should also be presented to the Board of Public Affairs for review and approval prior to making billing adjustments.

**VILLAGE OF MT. ORAB  
BROWN COUNTY**

**SUPPLEMENT TO THE SPECIAL AUDIT REPORT**

<b>ISSUE NO. 2-REVIEW OF UTILITY BILLING RECEIPTS AND AJUSTMENTS TO CUSTOMER'S ACCOUNTS</b>
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We reviewed documentation supporting recorded utility receipts to determine whether payments received by the Village were deposited intact into an authorized Village bank account and accurately posted to the Village's accounting records.

**PROCEDURES**

1. We obtained an understanding on the procedures of billing customers, collecting payments, and adjusting accounts and reported any weaknesses.
2. Following Ms. Helton's resignation, we presented her with some irregular transactions and interviewed her to understand her procedures for making utility deposits.
3. We reviewed the Yearly Totals Report and obtained a Customer History Report from the Village for those customers identified with large and unusual adjustments and confirmed amounts paid to the Village for monthly utility billings. We compared these confirmed payments with amounts posted to the customer's account in the Village's records.

**RESULTS**

1. We obtained an understanding through interviews with Bonita Helton, Board of Public Affairs (BPA) Clerk; Esther Young, part-time BPA employee; and Roxanne Holden, Mayor's Court Clerk, regarding the procedures followed for billing customers, collecting payments, and adjusting customer accounts and noted the following weaknesses:
  - The checks deposited with batches of customer utility payments did not match customer names on billing stubs included in the batches. The cash amount actually deposited for utility payments was relatively small. Cash payments were not marked as such on the utility system.
  - Adequate records were not maintained to support noncash adjustments made to customer accounts by the BPA. Noncash adjustments made to individual customer accounts were not approved by the BPA or reviewed by anyone other than the individual making the adjustment to the customers account. Minutes were not maintained for the Board of Public Affairs documenting actions they have taken.
  - Customer utility payment batch sheets were not printed out and maintained with the water utility billing stubs to document the batch number and the detail of customer accounts comprising the batch. Individuals inputting batches into the computer utility system do not have passwords and could use the computer system under other employees' names making it difficult to determine who posted customer utility payments to the Village's utility computer system.
  - Deposit slips did not always provide the detail to indicate the cash amount in the deposit, as well as the detail listing of the customer checks and their amounts in the deposit. Non-sufficient funds (NFS) checks were netted out of the current deposit.
  - The Meter Reading List and the Meter Edit List are not reviewed and initialed by anyone.
  - Personal checks are cashed at the Village.
  - An inactive customer account was deleted from the utility billing system.

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**SUPPLEMENT TO THE SPECIAL AUDIT REPORT**

We will issue a citation and make recommendations to management.

2. Based on our discussion with Village employees, cash payments for customer utility bills were frequent. We reviewed the utility batch deposit detail obtained from the bank and noted there was very little cash included in the deposit. Upon further review, we noted that utility batch deposits included checks for tap-in fees that should not have been included in the utility batch deposits. These utility batch deposits should be made up of cash and checks received from customers for monthly utility service. Additionally the checks received for payments on customer accounts in the corresponding batch report were not the checks included in the bank detail of the deposit.

On January 22 and 28, 2002, we interviewed Bonita Helton, BPA Clerk to discuss these irregularities. Ms. Helton indicated that she made all the cash deposits. She stated she did not identify cash on the deposit slip to cover her scheme. She also indicated she substituted tap-in checks received from builders and developers for cash receipts which she removed from batch utility billing deposits.

This was confirmed in that we noted tap-in fee checks were included in batch utility billing deposits that contained minimal cash, and by confirming tap-in payments directly with customers. On January 28, 2002, Ms. Helton presented us with a stack of customer checks totaling \$3,599 that had not been deposited. However the Village's utility system reflected that the accounts of these individuals had been updated to include these payments

Generally, bank receipts should agree to receipts posted to the Village's accounting system. However, in Issue No. 1 we confirmed \$219,437 of tap-in fees were not posted to the Village's accounting system; although each month's reconciliation indicated that the bank balance agreed to the Village's records. When these unrecorded tap-in fees, which customers confirmed as paying, are posted to the Village's records, it results in the Village's bank account being short \$219,437. As noted above Ms. Helton admitted to removing cash from Village deposits. As a result, we will issue a finding for recovery against Ms. Helton and her bonding company for public monies converted or misappropriated.

