



**CITY OF WARREN MUNICIPAL COURT
TRUMBULL COUNTY**

SPECIAL AUDIT

**FOR THE PERIOD JANUARY 1, 2003 THROUGH APRIL 30, 2003 AND
JANUARY 1, 2004 THROUGH NOVEMBER 30, 2005**



Mary Taylor, CPA
Auditor of State

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CITY OF WARREN MUNICIPAL COURT
SCHEDULE OF JUDGES AND ADMINISTRATION

JUDGES

Honorable Thomas P. Gysegem
Honorable Terry F. Ivanchak

ADMINISTRATION

Daniel Gerin
Margaret M. Scott
Deborah P. Alberini

Magistrate/Court Administrator
Clerk of Courts
Court Systems Administrator

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

The Honorable Judge Thomas P. Gysegem
The Honorable Judge Terry F. Ivanchak
City of Warren Municipal Court
141 South St. SE
Warren, Ohio 44483

At your request, we have conducted a special audit of the City of Warren Municipal Court (Court) by performing the procedures enumerated in the attached Supplement to the Special Audit Report for the period January 1, 2003 through April 30, 2003, and January 1, 2004 through November 30, 2005¹ ("the Period"), solely to:

- Review the methodology used by Court employees to identify unaccounted for garnishment payments for 2005 and the amounts identified,
- Examine garnished wage payments made by companies for the period January 1, 2003 through April 30, 2003, and January 1, 2004 through December 31, 2004,
- Examine traffic receipts for the period January 1, 2003 through April 30, 2003, and January 1, 2004 through December 31, 2004.

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 gained an understanding of the procedures performed by Court employees to examine 2005 Court receipts and we compared those procedures to procedures planned by AOS to review January 1, 2003 through April 30, 2003, and January 1, 2004 through December 31, 2004, garnishment receipts. We independently tested 18 business days in 2005 and compared our results to those noted by the Court to determine whether amounts identified by the Court for 2005 as missing were supported by documentation.

Significant Results: The Court's internal review noted Judith DeJacimo, former clerk in the Court's Civil Division, either did not receipt garnishment checks or receipted the checks for an amount less than the actual check amount. Ms. DeJacimo then receipted cash transactions received for other cases as 'check' transactions and misappropriated the cash. By doing so the scheme went undetected because the composition of monies collected as recorded in the receipt ledger agreed to the composition in Ms. DeJacimo's cash drawer. For the period January 1, 2005 through November 30, 2005, the Court identified \$17,614 received but unaccounted for attributable to Judith DeJacimo.

¹ The Court originally requested the Auditor of State (AOS) audit the period January 1, 2000 through November 30, 2005 but then requested AOS discontinue its audit in favor of completing an examination internally. This period represents the period of completed audit work at the time the Court requested AOS cease its audit.

We determined the Court's methodology was consistent with AOS's planned approach. We also noted no variances between the Court's findings and our independent testing and determined the Court's results were supported by documentation.

We issued a Finding for Recovery in the amount of \$17,614 against Judith DeJacimo and in favor of the City of Warren Municipal Court for public money misappropriated.

2. We examined garnished wage receipts for the period January 1, 2003 through April 30, 2003 and January 1, 2004 through December 31, 2004, to determine whether they were properly recorded in the Court's records and deposited to a City account.

Significant Results: For the period January 1, 2004 through December 31, 2004, we identified 115 checks received by Ms. DeJacimo which were not recorded in the receipt ledger and 249 checks received by Ms. DeJacimo which were recorded in the receipt ledger at an amount less than the actual check amount. We also identified two checks which Ms. DeJacimo recorded in the receipt ledger and then reversed out. The total unrecorded receipts attributable to Ms. DeJacimo for the period January 1, 2004 through December 31, 2004, were \$17,930.

