



**Mary Taylor, CPA**  
Auditor of State



## TABLE OF CONTENTS

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report	3
Supplement to the Special Audit Report	
Background	5
Issue No. 1 City Expenditures	6
Issue No. 2 Utility Revenue Collections	11

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## INDEPENDENT ACCOUNTANTS' REPORT

Honorable Edgar Hayburn, Mayor  
Honorable Larry Newman, Council President  
Honorable Thomas Baker, Auditor  
City of Wellston  
City Hall  
203 E. Broadway St.  
Wellston, Ohio 45692

We conducted a special audit of the City of Wellston (City), by performing the procedures described in the attached Supplement to the Special Audit Report for the period January 1, 2006 through December 31, 2007 (the Period), solely to:

- Determine whether certain expenditures were for purposes related to the operations of the City, were supported by documentation indicating the City received the goods or services, and complied with Ohio Revised Code requirements governing competitive bidding, where applicable.
- Determine whether amounts billed to certain customers for utility services were accurately calculated and whether payments received from the customers were deposited into an authorized City bank account.

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 determined whether certain expenditures were for purposes related to the operations of the City, were supported by documentation indicating the City received the goods or services, and complied with Ohio Revised Code requirements governing competitive bidding, where applicable.

**Significant Results** – We examined non-payroll payments to 30 employees and expenditures to 18 vendors. We also examined overtime payments to employees of the City's water/sewer department. Eight payments to employees were not supported for the entire amount of the reimbursement and not all purchases made using credit cards and gasoline cards were supported by detailed receipts.

City water/sewer department employees worked overtime on 1,420 occasions during the Period costing the City \$148,327. The City did not maintain documentation supporting the need for the overtime incurred and only 361 of the occasions could be verified.

On 215 occasions, water/sewer department supervisor Alvis Brown made personal purchases during normal and overtime work hours at a local home improvement store in Wellston. Fellow water/sewer department supervisor Steve Bocook made four purchases during normal and overtime work hours at the same store using Mr. Brown's personal account.

We issued noncompliance citations regarding cellular phone reimbursements to employees and authorizing contract expenditures. We also issued six management comments related to conflicts of interest, purchasing, credit cards, gasoline cards, overtime and capital asset policies.

2. We determined whether amounts billed to certain customers for utility services were accurately calculated and whether payments received from the customers were deposited into an authorized City bank account.

Significant Results – Assistant utility clerk Dreama Jayjohn was responsible for collecting customer payments and processing customer refunds to be applied to outstanding account balances. Water turn on fees totaling \$900 and a utility payment of \$102 were collected by Ms. Jayjohn but could not be traced to deposits in the City's bank account. Checks processed by Ms. Jayjohn for refunds to be applied to account balances totaling \$1,600 were substituted in deposits for cash which was unaccounted for. City utility clerk Bridgett Bocook processed a transaction related to payment of a \$100 turn on fee that could not be traced to a deposit.

We issued a finding for recovery against Ms. Jayjohn and her bonding company, State Automobile Mutual Insurance Company, for public monies collected but unaccounted for in the amount of \$2,602. We issued a finding for recovery against Ms. Bocook and her bonding company, State Automobile Mutual Insurance Company, for public monies collected but unaccounted for in the amount of \$100.

We examined the utility accounts of 27 City employees and elected officials and noted that 12 of these accounts had delinquent account balances during the period ranging from \$188 to \$1,044. The City was not pursuing collection of these outstanding balances, disconnecting service or placing liens on real estate as provided by City code.

We issued noncompliance citations related to collections of building permit fees, tap and turn on fees, delinquent accounts, leak adjustments, meter readings and the Water and Sewer Charges Review Board. We also issued a management comment regarding the utility operations.

3. On January 14, 2010, we held an exit conference with the following individuals representing the City:

Edgar Hayburn, Mayor  
Larry Newman, Council President  
Chris Brenner, Council Member  
Thomas Baker, Auditor  
Mark Jacobs, Director of Public Service and Safety

The attendees were informed that they had five business days to respond to this special audit report. The City did not provide a response to the report.