Additionally, as part of our investigation we found \$3,200 of tap-in fees deposited in the Mayor's Court account, which we have not included in the \$252,478 finding described above since these tap-in fees are part of the finding for recovery for the Mayor's Court found in Issue No. 3. We also found \$43,300 in tap-in fees which were not recorded or confirmed. We did not include the \$43,300 in the \$252,478 finding above because these tap-ins were not traced to a duplicate receipt and we did not receive a response to our confirmation request. For these tap-in fees, we found only a utility usage agreement. The utility usage agreement is between the Village and the applicant, in which the applicant agrees to pay a fee for tapping into the Village's water system. The usage agreement is a strong indicator that a tap-in fee was paid to the Village and is unaccounted for or the fee was never received. A list of these \$43,300 unrecorded tap-in fees was given to the Village officials for further review.

3. Bills were generated for the customers from the meter readings downloaded to the utility billing system. Customers would pay the bill from their billing stub. When the payment was posted, we found some accounts for which it showed partial payment of the bill and the rest of the billing amount was adjusted off the account. This adjustment would be made so it would show no additional payment was due.

On January 28, 2002 we interviewed Ms. Helton and she admitted to using unauthorized adjustments to customer accounts to disguise cash she removed from utility deposits. These adjustments involved reducing the payment amount for large customers and showing the rest of the payment as an adjustment to the customer's account. The adjusted amount would cover cash taken from cash utility payments made by other customers.

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**SUPPLEMENT TO THE SPECIAL AUDIT REPORT**

Using the Yearly Totals Reports by Customers and the Customer History Reports we identified accounts that had large or unusual adjustments. We sent letter to 19 customers requesting they confirm the amount actually paid to the Village. The results of the 16 confirmations we received identified these 16 customers paid \$793,322 for their bills. The billing system reflected posted payments of \$760,281 and unauthorized adjustments \$33,041. We did not receive 3 confirmations. These represent \$3,331 of possible unauthorized adjustments.

Generally, bank receipts should agree to receipts posted to the Village's accounting system. We confirmed \$33,041 in customer payments were not posted to the Village's accounting system. However, each month's reconciliation indicated that the bank balance agreed to the Village's records. When these receipts are posted to the Village's records, it results in a \$33,041 shortage in the Village's bank account. As noted above Ms. Helton admitted to using unauthorized adjustments to customer accounts to disguise cash she removed from utility deposits. As a result we will issue a finding for recovery against Ms. Helton and her bonding company for public monies converted or misappropriated.

**FINDING FOR RECOVERY**

We reviewed the Village Uniform Accounting Network (UAN) computer system and noted that of the \$542,137 confirmed paid to the Village for tap-in fees, only \$322,700 were posted to the UAN system as such. This resulted in a shortage of \$219,437 in receipts that were collected but unaccounted for.

On January 22 and 28, 2002, we interviewed Bonita Helton, Board of Public Affairs (BPA) Clerk and she admitted she substituted tap-in checks received from builders and developers for cash receipts which she removed from batch utility billing deposits.

We confirmed payments made by 16 utility customers in the amount of \$793,322 for monthly bills. The Village billing system reflected payments of \$760,281 and unauthorized adjustments of \$33,041 on these customer accounts. This resulted in a shortage of \$33,041 in customer utility payments that were collected but unaccounted for.

On January 28, 2002 we interviewed Ms. Helton and she admitted to using unauthorized adjustments to customer accounts to disguise cash she removed from utility deposits. These adjustments involved reducing the payment amount for large customers and showing the rest of the payment as an adjustment to the customer's account. The adjusted amount would cover cash taken for cash utility payments made by other customers.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code, Section 117.28, a finding for recovery for public money converted or misappropriated is hereby issued against Bonita Helton, BPA Clerk, and the Ohio Government Risk Management Plan, the bonding company, jointly and severally, in the amount of \$252,478, and in favor the Village's Water and Sewer Funds.

**CITATION**

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...."

One Customer History Report could not be obtained for Western Brown Local School District because the account had been deleted from the system.

**VILLAGE OF MT. ORAB  
BROWN COUNTY**

**SUPPLEMENT TO THE SPECIAL AUDIT REPORT**

We recommend the Village maintain a history of all accounts in the system. If there are old and inactive accounts on the system, a list should be maintained and approved by the Board of Public Affairs to delete records from the utility system.

