



State of Ohio
Office of the Inspector General

THOMAS P. CHARLES, Inspector General

REPORT OF INVESTIGATION

FILE ID NUMBER: 2009268

AGENCY: Ohio Department of Public Safety
Ohio State Highway Patrol

BASIS FOR INVESTIGATION: Agency Referral

ALLEGATIONS: Failure to Establish Adequate Internal Controls,
Failure to Comply With Ohio Law and Regulations

INITIATED: August 11, 2009

DATE OF REPORT: November 3, 2009

EXECUTIVE SUMMARY

File ID No. 2009268

On August 10, 2009, Colonel Richard Collins, then Superintendent of the Ohio State Highway Patrol (“OSHP” or “the Patrol”), provided the Ohio Inspector General’s Office (“OIG”) with a copy of an August 8, 2009 memorandum regarding the Patrol’s General Headquarters Activities Account (“the Activities Account”) written by Assistant Attorney General Zachary Swisher. In the memorandum, which was drafted in response to Colonel Collins’ March 2009 request for legal advice, Assistant Attorney General Swisher addressed several issues regarding the management of the Activities Account as well as the operation of a gift and memorabilia shop at the OSHP Academy. Swisher also recommended that the issues be brought to the attention of the OIG. On August 11, 2009, Colonel Collins met with the Inspector General to request that the OIG look into the Activities Account’s operations. Thus, the OIG initiated an investigation on August 11, 2009. The scope of the investigation was subsequently expanded to address allegations that Colonel Collins received \$167.61 in meal reimbursements during 2007 and a \$183.05 meal reimbursement in 2008 through the Activities Account, but failed to list the Activities Account as a source of payment on his Ohio Ethics Commission disclosure statements.

Based upon our investigation, we find a lack of financial management with respect to the Activities Account (which is a state-managed account containing non-public monies) as well as the absence of internal controls in the Academy store’s operations. Specifically, OSHP failed to implement policies and procedures regarding oversight of the account and operation of the store; indeed, Captain David Dicken, the officer assigned to oversee OSHP’s fiscal matters, eliminated existing internal controls for Academy store operations. Second, we find that OSHP failed to maintain sales records or documentation of the amount of money transferred from the store to Dicken for deposit into the Activities Account, consistently pay sales tax to suppliers, manage the inventory, perform financial audits of the bank account, and prevent the commingling of “pass-through” and

store deposits. Third, we find that OSHP improperly destroyed records that were critical in this investigation. Finally, we find that Colonel Collins failed to list the Activities Account as a source of payment for meals on his 2007 and 2008 Financial Disclosure Statements as required by Ohio law.

TABLE OF CONTENTS

	Page
I. BASIS FOR INVESTIGATION.....	1
II. ACTION TAKEN IN FURTHERANCE OF INVESTIGATION.....	1
III. DISCUSSION	2
<i>Allegation 1: OSHP failed to exercise proper financial management over the Activities Account or implement adequate internal controls with respect to the Academy store's operations.</i>	
<i>Allegation 2: Colonel Collins failed to list the Activities Account as a source of payment for meals on his 2007 and 2008 Financial Disclosure Statements as mandated by Ohio law.</i>	
IV. OTHER MATTERS.....	11
V. CONCLUSION	11
VI. RECOMMENDATIONS	12
VII. REFERRALS	13
 EXHIBITS	
A. April 15, 2009 Memorandum to Director Henry Guzman Re: "Gratis" Lapel Pins	
B. Fiscal Systems Review	
C. March 2009 Written Recommendations Re: Academy Store Operations	

I. BASIS FOR INVESTIGATION

On August 10, 2009, Colonel Richard Collins, then Superintendent of the Ohio State Highway Patrol (“OSHP” or “the Patrol”), provided the Ohio Inspector General’s Office (“OIG”) with a copy of an August 8, 2009 memorandum regarding the Patrol’s General Headquarters Activities Account (“the Activities Account”) written by Assistant Attorney General Zachary Swisher. In the memorandum, which was drafted in response to Colonel Collins’ March 2009 request for legal advice, Assistant Attorney General Swisher addressed several issues regarding the management of the Activities Account as well as the operation of a gift and memorabilia shop at the OSHP Academy. Swisher also recommended that the issues be brought to the attention of the OIG. On August 11, 2009, Colonel Collins met with the Inspector General to request that the OIG look into the Activities Account’s operations. Thus, the OIG initiated an investigation on August 11, 2009. The scope of the investigation was subsequently expanded to address allegations that Colonel Collins received \$167.61 in meal reimbursements in 2007 and a \$183.05 meal reimbursement in 2008 through the Activities Account, but failed to list the Activities Account as a source of payment on his Ohio Ethics Commission disclosure statements.

II. ACTION TAKEN IN FURTHERANCE OF INVESTIGATION

We conducted interviews and examined records regarding the management of the Activities Account and the operation of the Academy store. Such records included bank statements, checks written to and from the Activities Account, and handwritten ledger sheets. In addition, we reviewed Colonel Collins’ Ethics Commission Financial Disclosure Statements for 2007 and 2008.

III. DISCUSSION

Background

OSHP, which is a division of the Ohio Department of Public Safety, is responsible for providing public safety services to Ohioans. Specifically, OSHP provides emergency response and support services to the public and the criminal justice community, promotes traffic safety, investigates criminal activities, and provides security to the Governor and other dignitaries and officials.

Since 1962, OSHP has operated a gift and memorabilia shop at the OSHP Academy. Although this shop (otherwise known as the “Academy store”) only sold candy bars when first established, it now sells various items that bear OSHP’s trademarked logo, such as sweatshirts, T-shirts, baseball caps, key fobs, mugs, and souvenir pocket knives. At present, the Academy store is housed in a small room with a standard door in the rear, a “Dutch” or “stable” door with a top-half that is opened for sales, and shelves for storing merchandise. While the store is not open five days a week, it is opened for special events such as Academy graduations as well as whenever visitors (primarily OSHP retirees) want to make purchases. In addition, high-ranking OSHP officers are authorized to take items from the store for official business that furthers the mission of the Patrol. For example, the OSHP Superintendent can request “gratis” items from the Academy store in order to distribute them to visiting foreign dignitaries or law enforcement officers from other states.¹ OSHP officers also request store items to sell during off-site events such as open houses, promotion ceremonies, and retirement receptions. In a typical year, sales totaling approximately \$50,000.00 to \$60,000.00 are transacted through the Academy store.

Funds from the Academy store are deposited into what is called the “Activities Account.” The Activities Account is a National City checking account that is outside the banking and accounting systems overseen by the State of Ohio Treasurer and the Office of Budget and Management. The Activities Account is not only used as a repository for Academy store revenues, but is also used as a “pass through” account for OSHP functions and events.

¹ Former Ohio Department of Public Safety Director Henry Guzman accepted “gratis” items from the Academy store. As an April 15, 2009 memorandum shows, Guzman requested and received 20 lapel pins so he could take them to a Washington, D.C. conference. (See Exhibit A.)

Specifically, OSHP employees who wish to attend Highway Patrol sponsored functions (such as retirement testimonials or golf outings) write checks to the Activities Account; the funds in the account are then used to pay the costs of the event (such as food and space rental). In addition, the Activities Account has been used to reimburse several OSHP employees (such as Colonel Richard Collins, Lieutenant Colonel William Costas, Lieutenant Colonel Michael Finamore, Major Robert Booker, Major Mark Atkeson, Major Peyton Watts, Major Chris Minter, and Captain Dave Dicken)² for meals and other miscellaneous expenses. (See Exhibit B.) Finally, the Activities Account is used for special Highway Patrol purchases, such as new instruments for the OSHP Drum and Bugle Corps.