**Mary Taylor, CPA**  
Auditor of State

December 9, 2009

## Supplement to the Special Audit Report

### Background

In November 2007, an agent from the Ohio Attorney General's (OAG) Bureau of Criminal Investigation and Identification (BCI&I) met with Auditor of State (AOS) representatives to discuss certain allegations brought to them by Wellston residents. The residents alleged criminal activities involving City officials and employees, including improper use of public funds. Over the past several years, residents also contacted AOS with various and similar allegations.

In response to the continuing allegations, it was determined that AOS would conduct the City's 2007 financial audit, and develop audit procedures to address the audit related allegations.

In January 2008, AOS representatives from the Special Investigations Unit and Special Audit Section met with agents from BCI&I and an OAG attorney to further discuss the nature of the investigation and the issues being examined. In February 2008, the Auditor of State initiated a special audit of the City to fully address the allegations and better collaborate with other investigating agencies.

# Supplement to the Special Audit Report

## Issue No. 1 – City Expenditures

### PROCEDURES

We selected certain expenditures and examined available documentation to determine whether the transactions were supported, were for purposes related to the operations of the City, and where applicable were awarded in compliance with Ohio Revised Code competitive bidding requirements.

We contacted certain vendors to obtain documentation of purchases made by the City to verify the goods or services were provided. For significant assets purchased during the Period, we traced those items to the City's asset list and attempted to locate certain assets to confirm they were in the City's possession.

### RESULTS

We examined 208 non-payroll payments to 30 employees totaling \$77,819. We examined \$148,327 in overtime payments to employees of the City's water/sewer department. We examined 262 expenditures to 18 vendors totaling \$929,684.

Non-payroll payments to employees included reimbursements for travel and cellular phone service. For eight of these payments documentation did not support the entire amount of the reimbursement. One payment was not authorized for a commercial driver's license renewal related to the employee's job position.

Councilperson Tom Clark owned a private business the City used for automotive repair and service. During the Period, the City paid Clark's Garage \$108,098 for vehicle repairs and storage of City tools. These payments were supported and related to City operations and Mr. Clark did not participate in the payment approval process. However, Mr. Clark was the president of the City's finance committee, which is responsible for providing oversight of expenditures.

During the Period, City water/sewer department employees worked overtime on 1,420 occasions for a total of 6,820 overtime hours costing the City \$148,327. The employees wrote on their timesheets general remarks regarding the location and nature of the work performed; however, the City did not maintain documentation providing specific details to support the need for the overtime charges. Our examination of the timesheets noted regularly scheduled weekend lift station inspections accounted for 180 of the 1,420 occasions. Work orders issued by the utility clerk's office accounted for two of the occasions.

We obtained Daily Patrol Logs from the Wellston police department to determine whether the overtime occasions could be verified by calls made by residents to the police department reporting water and sewer problems when the utility clerk's office was closed. When the police department received these calls, they notified employees of the water/sewer department to respond to the problems. We determined 179 of the 1,420 overtime occasions corresponded to calls listed on the Daily Patrol Logs. In total, we noted only 361 of the 1,420 occasions (25%) could be verified by the Daily Patrol Logs, lift station inspections or work orders.

City water/sewer department supervisor Alvis Brown also operated a private construction contracting business. We noted he and water/sewer department supervisor Steve Bocook made personal purchases at Jerry's Do It Center during normal work hours using Mr. Brown's personal account at the store. The purchases were not reimbursed to Mr. Brown by the City indicating they were for his personal use. During the Period, Mr. Brown made purchases on his personal account on 135 occasions during normal work hours and 80 occasions during overtime hours. Mr. Brown also made 51 purchases during lunch hours and 51 occasions when he was off work using sick leave. City employees receive one half hour paid lunch in addition to one half hour unpaid.

Mr. Bocook made purchases on Mr. Brown's personal account on three occasions during normal work hours, one occasion during overtime hours and two occasions while using sick leave.

## Supplement to the Special Audit Report

Our review of council minutes noted three contracts awarded during the Period. One contract was in compliance with Ohio Revised Code competitive bidding requirements. One contract did not have a formal council ordinance authorizing expenditure of city funds prior to entering into the contract. The third contract was not required to be competitively bid.

The City did not independently maintain an inventory list of assets. AOS Local Government Services prepared and maintained a capital asset list for the City for assets above \$10,000. We selected 13 assets from our examination of expenditures to trace to the City's possession. All 13 items were located in the City's possession.

