



Dave Yost • Auditor of State

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Montgomery County
Environmental Services Department
451 West Third Street
Dayton, Ohio 45422

We conducted a special audit of the Montgomery County Environmental Services Department (the County) by performing the procedures enumerated in the attached Supplement to the Special Audit Report for the period July 1, 2012 through January 14, 2015 (the Period) solely to:

- Ensure that all Solid Waste Department pay-ins agree to supporting documentation and were deposited into the County bank account.
- Ensure all voided transactions 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 solid waste pay-in and the supporting documentation processed by Rozalin Smith during the Period to determine whether all revenue was deposited intact.

Significant Results: We identified 14 sets of Operator Cash Reports totaling \$12,987 that contained cash amounts that were not on the Department Pay-In Report or deposited into the County bank account. These reports were signed by Customer Service Specialist Rozalin Smith as the preparer. We issued a finding for recovery against Ms. Smith totaling \$12,987 for public monies converted or misappropriated.

On February 27, 2015, Ms. Smith repaid \$2,354 leaving a remaining balance of \$10,633.

We issued a recommendation to establish procedures to segregate duties and a review process for the reconciliation and deposit of solid waste receipts.

2. We examined all voided transactions processed by Rozalin Smith during the Period to ensure they were for a legitimate purpose.

Significant Results: We identified 10 voided receipts totaling \$2,092 for which there was a payment made; however, the payment was not credited to the customer's account. We confirmed the cashier identification number on the voided transactions was assigned to Rozalin Smith. We issued a finding for recovery against Ms. Smith totaling \$2,092 for public monies converted or misappropriated.

We issued a recommendation to improve the County's internal controls over late penalties and voiding receipts.

3. On January 13, 2016, we held an exit conference with the following individuals representing the County:

Vijay Chitkara, Financial Services Manager
John Hopwood, Assistant Financial Services Manager
Steven Clark, Director of Accounting
Judy Zimmerman, Director of Finance and Investment
Carol Longo, Financial Supervisor Manager
Karl Keith, County Auditor

The attendees were informed that they had five business days to respond to this special audit report. A response was received on January 21, 2016. The response was evaluated and no changes were made to this report.



Dave Yost
Auditor of State

December 10, 2015

Supplement to the Special Audit Report

Background

On January 7, 2015, an Auditor of State financial auditor discovered a discrepancy in solid waste pay-ins not reconciling to the amount deposited during the County's 2014 financial audit. This issue was discussed with County personnel. Also in January, financial auditors were made aware of a utility customer who had received a shut-off notice; however, the customer had his payment receipt demonstrating he had paid his water bill. The customer had paid in cash, apparently to the same County staff person involved in the solid waste deposit pay-in discrepancy. The employee, Rozalin Smith, a Customer Service Specialist, was placed on administrative leave effective January 14, 2015. She subsequently resigned on February 4, 2015.

This matter was considered by the Auditor of State Special Audit Task Force and was designated a Special Audit 2 on February 18, 2015. Our review showed Ms. Smith's job responsibilities included directly receiving customers' utility payments. Ms. Smith also occasionally prepared the solid waste facility pay-ins to be submitted to the County Treasurer's office for deposit. The pay-ins are reconciled reports of the cash, check and credit card receipts received, with supporting documentation to back up the amounts from the department it is received from. Based on this, our audit procedures focused on whether Ms. Smith had voided any transactions where customers paid her in cash for their utilities and whether any of Ms. Smith's pay-ins demonstrated discrepancies between what had been collected, but not submitted, to the County Treasurer's office. Based on the preliminary results of the Special Audit 2 and a more detailed review of the County's internal audit, it was deemed necessary that additional work was required and the scope of that work would extend beyond that of a Special Audit 2. This matter was elevated to a Special Audit 1 on March 31, 2015.

Supplement to the Special Audit Report

Objective No. 1 – Solid Waste Pay-Ins

PROCEDURES

We obtained all Solid Waste Department pay-in packets prepared by Rozalin Smith during the Period.

We compared the total collections from the Operator Cash Reports received from the Solid Waste Transfer Station to the total collections documented on the Daily Cash Register Reconciliation compiled by Ms. Smith. We then determined whether all collections were deposited into the County bank account intact.

In addition, we interviewed Ms. Smith at the Auditor of State's West Regional Office on March 12, 2015.

RESULTS

Ms. Smith processed and signed 421 Solid Waste Department pay-in packets totaling \$5,000,923 during the Period. We applied our procedures to all of these packets. We noted 14 pay-ins had cash missing totaling \$12,987. These receipts were not deposited.

The investigation showed that the County rotated customer service representatives responsible for processing solid waste pay-ins. During the interview conducted with Ms. Smith, she admitted to taking cash from the solid waste collections, as needed to cover personal expenses. Further, when we showed her pay-ins that had discrepancies between what was collected from customers and what was submitted to the County Treasurer, Ms. Smith identified those pay-ins as being hers and not another customer service representatives.

FINDING FOR RECOVERY

As a Customer Service Specialist for Environmental Services, Rozalin Smith was responsible for receiving the bank deposit bags from the solid waste facility, preparing reconciliations of those receipts with the solid waste reports and creating the pay-in report for the Treasurer's office. Ms. Smith repeatedly took cash from the solid waste bank deposit bags and completed the reconciliation without including these amounts. During an interview with Ms. Smith, she confessed to taking money from the County for personal use, not depositing it and not properly reporting it in the County's accounting records.

During the Period, cash totaling \$12,987 was received by the County, was placed in Rozalin Smith's possession, but was not deposited into the County bank account.

