



**CLARK COUNTY EMERGENCY MANAGEMENT AGENCY
CLARK COUNTY**

SPECIAL AUDIT

FOR THE PERIOD JANUARY 1, 2001 THROUGH JULY 20, 2007



Mary Taylor, CPA
Auditor of State

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

The Honorable Roger D. Tackett, President
The Honorable John Detrick, Commissioner
The Honorable David Hartley, Commissioner
Clark County
50 East Columbia Street
PO Box 2639
Springfield, Ohio 45501

Based upon the request of Darrell Howard, Clark County Administrator, and Stephen Schumaker, Clark County Prosecutor, we conducted a special audit of the Clark County Emergency Management Agency (CCEMA), by performing the procedures enumerated in the attached Supplement to the Special Audit Report for the period January 1, 2001 through July 20, 2007 (the Period), solely to:

- Determine whether directory, accountability tag, and map book sales proceeds¹ were deposited into the former CCEMA Director Robert Hupp's Data Directory bank account or his personal bank account;
- Determine whether expenditures made from the former CCEMA Director's Data Directory bank account were related to CCEMA operations and/or the production and distribution of directories; and
- Determine whether CCEMA's expenditures for directories, accountability tags, and map books were made in accordance with funding regulations.

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 examined deposits into Mr. Hupp's Data Directory bank account and Mr. Hupp's personal account to identify directory, accountability tag and map book sales proceeds. In addition, we requested Data Directory's customers identify the amount paid and determined whether those payments were deposited into either the Data Directory bank account or Mr. Hupp's personal bank account.

¹ In September 1993, former CCEMA Director Robert Hupp obtained a vendors license as "Data Directory" and began directory production. During the Period, Mr. Hupp sold directories which included contact names and numbers for agencies, businesses, and individuals needed during an emergency. Mr. Hupp invoiced the agencies and businesses purchasing the directories and deposited the proceeds into Data Directory's private business checking account. Mr. Hupp also sold accountability tags used to track fire and EMS personnel during an emergency and map books identifying fire hydrant street locations within the township or municipality. Sales proceeds received for these items were either converted to cash or deposited into Mr. Hupp's personal or Data Directory bank account.

Significant Results – During the Period, Mr. Hupp received directory, accountability tag and map book sales proceeds totaling \$90,571. The directories, map books, and accountability tags were produced, invoiced, and distributed using County assets; therefore, the sales proceeds were considered public money and should have been deposited into the County treasury.

Of the \$90,571 received, Mr. Hupp deposited \$77,550 into the Data Directory bank account from July 1, 2001 through July 20, 2007². Local governments and businesses identified an additional \$10,960 in sales proceeds during the Period which we could not trace to a deposit in the Data Directory bank account, Mr. Hupp's personal account or the County treasury. Mr. Hupp also deposited \$2,061 of accountability tag and map book sales proceeds into his personal bank account.

Mr. Hupp expended \$7,467 of Data Directory funds and \$903 of his personal funds to produce the directories. Additionally, one company provided us with an invoice that Mr. Hupp paid \$660 to their company for expenses related to the production of the directory prior to July 1, 2001. We netted these amounts against the total sales proceeds identified above.

We issued a finding for recovery against Mr. Hupp in the amount of \$81,541 for public money collected but unaccounted for.

2. We examined documentation supporting expenditures made from the Data Directory bank account to determine whether expenditures were related to CCEMA and/or directory production and distribution.

Significant Results – Expenditures totaling \$78,342 were processed through the Data Directory account. Of that amount, \$7,467 was related to directory production. The remaining \$70,875 was expended on personal items for Mr. Hupp and his family such as college tuition, auto and home repair expenses, wedding expenses, credit card bills, taxes, cash withdrawals and payments to Mr. Hupp and his wife.

3. We identified CCEMA expenditures related to purchasing supplies, publishing and mailing directories, accountability tags, and map books and determined whether they were allowable based on funding source restrictions.

Significant Results – CCEMA expended \$14,268 during the Period for supplies to produce, publish and mail directories, accountability tags and map books. CCEMA received \$4,842 in unallowable reimbursements for which we have issued a federal questioned cost.

