



**Auditor of State
Betty Montgomery**



Mary Taylor, CPA
Auditor of State

February 21, 2007

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 8, 2007. Thus, I am certifying this audit report for release under the signature of my predecessor.

Mary Taylor

MARY TAYLOR, CPA
Auditor of State

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TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report	3
Supplement to the Special Audit Report	
Background	6
Issue No. 1 Review of Revenues Deposited Into the MCSO Civil Bank Account	7

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Honorable Olen Jackson
Honorable Rod Clinger
Honorable Dick Miller
Morrow County Commissioners
48 East High Street
Mt. Gilead, Ohio 43338

and

Honorable Steve R. Brenneman
Morrow County Sheriff
101 Home Road
Mt. Gilead, Ohio 43338

At your request, we have conducted a special audit of the Morrow County Sheriff's Office's (MCSO) civil bank account by performing the procedures enumerated in the attached Supplement to the Special Audit Report for the period August 1, 2003 through April 26, 2005, solely to:

- Determine whether receipts issued for the Period were deposited into the MCSO's civil bank account.
- Determine whether checks were issued in accordance with the Ohio Revised Code and/or a court order.

This engagement was conducted in accordance with the 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 obtained the receipts issued by the Morrow County Sheriff's Office (MCSO) and the deposits during the period August 1, 2003 through April 26, 2005 identifying the amount received and deposited. We compared the amount received to the amount deposited and determined whether monies received were deposited. In addition, we obtained the checks issued during the period August 1, 2003 through April 26, 2005 and determined whether the checks were issued in accordance with the Ohio Revised Code and/or a court order.

Significant Results – For the period August 1, 2003 through April 26, 2005, the MCSO received \$2,812,456 and deposited \$2,803,101 resulting in a variance of \$9,355. Of the \$9,355, we determined \$7,767 was collected and not deposited by Debra Hill, a former MCSO secretary. A finding for recovery has been issued against Ms. Hill for \$7,767 for public monies collected but unaccounted for. The remaining variance of \$1,588 was resolved with no exceptions. In addition, we determined drug fines of \$824 were remitted to the General Fund instead of the Mandatory Drug Fine fund. Accordingly, we issued a finding for adjustment against the General Fund in favor of the Mandatory Drug Fine fund for \$824.

The MCSO issued checks totaling \$2,595,339 which were issued in accordance with the Ohio Rev. Code and/or a court distribution order with the exception of five instances in which overpayments totaling \$2,009 were issued. The MCSO is currently working to obtain refunds from the agencies that received the overpayments.

We issued three noncompliance citations relating to timely deposits, remittance of monthly fees and maintaining a cashbook. In addition we issued three internal control recommendations relating to Sheriff's sale logs, receipts, and the development and implementation of formal written policies for conducting and documenting Sheriff's sales.

2. On January 10, 2006, we held an exit conference with the following individuals representing the County:

Don R. Staley, Commissioner
Jean McClintock, Commissioner
Olen D. Jackson, Commissioner

Steven R. Brenneman, Sheriff
Charles S. Howland, Prosecutor

The attendees were informed that they had five business days to respond to this Special Audit Report. A response was received on January 17, 2006 from the Morrow County Sheriff's Office. This response was evaluated and modifications were made to the attached Supplement to the Special Audit Report as we deemed appropriate.



Betty Montgomery
Auditor of State

August 17, 2005

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Supplement to the Special Audit Report

Background

On April 18, 2005, Robert Hinkle, Columbus Region Chief Auditor for the Auditor of State, received a telephone call from Morrow County Sheriff Steve Brenneman requesting assistance. Sheriff Brenneman indicated there was a problem with the civil bank account's cashbook and that an employee had "lost" a deposit totaling approximately \$10,000 in cash in December 2003. In an April 19, 2005 meeting with Auditor of State representatives, Sheriff Brenneman explained that Deb Hill, a former MCSO secretary who was responsible for the Sheriff sale cashbook, had admitted to losing the approximately \$10,000 cash deposit in December 2003. The Sheriff also indicated the cashbook had not been reconciled since at least June 2003. On April 19, 2005, Ms. Hill was placed on paid administrative leave by the Sheriff and was subsequently terminated on April 26, 2005.