### NONCOMPLIANCE CITATIONS

#### Cellular Phones

Resolution No. 1275, *A Resolution of the Legislative Authority of the City of Wellston, Ohio to Limit the City's Reimbursement to \$60 ... for a Cellular Telephone*, states in the body of the resolution, the City shall "only reimburse an employee for the basic cellular phone charges incurred on the employee's own phone in an amount not to exceed \$60." In the title of the resolution, the word "employee" has been stricken and the word "supervisor" is handwritten in its place. The body of the resolution refers only to "employees" and not to "supervisors".

Handwritten modifications to a formal resolution can lead to confusion regarding authority and approval of the modifications and council's intention. We recommend the City re-issue Resolution No. 1275 in accordance with the council's intentions and make all changes directly to the policy rather than in handwritten text.

In addition to the confusion over the resolution's applicability to supervisors and/or employees, Mayor Edgar Hayburn received cellular reimbursements which exceeded allowable amounts by \$44. Also, cellular phone invoices were not always issued in the employee's name, and Alvis Brown received reimbursement for two phones; one for himself and one for employee Steve Bocook.

We recommend the City only reimburse employees for cellular phone invoices issued in the employee name. A formal determination should be made and adequately documented when the City allows deviation from its policy, such as in the instance of reimbursing a single employee for multiple cellular phones. Additionally, the City auditor's office staff should review reimbursement requests for compliance with City policies prior to payment.

#### Authorization of Contract Expenditure

Ohio Revised Code Section 735.05 states "(t)he director of public service may make any contract, purchase supplies or material, or provide labor for any work under the supervision of the department of public service involving not more than twenty-five thousand dollars. When an expenditure within the department, other than the compensation of persons employed in the department, exceeds twenty-five thousand dollars, the expenditure shall first be authorized and directed by ordinance of the city legislative authority. When so authorized and directed, except where the contract is for equipment, services, materials, or supplies to be purchased under division (D) of section 713.23 or section 125.04 or 5513.01 of the Revised Code or available from a qualified nonprofit agency pursuant to sections 4115.31 to 4115.35 of the Revised Code, the director shall make a written contract with the lowest and best bidder after advertisement for not less than two nor more than four consecutive weeks in a newspaper of general circulation within the city."

During the Period, the City entered into a contract for a City road project. The expenditure was not authorized by a City ordinance prior to entering the contract. Failure to enact an approved ordinance for all expenditures requiring contracts can result in contracts being awarded without the full knowledge and support of council.

We recommend the City seek approval from Council in the form of an ordinance of all qualifying expenditures that require contracts.

## Supplement to the Special Audit Report

### MANAGEMENT COMMENTS

#### Outside Employment/Conflict of Interest Policy

Section 4.17(A) of the City's Policies and Procedures Manual states that "(u)nder no circumstances shall an employee have other employment which conflicts with the policies, objectives and operations of the City of Wellston, Ohio." Section 4.17(D)1 defines time conflict as "when the working hours required of a "secondary job" directly conflicts with the scheduled working hours of an employee's job with the City." Section 4.17(D)2 defines interest conflict as "when an employee engages in "outside employment" which tends to compromise his/her judgment, actions and/or job performance or is associated to the employee's position with the City."

City employee Alvis Brown conducted personal business during City working hours when he made purchases for his private construction business at Jerry's Do It Center. This resulted in an undeterminable amount of loss of wages paid by the City.

The City does not have a written policy regarding conflicts of interest when using employees, councilpersons or other related parties as vendors, or the acceptance of meals, entertainment, trips, gifts, or other items of value from vendors or customers. The City used councilperson Tom Clark's personal business for vehicle repairs and general storage needs.

Mr. Brown was paid \$3,700 by the City as a private contractor for one project involving residential home repairs for the needy. Mr. Brown provided an estimate of work to be completed outside his employment with the City.

Using related party companies for City work could result in the appearance of an improper business relationship and may result in vendors deliberately using their influence to increase costs to the City and personally benefit from their position with the City.

