



Dave Yost • Auditor of State

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INDEPENDENT AUDITORS' REPORT

Village of North Baltimore
205 N. Main Street
North Baltimore, OH 45872

We conducted a special audit of the Village of North Baltimore (the Village) by performing the procedures enumerated in the attached Supplement to the Special Audit Report for the period January 1, 2010 through September 30, 2014 (the Period) solely to:

- Ensure all recorded Village receipts were deposited into the Village bank account during the Period.
- Ensure all utility adjustments made during the Period were for legitimate purposes.

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 each receipt batch report during the Period and traced the batch total to deposit into the Village's bank account to determine if the receipts were deposited intact.

Significant Results: We identified 43 cash-only batches and nine partial cash batches containing payments totaling \$79,123 the Village received and recorded in its accounting system, but never deposited into its bank account. Jaimye Benedict, while titled the Utility Clerk, was responsible for receiving and depositing all Village receipts. We issued a finding for recovery against Ms. Benedict totaling \$79,123 for monies converted or misappropriated.

We issued two noncompliance citations regarding document retention and timely deposits, along with four recommendations to improve the Village's internal controls over receipts.

2. We examined adjustments made to customer accounts to ensure they were for a legitimate purpose.

Significant Results: Of the 90 customer account adjustments posted during the Period, we were unable to determine the purpose of 12 adjustments, which were not supported by documentation. None of the adjustments reflected supervisory approval. We issued a citation for noncompliance with Village ordinances.

3. On August 18, 2015, we held an exit conference with the following individuals representing the Village:

Donna Dettling, Village Administrator
Chris Kirk, Finance Officer
April Dick, Clerk 2
Janet Goldner, President of Council
Leslee Thompson, Council, Finance Chair
Chet Marcin, Legal Counsel

The attendees were informed that they could respond to this special audit report. A response was received on August 26, 2015. The response was evaluated and no changes were made to this report.



Dave Yost
Auditor of State

March 23, 2015

Supplement to the Special Audit Report

Background

In August 2014, the Village contracted with Auditor of State Local Government Services Section to reconcile its accounting system to its bank account and provide training for completing the 2014 reconciliations up to the current date. During the engagement, the Local Government Services Section noted several instances for which revenues recorded in the accounting system did not agree to deposits made to the bank.

Representatives of the Auditor of State's Special Audit Section met with Village officials on October 29, 2014, to review these instances and gather additional details. Village officials informed us the utility clerk, Jaimye Benedict, created cash-only receipt batches, which was outside the Village's normal operating procedures. Ms. Benedict was placed on administrative leave effective October 21, 2014 and was terminated on November 12, 2014.

This information was considered by the Special Audit Task Force on November 19, 2014, and a Special Audit was declared.

Supplement to the Special Audit Report

Objective No. 1 - Village Receipts

PROCEDURES

The Village cash register system produces a Bank Deposit Report for each batch that states the total amount of cash and checks collected for that batch. These reports are then uploaded into the Village's accounting system. Using Bank Deposit Reports, we identified each receipt batch's total and traced the total to the Village bank statements to ensure receipts were deposited intact. AOS Special Investigations Unit conducted interviews of current and former Village employees to gather additional details about Village operations.

RESULTS

During separate interviews with the former Village Administrator (2007-2014) and the Finance Officer, each stated Ms. Benedict was responsible for depositing all Village funds, and each acknowledged that no one was reviewing Ms. Benedict's work. Another position in the Village office, Clerk 2, told investigators she would only make a bank deposit in the event Ms. Benedict was absent from work. All three individuals confirmed that, while any employee could receive utility payments in the office, it was Ms Benedict's responsibility to do so if she was there.

The Village Administrator told investigators she questioned Ms. Benedict about the variances in the bank account as compared to the account records, and a lack of timeliness in depositing funds. Ms. Benedict explained there were a few occasions where funds were misplaced in the back of the Village safe; however, the Village Administrator did not find this explanation plausible, considering the structure and location of the safe.