This information was presented to the Auditor of State's Special Audit Task Force and on April 29, 2005, the Auditor of State initiated a special audit of the Morrow County Sheriff Office's civil bank account.

Supplement to the Special Audit Report

Issue No. 1 – Review of Revenues Deposited into the Civil Account

We obtained the receipts issued by the Morrow County Sheriff's Office (MCSO) and the deposits during the period August 1, 2003 through April 26, 2005 and identified the amount received and deposited. We compared the amount received to the amount deposited and determined whether monies received were deposited. In addition, we obtained the checks issued during the period August 1, 2003 through April 26, 2005 and determined whether the checks were issued in accordance with the Ohio Revised Code and/or a court order.

Procedures

1. We obtained a listing of Sheriff's sales ordered by the Morrow County Common Pleas Court during the period August 1, 2003 through April 26, 2005 and identified the properties ordered to be sold. In addition, we compared this listing to the MCSO's Sheriff sale logs maintained and identified the properties sold during the period.
2. We obtained the receipts and identified the amount the MCSO received for the period August 1, 2003 through April 26, 2005. We compared the Sheriff's sale receipts to the properties sold and determined whether receipts were issued for properties identified as sold.
3. We obtained the deposit slips and identified the amount deposited into the MCSO's civil bank account for the period August 1, 2003 through April 26, 2005.
4. We compared the receipts issued to the amount deposited and determined whether monies received were deposited for the period August 1, 2003 through April 26, 2005.
5. We obtained checks issued during the period August 1, 2003 through April 26, 2005 and determined whether the checks were issued in accordance with the Ohio Revised Code and/or a court order.

Results

1. We obtained the Morrow County Common Pleas Court's (the "Court") docket listing Orders of Sale for the period January 1, 2003¹ through April 26, 2005 and identified the properties to be sold at Sheriff's sale. The Court issued 216 Orders of Sale of which 157 were recorded in the Sheriff's sale log (the "log"). The remaining 59 Orders of Sale were identified in the Court's docket as "in foreclosure", dismissed, withdrawn, no sale, or vacated by the Court. In 44 of the 59 instances, the Order of Sale and related disposition was not recorded in the log.

In addition to the 157 Orders of Sale recorded in the log, we identified 69 additional sales ordered prior to January 1, 2003 and two civil actions unrelated to Sheriff's sales recorded in the log. The MCSO did not maintain guidelines detailing when the Orders of Sale and the type of related information should be recorded in the log. A recommendation will be issued for the MCSO to develop and implement procedures to be followed when recording orders of sale and the related sale and disposition of proceeds information in the log.

2. The MCSO issued 694 receipts totaling \$2,812,456 during the period August 1, 2003 through April 26, 2005. Of the 694 receipts, 473 receipts were issued for fees received and 221 receipts were issued for Sheriff's sale proceeds. For the 221 receipts, we traced the sheriff sale receipt to the log and the Court's Order of Sale and verified the property was ordered to be sold.

¹ We obtained the Court's dockets for the period January 1, 2003 through July 31, 2003 due to a noticeable passage of time from the Court-ordered sale date and the actual Sheriff's sale date.