We issued three noncompliance citations regarding Mr. Hupp's approving CCEMA payments to his own company, engaging in outside employment without authorization, and using CCEMA assets for personal use. Mr. Hupp's approval of payments to his personal company has been referred to the Ohio Ethics Commission for further review.

Three management recommendations were issued; for the Clark County Auditor to obtain copies of the original invoices prior to issuing payment, for the Haz-Mat Oversight Committee to review Haz-Mat Trust fund expenditures for allowability, and for CCEMA to track the directories provided at no cost to agencies and businesses to ensure grant requirements are met.

² Bank records were not requested for the period January 1, 2001 through June 30, 2001 due to the poor quality of the records maintained by the bank.

4. On May 29, 2008, we held an exit conference with the following individuals representing Clark County and CCEMA:

Roger D. Tackett, Commissioner
David Hartley, Commissioner
Nathan Kennedy, Asst. County Administrator
Jodi Fitch, CCEMA Fiscal Officer

John Detrick, Commissioner
W. Darrell Howard, County Administrator
Lisa D'Allessandris, Acting CCEMA Director
Andrew Pickering, Assistant County Prosecutor

The attendees were informed that they had five business days to respond to this special audit report. A response was received on June 5, 2008. The response was evaluated and changes were made to this report as we deemed necessary.



Mary Taylor, CPA
Auditor of State

January 11, 2008

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Supplement to the Special Audit Report

Background

On June 20, 2007, Auditor of State representatives met with Clark County Administrator Darrell Howard and Clark County Prosecutor Stephen Schumaker to discuss their concerns regarding an outside bank account managed by former CCEMA Director, Robert Hupp. For several years, CCEMA printed a directory and provided the directory at no cost to local businesses and governmental agencies. The directory contained contact names, telephone numbers and addresses of local governments, businesses and individuals which could be needed during an emergency.

During the early 1990's the County experienced budget difficulties and discontinued printing and distributing the free directory. Mr. Howard stated Mr. Hupp requested and was authorized to continue distributing the directory provided he charged a price to cover the associated production and distribution costs. It was Mr. Howard's understanding that any proceeds received from directory sales were deposited with the County treasury.

After receiving authorization to continue directory production, Mr. Hupp obtained a vendor's license in September 1993 as "Data Directory" and began production. Mr. Hupp invoiced agencies and businesses purchasing the directories and deposited the sales proceeds into Data Directory's private business checking account. Mr. Howard stated he believed the sales proceeds should have been deposited with the County treasury and not into Data Directory's bank account. He also expressed concerns that Mr. Hupp approved expenditure of CCEMA funds to Data Directory, his company; expended Data Directory bank account funds for personal expenses; and approved the expenditure of County funds for the directories' production costs. Mr. Howard requested a special audit of Data Directory's activity to determine whether sales proceeds were deposited and whether expenditures from this account were related to CCEMA operations.

During the Period, the directory cover indicated it was prepared by CCEMA or included CCEMA's logo. Mr. Hupp produced and distributed the directories using County assets while on County time. As such, we concluded the funds received from the directory sales and the activity accounted for within the Data Directory bank account were public monies.

On July 11, 2007, the Auditor of State initiated a special audit of the former CCEMA Director's Data Directory bank account.

On August 6, 2007, Mr. Hupp was placed on paid administrative leave and subsequently retired on September 1, 2007.

On April 28, 2008, the Clark County Grand Jury indicted Mr. Hupp on two counts of theft in office, three counts of unlawful interest in a public contract, two counts of soliciting or receiving improper compensation and one count of improper use of county assets.

Supplement to the Special Audit Report

Issue No. 1 – Directory, Accountability Tag and Map Book Sales Revenue – Identify the sales proceeds received and determine whether the proceeds were deposited into the Data Directory bank account intact.

PROCEDURES

We obtained the bank statements and deposit detail for the Data Directory bank account and identified its customers and the amounts deposited. We contacted Data Directory customers and requested they identify the amounts paid to Data Directory or Mr. Hupp. We compared the amount deposited to the amount the customers identified and reported any variances. In addition, we examined the deposit detail for Mr. Hupp's personal bank account deposits and determined whether sales proceeds were deposited into this account.

