



**SANDUSKY COUNTY TREASURER'S OFFICE
SANDUSKY COUNTY**

SPECIAL AUDIT REPORT

FEBRUARY 24, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

The Honorable Brad Smith, President
and
The Honorable Terry Thatcher
The Honorable Daniel Liskai
Sandusky County Commissioners
100 North Park Avenue
Fremont, Ohio 43420-2477

Based on the information you provided regarding a possible misappropriation of cash in the Treasurer's Office, we have conducted a Special Audit and performed the procedures summarized below, and detailed in our "Supplement to the Special Audit Report", for February 24, 2000. This procedure was performed solely in an attempt to determine whether \$1,000 had been misappropriated from the Treasurer's Office on February 24, 2000.

This engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. We make no representation regarding the sufficiency of the procedures discussed below, for the purpose for which this report has been requested or for any other purpose. The procedures we performed are as follows:

1. We performed and documented interviews with the County Risk Manager and the County Treasurer to determine the circumstances surrounding the alleged misappropriation of \$1,000 from the Treasurer's Office on February 24, 2000.

Significant Results: Although the shortage occurred on February 24, 2000, Treasurer Anna Senior did not notify the County's Risk Manager of a possible theft until March 31, 2000. Ms. Senior stated she had personally paid back the \$1,000 shortage; however, there were no documents or receipts to support the alleged repayment.

2. We interviewed employees of the Treasurer's Office, to obtain an understanding of the procedures followed when collecting, reconciling, and depositing daily receipts.

Significant Results: Overall cash controls of the Treasurer's Office are weak. Given the number of significant internal control weaknesses noted, the substantial amount of cash held in the Treasurer's Office each day, and the lack of supporting documentation maintained by the Treasurer's Office, there is an extremely high risk that funds could be stolen or misappropriated.

3. We obtained the daily reconciliations of the Treasurer's Office for February 24, 2000, and attempted to re-perform the reconciliations and trace the amount of revenues received to a bank statement as being deposited.

Significant Results: We were unable to re-perform the reconciliation of February 24, 2000 because the Treasurer failed to maintain the detailed cash register tapes which would have recorded the amount and types of transactions processed for the day.

4. We issued a subpoena to Croghan Colonial Bank, the banking institution which services the Treasurer's Office, to receive copies of all documents presented for the deposit of daily activity for February 24, 2000.

Significant Results: The Treasurer routinely cashed personal checks through her office. Our report includes an internal control recommendation to discontinue this practice.

5. On March 22, 2001, we held an Exit Conference with the following elected officials and administrative staff:

Brad Smith, President, Sandusky County Commissioners
Daniel Liskai, Member, Sandusky County Commissioners
Terry Thatcher, Member, Sandusky County Commissioners
Tim Grabenstetter, Risk Manager, Director of Human Resources, Sandusky County
David Gangwer, Sheriff, Sandusky County
William Kaiser, Detective Captain, Sandusky County Sheriff's Office
Thomas Stierwalt, Prosecutor, Sandusky County
Norman Solze, Assistant Prosecutor, Sandusky County

The attendees were given five days to respond to this Special Audit; however, at the Exit Conference they indicated they did not intend to submit a formal response.

We also scheduled an Exit Conference for Anna Senior to be held on March 22, 2001. At the time of the Exit Conference, Ms. Senior declined to attend the meeting and provided a two-page written response.

Our detailed procedures and the results of applying these procedures are contained in the attached "Supplement to the Special Audit Report". Because these procedures do not constitute an examination conducted in accordance with generally accepted auditing standards, we do not express an opinion or limited assurance on any of the amounts or items referred to above. Also, we express no opinion on the County's internal control system over financial reporting or any part thereof. Had we performed additional procedures, or had we conducted an examination of the financial statements in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported to you. This report relates only to transactions relating to the above procedure, and does not extend to any financial statements of the County, taken as a whole.

This report is intended for the use of the specified users listed above and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Reports by the Auditor of State are a matter of public record and use by other components of state government or local government officials is not limited.