Allegation 1: OSHP failed to exercise proper financial management over the Activities Account or implement adequate internal controls with respect to the Academy store's operations.

Since 1999, Lieutenant Dan Greene has been primarily responsible for the operation and management of the Academy store. In this capacity, Lieutenant Greene has performed such functions as ordering items for sale, establishing resale prices to minimize losses and ensure profits based on costs, collecting money received during sales transactions, giving this money to the assigned captain in charge of the overall account management for deposit, providing "gratis" items to senior staff for promotional uses, and working with OSHP employees who staff the Academy store.

From April 2000 until October 2005, retired Major Mark Atkeson (who was then a Captain) worked closely with Lieutenant Greene with respect to Academy store operations. For example, Atkeson ensured that an annual inventory of items in the store was conducted, routinely contacted Greene to request that money be prepared for deposit, required Greene to maintain accurate logs of "gratis" items obtained by OSHP officers, and required Greene to provide a report with each deposit made from the store indicating the number of items sold and the price of each item. Atkeson also met with Lieutenant Greene to discuss the store's inventory, the purchase of additional items, and prices. Finally, Atkeson ensured that financial records were

² Of these individuals, Colonel Collins was the only one who was required to file an annual Financial Disclosure Statement under Ohio law.

maintained. These control measures were not fail-proof. However, they promoted fiscal accountability and, as Atkeson stated, “kept everybody honest.”

In addition, Atkeson implemented an informal policy requiring the Academy store to pay sales tax on items purchased for resale by the store. According to Atkeson, paying sales tax was important in order to distinguish the Activities Account from other OSHP state accounts that were overseen by OBM and the Treasurer of State, and were exempt from sales tax charges. Atkeson reviewed each invoice to ensure sales tax was charged on items purchased from suppliers. If a supplier failed to charge sales tax, Atkeson returned the invoice and requested a new invoice that included a charge for sales tax.

In or around November 2005, Captain Dave Dicken succeeded Atkeson as the officer in charge of OSHP’s fiscal operations, and thus assumed primary responsibility for administering the Activities Account. During the transition, Atkeson turned his Activities Account records over to Dicken. However, at some undetermined point in time, Dicken shredded Atkeson’s Activities Account records for the 2000 – 2005 timeframe as well as Dicken’s own Activities Account records from November 2005 through June 2006. Although Dicken could not remember the exact date, he claimed that he destroyed the documents in accordance with the regular retention schedule for public records.

As the officer who was responsible for administering the Activities Account, Dicken deposited Academy store funds and “pass through” checks into the checking account, balanced the checkbook, and paid outstanding bills once or twice every month.³ Unlike Atkeson, Dicken was not involved in determining the price of store merchandise or even keeping track of the prices. Similarly, Dicken did not continue Atkeson’s informal policy regarding the payment of sales tax on items purchased for resale. Finally, Dicken ceased the practice of conducting annual store inventories, routinely contacting Greene to request that funds be prepared for deposit, and

³ Currently, only three individuals have access to the National City account for purposes of withdrawals, deposits, and check writing: Captain Dicken, Lieutenant Carl Roark, and Major Peyton Watts. Beginning in or around 2005, Dicken’s signature was the primary signature appearing on checks drawn on the Activities Account.

requiring reports from the Academy store outlining the number of items sold and the items' prices. Dicken's rationale for stopping these measures was that they were ineffective in tracking the amount of sold items because of the "leaks in the system" (e.g., the number of individuals who took merchandise for open houses and other OSHP-related activities, but failed to return the unsold items). However, by his own admission, Dicken did not implement *new* measures to correct the "leaks in the system."

Because of Dicken's decision to do away with the internal controls that were previously in place, Amy Johnson and Melinda Montenaro, the two OSHP employees who staffed the Academy store for the last two years, did not inventory store items or keep track of how much merchandise was sold each month. Moreover, because the store's cash register was broken, Ms. Johnson and Ms. Montenaro could not even track the number of items sold each day; they used the cash register solely as a "drawer" for storing the money. When the cash register became too full, Ms. Johnson and Ms. Montenaro placed the money in a locked safe. Sporadically, Johnson and Montenaro would count the money in the safe; after doing so, they would telephone Lieutenant Greene so he could retrieve the funds. Greene, in turn, would telephone Captain Dicken, who would come to the Academy and get the funds from Greene. Neither Greene nor Dicken signed receipts verifying the amounts of money they received. Furthermore, the Academy store staff did not maintain records of the amount of revenue turned over to Dicken for deposit purposes, thereby preventing comparisons of "revenue for deposit" to "actual revenue deposited." During Dicken's oversight of the Activities Account, the number of bank deposits dropped significantly between Fiscal Year ("FY") 2007 to FY 2009 (July 1, 2006 through June 30, 2009); there were 40 deposits in FY 2007, 28 deposits in FY 2008, and 23 deposits in FY 2009. Insufficient records exist to account for lost, stolen, or misused inventory from the Academy store. Similarly, there are insufficient records to determine whether any funds were lost, stolen, or misused from the time the money was collected by store personnel to the time Dicken deposited the money.

According to Colonel Collins, soon after becoming the Superintendent, he began to ask questions about the Activities Account and Academy store operations as he became more familiar with

OSHP's overall financial status. Collins relied on Captain Dicken, as the officer in charge of OSHP's fiscal operations, to provide accurate information and raise any concerns about the OSHP's general financial status as well as about the Activities Account and the Academy store. As Colonel Collins continued to review the Activities Account in more detail, his concerns regarding the overall management of the account and the Academy store increased. In January of 2009, the Superintendent's Office became particularly concerned about the absence of accountability and controls in Academy store operations. Most notably, individuals were taking "gratis" items from the store without proper justification or documentation. These concerns came to a head between February and March 2009, when Amy Johnson, one of the OSHP employees who staffed the Academy store, shredded a log documenting "gratis" items given to OSHP officers and other ODPS employees since 1986. According to Johnson, she destroyed the "gratis" log during routine housekeeping of the Academy store because she thought it was no longer needed.

From January to March 2009, the Superintendent's Office examined the Academy store's operations, meeting with Greene, Amy Johnson, and Melinda Montenaro. As a result of this review, the Superintendent's Office prepared a written memorandum outlining several recommendations. (See Exhibit C.) During a March 22, 2009 meeting attended by Colonel Collins, Lt. Colonel William Costas, Major Peyton Watts, and Captain Dicken, Collins' administrative assistant, Melanie Schropp, presented the written proposal. However, Captain Dicken suggested that OSHP obtain a legal opinion from the Ohio Attorney General's Office before carrying out the recommendations in the written proposal. Although a decision was made not to implement the recommendations pending an opinion from the Attorney General's Office, the Superintendent's Office still made two suggestions for improving Academy store operations in the interim: 1) limit the number of individuals who have access to the store's inventory after hours; and 2) require Lt. Greene to complete an "HP-74" inventory control handling form stating exactly how much money was retrieved from the store safe and handed to Greene and Dicken each month, and further require both men to acknowledge receipt of the money by signing the HP-74. Although the first suggestion to limit access to store inventory was implemented, use of the HP-74 form to track the funds did not occur.

