



**BROWN COUNTY CLERK OF COURTS
BROWN COUNTY**

SPECIAL AUDIT

FOR THE PERIOD JANUARY 1, 2005 THROUGH NOVEMBER 30, 2006



Mary Taylor, CPA
Auditor of State

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Honorable Perry Ogden, Chairman
Honorable Dale Reynolds, Commissioner
Honorable Margery Paeltz, Commissioner
Brown County
800 Mt. Orab Pike, Suite 101
Georgetown, Ohio 45121-1170

We have conducted a special audit of the passport, notary, and non-sufficient fund fees collected by the Brown County Clerk of Courts by performing the procedures enumerated in the attached Supplement to the Special Audit Report for the period January 1, 2005 through November 30, 2006 (the Period), solely to:

- Determine whether passport, notary and non-sufficient funds fees due to Brown County (the County) were collected and deposited into the Brown County Clerk of Courts' bank accounts during the Period.

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. Using available documentation, we determined whether passport fees due to the County were collected and deposited into the Clerk of Courts' bank account for the Period.

Significant Results – Of the \$3,930 of passport fees due and collected, \$1,230 was deposited into the Clerk of Courts' bank account. We issued a finding for recovery for the remaining \$2,700. Current and former employees stated fees paid in cash were often not receipted or deposited and the funds were spent on office supplies, snacks, flowers, meals and gifts for Clerk of Courts' employees. In addition, we noted various internal control weaknesses in the processing of passport applications and the collection of passport fees.

2. Using available documentation, we determined whether notary fees due to the County were collected and deposited into the Brown County Clerk of Courts' bank account for the Period.

Significant Results – Of the \$2,039 notary fees due and collected, \$1,230 was deposited into the Clerk of Courts' bank account. We issued a finding for recovery for the remaining \$809. In addition, we issued a noncompliance citation for failure to stamp the file date on 20 of 347 notary commissions.

3. Using available documentation, we determined whether non-sufficient funds (NSF) fees due to the County were collected and deposited into the Brown County Clerk of Courts' bank account for the Period.

Significant Results – For 17 of the 30 checks returned to the Brown County Clerk of Courts' Office for non-sufficient funds, we were unable to determine whether NSF fees of \$415 were collected. We noted internal control weaknesses in assessing and collecting NSF fees, recording tender received in the computer system, and processing large volumes of vehicle titles.

4. In a general comments section we issued a noncompliance citation for failure to deposit funds collected within 24 hours and issued eight management comments for noted internal control weaknesses in establishing, collecting, receipting, and depositing fees.
5. On August 29, 2007 we held an exit conference with the following individuals:

Perry Ogden, County Commissioner
Dale Reynolds, County Commissioner
Gary Rosenhoffer, Attorney at Law

Margery Paeltz, County Commissioner
Tina Meranda, Clerk of Courts

The attendees were informed that they had five business days to respond to this Special Audit Report. A response was received from Ms. Meranda on September 4, 2007, and from the Brown County Commissioners on September 20, 2007. The responses were evaluated and modifications were made to the report as we deemed appropriate.



Mary Taylor, CPA
Auditor of State

June 22, 2007

Supplement to the Special Audit Report

Background

On November 6, 2006, Thomas Grennan, Brown County Prosecuting Attorney, contacted the Auditor of State's (AOS) Cincinnati regional office alleging a theft had occurred at the Brown County Clerk of Courts' Office. Mr. Grennan indicated Tina Meranda, Brown County Clerk of Courts, had recently terminated an employee, Dawn DeClaire. Upon termination, Ms. DeClaire sent a letter to Ms. Meranda alleging a portion of the passport fees collected was not deposited.