JIM PETRO
Auditor of State of Ohio

December 12, 2000

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SUPPLEMENT TO THE SPECIAL AUDIT REPORT

BACKGROUND INFORMATION

The County Commissioners wrote to us on June 20, 2000, requesting a Special Audit of the Treasurer's Office concerning an alleged cash shortage of \$1,000 on February 24, 2000. The Auditor of State Special Audit Committee considered the Commissioners' request on June 27, 2000 and voted to initiate a special audit.

When the County contacted our office, their own investigation of this alleged theft was already underway. According to the County's initial investigation performed by Mr. Tim Grabenstetter, Sandusky County Risk Manager, Treasurer Anna Senior informed him on March 31, 2000 that her office was short \$1,000 at the end of the day on February 24, 2000. After recounting the cash drawer three times, they were still short \$1,000. Ms. Senior stated there was some suspicion that two packets of currency, valued at \$500 each, may have been taken from the middle cash drawer. She further informed Mr. Grabenstetter that she had paid back most of the money already, taking personal liability for the shortage.

Deputy Sheriff Steven Whitt, who normally operated the surveillance equipment for the Courthouse, was on vacation at the time, so Treasurer's Clerk Cheryl Overmyer phoned Deputy Sheriff Sophie Ratliff at home to review the surveillance tapes. According to Mr. Grabenstetter, Ms. Senior stated she was looking for a suspicious male at the sales counter on February 24, 2000. Deputy Ratliff did not provide Ms. Senior with the tapes, so Ms. Senior sent a letter to Sheriff Gangwer on Monday, February 28, 2000, formally asking to review the tapes. She was later informed the tapes did not exist for that day. There had been an error in operating the surveillance equipment, in that the Deputy responsible for operating the camera had been scheduled for vacation and pre-programmed the equipment to record activity for the entire week. Later, another Deputy changed the tape and reprogrammed the equipment to proceed on a daily basis, assuming someone would be in each day to restart the tapes. After the initial twenty-four (24) hour period expired, no other tapes had been inserted or programmed.

Ms. Senior further informed Mr. Grabenstetter that she felt the money was taken between 12:00 noon and 1:00 p.m. on that day. She stated two housekeeping employees had been working behind the counter during that time, while she and employee Cheryl Overmyer were the only other people in the office.

When questioned as to why she had not reported this incident earlier, Ms. Senior answered Mr. Grabenstetter by saying she had paid back most of the money already and did not want to accuse anyone without seeing the surveillance tape.

According to an interview of Ms. Senior conducted by Detective Captain William Kaiser, Sandusky County Sheriff's Department, the only unusual events on February 24, 2000 were that two housekeeping employees were in the office, rather than just one, and that a taxpayer came into the office and paid her \$1,997 tax bill in cash. Cheryl Overmyer was the employee who processed this large cash transaction.

In mid-April, the County employed a Polygraph Examiner to perform polygraph tests on each of the employees of the Treasurer's Office, as well as the housekeepers. Detective Captain William Kaiser informed us that prior to submitting to the polygraph examination, Ms. Senior admitted there hadn't been a "suspicious male," rather she fabricated the story to gain access to the surveillance tapes. Four of the Treasurer's employees, both housekeepers, and Anna Senior were asked to take the polygraph examination. One employee was not subjected to the test due to a prior medical history and one housekeeper refused to take the polygraph exam. The results of the polygraph examinations indicated that one of the Treasurer's employees did not answer truthfully to all pertinent questions asked during the polygraph examination.

The office of the County Treasurer is a separately-elected position which does not report to the County Commissioners. Consequently, the County Commissioners do not have the authority to dictate management practices in the Treasurer's Office. Her initial term ended on December 31, 2000; however, in November 2000 she ran unopposed and was re-elected to her second four-year term.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

RELEVANT INDIVIDUALS AND ENTITIES

Anna Senior, Treasurer, Sandusky County

Deb Stout, Deputy Treasurer, Sandusky County

Cheryl Overmyer, Clerk, Sandusky County Treasurer's Office

William Kaiser, Detective Captain, Sandusky County Sheriff's Office

Tim Grabenstetter, Risk Manager, Sandusky County

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

ISSUE 1 - Were funds misappropriated from the Treasurer's Office?

We attempted to determine whether \$1,000 was misappropriated or if a clerical error existed which caused the Treasurer's daily reconciliation to report a shortage of \$1,000 on February 24, 2000.

