



**LUCAS COUNTY CLERK OF COURTS
LUCAS COUNTY**

SPECIAL AUDIT

FOR THE PERIOD JANUARY 1, 2003 THROUGH MARCH 31, 2008



Mary Taylor, CPA
Auditor of State

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Honorable Bernie Quilter
Clerk of Courts
Lucas County
700 Adams Street
Toledo, Ohio 43604

Based on your request, we conducted a special audit of the Lucas County Clerk of Courts Auto Title Division (the Division) by performing the procedures enumerated in the attached Supplement to the Special Audit Report for the period January 1, 2003 through March 31, 2008 (the Period), solely to:

- Quantify the shortage of funds from the Division's auto title receipts.

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. Using the dates identified by the Clerk of Courts where known cash shortages existed, we examined system-generated daily teller reports for each business day and compared the amounts recorded to the manual daily accounting sheets, deposit slips, and bank statements to determine whether all funds received had been deposited. We also examined supporting documentation for refund checks, adjusting items, and certain disbursements to determine whether they were for a purpose related to the operations of the Division.

Significant Results – Tina Lake worked in the Division as both a bookkeeper and a supervisor. While in both positions, Ms. Lake prepared and made daily deposits. Our examination revealed shortages in Division cash receipts totaling \$125,934. We issued a finding for recovery against Ms. Lake in the amount of \$125,934, and in favor of the Clerk of Courts Office.

On July 31, 2008, Ms. Lake entered a plea of guilty to charges of aggravated theft, theft in office, and forgery.

We made four management comments regarding policies and procedures manuals, bank account reconciliations, passport revenue, and whistleblower policies.

2. On August 22, 2008, we held an exit conference with the following individuals representing the Division:

Bernie Quilter, Clerk of Courts
Pamela Dillard, Chief Deputy

The attendees were informed that they had five business days to respond to this special audit report. A response was received on August 26, 2008. The response was evaluated and changes were made to this report as we deemed necessary.



Mary Taylor, CPA
Auditor of State

August 7, 2008

Supplement to the Special Audit Report

Background

In a letter dated April 7, 2008, the Lucas County Clerk of Courts, Bernie Quilter, advised the Auditor of State (AOS) that a former employee in the Auto Title Division was suspected of theft.

Clerk of Court employees had conducted an internal examination of June 2006 and the period January 1, 2007 through February 29, 2008 and identified the possible theft of approximately \$46,000. The missing money was identified by comparing deposit slips maintained by the Division to deposits listed on the bank statements.

On April 11, 2008, AOS representatives met with Mr. Quilter to discuss the alleged thefts by former supervisor Tina Lake. Ms. Lake was promoted to bookkeeper in April 2000, and in March 2007, she was promoted to supervisor. While in both positions, Ms. Lake was responsible for preparing and making daily deposits. On March 2, 2008, Ms. Lake gave Mr. Quilter a verbal notice of resignation, which was followed by a written notice on March 4, 2008. Her last day of employment with the Clerk of Courts Office was March 14, 2008.

From a preliminary review of documents, it appeared Ms. Lake created two deposit slips each day. One deposit slip provided a factual summary of the days' receipts and was given to the finance office. The other deposit slip agreed to the deposit made to the bank, which was an amount less than the actual receipts. There was no reconciliation of the days' receipts and the days' deposits between the Division and the finance office.

On May 6, 2008, the Auditor of State initiated a special audit of the Lucas County Clerk of Courts Auto Title Division.

Supplement to the Special Audit Report

Issue No. 1 – Quantify the Shortage of Funds from the Clerk of Courts Office

PROCEDURES

We interviewed the Clerk of Courts, his Chief Deputy, the Executive Assistant and the Human Resources/Public Relations Administrator to obtain an understanding of the procedures they used to determine the shortage of funds from the Division. The internal review was performed by the Chief Deputy and Executive Assistant for the Clerk of Courts. Both employees have previously performed all phases of bookkeeping for the Clerk of Courts Office.

For three months in 2007, we examined each day's activity to confirm the Clerk of Courts' initial findings and to verify no other shortages or misappropriations occurred through additional cash thefts, refund checks, adjusting items, or various disbursements.

Having gained an understanding of the methodology used, and tested the accuracy of the Clerk of Courts' internal investigation, we examined each date the Clerk of Courts identified a shortage and verified the amount noted as missing.