The Village processed 1,352 batches totaling \$16,537,105 during the Period. We applied our procedures to all of these batches. We noted 43 cash-only batches totaling \$77,501 were not deposited. In addition, nine batches had cash portions totaling \$1,622 which were not deposited.

Ms. Benedict maintained personal bank accounts at the same financial institution as the Village. During a review of Ms. Benedict's personal bank records, we noted multiple occasions where she made a cash deposit into her checking account within minutes of making a deposit into the Village account.

FINDING FOR RECOVERY

Finding for Recovery

As Village Utility Clerk, Jaimye Benedict was responsible for collecting receipts, preparing batch deposits and depositing funds into the Village bank account. Ms. Benedict repeatedly created cash-only receipt batches during the Period, contrary to the Village's prescribed accounting procedures for the Village. During separate interviews with the Village administrator and finance officer, we confirmed Ms. Benedict was responsible for safekeeping and depositing all Village funds.

During the Period, cash totaling \$79,123 was received by the Village but was not deposited into the Village bank account.

Supplement to the Special Audit Report

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public monies converted or misappropriated totaling \$79,123 is hereby issued against Jaimye Benedict and in favor of the Village of North Baltimore.

NONCOMPLIANCE CITATIONS

Document Retention

The Village's approved Personnel Policy and Procedure Manual section 6.08 B 5, Public Records, states "All public records in the custody of the Employer will be retained in accordance with state and federal laws establishing record retention periods for specific classes of records. Public records shall not be removed, destroyed, mutilated, transferred or otherwise damaged or disposed of, in whole or in part, without approval of the Village Records Committee, and in accordance with prescribed state and federal laws regarding limitations for specific classes of records."

Additionally, the Village's records retention schedule states shelter house rentals and vending machine supporting documents are required to be maintained a minimum of three years. All bank deposit slips and deposit receipts are required to be maintained a minimum of four years.

Shelter house rental applications and calendars were immediately destroyed after the rental dates. Vending machine purchases, sales, and inventory records were not retained. Bank deposit slips and deposit receipts were not always maintained with their corresponding batches. There was no documented approval from the Village Records Committee for any disposals during the Period.

Failure to adequately control and maintain documents could result in the inability of the Village to review prior transactions for accuracy. This also limits the ability to ensure accountability over receipts and subsequent deposits.

We recommend the Village follow their Personnel Policy and Procedure Manual and records retention schedule to maintain records for the prescribed timeframe. Prior to disposing of records, the Village should obtain documented approval from the Village Records Committee.

Timely Deposits

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

The Village did not adopt a policy regarding the length of time funds could be held prior to being deposited. Deposits were made between one and 316 days after receipt of funds.

We recommend the Village deposit funds the next business day after receipt, or consider developing a policy permitting different as provided by the statute. The Village Administrator should monitor the Village activity to ensure all money received is deposited timely and in accordance with this policy.

Supplement to the Special Audit Report

MANAGEMENT RECOMMENDATIONS

Segregation of Duties

The Village collects payments for utility receipts, zoning permits, cemetery receipts, shelter house rentals, EMS and miscellaneous items at the Village office. These receipts are processed through the cash register and included on a batch report which is then uploaded to the Village's accounting system. During the Period, the utility clerk was responsible for all segments of receipt collection, batch processing and depositing, without any oversight or independent reconciliation to verify the receipts collected were deposited into the Village bank account intact.

Due to this lack of segregation of duties and failure to reconcile the Village accounting records, Village officials did not detect 43 cash-only batches were not deposited and nine batches were only partially deposited.

We recommend duties be segregated to ensure no single individual has control over all phases of a transaction. In a small operation such as the Village, it is not always possible to have enough staff to adequately segregate duties. Understanding this, the finance officer should take a more active role in monitoring transactions, such as verifying the batch totals are deposited into the Village bank account in a timely manner and intact.

