



Mary Taylor, CPA
Auditor of State

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report	3
Supplement to the Special Audit Report	
Background	5
Issue No. 1 Examination of Departmental Pay-ins	6

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Honorable Jo Dee Fantozz
Erie County Treasurer
247 Columbus Avenue, Suite 115
Sandusky, Ohio 44870

We conducted a special audit of the Erie County (the County) treasurer's office by performing the procedures described in the attached Supplement to the Special Audit Report for the period January 1, 2005 through February 28, 2010 (Period). The audit procedures were performed solely to determine whether monies paid into the treasurer's office by the various County departments during the Period were deposited intact.

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 pay-in documentation maintained by the County during the Period.

Significant Results – As deputy treasurer, Tamara Holeton was responsible for collecting funds paid into the treasurer's office by County departments. During the Period, 250 departmental pay-ins totaling \$146,592 were unaccounted for in the treasurer's records and their accompanying funds were not deposited. Copies of 24 missing pay-in receipts obtained from the County departments were date stamped and initialed as received by Ms. Holeton.

In an interview conducted in February 2010, Ms. Holeton admitted to taking funds from the treasurer's office and in August 2010, entered a plea of guilty to one count of theft in office and one count of tampering with records.

We issued a finding for recovery against Ms. Holeton for public monies collected but unaccounted for in the amount of \$146,592.

We issued seven management comments relating to cash drawers, overage and shortage policy, cash balances and timely deposits, reconciliations between the auditor's and treasurer's offices, account adjustments, receipt procedures, and the treasurer's Cash Out Sheets.

2. On September 20, 2010, we held an exit conference with the following individuals:

Honorable Jo Dee Fantozz, Treasurer
Honorable William Monaghan, County Commissioner
Honorable Kevin Baxter, County Prosecutor
Sandy Rubino, Chief Assistant Prosecutor
Michael Bixler, County Administrator
Gini Casey, Chief Deputy Treasurer

The attendees were provided an opportunity to respond to this special audit report. A response was received on September 22, 2010. The response was evaluated and changes were made to this report as we deemed necessary.



Mary Taylor, CPA
Auditor of State

September 1, 2010

Supplement to the Special Audit Report

Background

The Erie County treasurer is responsible for the receipt, investment and disbursement of money from the County treasury. The treasurer's office collects and deposits payments of real estate, personal property and manufactured home taxes. The office also collects and deposits monies paid in by other county departments.

During 2005, the County converted to a new accounting system which did not provide a mechanism to reconcile the County treasurer's balances to the County auditor's balances. The accounting system also lacked certain other controls and was replaced by a new system in January 2010. In August 2009, the county auditor contracted with the Auditor of State's Local Government Services (LGS) division to assist in reconciling its accounts in anticipation of conversion to the current accounting system in 2010.

As a result of the work performed by LGS, it was determined that deputy treasurer Tamara Holeton prepared certain daily receipt worksheets which did not reconcile with the amount of funds deposited. Ms. Holeton was interviewed and admitted to taking funds from the treasurer's office during the period of 2005 through 2009. On February 8, 2010, Ms. Holeton was terminated from her position with the treasurer's office.

This information was considered by the Auditor of State's Special Audit Task Force and on February 18, 2010, the Auditor of State initiated a special audit of the identified allegations.

Ms. Holeton was initially charged with one count of theft in office and on March 10, 2010, entered a plea of not guilty. On August 5, 2010, Ms. Holeton entered a plea of guilty to a bill of information for one count of theft in office and one count of tampering with records.

Supplement to the Special Audit Report

Issue No. 1 – Examination of Departmental Pay-ins

Procedures

We examined pay-in documentation maintained by the treasurer's office for the Period and compared it to pay-ins posted to the County's computer system to determine whether the treasurer's office had a copy of all pay-in receipts recorded in the computer system.

We determined whether the total of the pay-in receipts maintained by the treasurer's office matched the totals recorded on the treasurer's daily Cash Out Sheets.

We examined available documentation to determine whether amounts paid in to the treasurer's office were deposited.

Results

During the Period, County departments collected revenue from different sources and turned the funds over to the treasurer's office for deposit. Each department was responsible for posting pay-in information to the County's computer system and generating printed pay-in receipts. The departments then took the funds and the pay-in receipts to the treasurer's office for deposit¹.

