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AITKIN COUNTY

Investigative Report May 12, 2009

The Office of the State Auditor (“OSA”) received information regarding the loss of funds collected by the Aitkin County (“County”) Planning and Zoning Department. As a result, the OSA obtained and reviewed financial documents concerning the possible loss of funds for the time period of January 1, 2006, through December 31, 2008, discussed with County personnel the procedures used in the handling of Planning and Zoning Department receipts during that time period, and, in one instance, contacted a person who had made a payment to the Planning and Zoning Department.

Based upon our review, it appears that the Planning and Zoning Department bookkeeper did not deposit \$26,663.89 in County funds with the County during the time period of January 1, 2006, through December 31, 2008.¹ During the same time period, our review found it questionable whether an additional \$4,555.00 in County funds had been deposited with the County.

This report summarizes our findings. In compliance with Minn. Stat. § 6.48, this report is being filed with the Aitkin County Attorney to institute such civil and criminal proceedings as the law and the protection of the public interests require.

I. Background

During 2006 through 2008, the County’s Planning and Zoning Department received payments for such things as building and zoning permits, water well testing, food, beverage and lodging licenses, 911 signage and addresses, and copies of documents such as the County’s Shoreline Ordinance. The payments were received both by mail and in person. Various staff members in the Planning and Zoning Department received the payments.

When payments were received, the payments were recorded in pre-numbered receipt books. There were separate pre-numbered receipt books for: 1) building and zoning permits, payments for copies of documents, 911 payments, and other miscellaneous

¹ Based upon the results of our review, we have begun a review of 2005 receipts. The results of that review will be reported separately.

payments; 2) water well testing; and 3) food, beverage and lodging licenses.² The receipts generally indicated from whom the payment was received, the purpose of the payment, the amount and date of the payment, whether the payment was by cash or by check, and the staff member who received the payment. When payments were made by check, the receipts usually contained the check number. In addition to being recorded on a pre-numbered receipt, payments for planning and zoning permits were recorded on the permit application itself.

After being receipted, the payment was placed in one of two unlocked strong boxes maintained under the counter.³ The payments contained in the strong boxes were periodically collected by a person responsible for bookkeeping in the Planning and Zoning Department. The bookkeeper would collect the payments from the strong boxes, compare the payments with the pre-numbered receipts, and enter the payments into an Excel spreadsheet known as the receipt log.⁴ Three separate receipt logs (Excel spreadsheets) were maintained: one for building and zoning permits and other miscellaneous receipts, one for water well testing payments, and one for payments for food, beverage and lodging licenses. The receipt logs contained information about the payments, including the source of the payment, the purpose of the payment, the permit number if applicable, the date the payment was received, the receipt number for the payment, and the amount of the payment.

After entering the information into the receipt log, the bookkeeper would prepare a deposit sheet. The bookkeeper would take the payments and the deposit sheet to the County Auditor/Treasurer's Office for deposit. The County Auditor/Treasurer's Office recounted the funds, entered the funds into the County's computer system, and generated a receipt for the funds from the County's computer system. The Planning and Zoning Department bookkeeper would enter in the receipt log the date the funds were taken to the County Auditor/Treasurer's Office.

At times, a receipt was voided. If the payment had not yet been deposited, the payment was returned and the receipt was crossed out or marked with the word "void." When the person who made the payment was physically present in the Planning and Zoning Department, the payment would be returned to the person. If the person was not

² A separate pre-numbered receipt book was also maintained in the Planning and Zoning Department for Recorder Office payments. We were informed that those payments were for requests that required approval at a subsequent meeting, such as conditional use permits or variance requests. The payments were made by a separate check that was placed in an envelope and taken to the County Auditor/Treasurer's Office. The payments were held until the subsequent meeting. If the request was granted, the payment was given to the Recorder's Office. If the request was denied, the check was returned to the person submitting the request.

³ One of the boxes was used for water well testing and food, beverage and lodging payments. The other box was used for building and zoning permit, Recorder's Office and other miscellaneous payments. One box and the appropriate receipt book(s) were kept on each side of the office.

⁴ We were informed that deposits were to be made weekly. Our review found that deposits were not always made on a weekly basis.

physically present, checks would be returned by mail, but cash would not. Instead, the Planning and Zoning Department would request that a check from the Treasurer's Office be mailed to the person. Similarly, if the payment had already been deposited, the Planning and Zoning Department would request a refund check from the Treasurer's Office.

