

# **Williamsburg Township**

## **STATE OF OHIO AUDIT FOR THE YEARS 2020 AND 2021**

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**APRIL 22, 2024**

**DOUG LEFFERSON – FISCAL OFFICER**

# Background

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- Township was due for regularly scheduled audit in 2022
- Former Fiscal Officer passed away unexpectedly January 2022
- Township financial duties rely on one person
  - Initial focus on maintaining day-to-day functions: paying bills, payroll, etc.
- End of April 2022 became aware of former Fiscal Officer's fraud at other place of employment
- Immediately began working with County Prosecutor's Office and State of Ohio Investigative Unit
- Immediately began looking deeper into specific accounting areas at Township
- Balanced learning and day-to-day operations with deeper internal review of accounting
- Began working with State of Ohio Auditor on planning audit

# Personal Background – D. Lefferson

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- Over 30 years experience in accounting and banking
- 3 years in internal audit
- From Junior Staff Accountant to Chief Financial Officer at a publicly traded company
- Implemented Sarbanes-Oxley Act at my previous company
  - U.S. Law passed to help protect investors from fraudulent financial reporting by corporations
  - Sarbanes-Oxley Act key provisions:
    - Executives must certify financial statements
    - Companies maintain internal controls to prevent fraud
    - Criminal penalties
    - Whistleblower protection
- Prepared, oversaw, and certified financial statements in the Annual Report

# Personal Background – Continued

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- Have been Treasurer of and on Board of Directors for multiple not-for-profit organizations

Why is background important?

- Demonstrates I have the qualifications to perform the necessary review for the Township

# Review Process

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- Followed the State of Ohio Auditor process and timeline
  - Provided full cooperation and timely responses to audit requests
- Due to fraud concerns deeper review than typical
- Previous audits were limited review
- In addition to Auditor requests, I took a proactive approach:
  - I began reviewing risk areas immediately and did not wait on auditor requests
  - My review went above and beyond auditors

# Review Process

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- Auditor selected a greater sample size of transactions than normal audit
  - Typically under limited audit review 5 payments, 5 receipts each year
  - Auditor selected approximately 25 general payments each year for review and reviewed more from specific categories
  - Detailed review of ambulance lease agreements, payments, and insurance
  - In addition to general receipt testing, reviewed EMS billing in detail involving hundreds of transactions in a given year
  - Reviewed Coronavirus funds receipts and spending
  - Reviewed receipts related to permits and fees, and all Joint Economic Development District receipts
  - Reviewed bank statements, bank reconciliations, Certificates of Estimated Resources, appropriations
  - This is not an all inclusive list

# Review Process

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- In addition to Auditor requests, I reviewed:
  - **Every** invoice and payment in 2020 and 2021
    - Over 800 payments in 2020 and over 900 payments in 2021
  - **Every** receipt and deposit in 2020 and 2021
    - Approximately 250 receipts each in 2020 and 2021
  - **Every** invoice, payment, receipt, and deposit for 2019, 2018, and 2017

# Review Process – Risk Based Focus

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- Due to higher risk with credit cards, Auditor reviewed **all** credit card purchases and statements for 2020 and 2021
- I personally reviewed **all** credit card purchases and statements for those years as well
- I also completed a detailed review of **all** cell phone carrier statements of charges and related purchases for 2021, 2020, and 2019
- After I discovered cash deposit issues through random sample, I completed a detailed review of **all** cash deposits in 2020 and 2021
- Reviewed all cash deposits in 2019, 2018, and 2017



# Findings

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- Per Audit Report, Former Fiscal Officer used Township credit cards to purchase items for personal use
  - Gaming system, two Chromebooks, Apple Watch, Wi-Fi system, Samsung flip phone, hard drive for Xbox, two Apple Airpod pros (\$6,547 total)
- Former Fiscal Officer was a heavy technology user, utilized several types of technology tools for legitimate Township business
- Items above are technology related which would have made it harder to detect misuse
- Several items were buried as part of larger invoices as well

