



**CHAMPAIGN COUNTY MUNICIPAL COURT
CHAMPAIGN COUNTY**

SPECIAL AUDIT

FOR THE PERIOD JANUARY 1, 2006 THROUGH APRIL 30, 2007



Mary Taylor, CPA
Auditor of State

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report	3
Supplement to the Special Audit Report	
Background	5
Issue No. 1 – Manual Receipts Issued	6
Issue No. 2 – Voided Receipts	8
Issue No. 3 – Payment Agreements	9

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Honorable Judge Susan J. Fornof-Lippencott
Champaign County Municipal Court
205 South Main Street
Urbana, Ohio 43078

We have conducted a special audit of the Champaign County Municipal Court by performing the procedures described in the attached Supplement to the Special Audit Report for the period January 1, 2006 through April 30, 2007 ("Period"). The audit procedures were performed solely to:

- Determine whether certain payments received for which manual receipts were issued, were deposited intact into an authorized bank account and accurately posted to the Court's accounting records.
- Determine whether certain voided receipts posted to the Court's computer system were for a valid action and authorized.
- Determine whether certain payments received by the Court as the result of payment agreements entered into with defendants were deposited intact into an authorized bank account and accurately posted to the Court's accounting records.

This engagement was conducted in accordance with the Quality Standards for Inspections established by the President's Council on Integrity and Efficiency (January 2005). The procedures and associated findings are detailed in the attached Supplement to the Special Audit Report. A summary of our procedures and significant results is as follows:

1. We examined available documentation supporting certain manual receipts issued during the Period.

Significant Results – As Clerk of Court, Lisa Niles' responsibilities did not include physically accepting payments and issuing receipts to defendants. However, during the Period, Ms. Niles signed five manual receipts totaling \$290 which we could not trace to a deposit into the Court's bank account or a receipt in its computer system.

We issued a finding for recovery against Ms. Niles for public monies collected but unaccounted for in the amount of \$290.

We issued three management comments related to manual receipts, segregation of duties and password security.

2. We examined available documentation supporting certain voided receipts posted to the Court's computer system during the Period.

Significant Results – There were no voided receipts processed by Ms. Niles or by unidentified users. We randomly selected 27 voided receipts for testing that were processed by the deputy clerks and determined that each selected receipt was authorized and for a valid reason.

3. We examined available documentation supporting certain payments received during the Period as the result of payment agreements entered into with defendants.

Significant Results – Seven files indicated that Ms. Niles received a payment. Ms. Niles issued manual receipts for five of these payments. We examined these five manual receipts in Issue No. 1 and included them in the finding for recovery reported in Issue No. 1 above. The other two files indicated that Ms. Niles received a total of \$75.50. We were unable to trace the \$75.50 to a deposit into the Court's bank account or the Court's computer system.

We issued a finding for recovery against Ms. Niles for public monies collected but unaccounted for in the amount of \$75.50. Additionally, we issued a noncompliance citation to the Court for failure to retain payment agreements.

4. On November 8, 2007, we held an exit conference with the following individuals from the Court:

Judge Susan Fornof-Lippencott
Gary Bauer, Bookkeeper

The attendees were informed that they had five business days to respond to this Special Audit Report. Judge Fornof-Lippencott indicated that the Court did not intend to submit a response, and no response was received.



Mary Taylor, CPA
Auditor of State

July 3, 2007

Supplement to the Special Audit Report

Background

Champaign County Municipal Court is presided over by the Honorable Judge Susan J. Fornof-Lippencott. The Court was established pursuant to Ohio Revised Code Chapter 1901 and has county-wide jurisdiction. According to O.R.C. Section 1901.31(A)(2)(a), the court is responsible for appointing a clerk of court when the population of the territory served is less than one hundred thousand. In January 2006, Judge Fornof-Lippencott appointed Lisa Niles Clerk of Court for the Champaign County Municipal Court.

In April 2007, Court employees informed Judge Fornof-Lippencott of concerns involving alleged thefts by Ms. Niles. The employee noticed that Ms. Niles had collected payments, prepared hand-written receipts and not posted the payments to the Court's accounting system or included them in deposits. Judge Fornof-Lippencott confronted Ms. Niles regarding the allegations and placed her on administrative leave. Ms. Niles' employment was subsequently terminated on May 3, 2007.

Judge Fornof-Lippencott notified the Urbana Police Department of the matter and a criminal investigation was initiated. The Auditor of State was informed of the allegations by the Finance Director for the City of Urbana. The Auditor of State's Special Audit Task Force considered the matter and on May 18, 2007, initiated a special audit.

On March 20, 2008, Ms. Niles entered a plea of guilty to one count of theft in office, a fifth-degree felony, and one count of tampering with records, a first-degree misdemeanor.

Supplement to the Special Audit Report

Issue No. 1 – Manual Receipts Issued

Procedures

We prepared a narrative of the process used by the Court to issue manual receipts, including a description of the circumstances under which manual receipts were issued instead of computerized receipts.