Supplement to the Special Audit Report

We also noted the following in the review of the receipts:

- Two receipts were issued for payment of \$824 in drug fines from the Morrow County Court. The MCSO remitted these fines to the county treasury instead of depositing the monies into the Mandatory Drug Fine fund as required by Ohio Rev. Code Section 2925.03 (F)(1). A finding for adjustment will be issued against the General Fund for \$824 in favor of the Mandatory Drug Fine fund.
 - Of the 694 receipts, 25 receipts were not issued in numerical sequence. A recommendation will be made that all receipts be issued in numerical sequence.
3. The MCSO deposited \$2,803,101 during the period August 1, 2003 through April 26, 2005. Of the 694 receipts, 173 receipts were deposited up to 20 days after the receipt date. A noncompliance citation will be issued for failure to deposit receipts in accordance Ohio Rev. Code Section 9.38.
4. We compared the \$2,812,456 of receipts issued received to the \$2,803,101 deposited and identified a variance of \$9,355. We identified the following in resolving this variance:
- Eight receipts totaling \$10,317 were not deposited into the MCSO's civil bank account. On February 5, 2004, \$2,550 in cash was deposited without a corresponding receipt being issued. The amount deposited agreed to receipt 5458 issued on December 19, 2003 for \$2,550 which had been identified previously as not deposited. Debra Hill, a former MCSO secretary, issued receipts for \$7,767 which was not deposited into the MCSO's bank account. A finding for recovery will be issued against Ms. Hill for \$7,767 of public monies collected but unaccounted for in favor of the MCSO's civil bank account.
 - In 36 instances, receipts were either not issued for monies received and deposited or were issued twice for the amount received. A recommendation will be issued for the MCSO to develop and implement guidelines regarding the issuance of receipts, the posting of receipts in the cashbook, and the distribution of the fees received.
 - In seven instances, the deposit support documentation did not agree to the bank's posted deposit amount. We recommend the MCSO review the deposit slips for accuracy prior to making a deposit and contact the bank to obtain any funds due to the MCSO.

We reconciled the MCSO cashbook to bank statements for August 1, 2003 through June 30, 2005 and determined no additional monies were missing. However, during the reconciliation we identified the following weaknesses:

- The cashbook had not been reconciled to the bank statements since June 2003 and did not reflect all of the Sheriff's sale activity. A recommendation will be made to record all transactions in the cashbook and to reconcile the bank statement to the cashbook on a monthly basis.
- The MCSO collected fees totaling \$5,834 which were not remitted to the county treasury. The MCSO has remitted the fees for which the funds were available.
- Fees totaling \$123 were remitted to the county treasury twice. The MCSO has made the required adjustments to the July 2005 fees to reflect the duplicate payment.
- MCSO received \$3,870 which has not been distributed. We recommend the MCSO request the Court to identify the recipient of the funds and distribute the funds accordingly.

Supplement to the Special Audit Report

5. We identified 303 checks totaling \$2,595,339 were issued during the period August 1, 2003 through April 26, 2005 and compared the amount to either the court order or Ohio Revised Code requirements. Of the 303 checks, we noted the following exceptions:
- For the 20 months reviewed, 19 checks totaling \$163,185 were issued to the county treasury for payment of monthly fees. The April 2004 fees were combined with another month's collections prior to remittance to the county treasury. For seven of the 20 months, fees collected were not remitted in accordance with Ohio Rev. Code Section 311.17. For two of the seven months, a portion of the fees collected were remitted and for five of the seven months, the fees remitted exceeded the amount collected. As of July 31, 2005, the MCSO has reconciled the fees due to the county treasury to those remitted and made the required adjustments.
 - In five instances, the payees were issued checks totaling \$2,009 more than ordered by the Court. The MCSO is currently working with the agencies receiving the overpayments to request the overpayment be returned.

Findings for Recovery

Debra Hill, a former MCSO secretary, was responsible for issuing receipts for sheriff sales and other monies received by the MCSO and depositing monies into the MCSO's bank account. Of the 694 receipts issued during the Period, seven receipts totaling \$7,767 were issued and not deposited by Ms. Hill.

In accordance with the foregoing facts, we hereby issue a finding for recovery against Debra Hill for \$7,767 of public monies collected but unaccounted for in favor of the MCSO's civil bank account.