# Findings

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- Former Fiscal Officer shorted four cash deposits in 2021 (\$3,095 total)
- Fortunately the Township has a limited number of cash transactions in a given year
- No evidence that cash deposits were shorted in 2020
- Also did not see any evidence of short deposits in 2019, 2018, or 2017

# Findings

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- Material Weakness – Financial Reporting
- Not fraud, but poor accounting
- Items cited:
  - Recording JEDD receipt in wrong account, was in right fund (General)
  - Total 2021 ambulance payment correct, but principal and interest breakout incorrect
  - Annual Financial Statements had some inaccurate numbers partially due to former Fiscal Officer picking up wrong column on supporting reports
  - Workers Compensation rebate was posted all to General Fund, rather than being returned to multiple funds where payments were originally made
  - Two small grants posted to wrong accounts

# Poor Accounting - Discussion

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- Very surprising given former Fiscal Officer's excellent reputation
- Most items cited not material but reflect a sloppiness or hurried approach
- Former Fiscal Officer had a reputation for completing tasks quickly, results indicate probably too quickly
- Had another full-time job
- Coronavirus Pandemic made 2020 and 2021 unique years disrupting normal routines

# New Internal Controls

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- As a result of change in Fiscal Officer and uncovering fraud issues, the Township has made a series of improvements
- These new internal controls range from changes to day-to-day operating procedures, to best practices, to policy
- My philosophy based on experience is not to implement all new controls, often the best internal control or fraud prevention tool is to make sure you follow procedures already in place
- One of the most immediate impacts, **even before fraud was detected**, is overall change to approach to financial tasks
  - As a best practice we have slowed down accounting entries and closing periods on a monthly, quarterly, and annual basis
  - Goal of more review, less errors
  - Former Fiscal Officer had another full-time job, I'm dedicated to the Township Fiscal Officer role on a full-time basis

# New Internal Controls

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- Annual appropriations budgeted at closer to expected annual spending, makes for better reporting and monitoring
- Significantly greater use of Purchase Orders requiring Trustee sign off on each specific purchase versus approval under a high dollar amount blanket certificate
  - Sign off on each specific computer, laptop, or other piece of technology
  - Sign off on equipment or tools
  - Example in 2020 zero and 2021 one purchase order utilized, in 2024 so far have issued 25
- Trustees reviewing additional financial reports
  - Appropriation Status final appropriations versus year-to-date expenditures (every meeting)
  - Revenue Status budget versus received (every meeting)

# New Internal Controls

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- Improving inventory listing and tracking of disposals
- Beginning September 1, 2024 the Township will no longer accept cash for payment of services and fees, eliminating the potential misuse of cash
- Formalizing a check list for Trustees to assist with monthly review:
  - Ensure all credit card cover sheets are complete
  - Bank reconciliation completed timely
  - New vendors added
  - New credit cards
  - Etc.
- More transparency of Fiscal Officer activities with Fire Chief and Cemetery Sexton/Zoning Administrator/Maintenance Supervisor (started immediately)

# Financial Stability

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- While we are all disappointed in the results of the audit and the actions of the former Fiscal Officer:
  - The Township will be made whole in regard to misappropriated money
  - These actions had no impact on the overall financial stability of the Township
  - Prior to 2022 our bank accounts hovered slightly under \$2 million, since 2023 averaged \$2.8 million
- Through this transition:
  - We maintained day-to-day operations
  - Performed an extensive review of our financial transactions
  - Remained focus on our future:
    - Securing over \$1.5 million in grants and private donations in the last 18 months
    - Evidenced by a new maintenance building, complete rework of the Commons of East Fork roads, and over half a million dollars in new equipment and facilities upgrades for Emergency Services



# Audit Report

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- The full State of Ohio Audit Report, including our responses is available to the public and can be found through an internet search:

[audits@ohioauditor.gov](mailto:audits@ohioauditor.gov)