On August 8, 2009, Assistant Attorney General Swisher provided a memorandum in response to OSHP's request for legal advice. In the memorandum, Swisher stated that the funds generated by the Academy store could be managed as either public or private funds, but OSHP had to make a clear choice and operate the store accordingly. With regard to the Activities Account, Swisher wrote, in relevant part, "The rules and procedures associated with the management of the GHQ Activities Account are not sufficiently clear to protect the OSP [*i.e.*, the Highway Patrol] from suggestions that the funds in the Account are not properly managed and expended. Also, it is possible that some funds have been used in ways which do not comply with Ohio's ethics laws..." At the end of the memorandum, Swisher recommended that OSHP bring the matters in question to the attention of the OIG.

Based upon all of the evidence, we find that there was a lack of sound fiscal management over the Activities Account, which was a state-managed account containing non-public monies.⁴ We further find that there was a lack of adequate internal controls for Academy store operations. Specifically, OSHP discontinued and/or failed to implement policies and procedures regarding oversight of the account and operation of the store, maintain sales records or documentation of the amount of money transferred from the store for deposit into the Activities Account, consistently pay sales tax to suppliers, manage the inventory, perform financial audits of the bank account, and prevent the commingling of pass-through and store deposits. (See Exhibit B for greater detail.)

Further, our investigation determined that OSHP destroyed financial records that were critical in assessing the management of the Academy store and the Activities Account. Specifically, Captain Dicken shredded Activities Account records, and Amy Johnson shredded the "gratis" log.⁵ OSHP indicated that the records were destroyed "pursuant to the regular retention schedule

⁴ Although it did not contain public monies, we believe that the Activities Account was a state-managed account because state employees oversaw and operated the account during work time and on state premises, and the account was used for OSHP-sanctioned activities, functions, and meal reimbursements.

⁵ It is unclear why Dicken would destroy the Activities Account records when Atkeson indicated that the documents had been retained for years and could be kept indefinitely because "there was space for them." Similarly, it is

for public records.” However, DAS’ General Records Retention Schedule states that such documents as petty cash records, bank deposit slips, ledgers, and statements, and cancelled checks must be retained “until audited by [the] Auditor of State and [an] audit report is released and all discrepancies are resolved,” and only destroyed thereafter. Since there is no evidence that the Activities Account or the Academy store were audited by the Auditor of State, OSHP’s destruction of the records was improper, not to mention highly suspicious.

Accordingly, we find that wrongful acts or omissions occurred with respect to OSHP’s failure to exercise sound financial management over the Activities Account, failure to implement proper internal controls in the Academy store’s operations, and destruction of records pertaining to the Activities Account and the Academy store.

Allegation 2: Colonel Collins failed to list the Activities Account as a source of payment for meals on his 2007 and 2008 Financial Disclosure Statements as mandated by Ohio law.

Pursuant to Ohio Revised Code §102.02, certain categories of public officials and employees are required to file annual Financial Disclosure Statements with the Ohio Ethics Commission. “The purposes of the financial disclosure requirement are to remind public officials of financial interests that may conflict with their duties and to assist citizens and the three ethics agencies in monitoring the areas of potential conflict of interest of public officials. Public disclosure serves as a deterrent to public officials considering activity that may result in a conflict.”⁶ Accordingly, each filer of a Financial Disclosure Statement must report such information as sources of income, meals and beverages, gifts over a specified amount, and travel expenses; the names of immediate family members; names under which filers and immediate family members do business; investments; creditors; debtors; and real estate interests. Colonel Collins was appointed to the position of OSHP Superintendent in 2007, and was required to file annual Financial Disclosure Statements for 2007 and 2008.

unclear why Johnson would suddenly destroy the “gratis” log (a one-inch thick stack of documents that was not taking up excessive space and had been in existence for twenty-three years) during housekeeping.

⁶ See the Ohio Ethics Commission’s “What Is A Financial Disclosure Statement?” Fact Sheet, which can be accessed at the following link: http://www.ethics.ohio.gov/FDS_WhatIs.html.

The 2007 and 2008 Financial Disclosure forms contained clear instructions regarding the disclosure of sources of meals, food, and beverages. Specifically, the forms require filers to list any source of payment of expenses for meals, food or beverages received in connection with official duties “if the source paid for more than one hundred dollars (\$100) of meals, food, or beverages” that year. The forms state that a filer is not required to list any person or entity that provided meals, food, or beverages: 1) “in connection with a meeting at which [the filer] participated in a panel, seminar, or speaking engagement”; and 2) “[a]t a meeting or convention of a national or state organization to which any state agency, legislative agency, state institution of higher education, political subdivision, or office or agency of a political subdivision, pays membership dues.”

On or about July 13, 2007, OSHP Major Lisa Taylor was seriously injured in an off-duty motorcycle accident near Wheeling, West Virginia. In order to support Major Taylor and visit her in the hospital, Colonel Collins, Lieutenant Colonel Michael Finamore, and Major Chris Minter flew to West Virginia in an OSHP helicopter. During their visit, Colonel Collins, Lieutenant Colonel Finamore, and an unnamed West Virginia State Police corporal who escorted the three OSHP officers during their trip had dinner. According to Colonel Collins, Lieutenant Colonel Finamore offered to pick-up the check and seek reimbursement through the Activities Account, stating that this was a proper use of the account. However, Colonel Collins paid the bill, which totaled \$30.11. Upon his return to Columbus, he obtained reimbursement of the \$30.11 through the Activities Account.

Colonel Collins also received other Activities Account reimbursements both before and after the July 13, 2007 trip to West Virginia; in total, Colonel Collins was reimbursed for \$167.61 in meals during 2007. (See Exhibit B.) On November 17, 2008, Colonel Collins picked up the “tab” for six other individuals who joined him for dinner at a restaurant after an Academy Leadership Training; he subsequently obtained reimbursement in the amount of \$183.05 for this dinner. (See Exhibit B.) This \$183.05 check was Colonel Collins’ sole reimbursement during 2008.

Colonel Collins claimed that his Activities Account meal reimbursements for 2007 did not exceed \$100.00 because of certain exemptions under Ohio law, and that he did not have to list the Activities Account as a source of payment on his Financial Disclosure Statement. Specifically, Colonel Collins stated that he did not have to count the \$57.50 meal reimbursement for a June 12, 2007 FBI leadership dinner sponsored by the *Columbus Dispatch* because it was connected to a meeting or convention of a national or state organization to which OSHP paid membership dues. Colonel Collins also stated that he did not have to count the \$20.00 meal reimbursement for an October 27, 2007 Retirees Association Annual Meeting because he gave a presentation during the meeting.

However, Colonel Collins' interpretation is incorrect. The exceptions cited by Colonel Collins would only have applied when the food, meals, and beverages were provided by a source: 1) in connection with a meeting at which he spoke or participated on a panel; or 2) at a meeting or convention of a national or state organization to which OSHP paid membership dues. In this case, Collins was not provided meals under either scenario; he was *reimbursed* for them via the Activities Account. Because the total amount of meal reimbursements for 2007 was \$167.61, the Activities Account should have been listed as a source of payment on that year's Financial Disclosure Statement. Similarly, the Activities Account should have been listed as a source of payment on Colonel Collins' 2008 Financial Disclosure Statement because of the \$183.05 post-Leadership training meal reimbursement.⁷ Collins' failure to do so violated Ohio law.

