



**SANDUSKY COUNTY SHERIFF'S OFFICE - CIVIL DIVISION
SANDUSKY COUNTY**

SPECIAL AUDIT

FOR THE PERIOD JANUARY 1, 2004 THROUGH APRIL 30, 2008



Mary Taylor, CPA
Auditor of State

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

The Honorable Kyle Overmyer
Sandusky County Sheriff
2323 Countryside Drive
Fremont, Ohio 43420

We conducted a special audit of the Sandusky County Sheriff's Office (SCSO) Civil Division's bank account (the Account) by performing the procedures enumerated in the attached Supplement to the Special Audit Report for the period January 1, 2004 through April 30, 2008 (the Period) solely to:

- Determine whether funds received were deposited intact; and
- Determine whether disbursements from the Account were in accordance with a court order or Ohio Revised Code requirements.

This engagement was conducted in accordance with the Quality Standards for Inspections established by the President's Council on Integrity and Efficiency (January 2005). The procedures and associated findings are detailed in the attached Supplement to the Special Audit Report. A summary of our procedures and significant results is as follows:

1. We examined manual receipts issued by the SCSO Civil Division (the Division) and determined whether funds received were deposited intact.

Significant Results – Former SCSO Captain Mark Harman was responsible for depositing sheriff sale proceeds and miscellaneous fees received. During the Period, the Division received \$5,613,543 for 1,454 receipts issued. We were able to trace \$5,578,583 of checks collected to deposits into the Division's Account. However, we were able to trace only \$9,460 of the \$34,960 in cash collected to the Division's Account.

On April 30, 2008, Mr. Harman deposited \$24,100 into the Division's Account from his severance pay resulting in a cash shortage of \$1,400. We issued a finding for recovery against Mr. Harman totaling \$1,400 for public monies collected but unaccounted for.

We issued two noncompliance citations for not depositing funds within 24 hours and not maintaining certain public records.

We made two management recommendations to document the reason for voiding receipts and for the individual collecting the funds to sign their own name on the receipt.

2. We examined cancelled checks, court orders and other available documentation supporting disbursements from the Account and determined whether disbursements were in accordance with a court order or the Ohio Revised Code.

Significant Results – The Division issued 430 checks totaling \$5,935,999 to distribute sheriff sale proceeds and miscellaneous fees received. Two checks totaling \$3,972 were issued payable to the SCSO and were cashed by Mr. Harman. We were unable to conclude the two checks were related to Division or SCSO operations. Accordingly, we issued a finding for recovery against Mr. Harman for \$3,972 of public monies illegally expended.

We issued three noncompliance citations for not establishing a separate fund to account for federal grant fund activity; not remitting funds to the county treasury in a timely manner; and not maintaining a cashbook to record funds receipted and disbursed.

We made six management recommendations for the Sheriff or his designee to monitor the Division's financial activity; to segregate the duties of receipting, depositing and disbursing funds received; to document the reason for voiding checks; to maintain a sheriff sale log documenting the resolution of court-ordered sales; to maintain an open items list identifying funds to be disbursed; and to reconcile the monthly bank balance to the open items list.

3. On November 19, 2008, we held an exit conference with the following individuals representing the Sandusky County Sheriff's Office:

Kyle Overmyer, Sheriff
Brad Lawrence, Civil Administrator

Bruce N. Hirt, Chief Deputy
James Consolo, Detective

The attendees were informed that they had five business days to respond to this special audit report. No such response was received.



Mary Taylor, CPA
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August 20, 2008

Supplement to the Special Audit Report

Background

The Division was responsible for conducting sheriff sales and distributing proceeds in accordance with court orders. The Division also collected miscellaneous fees for copies, serving warrants and other services. Funds collected were deposited into the Division's Account. Until his retirement on March 28, 2008, Captain Mark Harman was responsible for depositing funds received and disbursing funds in accordance with court orders and the Ohio Revised Code.

On April 11, 2008, the Sandusky County Auditor's Office issued a \$46,820 severance check to Mr. Harman. On April 30, 2008, Mr. Harman made two cash deposits into the Division's Account. One deposit totaling \$3,300 was supported by a deposit slip noting it was for a November 2, 2007 house sale. The other deposit of \$20,800 was supported by a deposit slip; however, did not identify the purpose of the deposit.

