



**Dave Yost**  
Auditor of State



Ohio Auditor of State  
**Dave Yost**

**Ripley – Believe It or Not - \$1 Million Gone!**

AOS Local Government Officials' Conference  
March 8, 2012

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**Village of Ripley**



Katherine Lang, former Village Utilities Clerk



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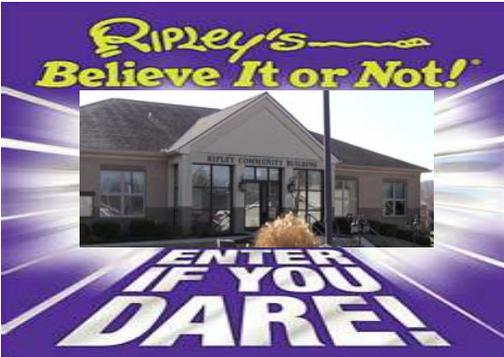
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**Ripley's Believe It or Not!**



**ENTER IF YOU DARE!**



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### How we got involved

- On August 6, 2009, Village representatives contacted the Auditor of State Special Investigations Unit and requested a meeting regarding possible irregularities identified in the utility department.
- On August 7, 2009, AOS representatives met with the Village representatives to obtain an understanding of their concerns.
- Concerns included questions on why a business, who was typically several months late on their utility payments, was excluded from the disconnect list and why the adjustment journal was being maintained in the utility clerk's locked desk drawer.



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### How we got involved

- On September 1, 2009, two AOS Assistant Auditors interviewed Utility Clerk Katherine Lang and obtained an understanding of the following processes:
  - Collecting and depositing customer utility account deposits.
  - Collecting, posting, and depositing customer utility account payments.



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### Katherine L. Lang

- 5/11/1998 – Hired as the utility clerk
- Duties included:
  - Collecting new customer utility deposits, establishing new utility accounts, and depositing customer utility account deposits with the utility collections.
  - Recording monthly meter readings into the utilities system, generating monthly utility bills, and mailing the bills.



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## Katherine L. Lang

- Duties included:
  - Recording payments received to utility customer accounts, generating daily and monthly utility receipt reports, and preparing deposit slips to deposit monies collected.
  - Requesting re-reads of meters and adjusting utility customer account balances, when needed.



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## How we got involved

- The audit staff obtained copies of revenue journals and adjustment journals for October 2008.
- We subpoenaed the corresponding bank deposits and supporting documentation identifying payments deposited.
- Preliminary testing identified discrepancies in which approximately \$25,000 of utility payments collected were not deposited in the first three weeks of October 2008.
- On October 28, 2009, Kathy was interviewed and asked to explain the discrepancies. That same day Kathy was placed on paid leave by the Village Administrator.



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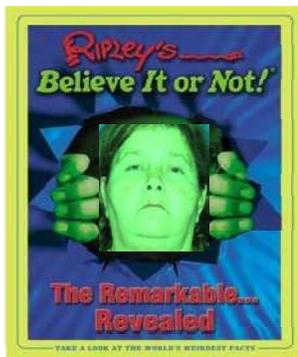
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## Special Audit Objectives

- A special audit was declared on October 23, 2009 in order to:
  - Determine whether customer utility account deposits and utility payments received were posted to their accounts and deposited.
  - Determine whether customer utility account adjustments posted were supported and for a valid reason.



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## Collection and Depositing of Customer Utility Account Deposits



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### Utilities Services Required:

Trash  
Residential Electric  
Residential Electric Heat  
Commercial Electric  
Water  
Sewerage



Trash is mandatory for Ripley residents unless an exemption is obtained.

Signature of Applicant

### PART B

#### TO BE COMPLETED BY OWNER OF PREMISES IF OTHER THAN APPLICANT

The undersigned, being the owner of the above premises for which utilities services is being sought, do hereby acknowledge that I am aware that I will be held liable for any unpaid sewer charges which may be assessed against the above premises in the event such charges are not paid by the applicant requesting and using such services. I expressly assume such liability and I further acknowledge that any unpaid sewer charges may be certified to the County Auditor for placement on the tax duplicate & collection as other village taxes in accordance with Village Ordinances.

Name of Owner: \_\_\_\_\_ Signature of Owner: \_\_\_\_\_  
Name of Co-Owner: \_\_\_\_\_  
Address of Owner: \_\_\_\_\_  
Telephone No.: \_\_\_\_\_ Signature of Co-Owner: \_\_\_\_\_



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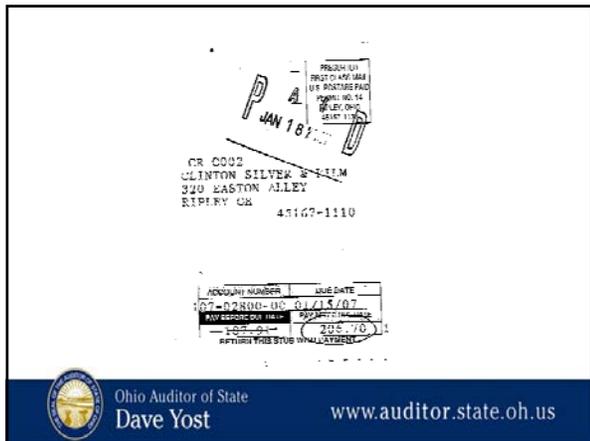
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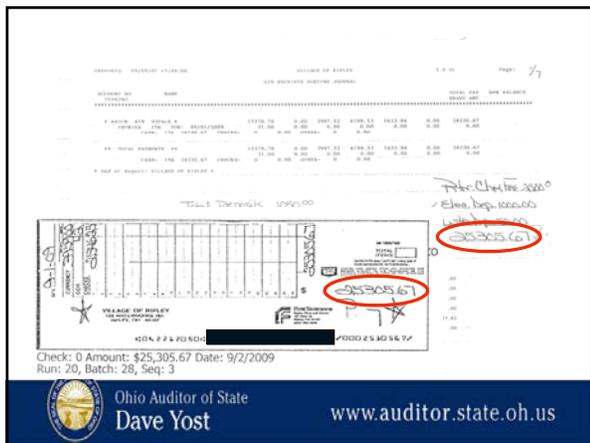
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## September 2, 2009 Reconciliation