On November 13, 2006, AOS representatives met with Mr. Grennan and Ms. Meranda to discuss the procedures for collecting and depositing passport fees. Ms. Meranda stated she reviewed available passport source documents and determined 59 passports were processed by the Clerk of Courts' Office. However, Ms. Meranda noted that only approximately \$3,400 of passport fees for 34 passports processed were deposited. Additionally, Ms. Meranda indicated that an employee witnessed another employee substituting checks received for passport fees for various fees paid in cash. At this meeting, Mr. Grennan requested assistance in determining the amount of missing funds.

Interviews conducted with current and former employees resulted in additional allegations that notary and non-sufficient funds fees were also collected and not deposited.

On February 12, 2007, the Auditor of State initiated a special audit of passport, notary and non-sufficient funds fees collected by the Brown County Clerk of Courts.

Supplement to the Special Audit Report

Issue No. 1 – Passport Fees

Procedures

Using the Passport Application Transmittal forms maintained by the Brown County Clerk of Courts we identified the number of passports processed during the Period and calculated the passport fees due to the County.

Using a receipt report from the Brown County Clerk of Courts' Legal Department identifying the dates and amounts of passport fees collected and receipted and the corresponding deposit slip, we determined whether the fees receipted were deposited.

We compared the passport fee receipts calculated as due to those collected, receipted and deposited.

Results

During the Period, the Brown County Clerk of Courts' Office collected the established \$30 passport fee for each of the 131 Passport Application Transmittal forms it processed. Of the \$3,930 due and collected, \$960 was deposited into the Clerk of Courts' bank account. On November 2, 2006, Ms. Meranda deposited \$270 of cash she found in the drawer as passport collections. The remaining \$2,700 of collected passport fees due and collected were not receipted and deposited.

Finding for Recovery

During the Period, the Clerk of Courts' Office collected fees for processing passports. Upon receipt of the fees, each deputy clerk was to record the fee amount and type in the Clerk of Courts' computer system and place the fees collected in their bank bag. At the end of each day, the receipt history and bank bag were then forwarded to the bookkeepers for reconciliation and deposit.

We noted passport fees due and remitted in cash were not receipted into the computer system nor deposited. In addition, we noted passport fees remitted by check were often not receipted in the computer system and instead were deposited into the Legal Department's bank account in place of cash collected that day. We noted the following fees due were collected but not deposited:

	Passport Fees	
	2005	2006
Total Fees Due and Collected	\$1,890	\$2,040
Fees Receipted and Deposited	(750)	(210)
Fees Collected and Not Deposited	\$1,140	\$1,830

Ms. Meranda stated she found \$270 of cash collections in a drawer on November 2, 2006, in the Legal Department. Ms. Meranda receipted the \$270 in the computer system as passport fees and deposited the funds into the Clerk of Courts' bank account.

Dawn DeClaire, Annette Mineer, Erin Hicks, and Ms. Meranda were responsible for collecting and receipting passport fees. In addition, Ms. Hicks and Ms. DeClaire were responsible for preparing and depositing the funds collected.

During interviews several deputy clerks stated they were aware that not all cash received for fees was receipted and deposited into the Clerk of Courts' bank accounts. The deputy clerks stated the funds were spent on office supplies, snacks, flowers, meals, and gifts for Clerk of Courts' employees. No documentation existed supporting the expenditure of \$2,700 of passport fees collected but not deposited.

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 for public monies collected but unaccounted for and public monies illegally expended is hereby issued against Dawn DeClaire, former bookkeeper; Annette Mineer, former deputy clerk; Erin Hicks, bookkeeper; and Tina Meranda, Clerk of Courts and her bonding company, Westfield Insurance Company, for \$2,700, jointly and severally, and in favor of the Brown County Clerk of Courts' Office.

Management Comment

Passport Application Transmittal Forms

To obtain a passport, an individual filed a passport application and paid the appropriate fee at the Brown County Clerk of Courts' Office. Upon receipt of the application and related fees, a deputy clerk completed a passport application transmittal form (PATF). During the audit, we noted the following weaknesses in processing passports:

- Ten PATFs did not identify the date prepared.
- The deputy clerks did not document the tender received for the County passport fee or the tender received for the U.S. Department of State fee for 13 PATFs.
- For six PATFs, receipts were issued prior to the application date.
- The Clerk of Courts' Office did not reconcile the number of passport applications to the amounts received in the computer system and deposited.
- Supporting PATFs for five passport receipts posted to the Clerk of Courts' computer system could not be located.

