



Dave Yost • Auditor of State

VILLAGE OF ARLINGTON HEIGHTS MAYOR'S COURT
HAMILTON COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

The Honorable Steve Surber, Mayor
Ms. Elizabeth Barnett, Fiscal Officer
Village of Arlington Heights
601 Elliott Ave.
Arlington Heights, OH 45215

We conducted a special audit of the Village of Arlington Heights' (the Village) Mayor's Court (the Court) by performing the procedures enumerated in the attached Supplement to the Special Audit Report for the period July 1, 2007 through February 19, 2010 (the Period) solely to:

- Determine whether the fines, court costs, and bonds collected were recorded in the computerized cashbook, posted to the correct case, and deposited intact.
- Determine whether voided receipts were for a valid Court action.

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 Court receipts issued manually and electronically during the Period and determined whether fines, court costs, and bonds collected were recorded in the computerized cashbook, posted to the correct case and deposited intact.

Significant Results - During the Period, the Court received \$862,939 for 6,277 receipts the Court issued. In addition, we identified \$259,789 in Court receipts that were not recorded in the Court computer system. Of the total \$1,122,728 for fines, court costs, and bonds received, we were able to trace only \$858,758 deposited into the Court's bank account. Also, we identified cash and checks in 28 case jackets totaling \$1,673 related to receipts posted to the system that had not been deposited.

During the period, we identified cash deposits totaling \$29,842 into the personal bank account of former Mayor's Court Clerk, Donna Covert. Ms. Covert admitted to representatives of the Auditor of State that she removed monies from the Mayor's Court and deposited monies removed from the Mayor's Court into her personal bank account. We identified cash deposits totaling \$19,398 into the personal bank account of former Deputy Court Clerk, Laura Jarvis. Ms. Jarvis admitted to representatives of the Auditor of State that she removed monies from the Mayor's Court and deposited monies removed from the Mayor's Court into her personal bank account.

Donna Covert, former Mayor's Court Clerk, and Laura Jarvis, former Deputy Court Clerk, were responsible for issuing receipts, recording collections in the Court's computer system and depositing moneys received in the Court's bank account. We issued findings for recovery totaling \$262,297 against Ms. Covert and her bonding company, totaling \$258,345 against Ms. Jarvis, and totaling \$216,118 against Ms. Jarvis's bonding company, jointly and severally, for monies collected but unaccounted for.

We issued four noncompliance citations for failure to maintain records supporting the Court's decisions, collections and disbursements; failure to provide an accurate report of the Court's activity to village council; failure to deposit funds timely; and the lack of accountability for the receipt and forfeiture of Court bonds.

We issued two management recommendations regarding improper use of manual receipts and for the Court to formally adopt, document and monitor payment plans.

2. For manual and computerized receipts identified as voided during the Period, we examined available supporting documentation and determined whether the receipts were voided for a valid Court action.

Significant Results - The Court voided 75 receipts during the Period. We were unable to conclude whether 23 of the 75 voided receipts were voided for a valid Court action since records could not be located to document the reason for the void. For 44 of the voided receipts we found another receipt was issued for the same case or same individual appearing as if the voided receipt was valid since a replacement receipt was issued, however none of the receipts documented the reason for the void. Seven voided receipts resulted because information from another receipt went through the carbon copy of the receipt rendering it unusable. We considered this for a valid Court action. One voided receipts was for a bond that was returned to the defendant and was determined which we considered a valid Court action.

We issued a management recommendation related to voiding Court receipts.

3. On July 10, 2013, we held an exit conference with the following individuals representing the Court:

Mayor, Steve Surber
Fiscal Officer, Elizabeth Barnett
Law Director, John Keller
Council Member, Cody Gertz
Council Member, John Scott,
Council Member, Meroline McLemore
Mayor's Court Clerk, Amanda Estes

The attendees were informed that they had five business days to respond to this special audit report. A response was received on July 12, 2013. The response was evaluated and changes were made to this report as we deemed necessary.



Dave Yost
Auditor of State

July 10, 2013

Supplement to the Special Audit Report

Background

On February 16, 2010, the Auditor of State's Office received a request from the Village of Arlington Heights for assistance in identifying missing funds in the Court. The Village indicated the Ohio Attorney General's Bureau of Criminal Identification and Investigation was conducting a criminal investigation into alleged missing Court funds. The investigation resulted in an admission by the former Deputy Mayor's Court Clerk Laura Jarvis to misappropriating Court funds. Ms. Jarvis resigned from her position on December 31, 2009. During her employment, Ms. Jarvis was supervised by her mother, Donna Covert. On February 19, 2010, Ms. Covert voluntarily resigned.