While at the bank making a separate deposit on April 30, 2008, the Division's administrator was notified of a discrepancy in the deposits made by Mr. Harman. Upon further examination, the administrator identified the two cash deposits made by Mr. Harman after his retirement. The administrator reviewed the Division's records and identified five cash receipts from April 1, 2005 through Mr. Harman's retirement date totaling \$25,500. Of the \$25,500 received from April 1, 2005 through March 28, 2008, the only cash deposited into the Division's Account was \$24,100 that Mr. Harman deposited on April 30, 2008. Based on this information, Sheriff David Gangwer¹ requested an internal investigation into the matter.

During the internal investigation, a SCSO detective interviewed Mr. Harman regarding the cash deposits made after he retired. Mr. Harman stated he misplaced sheriff sale proceeds and deposits were not made as required.

In a June 17, 2008 letter, Sheriff Gangwer requested a special audit of the Division's Account activity.

On June 20, 2008, the Auditor of State initiated a special audit of the Division's Account.

On June 26, 2008, Mr. Harman was indicted on one count of theft in office and one count of theft.

¹ During the course of the special audit, Sheriff Gangwer passed away. On September 12, 2008, Kyle Overmyer was sworn in as the Sandusky County Sheriff.

Supplement to the Special Audit Report

Issue No. 1 – Receipts

PROCEDURES

We obtained receipts issued by Division employees and identified the amount received during the Period.

We obtained the Account's deposit slips and bank statements and identified the amount deposited.

We compared the receipts issued to the amount deposited and determined whether all funds received were deposited intact.

FINDING FOR RECOVERY

Sheriff Sale Proceeds

The Division issued 1,454 receipts totaling \$5,613,543 for sheriff sale proceeds and miscellaneous fees received. Of that amount, \$5,578,583 was checks and \$34,960 was cash. Of the \$5,613,543 receipted, \$5,588,043 was deposited resulting in a \$25,500 cash shortage.

Up to his retirement on March 28, 2008, Mark Harman was responsible for depositing funds received. On April 30, 2008, after his retirement from the Division, Mr. Harman deposited \$24,100 into the sheriff's bank account; leaving \$1,400 of monies collected and unaccounted for.

On May 23, 2008, a SCSO Detective interviewed Mr. Harman about the cash deposits made after he had retired. During this interview, Mr. Harman stated he had misplaced the money from sheriff's sales and deposits were not made as required

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, we hereby issue a finding for recovery against Mark Harman for \$1,400 of public monies collected but unaccounted for in favor of the Sandusky County Sheriff's Office.

NONCOMPLIANCE CITATIONS

Timely Deposits

Ohio Rev. Code Section 9.38 states in part, "... (i) if the total amount of the public monies so received does not exceed one thousand dollars, the person shall deposit the monies 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 monies until such time as the monies are deposited."

The SCSO has not adopted a policy regarding the length of time funds can be held prior to being deposited. Captain Harman deposited sheriff sale proceeds and other fees received up to 54 days after funds were receipted. Failure to deposit public funds with the designated depository allows funds to remain on hand and increases the possibility of theft.

We recommend the SCSO implement a depositing policy and consider whether the alternative method is necessary. The sheriff or his designee should monitor the Division's financial activity to ensure monies are deposited in accordance with the policy.

Supplement to the Special Audit Report

Public Records

Ohio Rev. Code Section 149.351 provides a general prohibition against the destruction or damage of public records. Ohio Rev. Code Section 149.351(A) states, in pertinent part, "All records are the property of the public office and shall not be 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 sections 149.38 to 149.42 of the Revised Code..."

The Division was unable to locate three duplicate receipts and the deposit slips for deposits made during January 1, 2004 through September 9, 2004.

We recommend all public records be maintained and stored by the SCSO as provided by Ohio Revised Code.

MANAGEMENT RECOMMENDATIONS

Voiding Capability

The Division did not document the reasons for voiding 17 receipts. In addition, no one reviewed the 17 voided receipts to verify the void was for a valid Division action. Our examination determined the receipts were voided for a valid Division action.