Finding for Adjustment

Ohio Rev. Code Section 2925.03 (F)(1) provides "the clerk of the court shall pay any mandatory fine imposed pursuant to division (D)(1) of this section and any fine other than a mandatory fine that is imposed for a violation of this section pursuant to division (A) or (B)(5) of section 2929.18 of the Revised Code to the county, township, municipal corporation, park district, as created pursuant to section 511.18 or 1545.04 of the Revised Code, or state law enforcement agencies in this state that primarily were responsible for or involved in making the arrest of, and in prosecuting, the offender. However, the clerk shall not pay a mandatory fine so imposed to a law enforcement agency unless the agency has adopted a written internal control policy under division (F)(2) of this section that addresses the use of the fine moneys that it receives. Each agency shall use the mandatory fines so paid to subsidize the agency's law enforcement efforts that pertain to drug offenses, in accordance with the written internal control policy adopted by the recipient agency under division (F)(2) of this section."

Two drug fine receipts, totaling \$824, were remitted to the county treasury with the Sheriff's monthly fees instead of being deposited into the Mandatory Drug Fine fund. A finding for adjustment is hereby issued against the General Fund in favor of the Mandatory Drug Fine fund for \$824.

Supplement to the Special Audit Report

Noncompliance Citations

Timely Deposits

Ohio Rev. Code Section 9.38 states “a person who is a public official other than a state officer, employee, or agent shall deposit all public moneys received by that person with the treasurer of the public office or properly designated depository on the business day next following the day of receipt, if the total amount of such moneys received exceeds one thousand dollars. If the total amount of the public moneys so received does not exceed one thousand dollars, the person shall deposit the moneys on the business day next following the day of receipt, unless the public office of which that person is a public official adopts a policy permitting a different time period, not to exceed three business days next following the day of receipt, for making such deposits, and the person is able to safeguard the moneys until such time as the moneys are deposited.”

Of the 694 receipts reviewed, 173 were deposited up to 20 days after the receipt date. Currently, the MCSO has no such policy whereby receipts may be deposited less often than the following business day.

We recommend the MCSO deposit receipts collected by the following business day. If daily receipts are less than one thousand dollars, the MCSO may adopt a policy whereby receipts are deposited less often, provided the moneys are properly safeguarded until such time of deposit.

Monthly Fees Remitted to the County Treasurer.

Ohio Rev. Code Section 311.17 states in part or in pertinent part “(w)hen any of the services described in division (A) or (B) of this section are rendered by an officer or employee, whose salary or per diem compensation is paid by the county, the applicable legal fees and any other extraordinary expenses, including overtime, provided for the service shall be taxed in the costs in the case and, when collected, shall be paid into the general fund of the county.”

The MCSO maintained a cashbook to document the fees and proceeds received. At the end of each month, the cashbook was totaled to identify the fees to be remitted to the county treasury. For seven of the 20 months tested, the monthly fees reflected in the cashbook were not remitted in its entirety to the county treasury. In addition, fees collected were not remitted for up to four months after receipt.

We recommend the MCSO remit monthly fees received to the county treasury in a timely manner. The monthly amounts remitted should agree to the amounts identified in the cashbook as fees received.

Civil Bank Account Cashbook

Ohio Rev. Code Section 311.11 states “(t)here shall be kept in the office of the sheriff a cashbook, to be furnished by the county, in which, on receipt by him of any money in his official capacity, the sheriff shall make an entry of the date, the amount thereof, the title of the cause, and the name and number of the writ or process on which such money was received. If such money is received on the sale of real estate, in partition or otherwise, where the sale has been for part cash and other evidences of indebtedness are taken for part of the purchase money, such sheriff shall make an entry on such book of the date, number, and amount of such evidences of indebtedness.”

Ohio Rev. Code Section 2329.32 states “the officer, on making the sale of property of a judgment debtor, may retain the purchase money in his hands until the court examines his proceedings, when he shall pay it to the person entitled thereto, under the order of the court.”

