



**Mary Taylor, CPA**  
Auditor of State



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# Mary Taylor, CPA

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## INDEPENDENT ACCOUNTANTS' REPORT

The Honorable Jeremy Shaffer, Mayor  
Ms. Kimberly Walker, Fiscal Officer  
Village of Lynchburg  
155 South Main Street  
Lynchburg, Ohio 45142

We conducted a special audit of the Village of Lynchburg (Village), Highland County, by performing the procedures enumerated in the attached Supplement to the Special Audit Report for the period January 1, 2005 through January 7, 2009, solely to achieve the following objectives:

- Determine whether utility funds received were deposited and whether certain customer accounts were manipulated for the period July 1, 2005, through January 7, 2009.
- Determine whether compensation paid to the former clerk/treasurer, former mayor, and the current mayor for the period January 1, 2005, through January 7, 2009, was in accordance with Village ordinances.
- Determine whether certain payments issued for the period January 1, 2005, through January 7, 2009, were supported, posted to Village ledgers, and were for Village-related expenses.

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 daily utility receipt reports, records maintained in the utility computer system, deposit slips, and supporting documentation to determine whether utility receipts collected were deposited and whether certain customer accounts were manipulated during the period July 1, 2005, through January 7, 2009.

Significant Results – Upon receipt of the Utility Daily Deposit report, the utility allocation sheet distributing utility receipts to the appropriate funds, the deposit slip, and funds collected by the utility clerk, former clerk/treasurer Angelique Balon posted utility receipt collections to the UAN system and ensured funds collected were deposited. For the period July 1, 2005, through January 7, 2009, we determined Ms. Balon did not post \$63,824 to the UAN system and did not deposit the funds into a village bank account. We issued a finding for recovery against Angelique Balon for \$63,824 of public monies collected but unaccounted for.

In addition, receipts received for nine bulk water token payments totaling \$185 and a \$136 payment for a returned check were deposited in place of daily utility cash collections. We issued a finding for recovery against Angelique Balon for \$321 of public monies collected but unaccounted for.

The utility collection deposit detail also included 59 village checks issued by Ms. Balon payable to the Village totaling \$3,136. Per Village employees, the checks were cashed using the day's cash utility collections to purchase needed village items. We were unable to determine \$1,652 was spent for a valid Village purpose. We issued a finding for recovery against Angelique Balon for \$1,652 of public monies illegally expended.

We identified 39 instances totaling \$1,283 where payments were posted to Ms. Balon's, her mother's, and a council member's utility account when a payment was not actually received. We recommended the Village adjust these accounts for payments not received.

We made two noncompliance citations for failing to bond the clerk/treasurer in an amount commensurate with her duties and failing to deposit funds collected in the bank in a timely manner.

We made eight management recommendations regarding the utility collection process, petty cash expenditure process, sale of bulk water tokens, and the collection of non-sufficient fund checks.

2. We examined council minutes, payroll registers, and supporting payroll documentation to determine whether the former clerk/treasurer paid herself, the former mayor, and the current mayor in accordance with the council-approved rates for the period January 1, 2005 through January 7, 2009.

Significant Results – Ms. Balon received salary overpayments totaling \$3,833 and former mayor William Priore received salary overpayments totaling \$360 for which we issued findings for recovery for public monies illegally expended.

We made one management recommendation to discontinue paying wages for the clerk/treasurer position in advance of the services being rendered.

3. We examined available invoices, check stubs, canceled checks, and expenditure ledgers to determine whether counter checks, bank withdrawals and payments to certain vendors were supported, posted to Village ledgers, and were for valid Village purposes for the period January 1, 2005 through January 7, 2009.

Significant Results – Ms. Balon issued 39 checks totaling \$32,495 payable to either herself, the Village of Lynchburg, or Fifth Third Bank. Through a review of available documentation maintained by the Village and certain vendors, interviews with village employees, and a review of the UAN system, we determined these expenditures were not authorized and not for a valid Village purpose. We issued findings for recovery against Ms. Balon for \$32,495 of public monies illegally expended.

During 2005, the Village paid a \$330 invoice from Robbins Auto Service twice. Prior to release of our report, Robbins Auto Service issued a check payable to the Village for the duplicate payment and as such we considered this finding for recovery repaid under audit.

We made two noncompliance citations for not reporting wages earned on an employee's W-2 and for not maintaining documentation supporting certain Village expenditures.