PROCEDURES

1. We performed and documented interviews with the County Risk Manager and the County Treasurer to determine the circumstances surrounding the alleged misappropriation of \$1,000 from the Treasurer's Office on February 24, 2000.
2. We interviewed employees of the Treasurer's Office, to obtain an understanding of the procedures followed when collecting, reconciling, and depositing daily receipts.
3. We obtained the daily reconciliations of the Treasurer's Office for February 24, 2000, and attempted to re-perform the reconciliations and trace the amount of revenues received to a bank statement as being deposited.
4. We issued a subpoena to Croghan Colonial Bank, the banking institution which services the Treasurer's Office, to receive copies of all documents presented for the deposit of daily activity for February 24, 2000.

RESULTS

1. (See "Background Information" on Page No. 3 for information provided by the County Risk Manager.)

On July 31, 2000, we spoke with Ms. Senior on the telephone who stated she believed one of the housekeepers took the money. She suspected the housekeepers knew the surveillance equipment was not operating and reached into the drawer and stole the money while the employees of the Treasurer's Office were working at their desks. When questioned about the repayment of the shortage from February 24, 2000, Ms. Senior stated she immediately started paying back the \$1,000 and had given the money to one of her Clerks to put in the cash register; however, no one tracked the repayments and no receipts were issued to document such transactions.

We again interviewed Ms. Senior on December 6, 2000. Ms. Senior again stated she firmly believed the money was taken rather than having been the object of a clerical error. She further explained that since she felt no clerical error occurred, she assumed someone took two packets of \$500, as this would be the fastest and easiest way to remove exactly \$1,000 in cash. Ms. Senior repeatedly discussed her disappointment in the failure of the video surveillance equipment on February 24. In regards to paying back the \$1,000 shortage, Ms. Senior again stated she did not issue a receipt or keep detailed records supporting her repayment. When questioned about allegedly paying back \$438 on February 25, which Ms. Senior previously stated she had done, Ms. Senior explained she panicked the night of the 24th and used her ATM card to withdraw money from her savings account to start the repayment right away. Ms. Senior stated that subsequent to the initial repayment on February 25, she put cash into the drawer whenever she had extra money.

Subsequent to the December 6, 2000 interview, we asked Ms. Senior to provide us with a copy of her bank statement, documenting the ATM transaction to withdraw funds on February 24, 2000. On January 11, 2001, we received a letter from Ms. Senior which explained that she did not withdraw the money from the bank on the night of February 24, 2000. Instead, she actually used available cash which had been previously set aside for personal needs. Ms. Senior stated she is confident that \$1,000 has been paid back although it is not formally documented.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

From our initial site visit at the Treasurer's Office, we determined it would be virtually impossible, given the location of the cash registers, for a person to lean over the Treasurer's counter and steal money from the drawers. Further, given the proximity of the employees' desks to the cash registers, it seems highly unlikely that housekeeping employees could have accessed the cash drawers and removed money without anyone hearing the drawers open.

2. Daily Collections - Cash Registers

The Treasurer's Office used three cash registers for processing daily activity; however, there was no set pattern for using the cash registers. Some days all three registers were used and on other days only one register was used by all of the cashiers collectively.

On October 13, 2000, as part of our ongoing field work, we made an unannounced visit to the Treasurer's Office. There was one cash register in use which had an opening cash balance of \$4,351.85, the amount of cash left-over from the previous day's activity. We scanned the contents of the cash drawer and noted the following:

There were two personal checks issued to "Nikki Stout." Each check was written in the amount of \$10. When asked what these checks represented, Ms. Senior declined knowledge and referred us to her Deputy Treasurer, Deb Stout. Ms. Stout explained these were checks her daughter received from patrons of her newspaper route and Ms. Senior had cashed them for her.

Additionally, there were two personal checks in the cash drawer, one in the amount of \$40 and another in the amount of \$100. Ms. Senior explained both of these women were employees of the County and she allowed employees to cash personal checks as long as the amount was below \$200.