Failure to document the reason for the void and determine whether it was for a valid Division action could result in the receipt being improperly voided and the monies collected not being deposited into the Division's Account.

We recommend the Division document on the receipt the reason for voiding the receipt. The Sheriff or his designee should review voided receipts on a periodic basis to determine the reasonableness of the void, whether documentation for the void exists, and verify both copies of the voided receipt are marked as "void". In addition, voided manual receipts should be posted to the cashbook to ensure all receipts are accounted for when completing daily deposits.

Signatures

The Division maintained a duplicate receipt book. We noted instances in which an employee signed another employee's name to the receipt.

Signing another employee's name on the receipt can mislead a reviewer as to who actually received the funds and reduce accountability over funds received.

We recommend employees only sign their name when issuing receipts or signing other documentation supporting amounts received.

Supplement to the Special Audit Report

Issue No. 2 – Disbursements

PROCEDURES

Using records obtained from the bank, we identified disbursements from the Division's Account during the Period.

We examined available documentation supporting disbursements and determined whether the disbursements were in accordance with a court order or the Ohio Revised Code.

RESULTS

The Division issued 430 checks totaling \$5,935,999 to distribute sheriff sale proceeds and remit collections to the county treasury. Of the 430 checks, two checks totaling \$3,972 were not issued in accordance with a court order or the Ohio Revised Code.

FINDING FOR RECOVERY

Sheriff Sale Disbursements

During the Period, Mr. Harman issued two checks totaling \$3,972 payable to the SCSO which he endorsed and cashed. We examined available documentation supporting the related sheriff sales and determined these two checks were refunds due to taxpayers who had previously purchased property. We interviewed both taxpayers who stated they did not receive a cash refund from Mr. Harman. One taxpayer stated he received a \$3,200 refund several months later in the form of a check. We were unable to conclude the disbursements were related to Division operations.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, we hereby issue a finding for recovery against Mark Harman for \$3,972 of public monies illegally expended in favor of the Sandusky County Sheriff's Office.

NONCOMPLIANCE CITATIONS

Grant Funds

OMB Circular A-133 (as revised on June 30, 1997) required the SCSO to "identify, in its accounts, all Federal awards received and expended and the Federal Programs under which they were received."

Ohio Rev. Code Section 5705.09 (F) states that, "(e)ach subdivision shall establish a special fund for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose."

The SCSO received Bulletproof Vest Grant proceeds totaling \$17,437 in 2004 which were deposited and disbursed from the Division's Account. These federal grant funds should have been deposited with the county treasury, receipted into their own fund, and reported on the County's 2004 Federal Schedule. Because it was outside of the scope of this audit, we did not test compliance with federal grant requirements for this program.

We recommend grant funds received be paid into the county treasury and a separate fund be established to account for those funds as required. We further recommend the SCSO ensure grant funds are identified at the time of the receipt and related regulations reviewed to ensure grant funds are accounted for and expended in accordance with the grant requirements.

Supplement to the Special Audit Report

Monthly Fees Remitted to the County Treasury

Ohio Rev. Code Section 311.17 identifies fees the sheriff shall charge, which the court or its clerk shall tax in the bill of costs against the judgment debtor or those legally liable therefore for the judgment. This section further states, "When 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 Division recorded fees collected in its computer system prior to remitting the fees to the county treasury at end of each month. For the 52 months examined, the Division held fees up to 245 days prior to remitting the fees to the county treasury. Failure to remit the fees collected in a timely manner can lead to difficulties when completing monthly bank reconciliations and also increases the risk of theft.

We recommend the Division remit fees collected each month to the county treasury in a timely manner.

Maintaining a Cashbook

Ohio Rev. Code Section 311.11 provides the sheriff's office shall maintain 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 any entry on such book of the date, number, and amount of such evidences of indebtedness.

The Division did not maintain a cashbook as required by the Ohio Revised Code. As a result, the Division was unable to identify funds received, funds to be disbursed, and whether any funds required remittance to the county treasury.

We recommend sheriff sale proceeds and fees received be recorded in the cashbook and that the cashbook be used to reconcile each month's activity to monthly bank statements.