We made one management recommendation to improve the completeness and accuracy of the village's disbursement transactions.

4. On September 30, 2010, we held an exit conference with the following individuals representing the Village:

Jeremy Shaffer, Mayor  
Kim Walker, Fiscal Officer  
Brandon Wooton, Chief of Police  
Carolyn Hastings, Councilperson  
Roger Shaffer, Councilperson  
Christine Wilbanks, Councilperson  
Sandy West, Councilperson

The attendees were informed they had five business days to respond to this special audit report. A response was received on October 4, 2010. The response was evaluated and changes were made to this report as we deemed necessary.



**Mary Taylor, CPA**  
Auditor of State

June 25, 2010

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## Supplement to the Special Audit Report

### Background

In late 2008, village council, the mayor, and the solicitor discussed providing free utilities to village council members as compensation. Based on further discussions with the solicitor, the mayor issued a directive that all utility customers should be treated equally. In response, the utility clerk informed the mayor that Ms. Balon directed her to post payments to Ms. Balon's, her mother's, and a council member's utility accounts even though the utility clerk had not received a payment from these individuals.

Based on this information, the village conducted an internal investigation of the utility receipts Ms. Balon deposited. This investigation compared daily utility collections to amounts deposited and concluded Ms. Balon failed to deposit \$1,757 of utility funds collected from two days' collections.

On January 6, 2009, the police chief met with Ms. Balon to discuss the discrepancies. According to the police chief, Ms. Balon stated she had taken the missing funds, destroyed the original deposit slip prepared by the utility clerk, and created a new deposit slip to agree to the amount she actually deposited.

On January 7, 2009, the Village contacted the Auditor of State's (AOS) Cincinnati regional office to relay the results of their internal investigation.

On January 9, 2009, AOS representatives met with the Village to discuss the internal investigation. At the meeting, the mayor provided a letter requesting a special audit and investigatory assistance to identify missing utility funds and other improprieties involving Ms. Balon.

On January 12, 2009, Ms. Balon resigned her position as village clerk/treasurer.

On January 28, 2009, the Auditor of State initiated a special audit of the Village.

On March 3, 2009, AOS representatives met with the Village to discuss discrepancies identified during a review of village bank statements, receipts, and disbursement records. Discrepancies included numerous counter checks, withdrawals, and nonpayroll checks issued with no available supporting documentation. At this meeting, the Village requested the AOS examine these items to determine whether the expenditures were for valid Village purposes.

## Supplement to the Special Audit Report

### Objective No. 1 – Utility Receipts

#### PROCEDURES

We examined Utility Daily Deposit reports and identified the amounts collected for customer utility payments.

We obtained copies of the deposit slips and related supporting documentation for utility receipt deposits made and traced the amounts collected per the Utility Daily Deposit report to the amounts deposited.

We traced payments posted to certain customers' accounts to amounts deposited.

We examined the remaining Village deposits to determine whether identified missing funds were deposited into the Village's bank account.

#### RESULTS

The Village mailed each customer a monthly utility bill. When a customer paid their bill, the utility clerk posted the payment amount to the resident's account in the Village's utility computer system. At the end of each day, the utility clerk generated a Utility Daily Deposit report identifying funds collected for the day. The utility clerk then prepared a utility allocation sheet distributing the funds received to the Water, Sewer, Trash, and Utility Deposit funds and prepared a bank deposit slip. The utility clerk provided the bank deposit slip, funds collected, utility allocation sheet, and Utility Daily Deposit report to Ms. Balon to post the amounts received to the Village's receipt ledgers maintained using the Uniform Accounting Network system (UAN). If the utility clerk was absent, Ms. Balon performed all of these duties. Once recorded in UAN, Ms. Balon deposited the funds into the Village's bank account. The utility clerk occasionally took the deposit to the bank when leaving for the day if Ms. Balon had not deposited the monies by then.

During the period July 1, 2005, through January 7, 2009, the Village collected utility payments totaling \$2,477,261. We traced these payments to the amounts deposited into the Village's bank account and determined \$63,824 of utility receipts collected was not deposited.

