



**Auditor of State
Betty Montgomery**

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**CHILD SUPPORT ENFORCEMENT AGENCY
DELAWARE COUNTY**

SCHEDULE OF ELECTED OFFICIALS AND OTHER RELEVANT PERSONNEL
As of December 31, 2003

Board of Commissioners

Honorable Kristopher Jordan

Honorable Deborah Martin

Honorable James Ward

Term Expires

December 31, 2006

January 2, 2005

January 1, 2005

County Auditor

Todd Hanks

Relevant Personnel

David Cannon, County Administrator

Susan Brown, Director, Delaware County CSEA

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Honorable Kristopher Jordan
Honorable Deborah Martin
Honorable James Ward
Delaware County Board of Commissioners
101 North Sandusky Street
Delaware, Ohio 43015

Based upon the request of the Delaware County Commissioners, we have conducted a special audit for the Delaware County Child Support Enforcement Agency ("CSEA") by performing the procedures described in the attached Supplement to the Special Audit Report for the period January 1, 2000, through December 31, 2003 ("the Period"). These procedures were performed solely to review the financial activity of the CSEA under the administration of former CSEA Director Susan Hollenbach.

This engagement was conducted in accordance with Quality Standards for Inspections established by the President's Council on Integrity and Efficiency (March 1993). 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 reviewed supporting documentation for payments, including compensation and benefits, made by CSEA to Ms. Hollenbach to determine whether the payments were accurate and for purposes related to the operations of the CSEA.

Significant Results: During the Period, Ms. Hollenbach received five wage increases, all of which were approved by either the county prosecutor or the board of commissioners. Additionally, Ms. Hollenbach received a retroactive increase of 127 hours of vacation leave, also approved by the county prosecutor, for her prior public service with the University of Akron. Ms. Hollenbach received reimbursements for travel and other expenditures which were made for purposes related to the operations of the CSEA.

We issued one management comment related to the expenditure approval process.

2. We reviewed supporting documentation for certain administrative disbursements approved during the tenure of Ms. Hollenbach to determine whether the disbursements were accurate and for purposes related to the operations of the CSEA.

Significant Results: No errors or unusual items were determined during the testing of these disbursements. All travel was approved by the board of commissioners prior to the travel taking place. All expenditures were supported by documentation that was adequate for processing the disbursements and were for purposes related to the operations of the CSEA.

3. We reviewed supporting documentation for certain collections of child support payments received by the CSEA to determine whether funds received were accurately recorded, reconciled and deposited.

Significant Results: We noted no errors or unusual items in our testing of the collections of support payments received by the CSEA. However, the CSEA currently maintains four open checking accounts, of which only one is being utilized. The other three accounts are no longer actively used, but do maintain balances.

We issued three management comments related to the transfer of funds, voided receipts and inactive checking accounts.

4. In addition to the management comments noted in Issues 1 and 3, we issued two recommendations regarding internal control weaknesses. The CSEA should seriously consider these matters to reduce the risk of fraud and theft and to ensure transactions are accurately recorded and monitored.

5. On September 9, 2004, we held an exit conference with the following individuals:

Kristopher Jordan, Commissioner
Deborah Martin, Commissioner
James Ward, Commissioner
Todd Hanks, County Auditor
David Cannon, County Administrator

The attendees were informed that they had until September 16, 2004, to respond to this Special Audit Report. However, they indicated they did not intend to submit a response, and no response was received.



Betty Montgomery
Auditor of State

August 31, 2004

Supplement to the Special Audit Report

Background

The Delaware County Child Support Enforcement Agency (“CSEA”) is responsible for the collection of payments due under child support orders, for remittance of the amounts collected to the appropriate parties, for the provision of assistance in the determination of paternity, and for the maintenance of the necessary administrative and financial records of the program. The CSEA is operated under the general oversight of the Ohio Department of Job and Family Services and the Delaware County Board of Commissioners.

Until recently, the commissioners elected to have the CSEA operate under the direction of the Delaware County Prosecutor’s office. In August 1996, Susan Hollenbach was appointed as the director of the CSEA under former Delaware County Prosecutor Duncan Whitney. In October 2003, the commissioners moved the CSEA from the prosecutor’s oversight to under that of the county administrator. The move was made to ensure a separation between the CSEA which requests prosecution of delinquent support payors and the prosecutor’s office which handles those cases.

In November 2003, following several interviews of CSEA employees, the Delaware County Sheriff’s Office initiated an investigation of CSEA Director Susan Hollenbach. The investigation included concerns related to Ms. Hollenbach’s vacation usage, personal time, travel expenses, and payroll. In December 2003, the Sheriff’s Office contacted the Auditor of State to discuss obtaining assistance in reviewing financial documents of the CSEA.

On January 26, 2004, Delaware County Sheriff Al Myers requested the special audit on behalf of the Delaware County Commissioners. The above information was presented to the Auditor of State’s Special Audit Task Force and on February 12, 2004, the Auditor of State initiated a special audit of this matter.