Accordingly, we find that wrongful acts or omissions occurred in this instance.

⁷ Admittedly, the \$183.05 post-Leadership training meal reimbursement, like the \$30.11 reimbursement for the dinner in West Virginia, covered meals that Colonel Collins did not eat; he paid for the meals of colleagues and sought repayment through the Activities Account. However, such fact is irrelevant; regardless of whether or not the Colonel actually ate all of the meals for which he was reimbursed, he still received more than \$100.00 in meal reimbursements via the Activities Account for both 2007 and 2008.

IV. OTHER MATTERS

During our investigation, we discovered that the Academy store was not paying sales tax to its suppliers on a consistent basis, or collecting sales tax from customers. In addition, the Academy store does not have a vendor's license required to make retail sales. OSHP/ODPS and the Ohio Department of Taxation must determine the appropriate course of action with respect to sales tax-related issues and the need to obtain a vendor's license.

V. CONCLUSION

“An entity's internal controls consist of policies and procedures established by management to provide reasonable assurance that specific operational objectives will be achieved. These policies establish the authorization level for financial and operational transactions to be executed and set the tone for management's commitment to the accomplishment of their goals and professional and statutory requirements. Additionally, the documentation of policies represents the initiation point for the development and implementation of control procedures which provide specific direction for consistent and timely processing of financial and operational transactions.”⁸

We find a lack of financial management with respect to the Activities Account as well as the absence of internal controls in the Academy store's operation. Specifically, OSHP failed to implement policies and procedures regarding oversight of the account and operation of the store, maintain sales records or documentation of the amount of money transferred from the store for deposit into the Activities Account, consistently pay sales tax to suppliers, manage the inventory, perform financial audits of the bank account, and prevent the commingling of “pass-through” and store deposits. We further find that OSHP improperly destroyed records that were critical to our investigation. Finally, we find that Colonel Collins failed to list the Activities Account as a source of payment for meals on his 2007 and 2008 Financial Disclosure Statements as required by Ohio law.

⁸ See Auditor of State's July 23, 2003 Ohio State School for the Blind Management Letter.

VI. RECOMMENDATIONS

Based upon the results of this investigation, we make the following recommendations and ask that OSHP respond to this Office within the next sixty (60) days with a plan stating how these recommendations will be implemented:

1. OSHP should establish clear guidelines regarding the organizational structure/hierarchy for managing the Activities Account and operating the Academy store, as well as the duties and responsibilities of OSHP employees involved in both endeavors.
2. OSHP should establish written policies and procedures governing the management of the Activities Account and the operation of the Academy store. These written policies and procedures should address such issues as the collection of revenue from the store, “pass through” events, and other sources, as well as the proper accounting and safeguarding of revenue from collection to deposit. (See also Exhibit B.)
3. OSHP should establish a mechanism for conducting audits of the Activities Account and Academy store on an annual basis. Such audits should include, but not be limited to, a review of Activities Account revenues and expenses, a financial reconciliation of all Activities Account “pass through” events, and a review of the Academy store’s financial records and inventory.
4. OSHP should review the use of “gratis” Academy store merchandise and establish written policies and procedures governing such use.
5. If OSHP decides to continue the use of the Activities Account for “pass through” events, it should establish written policies and procedures governing such use and maintain a detailed financial reconciliation of all events that use the Activities Account in this manner.

6. OSHP should develop a plan for ensuring that any and all records pertaining to the management of the Activities Account and the operation of the Academy store are retained in accordance with the applicable state retention schedules.
7. OSHP/ODPS should review all ethics laws and regulations governing the use of the Activities Account (including, but not limited to, reporting sources of payment for meals and travel expenses on annual Financial Disclosure Statements) and ensure that employees comply with such ethics requirements.

VII. REFERRALS

A copy of this report has been forwarded to the Ohio Ethics Commission for any action deemed appropriate. A copy of this report has also been forwarded to the Ohio Department of Taxation for a determination of how the Academy store's sales tax and vendor licensing issues should be resolved. Finally, copies of this report have been forwarded to the Office of Budget and Management and the Treasurer of State's Office for the purpose of determining whether statutory authority enabling OSHP to operate the Activities Account within the state's banking and accounting systems should be sought.

EXHIBITS

EXHIBIT A

HP 22
10-0128.00
OHP 0128
Rev. 04/07/04

INTER-OFFICE COMMUNICATION

Date April 15, 2008



File 1-EQU

To Director H. Guzmán Attention _____

From Colonel R. H. Collins, Superintendent

Subject Lapel Pins

Enclosed are the 20 Highway Patrol lapel pins that you requested for your trip to Washington, D.C.

RHC/mss

*An internationally accredited agency whose mission is to protect life and property,
promote traffic safety and provide professional public safety services with respect, compassion, and unbiased professionalism.*



State of Ohio
Office of the Inspector General

THOMAS P. CHARLES, Inspector General

FISCAL SYSTEMS REVIEW

FILE ID NUMBER: 2009268

AGENCY: Ohio Department of Public Safety
Ohio State Highway Patrol

SUBJECT OF REVIEW: General Headquarters Activities Account

DATE OF REPORT: November 3, 2009

The following is a report summarizing the results of a fiscal systems review of the Ohio State Highway Patrol's "General Headquarters Activities Account." This report includes a review of records covering the period of July 1, 2006 – September 30, 2009. Additional review was performed for the period of July 1, 2003 – June 30, 2006, and is included in this report. This report is not intended to be an audit, but is a systematic review of the aforementioned account for Investigation No. 2009268.

Prepared by: Jared M. Rex
Audit Specialist
Ohio Inspector General's Office

TABLE OF CONTENTS

	Page
I. BACKGROUND AND SCOPE.....	1
II. PROCEDURES PERFORMED AND PRESENTATION OF FISCAL DATA.....	1
III. CONCLUSIONS	12

I. BACKGROUND AND SCOPE

We conducted a review of the Ohio State Highway Patrol (“OSHP”) General Headquarters Activities Account (the “Activities Account”). The scope of this review was to develop an understanding of the purpose of the Activities Account; ascertain the availability and content of all records maintained for the Activities Account; analyze all associated financial transactions, including the operations of the OSHP Academy store; and document and analyze the fiscal processes associated with the operations of the Activities Account.

II. PROCEDURES PERFORMED AND PRESENTATION OF FISCAL DATA

Review of the Ohio State Highway Patrol Activities Account for the period of March 3, 2003 through June 30, 2006

As part of the review of the Activities Account, all records associated with the Account were requested. It was noted by OSHP that all records prior to July 1, 2006 had been destroyed and were not available for review. On Monday, August 31, 2009, OIG staff conducted an inventory of items available for sale at the OSHP Academy store. During the course of that inventory, OIG staff discovered a hand-written receipt book that appeared to record Academy store revenue that was intended for deposit into the Activities Account for the period of March 3, 2003 through September 27, 2005. Accordingly, the OIG subpoenaed Activities Account bank records for the period of March 1, 2003 through June 30, 2006. We attempted to match the receipts to the corresponding deposits into the Activities Account. (See Page 3.) The results of that review indicated that six deposits were short a total of \$1,062.00. Because OSHP destroyed the records (*e.g.*, inventory, sales receipts, calculator tapes) for this time period, it is not possible to conclusively validate the accuracy of the entries in the receipt book. Although we are not necessarily alleging that Academy store funds were stolen or misused prior to being deposited, the possibility certainly exists. We also noted a wide divergence in the time periods that Academy store funds were held before they were actually deposited in the Activities Account, ranging from the same day to 38 days. The average number of days from receipt to deposit was 12 days.