We also noted the following exceptions during our review of available documentation supporting utility collections:

- Ms. Balon did not post \$103,859 of utility payments received in the UAN system.
- The receipts posted to the UAN system were not reconciled with the receipts posted in the utility computer system or with the utility receipts deposited.
- Posting of 39 customer payments to utility accounts for Ms. Balon, her mother, and a council member totaling \$1,283 were recorded in the utility system when a payment had not been received.
- Posting of 87 customer payments totaling \$8,061 on a date prior to or after the payment was deposited into the Village's bank account.
- Utility payments were posted for amounts ranging from \$50 less than received to \$40 more than received in 134 instances with no written explanation for the difference. In some instances, the excess amount was returned to the customer.
- Ms. Balon issued 141 checks totaling \$33,941 to the Village of Lynchburg of which 59 checks totaling \$3,136 were cashed using available utility cash payments. Of the \$3,136, we were unable to determine \$1,652 was spent for valid Village purposes. The remaining 82 checks totaling \$30,805 were deposited with the day's utility receipts and applied to the customers' utility bill.

## Supplement to the Special Audit Report

- Nine residents' bulk water token payments totaling \$185 were deposited in place of cash utility collections and were not posted as received in UAN.
- A \$136 payment received for a non-sufficient fund check was deposited in place of that day's cash utility collections.

### FINDINGS FOR RECOVERY

#### Utility Receipts

The Village mailed each customer a monthly utility bill. When a customer paid their bill, the utility clerk posted the payment amount to the customer's account in the Village's utility computer system. At the end of each day, the utility clerk generated a Utility Daily Deposit report identifying funds collected for the day. The utility clerk then prepared a utility allocation sheet distributing the funds received to the Water, Sewer, Trash, and Utility Deposit funds and prepared a bank deposit slip. The utility clerk provided the bank deposit slip, funds collected, utility allocation sheet, and Utility Daily Deposit report to Ms. Balon to post the amounts collected to the Village's receipt ledgers maintained using UAN. If the utility clerk was absent, Ms. Balon performed all of these duties. Once recorded in UAN, Ms. Balon deposited the funds into the Village's bank account.

Based on a reconciliation of utility cash collections to deposits and by examining Ms. Balon's records supporting the postings to UAN, we determined Ms. Balon did not deposit utility collections totaling \$63,824 into a Village bank account.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery is hereby issued against Angelique Balon for \$63,824 and her bonding company, Ohio Risk Management Plan for \$35,113, jointly and severally, for public monies collected but unaccounted for in favor of the Village of Lynchburg.

#### Unsupported Expenditure of Cash Utility Payments

Ms. Balon issued 59 village checks totaling \$3,136 payable to the Village of Lynchburg which were subsequently deposited in place of utility customer cash payments. We interviewed Village employees and examined available documentation supporting these expenditures. Of the \$3,136, we were unable to determine \$1,652 was spent for a valid Village purpose.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery is hereby issued against Angelique Balon for \$1,652 and her bonding company, Ohio Risk Management Plan for \$165, jointly and severally, for public monies collected but unaccounted for in favor of the Village of Lynchburg.

#### Bulk Water Token Payments

While reconciling bank deposit detail to the Utility Daily Deposit report supporting the day's utility collections, we identified nine checks totaling \$185 for the purchase of bulk water tokens deposited in the place of the day's cash utility collections. Using the documentation supporting remaining cash deposits into the Village's bank account and the UAN receipt ledger, we determined the \$185 was not receipted in the Village's ledgers and was not deposited into a Village bank account.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery is hereby issued against Angelique Balon for \$185 and her bonding company, Ohio Risk Management Plan for \$80, jointly and severally, for public monies collected but unaccounted for in favor of the Village of Lynchburg.

#### Payment for NSF Check

During 2006, the Village collected \$136 for repayment of a customer's non-sufficient fund check. The repayment was deposited in place of the day's cash utility collections. Ms. Balon was responsible for receipting payments received in UAN and ensuring funds receipted were deposited into the Village bank account. We determined the \$136 collected was not deposited into the bank or receipted into UAN.

## Supplement to the Special Audit Report

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery is hereby issued against Angelique Balon for \$136 for public monies collected but unaccounted for in favor of the Village of Lynchburg.

### NONCOMPLIANCE CITATIONS

#### Clerk/treasurer Bond

Ohio Rev. Code Section 705.27 provides the treasurer and such other officers or employees of the Village, as the Village Council directs, shall give a bond to the Village for the faithful performance of their duties, in such sum as the Village Council fixes by ordinance or resolution. Premiums on official bonds may be paid by the Village.