For the period January 1, 2003 through April 30, 2003, we identified 41 checks received by Ms. DeJacimo which were not recorded in the receipt ledger and 64 checks received by Ms. DeJacimo which were recorded in the receipt ledger at an amount less than the actual check amount. The total unrecorded receipts attributable to Ms. DeJacimo for the period January 1, 2003 through April 30, 2003 were \$4,598.

We issued a Finding for Recovery totaling \$22,528 against Judith DeJacimo and in favor of the City of Warren Municipal Court for public money misappropriated.

The Court terminated Ms. DeJacimo on December 7, 2005. On August 17, 2006, Ms. DeJacimo entered a plea of guilty to a charge of theft-in-office. On January 24, 2007, Ms. DeJacimo was sentenced to 18 months in prison and ordered to pay full restitution and audit costs.

3. We examined traffic receipts for the period January 1, 2003 through April 30, 2003, and January 1, 2004 through December 31, 2004, to determine whether they were properly recorded in the Court's records and deposited to a City account.

Significant Results: On four different occasions, Sandra McCready, former clerk in the Traffic Division, diverted a total of \$495 of Court funds for personal use. Ms. McCready received checks or money orders due to the Court for traffic offenses but did not record them in the receipt ledger. Instead, she substituted the check/money order for cash payments which she misappropriated. On September 30, 2005, Ms. McCready repaid \$260 to the Court and credited the monies to the proper cases. There is no evidence Ms. McCready repaid the remaining \$235.

We issued a finding for recovery against Sandra McCready for public money misappropriated in the amount of \$235, and in favor of the City of Warren Municipal Court.

During our review we also noted internal control weaknesses related to cash drawers, document retention, receipt security, and undocumented accounting policies and procedures for which we made management recommendations.

The Court terminated Ms. McCready on January 26, 2006. On May 11, 2006, Ms. McCready entered a plea of guilty to a charge of theft-in-office. On July 6, 2006, Ms. McCready was sentenced to three years probation, 30 days house arrest, and 200 hours of community service. Ms. McCready was also ordered to pay court costs, full restitution, and a portion of the audit costs.

4. On March 19, 2007, we held an exit conference with the following individuals representing the City of Warren Municipal Court:

- Judge Terry F. Ivanchak
- Judge Thomas P. Gysegem
- Daniel Gerin, Magistrate / Court Administrator
- Margaret M. Scott, Clerk of Courts
- Deborah P. Alberini, Court Systems Administrator

The attendees were informed that they had five business days to respond to this Special Audit Report. The Court declined the opportunity to provide a written response.

The Court advised that it intends to examine the remaining years identified in our original Letter of Arrangement, dated March 21, 2006, to determine whether court receipts were properly recorded in the Court's records and deposited to a City account. The Court also asserted that as a result of its internal review and our special audit, the Court has changed certain policies and procedures related to the collection of, and accounting for, its receipts.



Mary Taylor, CPA
Auditor of State

January 31, 2007

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Supplement to the Special Audit Report

Background

On November 4, 2005, Detective Jeff Hoolihan of the City of Warren Police Department (WPD) advised the Auditor of State of Ohio (AOS) that the WPD initiated an investigation into alleged thefts at the City of Warren Municipal Clerk of Courts Office. The alleged thefts involved Judith DeJacimo who was a clerk responsible for receipting and accounting for garnished wages. Detective Hoolihan was notified of the alleged thefts on November 3, 2005, by a municipal court judge and the deputy clerk. It was alleged that Ms. DeJacimo substituted check payments received from employers for cash payments she misappropriated and then altered records to hide the alleged theft.

Based on the advice of the Trumbull County Prosecutor's Office, the City attempted an internal review of records to quantify the alleged theft for the most recent two year period. The City completed a review for 2005 and identified an alleged theft of approximately \$17,000.

Representatives from AOS Special Audit Section, Special Investigations Unit, and the Youngstown regional office met with representatives of the Court, WPD, and Trumbull County Prosecutor's Office on December 22, 2005, to discuss the results and the City's request for assistance from AOS. The Court, WPD and prosecutor's office requested AOS conduct a special audit of the period 2000 through 2004.² Additionally, the parties requested AOS review the Court's internal results and evaluate the Court's methodology and accuracy.

