



Mary Taylor, CPA
Auditor of State

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Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Honorable Eric Sandine, Mayor
Village of Lithopolis
33 N. Market Street
Lithopolis, Ohio 43136

We have conducted a special audit of the Village of Lithopolis ("Village") by performing the procedures described in the attached Supplement to the Special Audit Report for the period January 1, 2006 through July 31, 2008 ("Period"). The audit procedures were performed solely to:

- Determine whether expenditures were made for a purpose related to the operations of the Village.
- Determine whether Mayor's Court fines collected during the Period were deposited intact to a Village account.

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 available documentation supporting expenditures made by the Village during the Period.

Significant Results – As fiscal officer for the Village of Lithopolis, Sandra Casey was responsible for issuing payments to vendors and depositing funds received from various sources. Village checks written to vendors totaling \$16,955 were found deposited in Ms. Casey's personal bank account and the bank account of the Lithopolis Area Marketing Association (LAMA), a nonprofit organization for which Ms. Casey was the treasurer. Additionally, Ms. Casey used Village funds for personal purchases totaling \$60. We issued a finding for recovery against Ms. Casey for public monies illegally expended in the amount of \$17,015.

We further examined Ms. Casey's personal bank account and the bank account for LAMA. Checks written to the Village totaling \$19,629 were deposited into these accounts, rather than into the Village's bank account. We issued a finding for recovery against Ms. Casey for monies collected but unaccounted for in the amount of \$19,629.

We issued two management comments related to expenditure procedures and bank account reconciliations.

2. We examined available documentation supporting the collections of Mayor's Court fines during the Period.

Significant Results – Ms. Casey also served as the Mayor's Court Clerk from February 2007 through July 2008 and was responsible for tracking citations issued by the Lithopolis Police Department, collecting payments of fines and depositing the payments into the Village bank accounts. Payments for three citations totaling \$470 were received by the Village but the amounts were not deposited into the Village bank accounts. Two of the payments were found deposited in Ms. Casey's personal bank account. Ms. Casey signed the Release of Forfeiture indicating payment had been received for the third citation.

We issued a finding for recovery against Ms. Casey for public monies collected but unaccounted for in the amount of \$470.

We issued three management comments related to manual receipts, policies and procedures, and citation accountability.

3. On September 22, 2009, we held an exit conference with the following individuals from the Village:

Eric Sandine, Mayor
Linda Deem, Council Member
Carli Hush, Council Member
Ted Simon, Council Member
Jacinta Seagraves, Fiscal Officer
Jon Browning, Village Solicitor

The attendees were informed that they had five business days to respond to this Special Audit Report. The Village did not provide a response to the report.



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January 15, 2009

Supplement to the Special Audit Report

Background

In July 2008, Lithopolis Mayor Eric Sandine contacted the Auditor of State regarding suspected fraud committed by Village Fiscal Officer Sandra Casey. It was alleged that Ms. Casey deposited Village funds into the Lithopolis Area Marketing Association (LAMA) bank account and then withdrew those funds for her personal benefit.¹ The mayor estimated the Village loss at approximately \$30,000 and suspected the fraudulent activity took place between late 2006 through October 2007.

The mayor indicated this was discovered when Ms. Casey resigned as treasurer for LAMA. When she resigned, Ms. Casey insisted on closing the LAMA depository account and opening a new one. She also was reluctant to turn over financial records for LAMA. This prompted LAMA officials to request bank statements and the unusual activity was discovered.

The mayor further stated that Ms. Casey was depositing Village refund checks from the Ohio Public Employees Retirement System and Ohio Police and Fire Pension Fund into the LAMA bank account and then making withdrawals from the LAMA bank account. Additionally, the mayor indicated that Ms. Casey was issuing duplicate checks to vendors, depositing the duplicate checks into the LAMA bank account and then making subsequent withdrawals. Ms. Casey was the only authorized signatory for the LAMA bank account.

On July, 23, 2008, Ms. Casey resigned from her position as Village fiscal officer when the mayor confronted her with these allegations. The Village notified their legal counsel, the Fairfield County Prosecutor and the Ohio Bureau of Criminal Identification and Investigation.

This information was considered by the Auditor of State's Special Audit Task Force and on August 13, 2008, the Auditor of State initiated a Special Audit of the Village of Lithopolis.

¹ Ms. Casey was also treasurer of LAMA, a nonprofit organization created to promote local businesses.

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Issue No. 1 – Expenditures

Procedures

We examined available documentation for all expenditures made during the Period to determine whether the expenditures were supported and were for purposes related to the operations of the Village.

Where applicable, we contacted vendors and obtained documentation of purchases and payments made by the Village to identify overpayments, refunds and payments not received by the vendors.

We scanned the Village's bank statements for transfers to unauthorized accounts.