For 2005 through 2007, neither the clerk/treasurer nor mayor was bonded. Additionally, the Village has not defined which positions should be bonded and the positions' corresponding bond amounts. To reduce the risk of loss of Village assets, employees collecting cash payments should be bonded in an amount that is commensurate with their responsibility.

We recommend Village Council establish through ordinance the positions to be bonded and the required bond amounts.

#### Timely Deposits

Ohio Rev. Code Section 9.38 states in part, "...If the total amount of the public monies so received does not exceed one thousand dollars, the person shall deposit the monies 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 monies until such time as the monies are deposited."

Utility collections in 87 instances were deposited up to 100 days after the payment was recorded in the utility computer system.

We recommend the Village review its depositing policy for compliance with the above provision. The mayor and/or his designee should monitor the Village activity to ensure funds received are deposited as required by their policy and this section.

### MANAGEMENT RECOMMENDATIONS

#### Cashing Personal Checks

When collecting utility payments, check payments should be listed as payable to the Village of Lynchburg. These payments should be posted to the village's utility computer system and deposited into the Village's bank account. The Village permitted employees and certain village residents to cash 312 personal checks totaling \$21,321 using cash collected from utility customer payments. By cashing personal and third party checks, the village increases its exposure to loss due to returned bad checks and related non-sufficient fund charges.

We recommend the village discontinue the practice of cashing third-party checks and only accept checks payable to the Village for customer utility account payments. Additionally, the Village should implement and post their policy prohibiting the cashing of personal checks at the Village.

#### Reconciliation of Utility Collections

On a monthly basis, an individual independent of the utility collection process should reconcile the utility receipts received to the receipts posted to UAN and deposited. No reconciliation was performed to verify whether funds collected per the utility computer system agreed to those posted as receipts in UAN or to those deposited into the Village's bank account.

Due to this lack of reconciliation, the Village was unaware \$103,859 of payments posted in the utility system were not recorded in the UAN system. Failing to reconcile the utility subsystem with the Village's ledgers and bank accounts prevented the timely detection of \$63,824 of utility funds received were not posted into UAN or deposited.

## Supplement to the Special Audit Report

We recommend an individual independent of utility payment collections and the deposit of those funds reconcile the total payments receipted into the utility computer system each month to utility receipt collections recorded in UAN and payments deposited into a Village bank account to ensure payments received are recorded in the Village's receipt ledger and deposited.

### Posting Daily Utility Collections

Upon receipt of the utility allocation sheet and Utility Daily Deposit report, the clerk/treasurer should record the amount received to the identified funds in UAN on the date received. Once recorded, these funds should be deposited into the Village's bank account. We determined the amount deposited during July 1, 2005, through January 7, 2009, agreed to the amount posted by Ms. Balon to UAN. However, the receipts were not posted on the same date as the funds were received by the utility clerk in 300 of the 694 receipts recorded. UAN receipts were posted prior to or after the actual utility collection date.

Failing to record the utility receipt in a timely manner in UAN prevents the clerk/treasurer from reconciling the monthly receipts to deposits at the end of each month and can result in inaccuracies in the monthly reconciliation of the Village's ledgers to the bank account balance.

We recommend the clerk/treasurer record receipts in UAN the same day the funds are received from the utility clerk. Monthly reconciliations of deposits to the UAN receipt ledger should be performed and reviewed by an individual independent of the reconciliation process to ensure funds deposited are reflected in the UAN receipt ledger.

### Customer Payments

On the date received, customer utility payments should be posted to the village utility computer system, receipted in UAN, and deposited into the village's bank account. While the Village posted payments received to the customer's accounts within the utility system, 134 payments deposited did not agree to the payments for that day's collections recorded in the utility computer system. Additionally, 39 payments totaling \$1,283 posted in the utilities computer system were never received and 87 payments were posted prior to or after the date received. With the exception of the 39 payments, the payments received were recorded on the Utility Daily Deposit report which agreed to the amount of the day's receipts received and deposited.

Posting payments to utility customer accounts when the payment has not been received and deposited results in the reporting of inaccurate utility account balances and potential revenue loss for payments not received and penalties not charged.

We recommend the utility clerk post payments to the utility computer system and deposit the payments on the day they are received. Additionally, we recommend the village adjust the three utility accounts for payments totaling \$1,283 not received or deposited.

