



**CITY OF SPRINGBORO BUILDING AND ZONING DEPARTMENT  
WARREN COUNTY**

**SPECIAL AUDIT**

**FOR THE PERIOD JANUARY 1, 2006 - NOVEMBER 12, 2010**



**Dave Yost • Auditor of State**



**CITY OF SPRINGBORO BUILDING AND ZONING DEPARTMENT  
WARREN COUNTY**

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## INDEPENDENT ACCOUNTANTS' REPORT

Christine Thompson, City Manager  
City of Springboro  
320 West Central Ave.  
Springboro, OH 45066

We conducted a special audit of the City of Springboro Building and Zoning Department (Department) by performing the procedures enumerated in the attached Supplement to the Special Audit Report for the period January 1, 2006 through November 12, 2010, (the Period) solely to:

- Determine whether Department permit fees were collected, recorded in the Department's computer system, and deposited intact.
- Determine whether voided Department permit fee receipts were for a valid reason.

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 Department permits recorded during the Period and determined whether fees were collected, recorded in the Department's computer system, and deposited intact.

Significant Results - During the Period, the Department recorded 3,915 permits in their system and we identified 515 of the permits recorded had no fees reported as being paid. We determined 15 of these permits with fees totaling \$67,161 were issued by the Department; were paid by check from the builders; but were not deposited into a City account and did not clear the builders' bank account. As of the date of this report, builders reissued payments to the City for 13 of the unpaid permits totaling \$58,629.

We determined 16 permits totaling \$2,088 were documented as paid to the City; however, the monies were not deposited into a City account. Denise Payne, former Department secretary was responsible for issuing receipts, recording payments in the Department's permit system, and depositing monies received for permits. We issued a finding for recovery totaling \$2,088 against Ms. Payne for public monies collected but unaccounted for.

We issued two management recommendations regarding monitoring the Department's activities and maintaining Department records.

2. For Department permit fee receipts identified as voided during the Period, we examined available supporting documentation and determined whether the receipts were voided for a valid reason.

Significant Results - The City voided 1,176 receipts totaling \$1,059,318 during the Period. Only 60 of the voided receipts had a reason for the void documented in the system. We were unable to conclude whether 135 voids totaling \$147,622 were voided for a valid reason since a reason for the void was not documented in the system and no records were available to document the reason for the void. For 1,041 of the voided receipts we found corroborating information or that another receipt was issued for the same permit appearing as if the voided receipt was valid since a replacement receipt was issued.

We issued a management recommendation regarding the processing of voided receipts for permit fees.

3. On June 13, 2012, we held an exit conference with the following individuals representing the City:

Christine Thompson, City Manager  
Robyn Brown, Finance Director  
Beth Eaton, Assistant Finance Director  
Barry Conway, Director of Public Works

The attendees were informed that they had five business days to respond to this special audit report. The City declined to respond to the report.



**Dave Yost**  
Auditor of State

March 29, 2012

## Supplement to the Special Audit Report

### Background

In April 2011, the City's finance director and a representative of the firm conducting the city's financial audit contacted the Auditor of State's Office (AOS) to report an alleged theft at the Department. The finance director reported that in November 2010 the Department secretary, Denise Payne, resigned and relocated out of state. The week prior to her departure, the secretary trained her replacement on the procedures for collecting permit fees, including the identification of certain receipt books for issuing manual receipts. Subsequent to the departure, the new secretary followed up on the outstanding and delinquent permit fees by contacting delinquent individuals. One individual responded he was not delinquent and presented a cancelled check to support he had made payment. Upon further review the City found three other individuals were credited with the individual's check. A City employee shown as delinquent confirmed he paid cash for his permit by presenting a receipt as proof of payment. In addition, the new secretary was unable to locate the receipt books she saw when being trained by the prior secretary. The City performed an internal review of its outstanding permits back to January 2006 and identified approximately \$1,900 in allegedly missing funds. The City notified the police department which opened an investigation.

On May 23, 2011, the AOS Special Audit Task Force considered this information and determined AOS would evaluate the City's internal examination for accuracy and completeness. While gaining an understanding of the City's internal examination we noted the City had determined that cash collections for permit fees had significantly decreased every year from 2004 to 2010. In addition the City noted it had recorded over \$1.2 million in voids for permit receipts during the period 2005 through 2010.