On January 26, 2006, court employees notified AOS that another Clerk of Courts employee, Sandra McCready admitted to 'borrowing' criminal traffic court receipts. Ms. McCready stated she substituted check or money order payments for cash payments 'borrowed'. When she had personal funds available, usually around a payday, she repaid the cash 'borrowed' and credited the case the check was originally for. Based on this discovery, the Court requested AOS include a review of the Court's Traffic Division receipts in our special audit.

Ms. McCready was terminated January 26, 2006. On May 11, 2006, Ms. McCready entered a plea of guilty to a charge of theft-in-office. She was sentenced on July 6, 2006 and received three years probation, 30 days house arrest, and 200 hours of community service. Ms. McCready was also ordered to pay court costs, full restitution and a portion of the audit costs.

Ms. DeJacimo was terminated December 7, 2005. On August 17, 2006, Ms. DeJacimo entered a plea of guilty to a charge of theft-in-office. On January 24, 2007, Ms. DeJacimo was sentenced to 18 months in prison and ordered to pay full restitution and audit costs.

² See Footnote No. 1.

Supplement to the Special Audit Report

ISSUE 1 – Review Methodology and Amounts Identified by Court Employees for 2005

We gained an understanding of the procedures performed by Court employees to examine 2005 Court receipts and we compared those procedures to procedures planned by AOS to review January 1, 2003 through April 30, 2003, and January 1, 2004 through December 31, 2004,³ garnishment receipts. We independently tested 18 business days in 2005 and compared our results to those noted by the Court employees for consistency and to determine whether amounts identified by the Court for 2005 as missing were supported by documentation.

PROCEDURES

1. We interviewed Court employees and performed a walkthrough to gain an understanding of the Court's internal controls and the procedures Court employees used to examine 2005 Court receipts. We compared those procedures to procedures planned by AOS to review January 1, 2003 through April 30, 2003, and January 1, 2004 through December 31, 2004, garnishment receipts to determine whether Court procedures were consistent with AOS planned procedures to identify alleged loses.
2. We selected 18 days of business during 2005 and traced checks deposited to the bank to the Court's daily receipt ledger to determine that the checks were recorded at the proper amount and posted to the proper account(s). We compared our results to the Court's results for the selected days for consistency and determined whether amounts identified by the Court for the selected days were supported by documentation.

RESULTS

1. Through interviews of various Court employees and a walkthrough, we obtained an understanding of the Court's processes and internal controls for accounting for the Court's receipts which we documented in our working papers.

To determine the amount of the alleged theft, subpoenas were issued to the Court's bank, requesting detail of all deposits made for the period January 1, 2005 through December 31, 2005. Court employees reviewed each check deposited during the period and traced the check to the receipt ledgers and corresponding case or cases. Checks entered in the receipt ledger for less than their actual amounts were noted and the deputy clerk who entered it was identified by a login identifier. The Court noted that checks deposited but not accurately recorded for the Civil Division were attributed to Judith DeJacimo and checks deposited but not accurately recorded for the Traffic Division were attributed to Sandra McCready. Examination of the receipts collected by Ms. McCready is further discussed in Issue No. 3 of this report.

Court employees identified \$17,614 received but unaccounted for attributable to Ms. DeJacimo for the period January 1, 2005 through November 30, 2005. The Court placed Ms. DeJacimo on administrative leave on November 7, 2005, and as such did not examine detailed detail information for December 2005.

The Court's methodology was consistent with AOS's planned audit approach and identified monies received but not accounted for.

2. We selected 18 business days reviewed by the Court to assess the accuracy of the Court's internal examination. We selected days both on which the Court identified irregularities and on which the Court identified no irregularities.

³ See Footnote No. 1.

Supplement to the Special Audit Report

Ms. DeJacimo's responsibilities included receiving garnishment checks and crediting the proceeds to cases. Checks from various companies typically represented more than one case and the company identified the cases and the amounts to be credited to each case.