Supplement to the Special Audit Report

Issue No. 1 – Payments to Susan Hollenbach

We reviewed supporting documentation for all payments, including compensation and benefits, made by CSEA to Susan Hollenbach, former CSEA director, to determine whether the payments were accurate and for purposes related to the operations of the CSEA.

Procedures

1. We obtained and reviewed all payroll worksheets completed during the Period for Ms. Hollenbach and identified increases in her compensation and changes to her leave balances and accrual. We reviewed supporting documentation, including Employee Action forms, to determine whether Ms. Hollenbach was compensated by the CSEA in accordance with raises approved by the county prosecutor. We reviewed documentation of Ms. Hollenbach's leave accrual and usage to determine if applied in accordance with policies.
2. For all non-payroll payments by the CSEA to Ms. Hollenbach, we reviewed supporting documentation to determine whether the payments were for purposes related to the operations of the CSEA, and were made in accordance with applicable CSEA policies governing the disbursement of funds.

Results

1. During the Period, Ms. Hollenbach received five wage increases ranging from 2% and 5.5%. Documentation indicated that all of the raises were approved by either the county prosecutor or the county commissioners.

In February 2003, Ms. Hollenbach received a retroactive increase of 127 hours of vacation time as credit for her prior public service at the University of Akron. The increase was approved by the county prosecutor. Upon termination, Ms. Hollenbach was paid for her accumulated vacation leave balance of 111.5 hours. She did not receive payment for accumulated sick leave because the county's policy provides for payout of sick leave accruals only upon retirement. Ms. Hollenbach's leave accrual and usage were applied in accordance with policies.

During our review of the payroll worksheets submitted by the CSEA to the county payroll department, we noted that the forms require a signature for the certification of the payroll amounts by an authorized employee of the CSEA. We obtained and reviewed the lists of individuals authorized to approve the payroll for the CSEA during the Period. Of the 104 pay periods reviewed, 22 of the worksheets were not certified by a person authorized to perform the approval.

2. During the Period, Ms. Hollenbach received reimbursements for travel and other expenditures made on behalf of the CSEA. All travel was approved by the board of commissioners prior to the travel taking place. Our review of these disbursements indicated that nine voucher packets were not signed by the individual authorized to approve the expenditures. And, though Ms. Hollenbach was authorized to approve voucher packets, she signed four packets approving her own reimbursements.

Supplement to the Special Audit Report

Management Comments

Payroll and Reimbursement Approval

The county requires that certain individuals be designated to authorize payroll, purchase orders, and vouchers for each department. The individuals are required to sign their names to an authorization form that is on file with the payroll and accounts payable departments within the county auditor's office. Only the individuals authorized by the appointing authority or supervisor of the department are allowed to approve these items on behalf of the department. Per the signed agreement, individuals may not delegate this duty to another employee.

During the Period, there were 22 instances where the assigned individual did not approve the payroll worksheets. All payroll worksheets should be thoroughly reviewed and approved by the designated individual(s) to ensure accuracy and prevent mishandling.

On four occasions, Ms. Hollenbach approved her own travel expense reimbursement forms. To ensure adequate controls over expenditures, employees should not approve their own requests for reimbursements. At least two individuals should be designated to approve expenditures so that employees are not forced into a situation where they are required to approve their own.

Supplement to the Special Audit Report

Issue No. 2 – Administrative Disbursements Approved During Tenure of Susan Hollenbach

We reviewed supporting documentation for certain administrative disbursements approved during the tenure of Susan Hollenbach to determine whether the disbursements were accurate and for purposes related to the operations of the CSEA.

Procedures

We reviewed supporting documentation for selected disbursements to determine whether the disbursements were for purposes related to the operations of the CSEA, and were made in accordance with county policies governing the disbursement of funds. We traced significant equipment and capital asset purchases to the physical location of the items to determine whether the assets were in the CSEA's possession.

Results

We selected 53 disbursements totaling \$69,841 for review, which consisted generally of employee reimbursements and purchases of electronic equipment and other capital assets. No errors or unusual items were determined during the testing of these disbursements. All travel was approved by the board of commissioners prior to the travel taking place. All expenditures reviewed were supported by documentation that was adequate for processing the disbursements. All assets were traced to the current possession of the CSEA.

Supplement to the Special Audit Report

Issue No. 3 – Collection of Child Support Payments

We reviewed certain collections of child support payments received by the CSEA to determine whether the funds received were accurately recorded, reconciled and deposited.

Procedures

We obtained and reviewed documentation supporting the collection of selected support payments received by the CSEA. We reviewed all manual receipt ledgers for the Period and selected dates for further testing to gain additional assurances over the collections. We verified that items listed on the manual receipt ledger for the days selected appeared on the daily Deposit Listing Report, and that the amounts were posted correctly to the Support Enforcement Tracking System (SETS). We also verified that the total amount per the daily Deposit Listing Report corresponded to the amount deposited per the bank statement, and that the daily receipts as posted appeared on the SETS Payment Journal.