During February 2000, forty-three (43) cash drawers were used; however, summary cash register tapes were only maintained for thirty-one (31) of these cash drawers. The summary tapes indicated five-hundred fourteen (514) "No Sale" transactions were recorded. For the thirty-one (31) cash drawers, the "No Sale" key was used an average of 16.5 times for each cash drawer. In other words, the cash drawers were opened an average of 16.5 times each day without processing a recorded transaction. Ms. Senior stated the "No Sale" key was used to process escrow transactions or to cash checks for employees. It seems unusual for a cash drawer to be opened so frequently throughout the day without processing a valid transaction. We will issue a recommendation suggesting appropriate uses of "No Sale" keys on the registers.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

Daily Depositing

Each day, the Treasurer deposited the checks received in her office and used the ending cash balance to begin the next day's activity. For example, on February 23, 2000, the ending balance in the cash drawer was \$6,751.59 in cash, and \$148,193.86 in checks. All checks were deposited and the ending cash balance was used to start the cash register on the morning of February 24, 2000. It is unusual to begin each day's activities with varying amounts of cash as opposed to an established amount. It is also unusual to deposit only checks while maintaining cash in the office. During the month of February 2000, the amount of cash used to start the forty-three (43) cash drawers used varied between \$975 and \$19,434. Fifty-six percent (56%) of the cash drawers were opened with cash in excess of \$5,000 and twenty-nine percent (29%) were opened with cash in excess of \$10,000. Only four deposits of cash totaling \$110,000 were made during February. When questioned about the amount of cash maintained in the register drawers, Ms. Senior stated her goal was to keep the registers below \$5,000. When we questioned further regarding the volume of documents we observed which recorded opening cash drawer amounts in excess of \$5,000, Ms. Senior said she doesn't deposit cash on a regular basis. We will be issuing a recommendation for the Treasurer to set a specific value for opening the cash drawers, and to deposit all cash and checks above the established amount daily.

Daily Collections - Vault Safe

On August 15, 2000, we met with Sandusky County officials to provide our Letter of Arrangement. Directly after that meeting, Ms. Senior provided us with a tour of her office. We examined the safe located inside the vault and noted it was opened and unlocked. When we inquired as to how much money was kept in the safe on any given day, Ms. Senior stated she did not know. Later, during the course of our conversation, Ms. Senior indicated the contents of the safe were neither counted on a daily basis, nor was any documentation maintained to support any "cash counts" performed. She informed us that she counts the funds in the safe every two weeks and handwrites the amount on a piece of paper, then scratches out the old amount and writes the new amount upon subsequent counts. She then showed us the paper, which did not have dates the contents were counted, by whom, and who, if anyone, witnessed the cash count.

We again observed the safe on October 13, and noted it was locked. Ms. Senior unlocked the safe and indicated it contained \$19,350 in currency and \$163 in coin. The Treasurer told us the safe was last counted one week prior, on Friday, October 6. As was the case on our previous visit, the documentation to support cash amounts held in the safe consisted only of a piece of paper with dollar amounts written down and crossed off across the paper. When questioned about the amount of cash in the office safe, Ms. Senior stated her goal was to keep \$15,000 to \$20,000 in the vault safe.

The Treasurer's Office routinely cashed employee payroll checks. In doing so, cash was transferred from the safe to the individual cash drawers. A "Transfer Form" was supposed to be completed each time funds were moved between the safe and the cash drawers; however, these documents were not retained for audit purposes.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

Daily Reconciliation

While reconciling the cash drawers, each clerk counted her own drawer. We will recommend someone other than the register operator count his or her drawer. Although the cash registers generated detailed daily activity tapes which substantiated the activities processed through the cash registers, the clerks did not use the cash register tapes to assist in the reconciliation process, using receipt stubs instead. Ms. Senior informed us the detailed cash register tapes were reviewed if the cash drawer could not be reconciled; however, she did not maintain these tapes. The summary cash register tapes which provided totals but no specific details of transactions, were generated at the end of the day and were attached to the daily reconciliation worksheets. When asked to demonstrate using the summary tape to reconcile to the daily worksheet, Ms. Senior was unable to do so. She informed us the summary tapes would not agree to the worksheets because of a problem with the programming of the cash registers. She stated they purchased these registers during the last tax season for the express purpose of assisting the clerks with making change. Even though Ms. Senior knew the summary tapes could not be reconciled to the daily worksheets, she kept them because she "thought we should be keeping something." On our first site visit, Ms. Senior stated she had been too busy to contact the cash register company to request assistance. On a subsequent visit, Ms. Senior informed us she had contacted the cash register company on several occasions for assistance. We phoned the cash register company directly and were told there had been no requests for assistance from Ms. Senior. We will be issuing a recommendation for the Treasurer to request programming assistance from the cash register company and begin maintaining all detailed register tapes to support daily activity.