MANAGEMENT RECOMMENDATIONS

Monitoring of the Civil Division

We noted very little monitoring of the Division's financial activities by the SCSO administration. Failure to monitor and oversee the Division's financial activities increases the risk that irregularities or fraud could occur and not be detected.

We recommend the Sheriff or his designee undertake a more active role in monitoring the Division's financial activities. Monitoring should include a periodic review of receipts, deposit slips and checks to ensure that transactions are documented, accounted for, and accurately recorded in the cashbook.

Segregation of Duties

The Division should segregate duties for receipting, depositing and disbursing monies received and for reconciling the Division's Account. During the Period, Mr. Harman deposited, disbursed and compared the bank activity to the activity recorded in the Division's computer system without any oversight.

Lack of proper segregation of duties over the depositing, disbursing, and reconciling procedures increases the risk of theft and could cause errors or irregularities to go undetected. In this audit, we identified funds receipted but not deposited and illegally expended by Mr. Harman for which we have issued findings for recovery totaling \$5,372.

We recommend the SCSO segregate duties where possible and the Sheriff or his designee monitor the Division's collecting, posting, depositing, disbursing, and reconciling processes.

Supplement to the Special Audit Report

Voided Checks

Of the 230 checks issued, the Division voided 11 checks in which the copy of the voided check was not maintained. None of the noted checks cleared the Division's Account. In addition, four checks totaling \$822 issued to the Sandusky County Auditor for conveyance fees were voided but not reissued. When voiding checks, the Division did not deface the check, document the reason for the void, maintain the voided check, and if needed, reissue the check.

Failure to retain and deface voided checks increases the risk for fraud or theft and could result in the checks improperly clearing the bank.

We recommend the Division deface voided checks, document the reason for the void, and retain all voided checks. In addition, we recommend the Division remit the \$822 of conveyance fees due to the Sandusky County Auditor's Office.

Maintain Accurate Sheriff Sale Record

The Division did not maintain a record of all sales ordered by the court and the related sales disposition. The log should identify court-ordered sales, the date the sale was held, and the disposition of the sale. The log should also document changes in the sale order and any cancellations that occur. Failure to maintain such a record hinders reconciling the Division's Account and prohibits the Division from identifying whether sales ordered by the court were held as required.

We recommend the Division maintain a record of court-ordered sales and document the related disposition.

Maintain Accurate Open Items List

The Division should maintain a listing of funds deposited into the Account which have not been distributed. This list should identify the case number and the amount received to allow the Division to distribute funds as required Ohio Rev. Code Sections 2329.32 and 311.17. The Division did not maintain such a list and as of April 30, 2008² was unable to identify how \$40,817 in the Account should be distributed.

Failure to maintain this list hinders the reconciling process and does not allow the Division to identify which taxpayers and their related cases are due distributions from the Account.

We recommend the Division maintain an accurate open items list identifying the case number, payee and the amount due. The total of this list should agree to the Division's reconciled bank account balance.

Division Bank Account

The Division deposited sales proceeds and fees received into its Account. At the end of each month, fees collected were remitted to the county treasury in accordance with the Ohio Revised Code and the sales proceeds were distributed in accordance with a court order.

During the Period, the Division only compared the deposits and checks identified on the bank statement to those recorded in their computer system for accuracy and did not reconcile the bank statement balance to its records. As of April 30, 2008, the Division was unable to determine where \$40,817 deposited into the Account should be distributed.

Failing to perform monthly bank reconciliations prevented the Division from ensuring funds due to the SCSO for fees and sheriff's sales were deposited into the account and from verifying funds collected had been distributed in accordance with a court order or the Ohio Revised Code.

We recommend the Division perform monthly bank reconciliations and agree the bank statement balance to a listing of funds collected which have not been distributed taking into consideration outstanding checks or deposits in transit. The monthly reconciliations should be provided to the Sheriff or his designee for review.

² Because the Division did not maintain an open items list identifying funds to be distributed; maintain a cashbook identifying the funds collected and subsequently distributed; and did not reconcile the financial activity to Account activity, we did not reconcile the Account to the Division's activity outside of the Period. Examining and reconciling this activity was outside the scope of this audit.



Mary Taylor, CPA
Auditor of State

SANDUSKY COUNTY SHERIFF'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
DECEMBER 16, 2008**