



Dave Yost • Auditor of State



**PIKE COUNTY CLERK OF COURTS  
PIKE COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITORS' REPORT

Pike County Clerk of Courts  
230 Waverly Plaza, Suite 1300  
Waverly, Ohio 45690

We conducted a special audit of the Pike County Clerk of Courts (the Court) by performing the procedures enumerated in the attached Supplement to the Special Audit Report for the period July 1, 2012 through December 30, 2013 (the Period) solely to:

- Examine the Court's receipts issued for the Period to determine whether the court costs and fees recorded as collected in the computerized cashbook were deposited intact.

This engagement was conducted in accordance with the Quality Standards for Inspection and Evaluation established by the Council of the Inspectors General on Integrity and Efficiency (January 2012). 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 receipts recorded in the Court's computerized cashbook for payment of court costs and fees with cash, checks, and money orders and determined if they were deposited intact.

Significant Results: We identified 34 receipts totaling \$5,051 recorded in the computerized cashbook that were not deposited into the Court's bank account. We issued a finding for recovery against Chief Deputy Clerk, Darla Smith, totaling \$5,051 for monies collected but unaccounted for.

We identified three garnishment checks totaling \$1,470 deposited by the Court but not recorded in the computerized cashbook. We concluded the three checks were used to substitute for cash receipts collected but not deposited. Ms. Smith was responsible for processing and recording all garnishment checks for the Court. We issued a finding for recovery against Ms. Smith totaling \$1,470 for monies collected but unaccounted for.

We identified two receipts recorded by Ms. Smith totaling \$777; however, the corresponding checks deposited totaled \$861 resulting in a variance of \$84. On the days the checks were recorded and deposited, the Court recorded \$103 in cash receipts; however, only \$19 in cash was deposited resulting in a variance of \$84. We issued a finding for recovery against Ms. Smith totaling \$84 for monies collected but unaccounted for.

We identified one Court check for \$235 issued payable to the Court signed by Ms. Smith totaling \$235. We concluded the check was used to substitute cash receipts collected but not deposited. We issued a finding for recovery against Ms. Smith totaling \$235 for monies collected but unaccounted for and \$235 for public monies illegally expended.

We identified 13 personal checks totaling \$680 issued by Ms. Smith that were cashed using Court monies collected prior to being deposited into the Court's bank account. One of the personal checks totaling \$25 was returned by the bank for insufficient funds and the Court was charged a \$15 fee. We issued a finding for recovery against Ms. Smith totaling \$25 for monies collected but unaccounted for and \$15 for public monies illegally expended.

We identified one check received by the Court totaling \$250 that was recorded in the computerized cashbook on October 12, 2012 and was not deposited until November 18, 2013, however, the bank account associated with the check was closed and the check was returned. The Court's bank account was charged to remove the \$250 deposit and a bank fee of \$15. We issued a finding for recovery against Ms. Smith totaling \$250 for monies collected but unaccounted for and \$15 for public monies illegally expended.

We issued a management recommendation for oversight of bank reconciliations and segregation of duties.

2. On August 20, 2014 we held an exit conference with the following individuals representing the Court:

John Williams, Clerk of Courts  
Hannah Holbrook, Deputy Clerk

The attendees were informed they had five business days to respond to this special audit report. A response was received on August 25, 2014. The response was evaluated and changes were made to this report as we deemed necessary.



**Dave Yost**  
Auditor of State

August 13, 2014

## Supplement to the Special Audit Report

### Background

In early January 2014, John Williams, Pike County Clerk of Courts, contacted the Auditor of State's Office (AOS) and reported he placed Darla Smith, Chief Deputy Clerk, on administrative leave effective December 30, 2013, due to irregularities involving Court receipts and deposits. Mr. Williams stated he also notified the Pike County Sheriff's Office (PCSO) and the Pike County Prosecuting Attorney's Office of the issues involving Ms. Smith. Representatives of the AOS met with Mr. Williams and the PCSO during which Mr. Williams provided supporting documentation demonstrating certain deposit slips did not agree to daily receipt reports from the Court's system and checks received by the Court which had not been deposited. On January 17, 2014, Mr. Williams terminated Ms. Smith's employment with the Court. On January 21, 2014, Mr. Williams officially requested a special audit of the Court's Legal Department.

This information was considered by the Special Audit Task Force on February 4, 2014, and the AOS initiated a special audit of the Clerk of Court's Legal Department.

# Supplement to the Special Audit Report

**Objective No. 1** - We examined the Court's receipts issued for the Period to determine whether the court costs and fees recorded as collected in the computerized cashbook were deposited intact.

## PROCEDURES

Using the Court's computer system (Courtview), we identified payments for court costs and fees recorded as received by the Court for the Period.

We obtained copies of the Court's bank account deposit slips and the Court's cashbook for the Period and compared daily receipt totals recorded by tender type in the cashbook to the corresponding deposit.