At the close of business each day, the cashiers completed a daily reconciliation form called a "Check Out Sheet" for each cash drawer used during the day. The Check Out Sheet was used to record the amount of cash and checks counted in the drawer, and to record the value of transactions processed during the day. If the drawer was "balanced," these two amounts would agree. Any overage or shortage was identified by a discrepancy between the amount of cash and checks and the value of transactions. Once the cashiers completed the individual Check Out Sheets, the Treasurer combined them to obtain a grand total of daily receipt activity and generate a final reconciliation form. After the drawers had been counted, the cash was put back into the register and the checks were set aside for deposit.

3. The Check Out Sheet for February 24, 2000 documented a shortage of \$1,000. We were unable to test this reconciliation because the Treasurer failed to retain the detailed cash register tapes which would have recorded the amount and types of transactions (i.e., cash versus check) processed for the day. Without the cash register tapes, we cannot determine how much cash and/or checks should have been received.

Additionally, the Treasurer did not maintain documentation of funds transferred, if any, between the cash register and the safe, nor was the value of the safe contents documented for February 24, 2000. For these reasons, it is impossible to determine if the Treasurer truly received the amount of cash she recorded on the Check Out Sheet, not only for February 24, 2000, but for every day.

There was evidence of a bank deposit on February 25, 2000 for the amount of checks (\$43,698.02) which were documented as having been received on February 24, 2000. None of the cash (\$10,148.72) allegedly received on February 24, 2000 was deposited.

4. Croghan Colonial Bank provided us with photostatic copies of all checks deposited on February 25, 2000, which represented the daily activity of the Treasurer's Office on February 24, 2000. The entire deposit, \$43,698.02, consisted of checks only, no cash. In this one deposit which we reviewed, the following items appeared to be unrelated to ordinary transactions processed through the Treasurer's Office:
 - There were six personal checks issued to "Cash" which totaled \$410 and ranged in value from \$15 to \$200. All but one of the checks were issued by Sandusky County employees.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

- ▶ Eight checks, which were drawn on Sandusky County paper, were issued to employees of the County. These eight checks totaled \$620 and ranged in value from \$14.93 to \$233.83. One of these eight checks, in the amount of \$88.18, was issued to Anna Senior.
- ▶ There were four “third-party checks” which were issued by companies unrelated to the County that had been cashed in the Treasurer’s Office, much the same way checks are cashed at a banking center. The checks totaled \$439 and ranged in value from \$1.50 to \$361.07. Two of the four checks were cashed by people who were not employees of Sandusky County.

Regardless of employment with the County, it is not wise for the Treasurer to be cashing checks from her office. If for some reason any of these checks had been returned to the County for insufficient funds, the County could have been charged bank fees and penalties. We will be including a recommendation in this report for the Treasurer to discontinue the practice of cashing personal checks for both employees and non-employees.

NON-COMPLIANCE CITATION

Destruction of Records

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

Further, Sandusky County Records Commission, created by Ohio Revised Code Section 149.38, “County Records Commissions,” has adopted the records retention schedules set forth in the Ohio County Records Manual published by the Ohio Historical Society. The section titled “County Treasurer”, provides that the Treasurer is to maintain Daily Cash Records for a period of three years.

Section 321.07 of the Ohio Revised Code, in part, requires county treasurers to, “keep an accurate account of all moneys received by him, showing the amount, the time, from what source received, and of all disbursements made by him, showing the amount, time, and for what purpose paid.”

The Treasurer routinely destroyed Daily Cash Records. That is, she destroyed both the detailed cash register tapes which supported the individual transactions processed each day, and she failed to consistently retain the transfer forms used to document the transfer of cash between the cash registers and the safe in her office.