We recommend that the City require all employees to report their secondary employment. We also recommend that the City closely monitor employees' to ensure that personal business is not conducted during City working hours and that secondary employment does not interfere with employees' City responsibilities. We recommend the City institute a written policy regarding the use of businesses owned by employees or councilpersons and the potential conflict of interest situations those transactions could raise. Signed conflict of interest statements should be obtained from all councilpersons and employees and should identify all outside or personal business relationships. The policy should also require employees and councilpersons to notify the City immediately if they become involved in an outside business venture which could potentially perform work for the City.

We referred this issue to the Ohio Ethics Commission for their consideration of whether this constituted a violation of Ohio ethics law.

#### Purchasing

During the Period, the City paid Jerry's Do It Center \$62,218 for various materials and supplies. The invoices from Jerry's Do It Center specified the types of materials and supplies purchased; however, the City did not have detailed records indicating the purpose of these purchases nor where these materials and supplies were used. Many items purchased from Jerry's Do It Center could have been personal in nature or for residential use as well as for use by the City.

Failure to adequately document where materials and supplies were used can result in personal purchases occurring and going undetected. Additionally, there can be valid reasons when the City is responsible for replacing residential piping. These occasions should be recorded in the City's files.

We recommend the City track the use of supplies and materials which exceed a certain threshold established by council. We also recommend the City ensure purchase requisitions are used in advance of the purchases, that transactions are approved as required, and the use of the materials is adequately documented.

## Supplement to the Special Audit Report

### Credit Cards

The City maintained separate credit cards for the police and fire departments. The City did not pay the accounts in full each month, which resulted in \$105 in finance charges and \$45 in late fees during the Period. Additionally, payments totaling \$4,507 were not supported with a detailed receipt; however, the purchase descriptions on the credit card statement were related to City operations.

The City did not have a written policy regarding credit card usage and documentation of purchases. Failure to have a specific, written policy governing credit card usage can lead to a lack of accountability for purchases and the possibility of incurring purchases unrelated to City business. Additionally, not maintaining supporting documentation made it difficult to determine the nature of certain charges and whether each related to the operations of the City.

We recommend the City create a policy and implement additional controls over credit card usage, including the submission of original, itemized receipts. We recommend all purchases made by credit card be supported as to purpose and the benefit which the City derives. Credit card statements should be reviewed and approved by the City council.

### Gasoline Credit Cards

Fuel purchases by City employees totaled \$192,398 during the Period. City records and gas station records were not detailed enough to determine whether fuel was purchased for personal use or only for City vehicles.

The City used gasoline credit cards which were either maintained at local gas stations or held by City employees for the purchase of gasoline for City vehicles. The City received a monthly statement with the individual charges listed on the statement. However, there were numerous detailed charge slips not available for review and no indication the City reconciled the charges on the statement to charge slips to ensure only City-related purchases occurred.

We recommend the City require its employees to submit documentation identifying the City vehicle, the vehicle mileage, transaction date, and gasoline purchase receipt to the City auditor's office. The City auditor's office should reconcile the detailed information to the monthly statements prior to remitting payment. In addition, where the City is maintaining credit cards at the local gas stations, each station should be provided with a list of authorized purchasers and the required information to be recorded to ensure only current City employees are using the cards only for City purposes. This list should be updated each time an employee leaves service or an employee is hired. In instances where the City is unable to identify the signature of the individual making the purchase or the City vehicle used, we recommend the City not pay for those charges.

### Overtime/Lift Station Checks

The City paid seven water/sewer department employees a total of \$148,327 for 6,820 overtime hours during the Period. Of this amount, 1,107 overtime hours for a total cost of \$24,527 was paid for routine lift station inspections during weekend hours. The City's civil service agreement provides that employees are paid a minimum of four hours at a rate of time and one-half when called to work outside the regular work schedule.

Although the weekend lift station inspections were scheduled on a rotating basis between employees, the City routinely paid four hours of overtime for the task, regardless of the actual length of time worked. Additionally, overtime paid by the City for work performed other than at the lift stations, was not supported with enough detail to substantiate the need. The City may be incurring excessive overtime costs for weekend lift station inspections and other work performed after hours which could be paid at straight time had the work been included in the employees' normal work schedule.