By not completing all fields on the PATF, not documenting the payment tender received and not reconciling the PATFs to the passport fees receipted and deposited, the bookkeeper was unable to determine passport fees totaling \$2,700 collected by the deputy clerks were not receipted and deposited into the Clerk of Courts' bank account.

We recommend the deputy clerks complete the PATF in its entirety and document the tender and receipt number. As deemed necessary, the bookkeeper should calculate the passport fees collected based on the PATFs processed for the period and determine whether those fees due were collected, posted to the computer system and deposited into a Clerk of Courts' bank account.

Supplement to the Special Audit Report

Issue No. 2 – Notary Fees

Procedures

Using the Notary Filing Book maintained by the Brown County Clerk of Courts' Office, we identified the number of notary filings processed during the Period and calculated the amount due for the commissions filed.

Using a receipt report from the Brown County Clerk of Courts' Legal Department identifying the dates and amounts of notary filing fees collected and the corresponding deposit slips, we determined whether the notary fees received were deposited.

We compared the notary filing fees calculated as due to those collected, receipted and deposited.

Results

During the Period, 347 notary commissions were filed with the Brown County Clerk of Courts. For each filing, a fee of \$5 was due for commissions notarized prior to filing and \$6 was due for commissions notarized at the time of filing. For the 347 filings, the County collected filing fees due totaling \$2,039. Of the \$2,039, only \$1,230 was deposited into the Clerk of Courts' bank account.

Finding for Recovery

During the Period, the Clerk of Courts' Office collected fees for filing notary commissions. Upon receipt of the fees, each deputy clerk was to record the fee amount and type in the Clerk of Courts' computer system and place the fees collected in their bank bag. At the end of each day, the receipt history and bank bag were then forwarded to the bookkeepers for reconciliation and deposit.

We noted notary fees remitted in cash were not receipted into the computer system or deposited. In addition, we noted notary fees remitted by check were often not receipted in the computer system and instead were deposited into the Legal Department's bank account in place of cash collected that day. We noted the following fees due were collected but not deposited:

	Notary Fees	
	2005	2006
Total Fees Due and Collected	\$1,176	\$863
Fees Receipted and Deposited	(766)	(464)
Fees Collected and Not Deposited	\$ 410	\$399

Dawn DeClaire, Annette Mineer, Erin Hicks, and Ms. Meranda were responsible for collecting and receipting notary fees. In addition, Ms. Hicks and Ms. DeClaire were responsible for preparing and depositing the funds collected.

During interviews several deputy clerks stated they were aware that not all cash received for fees was receipted and deposited into the Clerk of Courts' bank accounts. The deputy clerks stated the funds were spent on office supplies, snacks, flowers, meals, and gifts for Clerk of Courts' employees. No documentation existed supporting the expenditure of \$809 of notary fees collected but not deposited.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public monies collected but unaccounted for and public monies illegally expended is hereby issued against Dawn DeClaire, former bookkeeper; Annette Mineer, former deputy clerk; Erin Hicks, bookkeeper; and Tina Meranda, Clerk of Courts and her bonding company, Westfield Insurance Company, for \$809, jointly and severally, and in favor of the Brown County Clerk of Courts' Office.

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Noncompliance Citation

Stamping of Filing Date – Notary Commissions

Ohio Revised Code 147.05 states in part that “(t)he clerk shall endorse on the margin of the record and on the back of the commission the time that the clerk received the commission for record...”

We noted 20 of 347 notary commission forms filed during the Period were not stamped with the file date.