RESULTS

During the period July 1, 2001 through July 20, 2007³, Mr. Hupp deposited \$77,550 into the Data Directory bank account as follows:

Directory Sales	\$75,548
Accountability Tag and Map Book Sales	<u>2,002</u>
Total	<u>\$77,550</u>

Of 212 requests sent, 165 governmental agencies and local businesses identified \$74,255 in sales proceeds. Of that amount, we were unable to trace \$10,960 to a deposit into Data Directory's bank account, Mr. Hupp's personal account or the County treasury. In addition, Mr. Hupp deposited \$2,061 of accountability tag and map book sale proceeds into his personal bank account.

FINDING FOR RECOVERY

Directory, Accountability Tag and Map Book Revenue

Ohio Rev. Code Section 117.01 (C) defines public money as "any money received, collected by, or due a public official under color of office, as well as any money collected by any individual on behalf of a public office or as a purported representative or agent of the public office."

During the Period, Mr. Hupp sold directories, accountability tags and map books he produced, invoiced and distributed using County assets while on County time. As such, we concluded the sales proceeds to be public funds due the County. However, sales proceeds were deposited into a private bank account established by Mr. Hupp. This bank account was not included on the County's financial statements.

From the sale of directories, accountability tags and map books, Mr. Hupp deposited \$77,550 into the Data Directory bank account and \$2,061 into his personal account. Customer responses identified an additional \$10,960 which we were unable to trace to deposits into the Data Directory account, his personal account, or the County treasury.

We noted in Issue No. 2 that Mr. Hupp expended \$7,467 from the Data Directory bank account related to the production and distribution of directories. Mr. Hupp also expended \$903 of his personal funds for supplies to produce the directory. Additionally, one company provided an invoice indicating that Mr. Hupp paid \$660 to their company for expenses related to the production of the directory prior to July 1, 2001. We netted the directory related expenses against the total sales proceeds in determining the amount due the County.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery is hereby issued against former CCEMA Director Robert Hupp for \$81,541 for public monies collected but unaccounted for in favor of CCEMA.

³ Bank records were not requested for the period January 1, 2001 through June 30, 2001 due to the poor quality of the records maintained by Security National Bank.

Supplement to the Special Audit Report

Issue No. 2 – Data Directory Expenditures – Determine whether expenditures made from the Data Directory bank account were related to CCEMA operations and/or directory production and distribution.

PROCEDURES

Using canceled checks from the Data Directory bank account, we determined whether expenditures were related to CCEMA operations and/or directory production and distribution.

RESULTS

Expenditures totaling \$78,342⁴ for the period July 1, 2001 through July 20, 2007 were paid through the Data Directory bank account. Of that amount, \$7,467 was related to directory production and distribution. The remaining \$70,875 was expended for the following purposes:

Expense	Amount
Sales Tax Remittances	\$645
Soda for Machine at CCEMA ⁵	825
Auto Repairs	8,374
College Tuition	9,453
Home Repairs	3,699
Credit Card Bills	15,273
Taxes	10,093
Children's Wedding Expenses	3,833
To Mr. Hupp	4,855
To Spouse	6,631
ATM/Cash Withdrawals	1,205
To Various Banks	1,158
Eye Care	947
To Other Individuals	926
Jewelry	745
Sam's Club	614
To Mr. Hupp's Son	500
To Mr. Hupp's Church	310
Miscellaneous	<u>789</u>
	<u>\$70,875</u>

⁴ The Data Directory account contained a balance of \$240 as of June 30, 2001. On April 28, 2003, Mr. Hupp deposited a \$569 County reimbursement check into the Data Directory bank account. As noted in Issue No. 1, Mr. Hupp deposited sales proceeds totaling \$77,550 from July 1, 2001 through July 20, 2007, resulting in \$78,359 available for expenses. Of that amount, \$7,467 was expended for the production of the directories, \$70,875 was used to pay personal expenses for Mr. Hupp and \$17 was not expended from the Data Directory bank account.

⁵ There were no records to document where the revenue from the sale of soda was deposited.

Supplement to the Special Audit Report

Issue No. 3 – CCEMA Expenditures – Identify CCEMA expenditures related to purchasing supplies, publishing and mailing of the directories, accountability tags, and map books and determined whether they were allowable based on funding source restrictions.

PROCEDURES

We examined supporting documentation for 267 transactions totaling \$137,024 paid by the Clark County Auditor from CCEMA funds to determine whether expenditures were made for production, distribution, and sale of directories, accountability tags, and map books.