	Checks	Cash	Total
Utility Daily Deposit Report Total:	\$ 21,346.25	3,959.42	\$ 25,305.67
Bank Deposit Detail Total:	\$ 21,346.25	\$ 3,959.42	\$ 25,305.67
Variance:	\$ -	\$ -	\$ -

This reconciliation shows the remaining payments identified as paid with cash on the daily receipt journal agreed to the amount of cash deposited.

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## Account Adjustments Allowable When:

- Utility meters are read incorrectly.
- A credit is granted for filling a pool or using sprinklers to water the lawn.
- Sewer credits are granted when a water leak occurs.
- To remove incorrectly assessed penalties.



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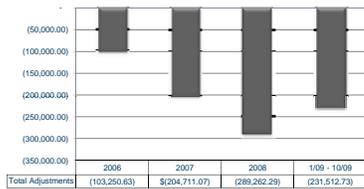
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## Increase in Utility Account Adjustments:



Total Adjustments for Period: (\$828,736.72)



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## Adjustments

- Ms. Lang stated she was the only individual who posted customer adjustments.
- Adjustments totaling \$683,390.76 were used to conceal missing cash.
- Ms. Lang was present each time adjustments were posted to conceal missing cash.



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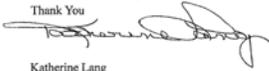
## Kathy's Employment Status

July 29, 2010

To Whom it may concern;

For the past 12 years, I have had the pleasure and privilege to have served the Village of Ripley and its residents but due the current circumstances I feel that I have no other choice and that it would be in my best interest to resign as utility clerk effective immediately this 29<sup>th</sup> day of July 2010.

Thank You



Katherine Lang



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## With Kathy gone now....

Believe it or not....  
More money is collected



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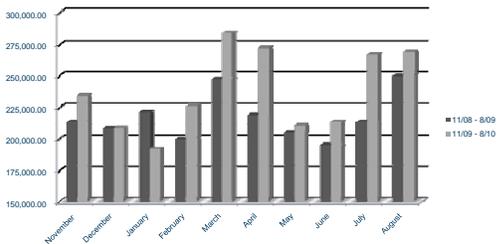
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## Overall Utility Collections Increased



Collections Increased: \$206,207.51



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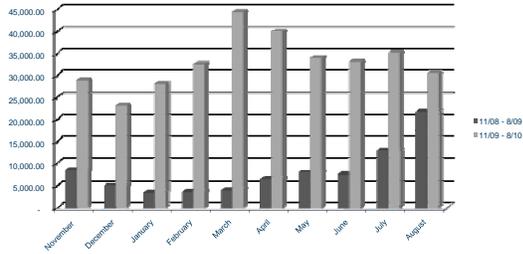
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## Overall Cash Collections Increased



Cash Collections Increased: \$248,453.86



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## Changes in Adjustments

	No. of Adjustments	Total Amount	Average Adjustment Amount
<b>Audit Period:</b>			
2006	275	\$ (103,250.63)	\$(375.46)
2007	531	(204,711.07)	(385.52)
2008	614	(289,262.29)	(471.11)
1/09 - 10/09	523	(231,512.73)	(442.66)
<b>Post Kathy Lang:</b>			
11/09 - 12/09	88	\$4,543.06	\$51.63
1/10 - 8/10	437	(13,886.26)	(31.78)



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## The Second Interview

Ms. Lang confirmed she:

- Established new customer accounts.
- Collected new customer utility account deposits.
- Entered meter readings in the utility system.
- Generated utility bills.
- Recorded customer utility payments received in the utility system.
- Prepared deposits of utility collections.
- Posted adjustments to customer utility accounts



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### Summary

- Per interviews with Ms. Lang and Village employees, Ms. Lang stated she was in charge of the entire utility collection process from establishing accounts, to posting payments, and making deposits.
- In other interviews, Village employees stated when collecting utility payments, the stub and payment received were placed in Ms. Lang's cash drawer to post to the customer's utility account and deposit in the Village's bank account.



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### Summary

- Ms. Lang was present each day a deposit of utility collections was prepared.
- Ms. Lang was present each day account adjustments were posted.
- Ms. Lang was present each date reflected on the altered or typewritten bill.



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### Summary

Date Range	Method	Amount of Loss
01/04/06 – 10/27/09	Cash customer utility payments received and not deposited	\$915,845.26
01/23/06 – 03/27/06	Payments received for altered bills or utility rates deposited in place of utility cash collections	23,162.57
03/29/06 – 07/20/09	Customer utility account deposits not deposited	13,611.41
		\$952,619.24



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### Prosecution

- Indicted – 12/13/2010
  - (3) Theft in Office; (7) Tampering W/Records
- Accepted Plea – 1/31/2011
- Sentenced – 3/7/2011
  - 23 years total for (3) Theft in Office
  - Dismissed (7) Tampering W/Records
  - Restitution and audit costs (~\$122K)



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