



**Auditor of State
Betty Montgomery**

CLERK OF COURTS – TITLE OFFICE
WASHINGTON COUNTY

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of County Commissioners and
Judy Van Dyk, Clerk of Courts
Washington County
205 Putnam Street
Marietta, Ohio 45750

To the Board of County Commissioners and Clerk of Courts:

We have performed the procedures enumerated and for the period September 1, 2002 to August 25, 2005, which were agreed to by the addressees, solely to assist Washington County, Ohio (the County), in evaluating the title work prepared by employees of the Clerk of Courts – Title Office and concentrating on the work prepared by former employee Susan L. Douglas. Management is responsible for the County's monitoring of the processing of titles and determining if they were properly recorded. We followed the American Institute of Certified Public Accountants' attestation standards for agreed-upon procedures engagements. The sufficiency of the procedures is solely the responsibility of the County. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. Our procedures were as follows:

1. We recomputed the sales tax and fees due on each certificate of title transaction processed for August 2, 2005, August 3, 2005, August 12, 2005, August 24, 2005 and August 25, 2005 by employees other than Susan L. Douglas, and compared those amounts to the amounts recorded as paid. We documented each transaction processed by recording the Title Number, Issuer, Issue Date, Resident County, Purchase Price, Trade-In Amount, Taxable Amount, Exempt Code, Tax Rate, and Tax, Fees, and Total Due.

We noted nine (9) instances where the information from the dealer was incorrect. For example, the application of title indicates a trade-in; however, the tax was calculated by the dealer without the trade-in. When this was entered into the system by the Title Office, the employee "made the transaction work" by not inputting a trade-in amount into the system so the check from the dealer would agree to the amount due calculated by the system. The recalculated tax amounted to \$4,827.82, the total tax reflected on the receipts was \$4,678.98, and the total variance was \$148.84.

2. We compared the amount received for each certificate of title transaction processed August 2, 2005, August 3, 2005, August 12, 2005, August 24, 2005, and August 25, 2005 by employees other than Susan L. Douglas to the amount deposited in the bank. We compared the total amount due to the deposit slip. We compared the checks received to the adding machine tape attached to the pink copy of the deposit slip and the cash received to the amount for the cash on the deposit slip.

2. We were unable to compare the cash and check amounts per the titles to the actual cash and check amounts on the deposit slips. Each person working at the Title Office closed out for the day at different times and once they were closed out for the day, they started processing titles on the next day's business. However, the system date still stayed the same. It was difficult to establish a cut off point for each person, each day. Also, when a Title employee entered the type of payment received, they were not careful in distinguishing whether they received cash or check on the system. Therefore, we were unable to agree the cash and checks per the system to the cash and checks on the deposit slips.

3. We recomputed the sales taxes and fees due on each certificate of title transaction processed by Susan L. Douglas for the months of July and August 2005. We compared those amounts to the amounts recorded as paid. We documented each transaction processed by recording the Title Number, Issuer, Issue Date, Resident County Purchase Price, Trade-In Amount, Taxable Amount, Exempt Code, Tax Rate, and Tax, Fees and Total Due.

The recomputed sales tax and fee amounts due agreed to what was posted to the system as paid. No exceptions were noted.

4. We compared the amount received for each certificate of title transaction processed by Susan Douglas for the months of July and August 2005 to the amount deposited in the bank. We compared the total amount due to the deposit slip. We compared the checks received to the adding machine tape attached to the pink copy of the deposit slip and the cash received to the amount for the cash on the deposit slip.

As noted in procedure 2, we were unable to compare the cash and check amounts per the titles to the actual cash and check amounts on the deposit slips. Each person working at the Title Office closed out for the day at different times and once they were closed out for the day, they started processing titles on the next day's business. However, the system date still stayed the same. It was difficult to establish a cut off point for each person, each day. Also, when a Title employee entered the type of payment received, they were not careful in distinguishing whether they received cash or check on the system. Therefore, we were unable to agree the cash and checks per the system to the cash and checks on the deposit slips. None of these titles appeared to be altered.