In addition, we reviewed Activities Account cancelled checks obtained from National City via subpoena for the period of January 1, 2006 through June 30, 2006. The following individuals were identified as receiving reimbursements during that period. Because of the lack of records maintained by OSHP, it is not possible to determine the reason for those reimbursements.

**Schedule of Individual Reimbursements
January 1, 2006 - June 30, 2006**

01/06/06	2741	P. L. Watts	\$ 66.33
02/22/06	2746	Christopher Minter	\$ 48.65
03/21/06	2753	Michael Finamore	\$ 240.26
03/29/06	2754	Michael Finamore	\$ 86.44
05/15/06	2762	Sylvia Martinez	\$ 81.61
05/19/06	2766	Sylvia Martinez	\$ 23.77

Reconciliation of Academy Store Receipt Book to Bank Deposits

Receipt Book #	Receipt Date	Receipt Book Amount	Bank Deposit Date	Bank Deposit Amount	Days until Bank Deposit	Identified Shortage
212701	3/3/2003	\$ 3,911.00	3/13/2003	\$ 3,911.00	10	
212702	3/3/2003	\$ 1,490.00	3/13/2003	\$ 1,490.00	10	
212703	4/1/2003	\$ 3,119.00	4/9/2003	\$ 3,119.00	8	
212704	4/29/2003	\$ 3,458.00	5/9/2003	\$ 3,458.00	10	
212705	5/7/2003	\$ 3,658.00	5/9/2003	\$ 3,658.00	2	
212706	5/19/2003	\$ 2,340.00	6/18/2003	\$ 2,340.00	30	
212707	6/13/2003	\$ 2,335.00	6/18/2003	\$ 2,335.00	5	
212708	7/14/2003	\$ 1,913.00	7/23/2003	\$ 1,913.00	9	
212709	7/16/2003	\$ 1,431.00	7/23/2003	\$ 1,431.00	7	
212710	8/11/2003	\$ 3,442.00	9/18/2003	\$ 3,442.00	38	
212711	Missing Receipt					
212712	9/12/2003	\$ 3,230.00	9/18/2003	\$ 3,230.00	6	
212713	10/8/2003	\$ 1,727.00	Appears to be commingled with other deposits			
212714	10/15/2003	\$ 3,215.00	10/27/2003	\$ 3,215.00	12	
212715	10/27/2003	\$ 3,000.00	Appears to be commingled with other deposits			
212716	11/5/2003	\$ 2,241.00	Appears to be commingled with other deposits			
212717	11/11/2003	\$ 1,986.00	12/8/2003	\$ 1,886.00	27	\$ (100.00)
212718	11/21/2003	\$ 1,771.18	12/8/2003	\$ 1,771.18	17	
212719	12/9/2003	\$ 3,340.00	12/9/2003	\$ 3,340.00	0	
212720	Missing Receipt					
212721	12/23/2003	\$ 2,892.00	Appears to be commingled with other deposits			
212722	1/22/2004	\$ 1,645.00	2/4/2004	\$ 1,645.00	13	
212723	3/18/2004	\$ 3,530.00	4/1/2004	\$ 3,330.00	14	\$ (200.00)
212724	3/25/2004	\$ 2,066.00	4/1/2004	\$ 2,066.00	7	
212725	3/29/2004	\$ 3,021.00	4/1/2004	\$ 3,021.00	3	
212726	4/21/2004	\$ 3,858.00	4/29/2004	\$ 3,858.00	8	
212727	5/4/2004	\$ 2,235.00	5/12/2004	\$ 2,235.00	8	
212728	6/2/2004	\$ 4,486.00	6/8/2004	\$ 4,486.00	6	
212729	6/29/2004	\$ 5,810.00	7/1/2004	\$ 5,610.00	2	\$ (200.00)
212730	8/18/2004	\$ 4,223.00	8/31/2004	\$ 4,201.00	13	\$ (22.00)
212731	Store Receipt for purchase of 2 hats					
212732	9/24/2004	\$ 4,512.00	10/21/2004	\$ 4,512.00	27	
212733	10/15/2004	\$ 3,537.00	11/12/2004	\$ 3,537.00	28	
212734	11/1/2004	\$ 3,088.00	11/12/2004	\$ 3,088.00	11	
212735	Receipt Illegible					
212736	12/2/2004	\$ 4,970.00	12/8/2004	\$ 4,979.00	6	
212737	12/18/2004	\$ 3,440.00	1/11/2005	\$ 3,440.00	24	
212738	1/6/2005	\$ 2,899.00	1/11/2005	\$ 2,379.00	5	\$ (520.00)
212739	2/14/2005	\$ 4,309.00	2/17/2005	\$ 4,309.00	3	
212740	3/8/2005	\$ 2,450.00	3/15/2005	\$ 2,450.00	7	
212741	3/15/2005	\$ 1,850.00	4/5/2005	\$ 1,830.00	21	\$ (20.00)
212742	4/6/2005	\$ 2,300.00	4/11/2005	\$ 2,300.00	5	
212743	4/19/2005	\$ 1,524.00	4/26/2005	\$ 1,524.00	7	
212744	5/4/2005	\$ 1,964.00	5/19/2005	\$ 1,964.00	15	
212745	5/18/2005	\$ 1,881.00	5/19/2005	\$ 1,881.00	1	
212746	5/26/2005	\$ 1,553.00	6/10/2005	\$ 1,553.00	15	
212747	6/1/2005	\$ 1,430.00	6/10/2005	\$ 1,430.00	9	
212748	7/28/2005	\$ 2,903.00	8/17/2005	\$ 2,903.00	20	
212749	8/16/2005	\$ 2,688.00	8/17/2005	\$ 2,688.00	1	
212750	9/27/2005	\$ 2,966.00	10/6/2005	\$ 2,966.00	9	
Total						\$ (1,062.00)

Review of the Ohio State Highway Patrol Activities Account for the period of July 1, 2006 through June 30, 2009

The records that were initially provided to the Office of the Inspector General included a binder representing three fiscal years beginning with July 1, 2006. Each binder included 5 sections:

1. A handwritten ledger that included a record of revenue and expenses and a running balance of the Activities Account.
2. Copies of supporting documentation related to expenses.
3. A handwritten ledger that included a record of a petty cash fund along with copies of supporting documentation.
4. Copies of supporting documentation related to deposits into the Activities Account.
5. Copies of bank statements.

The documents provided were well organized and legible, but excluded a detailed record of revenue associated with the Academy store.

A review of the monthly reconciliation of the bank account revealed no problems.

Financial statements were not prepared for the Activities Account. Therefore, in an attempt to better present the transactions associated with this account, we placed them in the following categories:

1. Academy Store – Includes all expenses for items purchased for resale in the Academy store and deposits into the Activities Account that are attributed to the Academy store.
2. “Pass Through” – Includes identified revenue and associated expenses for events such as golf outings, retirement dinners and ring sales where the Activities Account served as a central collection point for funds associated with these events. The intent is that the revenue paid by individuals covers the costs of the events.
3. Miscellaneous - Includes expenses that were paid out of the Activities Account to assist with the mission of the OSHP.
4. Petty Cash – The OSHP operated a petty cash fund. A discussion of the funds that were placed into the petty cash fund from the Activities Account is set forth on page 7.
5. Individual Reimbursement – Includes direct reimbursements to individuals; a detailed discussion of these expenses is set forth on page 8.
6. Band Instruments – In FY 2008 (July 1, 2007 – June 30, 2008), the OSHP purchased band instruments out of the Activities Account, and solicited a donation to offset the cost of those instruments.