Employees of the treasurer's office counted the departments' funds and compared the total to the pay-in receipts to ensure the amounts agreed, and then placed the monies in the treasurer's cash drawer. Each day, the cash drawer was counted by a deputy treasurer who completed a Cash Out Sheet with totals and other information from the daily activities of the office. Adding machine tapes were created to total all pay-ins received each day and were attached to the Cash Out Sheets with copies of the pay-in receipts.

On 152 occasions between May 2005 and January 2008, the total pay-ins posted to the County's computer system did not match the total on the treasurer's Cash Out Sheets or the attached pay-in receipts. The Cash Out Sheet totals matched the attached copies of the pay-in receipts maintained by the treasurer; however, the differences between the treasurer's records and the computer system were traced to missing pay-in receipts that were not deposited. The treasurer did not have copies of the receipts for 152 pay-ins totaling \$91,594.

On 53 occasions between January 2008 and October 2008, the pay-in receipts maintained by the treasurer matched the amounts posted to the computer system; however, the totals were not correct on the Cash Out Sheets. We compared the pay-in receipts attached to the Cash Out Sheets to the adding machine tapes and determined that while the tape totals matched the Cash Out Sheet totals, certain pay-ins were left off the tapes. This resulted in the pay-in amount listed on the Cash Out Sheets being understated. The treasurer had copies of 53 pay-in receipts totaling \$29,536 that did not appear on adding machine tapes and were not deposited.

On 45 occasions between October 2008 and August 2009, the total pay-ins posted to the County's computer system did not match the Cash Out Sheet totals. Pay-in receipts matching the differences between the totals on the Cash Out Sheets and the amounts posted to the system were attached to the Cash Out Sheets and listed on the adding machine tapes. The amounts were then subtracted from the adding machine tapes by turning off the print function. By doing this, the total from the tape matched the Cash Out Sheet total and concealed the removal of the pay-in. The treasurer had copies of the receipts for 45 pay-ins totaling \$25,462; however, the pay-ins were subtracted from the adding machine tapes and not deposited.

¹ The Environmental Services, Health, and Metro Parks departments maintained their own bank accounts and deposited funds directly to the bank rather than to the treasurer's office. These departments posted pay-in information to the County's computer system and submitted printed pay-in receipts to the treasurer, but did not pay-in their revenue to the treasurer for deposit.

Supplement to the Special Audit Report

Finding for Recovery

During the Period, Tamara Holeton was employed as a deputy treasurer for the Erie County treasurer's office. Ms. Holeton was responsible for collecting funds paid into the office by various County departments. Ms. Holeton was also responsible for preparing daily Cash Out Sheets, totaling pay-in receipts, creating calculator tapes for pay-ins and other collections, processing real estate and other tax payments and balancing the cash drawers.

Our examination of documents maintained by the treasurer's office and the information entered into the County computer system indicated 250 departmental pay-ins totaling \$146,592 were unaccounted for during the Period and the accompanying funds were not deposited. We obtained copies of the unaccounted for pay-in receipts from the County departments and noted that 24 of the receipts were date stamped and initialed as received by Ms. Holeton.

In February 2010, Ms. Holeton was interviewed and admitted to taking funds from the treasurer's office during the period of 2005 through 2009. On August 5, 2010, Ms. Holeton entered a plea of guilty to a bill of information for one count of theft in office and one count of tampering with records.

In accordance with the foregoing facts and pursuant to Ohio Revised Code §117.28, a finding for recovery for public money collected but unaccounted for in the amount of \$146,592 is hereby issued against Tamara Holeton, in favor of the Erie County treasurer's office.

Management Comments

Counting and Security of the Cash Drawers

The treasurer's office maintained three cash drawers operated by four treasurer's office employees. Operator codes were not required to be input into the computer system to document which employee processed individual transactions and each employee could use any available cash drawer. Additionally, collection drawers remained unlocked throughout the day. With multiple employees using the same unlocked collection drawers and not requiring operator codes, it is difficult for the treasurer to determine who processed certain transactions. Additionally, multiple users increase the risk of error or misappropriation.

Failure to have sufficient internal control procedures over collections received by the treasurer's office increases the likelihood errors or irregularities will go undetected and the risk that County funds will be misappropriated.