5. We recomputed the sales taxes and fees due on each certificate of title transaction processed by Susan L. Douglas for randomly selected transactions from September 1, 2002 through June 30, 2005. We compared those amounts to the amounts recorded as paid. We documented each transaction processed by recording the Title Number, Issuer, Issue Date, Resident County Purchase Price, Trade-In Amount, Taxable Amount, Exempt Code, Tax Rate, and Tax, Fees and Total Due.

The recomputed sales tax and fee amounts due agreed to what was posted to the system as paid. No exceptions were noted.

6. We compared the amount received for each certificate of title transaction processed by Susan L. Douglas for randomly selected transactions from September 1, 2002 through June 30, 2005 to the amount deposited in the bank. We compared the total amount due to a copy of the deposited check from the vendor.

There were forty-nine (49) instances where it appears the application for title was altered. Sales tax was calculated by taking the purchase price less the trade-in amount and multiplying the remaining amount by the sales tax rate of the customer's resident county. In most instances, it appears the trade-in amount was altered or a trade-in amount was added, changing the amount of sales tax due to less than what was originally calculated. There were also thirteen instances where the dealers made errors in calculating the tax or fees. Although there were not any alterations to the application for title, a variance still existed between the amount due and the check from the vendor.

All of the instances of variances that were found were from dealers located in West Virginia. There were eight dealers affected. Since these dealers were out of state, they sent all of their title work through the mail, making it easier for the application for title to be altered or not being aware of miscalculations made on the dealers' part. The total variance found was \$4,601.88. Accordingly, a finding for recovery will be issued against Susan L. Douglas, former employee, as disclosed in Finding 1.

We were not engaged to and did not perform an examination, the objective of which would be the expression of an opinion on these transactions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that we would have reported to you.

This report is intended solely for the information and use of the addressee listed above and is not intended to be, and should not be used by anyone else.



Betty Montgomery
Auditor of State

April 19, 2006

Finding 1

Finding for Recovery

Between September 1, 2002 and March 19, 2005, there were sixty-two (62) instances where there was a variance between the amount of tax and fees due on title transactions and the amount recorded as paid by Susan L. Douglas, former Deputy Clerk of the Clerk of Courts – Title Office. Susan L. Douglas was the Deputy Clerk responsible for these transactions, as indicated by the accounting records and titles reviewed.

There were forty-nine (49) instances where it appears that the application for title was physically altered. Sales tax was calculated by taking the purchase price, less the trade-in amount, and multiplying the remaining amount by the sales tax rate of the customer's resident county. In most instances, it appears that the trade-in amount was altered or a trade-in amount was added, changing the amount of sales tax due to less than what was originally calculated.

There were also thirteen (13) instances where dealers made errors in calculating the sales tax or fees due. Although this resulted in no alterations to the titles, a variance still existed between the amount due and the amount paid by the vendor.

As a result, payments from vendors were deposited in the Clerk of Courts – Title Office bank account for amounts greater than the sales tax and fees indicated as due. In order for the daily activity to balance between the books and the deposit, cash was removed from the cash drawer. Although the computer system of the Title Office had the capability to distinguish between cash, checks and charges for balances purposes (see Finding 3 below), this feature was not properly utilized or reviewed during closeout procedures, thereby allowing these items to go undetected.

The total variance documented from these activities was \$4,601.88.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery is hereby issued for monies collected but not accounted for against Susan L. Douglas, former Deputy Clerk, and the County Risk Sharing Authority, her bonding company, jointly and severally, in the amount of \$4,601.88, in favor of the Washington County Certificate of Title Administration Fund.

On June 6, 2006, Ms. Douglas plead guilty to a fourth-degree felony theft in office charge in the Washington County Court of Common Pleas.

Finding 2

When designing the public office's system of internal control and the specific control activities, management should consider the following:

- Ensuring that all transactions are properly authorized in accordance with management's policies;
- Ensuring that accounting records are properly designed; and
- Ensuring adequate security of assets and records.