FY 2007 Statement of Revenue, Expenses, and Fund Balance**OSHP Activities Account**

	Revenue	Expenses	Net
Beginning Balance			\$ 10,460.15
Academy Store	\$ 60,267.00	\$ (44,483.09)	\$ 15,783.91
Pass Through	\$ 13,860.00	\$ (13,870.45)	\$ (10.45)
Miscellaneous	\$ -	\$ (2,483.02)	\$ (2,483.02)
Petty Cash	\$ -	\$ (250.00)	\$ (250.00)
Individual Reimbursement	\$ -	\$ (1,117.51)	\$ (1,117.51)
Total	\$ 74,127.00	\$ (62,204.07)	
June 30, 2007 Balance			<u>\$ 22,383.08</u>

FY 2008 Statement of Revenue, Expenses, and Fund Balance**OSHP Activities Account**

	Revenue	Expenses	Net
Beginning Balance			\$ 22,383.08
Academy Store	\$ 58,491.58	\$ (57,003.07)	\$ 1,488.51
Pass Through	\$ 2,024.00	\$ (2,010.80)	\$ 13.20
Miscellaneous	\$ -	\$ (4,850.30)	\$ (4,850.30)
Band Instruments	\$ 8,500.00	\$ (17,149.23)	\$ (8,649.23)
Petty Cash	\$ 35.52	\$ (950.00)	\$ (914.48)
Individual Reimbursement	\$ -	\$ (91.11)	\$ (91.11)
Total	\$ 69,051.10	\$ (82,054.51)	
June 30, 2008 Balance			<u>\$ 9,379.67</u>

FY 2009 Statement of Revenue, Expenses, and Fund Balance**OSHP Activities Account**

	Revenue	Expenses	Net
Beginning Balance			\$ 9,379.67
Academy Store	\$ 48,566.00	\$ (42,091.61)	\$ 6,474.39
Pass Through	\$ 8,288.49	\$ (8,460.94)	\$ (172.45)
Miscellaneous	\$ 2,212.00	\$ (4,875.80)	\$ (2,663.80)
Petty Cash	\$ -	\$ -	\$ -
Individual Reimbursement	\$ -	\$ (813.13)	\$ (813.13)
Total	\$ 59,066.49	\$ (56,241.48)	
June 30, 2009 Balance			<u>\$ 12,204.68</u>

Academy Store

The OSHP operates a “store” at the Academy facility. Various items are available for purchase ranging from key fobs and coffee mugs to hats and T- shirts. As part of our review we requested documents pertaining to the activities of the Academy store, such as records of individual sales transactions, records of revenue and deposits, inventory sheets, item price lists, reconciliation of off-site sales events, and listing of items used for “gratis” purposes. For the period of July 1, 2006 – June 30, 2009, the Academy store did not provide any records with the exception of a current item price list. For the purposes of this review we examined paid invoices and total deposits that were recorded in the financial ledgers of the Activities Account. Because of the lack of records related to the operations of the Academy store a detailed analysis of its operations is not possible, nor is it possible to review the accuracy or reasonableness of attributed revenue. Consequently, the following is presented for informational purposes only.

Academy Store Revenue vs. Inventory Expense					
	Actual Receipts from Store	Expenses for Inventory	Variance	%	
FY 2007	\$ 60,237.00	\$ 47,489.62	\$ 12,747.38	26.8%	
FY 2008	\$ 58,491.58	\$ 58,256.86	\$ 234.72	0.4%	
FY 2009	\$ 51,625.00	\$ 42,091.61	\$ 9,533.39	22.6%	
Total	\$ 170,353.58	\$ 147,838.09	\$ 22,515.49	15.2%	

Number of Items Purchased for Inventory	
FY 2007	10,330
FY 2008	12,067
FY 2009	10,093

We noted that revenues decreased from FY 2007 through FY 2009 while expenses for inventory showed an overall increase. We also noted that sales tax was not collected on the sale of items in the Academy store. A review of store inventory purchases indicated that sales tax was paid inconsistently to various vendors.

“Pass Through”

The Activities Account was used as a “pass through” for various events from July 1, 2006 – June 30, 2009. These events included the purchase of security badges for the 2009 Presidential Inauguration, OSHP awards dinners and ceremonies, retirement dinners, golf outings, and the purchase of T-shirts for OSHP volunteers at a Special Olympics program. The revenue and expenses associated with these events appeared to offset each other with minor deviation.

Petty Cash

The officer responsible for the Activities Account maintained a petty cash fund that appeared to be used for the reimbursement of miscellaneous individual expenses. A schedule of petty cash disbursements is as follows:

Schedule of Petty Cash Disbursements July 1, 2006 - June 30, 2009			
10/06/06	Sylvia Martinez	\$ 220.00	Door Prizes for Golf Outing
01/12/07	LTC Finamore	\$ 25.00	Meal Reimbursement
04/12/07	LTC Finamore	\$ 8.00	Parking Reimbursement
05/02/07	LTC Finamore	\$ 2.00	Parking Reimbursement
05/07/07	LTC Finamore	\$ 5.00	Parking Reimbursement
05/23/07	LTC Finamore	\$ 2.00	Parking Reimbursement
07/27/07	Sylvia Martinez	\$ 146.34	Food for Staff & Command
10/15/07	Sylvia Martinez	\$ 230.09	Door Prizes and Food for Golf Outing
10/17/07	Col. Collins	\$ 40.00	Meal Reimbursement
10/23/07	S. Lt. Lance Mathews	\$ 22.00	Meal Reimbursement
10/23/07	Sylvia Martinez	\$ 168.73	Food for Staff and Command
10/24/07	Col. Collins	\$ 20.00	Meal Reimbursement
11/03/07	Laura Moulene	\$ 28.45	Meal Reimbursement
01/17/08	Capt. Dicken	\$ 2.56	Postage
05/19/08	Sylvia Martinez	\$ 200.00	Food for Staff and Command
05/20/08	Capt. Dicken	\$ 0.60	Postage
09/26/09	Sylvia Martinez	\$ 50.00	Deposit to restaurant for Staff & Command

Individual Reimbursement

Various OSHP employees received reimbursement from the Activities Account. A schedule of those reimbursements and the associated descriptions is set forth below:

Schedule of Individual Reimbursements July 1, 2006 - June 30, 2009

10/06/06	2795	Major Peyton Watts	\$ 240.11	Meal Reimbursement
11/06/06	2802	Sylvia Martinez	\$ 50.24	Food for Staff and Command
11/06/06	2803	Capt. D.W. Dicken	\$ 65.00	Food for Staff and Command
11/29/06	2811	Maj. Robert Booker	\$ 30.00	Event Reimbursement
12/13/06	2817	Major M.R. Atkeson	\$ 62.04	Meal Reimbursement
01/09/07	2825	LTC William Costas	\$ 201.40	Meal Reimbursement
04/24/07	2845	LTC Finamore	\$ 324.02	Meal Reimbursement
05/31/07	2850	LTC Finamore	\$ 62.20	Meal Reimbursement
06/14/07	2854	Col. Collins	\$ 57.50	Event Reimbursement
07/31/07	2863	Col. Collins	\$ 30.11	Meal Reimbursement
09/25/07	2873	Col. Collins	\$ 20.00	Event Reimbursement
02/22/08	2903	Major Mark Atkeson	\$ 41.00	Meal Reimbursement
07/24/08	2942	Kathy Mahl	\$ 488.53	Meal Reimbursement
08/13/08	2945	Major C.K. Minter	\$ 127.35	Meal Reimbursement
12/02/08	2964	Richard Collins	\$ 183.05	Meal Reimbursement
12/17/08	2969	Lt. Roark	\$ 14.20	Fee for Money Order

Miscellaneous

This category included expenses related to the annual awards banquet, the annual Christmas card mailing, recognition items for OSHP award winners, conference or event fees for OSHP guests, and flowers for hospitality purposes. Expenditures appeared to be related to the mission of the OSHP with one exception. On November 1, 2006, the Activities Account was used to purchase beer totaling \$96.12 from the "Flag Center Carryout"; the beer was for an OSHP Staff and Command meeting.

Review of the Ohio State Highway Patrol Activities Account for the period of July 1, 2009 through September 30, 2009

The review of this period included the account and petty cash ledgers, along with the associated expense and revenue documentation. We also reviewed the bank statements for this period.

We noted that there was no activity in the petty cash account for this period. The regular account had the following activity:

FY 2010 Statement of Revenues and Expenses OSHP Activities Account	
Beginning Balance 7/1/09	\$12,204.68
Academy Store Deposits	\$10,395.00
Miscellaneous Revenue	\$50.00
Postage Expense	(\$273.36)
Academy Store Inventory	(\$4,412.75)
Ending Balance 9/30/09	\$17,963.57

Compared to prior periods the account was used minimally during this period of time. A bank statement reconciliation was performed each month, and agreed to the Activities ledger. There were deposits made to the bank account from the Academy store on July 22, 2009 for \$3,506.00, August 18, 2009 for \$3,985.00 and September 25, 2009 for \$2,904.00. These deposit records consisted of an adding machine tape totaling cash and individual checks. They did not include any information about the quantity or description of items sold. The September 25, 2009 deposit included what appeared to be the initials of staff members who prepared the deposit at the Academy. There were no expenses outside of postage and inventory items for the Academy store.

We conducted an inventory of the items available for sale at the Academy store on August 31, 2009 (See Page 11). The resale value of the inventory on August 31, 2009 was \$20,097.00. There was also \$1,726.75 in the cash register at the Academy store. Our inventory did not include sample items in a display case at the Academy, or “gratis” items maintained at the Colonel’s Office. We also reviewed available invoices for store items and identified the mark-up of each applicable item. Store items were marked up at an inconsistent rate that varied from selling items at a small loss to a mark-up of 477%.

August 31, 2009 Inventory of OSHP Academy Store

ITEM	SIZE / COLOR	Selling Price Per Item	8/31/09 Inventory	\$ Amount of Inventory	Cost Per item (1)	% of Markup
Belt Buckle	<i>Silver / Gold</i>	\$ 16.00	70	\$ 1,120.00	\$ 13.00	23%
Cards		\$ 6.00	139	\$ 834.00	\$ 3.75	60%
Car		\$ 14.00	75	\$ 1,050.00	\$ 9.50	47%
Coin		\$ 5.00		\$ -	\$ 6.00	-17%
Coaster		\$ 5.00	23	\$ 115.00	(2)	
Coffee Mugs	<i>Grey</i>	\$ 5.00	22	\$ 110.00	\$ 1.04	381%
	<i>Black Marble</i>	\$ 6.00	99	\$ 594.00	\$ 1.04	477%
	<i>White 19 oz.</i>	\$ 5.00	112	\$ 560.00	\$ 1.04	381%
	<i>Core Values</i>	\$ 8.00	109	\$ 872.00	\$ 4.16	92%
Cup Cooler	<i>Black / Silver</i>	\$ 3.00	50	\$ 150.00	\$ 0.75	300%
Gun Case		\$ 60.00	6	\$ 360.00	\$ 15.00	300%
Hat	<i>White / Black</i>	\$ 10.00	66	\$ 660.00	\$ 6.50	54%
Keyfobs		\$ 1.00		\$ -	\$ 0.95	5%
Knife	<i>Smith & Wesson</i>	\$ 25.00	41	\$ 1,025.00	\$ 10.00	150%
Knife	<i>Large / Small</i>	\$ 40.00		\$ -	\$ 40.00	0%
Mouse Pad		\$ 5.00	40	\$ 200.00	\$ 2.65	89%
Pin/Lapel	<i>All Designs</i>	\$ 3.00	438	\$ 1,314.00	\$ 1.75	71%
Portfolio		\$ 23.00	9	\$ 207.00	(2)	
T-Shirt / KIDS / Silkscreen	<i>All Sizes</i>	\$ 8.00	72	\$ 576.00	\$ 3.95	103%
T-Shirt / Adult / Silkscreen	<i>Med. / Lrg./ XL</i>	\$ 10.00	304	\$ 3,040.00	\$ 3.95	153%
T-Shirt / Adult / Silkscreen	<i>XXL</i>	\$ 10.00		\$ -	\$ 4.95	102%
T-Shirt / Adult / Embroidered	<i>All Sizes</i>	\$ 12.00	204	\$ 2,448.00	\$ 8.50	41%
T-Shirt / Longsleeve	<i>All Sizes</i>	\$ 15.00	179	\$ 2,685.00	\$ 11.75	28%
Toothpick Holder	<i>Square</i>	\$ 6.00	87	\$ 522.00	\$ 3.48	72%
Travel Mug	<i>Black / Grey</i>	\$ 5.00	4	\$ 20.00	\$ 5.00	0%
Travel Mug	<i>Steel</i>	\$ 8.00	125	\$ 1,000.00	(2)	
Watch (Traditional)	<i>Mens/Womens</i>	\$ 46.00		\$ -	\$ 40.50	14%
Watch (White Face/No Date)	<i>Mens/Womens</i>	\$ 36.00	7	\$ 252.00	(2)	
Baby Blanket	<i>Pink / Blue</i>	\$ 10.00	8	\$ 80.00	\$ 8.85	13%
Baby Onesie	<i>Denim</i>	\$ 15.00	1	\$ 15.00	(2)	
Baby Bib	<i>Pink/ Blue/ White</i>	\$ 8.00	18	\$ 144.00	\$ 4.95	62%
Women's Polo Shirt	<i>Pink / Purple</i>	\$ 18.00		\$ -	\$ 13.50	33%
Hooded Sweatshirt	<i>All Sizes</i>	\$ 25.00		\$ -	\$ 21.25	18%
Glass Mug		\$ 8.00	18	\$ 144.00	(2)	
Total Resale Value of Inventory				\$ 20,097.00		

Cash On Hand

Type	Denomination	Amount
Coin	\$0.05	\$0.05
Coin	\$0.10	\$1.20
Coin	\$0.25	\$7.50
Coin	\$1.00	\$10.00
Paper	\$1	\$134.00
Paper	\$5	\$125.00
Paper	\$10	\$100.00
Paper	\$20	\$880.00
Paper	\$50	\$150.00
Paper	Checks	\$319.00
TOTAL		\$1,726.75

(1) Cost per item does not include applicable shipping and/or setup costs

(2) Could not determine item cost based on available records

III. CONCLUSIONS

After reviewing the OSHP's Activities Account we have reached the following conclusions:

Governance and Oversight

Our review revealed that there was no organized structure for oversight and governance of the Activities Account and the Academy store. Specifically, there was no set hierarchy with respect to the management of the Activities Account and the operation of the Academy store. Moreover, the duties and responsibilities of OSHP employees involved in both were unclear.