We examined the manual receipt books used during the Period and identified any receipts that were missing from the books or issued out of sequence. We selected certain manual receipts for further testing based on the following criteria:

- All receipts signed by Clerk of Court Lisa Niles;
- All unsigned receipts;
- All receipts issued out of sequence; and
- Additional receipts, randomly selected to ensure that at least three receipts were tested for each of the deputy clerks who issued manual receipts.

For each manual receipt selected, we traced the manual receipt to the corresponding receipt in the Court's computer system and noted any manual receipts for which a computerized receipt was not issued. We compared the information recorded on the manual receipts to the information recorded in the Court's computer system and noted any discrepancies.

We traced the manual receipts to the corresponding day's cashbook to determine if the receipts had been included in the deposit. We traced the cashbook total to the deposit, and the deposit to the bank statement and noted any exceptions.

Results

Deputy clerks collected revenue from fines, judgments and court fees in the Clerk's office. It was general practice that deputy clerks issued computerized receipts to customers and maintained copies of the receipts in the corresponding case folders. Lisa Niles did not perform these duties and was not responsible for accepting payments from defendants. Occasionally, deputy clerks issued manual receipts for payments for copies, if the computer system was down, or when case information had not yet been entered into the computer system. Under these circumstances, the deputy clerks issued manual receipts in order to promptly serve the customers and then entered the case information into the system after the customers left.

When a manual receipt was issued, the deputy clerk later entered it into the computer system and generated a corresponding computer receipt before the funds could be processed for deposit. By doing so, all receipts were accounted for through the computer system prior to deposit. The Court's bookkeeper did not accept funds with manual receipts that had not been entered into the computer system.

We examined the four manual receipt books used by the Court during the Period and noted that 14 receipts were missing from these books. We also examined one unused receipt book and noted that eight receipts were missing from it. Because all parts of the receipts were missing, we were unable to trace the receipts to the computer system or deposits.

The Court obtained from defendants copies of five of the missing receipts. We reviewed the five receipts and identified a total of \$290 that was not deposited into the Court's bank account or reflected in the computer system. Lisa Niles signed all five of the manual receipts involved.

Finding for Recovery

On certain occasions, the Court issued manual receipts for payments received from individuals. We noted that Ms. Niles signed five manual receipts for payments totaling \$290 which we were unable to trace to deposit into the Court's bank account or the Court's computer system.

Supplement to the Special Audit Report

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a finding for recovery is hereby issued for public monies collected but unaccounted for against Lisa Niles for \$290 and in favor of the Champaign County Municipal Court.

Management Comments

Manual Receipts

Sequential pre-numbered receipts should be issued for payments received in order to provide accounting control over the collection and recording of revenues. An examination of the manual receipts issued by the Court noted the following exceptions:

- Receipt books were not used in sequential order;
- Pre-numbered receipts were not issued in sequential order;
- Receipts were missing from the receipt books;
- Receipts were issued, but the copy in the receipt book was blank; and
- Receipts were issued for copies and the funds were put in a copy cash box and not reported on the Court's accounting system.

We recommend that the Court reconcile the manual receipts issued to the computerized daily reports and deposits to aid in the proper reporting of monies received. We also recommend that the manual receipt number be recorded on the corresponding computerized receipt to assist in referencing the receipts to each other. Any identified discrepancies or sequence gaps should be investigated and resolved. Additionally, to reduce the opportunity for errors or omissions the copy monies should be deposited into the Court's bank account and reported on the accounting system.

Segregation of Duties

An adequate segregation of duties should be established for the individuals responsible for collecting cash, recording and reconciling receipts in the accounting records and processing deposits. The deputy clerks' responsibilities included the collection of receipts, entering receipt information and reconciling their own cash drawers to the accounting system. The Court's bookkeeper performed several functions, including depositing collections, voiding receipts and reconciling the bank statements to the accounting system. Additionally, the clerks and bookkeeper had access to change individual case information in the computer system, such as the fine amounts owed, after the original information had been entered. The lack of controls and segregation of duties over these processes may result in the loss of accountability over receipts and the possibility that fraud may occur.

We recommend that the Court consider further controls and segregation of duties to reduce the opportunity for any one person to both perpetuate and conceal errors or omissions. The Court should establish a process for reviewing and approving the individual cash drawer reconciliations, clearance of voided receipts and changes made to original individual case file information.

Password Security

Sound internal control standards dictate that users of software applications be granted access to only those computer applications and functions required to perform their job responsibilities. To ensure this, each user should be provided a unique user identification and associated password to the system to authenticate that they are the proper user.

Application passwords for Court employees were not assigned a forced expiration date due to an inherent limitation of the software application. Passwords have not been changed since the implementation of the current software in August 2004. These conditions greatly jeopardize effective application level security as user passwords may be compromised and the accountability of user activity in software applications may be lost. In the absence of a fixed expiration period, passwords may not get changed on a regular basis.

We recommend that the Court contact the application software vendor in order to modify password security so that a fixed expiration period forces users to change their passwords at least every 90 days. Users should be encouraged and permitted to change their passwords at any time and maintain sole control over their password.

Supplement to the Special Audit Report

Issue No. 2 – Voided Receipts

Procedures

We prepared a narrative of the process used by the Court to void receipts posted to the computer system.

