



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

SUMMIT COUNTY
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**SUMMIT COUNTY
ELECTED OFFICIALS
AS OF MARCH 31, 1998**

NAME	TITLE	BOND
Michael Grimm	County Council, President	(A)
Andrea Norris	County Council, Vice President	(A)
John Bolek	County Council	(A)
Daniel Congrove	County Council	(A)
Faith Cook	County Council	(A)
Tim Crawford	County Council	(A)
Pete Crossland	County Council	(A)
Paul Gallagher	County Council	(A)
Louise Heydorn	County Council	(A)
Cazzell Smith	County Council	(A)
Kimberly Zurz	County Council	(A)
Tim Davis	County Executive	(B)
James McCarthy	County Auditor	(C)
John Donofrio	County Treasurer	(D)
Maureen O'Connor	County Prosecutor	(E)

- (A) Bonded in the amount of \$5,000 by the Peerless Insurance Company
- (B) Bonded in the amount of \$20,000 by the Peerless Insurance Company
- (C) Bonded in the amount of \$20,000 by the Peerless Insurance Company
- (D) Bonded in the amount of \$1,000,000 by the Fidelity and Deposit Company of Maryland
- (E) Bonded in the amount of \$87,684 by the Fidelity and Deposit Company of Maryland

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**SUMMIT COUNTY
ADMINISTRATIVE PERSONNEL
COUNTY EXECUTIVE'S OFFICE
AS OF MARCH 31, 1998**

NAME	TITLE	BOND
Louis Berroteran	Director of Administration	(A)
Ron Brooks	Director of Budget and Management	(A)
Stephen Engler	Director of Human Resources	(A)
James Demboski	Director of Environmental Services	(A)
Dale Gibbons	Director of Economic Development	(A)

(A) Insured in the amount of \$1,000,000 by the Fidelity and Deposit Company of Maryland for Public Employee Dishonesty

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**SUMMIT COUNTY
ADMINISTRATIVE PERSONNEL
COUNTY AUDITOR'S OFFICE
AS OF MARCH 31, 1998**

NAME	TITLE	BOND
Dan Hawke	Deputy Auditor of Finance	(A)
Allen Beck	Manager of Financial Reporting	(A)

(A) Insured in the amount of \$1,000,000 by the Fidelity and Deposit Company of Maryland for Public Employee Dishonesty

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STATE OF OHIO
OFFICE OF THE AUDITOR
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REPORT OF INDEPENDENT ACCOUNTANTS

Mr. Tim Davis, County Executive
Mr. Tim Crawford, President of County Council
Mr. James McCarthy, County Auditor
Summit County
175 S. Main St.
Akron, Ohio 44308

Pursuant to our Letter of Arrangement dated July 7, 1998, and our letter dated February 5, 1999, we have performed the procedures summarized below, and detailed in our "Supplement to the Special Audit Report", which were agreed to by you, for the period December 1, 1993 through March 31, 1998 ("the Period"). These procedures were performed solely to review compliance with applicable ordinances, statutory provisions, contractual terms, and County policies with respect to County payments made to James W. Achterman, Public Sector Solutions, Inc., Public Sector Resource Management, Roetzel & Andress, LPA, Squire, Sanders & Dempsey Inc., The V Group (formerly known as the Voinovich Group), the Sverdrup Corporation, A.G. Edwards, Inc., William Hartung, Cindy Peters and Kathleen Hale, and our report is not to be used for any other purpose. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of this report. Consequently, we make no representations regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The procedures we performed and the results of those procedures are summarized as follows:

1. We reviewed the applicable legal authority related to expenditures of Summit County to determine what laws, regulations, policies or procedures governed the process used to issue debt and distribute its proceeds, and make payments to authorized vendors of the County.

2. We reviewed the County's vendor expenditure reports on microfiche for the Period to identify County expenditures made to the following entities and individuals (named parties):

- James W. Achterman
- Roetzel & Andress, LPA
- The V Group
- Public Sector Solutions, Inc.
- Squire, Sanders & Dempsey
- William Hartung
- Public Sector Management Group
- A.G. Edwards, Inc.
- Cindy Peters
- Sverdrup Corporation
- Kathleen Hale

A. G. Edwards, Inc. was not paid directly by the County during the Period. It reduced the proceeds of County debt issuances by \$1,959,639 for its underwriting services and certain issuance costs, and tendered the net proceeds to the County. Mr. Achterman, Public Sector Solutions, Inc. and Public Sector Resource Management Group were not paid directly by the County during the Period. Rather, Public Sector Solutions, Inc. and Public Sector Resource Management Group were paid by the law firms Squire, Sanders & Dempsey, and Roetzel & Andress, LPA from monies they received directly from the County.