Results

The Village issued 1,696 non-payroll disbursements during the Period. Our comparison of the Village check register to cancelled checks, bank statements and the supporting documentation for the disbursements noted 304 instances where the information recorded on the check register was incomplete or inaccurate. Examples of these errors included incorrect dates, dollar amounts, check numbers and vendor names. Additionally, there were 48 checks that were not recorded on the check register.

We noted 175 expenditures made during the Period that had no supporting documentation on file. There were 29 expenditures that were duplicate payments to vendors and 26 expenditures that were overpayments of the amounts due. Some of these payments created credit balances owed to the Village. We noted 16 vendor accounts with credit balances totaling \$5,323 that remained outstanding at the end of the Period. The Village has requested refunds of these amounts or will apply the credit balances toward future purchases.

The Village required two signatures on checks; the mayor and a council member or the fiscal officer. We noted seven checks that contained only one signature.

We were able to confirm that all transfers were between Village bank accounts.

Finding for Recovery

Public Monies Illegally Expended

Sandra Casey was employed as the fiscal officer for the Village from January 2006 through July 2008. As fiscal officer, Ms. Casey was responsible for processing invoices and preparing Village checks for payments to vendors. We examined Village records and found 15 Village checks made payable to various vendors totaling \$16,955 that were not submitted to the vendors and instead were deposited into either Ms. Casey's personal account or the LAMA account, as follows:

- Five checks totaling \$11,093 which had no supporting documentation.
- Eight checks totaling \$2,789 which were duplicate payments to vendors. Ms. Casey used multiple copies of invoices, receipts, billing statements and purchase orders as support to generate duplicate payments, which she did not submit to the vendor.
- Two checks totaling \$3,073 which were supported by inaccurate vendor invoices. Ms. Casey had previously overpaid these vendors on prior invoices, creating credit balances on the Village's accounts. When the Village incurred additional charges from these vendors, Ms. Casey submitted the invoices for payment in full, without regard for the credit balances held by the vendors.

Additionally, Ms. Casey routinely made purchases at Wal-mart for Village supplies. Per our inquiry with Mayor Sandine and a review of the detailed receipts, we discovered \$60 of personal items purchased by Ms. Casey which were not for the operation of the Village.

Supplement to the Special Audit Report

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a finding for recovery is hereby issued against Ms. Casey and her bonding company, Ohio Farmers Insurance, jointly and severally, for public monies illegally expended in the amount of \$17,015, and in favor of the Village of Lithopolis.

Monies Collected But Unaccounted For

Ms. Casey was also responsible for collecting and depositing monies collected by the Village from different sources, including developers who paid for building permits and zoning fees. Our examination of the LAMA bank account noted three checks written to the Village from developers totaling \$9,645 that were deposited into the LAMA account controlled by Ms. Casey.

Additionally, our examination of the LAMA bank account and Ms. Casey's personal accounts identified seven vendor refund checks written to the Village totaling \$9,984 that were deposited into these accounts.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a finding for recovery is hereby issued for monies collected but unaccounted for in the amount of \$19,629 against Ms. Casey and her bonding company, Ohio Farmers Insurance, jointly and severally, in favor of the Village of Lithopolis.

Management Comments

Expenditure Procedures

The Village did not have a formal written financial accounting manual outlining the prescribed purchasing and disbursement cycle procedures and responsibilities. Some voucher packets did not have a purchase order or requisition attached; in some cases multiple purchase orders were attached; however, were not all signed by the village administrator or the mayor. Some disbursements did not have supporting documentation on file. The fiscal officer, who was responsible for the preparation of voucher packets, did not document her review of the packets for completeness. Check numbers were not always referenced on the supporting documents.

Failure to document policies, procedures 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. Additionally, without written procedures, employees may interpret standard practices incorrectly resulting in inaccurate, inconsistent and undesirable results. Not establishing and following specific purchasing procedures and not requiring and/or maintaining supporting documentation undermines the Village's ability to verify that all transactions were for a purpose related to its operations.

We recommend the Village adopt a written financial accounting manual to include procedures for purchasing and disbursements. Purchasing and payment procedures should require the voucher packet to include the invoice, purchase order, requisition, and certification by the fiscal officer that the documentation has been reviewed for accuracy and completeness. We recommend that checks not be signed until these items are included in the voucher packets and each has been verified as complete.

Bank Account Reconciliations

The Village maintained separate bank accounts for the General Fund, Water and Sewer Funds, Enterprise Funds, and Mayor's Court. The accounts were reviewed on a periodic basis by the mayor who verified that deposits and checks cleared the bank. There was no documentation that reconciliations had been performed on a monthly basis to ensure that the bank account activity reconciled to the accounting system and bank statement balances. We noted several inaccuracies in information recorded to the accounting system check register, including missing check entries, incorrect dates, amounts, and vendor names.

Failure to reconcile the accounting system to the bank activity and balances, may lead to posting errors or other irregularities not being detected in a timely manner. By reviewing the bank statements and preparing reconciliations, the Village can reduce the potential for fraud or irregularities occurring in the bank accounts.