We identified the following weaknesses regarding the cashbook and its use:

- In six instances, a receipt was issued and was not recorded in the cashbook.
- The open-items list did not accurately reflect all monies due to third parties.
- Five overpayments totaling \$2,009 were issued by the MCSO.

Supplement to the Special Audit Report

- The cashbook was not balanced each month to identify the open items or the fees to be remitted to the county treasury.
- The cashbook was not reconciled to the bank statement verifying all deposits and checks issued for the month were recorded in the cashbook.

Failure to record all transactions in the cashbook and balance the cashbook resulted in fees not being remitted accurately or in a timely manner to the county treasury. In addition, failure to perform monthly bank reconciliations prevented the MCSO from ensuring the completeness and accuracy of deposits and check disbursements as well as existing open items. Had the controls been in place to ensure monies collected were deposited, the MCSO may have detected the \$7,767 collected by Ms. Hill had not been deposited more closely to the time it occurred instead of months later.

We recommend the MCSO record all receipt and disbursement transactions in the cashbook and reconcile the cashbook open items list to the bank statement on a monthly basis. We also recommend the MCSO remit any fees collected but not yet remitted to the county treasury and contact the County Prosecutor's Office for assistance in obtaining refunds from those receiving an overpayment.

Management Comments

Receipts

The MCSO maintains a duplicate receipt book. Upon receipt of payment from a Sheriff's sale, subpoena service fees and other miscellaneous fees, a receipt was written with the original copy being provided to the individual remitting the monies and a carbon copy remained in the duplicate receipt book. We identified the following weaknesses during a review of the duplicate receipt book:

- Proceeds received, from 10 transactions totaling \$2,244, were deposited without a receipt being issued.
- A receipt was issued for deed preparation fees previously included in the total of a previously-issued receipt in 25 instances.
- Twenty-five receipts were not issued sequentially.

Failure to accurately record receipts in the duplicate receipts book in numerical sequence increases the likelihood that errors or theft may occur and go undetected or unresolved. Also, in the event of any possible dispute with an individual, the MCSO may be unable to resolve such situation without having a duplicate receipt to demonstrate what was received from the individual.

We recommend the MCSO record all monies received in the duplicate receipt book in numerical sequence. If the information is available, all fields on the receipt should be completed with a reference to the court case.

Sheriff Sale Logs

The MCSO maintains a handwritten log of all Orders of Sale identifying properties to be sold at Sheriff's sales. A review of the log identified discrepancies between the Orders of Sale recorded on the log and those ordered per the Court's docket. Failure to record all orders of sale and the related disposition in the log could potentially result in the failure to comply with the Court's order to sell or the misappropriation of sale proceeds from an undocumented sale.

We recommend all Orders of Sale issued by the Court to the MCSO and related information supporting whether or not the property was sold to be recorded in the log. We also recommend the MCSO reconcile the log to the Orders of Sale recorded in the Court's docket to ensure all Orders of Sale are accounted for in the log.

Supplement to the Special Audit Report

Sheriff Sale Guidelines

The MCSO does not have written procedures for conducting Sheriff's sales, receipting proceeds from the sale or other fees, and distributing proceeds and fees received. During the audit, we identified numerous inconsistencies in the recording of sales in the log, the receipt book, cashbook, and the disbursement of funds received. Failure to have written formal procedures increases the risk of misappropriation of monies collected, inaccurate disbursements, and noncompliance with required Ohio Revised Code provisions.

We recommend the MCSO develop and implement procedures addressing the process for selling a property, recording of Sheriff's sales in the log, receipting of proceeds including deed preparation fees, depositing monies received, disbursing sale proceeds and the receipting and disbursing of other fees received by the MCSO.



Mary Taylor, CPA
Auditor of State

MORROW COUNTY SHERIFF'S OFFICE

MORROW 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
MARCH 6, 2007**