We obtained a system generated report of voided receipts from the Court that provided sufficient detail to identify the amount and type of each entry made, the accounts to which they were posted, the dates of the entries and the name of the Court employee whose log-in was used for each entry.

We scanned the list of voided receipts and selected certain receipts for further testing based on the following criteria:

- All voided receipts processed by Clerk of Court Lisa Niles;
- All voided receipts processed by any unidentified user; and
- Additional voided receipts, randomly selected to ensure that at least three receipts were tested for each of the other users who processed voided receipts.

For each voided receipt selected, we examined documentation supporting the voided transaction to:

- Determine the reason for the voided entry;
- Determine if the voided receipt was reviewed and approved by an authorized employee of the Court; and
- Determine if the voided receipt was followed by another receipt that corrected the entry.

Based on the information obtained and reviewed, we noted whether the voided receipts were for valid reasons and processed in accordance with the Court's process and procedures.

Results

Normally, only the bookkeeper and head deputy clerk were authorized to void receipts, however, all deputy clerks possessed the ability to void receipts which would then be posted to their daily reports. The deputy clerks normally had the bookkeeper or the head deputy clerk void the receipt on their terminal, however, in the rare instances when both individuals were not available, the deputy clerks completed the void themselves. The bookkeeper reviewed all voided receipts and investigated any excessive voids noted.

The Court provided a list of 354 voided receipts for criminal fines and costs and a list of 53 voided civil receipts. Of the 407 total receipts voided during the Period, our selection criteria identified 27 receipts for further testing. We noted there were no voided receipts processed by Lisa Niles or an unidentified user. The 27 randomly selected voided receipts were authorized and for a valid reason.

Supplement to the Special Audit Report

Issue No. 3 – Payment Agreements

Procedures

We prepared a narrative of the process used by the Court to enter into payment agreements with defendants.

We selected certain payment agreement files for testing based on the following criteria:

- All files where Lisa Niles processed a receipt for payment;
- All files where Ms. Niles had initialed or otherwise indicated her involvement in the case; and
- Additional case files, randomly selected to ensure that at least three receipts were tested for each of the deputy clerks who processed receipts paid pursuant to pay agreements.

For each file selected, we traced the payment history to the corresponding receipts in the Court's computer system and documented any discrepancies or exceptions. We noted any manual receipts for which a computerized receipt was not issued.

We traced the receipts to the corresponding day's cashbook to determine if the receipts had been included in the deposit. We traced the cashbook total to the deposit, and the deposit to the bank statement and noted any exceptions.

Results

The Court implemented a process where by individuals convicted of a criminal or traffic offense could enter into payment agreements with the Court if they were unable to pay their fine and costs in full on the day of conviction. Each payee signed an agreement with the court that specified a payment plan based upon the individual's ability to pay. The signed agreements were maintained in the case files.

When the Court initially discovered that receipts from payment agreements were missing, Judge Fornof-Lippencott ordered all payment agreement files be inspected for discrepancies. Two deputy clerks inspected all payment agreement files for indications where Ms. Niles had initialed her involvement in the agreement. The deputy clerks reviewed approximately 835 files. We accepted the results of the Court's review of the files in order to not duplicate efforts.

Seven files contained indications that Ms. Niles received a payment. Ms. Niles issued manual receipts for five of these payments. We examined these five manual receipts in Issue No. 1 and included them in the finding for recovery reported in Issue 1. The other two files indicated that Ms. Niles received a total of \$75.50. We were unable to trace the \$75.50 to a deposit into the Court's bank account or to a receipt in the Court's computer system.

We selected 25 payment agreements whereby deputy clerks processed the payments and tested the payments indicated in the files. All receipts agreed to supporting documentation. The payments as indicated in the payment agreements agreed to the computerized receipts and to the daily deposits.

Finding for Recovery

The Court entered into payment agreements with defendants who were unable to pay the entire amount of their fines on the court date. The Court recorded a payment history on the signed agreements and maintained it in the case files. Two files indicated that Ms. Niles received a total of \$75.50 which we were unable to trace to a deposit into the Court's bank account or its computer system.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a finding for recovery is hereby issued for public monies collected but unaccounted for against Lisa Niles for \$75.50 and in favor of the Champaign County Municipal Court.

Supplement to the Special Audit Report

Noncompliance Citation

Record Retention

Ohio Revised Code Section 149.351(A) states in part, "(a)ll records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided for under sections 149.38 to 149.42 of the Revised Code..."

We requested a payment agreement from the Court that could not be located. Upon further discussion with the Court, it was determined that payment agreements were shredded when the balances were paid in full. The agreements are a record of the defendants' acknowledgement of the arrangement entered with the Court and a history of the payments made. Not retaining these records could result in the Court being unable to resolve certain questions or disputes that arise with defendants regarding the agreements.

We recommend that the Court adopt a policy for retaining records generated and specify the manner in which they are to be maintained until they have been audited. A request for destruction may then be submitted to the Records Commission to address the appropriate procedures for destruction.



Mary Taylor, CPA
Auditor of State

CHAMPAIGN COUNTY MUNICIPAL COURT

CHAMPAIGN 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
MAY 1, 2008**