RESULTS

To determine the amount of the alleged theft, the Chief Deputy and Executive Assistant compared the manual Cash Book and the deposit slips maintained for bookkeeping purposes to the bank statements and the bank validated deposit slips, if available. A listing was prepared of each day that missing funds were identified. In instances where the bookkeeping deposit tickets were missing, they compared the amounts from the Auto Title Processing System (ATPS) to the amounts credited to the bank account.

The internal review noted that for the days in question the deposit slip amounts provided to the bank were less than the deposit slip amounts prepared for bookkeeping purposes or no bookkeeping deposit slip existed for the day. The internal review identified 155 days where deposits into the bank were less than the daily activity recorded in the Division's records. The amounts identified as missing ranged from \$100 to \$5,190 per day.

Of the 155 days, we confirmed shortages as noted by the internal review for 145 days without exception. For eight days we identified additional shortages and for two days we identified less.

FINDING FOR RECOVERY

Auto Title Receipts

Tina Lake was employed by the Clerk of Courts as a data entry clerk in 1998. In 2000, she was promoted to bookkeeper, and was promoted to supervisor in 2007. While working in the positions of bookkeeper and supervisor, Ms. Lake prepared and made daily deposits.

During the Period, Division records indicated collections totaling \$125,934 were not deposited to a Clerk of Courts' bank account.

On July 31, 2008, Ms. Lake entered a plea of guilty to charges of aggravated theft, theft in office, and forgery related to the shortages of funds from the Division.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies collected but unaccounted for is hereby issued against Tina Lake and The Cincinnati Insurance Company, her bonding company, in the amount of \$125,934 and in favor of the Lucas County Clerk of Courts Office.

Supplement to the Special Audit Report

MANAGEMENT COMMENTS

Policies and Procedures Manuals

The Division did not have a policies and procedures manual detailing the various processes that needed to be performed for receiving, documenting, and depositing funds. Although certain limited policies existed, there was not a complete manual governing all aspects of Division work. Policies and procedures manuals are an important part of the control process because they outline the exact procedures that must be performed and who is responsible for those procedures. Without these, there is no clear instruction for the performance of routine tasks within the Division, and the employees have no source of reference when they experience uncertainty.

We recommend the Clerk of Courts develop additional policies and procedure manuals governing all aspects of title processing, including but not limited to receipting, depositing, and monitoring activities. All policies and procedures should be provided to all Division personnel and should be updated periodically.

Bank Reconciliations

Bank account reconciliations were not performed. Additionally, there was no independent reconciliation between the deposits and disbursements recorded on the bank statements and the Division's computer system. By not reconciling bank accounts and not confirming amounts recorded in the bank agreed to the Division's computerized system, errors and irregularities can go unreported and undetected.

We recommend one employee independent of receipting and depositing funds perform a monthly bank reconciliation. The reconciliation should include agreeing amounts in the Division's computerized files with the bank statement deposits and expenditures. A second independent employee should review the bank reconciliation in detail, and the Clerk of Courts should provide a cursory review each month. We also recommend each employee initial and date the reconciliation to demonstrate these duties have been performed.

Passport Revenue

Passport money was collected by the Division and paid out to the National Passport Processing Center (NPPC). The Division processed these payments to the NPPC as refund checks. Our review noted 217 of 550 refund checks were actually payments to the NPPC.

We recommend payments to the NPPC be processed as expenditures of the Division, similar to the manner in which the Division processes other payments to the Ohio Treasurer of State, Ohio Bureau of Motor Vehicles, and the Lucas County Treasurer.

Whistleblower Policy

Government organizations have a duty to exhibit effective stewardship over the resources entrusted to them by the public. This duty should lead to a heightened awareness on the part of each individual employed by governmental organizations of whether public resources are being administered in accordance with laws, regulations, and provisions of contracts and grants.

Whistleblower policies existing within the overall framework of an ethics policy serve as tangible evidence of an organization's commitment to locate fraud or other illegal activities wherever they may occur. These policies should provide a safety net for employees from reprisal for performing a valuable duty for the public, and are likely to serve as a preventive control over the initiation of illegal activities.

A whistleblower policy should detail to whom the employee should report such violations and how they should report them. The policy should prohibit the employer from disciplining or retaliating against the reporting employee if that employee has made a reasonable and good faith effort to determine the accuracy of the information recorded.

We recommend the Clerk of Courts establish a whistleblower policy in conjunction with an ethics policy. In developing such policies, we recommend that input and approval be sought from the county prosecutor. As with all policies, the whistleblower policy and the ethics policy should be regularly communicated to all employees.



Mary Taylor, CPA
Auditor of State

LUCAS COUNTY CLERK OF COURTS

LUCAS 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
SEPTEMBER 2, 2008**