We recommend each deputy treasurer be assigned his or her own cash drawer. Each day, the deputy treasurers should count and document the beginning and ending cash amounts and prepare a reconciliation of their drawers' financial activity. The cash drawer counts and reconciliations should be verified by the treasurer or her designee.

Cash Drawer Overage/Shortage Policy

The treasurer's office did not have a formal policy to address overages or shortages of revenues collected during a business day. Cash handling policies and procedures should be established to ensure proper controls over cash collections and cash drawers. Failure to monitor or investigate daily overages and shortages greatly increases the risk that receipts could be misappropriated without detection.

In conjunction with our recommendation to establish separate cash drawers for each deputy treasurer, we recommend the treasurer's office establish a formal policy for cash drawer overages and shortages. The policy should specify the actions to be taken by management based on the dollar amount and frequency of overages and shortages. The treasurer should consider creating a log to record the date, the employee, and the amount of the cash overage or shortage. The overages and shortages incurred by each employee should be reviewed by a supervisor and used as supporting documentation for employee performance evaluations.

Supplement to the Special Audit Report

Daily Beginning Cash Balances and Timely Deposits

Each day, the treasurer's office deposited the checks received; however, cash receipts were not deposited on a daily basis. Cash receipts were deposited one to five days from the date of receipt and there was no established amount of cash to be held on hand as a daily beginning balance. 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 cash drawer and the vault. 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 the checks received. The treasurer should implement a depositing policy along with a policy on the amount of monies that should be retained in the vault and control procedures on how monies should be safeguarded including an approved transfer form when monies are removed from the vault and placed in the cash drawers for change.

Reconciliation between County Auditor and Treasurer

Reconciliations between the bank and the County treasurer, and the treasurer and County auditor are key components of internal control. The treasurer did reconcile with the bank account balances on a monthly basis; however, the treasurer and auditor have not reconciled during the Period and have had continual problems in attempting to reconcile due to a software issue with the previous computer system. The County has implemented a new software system in 2010; however, the treasurer and auditor are still not reconciled. Lack of reconciling can result in differing records between the auditor and treasurer and allow for misappropriation of monies to go undetected. Additionally, accounts can be misstated due to errors in postings that were not uncovered due to the lack of reconciliations.

We recommend the treasurer and auditor continue to work toward reconciling their financial activity.

Receipt Procedures

When the County departments submitted their pay-ins to the treasurer's office, the monies were counted by the deputy treasurers and verified to the copy of the pay-in receipt. The pay-in receipt was then filed and the monies were placed in the cash drawer. Only one County department requested a time stamped receipt that was initialed by the deputy treasurer receiving the monies. By not date stamping and initialing the copy of the pay-in receipt, there was no documentation as to who received the monies and the date it was turned into the treasurer's office.

We recommend that the treasurer's office institute a policy that requires the deputy treasurers collecting the monies to date stamp and initial two copies of all pay-in receipts; one copy to be maintained by the office and one copy to be returned to the department initiating the pay-in.

Cash Out Sheets

At the end of each day, a deputy treasurer prepared a Cash Out Sheet that provided detail of the monies collected by type along with any disbursements and bank transfers. This document was used to reconcile the receipts to the deposits. No one independent of the person preparing the Cash Out Sheet reviewed it for accuracy. This could lead to errors or irregularities going undetected.

We recommend that someone independent of the individual preparing the Cash Out Sheet review it for accuracy and document the review with initials and date.

Account Adjustments

The treasurer's office did not have written procedures for processing real estate and other tax adjustments to the computer system, and Cashiering Adjustment Reports were not reviewed and approved. The Cashiering Adjustment Reports document the adjustment date, reason, amount and user name of who posted the adjustment. Lack of supporting documents, and review and approval of adjustments increases the risk that improper adjustments may be used to divert receipts.

We recommend that the treasurer develop written procedures for requesting and approving adjustments to the computer system. Documentation supporting the reason for the adjustments should be attached to all adjustment requests. Cashiering Adjustment Reports, supporting documentation and adjustment request forms should be reviewed and approved by the treasurer.



Mary Taylor, CPA
Auditor of State

ERIE COUNTY TREASURE'S OFFICE

ERIE 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
SEPTEMBER 30, 2010**