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 \$12,987 is hereby issued against Rozalin Smith, and her bonding company, Travelers Casualty and Surety Company of America, jointly and severally, in favor of Montgomery County Environmental Services, Solid Waste Management fund.

At separation of service, Ms. Smith was eligible for a vacation payout totaling \$4,708. On February 12, 2015, Ms. Smith requested the County withhold half of her vacation payout as a form of repayment of any misappropriated funds. On February 27, 2015 the County issued payment to Ms. Smith for half of her vacation leave at her rate of pay at the time of her resignation. The unpaid vacation leave valued at \$2,354 will be considered repayment toward the finding for recovery. A balance of \$10,633 remains unpaid.

Supplement to the Special Audit Report

MANAGEMENT RECOMMENDATIONS

Solid Waste Pay-In Procedures

The County's Environmental Services Department processes the receipts collected at the solid waste facility. The bank deposit bags and Operator Cash Reports are brought daily to the satellite location of Environmental Services. The Customer Service employees randomly rotated the tasks of being responsible for counting the money, verifying the accuracy of the Operator Cash Reports, completing a daily cash register reconciliation, preparing a department pay-in receipt, preparing the bank deposit slip and physically taking the money to the Treasurer's office to be deposited into the County bank account. At no time in the process was there an independent verification that the amounts documented in the daily Operator Cash Reports were eventually deposited into the County's bank account or that anyone had reviewed the cashiers' reconciliations.

Failure to segregate duties or perform any supervisory reviews over the reconciliation and deposit of solid waste funds increases the risk that discrepancies due to errors or irregularities will not be detected in a timely manner. In this report, we issued a finding for recovery against Rozalin Smith for \$12,987 in solid waste receipts which had not been deposited into a County bank account.

We recommend duties be segregated to ensure no single individual has control over all phases of accounting, reconciling, and delivery of funds to the Treasurer's office. We further recommend a review process be established that, at a minimum, reviews the work of the cashiers and confirms the eventual deposit of funds into the County bank account. These reviews should be documented by the reviewer's signature.

Supplement to the Special Audit Report

Objective No. 2 – Voided Transactions

PROCEDURES

We obtained a report of all voided transactions processed by Rozalin Smith during the period. Each void was reviewed utilizing the Account History Report and Receipt Inquiry Report. In order to determine whether any voids were not made for legitimate purposes and reflected potential theft, we reviewed voids performed by Ms. Smith which lacked subsequent payments for those billing cycles.

RESULTS

Ms. Smith voided 432 utility receipts on 363 accounts totaling \$77,736 during the Period. We applied our procedures to all of these voids. We noted 10 voided utility receipts totaling \$2,092 for which there was a payment made and credited to the customer's account; however, the payment was later voided off of the account and was not deposited.

During the interview conducted with Ms. Smith, she admitted to receiving cash payments for utility bills, crediting a payment in the utility receipt system and then voiding out the transaction. She would then remove the cash from the office for her personal use. Additionally, after the individual complained about receiving a shut-off notice in spite of paying his water bill, the County pulled surveillance footage which showed Ms. Smith receiving the payment and then voiding the transaction.

FINDING FOR RECOVERY

As a Customer Service Specialist for Environmental Services, Rozalin Smith was responsible for processing utility payments. Ms. Smith accepted cash payment for utility bills and credited them to the customers' accounts; however, instances have been identified in which she did not deposit the cash and instead voided the payment off the customer account. She would then remove the cash from the office for her personal use.

In an interview conducted with Ms. Smith she confessed to taking money from the County and not properly reporting it or depositing it. During our interview with her, Ms. Smith admitted to using voids and agreed the voids we showed her were hers.

During the Period, cash totaling \$2,092 was received by the County, was placed in Rozalin Smith's possession, but was not deposited into the County bank account.

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 \$2,092 is hereby issued against Rozalin Smith, and her bonding company, Travelers Casualty and Surety Company of America, jointly and severally, and in favor of Montgomery County Environmental Services.

MANAGEMENT RECOMMENDATIONS

Late Penalties and Voiding Receipts

Montgomery County Environmental Services Rules and Regulations 3.8.07 established a late charge of ten percent shall be added on all water bills which are not paid by the date specified on the bill. The date shall not be less than seven days from the date the bills are rendered. Montgomery County Environmental Services Standard Operating Procedure #13200199-4.0 Appendix A established the procedures for removing penalties. Procedure number 13 states "on the comment line, state the reason for the adjustment." There were no policies or procedures regarding voided transactions or supervisory approval of voids or adjustments.

Supplement to the Special Audit Report

During the Period, Customer Service Specialist, Rozalin Smith, made 108 adjustments to remove late penalties from accounts without a reason documented. In addition, we noted that Ms. Smith voided 432 receipts. These transactions did not have approval from a supervisor.

Failure to document a reason for adjustments to customer accounts 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. The lack of supervisory approval and documenting the reason for a voided receipt prevents the County from determining whether monies were collected but not deposited and whether the receipt was improperly voided.

We recommend the County ensure that all adjustments to customer accounts and voided receipts have a reason documented and are approved by a supervisor. In addition, we recommend the County establish formal procedures regarding voiding receipts that includes documenting the reasons for the void and approval by a supervisor. Adjustment and voided reports should be reviewed periodically to ensure the procedures are being applied.

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Dave Yost • Auditor of State

MONTGOMERY COUNTY ENVIRONMENTAL SERVICES

MONTGOMERY 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
FEBRUARY 11, 2016**