The AOS Special Audit Task Force considered this additional information and on July 6, 2011, the AOS initiated a special audit of the City of Springboro's Building and Zoning Department.

# Supplement to the Special Audit Report

## Objective No. 1 - Permit Fees Collected, Recorded, and Deposited

### PROCEDURES

Using the Department's computer system, we identified all permits recorded and permit fees collected and recorded by the Department for the Period.

We selected all permits recorded in the Department's system with no fees recorded as paid for the Period and examined the permit files to determine whether the permit files reflected receipts were collected or should have been collected and recorded in the Department's computer system.

We obtained copies of the City's general bank account deposits and related supporting documentation for deposits made by the Department for the Period and traced the funds received to the items deposited and determined whether the receipts were deposited intact.

We reviewed the monthly receipt reports provided by the Department to the City's finance department for the Period and determined if the amounts reported agreed to the Department's computer system.

### RESULTS

During the Period, the Department recorded 3,915 permits in their computer system. We identified 515 of the permits recorded had no fees recorded as being paid. We examined the 515 permits and determined the following:

- 211 permits had a valid reason for no fee being recorded in the Department's system.
- 15 permits were issued by the Department and the associated fees totaling \$67,161 were paid by checks to the Department; however, the checks were not deposited into a City account and did not clear the builders' bank accounts. As of the date of this report, the builders reissued payments to the City for 13 of the unpaid permits totaling \$58,629.
- 16 permits with fees totaling \$2,088 were documented as received by the Department; however, the monies were not deposited into a City account.
- For 273 permits there were insufficient records and documentation to conclude the Department actually received the associated fees or that a fee was due.

AOS traced customer permit fee payments recorded in the Department's computer system to Department bank deposit detail as follows to verify the payments were deposited intact:

Tender	Amount Recorded	Amount Traced	Percentage Traced
Checks	\$3,204,930	\$2,347,940	73%
Credit Cards	139,679	26,593	19%
Cash	2,350	2,245	100% <sup>1</sup>

While AOS subpoenaed the deposit detail for the Period, not all of the records were received from the bank. AOS concluded not to obtain the outstanding records from the bank on the basis that minimal exceptions were noted in the transactions examined and the additional time, effort, and cost of obtaining and examining the outstanding bank records would likely greatly outweigh the benefits of doing so.

During the Period, the Department submitted 51 monthly receipt reports to the finance department. We determined that 47 of the monthly receipt reports reported \$0 in voided receipts. However, when compared to the Department's system, the Department had actually recorded \$750,948 in voided receipts.

<sup>1</sup> During testing the AOS noted that the Department had incorrectly posted some of the cash receipts as a check and a check receipt as cash totaling \$108.



# Supplement to the Special Audit Report

## FINDING FOR RECOVERY

When a customer applied for a permit it had to be approved by the Department. Once the permit was approved, the secretary contacted the customer to inform them the permit was ready to be issued and paid. When the customer received the permit they signed the permit form and paid the applicable fees. The Department completed a manual receipt and the secretary posted the payment to the permit system and a system receipt was created. When preparing to deposit funds collected, the secretary prepared a deposit slip and generated a daily detail fees report listing the amount of the receipts. As the Department secretary, Denise Payne was responsible for performing these procedures.

We noted the following instances whereby documentation indicated permit fees were collected; however, we were unable to trace the money received to a deposit into a City bank account:

- Four permit forms were approved by the Department, signed by the customer, and the permit form indicated that payment had been made by the customer. No manual receipt was maintained by the Department and no payment was recorded in the Department's computer system. The permit forms documented fees paid totaling \$288.

Two permit forms were approved by the Department, signed by the customer, and manual receipts were maintained by the Department totaling \$277 but no payments were recorded in the Department's computer system.

- Seven permit forms were approved by the Department, signed by the customer, and a copy of the system generated receipt created by the Department secretary, Denise Payne was maintained by the Department. The receipts totaled \$1,159 and were documented as paid with cash. All seven receipts posted to the system were later voided, no reason was documented for the void, and the Department did not issue another receipt for the permit.
- One permit form was approved by the Department, signed by the customer, and the permit form indicated that payment had been made by the customer. No manual receipt was maintained by the Department. A cash payment totaling \$286 was posted to the system and later voided but no reason was documented for the void and the Department did not issue another receipt for the permit.
- The Department posted a payment made by a customer totaling \$106 for a building permit to three fence permits totaling \$106. A manual receipt was issued to a customer for one of the fence permits totaling \$39 and was paid in cash. One of the fence permits totaling \$39 had a permit form approved by the Department, signed by the customer, and the Department had documented in their files that the permit fee was already paid to Denise Payne with cash. The Department contacted a customer regarding the third fence permit and determined that it had not actually been paid.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery is hereby issued against the former Department secretary, Denise Payne, totaling \$2,088, for public money collected but unaccounted for and in favor of the City of Springboro.