### Customer Utility Deposits

When establishing utility service, the customer was required to pay the Village a \$170 utility deposit. This deposit was held until either the resident moved or had two years with no late payments. When the deposit was refunded, a memorandum check was written to the Village to apply the deposit to the customer's utility account or a system-generated check was issued to the customer for the refund amount. Instead of using a memorandum check to apply the customer's utility deposit to their account, the clerk/treasurer issued 82 checks totaling \$30,805 and deposited the checks with the days' utility collections.

By issuing manual checks instead of the memorandum checks, the village may experience increased bank fees for processing these additional checks. For customer deposits of which a portion is not posted to the account and the excess is returned in cash, the Village is also exposing themselves to the risk of theft or loss of that day's cash collections.

We recommend the clerk/treasurer use memorandum checks to apply customer utility deposits to their utility customer account and to issue any refunds owed to residents using a UAN-generated check.

## Supplement to the Special Audit Report

### Petty Cash

A petty cash fund is often maintained to make small, emergency purchases requiring the use of cash. When cash is expended, a receipt is maintained supporting the petty cash expenditure. The Village did not use a petty cash fund. Instead, the clerk/treasurer issued checks to the Village and cashed the checks from that day's cash utility collections. In many instances, the clerk/treasurer did not obtain or maintain receipts supporting the purpose for which the cash was used.

Failing to establish a formal petty cash fund and maintain receipts or other documentation supporting the expenditure of funds increases the risk of loss due to theft or misappropriation. This also prevents the clerk/treasurer from ensuring the cash was expended for a valid Village purpose.

We recommend the Village establish a petty cash fund and a policy documenting when the fund should be used, the type of documentation required to support the expense, and the process for replenishment. Additionally, we recommend the Village discontinue the practice of using utility cash collections for petty cash expenditures.

### Bulk Water Tokens

The Village sold bulk water tokens for the purchase of water at the Village Water Department. These tokens were purchased from the utility clerk via check or cash. These payments were then posted to the UAN system as water tokens. Once receipted, a separate deposit slip for the payment was generated and the funds were deposited. The Village did not compare collections for the sale of water tokens to the tokens retrieved from the Water Department or the amount of bulk water sold. As such, the Village was unable to determine whether the water token sales were reasonable in comparison to the number of gallons sold.

Failure to reconcile the tokens sold to gallons of water sold for reasonableness prevents the Village from determining whether each bulk water sale required the use of a token. Additionally, the lack of reconciling the tokens sold to the sale amounts posted to UAN prevents the Village from ensuring token sales receipts were deposited into the Village's bank account.

We recommend the Village maintain a record of tokens on hand and the number sold during a period. The number sold should be reconciled to the tokens collected from the Water Department for actual bulk water sales and to receipts recorded in the UAN system to ensure funds received from the sales of tokens and the purchase of bulk water are recorded in the Village's ledgers.

### Non-Sufficient Fund Checks

Periodically, the bank returned a customer's utility deposit payment for non-sufficient funds. This resulted in a fee being charged to the Village. Upon receipt of the returned check, the utility clerk provided the returned check to the Police Department for collection. The Village did not have a documented process to ensure payment for the returned check and the related fee was collected. In some instances, a \$40 charge was added to the amount collected from the customer. However, no policy or ordinance was located supporting this charge.

Failing to have a process in place for monitoring returned check collection efforts and ensuring payment is received results in lost revenue for the Village and the resident receiving services which they did not pay for.

We recommend the Village adopt an ordinance specifying the fees to be charged when checks are returned for non-sufficient funds and the process to be followed to collect payment for the returned check. In addition, Council should monitor the collection efforts and consult with their legal counsel to determine whether additional legal action is necessary to collect funds owed to them.

## Supplement to the Special Audit Report

### Objective No. 2 – Payroll

#### PROCEDURES

We compared payments for salary and benefits paid to the former clerk/treasurer, Ms. Balon, former mayor, William Priore, and current mayor, Jeremy Shaffer, to the council-approved resolutions and supporting documentation and determined whether these individuals were paid in accordance with council authorized rates.

#### RESULTS

Ordinance Number 2001-8A adopted by Village council effective June 14, 2002, established the clerk/treasurer's annual salary at \$16,750 per year and the mayor's salary at \$4,326 per year. Ordinance Number 2004-5 adopted on December 8, 2004, and effective at the earliest time as allowed by law established the clerk/treasurer's annual salary at \$18,690 per year and the mayor's salary at \$4,326 per year. Ordinance Number 2006-6 adopted by council on November 6, 2006, and effective at the earliest time as allowed by law increased the mayor's annual salary to \$6,200 per year and did not change the clerk/treasurer's annual salary.