**RECOMMENDATION**

Few internal controls were noted to be in operation during the period covered by this report for the collection of Water and Sewer receipts. This creates an environment in which fraud and accounting errors could remain undetected. The following internal control deficiencies over the collection of Water and Sewer receipts were noted:

- The checks deposited with batches of customer utility payments did not match customer names on billing stubs included in the batches. The cash amount actually deposited for utility payments was relatively small and did not agree to cash payment amounts noted on the utility system.
- Adequate records were not maintained to support noncash adjustments made to customer accounts by the Board of Public Affairs. Noncash adjustments made to individual customer accounts were not approved by the Board of Public Affairs or reviewed by anyone other than the individual making the adjustment to customer accounts. Minutes were not maintained for the Board of Public Affairs documenting actions they have taken.
- Customer utility payment batch sheets were not printed out and maintained with the water utility billing stubs to document the batch number and the detail of customer accounts comprising the batch. Individuals inputting batches into the computer utility system do not have passwords and could use the computer system under other employees' names making it difficult to determine who posted customer utility payments to the Village's utility computer system.
- Deposit slips did not always provide the detail to indicate the cash amount in the deposit, as well as the detail listing of the customer checks and their amounts in the deposit. Non-sufficient funds (NSF) checks were netted out of the current deposit. Personal checks were being cashed at the Village out of the utility cash drawer.
- The Meter Reading List and the Meter Edit List are not reviewed and initialed by anyone.

To improve accountability over receipts, the Board of Public Affairs should adopt policies and procedures for utility billings and collections including procedures for the following:

- A system for making and initiating noncash adjustments made to customer utility accounts receivable should be created. Any requests for re-reads/adjustments should be documented. Once the reader has re-read a customer's meter, he should initial and document a resolution of the discrepancy in writing (i.e. original reading correct or water leak and recommendation of adjustment to be made). Any noncash adjustment to a users' account recommended by the Water Department should be indicated and initialed by someone at the Water Plant. The Board of Public Affairs should review and approve all adjustments to customer accounts and document these approvals in the Board of Public Affairs minute record.
- Deposit slips should detail the cash amount and list the customer checks included in the deposit along with their amounts. NSF checks should be tracked separately. The Utility Clerk should initial as proof that the batch sheet reconciled with the utility billing stubs collected and stamped dated that day. The method of payment should be noted on the stub and input into the utility computer system. Each stub should be initialed by the individual entering that batch on the batch sheet and deposit slip should be initialed by the individual making that deposit. Personal checks should not be cashed from the cash drawer. Each individual inputting batches in the utility system should have their own password and input batches only under their name.

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- Someone reviews the Meter Reading List to look for any unusual readings. After the changes are made, the person should also look at the Meter Edit List to make sure changes have properly been made. Both of these reports should be printed and maintained, and the reviewer should initial the reports documenting his review.
- Personal checks should not be cashed from the Utilities cash register.
- Minutes should be maintained of the Board of Public Affairs meetings. Official actions such as approval of adjustments to customer's accounts should be documented. The Board should review financial information at each meeting. There should be a comparison between water usage and billings. Tap-in information should be reviewed. This would help the Board to make decisions with regards to the need for capital expenditures.

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<b>ISSUE NO. 3 - REVIEW OF MAYOR'S COURT RECEIPTS</b>
---

We reviewed documentation supporting recorded Mayor's Court receipts and determined whether payments received by the Village were deposited intact into an authorized Village bank account and accurately posted to the Village's accounting records.

**PROCEDURES**

1. We obtained an understanding of procedures for collecting Mayor's Court receipts and reported any weaknesses.
2. We obtained supporting documentation for Mayor's Court deposits from the bank and compared it to the Daily Cash Control Report and to the duplicate receipt book.