Ms. Missy Kingsley performed the bookkeeper functions for the Planning and Zoning Department during 2006 and 2007. However, during January through April 2008, Ms. Kingsley was frequently out on medical leave. When she returned in May 2008, she started work in a different County department. However, when the person hired as her replacement in the Planning and Zoning Department was out on medical leave in 2008, Ms. Kingsley assisted the Planning and Zoning Department with the bookkeeping functions.

II. OSA Review

We received and reviewed copies of the Planning and Zoning Department's pre-numbered receipt books for building and zoning permits (which included payments for copies of documents and other miscellaneous payments), water well testing, and food, beverage and lodging licenses for 2006 through 2008.⁵ We also received and reviewed copies of the related receipts generated by the County Auditor/Treasurer's Office, zoning and permit applications, the handwritten ledger for water well receipts, and the receipt logs (Excel spreadsheets) for the time period of 2006 through 2008. We also received and reviewed refund/reimbursement warrant requests, specific water test result documents, and other various County documents. During our review, we discussed the procedures used for processing funds received by the Planning and Zoning Department with various County personnel. We also called one permit applicant during our review.

As explained more fully in this Report, it appears that the Planning and Zoning Department bookkeeper did not deposit \$26,663.89 in County funds with the County. Specifically, we found:

- \$22,200.71 in undeposited planning and zoning receipts;
- \$2,705.00 in additional undeposited planning and zoning receipts;
- \$920.00 in undeposited water well testing receipts; and
- \$838.18 in undeposited food, beverage and lodging receipts.

We also question whether an additional \$4,555.00 in allegedly "void" or "refunded" receipts was actually undeposited receipts.

⁵ We did not receive copies of the receipt book for the Recorder's Office.

A. Undeposited Planning and Zoning Receipts

Based upon our review, it appears that \$22,200.71 in funds collected by the Planning and Zoning Department for planning and zoning permits and other miscellaneous items was not deposited with the Auditor/Treasurer's Office during the time period of 2006 through 2008.

We compared the receipts generated by the Auditor/Treasurer's Office with the Planning and Zoning Department receipt log, the pre-numbered receipts, and, in the case of permit applications, the application itself. We found a number of discrepancies, including the following:

- The amount recorded on the receipt log was different from the amount recorded on the pre-numbered receipt and the permit application.
- No amount was recorded on the receipt log for some receipts.
- Words were entered on the receipt log in the column containing the amount received. As a result, the spreadsheet's automatic summation function did not include the amount when it totaled the amount to be deposited.
- The amount received was recorded in the wrong column on the receipt log, so it was not included when the column containing the amount to be deposited was totaled.

In one instance, the receipt log recorded that a \$300 cash payment received for a building permit on December 22, 2008, was "void." We called the permit applicant who confirmed that he paid cash, his building permit was granted, and the payment was not voided.⁶

The results of our review of planning and zoning receipts are contained in Attachment A.

B. Additional 2008 Undeposited Planning and Zoning Receipts

We found an additional \$2,705.00 in Planning and Zoning payments that do not appear to have been deposited with the Auditor/Treasurer's Office in 2008.

Generally, the amount to be deposited with the Auditor/Treasurer's Office was calculated by using the receipt log's Excel spreadsheet summation function on the column containing the payment amounts. However, for eight separate deposits, the summation function was not used. Instead, for eight deposits in 2008, a specific amount was entered as the column's "total." While these specific amounts appeared to be the sum of the column, the amounts entered on the receipt log were less than the actual summation of

⁶ We did not call all of the people involved with payments marked "void" in the receipt log. Instead, we included those payments in the "questionable" undeposited receipts discussed later in this Report.

the individual amounts recorded on the receipt log. The smaller amount entered as the “hard” total was the amount deposited with the Auditor/Treasurer’s Office.

Our findings regarding the receipt log’s calculations are reflected in Attachment B.

C. Undeposited Water Well Testing Receipts

Based upon our review, it appears that \$920.00 in funds collected by the Planning and Zoning Department for water well testing was not deposited with the Auditor/Treasurer’s Office during the time period of 2006 through 2008.

In addition to being recorded on a pre-numbered receipt, payments for water well testing were recorded in a handwritten ledger book.⁷ Generally, the ledger recorded from whom the payment was made, the amount of the payment, whether the payment was made by cash or check, the check number if payment was made by check, the number of the pre-numbered receipt issued for the payment, and the initials of the staff member who received the payment. In most cases, the ledger also contained the deposit dates and deposit amounts. In some instances, the initials of the person making the deposit were recorded in the ledger book.