We obtained copies of the Court's bank statements, bank account deposits, and related supporting documentation for deposits made during the Period and traced funds recorded as received to the items deposited.

For receipts identified as voided during the Period, we determined whether a subsequent receipt was issued or if the void was for a valid court action.

## RESULTS

The Court's cashbook reported \$572,665<sup>1</sup> in cash and check/money order receipts received for 375 days during the Period. The Court made 369 deposits totaling \$568,066 during the Period resulting in a variance of \$4,599. Upon review of the Court's bank deposits and the related supporting documentation for the deposits during the Period we determined that the Court recorded 22 receipts totaling \$3,196 for cash received and 12 receipts totaling \$1,855 for checks received that were not deposited into the Court's bank account. In addition, we determined that Court recorded four receipts totaling \$141 for checks received in September 2012 to pay court costs and fees; however, they were never deposited and were found by the Court on the desk of Chief Deputy Clerk after she was placed on administrative leave. In addition, we determined on December 30, 2013 the Court deposited two garnishment checks totaling \$593 that were not recorded in the system.

## FINDING FOR RECOVERY

We identified 34 receipts totaling \$5,051 recorded in the Court's cashbook but not deposited into the Court's bank account. The reconciliations prepared by Ms. Smith included these receipts as "Deposits in Transit" which concealed they had not been deposited.

When we compared the Court's daily receipt totals by tender type recorded in the cashbook to the corresponding deposit we identified instances in which the cash and check/money order totals did not agree to the deposit slip. Upon review of the Court's bank deposit detail and the related supporting documentation, we determined the discrepancies were due to the following:

- We identified three garnishment checks totaling \$1,470 that were deposited but not recorded in the cashbook. We concluded the checks were substituted for cash receipts collected and recorded but not deposited because the daily receipts recorded and deposited agreed in total but did not agree by tender type. Ms. Smith was responsible for processing and recording all garnishment checks received by the Court.

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<sup>1</sup> The actual total receipts of the cashbook were \$637,951 but the amount included transactions other than for court costs and fees. When a deposit or bond payment is applied to a case for court costs and fees another receipt is recorded to apply the deposit or bond payment already collected and recorded as a receipt for the case. Also, the Court records receipts for collections they receive by direct deposit from the Attorney General's Office and Pioneer Credit Recovery, Inc.

## Supplement to the Special Audit Report

- We identified two receipts totaling \$777 recorded by Ms. Smith; however, the corresponding checks that were deposited by the Court totaled \$861 resulting in a variance of \$84. On the two days the checks were recorded and deposited the Court recorded cash receipts in the system totaling \$103, however, only \$19 was deposited.
- We identified one Court check issued payable to the Court for \$235 and signed by Ms. Smith which we concluded was substituted for cash receipts collected but not deposited.
- We identified 13 of Ms. Smith's personal checks totaling \$680 cashed with monies collected by the Court. One of the personal checks issued and cashed totaling \$25 was returned by the bank for insufficient funds and the Court was charged a \$15 fee.
- We identified one check received by the Court totaling \$250 that was recorded in the computerized cashbook on October 12, 2012 and was not deposited until November 18, 2013, however, the bank account associated with the check was closed and the check was returned. The Court's bank account was charged to remove the \$250 deposit and a bank fee of \$15.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a finding for recovery for public monies collected but unaccounted for totaling \$7,115 and for public monies illegally expended totaling \$265 is hereby issued in the amount of \$7,380 against Darla Smith in favor of the Pike County Clerk of Courts.

### MANAGEMENT RECOMMENDATION

#### Oversight of Bank Account Reconciliations/Segregation of Duties

During the Period, the Court's monthly bank account reconciliations were performed by the Chief Deputy Clerk and were not reviewed by anyone at the Court. In addition, the Chief Deputy Clerk was solely responsible for processing all garnishment and sheriff foreclosure checks received by the Court. The Chief Deputy Clerk was responsible for making deposits into the Court's bank account along with the two other deputy clerks. When deposits were outstanding for extended periods of time the only employee with knowledge of this was the Chief Deputy Clerk performing the bank reconciliations. By allowing the Chief Deputy Clerk full responsibility of bank reconciliations the Court had several deposits outstanding for significant lengths of time that resulted in some monies collected but unaccounted for.

Reconciliations are an effective tool to help management determine the completeness of recorded receipts and verify all recorded receipts have been deposited with the financial institution. We recommend the Court properly reconcile their accounts on a monthly basis. Variances should be immediately investigated and justified. We also recommend someone other than the preparer review the reconciliation for accuracy and unusual items and sign off on the reconciliation indicating approval and accuracy of the reconciliations.

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# Dave Yost • Auditor of State

**PIKE COUNTY CLERK OF COURTS**

**PIKE 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 16, 2014**