**RESULTS**

1. We obtained an understanding through interviews with Roxanne Holden, Mayor's Court Clerk; Bruce Lunsford, Mayor; and the Police Chief regarding the collection process for Mayor's Court receipts and noted the following weaknesses:
  - There were no written policies and procedures for Mayor's Court receipts.
  - There was no segregation of duties for the Mayor's Court. The Mayor's Court Clerk handles all the financial record keeping of the court which includes receipting and depositing of the court's monies and reconciling the bank account.
  - Deposits were not made timely. Usually there were only four deposits a month. Once the deposits were prepared they were not stored in a secure location prior to deposit with the bank. Cash amounts and checks were not always broken out on the Mayor's Court deposit slips. Deposit slips should indicate the cash amount and list the checks included in the deposit and their amounts.
  - Personal checks were cashed out of the Mayor's Court cash drawer for employees and local residents.
  - The Mayor's Court account is reconciled monthly by the Mayor's Court clerk, but it is not reviewed by anyone else.
  - White out correction fluid was used in the cashbook in 2000 and 1999.
2. Following the initiation of the special audit, the Clerk-Treasurer suggested that we review the Mayor's Court Clerk deposits since there may be problems with those deposits. The Clerk-Treasurer also presented us with a copy of deposits and checks he obtained from the bank for the Mayor's Court account. The deposits contained checks for utility payments and the actual cash amount deposited was relatively small.

Based on our discussion with Village employees, cash payments for Mayor's Court fines and costs were frequent. We reviewed the detail of the Mayor's Court deposits obtained from the bank and found that the deposits contained checks for utility payments and the actual cash amount deposited was relatively small. We also noted that the deposit slips obtained from the bank were altered from the deposit initially prepared.

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On February 11, 2002, we interviewed Roxanne Holden, Mayor's Court Clerk. Ms Holden stated that when she prepared deposits, she usually broke out cash and checks on the face of the deposit slip. Sometimes these deposits included checks cashed by employees or residents of the Village. Once the deposit was prepared, it was set on the end of a desk for deposit by Ms. Helton, BPA Clerk, who usually took all the deposits to the bank after they were prepared.

On March 7, 2002 we interviewed Bonita Helton, BPA clerk. Ms. Helton admitted she substituted checks received from customers for utility services for cash receipts which she removed from Mayor's Court deposits. She also admitted to removing Mayor's Court checks, checks written to her husband's business (Helton Heating and Air) which were cashed over the counter as well as employee checks cashed over the counter from the Mayor's Court deposit and replacing them with stale BPA checks she was holding. Ms. Helton would then alter the deposit slip before taking it to the bank to reflect the reduced cash amount.

We received the detail of 89 of the 109 deposits made to the Mayor's Court account from the bank for the Period. For these deposits, the Mayor's Court posted receipts of \$117,164 consisting of \$63,164 in cash and \$54,000 in checks or money orders. The bank deposits showed deposits of \$117,164 consisting of \$11,218 in cash and \$105,946 in checks and money orders, resulting in a cash shortage of \$51,946. From review of the detail in the Mayor's Court deposits, we found these deposits to include utility checks and \$3,200 in tap-in fee payments.

For 12 deposits we were unable to use the bank's records. We did not receive documentation regarding 8 deposits from the bank. Because the records were not available, we were unable to reach any conclusion regarding these 20 deposits.

Cash in the amount of \$63,164 recorded per the Receipts or the Daily Cash Control Report did not agree with the duplicate deposit slip prepared by Ms. Holden; however the duplicate deposit slips did not always show the amount of cash received. In instances where the duplicate deposit slips identified amounts of cash, we noted an \$8,685 difference between cash listed on the duplicate deposit slip prepared by Ms. Holden and cash posted to the Mayor's Court Computer System.

On June 11, 2002, we interviewed Roxanne Holden, Mayor's Court Clerk regarding differences between the cash amount recorded in the Mayor's Court Daily Cash Control Report and the amount of cash recorded on the deposit slip she prepared. Ms. Holden stated that she cashed employee and local residents' personal checks over the counter, but was not able to provide us with documentation to support this statement. Because Ms. Holden was responsible for the receipts and because Ms. Helton admitted to manipulating the final deposit slips after they were prepared by Ms. Holden, we will issue a finding for recovery against Ms. Holden for public monies collected but unaccounted for and Ms. Helton for public monies converted and misappropriated, jointly and severally, for \$51,946 for public monies collected but unaccounted for.