On May 22, 2010, the Special Audit Task Force determined a three month period would be examined to determine the extent of missing funds. On November 12, 2010, the examination for the three month period was completed and identified approximately \$24,000 collected but not deposited into the Court's bank account.

On November 22, 2010, the Auditor of State initiated a special audit of the Village of Arlington Heights' Mayor's Court collections.

On July 31, 2012, Ms. Covert and Ms. Jarvis were indicted on criminal charges including theft in office, tampering with records, and unauthorized use of property. On March 14, 2013, Ms. Covert pled guilty to a charge of theft in office. On June 7, 2013, Ms. Covert was sentenced to serve time in prison and ordered to make restitution in the amount of \$260,000. As of the date of this report, Ms. Jarvis was scheduled to stand trial beginning September 16, 2013.

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Issue No. 1 – Fines, Court Costs, and Bonds Collected

PROCEDURES

Using the Court's computer accounting systems, we identified payments received and recorded by the Court for the Period.

We traced manual receipts issued during the Period to the receipts recorded in the Court's computerized cashbook and determined whether the receipts were recorded as received.

We examined case files for the Period and determined whether the case files reflected any receipts collected in addition to those identified from the manual receipts and Court computer systems.

We obtained copies of the Court's bank account deposits and related supporting documentation for the deposits made during the period and traced funds received to the items deposited and determined whether the receipts were deposited intact.

We obtained copies of the former Mayor's Court Clerk's and the former Deputy Court Clerk's personal bank accounts to determine whether identified missing funds or unknown sources of cash were deposited into their personal bank accounts.

RESULTS

During the Period, the Court issued 6,277 manual receipts totaling \$862,939 for fines, court costs, and bonds. In addition, we identified \$259,789 in checks and money orders deposited that agreed to tickets issued by the Village during the period that were not issued a receipt and not recorded in the Court's computerized cashbook. Through combinations of substituting checks and money orders for cash payments, issuing duplicate receipts for payments received, not posting manual receipts to the Court's computerized cashbook, and not issuing manual receipts for payments received, the computerized cashbook reflected that fines, court costs, and bonds appeared to have been deposited intact. We reconciled the computerized cashbook receipts, manual receipts issued that were not recorded in the computerized cashbook, and tickets paid that did not have a receipt issued and not recorded in the computerized cashbook to the actual items deposited and determined whether the fines, court costs, and bonds collected were actually deposited intact. We were able to trace only \$858,758 deposited into the Court's bank account and identified \$1,673 in cash and checks found in case files which had not been deposited.

During the Period, we identified cash deposits into the personal bank account of former Mayor's Court Clerk, Donna Covert totaling \$29,842. During an interview with representatives of the Auditor of State, Ms. Covert admitted to removing monies from the Mayor's Court and depositing cash into her personal bank account. In addition, we identified cash deposits into the personal bank account of former Deputy Court Clerk, Laura Jarvis totaling \$19,398. During an interview with representatives of the Auditor of State, Ms. Jarvis admitted to removing monies from the Mayor's Court and depositing cash into her personal bank account.

FINDING FOR RECOVERY

Ohio Traffic Rule 13(A) states in part "(e)ach court shall establish a traffic violations bureau...The court shall appoint its clerk as violations clerk...Fines and costs shall be paid to, receipted by and accounted for by the violations clerk." In an interview, the current Mayor and current Mayor's Court Clerk stated that former Mayor's Court Clerk, Donna Covert, and former Deputy Court Clerk, Laura Jarvis, issued receipts and were the only two individuals that recorded receipts into the Mayor's Court computerized cashbook and case file system.

Supplement to the Special Audit Report

We determined \$262,297 of fines, court costs, and bond payments received were not deposited into the Village's Mayor's Court bank account.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, we hereby issue a finding for recovery against Donna Covert and her bonding company, Travelers Casualty and Surety Company of America, for \$262,297; and against Laura Jarvis for \$258,345, and her bonding company, Travelers Casualty and Surety Company of America, for \$216,118, jointly and severally, of public moneys collected but not accounted for in favor of the Village of Arlington Heights' Mayor's Court.

NONCOMPLIANCE CITATIONS

Maintaining Court Records

Ohio Rev. Code, Section 1905.01 (F), states, "In keeping a docket and files, the mayor, and a mayor's court magistrate appointed under section 1905.05 of the Revised Code, shall be governed by laws pertaining to county courts." Ohio Rev. Code, Section 1907.20 (B), regarding general provisions of county court administration states, in pertinent part, "The clerk shall file and safely keep all journals, records, books and papers belonging to or appertaining to the court, record its proceedings, perform all other duties that the judges of the court may prescribe, and keep a book showing all receipts and disbursements, which shall be open for public inspection at all times."