## MANAGEMENT RECOMMENDATIONS

### Developing and Implementing an Effective Monitoring Control System

Monitoring controls are oversight activities to ensure departments comply with City policies and procedures, achieve operational goals and objectives, and efficiently and effectively use available resources. Our audit noted the following conditions which are indicative of little monitoring of the Department's activities:

## Supplement to the Special Audit Report

- The Department issued 15 water/sewer and building permits with fees totaling \$67,161 for which the builders paid the fees but the Department did not deposit the checks.
- No periodic review of unpaid outstanding permit fees.
- Monthly receipt reports prepared by the Department secretary and provided to the finance department were not reviewed by management. We noted seven months when no report was submitted and 47 of 51 months where no voided receipts were reported when there actually were voided receipts recorded in the Department's computer system.
- The Department could not identify user ids in the permit system utilized by Department employees.
- The Department did not deposit numerous checks received for payment of permit fees in a timely manner.

Insufficient monitoring increases the risk of noncompliance with established policies and procedures, failure to achieve operational goals and objectives, and inefficient and ineffective use of available resources.

We recommend management implement monitoring controls to ensure department activities are periodically examined. Management should consider reviewing permits recorded in the system on a monthly basis and verifying that fees have been recorded, collected and deposited. Management should review monthly receipt reports submitted to the finance department, verify the amounts reported agree to the system, and document the review.

### Maintaining Department Records

Based on discussion with Department personnel, when a customer applied for one of the City's required permits, the Department created a file by address and depending on the type of permit obtained the Department maintained the following items in the permit file:

- Permit application
- Permit authorized by department and signed by the customer
- Plans (if applicable)
- Inspection tickets (if applicable)
- Payment information (manual receipt, check stub); a manual duplicate receipt is written for all permits paid with cash or check.

We noted the Department did not maintain or create numerous permit folders for permits applied for by customers. In addition, we noted the Department did not maintain all authorized and signed permits and payment information for numerous permits. The Department could not locate the manual receipt books used during the Period.

Incomplete permit files increase the risk the Department cannot fully demonstrate compliance with City policies and procedures regarding the issuance of required permits and collection of associated permit fees.

We recommend management implement a system to ensure all permit files are created and maintain the required documentation for the department to issue a permit.

# Supplement to the Special Audit Report

## Objective No. 2 – Voided Receipts

### PROCEDURES

For permit fee receipts identified as voided during the Period, we examined available supporting documentation and determined whether the receipts were voided for a valid reason.

### RESULTS

We examined 1,176 voided permit fee receipts totaling \$1,059,318 to determine whether the receipts were voided for a valid reason and noted the following:

- Only 60 of the voided receipts had a reason for the void documented in the system.
- For 1,037 of the voided receipts we found corroborating information supporting the void or that another receipt was issued for the same permit appearing as if the voided receipt was valid since a replacement receipt was issued.
- For 4 of the voided receipts we found another permit was issued for the same address and was paid appearing as if the voided receipt was valid since a replacement permit and receipt was issued.
- We were unable to conclude whether 135 voids totaling \$147,622 were voided for a valid reason because a reason for the void was not documented in the system, no records were maintained to document the reason for the void, or voids did not have identifying information such as permit number or address to discern whether a subsequent receipt was issued.

### MANAGEMENT RECOMMENDATION

#### Voided Permit Fee Receipts

The Department could not demonstrate the purpose of all voided permit fee receipts due to a lack of information recorded in the permit system and due to a lack of available records. Additionally, we noted no management approval or periodic monitoring of voided permit fee receipts for reasonableness and appropriateness.

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

We recommend the Department implement a policy for voiding transactions in their system and to properly document the reason for the void and have it reviewed by management to ensure its validity.

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**CITY OF SPRINGBORO BUILDING ZONING DEPARTMENT**

**WARREN 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  
JULY 24, 2012**