**FINDING FOR RECOVERY**

Ms. Roxanne Holden, Mayor's Court Clerk, provided a receipt to each defendant paying ticket fines. She would mark if the defendant paid by cash, check, or money order. Ms. Holden would prepare her deposit slip and set it on her desk. Ms. Holden allowed the Mayor's Court receipts to be deposited by Ms. Bonita Helton, BPA Clerk. The Village records of cash received did not match the bank's record of cash deposited. During interviews with Ms. Holden, Mayor's Court Clerk, she stated that she would cash checks out of the Mayor's Court drawer for members of the public including Ms. Helton's husband. During interviews with Ms. Helton, she stated that prior to taking the Mayor's Court deposit to the bank, she removed cash and replaced it with checks meant to pay customer utility bills.

We received 89 of the 109 deposits from the bank. There was a difference of \$51,946 between the cash receipts posted and the cash deposited with the bank.

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Mayor's Court Education and Procedure Rule May.R. 13(B) states in part: "A mayor's court should have a clerk who, in addition to those duties delegated by the mayor, should be responsible for processing and maintaining all documents filed with the mayor's court, maintaining the docket of the court, administering the traffic violations bureau, collecting and distributing to the proper sources all fines and costs imposed by the court . . ." Ohio Traffic Rule Traf.R. 13(A), states in part: "Each court in Ohio is to establish a traffic violations bureau. . . The Court shall appoint its clerk as violations clerk. Fines and costs shall be paid to, receipted by and accounted for by the violations clerk." As the Mayor's Court Clerk, Ms. Roxanne Holden was required to comply with these court rules.

Ohio Rev. Code, Section 9.39, states all public officials are liable for all public money received or collected by them or their subordinates under color of office. Ohio Rev. Code, Section 9.38, states "public official" has the same meaning as in section 117.01 of the Revised Code. Ohio Rev. Code, Section 117.01(E), defines public official as any officer, employee, or duly authorized representative or agent of a public office. As the person who initially received court fines and costs, Mayor's Court Clerk, Roxanne Holden was responsible to see that this money was safeguarded and deposited properly.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code, Section 117.28, a finding for recovery for public money collected but not accounted for is hereby issued against Roxanne Holden, former Mayor's Court Clerk and for public money converted or misappropriated against Bonita Helton, former BPA Clerk, and the Ohio Government Risk Management Plan, their bonding company, jointly and severally, in the amount of \$51,946, and in favor of the Village's Mayor's Court.

**CITATION**

Ohio Rev. Code, Section 9.38, provides in part that any public official other than a state officer, employee, or agent shall deposit all public moneys received by that person with the treasurer of the public office or properly designated depository on the business day next following the day of receipt, if the total amount of such moneys received exceeds one thousand dollars. If the total amount of the public moneys so received does not exceed one thousand dollars, the person shall deposit the moneys on the business day next following the day of receipt, unless the public office of which that person is a public official adopts a policy permitting a different time period, not to exceed three business days next following the day of receipt, for making such deposits, and the person is able to safeguard the moneys until such time as the moneys are deposited.

The Mayor's Court receipts were collected and recorded daily by the Mayor's Court Clerk. For the period, deposits were made only once every week or two weeks.

We recommend the Mayor's Court Clerk deposit the receipts as stated by the above law. By doing so, the Mayor's Court will reduce the susceptibility of cash being misplaced or misappropriated.

**RECOMMENDATION**

Few internal controls were noted to be in operation for the collection of Mayor's Court receipts. This creates an environment in which fraud and accounting errors could remain undetected. The following internal control deficiencies over the collection of Mayor's Court receipts were noted:

- There was no segregation of duties for the Mayor's Court. The Mayor's Court Clerk handles all the financial record keeping of the court which includes receipting and depositing of the court's monies and reconciling the bank account.
- Deposits were not made timely, usually there were only four deposits a month. Once the deposits were prepared they were not stored in a secure location prior to deposit with the bank. Cash amounts and checks were not always broken out on the Mayor's Court deposit slips.

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- Personal checks were cashed out of the Mayor's Court cash drawer for employees and the BPA Clerk's husband.
- The Mayor's Court account is reconciled monthly by the Mayor's Court clerk, but it is not reviewed by anyone else.
- White out correction fluid was used in the cashbook in 2000 and 1999.