The Court was unable to provide the following items for our review:

- Two Court manual receipt books containing ten receipts each.
- Case jackets and tickets for 17 cases and an additional 11 tickets.
- A complete computerized cashbook documenting the Court's receipts and related fine distribution for July 1, 2007 through February 19, 2010.

As such, in some cases the Court was unable to provide documentation supporting whether fines, court costs, and bonds collected were deposited. Additionally, the unavailable documentation prevented accurate calculations of amounts due to the Village and State for fines, court costs, and bonds collected for this period.

We recommend the Mayor's Court Clerk maintain receipt books, cashbooks, and case jackets to document Court proceedings and the collection and disbursement of fines and courts costs.

Court Activity

Ohio Rev. Code, Section 733.40, states in part "... At the first regular meeting of the legislative authority each month, the mayor shall submit a full statement of all money received, from whom and for what purposes received, and when paid into the treasury."

We noted the following prevented the Mayor from providing an accurate report of the Court's activity to village council:

- Bank reconciliations were not performed on a monthly basis.
- There was no evidence that the Mayor or another employee reviewed bank statements or documentation supporting receipt and disbursement activity.
- We identified \$262,297 not deposited into the Court's bank account.
- The Court did not distribute \$259,789 to the Village or the State because the collections were not recorded in the Court's computer system.

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- We identified 93 checks/money orders totaling \$9,767 and cash totaling \$2,249 for a grand total of \$12,016 that had been collected and not deposited by the Village. We were able to determine that \$868 of the cash and 7 checks/money orders totaling \$805 were associated with a case that had been receipted into the Court's computerized cashbook during the Period. In addition, we were able to determine that \$6,282 was associated with cases during the Period but were not recorded into the Court's computerized cashbook, \$634 that we were unable to identify the period, and \$3,427 was in relation to cases that were prior to the Period.
- Receipts were posted incorrectly in the Court's computer system resulting in funds either being incorrectly distributed or not distributed at all.
- Five personal checks for village employees totaling \$107 were cashed by the Court with monies that had been collected prior to being deposited into the Court's bank account.
- The appearance dockets did not note the disposition of all cases listed.
- Dismissals and warning notations were not consistently documented on the case jackets, tickets and/or dockets.
- Case jackets did not always contain documentation of community service hours worked in lieu of payment of fines.

By not performing monthly bank reconciliations, not having the Mayor or other employee review the bank statements or supporting receipt and disbursement activity, and not maintaining accurate records, the Mayor cannot identify posting errors or other irregularities in a timely manner. The lack of these procedures resulted in inaccurate reports being submitted to village council or reports not being submitted at all. Inaccurate records of cases to be heard and their related disposition prevents accurate calculation of amounts due to the Village and State for fines, court costs, and bonds collected.

To ensure accurate reports are presented to Council, we recommend the Mayor and/or his designee:

- Reconcile the bank account to the cashbook and the Open Items list determining whether fines, court costs and defendants' bonds received were deposited and distributed.
- Periodically compare the receipts issued to those posted to the cashbook and determine whether fines, court costs and defendants' bonds collected were posted to the Court's system.
- Investigate any unusual entries posted to the cashbook or reflected on the monthly bank statement.
- Review disbursements from the monthly cashbook and bank statement to ensure the amounts due to the Treasurer of State and the Village were remitted and that no other unrelated disbursements were made.
- Note the disposition on the docket for each case listed. If a case has been paid after the docket was prepared, we recommend the payment be written on the docket. Additionally, all additions and deletions to a docket should be carried forward to the next court date to ensure there are no omissions of case information.

Timely Deposits

Ohio Rev. Code, Section 9.38, states in part, "...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."

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During review of deposit details we noted twelve instances in which the Village deposited fines and court costs collected from 53 to 455 days after the date of the money order into the Court's bank account.

We recommend the Village review its depositing policy and determine whether an alternative method is necessary. The Mayor and/or his designee should monitor the Court's activity to ensure monies received are safeguarded and deposited within 24 hours as required by this section of law.

Bond Receipts and Disbursements

Ohio Traffic Rule 13(A) states in part "(e)ach court shall establish a traffic violations bureau....The Court shall appoint its clerk as violations clerk....Fines and costs shall be paid to, receipted by and accounted for by the violations clerk."

During the period, the Court receipt and forfeiture of bonds were not properly accounted for by the violations clerk. The Court's records for the cases did not reflect the magistrate's decision to forfeit or refund the defendants' bonds. The monies were maintained in the defendant's case jackets and not deposited into a Court bank account until disposition was determined. Additionally, the bonds were not tracked in the Court's system and refunds were not given in the form of check and appeared to have been made in cash.