We recommend the deputy clerk stamp the file date on the notary commission forms received and prior to making a copy for the notary book.

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Issue No. 3 – Non-Sufficient Funds Fees

Procedures

We obtained a listing of non-sufficient fund checks posted to the Title Department, Municipal Court and Legal Department bank accounts and calculated the amount of non-sufficient fund fees (NSF) due during the Period.

Using a receipt report from the Brown County Clerk of Courts' Title Department including the dates and amounts of NSF fees collected and the corresponding deposit slips, we determined whether fees receipted were deposited.

We compared the NSF fees calculated as due to the fees collected, receipted and deposited.

Results

We determined the Clerk of Courts' Title Department should have collected \$460 in NSF fees for 19 returned checks. The Title Department collected the NSF fee for only two checks returned totaling \$45. Based on available documentation, we were unable to conclude whether the remaining \$415 of NSF fees due was collected for the remaining 17 returned checks.

Management Comments

Collection of Non-Sufficient Fund Fees

The Clerk of Courts' Office charged an NSF fee to remitters whose checks were returned by the bank for non-sufficient funds. During the Period, National Bank and Trust returned two checks to the Municipal Court; four checks to the Legal Department and 24 checks to the Title Department. We noted the following:

- Of the 24 checks returned to the Title Department, \$45 of NSF fees was collected from two remitters. Based on available documentation we were unable to conclude whether \$370 of NSF fees due for 15 returned checks were collected. No fees were due for seven returned checks.
- Of the four checks returned to the Legal Department, NSF fees were waived for two remitters. We were unable to determine whether fees totaling \$45 for the remaining two checks were collected.
- Checks returned from car dealers, a deceased remitter, and checks forwarded to the Municipal Court for collection were not assessed an NSF fee.
- Interviews with current and former employees indicated NSF fee waivers may have been granted if the check was promptly paid. Documentation supporting the granting of fee waivers was not maintained.
- If the Clerk of Courts' Office was able to collect the amount of the NSF check from the remitter's bank, no fee was assessed. Documentation supporting the collection from the bank was not maintained.
- Written guidance supporting when an NSF fee should be assessed or waived was not available.

Not providing adequate guidance to deputy clerks of when an NSF fee should be assessed and the related exceptions may result in the incorrect assessment of the NSF fee.

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We recommend the Clerk of Courts' Office implement policies and procedures to address when an NSF fee should be charged. Documentation should be maintained to support charging and collecting the fee and if applicable, whether a waiver was granted. NSF fees waived for reasons other than those stated in the policy should be approved by the Clerk of Courts.

For the \$415 identified as due, we recommend the Clerk of Courts determine whether the NSF fee was actually due and take additional steps as deemed necessary to resolve these matters. Documentation supporting the resolution of these matters should be retained.

Tender Received

The Title Department computer system required the deputy clerk to record the payment tender received. Title Department deputy clerks indicated there were instances when customers changed their method of payment after the tender was entered into the computer system and the receipt was issued. The computer system does not allow the deputy clerk to adjust the type of tender in these instances or when an error has occurred.

By not including the proper tender, the system does not report the true activity of the Title Department's collections. It also does not enhance the reconciliation procedure by ensuring the amount of cash and checks entered into the system agrees to the cash and checks to be deposited.

We recommend the deputy clerks record the correct tender into the system at the time of payment. If changes need to be made, the deputy clerk should note the change of tender in the computer system and on the actual receipt to allow the bookkeeper to reconcile the tender for that day's collections.

Processing of Titles

Periodically, auto dealers bring a batch of titles to the Title Department for processing. Upon receipt, available deputy clerks process the auto dealers' titles. However, only one deputy clerk receipts the payment in their cash drawer resulting in the other deputy clerks' receipt reports reflecting collections in the computer system not contained in their cash drawers. To eliminate this variance the deputy clerk who received the payment transfers cash from their cash drawer to the other deputy clerks' cash drawers. No supporting documentation was maintained for the transfer of cash.