We recommend the City consider adjusting its employees' current time schedule to include the weekend lift station inspections as part of the employees' 40-hour work week. Consideration can be given to allowing those employees performing weekend checks to flex their schedule to work one half day during the week (four hours) to offset the four hours to be charged at straight time on the weekend. We also recommend the City create and maintain documentation supporting all overtime charges that includes enough detail to determine the purpose, location, times and nature of the work performed, and that overtime was preapproved.

## Supplement to the Special Audit Report

### Capital Assets

The City did not maintain an inventory of capital assets and did not have a written policy regarding asset management or internal controls over non-capitalized items. By not having a policy with specific procedures and controls to safeguard assets, the City cannot determine whether assets are being removed, added or exchanged with the inventory on hand.

We recommend that the City develop a written asset policy to include the following requirements and procedures:

- Designation of an individual(s) to be responsible for the preparation and recording of all capital assets;
- Designation by the City Council of a dollar threshold for asset purchases to be recorded as capital assets;
- Tagging of assets, including tools and equipment, with a sticker identifying it as property of the City;
- Performance of a physical inventory of all capital assets at least annually;
- Based on the physical inventory, a capital asset listing should be assembled to include, but not be limited to, the following: location, tag number, description, date of acquisition, cost (or estimated historical cost), source of funding, depreciation, and accumulated depreciation;
- Implementation of procedures to record capital asset additions and deletions as items are acquired or disposed, preferably through the use of asset addition and deletion forms. When these forms are completed, the information should then be recorded or deleted from the capital asset listing, as appropriate;
- At or near the end of each fiscal year, a summary of capital assets purchased and disposed should be prepared. The amounts recorded on the capital asset listing should be reconciled (prior period assets, plus current year additions, less current year deletions), and then be recorded on the financial statements;
- Progress reports should be made on a monthly basis (or more frequently, if necessary) to City Council regarding the preparation and completion of the capital asset listing;
- Someone independent of preparing the list should periodically compare the list to the physical items and investigate any discrepancies, and;
- City Council should review and periodically update the capital asset policy as needed.

## Supplement to the Special Audit Report

### Issue No. 2 – Utility Revenue Collections

#### PROCEDURES

We selected 27 employees' and elected officials' utility accounts and examined their billing histories to determine if the amounts billed were accurately calculated. We also examined documentation supporting adjustments made to these accounts to determine their validity.

We examined deposit documentation to determine if payments were received from the selected customers and deposited into an authorized City bank account.

#### RESULTS

##### Account Adjustments and Calculations

During the Period, assistant utility clerk Dreama Jayjohn posted adjustments to her relative's utility account totaling \$945. Of that amount, adjustments of \$468 were not supported by work orders. On two occasions, meter readings of another relative of Ms. Jayjohn were reset without a supporting work order. City records did not indicate who reset the meter.

Two of councilperson Tom Clark's accounts were under-billed by a total of \$89 based on our comparison of the customer's meter reading and the usage charged by the City. The meter readings for these two accounts were read by the customer and called into the utility office where the usage was entered into the billing system. The remaining customers' accounts we examined were charged accurate amounts based upon meter readings.

Additional account adjustments for employees and councilpersons were noted totaling \$1,866. These adjustments were supported.

During our examination, we noted 978 credit adjustments made to City utility customer accounts in 2006 totaling \$366,125 and 1,135 credit adjustments in 2007 which totaled \$113,297. Examples of these included adjustments made for customer leaks, swimming pool credits and vacancies. Adjustments were also made at the direction of the mayor and the director of public service and safety.

##### Water Loss

Due to the number of billing adjustments made by the City's utility department, we compared the total volume of water produced by the City to the total volume of water billed to determine the volume of water represented as uncompensated usage in 2007.

All utilities suffer some water loss as a result of leaks in the mains, valves, and service lines, and tank overflows. Additional losses can occur when water reaches a customer but the volume is not accurately measured and recorded due to inaccurate meter readings, departmental overrides, or unauthorized consumption. The Ohio Environmental Protection Agency has set a state standard for unaccounted for water of 15%.