Failing to document when a bond should be refunded or forfeited can result in bonds being improperly forfeited or returned to a defendant. Not depositing a cash bond into the Court's bank account increases the susceptibility to theft.

We recommend the magistrate document in the appearance docket whether defendants' bonds should be forfeited or refunded. Upon receipt of the docket, the Court clerk should refund or forfeit the defendants' bonds in accordance with the magistrate's decisions. Additionally, when bonds are received they should be deposited intact in the Court's bank account and receipted into the Court's system along with the subsequent disbursement. Bond refunds should only be made by a check issued to the defendant.

MANAGEMENT RECOMMENDATIONS

Manual Receipts

During the Period, the Court issued 6,277 manual receipts. The receipts should include the date, defendant/payee name, amount paid, ticket/case number, the type of tender received and be signed by the individual collecting the money. We noted the following discrepancies in review of the manual receipts:

- 143 manual receipts issued were not recorded in the Court's computer system.
- 1,955 manual receipts were totally blank and not completed by the Village.
- 24 manual receipts had a total amount that exceeded the amount recorded in the Court's computer system.
- 34 manual receipts had a total amount that was less than the amount recorded in the Court's computer system.
- 87 manual receipts had information recorded on the receipt that was for a different case than the receipt recorded in the Court's computer system.
- 543 manual receipts had a different amount noted for the fine and/or cost compared to the amount recorded in the Court's computer system.

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- Two manual receipts had a name that did not agree to the Court's computer system, but, the case number and other information agreed.
- Eight manual receipts had a case number documented that did not agree to the case number documented in the Court's computer system for that receipt.
- 25 manual receipts were issued from a receipt book that was used for miscellaneous collections at the Village, 11 receipts were issued from a receipt book that was used by the police department for bond collections, and one receipt was issued from a receipt book used by the Mayor's Court for bond collections.
- We identified 33 cases that agreed to two different manual receipts. One of the receipts was recorded into the Court's computer system and one receipt was not recorded in the Court's computer system.

Failure to complete the entire receipt prevents the Court from identifying the amount received, the case the payment is to be applied to and whether the payment was posted to the Court's system. Not entering the receipt into the Court's computer system accurately increases the risk of unreliable information for financial reporting and management decision making purposes and the issuance of unnecessary arrest warrants.

In January 2010 the Court implemented a new computer system that eliminated the use of manual receipts and as a result greatly reduces the likelihood of the above instances continuing. The Court should monitor the input and output of its computer system to ensure all relevant case and financial transaction information is entered completely, accurately, and timely.

Payment Plans

The Village did not establish a formal policy for allowing payment plans for defendants paying court costs or fines. We noted defendants making payments on fines and court costs due to the Court over an extended period of time. However, the Court did not consistently document amounts paid and balances owed by the defendant. The Court was unable to provide payment plan terms for all the defendants who were granted a payment plan.

Failure to establish and document Court-approved terms and payments can result in the Court not collecting funds due in a timely manner.

We recommend the Village establish a formal policy for allowing defendants to establish a payment plan to pay for court costs and fines owed to the Court. The policy may include the approval process of the plan, payment plan terms, and monitoring compliance of balances owed by the defendants.

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Issue No. 2 – Voided Receipts

PROCEDURES

For manual and computerized receipts identified as voided during the Period, we examined available supporting documentation and determined whether the receipts were voided for a valid Court action.

RESULTS

We examined 75 voided receipts to determine whether the receipts were voided for a valid Court action and noted the following:

- For 44 of the voided receipts we found another receipt was issued for the same case or same individual appearing as if the voided receipt was valid since a replacement receipt was issued, however none of the receipts documented the reason for the void.
- Seven voided receipts resulted because information from another receipt went through the carbon copy of the receipt rendering it unusable. We considered this for a valid Court action.
- One voided receipts was for a bond that was returned to the defendant and was determined which we considered a valid Court action.
- We were unable to conclude whether 23 of the 75 voided receipts were voided for a valid Court action since records could not be located to document the reason of the void.
- Three of the manual voided receipts were not recorded in the Court's accounting system.

MANAGEMENT RECOMMENDATION

Voided Court Receipts

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

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

We recommend the Court document the reason for voiding a receipt and have the Mayor and/or his designee review the 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 Court's accounting system to ensure all receipts are accounted for when completing daily deposits. In the case of the 23 voids in which we were unable to determine their validity, we recommend the Court contact the defendants and determine whether payment was made to the Court. If so, the Court should contact their legal counsel for advice on how to resolve the discrepancies.

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VILLAGE OF ARLINGTON HEIGHTS MAYOR'S COURT

HAMILTON 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
AUGUST 15, 2013