In comparing authorized rates to actual amounts paid, we determined Ms. Balon was overpaid \$4,401, former mayor William Priore was overpaid \$360, and current mayor Jeremy Shaffer was compensated in accordance with council-authorized rates.

#### FINDINGS FOR RECOVERY

##### Salary Overpayment – Clerk/Treasurer

Council established the annual salary for the clerk/treasurer at \$16,790 per year for calendar years 2005, 2006, and 2007. In 2008, the clerk/treasurer's annual salary was increased to \$18,690 per year. On January 12, 2009, Ms. Balon resigned. We determined Ms. Balon was overpaid \$4,401 for the period January 1, 2005 through January 7, 2009. On April 20, 2009, Ms. Balon repaid the Village \$568 as partial repayment of the excess salary received.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery is hereby issued against Angelique Balon for \$3,833 and her bonding company, Ohio Risk Management Plan for \$423, jointly and severally, for public monies illegally expended in favor of the Village of Lynchburg.

##### Salary Overpayment – Former Mayor

Council established the annual salary for the mayor at \$4,326 per year for calendar years 2005, 2006, and 2007. We determined former mayor William Priore was paid \$360 in excess of his authorized salary.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery is hereby issued against William Priore for \$360 of public monies illegally expended in favor of the Village of Lynchburg.

#### MANAGEMENT RECOMMENDATION

##### Advance Pay

The Village should issue paychecks to officials and employees after the services were rendered. We determined the former clerk/treasurer paid her monthly salary in advance of providing services even though she paid other village employees after services were rendered.

Failing to issue paychecks to herself after the services were rendered resulted in the Village's inability to ensure they were only paying for actual services rendered.

We recommend all officials and employees be paid after the services have been provided to prevent future payments for services not rendered.

## Supplement to the Special Audit Report

### Objective No. 3 – Nonpayroll Disbursements

#### PROCEDURES

Using the Village's bank statements, we identified counter checks and bank withdrawals posted to the Village's bank account. For those identified, we examined available supporting documentation and determined whether payments were supported, posted to Village ledgers, and for a valid Village purpose.

We examined available supporting documentation for canceled checks issued to certain vendors and determined whether payments were for a valid Village purpose.

#### RESULTS

We identified 124 counter checks and bank withdrawals totaling \$717,618 posted to the Village's bank account. We were unable to obtain supporting documentation for 24 counter checks and bank electronic withdrawals totaling \$9,088. Additionally, we noted 30 nonpayroll expenditures totaling \$30,447 did not have sufficient documentation supporting the reason for the expenditure. Through interviews with Village employees, examination of available vendor files, and identification of the types of services provided by the vendors, we determined these 54 expenditures were to vendors and for services often used by the Village.

Based on a scan of canceled checks and the Village's voucher packets supporting the canceled checks, we identified 544 checks totaling \$404,536 warranting more detailed examination. In addition, we identified for more detailed examination 319 checks reflected as voided or skipped in UAN which cleared the village's bank account. We examined available documentation supporting these expenditures and contacted the vendors, where warranted, to obtain copies of invoices submitted to the Village for services rendered. We concluded the following payments were not issued for a valid Village purpose:

- Twenty-one checks totaling \$20,012 cleared the village's bank account as payable to and endorsed by Ms. Balon. UAN recorded these checks as disbursed to eight vendors routinely used by the Village, but invoices obtained from the vendors did not support the expenditure of Village funds.
- Eleven checks totaling \$9,718 voided in UAN cleared the village's bank account payable to and endorsed by Ms. Balon.
- Five checks totaling \$2,088 payable to Fifth Third Bank were not supported by documentation. Ms. Balon endorsed two of the five checks totaling \$1,100. Based on available transaction explanations contained in UAN and the nature of other legitimate purposes for payments to Fifth Third Bank, we were unable to determine these checks were issued to Fifth Third Bank for a valid Village purpose.
- A voucher packet supporting a village check totaling \$657 payable to the Village of Lynchburg contained invoices supporting a purchase at Compton Metal Products. The check was deposited in place of six resident's utility cash collections. We obtained the invoices issued to the Village from Compton Metal Products and determined no invoice for \$657 was issued to the Village. As such, we were unable to determine the \$657 in cash removed from the utility deposit was spent for a valid Village purpose.
- A check was issued to Ms. Balon for a \$120 utility deposit refund. According to Ms. Balon's utility deposit form, she only paid \$100 for her utility deposit. As such, Ms. Balon improperly refunded herself \$20.