City water plant superintendent Jeff Argabright prepared a monthly water loss calculation based on demand and usage according to the water plant's meter records and the billed usage from the City's Sales and Consumption reports. Mr. Argabright calculated that in 2007 the City produced 540 million gallons of water and billed 290 million gallons. This represents a water loss of nearly 46%. Based on an average billing amount of \$6.75 per 1,000 gallons and excluding the 15% standard loss, this represents an estimated loss of revenue of \$1.4 million to the City in 2007.

## Supplement to the Special Audit Report

### Delinquent Accounts

In addition to the overall water loss, the City had outstanding utility account balances for accounts over 30 days past due at December 31, 2007 totaling \$308,022. Of this amount, only \$26,805 was being billed. The remaining amounts were outstanding on closed accounts.

### **FINDINGS FOR RECOVERY**

#### Water Turn On Fees

Wellston City Ordinance No. 3593 created a water turn on fee of \$100 for establishing service to new accounts. During the Period, water turn on fees from ten customers totaling \$1,000 were collected but unaccounted for. Water service applications, work orders, and receipts issued for the payments collected were maintained for the ten customers; however, there was no evidence the fees were deposited into a City account.

Assistant utility clerk Dreama Jayjohn processed transactions related to \$900 of those fees, and City utility clerk Bridgett Bocook processed the transaction related to the remaining \$100.

In accordance with the foregoing facts and pursuant to Ohio Revised Code §117.28, findings for recovery for public money collected but unaccounted for are hereby issued in the amount of \$900 against Dreama Jayjohn, assistant utility clerk, and in the amount of \$100 against Bridgett Bocook, City utility clerk, and their bonding company State Automobile Mutual Insurance Company, jointly and severally, and in favor of the City of Wellston.

#### Customer Deposit Refunds

Prior to the enactment of the turn on fee, the City required a deposit from customers for establishing new water service accounts. Wellston City Ordinances 2471 and 2824, codified as City Code Section 51.06, established a water meter deposit of \$100. Upon termination of service, the deposit could be applied against any unpaid bill or returned to the customer.

Water meter deposit refund transactions were processed through the utility office by assistant utility clerk Dreama Jayjohn.

In the instances when deposits were applied against outstanding account balances, Ms. Jayjohn printed a Deposit Refund Report from the Utility Billing System which listed the customer accounts affected and amounts to be applied. Ms. Jayjohn also prepared a deposit refund requisition that was provided to the City auditor's office along with the Deposit Refund Report for a check to be issued.

The City auditor's office generated one check, payable to the City, which was the sum of all deposits being applied to final bills. The utility office deposited the check and applied the deposit refunds to the affected accounts to resolve the outstanding balances.

Ms. Jayjohn also prepared stubs so the refund amounts could be posted to the customer accounts on the computer system. The postings were usually performed by City utility clerk Bridgett Bocook.

We compared the Deposit Refund Reports to the postings in the computer system. We examined the daily batch of stubs to determine if the batch included a manual stub for each of the accounts to be refunded and the batch total agreed to the daily central cash report total and bank deposit total on the bank statement.

We noted 16 exceptions when cash per the daily batch of stubs did not agree to cash per the daily deposit. We traced the difference to a portion of the refund check that was substituted in a deposit for cash. In each case, the difference was a refund that had not been posted to an account.

For these exceptions, the check from the auditor's office was included in the daily deposit; however, a stub was missing from the daily batch of stubs that corresponded to the account not posted. Cash equal to the amounts not posted was removed from the deposits.

## Supplement to the Special Audit Report

In accordance with the foregoing facts and pursuant to Ohio Revised Code §117.28, a finding for recovery for public money collected but unaccounted for in the amount of \$1,600 is hereby issued against Dreama Jayjohn, assistant utility clerk, and her bonding company State Automobile Mutual Insurance Company, jointly and severally, and in favor of the City of Wellston.

### Water Payment

Assistant utility clerk Dreama Jayjohn was responsible for collecting payments from customers and posting payments and adjustments to the City's computer system.

On September 9, 2007, a Wellston resident wrote a check for \$102 for payment of utilities. The check was deposited by the utility office on September 11, 2007. However, the payment was not posted to the Central Cash Report with other collections deposited that day.

We compared the Central Cash Report to the deposited items and stubs maintained for that day, and determined that the check was substituted in the deposit for cash.

A late payment penalty of \$10 was assessed to the account on September 11, 2007, bringing the total amount due to \$112.