We compared the receipts generated by the Auditor/Treasurer’s Office with the water well electronic receipt log, the pre-numbered receipts, and the handwritten water well ledger.⁸ We found a number of discrepancies, including the following:

- No amount was recorded on the receipt log for some receipts.
- Words were entered on the receipt log in the column containing the amount received. As a result, the spreadsheet’s automatic summation function did not include the amount when it totaled the amount to be deposited.
- The amount received was recorded in the wrong column on the receipt log, so it was not included when the column containing the amount to be deposited was totaled.

Some of the receipt log entries stated that the receipt was void or refunded. However, we contacted the environmental health specialist who conducts the water well testing. He stated that the individuals reflected in the receipts marked as void in the receipt log had water tests conducted. He provided us with copies of the results of those test. Therefore, we included the alleged void receipts in our list of discrepancies.

⁷ The handwritten ledger book was only maintained for the water well testing payments. We were informed that the Planning and Zoning Department has decided there is no longer a need to maintain this separate ledger.

⁸ For the water well testing and the food, beverage and lodging receipts, the receipt generated by the County Auditor’s Office did not contain the name or the initials of the person making the deposit.

The results of our review of the water well testing receipts are contained in Attachment C.

D. Undeposited Food, Beverage and Lodging Receipts

Based upon our review, it appears that \$838.18 in funds collected by the Planning and Zoning Department for food, beverage and lodging licenses was not deposited with the Auditor/Treasurer's Office during the time period of 2006 through 2008.

We compared the receipts generated by the Auditor/Treasurer's Office with the receipt log and the pre-numbered receipts. We found a number of discrepancies, including the following:

- Words were entered on the receipt log in the column containing the amount received. As a result, the spreadsheet's automatic summation function did not include the amount when it totaled the amount to be deposited.
- The amount received was recorded in the wrong column on the receipt log, so it was not included when the column containing the amount to be deposited was totaled.

The results of our review of the food, beverage and lodging receipts are contained in Attachment D.

E. Additional Questionable Undeposited Receipts

We also question whether an additional \$4,555.00 in payments recorded in the receipt logs as "void" or "refunded" were actually voided or refunded transactions. As mentioned in Section II.A. of this Report, the receipt log stated a cash payment of \$300 on December 22, 2008, was "void" and the corresponding pre-numbered receipt was crossed out. However, the permit application had been approved. Therefore, we called the person making the \$300 cash payment who informed us that the matter was not voided – he paid \$300 cash.⁹ Because the receipt was not truly void, the \$300 loss was included in Section II.A. of this Report.

We noted several other instances where the word "void" or "refunded" was contained on the receipt logs. In some cases, our review of corresponding documents showed that the matter actually was voided/refunded. However, we believe there are receipts in addition to the December 22, 2008, receipt recorded as voided/refunded that were not actually voided or refunded. In several cases, for example, the only indication that the receipt was voided or refunded was the entry on the electronic receipt log completed by the bookkeeper. We did not contact the people making the allegedly void or refunded

⁹ The payment is Receipt # 6873.

payments because the payments were made over one year ago and we did not want to delay providing the County Attorney with our other findings.

The transactions marked voided or refunded that we consider questionable are contained in Attachment E. The payments where the receipt log is the only indication that the matter was voided or refunded are shaded grey on Attachment E. We recommend that Planning and Zoning Department personnel familiar with the transactions review the transactions to determine whether the matters were actually voided or refunded.

III. Conclusion

Based upon our review, it appears that \$26,663.89 in County funds was not deposited with the County during the time period of January 1, 2006 through December 31, 2008. During the same time period, our review found it questionable whether an additional \$4,555.00 in County funds was deposited with the County.

The County has made changes in the procedures used to process receipts in the Planning and Zoning Department that should prevent similar losses in the future. For example, the deposit sheet provided to the Auditor/Treasurer's Office now contains a copy of the information contained in the receipt log, including whether payment was by cash or check, and the check number. In addition, before the deposit is taken to the Auditor/Treasurer's Office, the deposit sheet is verified by a Planning and Zoning Department employee other than the bookkeeper who prepared the deposit sheet. Finally, if a matter is voided, a reason for the void is provided on the deposit sheet, and a supervisor must initial the void in the receipt book.