By transferring the funds from one deputy clerk to another and not maintaining documentation supporting the transfers, the bookkeeper was unable to determine whether the deputy clerk remitted the funds to the bookkeeper intact.

We recommend the deputy clerk receiving the payment document the funds received for titles processed by other deputy clerks as a reconciling item when balancing their cash drawer. The other deputy clerks should also document the titles processed for which payments were not received. Upon receipt of the cash drawers, the bookkeeper should reconcile these differences and resolve any additional discrepancies. In addition, the Clerk of Courts should implement procedures to be followed when processing batches of titles when only one deputy clerk receives the payment and when reconciling the tender for each deputy clerk's cash drawer to that day's receipts to consider the additional titles processed.

Supplement to the Special Audit Report

General Comments

In addition to the results of our examination of items within the scope of the special audit, we noted the following matters to bring to the County's attention.

Noncompliance Citation

Deposits

Ohio Rev. Code Section 9.38, requires public officials to deposit all public moneys received with the treasurer of the public office or properly designated depository on the next business day of receipt, unless the amount is less than \$1,000 and then a policy must be in place which extends this to no more than three business days following the day of receipt.

During our review we noted:

- 87 of 131 passport fees collected were not deposited within 24 hours of receipt.
- 133 of 347 notary receipts were not deposited within 24 hours of receipt.
- Passport fees totaling \$2,700 and notary fees totaling \$809 were not deposited into the Clerk of Courts' bank account.

We recommend the Clerk of Courts implement procedures to ensure public funds collected are deposited within 24 hours to reduce the risk of theft or misuse of those funds. In addition, we recommend deposit slips identify the cash being deposited; list the checks included in the deposit and their amounts; and agree the deposit to the day's cashbook to ensure the entire collection for that day is being deposited.

Management Comments

Receipts

We noted the following during our examination of receipts issued for passport, notary and NSF fees:

- 99 of 131 passport applicants were not issued receipts for fees paid.
- For 139 of 347 notary fees collected, duplicate receipts were not issued for fees paid.
- Receipts did not reflect who remitted the notary filing fee for eight cases.
- Duplicate receipts did not accurately reflect the type of tender paid.

Failure to document the remitter, tender and the amount received on a receipt increases the likelihood that errors or theft may occur and go undetected. Also, in the event of any possible dispute with a remitter, the deputy clerks may be unable to resolve such situation without having an accurate duplicate receipt.

We recommend duplicate receipts be issued for all fees collected documenting the tender received. If the wrong tender is entered into the computer system, a manual notation should be documented on the hard copy of the receipt and confirmed by another deputy clerk or supervisor.

In addition, we recommend the Clerk of Courts' Office consider conducting random reviews of the deputy clerks' daily cash receipts to determine whether policies and procedures are being followed.

Supplement to the Special Audit Report

Cashing Personal Checks

We noted 35 personal checks totaling \$2,127 were cashed from the Clerk of Courts' cash drawer. Cashing personal checks could cause the Court to experience an overage or shortage and fees for non-sufficient funds.

We recommend the Clerk of Courts implement a policy prohibiting the cashing of personal or payroll checks.

Refund of Overpayments

The Clerk of Courts' Office refunds remitter overpayments from the day's cash collection. When this occurred, the bookkeeper could not determine whether the funds provided for deposit were intact due to the substitution of checks for cash. The practice of issuing refunds from cash also increases the risk of funds being improperly disbursed.

We recommend the Court discontinue this practice and require checks be written for any overpayments received. If the Clerk of Courts chooses to continue the above described process, the Clerk of Courts should implement policies and procedures which require documentation supporting the cash refund be included with that day's collections. The bookkeeper should consider the cash refund issued when reconciling that day's receipt history by tender to the collections for deposit.