We recommend all documents, including Daily Cash Records, related to valid business transactions be maintained in the Treasurer’s Office for a period of three years, in accordance with the County’s Records Retention Schedule.

MANAGEMENT COMMENTS

Cash Held in the Treasurer’s Office Safe

Although the Treasurer stated the office safe was counted once every two weeks, she did not maintain documentation to substantiate the value of currency and coin kept in her office safe or details as to who performed each cash count, who, if anyone, witnessed the count, and the date each count was performed. By not performing and maintaining documentation of cash counts, cash could be misappropriated from the safe and go undetected.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

We recommend the Treasurer institute formal procedures governing the documentation of funds held in the office safe. In addition, the contents of the safe should be counted on a more frequent basis. The person performing the count should be witnessed by another employee of the Treasurer's Office, and the results of the count should be documented with the date, time, and amount of cash held in the safe, and both the counter and the witness should sign their names as proof the count was performed and recorded accurately. Additionally, the Treasurer should keep the office safe locked when it is not in use.

Cash Register Tapes

The cash registers in the Treasurer's Office were programmed to produce detailed daily tapes to support the individual transactions processed during the day and summary tapes which categorized and totaled the day's activity. The Treasurer did not maintain the detailed daily tapes, and while she did maintain the summary tapes, these summaries did not produce data relevant to the Treasurer's daily reconciliation. The Treasurer informed us that her practice was to destroy the detailed tape and retain the summary tape, even though she was aware the summary tape did not support her reconciliations. Additionally, although the Treasurer knew the cash drawer was short \$1,000 on February 24, 2000, she did not maintain the detailed cash register tapes for review.

The detailed cash register tapes serve in much the same capacity as a receipt book detailing the type of transaction, the amount of funds received, the method of payment, and the date/time of the transaction. By not maintaining these tapes, there is no accurate way of determining the amount and types of transactions which were processed in the cash drawer throughout the day. The detailed tapes would have been the best source of information for the specific events surrounding this investigation of February 24, 2000. Additionally, the summary cash register tapes, while maintained, should be relevant to the daily reconciliation performed by the Treasurer.

We recommend the Treasurer contact the cash register company and request assistance in programming the registers to process relevant information for the summary tapes which would support her daily reconciliations. We also recommend the Treasurer retain the detailed daily register tapes with the daily Check Out Sheets.

Daily Beginning Balances of Cash

Each day, the Treasurer deposited the checks received in her office and used the cash remaining at the end of the day in each drawer as the each drawer's beginning cash balance for the next day's activities. Cash receipts were rarely deposited on a daily basis. For example, on February 24, 2000, total cash in the drawer was \$53,846.74, yet the Treasurer only deposited the checks received, in the amount of \$43,698.02. The remaining \$10,148.72 in cash was kept in the register to begin the daily activity on February 25, 2000. By keeping large amounts of undeposited cash in the office, it can be more vulnerable to misappropriation or theft.

We recommend the Treasurer determine an appropriate amount of cash to be used as a starting point in each register. The amount should be enough to adequately provide change for the types of transactions processed in the office, yet should not be excessive. At the end of each day, all cash above the predetermined limit should be deposited with all of the checks received.

Cash Transfer Forms

Throughout the workday, funds may be transferred between the safe and the cash registers. The Treasurer used cash transfer forms to document the transaction when a transfer occurred; however, these forms were not retained for audit purposes. Without the cash transfer forms, it is impossible to determine whether funds had been transferred and what the accurate amounts of cash should have been in both the safe and the registers.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

We recommend the Treasurer use a cash transfer form whenever funds are transferred between the safe and the cash registers. These forms should provide details on the amount of funds transferred, the time and date of the transfer, and the name and initials of the requesting party (i.e., the cash register operator). The Treasurer should sign off on all cash transfer forms and retain each document with the daily reconciliations.

Counting the Cash Drawers

Multiple employees transacted sales from the same cash drawer because each cashier was not assigned his/her own cash drawer. Operator codes were not required to be input into the register to document which cashier processed individual transactions. With multiple persons using the same cash drawer and by not requiring operator codes, the Treasurer is unable to hold individual clerks accountable for cash overages/shortages. Additionally, multiple users increase the risk of error or misappropriation.