During 2005, we also noted the Village issued five checks totaling \$2,810 to Robbins Auto Service. In examining available documentation supporting the payments, we noted the same invoice was attached as support for three different payments. We determined the Village overpaid Robbins Auto Service \$330.



## Supplement to the Special Audit Report

### FINDING FOR RECOVERY – REPAID UNDER AUDIT

#### Vendor Overpayment

In 2005, the Village issued two payments to Robbins Auto Service which included repair order 22759 for \$330 resulting in a duplicate payment by the Village.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, we considered a finding for recovery of \$330 against Robbins Auto Service for public monies illegally expended in favor of the Village of Lynchburg. Prior to release of our report, Robbins Auto Service issued a check payable to the Village for the duplicate payment and as such we considered this finding for recovery repaid under audit.

### FINDING FOR RECOVERY

#### Unauthorized Payments

During the period, Ms. Balon issued 39 checks totaling \$32,495 payable to either herself, the Village of Lynchburg, or Fifth Third Bank. Through a review of available documentation maintained by the Village and certain vendors, interviews with village employees, and a review of UAN, we determined these expenditures were not authorized and were not for a valid Village purpose.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery is hereby issued against Angelique Balon for \$32,495 and her bonding company, Ohio Risk Management Plan for \$1,205, jointly and severally, for public monies illegally expended in favor of the Village of Lynchburg.

### NONCOMPLIANCE CITATIONS

#### Wages for Office Cleaning

26 C.F.R. Section 1.6041-2 provides that wages, as defined in 26 U.S.C. Section 3401, are to be reported on a Form W-2. 26 U.S.C. Section 3402 states “every employer making payment of wages shall deduct and withhold upon such wages as determined in accordance with the tables or computational procedures prescribed by the Secretary of the Treasurer.”

The utility clerk received payment for cleaning services during 2007 and 2008 in addition to her utility clerk wages. The payments for cleaning services were not recorded on her W-2 nor were the applicable taxes withheld.

We recommend the Village review nonpayroll related payments to employees to determine whether wages earned should be reported on a W-2. We also recommend the Village reissue the utility clerk's W-2 for 2007 and 2008 to include this compensation.

This matter will be referred to the Internal Revenue Service for further review.

#### Lack of Supporting Documentation

Ohio Rev. Code Section 149.351 provides a general prohibition against the destruction or damage of public records. Ohio Rev. Code Section 149.351(A) states, in pertinent part, “All records are the property of the public office and shall not be 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 sections 149.38 to 149.42 of the Revised Code...”

Documentation including invoices, purchase orders, or canceled checks supporting 147 expenditures was not available for examination. By not retaining documentation, the Village is unable to provide sufficient documentation and explanations supporting the expenditures were for valid Village purposes thereby increasing the Village's risk of errors and unauthorized transactions.

We recommend the Village maintain records to support disbursement of Village funds in accordance with Council-approved records retention schedules.

## Supplement to the Special Audit Report

### MANAGEMENT RECOMMENDATION

#### Recording Expenditures

The former clerk/treasurer paid Village obligations using a manual check, bank counter checks, or through electronic means instead of issuing a check from UAN. In some instances, the former clerk/treasurer voided a previously issued check in UAN, issued a manual check, and deposited the manual check in her personal bank account. Payments for invoices should be paid with UAN-generated checks and not a manual check. If the UAN-generated check requires voiding, a valid reason for voiding the check should be documented in either UAN or within the Village records.

By not recording or documenting the reason for voiding disbursement transactions in UAN, the Village is unable to identify the purpose funds were expended, the amount of remaining fund balances, the legitimacy of voided checks, and unauthorized payments. Additionally, this practice increases the difficulty of reconciling the village's bank account activity to UAN.

We recommend all expenditures be issued via check or memo check using UAN on the date the payment was made. For checks voided, an explanation should be documented and be approved by an individual independent of the payment process. We also recommend a check register and the village's bank statements be provided to the Village Finance Committee for their review to monitor whether Village expenditures are legitimate and recorded accurately in its ledgers.



**Mary Taylor, CPA**  
Auditor of State

**VILLAGE OF LYNCHBURG**

**HIGHLAND 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  
NOVEMBER 4, 2010**