Ms. DeJacimo either did not record the receipt of the check or recorded it at an amount less than the actual amount which was supported by documentation accompanying the check. Ms. DeJacimo then recorded cash transactions received for other cases as 'check' transactions and misappropriated the cash. By doing so the scheme went undiscovered because the composition of monies collected as recorded in the receipt ledger agreed to the composition in Ms. DeJacimo's cash drawer.

Occasionally, on days when Ms. DeJacimo did not receive cash at her window, she took checks she recorded at an amount less than the actual amount, or did not record at all, to another clerk under the pretext that she needed 'change' for her cash drawer. The unsuspecting clerk gave Ms. DeJacimo cash from her cash drawer and replaced it with the check. This resulted in the second clerk's cash drawer being out of balance as to the composition of cash and checks when compared to the receipt ledger, while Ms. DeJacimo's cash drawer agreed to the receipt ledger.

Our review identified a total of 16 checks recorded at an amount less than actual, and 11 checks which were not receipted at all. Of the 11 checks not receipted, Ms. DeJacimo was responsible for eight checks and Ms. McCready was responsible for three checks which are explained later in Issue No. 3 of this report. For the 18 days tested, we noted no variances between the Court's results and the results of our testing. We further noted that for the 18 days we examined, the Court's results were supported by documentation.

On August 17, 2006, Ms. DeJacimo entered a plea of guilty to a charge of theft-in-office. On January 24, 2007, Ms. DeJacimo was sentenced to 18 months in prison and ordered to pay full restitution and audit costs.

FINDING FOR RECOVERY

For the period January 1, 2005 through November 30, 2005, the Court's internal examination identified \$17,614 Judith DeJacimo, former clerk in the Civil Division, diverted for personal use. She received garnishment checks from various companies which were to be credited to specific cases. Ms. DeJacimo receipted the checks at a lesser amount, or not at all, and misappropriated cash she collected. She also receipted cash transactions for other cases as check transactions to balance her cash drawer to the receipt ledger to avoid suspicion.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public money misappropriated is hereby issued against Judith DeJacimo, in the amount of seventeen thousand six hundred fourteen dollars (\$17,614), and in favor of the City of Warren Municipal Court.

Supplement to the Special Audit Report

ISSUE 2 – Examination of Garnished Wage Receipts

We examined garnished wage receipts for the period January 1, 2003 through April 30, 2003, and January 1, 2004 through December 31, 2004, to determine whether they were properly recorded in the Court's records and deposited to a City account.

Our original Letter of Arrangement dated March 21, 2006, identified the period of our examination as January 1, 2000 through December 31, 2004. In a memo dated August 9, 2006, the Court released the Auditor of State from the original Letter of Arrangement. In our amended Letter of Arrangement dated August 24, 2006, we adjusted the period of our examination of garnished wage receipts to cover only the periods January 1, 2003 through April 30, 2003, and January 1, 2004 through December 31, 2004.

The Court advised the Auditor of State that it was their intention to conduct an internal examination of the remaining periods identified in our original Letter of Arrangement dated March 21, 2006.

PROCEDURES

For each business day, we traced garnishment checks deposited by the Court to the receipt ledger to determine whether they were recorded for the proper amount and posted to the proper account.

RESULTS

During the period examined, Judith DeJacimo, former clerk in the Civil Division, misappropriated funds using schemes similar to those identified in Issue No. 1 of this report.

For the period January 1, 2004 through December 31, 2004, we identified 115 checks Ms. DeJacimo received but did not record in the receipt ledger and 249 checks Ms. DeJacimo received but recorded in the receipt ledger at an amount less than the actual amount of the check. We also identified two checks which Ms. DeJacimo recorded in the receipt ledger and then reversed out. The total unrecorded receipts attributable to Ms. DeJacimo for the period January 1, 2004 through December 31, 2004, were \$17,930.