We determined whether the expenditures were allowable and in accordance with funding source restrictions.

RESULTS

Twenty-three expenditures totaling \$14,268 were for supplies to produce the directories, accountability tags, and map books. Of that amount, unallowable reimbursements of \$4,842 were received from federal funding sources.

FEDERAL QUESTIONED COST

Unallowable Reimbursements

U.S. Department of Homeland Security program guidelines for the State Homeland Security grant and the Emergency Management Performance grant provide that grantees are to ensure that grant activities are conducted in accordance with the applicable guidance including:

- 28 CFR Part 66, Uniform administrative requirements for grants and cooperative agreements to state and local governments
- OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments

28 CFR Section 66.25 (b) defines program income as “gross income received by the grantee or subgrantee directly generated by a grant supported activity, or earned only as a result of the grant agreement during the grant period.”

28 CFR Section 66.25 (g) (1) provides “ordinarily program income shall be deducted from total allowable costs to determine the net allowable costs. Program income shall be used for current costs unless the Federal agency authorizes otherwise.”

During the Period, Mr. Hupp purchased supplies to produce directories and accountability tags using \$2,552 of State Homeland Security grant funds and \$4,581 of Emergency Management Performance Grant (EMPG) funds.

Instead of using the sales proceeds to fund production costs, CCEMA requested and was reimbursed \$2,552 from State Homeland Security grant funds and \$2,290 from EMPG funds. The production costs should have been funded with sales revenue received rather than requesting reimbursement.

A federal questioned cost is hereby issued for \$2,552 for the State Homeland Security grant (CFDA No. 97.067) and \$2,290 from the Emergency Management Performance Grant (CFDA No. 97.067⁶).

We recommend CCEMA obtain and review available grant guidelines to ensure compliance with all grant requirements. In addition, CCEMA should conduct periodic reviews to ensure program income is being used to fund expenses prior to requesting reimbursement from the grant.

⁶ Prior to 2004, this grant was identified as CFDA number 97.042. Of the \$2,290 of unallowable reimbursement, \$1,624 was reimbursed per grant CFDA No. 97.042 and \$446 was reimbursed per CFDA No. 97.067.

Supplement to the Special Audit Report

NONCOMPLIANCE CITATIONS

Conflict of Interest

28 CFR Section 66.36 (a) (3) provides "(n)o employee, officer or agent of the grantee or subgrantee shall participate in selection, or in the award or administration of a contract supported by Federal funds if a conflict of interest, real or apparent, would be involved."

Ohio Rev. Code Section 102.04 (A) states "(e)xcept as provided in division (D) of this section, no person elected or appointed to an office of or employed by the general assembly or any department, division, institution, instrumentality, board, commission or bureau of the state, excluding the courts, shall receive or agree to receive directly or indirectly compensation other than from the agency with which he serves for any service rendered or to be rendered by him personally in any case, proceeding, application, or other matter that is before the general assembly or any department, division, institution, instrumentality, board, commission, or bureau of the state, excluding the courts."

As owner of the company Data Directory, Robert Hupp prepared invoices totaling \$20,242 using a CCEMA computer to bill CCEMA for the purchase of directories. Of the \$20,242, \$2,552 of State Homeland Security grant funds and \$4,581 of EMPG funds were expended by CCEMA for these directory purchases. As CCEMA Director, Mr. Hupp approved payment of these invoices to his company and requested his staff submit the invoices to the County Auditor for payment.

Prior to entering into agreements with vendors to provide services, CCEMA should review disclosures made by County employees in accordance with its Outside Employment policy and inquire with the employees involved in the purchase to determine whether a relationship exists with the vendor.

We referred this issue to the Ohio Ethics Commission for further review.

Outside Employment

Chapter VI of the County Personnel Policy Manual addresses secondary employment and states "a letter stating the conditions of the second position must be approved by your supervisor and the County Personnel/Employee Relations Director or appointing authority. This should be done prior to the acceptance of any outside position."

Upon creation of his company Data Directory, Mr. Hupp did not submit a letter for approval to the County Administrator or Personnel/Employee Relations Director. As a result, the County was not aware of his ownership of Data Directory. This permitted Mr. Hupp to submit invoices to CCEMA as the owner of Data Directory and to approve those invoices as CCEMA Director without the knowledge of the County Administrator.