On September 24, 2007, Ms. Jayjohn posted an adjustment of \$112 to the account to remove the amount due and bring the outstanding balance to zero.

In accordance with the foregoing facts and pursuant to Ohio Revised Code §117.28, a finding for recovery for public money collected but unaccounted for in the amount of \$102 against Dreama Jayjohn, assistant utility clerk, and her bonding company State Automobile Mutual Insurance Company, jointly and severally, and in favor of the City of Wellston.

## NONCOMPLIANCE CITATIONS

### Collection of Building Permit Fees, Tap Fees and Water Turn On Fees

Wellston City Ordinance No. 3487 established building permit fees ranging in amounts from \$50 to \$600, dependent upon the type of construction. During our review of water and sewer tap fees we noted building permit fees that were undercharged by a total of \$395.

The mayor's secretary was responsible for calculating the amount of the fee to charge for building permits. She also completed the application paperwork and collected the fees. The director of public service and safety approved the applications and fees charged as being consistent with the City zoning ordinance.

Wellston City Ordinance No. 3565 established water and sewer tap fees of \$600 per tap. During the Period, two customers applied for both water and sewer services; however, only one tap fee was posted for each customer when two fees were due from each. Additionally, two customers of new construction received both water and sewer services and were not charged a tap fee for either service.

Wellston City Ordinance No. 3593 created a water turn on fee of \$100. Applications for water service and work orders confirmed service existed for nine customers; however, receipts or deposits for those nine customers were not located.

The City's utility clerk was responsible for enforcement of City ordinances requiring the payment of utility fees.

We recommend the City pursue collection of all fees due in accordance with its established ordinances. The City should implement procedures to ensure the correct fees are calculated and charged to all customers and the service not be provided until the payments have been received.

## Supplement to the Special Audit Report

### Delinquent Accounts

Wellston City Code Section 51.02(F) states “(i)n the event the charges for utility service are not paid within 30 days after rendition of the bill for such service, then such charges shall be deemed and are hereby declared to be delinquent. Such a delinquency shall constitute a lien upon the real estate for which such service is provided, and the City auditor shall be and is hereby authorized and directed to file sworn statements showing such delinquencies in the office of the Auditor of Jackson County. The filing of such statements shall be deemed notice of the lien.”

Additionally, Section 51.02(G) states “(s)ervice to delinquent users shall be discontinued pursuant to the provisions of Section 51.13.”

Of the 27 employees’ and elected officials’ accounts we reviewed, 12 had delinquencies during the Period ranging from \$188 to \$1,044 (see the chart below). Four of those accounts did not have disconnection notices on file and while the remaining eight accounts had disconnection notices on file, none of those accounts were ever disconnected. In total for all City customer accounts, \$308,022 was delinquent at December 31, 2007, and only \$26,805 was being billed as active accounts. The City was not pursuing collection of the outstanding balances by placing a lien on the real estate.

<u>Employee Name</u>	<u>Position</u>	<u>Amount of Highest Delinquent Balance</u>	<u>No. of Disconnect Notices on File</u>	<u>No. of Months Delinquent (24 mos. Total)</u>	<u>No. of Months No Payment Made</u>
Steve Bocook Bridgett Bocook	Dept. Head (Waste Water) City Clerk	\$ 324	0	22	10
Leon Jayjohn Dreama Jayjohn	Laborer (Water/Sewer Dept.) Assistant Clerk	\$ 334	0	18	8
Mark Jacobs	Director of Public Service/Safety	\$ 388	1	16	9
William Cox	Meter Reader	\$ 373	10	23	14
Mike Dye	Meter Reader	\$ 601	1	20	10
Alvis Brown	Dept. Head (Water Distribution)	\$ 188	0	14	14
Larry Brown	Laborer (Water/Sewer Dept.)	\$ 394	5	23	15
Rodney Brown	Dept. Head (Cemetery)	\$ 355	4	22	15
John Vititoe	Laborer (Cemetery)	\$ 1,044	8	24	12
Sam Brady	Council	\$ 254	0	14	4
Dennis Dupree	Council	\$ 364	1	22	7
Brad Benson	City Auditor	\$ 684	7	20	16

The City’s failure to pursue collections on delinquent accounts resulted in the City foregoing revenue which it was legally entitled to receive.