For the period January 1, 2003 through April 30, 2003 we identified 41 checks Ms. DeJacimo received but did not record in the receipt ledger and 64 checks Ms. DeJacimo received but recorded in the receipt ledger at an amount less than the actual amount of the check. The total unrecorded receipts attributable to Ms. DeJacimo for the period January 1, 2003 through April 30, 2003, were \$4,598.

We were unable to review the deposits for 15 days in 2004 and 2005 because documents were not received from the bank. The Court advised that it had notified the bank of the missing documents and that the Court intended to internally review the documentation when it was received from the bank.

FINDING FOR RECOVERY

For the period January 1, 2004 through December 31, 2004, our examination identified \$17,930 Judith DeJacimo, former clerk in the Civil Division, diverted for personal use and \$4,598 for the period January 1, 2003 through April 30, 2003. She received garnishment checks from various companies which were to be credited to specific cases. Ms. DeJacimo receipted the checks at a lesser amount, or not at all, and misappropriated cash she collected. She also receipted cash transactions for other cases as check transactions to balance her cash drawer to the receipt ledger to avoid suspicion.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public money misappropriated is hereby issued against Judith DeJacimo, in the total amount of twenty-two thousand five hundred twenty-eight dollars (\$22,528), and in favor of the City of Warren Municipal Court.

Supplement to the Special Audit Report

ISSUE 3 – Examination of Traffic Receipts

We examined traffic receipts for the period January 1, 2003 through April 30, 2003, and January 1, 2004 through December 31, 2004, to determine whether they were properly recorded in the Court's records and deposited to a City account.

Our original Letter of Arrangement dated March 21, 2006, identified the period of our examination as January 1, 2000 through December 31, 2004. In a memo dated August 9, 2006, the Court released AOS from the original Letter of Arrangement. In our amended Letter of Arrangement dated August 24, 2006, we adjusted the period of our examination of traffic receipts to cover only the periods January 1, 2003 through April 30, 2003, and January 1, 2004 through December 31, 2004.

The Court advised the Auditor of State that it was their intention to conduct an internal examination of the remaining periods identified in our original Letter of Arrangement, dated March 21, 2006.

PROCEDURE

For each business day, we traced checks received by the Traffic Division and deposited by the Court, to the daily receipt ledger to determine whether they were recorded for the proper amount and posted to the proper account.

RESULTS

Our examination noted the following exceptions:

- On September 19, 2005, a \$155 money order was deposited to the Court's bank account but was not recorded in the receipt ledger. Comparison of the Court's deposit detail and the daily receipt ledgers indicated the deposit was \$155 over in checks/money orders and short that same amount in cash, indicating the money order was substituted for cash.

On September 20, 2005, a \$105 money order was deposited to the Court's bank account but was not recorded in the receipt ledger. Comparison of the Court's deposit detail and the daily receipt ledgers, indicated the deposit was \$105 over in checks/money orders and short that same amount in cash, indicating the money order was substituted for cash.

On September 30, 2005, a payday for Court employees, the remitters of the money orders that were deposited on September 19 and 20 but not receipted, as noted above, appeared on the daily receipt ledger as "cash" receipts, indicating the monies were returned. Based on the login identifier Sandra McCready, former clerk in the Traffic Division, made these "cash" receipt entries to the daily receipt ledger.

- On May 2, 2005, a \$100 money order was deposited to the Court's bank account but was not recorded in the receipt ledger. Comparison of the Court's deposit detail and the daily receipt ledgers indicated the deposit was \$100 over in checks/money orders and short that same amount in cash, indicating the money order was substituted for cash.

On July 20, 2004, a \$135 check was deposited to the Court's bank account but was not recorded in the receipt ledger. Comparison of the Court's deposit detail and the daily receipt ledgers, indicated the deposit was \$135 over in checks/money orders and short that same amount in cash, indicating the money order was substituted for cash.

Ms. McCready was attributed with receiving this check and money order and not returning the money.