Bank Reconciliations and Monitoring

During the Period the Village bank account was not reconciled to their books. Unexplained variances existed at year end from fiscal year 2010 throughout the Period. The unreconciled amount at the end of the Period was \$63,413. This variance consisted of missing bank deposits and errors to the accounting records.

The Village finance officer should perform monthly bank to book reconciliations for all Village bank accounts, to ensure all receipts and expenditures are accounted for and properly recorded in the accounting system. Reconciling items, including outstanding checks and deposits in transit, should be evaluated with the reconciliation for accuracy purposes to ensure financial statement information presented for Village council's review is accurate.

We recommend the Village complete formal monthly bank reconciliations. Reconciling items on the bank statements should be investigated and managed timely by the Finance Officer. Monthly bank reconciliations, including reconciling items, should be reviewed by Council and formally approved attesting to their accuracy and completeness.

Cemetery Records

The Village sells burial plots for the Village cemetery and charges an interment fee. The payments are processed through the Village cash register. All cemetery documents including a duplicate receipt printed from the register, are filed together by the plot and section numbers.

While it is good business practice to maintain certain cemetery documents by plot and section numbers, there should also be a method to document sales and fees in a chronological manner.

We recommend the Village maintain the duplicate cemetery receipts in chronological order, while continuing to file documents related to plot sales and interment fees by plot and sections numbers. This will help ensure receipt of cemetery funds can be traced to revenue batches and deposits to the bank.

Supplement to the Special Audit Report

Zoning Permits

The Village issues zoning permits to residents. Applications for zoning permits are pre-numbered in sequential order, and this number becomes the permit number upon submission of the completed application and payment of a standard fee. The Village does not reconcile the pre-numbered applications to the permits issued and fees collected.

Failure to reconcile the applications, permits issued, and fees collected increases the risk fees collected are misappropriated and will not be identified by management in a timely manner.

We recommend the Village maintain all zoning permit applications in sequential order and reconcile the applications to the permits issued and fees collected. If applications are completed off-site to be returned at a later date, the Village should record the application number and name of the individual obtaining the application. Missing numbers within the sequential numbering of applications should be monitored by management and investigated as necessary.

Supplement to the Special Audit Report

Objective No. 2 - Customer Account Adjustments

PROCEDURES

We obtained the Miscellaneous Charge Journal from the Village's accounting system. Each customer account adjustment was reviewed utilizing the customer history reports and inquiries with the Village finance staff.

For each adjustment we determined if it was made for a legitimate purpose and had supervisory approval.

RESULTS

Of the 90 customer account adjustments posted during the Period, 12 were not supported by documentation evidencing the purpose. Therefore, we were unable to determine whether these 12 adjustments were for legitimate purposes. None of the adjustments reflected supervisory approval.

NONCOMPLIANCE CITATION

Customer Account Adjustments

Village utility clerks had the ability to make adjustments to customer accounts for billing errors or incorrect meter readings. These adjustments were required to be approved by a supervisor, as described by Codified Ordinances Section 913.03(o) which states, in part, "Any billing adjustments resulting from mis-reads or clerical errors as may arise shall be presented to the Water Department Superintendent and Village Administrator or his authorized representative for approval."

Of the 90 customer account adjustments posted during the Period, 12 were not supported by documentation evidencing the purpose. None of the adjustments were approved by a supervisor.

Failure to obtain supervisory approval and maintain documentation supporting customer account adjustments can result in unwarranted and unauthorized transactions being posted to customer accounts thereby increasing the risk of inaccurate account balances and the potential for lost revenue due to theft or errors.

We recommend the Village ensure all customer account adjustments and credits are approved by management and supporting documentation for their purposes is maintained.



Dave Yost • Auditor of State

VILLAGE OF NORTH BALTIMORE

WOOD 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 24, 2015**