Results

We noted no errors or unusual items in our testing of the collections of support payments received by the CSEA. Items listed on the manual receipt ledger for daily collections appeared on the daily Deposit Listing Reports, which reconciled to the deposits made to the financial institution. The individual entries made according to the Deposit Listing Report appeared on the daily SETS Payment Journal reports.

The CSEA currently maintains four open checking accounts at a commercial bank. Due to CSEA's transition to SETS, only one of the accounts is currently being utilized. The other three accounts are no longer actively used, but do maintain balances. We reviewed the bank statements and related reconciliations for all the checking accounts in the custody of the CSEA for the audit period. Per the review, we noted old reconciling items and unclaimed funds which have been retained in the accounts by the Agency.

The accounts are as follows:

SETS account: This is an active, depository account to which all "walk-in" cash payments received for child support are deposited. The Ohio Department of Job and Family Services directly debits this account daily in the amount equal to the deposit.

ATEK account: This account was previously used by CSEA for processing child support receipts and disbursements prior to the implementation of SETS. The bank balance of this account as of December 31, 2003 was \$33,807. The account has not been active since 2000.

IV-D account: This account was used for Aide to Dependent Children (ADC) monies collected by the CSEA. The bank balance of this account as of December 31, 2003 was \$48,655. The account has not been active since prior to 2000.

Office account: This account was utilized for certain administrative expenses. The bank balance of this account as of December 31, 2003 was \$2,241. This account has not been active since prior to 2000.

Supplement to the Special Audit Report

Management Comments

Transfers of Funds

Susan Hollenbach made a transfer of funds from the inactive IV-D account to the SETS account to compensate for insufficient funds within the SETS account. The SETS account should, under ideal circumstances, be a “zero-balance” account in that funds deposited are debited for in total each day by the Ohio Department of Job and Family Services. However, non-sufficient funds checks returned and charged against the SETS account totaling \$11,068 and other miscellaneous old reconciling items allowed the SETS account to become overdrawn. The transfer was made from funds held in the inactive IV-D account to the SETS account to cover the shortfall.

We recommend that the transfer from the IV-D account to the SETS account be reversed, and the monies be returned to the IV-D account. The Agency should then request a transfer of funds from their administrative account to cover the shortfall in their SETS account due to uncollectible non-sufficient funds checks.

Voided Receipts/Changes to SETS System Postings

The SETS system allows computer-generated receipts to be voided from the system. In addition, receipts issued from the manual receipt book can also be voided after they are written. The CSEA currently does not have internal control policies in place regarding the procedures necessary to void receipts.

We recommend that the CSEA develop and put policies in place which document the procedures necessary to void any type of cash receipt. For instance, voided receipts, and any other changes made to postings within the SETS system, should require the review and approval of a supervisor, and all voided receipts should be retained with each day’s cash reconciliation documentation.

Inactive Checking Accounts

CSEA is maintaining four separate checking accounts. However, only one of these accounts (the SETS account) is necessary for the CSEA to process all financial functions for child support transactions. There has been little, if any, activity within the remaining checking accounts (the ATEK account, the IV-D account and the Office account).

We recommend that all monies currently in the custody of the CSEA within the ATEK, IV-D, and Office accounts be transferred to the custody of the Delaware County Treasurer in accordance with the county’s current policy regarding “unclaimed funds”, and these depository accounts (IV-D and ATEK and Office) should subsequently be closed.

Supplement to the Special Audit Report

Additional Internal Control Weaknesses

Although not directly the result of the issues and procedures of the Special Audit, we noted the following additional internal control weaknesses that we wanted to bring to the commissioners' attention:

Segregation of Duties

The fiscal supervisor is currently performing both the daily reconciliation of receipts posted and the reconciliation of the monthly bank statements. As a result, there exists inadequate segregation of duties, and therefore internal controls over cash collections are weakened. Additionally, no written evidence is produced to corroborate the performance of the daily reconciliation of receipts.

We recommend that an employee other than the fiscal supervisor be responsible for performing either the daily cash balancing reconciliations or monthly bank reconciliations to provide segregation of duties over cash collections.

Further, we recommend that the person performing the daily reconciliation document it on a standard form with their signature to provide evidence of this action. As a matter of internal control, one party should perform and sign-off on the reconciliation, and a second party should review the reconciliation to gain additional assurance over the cash balancing. Each party should sign the reconciliation form, and those forms should be retained at the CSEA office.

Old Reconciling Items

Our review of the monthly bank reconciliations for the SETS account determined reconciling items that were excessively outdated. These items consisted of outstanding Automated Clearing House (ACH) transactions, outstanding stale checks, and numerous bank fees that the CSEA feels were assessed in error. The majority of items listed were in excess of four years old.

We recommend that steps be taken to rectify these old reconciling items and remove them from the reconciliation. If bank fees are determined to be in error, the CSEA should request that the financial institution reverse those fees. Stale outstanding checks should be voided and an inquiry should be made to the Ohio Department of Job and Family Services regarding old outstanding ACH transactions that were not properly debited from the CSEA's checking account.



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Betty Montgomery**

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DELAWARE COUNTY CHILD SUPPORT ENFORCEMENT AGENCY

DELAWARE 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 8, 2004**