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On May 2, 2006, Ms. McCready admitted in an interview conducted by WPD to receiving traffic fines for various cases in the form of checks or money orders which she exchanged for cash and did not credit the case. Ms. McCready indicated she paid back the money and credited the case at a later date, generally after receiving her compensation.

FINDING FOR RECOVERY

Sandra McCready, former clerk in the Traffic Division, diverted \$495 of Court funds for personal use during the Period. Ms. McCready received checks or money orders due to the Court for traffic offenses but did not receipt them. Instead, she substituted the check/money order for cash which she misappropriated. On September 30, 2005, Ms. McCready returned \$260 to the Court and receipted the monies to the proper cases. There is no evidence Ms. McCready returned the remaining \$235 due to the Court.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public money misappropriated is hereby issued against Sandra McCready, in the amount of two hundred thirty five dollars (\$235), and in favor of the City of Warren Municipal Court.

MANAGEMENT COMMENTS

Cash Drawers

During our review, we noted:

- Employees and others were allowed to cash personal or third party checks from the Court's daily receipts,
- Deputy Clerks exchanged checks received for cash from each other's drawer when they needed change, without supervisor's authorization or documenting the transaction,
- Deputy Clerks gave change for money orders and checks to the remitters, if the checks or money orders were in excess of what was due, without documenting the transaction.

These conditions resulted in the composition of monies collected and deposited by the Court to be in disagreement with the composition of monies as recorded in the receipt ledger. This complicated the review of receipts and could lead to theft or errors not being detected in a timely manner.

We recommend that the Court adopt a policy disallowing the cashing of personal or third party checks. The Court should also institute adequate change funds for each clerk with prescribed procedures, supported by documentation, in the event a clerk needs additional change. A policy should also be established for the accounting and issuance of any refunds for overpayments by check/money order.

Also, unannounced, random reviews of Deputy Clerk's daily cash receipts should be performed by court management. Documentation of this review, along with the signature of both the Deputy Clerk and supervisor performing the review, should be kept on file with the daily reports.

Document Retention

Daily cash reports prior to January 1, 2005, manual cash receipt books, and remittance advice for civil payments, were either discarded or not on file. Also, the daily deposits listed checks in total rather than listing checks individually or identifying the division or clerk receipting the check.

Failure to adequately control and maintain documents could result in the inability of the Court to review prior transactions for accuracy if a problem arises. Depositing checks in total, without individually listing the check and department, makes it difficult for a reviewer to identify errors or the responsible party.

We recommend the Court institute a record retention policy to maintain documents until proper approvals are received and documented prior to disposal. Manual receipt books should be maintained in a secured area accessible only to management. A detailed check listing should be maintained with each deposit and remittance advice should be maintained with the daily receipt reports.

Supplement to the Special Audit Report

Receipt Security

Deputy Clerks maintained an “overage” envelope and receipts were left on counters or desktops unsecured. This could lead to the loss or misappropriation of Court monies.

We recommend the Court establish a policy regarding the treatment of cash drawers over/under the amount listed on the daily cash reports. Each Deputy Clerk should have a locked cash drawer or other secure location to keep checks and cash during the hours of operations with only the Deputy Clerk and management able to gain access.

Accounting Manual

There was no formal accounting manual approved by the Court identifying procedures and responsibilities. Failure to document policies and responsibilities could lead to inconsistency in the handling of transactions and the possibility of errors or theft occurring without being detected in a timely manner.

We recommend the Court adopt formal policies and procedures for all aspects of operations. Documentation of Court personnel receiving, reading and understanding of the policies and procedures should be maintained. Updates and subsequent policy changes should also be acknowledged by the employee and maintained. The policy should include specific disciplinary actions and procedures for documenting failure to follow the policies.

The Court asserted that as a result of its internal review and our special audit, the Court has changed certain policies and procedures related to the collection of, and accounting for, its receipts.



Mary Taylor, CPA
Auditor of State

CITY OF WARREN MUNICIPAL COURT

TRUMBULL 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
MARCH 22, 2007