We recommend that at least annually the County require employees to disclose any instances of outside employment and/or ownership of businesses to ensure employees are not in a position to authorize payment to outside businesses which they are employed by or own.

Use of County-Owned Computers

Chapter XIX of the County Personnel Policy Manual states "(t)echnology systems are provided to facilitate County business by increasing the efficiency of processing information and the ease of communications for the public and among employees. These technology systems are intended for use in conducting business of the County. The systems are not to be used for employee personal gain or personal entertainment; to conduct personal or non-county business; or to support or advocate for non-county purposes."

During an interview, Mr. Hupp stated that he used CCEMA's computer to create and store documents related to creating and invoicing directories, accountability tags, and map books. In addition, the invoices included CCEMA's telephone number as the contact number.

We recommend that at least annually, the County require its employees to sign an acknowledgement form indicating their understanding of County policies prohibiting personal use of County assets. In addition, the County should monitor employee computer usage to ensure compliance with this policy through periodic reviews of files maintained on the network and the local hard drives.

Supplement to the Special Audit Report

MANAGEMENT COMMENTS

Original Invoices

The County Purchasing Policy and Procedures Manual requires each department to obtain an invoice from the vendor, and submit two copies to the County Auditor's Office for payment. During the Period, we noted:

- Mr. Hupp created generic invoices using CCEMA's computer for three vendors to replace the original invoices. In one instance, Mr. Hupp created a generic invoice summarizing two original invoices.
- The invoice date on three invoices was altered to reflect a date after the purchase order date.
- CCEMA did not obtain documentation supporting invoices submitted by an independent contractor to verify the hours invoiced were worked. The Deputy EMA Director confirmed the work invoiced was performed.

Failure to obtain and submit the original and/or copies of the original invoice and documentation supporting the expense incurred or the hours invoiced could result in the County paying for goods not received and services not rendered.

We recommend that CCEMA submit copies of the original invoice as required. If a replacement invoice is generated, a notation should be added explaining why the original or a copy of the original invoice is not being submitted for payment. In addition, CCEMA should periodically perform reviews of documentation maintained by its contractors to ensure CCEMA is only paying for items contained on the invoice and/or in the contract.

Haz-Mat Trust Fund

On October 2, 1990, Clark County established a Haz-Mat Trust fund to pay for expenses related to the county-wide haz-mat vehicle. Resolution 1,111-90 required the expenditures be reviewed by the Haz-Mat Oversight Committee.

During the Period, Mr. Hupp, acting as Data Directory, invoiced and received payment from CCEMA for \$8,142 for the purchase of directories from the Haz-Mat Trust fund. There was no indication that the Haz-Mat Oversight Committee reviewed these disbursements from the Haz-Mat Trust fund.

Failure by the Oversight Committee to review purchasing decisions made by the former CCEMA Director whose agency served as the fiscal agent could have resulted in expenditures unrelated to the county-wide haz-mat vehicle and haz-mat plan.

We recommend the Oversight Committee implement a review process to ensure expenditures from the Haz-Mat Trust fund are either related to the haz-mat vehicles or in accordance with the County's haz-mat plan.

Distribution of Directories

During the Period, CCEMA expended federal and state grant funds to purchase directory supplies. At the County Administrator's request, Mr. Hupp compiled a list indicating 282 books were provided at no cost in 2007 to various agencies. No such lists had been submitted to the County Administrator by CCEMA in previous years. Local governments and agencies indicated a total of 361 directories had been provided at no cost during the Period.

In comparing the local governments and businesses responses to the list of directories provided at no cost prepared by Mr. Hupp for 2007, we determined the list included agencies and elected officials who stated payments were remitted for directories received and that they did not receive directories at no cost. Failure to track the disposition of the directories funded with grant funds could result in noncompliance and loss of future grant funds.

We recommend CCEMA maintain a list of agencies and individuals receiving directories at no cost to document CCEMA's compliance with grant objectives.



Mary Taylor, CPA
Auditor of State

CLARK COUNTY EMERGENCY MANAGEMENT AGENCY

CLARK 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
JULY 10, 2008**