A single deposit ticket was prepared daily for the Title Office, which listed the total currency and total amount of checks processed by all employees. Individual checks were not listed out on the deposit ticket; however, each employee totaled their checks on an adding machine and included the tape (initialed and dated) with the duplicate deposit ticket. In many instances, however, an individual's daily check receipts could not be agreed to the tape, as a result of errors and inconsistencies being made upon entering payment information within the receipt. For example, a payment made with cash would be marked as a check or vice versa.

Finding 2 (Continued)

In addition, cash deposited as per the deposit ticket could not be traced to each individual's daily cash receipts, due to no distinction being made for separate cash drawers on the supporting documentation with the duplicate deposit ticket. The difficulty of agreeing check receipts to the tape and total cash receipts to cash per the deposit ticket was further compounded by the practice of employees cashing personal checks from the cash drawer or utilizing personal debit cards in order to replace credit slips with cash from the cash drawer.

This practiced resulted in a loss of public funds and a general lack of control over cash and checks deposited.

We recommend the Clerk of Courts implement the use of a cash count sheet within the daily close out process. The cash count sheet should separate out cash denominations and include a list of all checks received/deposited. A separate cash count sheet should be completed by each individual. The cash count sheets should then be verified by the bookkeeper and agreed to the cash drawer close screen.

Finding 3

When designing the public office's system of internal control and the specific control activities, management should consider verifying the existence and valuation of assets and liabilities and periodically reconciling them to accounting records.

The accounting system provided the ability to document total checks, cash, and charges entered into the system by each Title Office employee. There was no evidence to indicate that attempts were made to agree each employee's total checks, cash, and charges entered into the system to the actual checks, cash, and charge slips in their respective deposits. Instead, the employees ignored the check, cash, and charge amounts to be deposited and balanced to the total amount to be deposited by each employee. Attempts to agree the checks, cash, and charges per the system to the checks, cash, and charges deposited indicated the amounts do not agree on a regular basis.

As a result, employees could receive a check for an amount which was higher than the amount due, then record in the system the amount due as the amount received, and short the cash drawer for the difference between the two amounts. Consequently, the drawer would still balance to the total to be collected as indicated by the accounting system. Accordingly, errors and/or fraud could go undetected for significant periods of time.

We recommend Title Office employees balance the checks, cash, and charges in their deposit to their total checks, cash, and charges entered into the accounting system. We further recommend the bookkeeper, or a Clerk of Courts designee, review the checks, cash, and charge slips deposited for each employee to an accounting system generated report detailing the amount of checks, cash, and charges received and entered by employee, and note any variances. Any such variances should be investigated and resolved prior to closing out the books for the day.

Finding 4

Titles processed by the Title Office should be prepared from the information provided by the dealer and not be altered by the Title department for any reason.

During our testing of title transactions, we encountered nine (9) instances where the information from the dealer did not reflect what was used to process the title, as noted below:

- The application for title included a trade-in; however, the tax was calculated by the dealer without the trade-in and the Title employee did not enter the trade-in in the system.
- The title application purchase price was different from the amount written on the title and the purchase price was marked out with correction fluid or a pen to reflect the amount paid by the dealer.
- Upon entering these types of transactions into the accounting system, the Title office employees entered the information that was necessary to make the total tax agree to the amount paid by the dealer. No reason for the change in original information (prepared by the dealer) was indicated with the title support.

The recalculated tax amounted to \$4,827.82, the total tax reflected on the receipts was \$4,678.98, and the total variance was \$148.84.

Altering documents submitted by the dealer to agree to the amount paid by the dealer could result in the incorrect collection of taxes due to the State of Ohio and fees due Washington County, in addition to increasing the risk of fraud and/or errors occurring within the Title Office.

We recommend the Title Office employees process title transactions as submitted by the dealer. If there is a discrepancy between documents prepared by the dealer and the amount of tax paid, we recommend the Title Office employee contact the dealer for clarification or, alternatively, send the entire package back to the dealer for correction. If the dealer indicates a change to the original information, we further recommend the correction be documented by noting the person spoken to, the change made and the reason for the change.



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CLERK OF COURTS – TITLE OFFICE

WASHINGTON 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 20, 2006**