We recommend the City pursue collection of all delinquent accounts in accordance with its established ordinance. The City should determine the most effective means to collect the monies due, including filing suit in small claims court for larger balances, entering into payroll deduction plans for its employees who are delinquent, and attaching delinquent balances to the resident’s or business’ property taxes.

### Leak Adjustments

Wellston City Code Section 51.08 states that “(a) service charge of \$10 shall be assessed against the user and/or the property for checking for water leaks inside the area whose service is registered by the water meter.”

During our review, we noted 137 leak adjustments in 2006 and 142 leak adjustments in 2007. There was no evidence a service charge was assessed, collected and deposited for any of the leak adjustments that were inspected by the City.

## Supplement to the Special Audit Report

We recommend the City pursue collection of service charges for checking water leaks in accordance with the City code cited above.

### Meter Readings

Wellston City Code Section 51.09 states “(e)stimated monthly accounts based on the prior two months of water consumption may be used in rendering statements to customers, providing that an actual meter reading shall be made or attempted to be made once every two months.”

Accounts belonging to Dreama Jayjohn, assistant utility clerk, and councilperson Carl Salmons, had “dead” meters for the entire period and were billed at zero units (minimum usage) and one unit, respectively, for each month during the Period.

We recommend the City ensure all customer accounts are read at least every two months as intended by the City code cited above. We further recommend that “dead” meters be identified in a timely manner and replaced as needed.

### Water and Sewer Charges Review Board

Wellston City Code Section 51.11 established the Water and Sewer Charges Review Board (Board). Per Section (A), the Board is comprised of “the Director of Public Safety and Service and two members appointed by Council.”

Per Section (B), “(t)he purpose of the Board shall be to hear and decide appeals from any persons affected by any matter. Matter is defined for the use in this section, as any measurement, order, requirement, decision or determination made by the Water and Sewer Department relating to rates or charges for city water or sewer services.”

Per Section (D), “(t)hree members shall constitute a quorum for the purpose of conducting business. The concurring vote of two members shall be necessary to revise or modify any matter, and such Board action shall be final. Whenever a quorum is present and an applicant fails to obtain at least two votes in favor of an appeal, then the matter appealed shall be deemed affirmed and such action shall be final. All meetings of the Board shall be conducted in such open, public session as may be otherwise required by the Sunshine Law of the State of Ohio.”

Per Section (F), “(t)he Board shall not entertain any appeal filed more than 20 days after the date of the sewer charges billing that gave rise to the matter appealed from, or within such time as may be specifically provided in the ordinances of the city. All decisions of the Board shall be subject to review at the discretion of the City Council.”

There were 978 credit adjustments to utility accounts in 2006 totaling \$366,125 and 1,135 credit adjustments in 2007 which totaled \$113,297. Some of these adjustments were at the request of customers; however, there was no indication of approval by the Board of Review of any adjustments made during the Period. This practice resulted in adjustments being made to utility accounts without proper authorization causing loss of revenue for the City.

We recommend all adjustments be reviewed and approved by the director of public safety and service. Documentation should be maintained of the director’s review and approval. We also recommend that all adjustments that are initiated as the result of a request or appeal by a customer be reviewed and approved by the Board of Review as established by Ordinance 51.11. As further control over adjustments, we recommend the City Code be revised to require the Board of Review to review and approve all adjustments initiated by the mayor or director of public safety and service. Meetings of the Board of Review should be documented by minutes made available to the public.

## Supplement to the Special Audit Report

### MANAGEMENT COMMENT

#### Utility Operations

The City has experienced recent financial distress and in October 2009, was declared in fiscal emergency by the Auditor of State as defined by Section 118.03(A)(6) and 118.03(B) of the Ohio Revised Code.

Lost revenue from unaccounted for water, the quantity and volume of credit adjustments to customer accounts, and past due accounts with little or no collection efforts likely contribute to the distress.

We recommend that the City consider a professional assessment of the effectiveness and efficiency of the utility operations including service delivery and billing/collection processes.



Mary Taylor, CPA  
Auditor of State

CITY OF WELLSTON

JACKSON 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  
FEBRUARY 18, 2010