Supplement to the Special Audit Report

We recommend the fiscal officer prepare monthly reconciliations of the accounting system to the bank statement balances to ensure the amounts collected and disbursed agree to that posted to the system for each of the accounts maintained by the Village. We recommend the mayor document a review of the reconciliations and investigate issues regarding any unusual items noted. If unusual items are identified, the mayor or his designee should review the supporting documentation and ensure the activity is related to the operations of the Village. To aid in the reconciliation process, we recommend that all voided checks be maintained and marked void in the system and the voided check numbers not be reused. We also recommend that all outstanding checks be accounted for and written off into an unclaimed fund after remaining outstanding for over one year.

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Issue No. 2 – Mayor’s Court

Procedures

We traced citations issued by the Lithopolis Police Department to manual receipts and payment ledgers maintained by the Mayor’s Court.

We traced the citations that did not have corresponding manual receipts or other indications of payments received, to case files to determine the disposition of the remaining citations and whether payments had been received by the Village.

We traced the payments received to deposits to the Village’s accounts.

We scanned the deposits made to the LAMA account and to the fiscal officer’s personal bank accounts for any other Mayor’s Court items that may have been deposited.

Results

Sandra Casey served as the Lithopolis Mayor’s Court Clerk from February 2007 through July 2008. In this position, Ms. Casey was responsible for tracking citations issued by the Lithopolis Police Department, collecting payments of fines and depositing the payments into the Village bank accounts.

For the 18 month period during which Ms. Casey served as Court Clerk, the Lithopolis Police Department issued 976 citations, of which 755 were processed through the Village Mayor’s Court. The remaining citations were transferred to other courts, including the Franklin County Municipal, Common Pleas and Juvenile courts.

We were unable to trace all manual receipts to citations because the Village was missing receipt books from July 2007 through October 2007. We used payment ledgers maintained by the Mayor’s Court to complete information from the missing receipt books.

We were able to locate either a manual receipt in a receipt book, an entry on the Mayor’s Court payment ledgers, or some indication in the case file that payment was made or the case was resolved.

Finding for Recovery

Sandra Casey served as the Mayor’s Court Clerk from February 2007 through July 2008. Ms. Casey was responsible for tracking citations issued by the Lithopolis Police Department, collecting payments of fines and depositing the payments into the Village bank accounts. We noted three citations for which payments totaling \$470 were received but the amounts were not deposited to the Village bank accounts. Two of the payments were deposited in Ms. Casey’s personal bank account. For the third citation, Ms. Casey signed the Release of Forfeiture indicating payment had been received.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a finding for recovery is hereby issued for public monies collected but unaccounted for in the amount of \$470 against Ms. Casey and her bonding company, Ohio Farmers Insurance, jointly and severally, in favor of the Village of Lithopolis.

Supplement to the Special Audit Report

Management Comments

Manual Receipts

During the Period, the Village issued manual receipts for payments received; however, some receipt books were missing and other receipts lacked all required information. Receipts should include the date, payer, amount paid, citation or case number, and the type of tender received. Receipts should also be signed by the Village employee who collected the payments.

Failure to complete the entire receipt could prevent the Court from identifying the amount received, the case to which the amount paid should be applied and whether the amount paid was posted to the Court's computer system.

We recommend the individual collecting fine payments complete a pre-numbered receipt documenting the date, payer, citation or case number, offense, amount paid, tender type and the defendant's name. These receipts should agree to the amount posted in the Court's computer system and to the amount deposited. If amounts received are adjusted, the individual making the adjustment should document the reason for the adjustment and a supervisor should review and document their approval of the adjustment. We further recommend a periodic reconciliation of the manual receipts issued to the court system postings.

Policies and Procedures

The Mayor's Court did not have a formal policy manual providing detailed procedures for the administration of the Court's accounting system, including instructions for entering citations into the computer system, recording magistrate decisions in the computer system, collecting and posting payments, issuing receipts and making deposits.

The lack of uniform procedures could contribute to errors in processing Court transactions. We recommend the Court develop written standardized procedures for the administration of the collection of monies, payment plans, disbursements, and the bank accounts used by the Court.

Citation Accountability

The Mayor's Court Clerk received citations issued by the Lithopolis Police Department to enter into the Court computer system. Once these citations were entered, case files were created and the citations were filed. There was no reconciliation of the citations received to the citations entered into the system. By not reconciling these items, there is the possibility that a citation could be issued but not recorded in the system which could ultimately lead to fines not being collected by the Court.

We recommend that an individual independent of the posting process periodically reconcile the citations received by the Court from the police department to the citations entered into the Court computer system. The reconciler should contact the police department and compare the number of citations the agency has recorded as being issued to those entered into the system to ensure all citations were entered into the Court computer system.



Mary Taylor, CPA
Auditor of State

VILLAGE OF LITHOPOLIS

FAIRFIELD 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
DECEMBER 14, 2009**