To improve accountability over Mayor's Court revenues and reduce the chance of errors occurring and not being detected, the Village should adopt policies and procedures for the collection of Mayor's Court receipts including the following procedures:

- Procedures should be established that provide an adequate segregation of duties. These procedures could include a detailed assignment of specific duties pertaining to one area (i.e. depositing, receipting, reconciling), periodic spot checks by someone independent of a specific function, and periodic spot checks by officials to assure that proper procedures are followed by employees.
- Deposit slips should indicate the cash amount and list the checks included in the deposit and their amounts. Deposits should be made within 24 hours of receipt, and receipts not deposited, should be safeguarded to prevent misappropriation of funds.
- Personal checks should not be cashed from the Mayor's Court cash drawer.
- Monthly reconciliations should be reviewed and initialed by the Mayor and the Magistrate.
- White out correction fluid should not be used in the cashbook. This could create the appearance of falsifying records and thus should not be used. Corrections should be made by marking out the transactions and denoting the correct entries.

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<b>ISSUE NO. 4 - REVIEW OF WATER AND SEWER FUND DISBURSEMENTS</b>
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We reviewed recorded disbursements from the water and sewer funds to determine whether goods/services purchased from these funds were actually received and whether assets purchased are in the possession of the Board of Public Affairs (BPA).

**PROCEDURES**

1. We obtained an understanding of the procedures for ordering goods or services for the Board of Public Affairs, and payment of these goods or services and reported any weaknesses.
2. We scanned the BPA (Water and Sewer) disbursements and identified any unusual disbursements and traced them to supporting documentation.
3. We traced equipment purchases to their physical locations.

**RESULTS**

1. We obtained an understanding through interviews with Mike Spitznagel, Water Superintendent; Mike Boyd, Village Clerk-Treasurer; and Esther Young, part-time BPA employee regarding the procedures for ordering goods or services and the payment of these goods or services and noted the following weaknesses:
  - There are no written policies and procedures for BPA disbursements.
  - Employees ordered goods or services without purchase orders or without prior approval from the Water Superintendent or BPA.
  - There was no documentation that invoices were reviewed by BPA employees prior to payment to indicate the goods or services had been received.
  - Vouchers did not list the fund and appropriation line item that the disbursement was paid, and did not always have proper supporting documentation attached.
  - No inventory list was maintained of BPA assets.

We will issue recommendations to management.

2. Our scan of water and sewer fund disbursements noted the following unusual disbursements:
  - Check No. 23686 was a disbursement to The Baldwin Group, Inc. for the purchase of Mayor's Court Software for \$8,400. This was purchased from the Waste Fund (Fund 5601). This disbursement was approved by the Village Council but was not approved by the Board of Public Affairs. We will issue a finding for adjustment.
  - Check No. 24319 was a disbursement to Sears for the purchase of a leaf blower for \$109. This was purchased from the Sewer Operating Fund (Fund 5201). The voucher indicates that it should have been purchased from the Street Fund. We will issue a finding for adjustment.
  - The following three vouchers did not have sufficient supporting documentation attached, however they were approved by BPA:
    - Check no. 24162 was paid to Fred Kirker, former Water Superintendent for his vacation pay in the amount of \$6,426. This was paid from the Water Operating Fund (Fund 5101) and the Sewer Operating Fund (Fund 5201).

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- Check no. 22339 in the amount of \$70 and check no. 22402 in the amount of \$275 were written to Brian Helton for part-time work he did for the Water and Sewer Department. These were paid from the Water Operating Fund (Fund 5101).

We will issue a recommendation to management.

3. Check no. 24521 was payable to Harbor Freight Tools for a generator in the amount of \$415. It was purchased from the Water Operating Fund (Fund 5101). The Village does not have the generator in its possession.

On January 28, 2002, during an interview with Bonita Helton, BPA Clerk, she admitted to purchasing this equipment through the Village for personal use and did not reimburse the Village for the purchase. We will issue a finding for recovery against Ms. Helton for this amount.

We were able to trace other equipment purchases to their physical locations.

**FINDING FOR RECOVERY**

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951) provides that expenditures made by a public entity should serve a proper public purpose.

We found a purchase of a generator that the Village does not have in its possession. The price of the generator was \$415. On January 28, 2002, during an interview with Bonita Helton, BPA Clerk, she admitted to purchasing this equipment through the Village for personal use and did not reimburse the Village for the purchase.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code, Section 117.28, a finding for recovery for the illegal expenditure of public monies is hereby issued against Bonita Helton, BPA Clerk, and the Ohio Government Risk Management Plan, the bonding company, jointly and severally, in the amount of \$415, and in favor the Village's Water Operating Fund.