Activities Account Policies and Procedures

Our review revealed that there were no written policies and procedures governing the operations of the Activities Account. The lack of written policies and procedures contributes to an environment that is devoid of accountability or internal controls.

Revenue Collection

The Activities Account primarily received revenue from the sale of items at the Academy store and from payments made for attendance at "pass through" events (*e.g.* retirement dinners, golf outings) totaling \$202,244.59 for the period beginning July 1, 2006 through June 30, 2009. During that same time period, funds were only deposited 91 times for an average deposit of \$2,222.47. We also noted that numerous revenue items appeared to be held an inordinate amount of time before being deposited into the Activities Account, and the frequency of annual deposits decreased from 40 times in 2006 - 2007 to a low of 23 times during 2008 - 2009.

A critical component of internal controls relating to the collection of revenue is the prompt deposit of funds with an agency's banking institution to reduce the potential for loss of such funds. Failure to deposit funds on a timely basis may result in a significant loss of revenue (due to the amount of cash involved) should one of the deposits be lost or stolen.

Annual Review of Activities Account

Evidence indicated that the Activities Account was previously reviewed on an annual basis by staff within OSHP's Office of Fiscal Services. This review, which looked at the revenue and expenses for the prior year along with an inventory of items available for sale at the Academy store, was discontinued prior to June 30, 2006. The absence of this review contributes to the overall lack of accountability for the Activities Account. This is of particular concern because the Activities Account falls outside of the scope of the State Auditor's regular audit of OSHP's operations.

Records of "Gratis" Items

Our review indicated that OSHP senior leadership had access to "gratis" items at the Academy store for official Highway Patrol business, such as giving the items away to visiting foreign dignitaries and law enforcement officers. No records were maintained that clearly indicated the persons taking items, the items removed from the store, or the recipients of those gifts. Also there were no policies or procedures governing this practice. We recognize the tradition of using "gratis" items to further the mission of the OSHP and foster good relations with foreign dignitaries and other law enforcement agencies, but the absence of documentation or policies and procedures regarding the use of "gratis" items increases the likelihood that items will be removed from the store without any accountability.

Reconciliation of "Pass Through" Activities

During the period under review, the Activities Account was used as a "pass through" account for events organized by the OSHP, such as retirement dinners and golf outings. The intent was to charge event participants a fee that covered the event costs. Participant fees were deposited into the Activities Account and all expenses associated with the event were subsequently paid out of the account. In some instances, reconciliations of events either were not included in Activities Account records or were incomplete. Moreover, revenues from "pass through" activities were possibly commingled with revenue from the Academy store.

Academy Store

As part of our review of the operations of the Academy store, we made the following observations:

1. Absence of oversight with regard to store operations.
2. Lack of written policies and procedures related to store operations.
3. A non-working cash register.
4. Inconsistent mark-ups on items available for sale.
5. The following records were not currently maintained:
 - a. Inventory of items available for sale
 - b. Record of items purchased and sold
 - c. Receipts for all sales transactions
 - d. Historical price lists
 - e. Records of “gratis” items
 - f. Reconciliation of items sold outside of the Academy store
 - g. Records of revenue turned over to the officer responsible for making deposits into the Activities Account.

The cumulative effect of the current operations of the Academy store is that there is no accountability for the items purchased or the revenue received. There is a real possibility that cash and/or merchandise can be removed from the store with no detection due to the lack of adequate controls.

EXHIBIT C

HP 22
IO-0128.00
OHP 0128
Rev. 04/07/04

INTER-OFFICE COMMUNICATION

Date March 2, 2009

File _____



To Colonel R. H. Collins

Attention _____

From AA4 M. S. Schropp

Subject Academy Store Operations

After meetings with Academy Storekeepers Lieutenant D. R. Greene, AA3 A. M. Johnson, and Secretary M. J. Montenaro, the following recommendations are made to improve the efficiency and accountability of the Academy Store operations.

1. Equip the Store with a computer that employs a Windows XP operating system.
 - An available computer is already in inventory at the Academy.
 - All network lines can be installed by NST3 D. Wolfel, who services the Academy's IT needs.
2. Using GHQ Activities Account funds, purchase software and hardware necessary to institute a bar-coding inventory and reporting process, and install that equipment on the computer.
 - AA3 Johnson has researched the available software and recommends the items on the attached IOC.
3. Access to the Store keys and merchandise should be restricted to the Academy Storekeepers. If one of these employees stops functioning as a Storekeeper, he/she should be replaced by another employee, and the keys and access to the Store should be assigned to that replacement.
4. When money from the Store is transferred to OFLS for deposit, the money should be counted by two Academy Storekeepers.
 - An HP-74 should be completed, listing the total amount transferred, and including the signatures of the two Academy Storekeepers who counted it. The HP-74 should also be signed by the OFLS employee receiving the money. A copy of the HP-74 should accompany the money, and a copy should be retained in the Store.
5. Requests for gratis items should be approved only by the Superintendent's Office or the Academy Commandant.
 - Gratis transactions should be documented on an HP-74 that lists all items, the name of the employee seeking the transaction, and the reason for the transaction. The HP-74 should be signed by the employee accepting the items and the Academy Storekeeper filling the request. A copy of the HP-74 should accompany the items, and a copy should be retained in the Store.

An internationally accredited agency whose mission is to protect life and property, promote traffic safety and provide professional public safety services with respect, compassion, and unbiased professionalism.

6. Requests for the off-site sale of Academy Store items (like at a post open house) should be approved only by the Superintendent's Office or the Academy Commandant.
 - Requests should be made far enough in advance to ensure time for ordering and preparing the items.
 - An HP-74 should be completed, listing the number of each item and its price, along with the date that unsold items and money should be returned to the Academy. The HP-74 should include the signature of the Academy Storekeeper who releases the items and the signature of the employee receiving the items. A copy of the HP-74 should accompany the items, and a copy should be retained in the Store.
 - After the off-site sale, the responsible employee should contact an Academy Storekeeper to arrange for return of unsold items and money. He/she should prepare an HP-74, listing each item being returned and the total amount of money being turned in, along with that employee's signature. An Academy Storekeeper should inventory the items and count the money before signing the HP-74. A copy of the HP-74 should be given to the employee, and a copy should be retained in the Store.
7. A file should be maintained in the Store for the collection and organization of HP-74s, inventory reports, and any other non-electronic records of Store transactions. This file should be pruned only at the direction of the Superintendent's Office.
8. The Store should be audited quarterly.
 - The Superintendent's Office and the Academy Storekeepers should select a date each quarter for the audit.
 - The audit should include a physical inventory and review of records.
 - An audit report should be completed and signed by all employees involved in the audit. A copy of the audit should be filed in the Superintendent's Office, and a copy should be retained in the Store.