We recommend each clerk be assigned his or her own cash drawer at the start of the day. The clerk should count the beginning cash amount and document the count which should be verified by the Treasurer. At the end of the day, the clerks should generate a register tape documenting all revenues earned, then a different clerk should count the cash drawer once again for a closing balance. Again, this count should be verified by the Treasurer.

If it is not feasible for only one cashier to be assigned the responsibility of operating his or her own cash drawer, the Treasurer should investigate the possibility of assigning authorization codes to each employee who would then be required to enter the personalized code prior to operating the cash registers. This would allow the Treasurer the ability to track register usage by cashier, should multiple employees use the same cash drawer.

Additionally, the revenue per the register tapes printed at the end of the day should be reconciled to the cash, check, and credit amounts, if any, contained in the cash drawers.

Using the No Sale Key

Available summary cash register tapes recorded five-hundred fourteen (514) "No Sale" transactions during the month of February 2000. A "No Sale" allows the cash register drawer to open without a transaction being processed. Repeatedly opening the cash drawers allows Treasurer's Office employees access to cash without authorization, thereby increasing the risk of theft or misappropriation.

We recommend the Treasurer implement a policy establishing controls over the opening of the cash register drawers through the use of the "No Sale" key. This policy should set a minimum of two "No Sales" each day: one to open the register at the beginning of the day, and a second at the end of the day when the register is closed. Any other "No Sales" should be supported by an employee's written explanation and should be authorized by the Treasurer.

Cashing Personal Checks

The Treasurer allowed employees to write personal checks to "Cash" and present them to her office for cashing. Additionally, our review of the checks included for deposit on February 24, 2000 revealed three checks cashed to non-employees and four checks which were not issued to the County but rather were assigned to the County by the original payee. If these types of checks had been returned to the County for insufficient funds, the County may have incurred bank fees and penalties. Additionally, by cashing personal checks for employees, and by accepting assignment of checks not originally issued to the County, it could be construed that the County is lending credit to employees and non-employees, in much the same manner as a banking institution.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

The purpose of the Treasurer's Office should be to receive payments for County-imposed taxes and related transactions, rather than as a disbursing department. To avoid the appearance of lending credit, and to avoid potential penalties and fees related to non-sufficient funds checks, we recommend the Treasurer discontinue the practice of allowing employees to cash checks in her office. Further, should the County determine it would be preferable to allow employees to cash payroll checks in the Treasurer's Office, we recommend contacting the appropriate legal counsel to determine if such practice is legal in nature, then design specific procedures with appropriate internal controls over the processing of employee payroll checks.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

CONCLUSION

Our investigation was hampered due to the amount of time which expired between the alleged theft on February 24, 2000 and when our office received a request for a Special Audit on June 20, 2000. As with any investigation, timing is crucial and perspectives often change from an initial interview when an alleged theft occurs, to subsequent follow-up interviews after an elapsed period of time.

We also encountered difficulties in receiving records from the Treasurer's Office. Although she suspected an alleged theft occurred on February 24, 2000, Ms. Senior did not take adequate steps to maintain and secure all supporting documentation related to that day's activities, including, but not limited to the detailed cash register tapes, the Transfer Forms for transfers of funds to and from the office safe, and the value of cash held in the safe on that day. Additionally, Ms. Senior has made claims to have paid back the \$1,000 shortage; however, she was unable to produce documented evidence that she repaid the shortage with personal funds.

Overall cash controls in the Treasurer's Office are weak. Because Ms. Senior does not deposit cash on a regular basis, there are large sums of cash held in the registers each day. Additionally, by not documenting formal cash counts of the safe and any reconciliation of changes in the amount of funds in the safe, there is no reasonable way of determining how much cash should be in the safe on any given day. Also, the cash registers are frequently opened each day without processing a valid transaction through the excessive use of the "No Sale" key.

Given the number of significant internal control weaknesses noted, the substantial amount of cash held in the Treasurer's Office each day, and the lack of supporting documentation maintained by the Treasurer's Office, there is an extremely high risk that funds maintained in the Treasurer's Office could be stolen or misappropriated.



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SANDUSKY COUNTY TREASURER'S OFFICE

SANDUSKY 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
APRIL 10, 2001**