**FINDING FOR ADJUSTMENT**

Ohio Rev. Code, Section 5705.10, requires that all money paid into any fund shall be used only for the purposes for which such fund is established. In 2001 there were two purchases paid from the wrong fund.

Check no. 23686 was a disbursement to The Baldwin Group, Inc. for the purchase of Mayor's Court Software for \$8,400. This was purchased from the Waste Fund (Fund 5601). This should have been paid from the General Fund.

Check no. 24319 was a disbursement to Sears for the purchase of a leaf blower for \$109. This was purchased from the Sewer Operating Fund (Fund 5201). The voucher indicates that it should have been purchased from the Street Fund.

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Had these amounts been expended from the proper funds, the effect would have been the following:

	General Fund (1000)	Street Const., Maint. & Repair Fund (2011)	Sewer Operating Fund (5201)	Waste Fund (5601)
Fund Balance, 12/31/2001	\$131,297	\$11,883	\$42,600	\$46,710
Mayor Court Software Expense	(8,400)			8,400
Leaf Blower Expense		(109)	109	
Proposed Adjusted Fund Balance, 12/31/01	\$122,897	\$11,774	\$42,709	\$55,110

In accordance with the foregoing facts, Findings for Adjustment are hereby issued against the Village's General Fund in the amount of \$8,400, in favor of the Waste Fund and against the Village's Street Fund in the amount of \$109, in favor of the Sewer Operating Fund.

**RECOMMENDATIONS**

**Purchasing Cycle**

The following control weaknesses were noted in the purchasing process control environment:

- There was no written prior authorization of purchases by the Water Superintendent.
- The invoice was not initialed by the receiver before payment of the invoice.
- There was no supporting documentation attached to the voucher for three of the disbursements we reviewed.
- The vouchers did not have the fund and appropriation line item that the disbursement was being paid listed and did not always have supporting documentation attached.

These control weaknesses could result in the unauthorized purchase of goods or services, the payment for goods or services not received, or the misappropriation of assets.

To improve accountability over non-payroll expenditures, the Board of Public Affairs should adopt policies and procedures for purchases including procedures for the following:

- Prior authorization of a purchase through the use of a purchase order or requisition which should be approved and documented through the appropriate Supervisor and the Clerk-Treasurer and should include appropriate coding for the expenditures;
- Accumulation of appropriate supporting documentation (original invoices) prior to authorization for payment;
- Detailed review of the invoice and supporting documentation indicating descriptions of the goods/services received and documentation on the invoice that the goods/services were received; ("okay to pay")
- Matching of invoice with purchase order and copy of check or check stub to ensure all supporting documentation has been reviewed;
- Review of check used to pay the purchase and supporting documentation to ensure that the payee, amount, address, etc. on the check and invoice agree, and;

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- Review of expenditures as posted to the expenditure ledger to ensure appropriate coding was utilized for payment.

**Inventory System**

The Board of Public Affairs (BPA) has not developed an inventory accounting system. An inventory accounting system maintains total inventory listings by location with tag identification numbers and other supplemental information. The BPA, also, has not developed and implemented procedures to assist in recording inventory as additions (when purchased) and deletions (when disposed of) throughout the fiscal year. Also, procedures have not been implemented to perform periodic physical inventories of assets as listed on the inventory accounting system. Failure to maintain records or employ adequate controls over the acquisition and disposal of inventory could result in misappropriation of assets and misstatements of recorded assets.

A listing of all inventory owned by the BPA should be maintained and updated to reflect additions of inventory acquired and deletions of inventory sold or disposed of throughout the year.

To promote adequate safeguards over their inventory, and to reduce the risk that the BPA's inventory will be misstated, the BPA should prepare an updated listing of all inventory owned and develop and implement appropriate procedures to be performed throughout the year. These procedures should include tagging all inventory items when received and recording the inventory tag number, the development of addition and disposal forms to be completed by the BPA and approved by management when inventory is acquired or disposed recording such information as the tag number, a description, the cost, the acquisition date, reference for supporting documentation such as an invoice and proper approval. The BPA should also develop and implement procedures for performing periodic (e.g. annual) physical inventories. The physical inventories can be performed by submitting a list of all inventory recorded to each location and having individuals responsible for that location perform the inventory of all inventory in that location. The inventory in the location should be compared to the list provided. Inventory no longer used should be disposed, and inventory not included on the listing should be added.



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**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  
OCTOBER 10, 2002**