Shortages and Overages

Deputy clerks were required to pay with their own funds any shortages in their cash drawer at the end of the day. There were no controls to ensure any overages were actually deposited in the Clerk of Courts' bank account which could result in the misappropriation of public monies.

We recommend the Clerk of Courts discontinue this practice and request the establishment of a "Prime Account" to track overages and shortages. A "Prime Account" is an account within the Clerk's receipts and disbursing system to track specific transactions (i.e. Clerk fees, sheriff fees and miscellaneous fees.) A log should be maintained noting the deputy clerk and the instances when the deputy clerk had an overage or shortage. The new amount of the overages and shortages on the log should be added to or deducted from the Clerk's share of the fees collected. The shortages and overages incurred by each deputy clerk should be reviewed by a supervisor on a regular basis and considered during employee performance evaluations.

Daily Balancing of Cash Drawers

Each day the deputy clerks ran a receipt report and balanced their cash drawer to the receipts collected. The funds collected were provided to the bookkeeper who then ran a total daily receipt report, compared the amount collected to the amount receipted, and deposited the funds collected. During the Period, the bookkeepers were also responsible for collecting fees due to the Clerk of Courts.

By allowing the deputy clerks to reconcile their cash drawers without the bookkeeper or another deputy clerk present increases the risk of misappropriation. Should there be a difference between the cash count of the deputy clerk and the bookkeeper the source of the error or fraud may not be pinpointed.

We recommend either another deputy clerk or the bookkeeper independent of the cash receipts function balance each deputy clerk's drawer at the end of the day in their presence. Once the money is counted and reconciled to the daily cash receipt report, both parties counting the drawer should sign the daily receipt report and/or balancing form indicating their agreement of the amount collected. Any variances between the actual amount collected and the daily receipt report amount should be documented with the reason for the variance.

Supplement to the Special Audit Report

Computer Access

Deputy clerks indicated they shared the computer terminals when preparing duplicate receipts. In addition, login passwords were also shared amongst deputy clerks. Since the deputy clerks use each other's terminals, enter initials into the computer for the receipt and share passwords, we were unable to verify the initials listed on the receipt or cashbook were those of the deputy clerk who actually processed the payment.

We recommend the deputy clerk issue receipts using only their initials on the computer terminal they are logged into. In addition, the Clerk of Courts should consider requesting the computer software be adjusted to require the deputy clerk to verify the receipt reflects their initials prior to issuing the computerized receipt. Clerk of Courts' employees should be reminded that passwords should not be shared.

Fee Schedule

The Clerk of Courts' Office maintains a separate fee schedule for the Municipal Court, Title Department, Common Pleas, and Legal Department. We noted the fee schedules did not contain fees due for passports, notary commissions notarized prior to filing, copy fees and NSF fees including any exceptions. We noted the copy and NSF fees were posted for public viewing but were not included on the fee schedule.

Failure to maintain an updated fee schedule could result in the wrong fees being charged or not at all. For example, we identified five instances where the Clerk of Courts charged the notary fee associated with the Clerk of Courts' deputy clerks notarizing the commission even though the commission was notarized prior to filing.

We recommend the Clerk of Courts update the fee schedule each time a fee is increased or new fees are added. This fee schedule should be posted for public viewing.

Cashbook vs. Deposit

In comparing the amounts received by tender per the cashbook to the tender deposited into the Clerk of Courts' Legal Department bank account, we noted 48 variances ranging from \$2 to \$700 which were unrelated to the substitution of passport or notary fee checks for cash collected. In reviewing available documentation, we noted these variances could be the result of:

- Cashing of personal checks issued to employees from the cash drawer.
- Recording the wrong type of tender in the computer system.
- Refunding of overpayments made by remitters in cash.

We recommend the Clerk of Courts review the identified variances and determine their cause. If warranted the Clerk of Courts should pursue recovery from appropriate parties.



Mary Taylor, CPA
Auditor of State

BROWN COUNTY CLERK OF COURTS

BROWN 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
OCTOBER 4, 2007**