We did identify direct payments from the County to Roetzel & Andress, LPA, the V Group, Squire, Sanders & Dempsey, William Hartung, Cindy Peters, the Sverdrup Corporation, and Kathleen Hale.

3. For those payments made by the County to Roetzel & Andress, LPA, the V Group, Squire, Sanders & Dempsey, William Hartung, Cindy Peters, the Sverdrup Corporation, and Kathleen Hale, we attempted to examine the canceled warrants and invoices to determine whether the warrants: were signed by authorized signatories; reflected a payee which agreed with the invoice; were endorsed by the payee; and were correctly posted to the appropriations ledger and cash book.

The County was unable to provide us with the canceled warrants for 3 of the 330 warrants requested (1.5%). The County provided us with copies of 38 canceled warrants on August 14, 2000. Those documents were originally requested on July 24, 1998.

4. For those payments made by the County to Roetzel & Andress, LPA, the V Group, Squire, Sanders & Dempsey, William Hartung, Cindy Peters, the Sverdrup Corporation, and Kathleen Hale, we reviewed the related vouchers packages provided by the County to determine whether the payments were authorized, accurately recorded within the County's accounting system, supported by documentation, and made for a proper public purpose.

We noted that fifty-nine (59) payments totaling \$2,706,390 were not certified by the fiscal officer prior to the time of payment. Of those fifty-nine (59) payments, six (6) payments totaling \$1,520,597 were not supported by purchase orders. Of the payments relating to travel reimbursements, six (6) payments totaling \$1,590 were not supported by documentation such as meal receipts.

5. We determined whether County policies regarding bidding and contracting, described in Summit County, Codified Ordinance, Section 177, were followed for those transactions subject to its provisions. We determined that:

The office of the County Executive did not incorporate the safeguards inherent in Summit County, Codified Ordinance, Section 177 by allowing invoices for services performed by Public Sector Solutions, Inc. and Public Sector Resource Management Group to be included within billings from Squire, Sanders & Dempsey and Roetzel & Andress, LPA.

The County Executive's office also did not incorporate the safeguards inherent in the provisions of Summit County, Codified Ordinance, Section 177.08 with respect to County payments to:

- Squires, Sanders, & Dempsey, Inc.
- The V Group
- Roetzel & Andress
- A.G. Edwards, Inc.
- Sverdrup Corporation

6. We obtained financial information from Squire, Sanders & Dempsey, Inc., Roetzel & Andress, LPA and A.G. Edwards, Inc. to identify payments made to Mr. James Achterman and/or his companies Public Sector Solutions, Inc. and Public Sector Management Group. We determined that Mr. Achterman's companies received over \$1,200,000 from the law firms of Squire, Sanders & Dempsey and Roetzel & Andress.

A. G. Edwards paid on the County's behalf and deducted from the proceeds of ten bond and note debt sales during the period 1995 through 1997 \$1,526,267 for issuance costs. We requested documentation to support these issuance costs from both the County and A.G. Edwards. The County was not able to provide any documentation supporting these costs. A.G. Edwards provided us with documentation supporting \$1,437,843 of the costs. The remaining \$88,424 of costs were unsupported. After an internal audit by A. G. Edwards prompted by our request for further documentation, A.G. Edwards repaid Summit County \$28,250 and also paid the County \$36,570 representing 10% interest compounded annually on the \$28,250. Of the \$28,250 repaid by A.G. Edwards, \$25,246 relates to the debt issuances which we reviewed and the remaining \$3,004 is attributable to debt issuances outside of our audit Period. Taking into consideration the repayment of \$25,246, the total amount of issuance costs during the Period which remains unsupported is \$63,178.

A. G. Edwards deducted from the proceeds of various County debt sales the costs of travel expenses, including \$8,193 for meals and \$6,065 for limousine services, incurred on trips to New York City by County officials and A.G. Edwards representatives for meetings with bond rating agencies.

The underwriting fees charged to Summit County by A.G. Edwards relating to five bond and note debt sales during the Period either exceeded the standard fees adopted by A.G. Edwards or approached an "extremely high" level as explained to us by an A.G. Edwards representative.

7. We subpoenaed all financial information from Public Sector Solutions, Inc., Public Sector Management Group, and James Achterman to determine if they made payments to County employees or other County vendors.

We identified payments totaling \$470,977 to County employees and other County vendors by Public Sectors Solutions, Inc and Public Sector Management Group.

8. We requested all documentation from the County related to Public Sector Solutions, Inc., Public Sector Resource Management Group, and James Achterman to determine what services were provided to the County and to determine if the services provided were commensurate with the payments received.

The County provided us with minimal tangible work products related to work performed for the County by Mr. Achterman and his companies. The County Executive indicated Mr. Achterman was the County's financial advisor and in many ways his work was intangible in nature, such as attendance at meetings with County employees and answering questions by telephone. Since the County did not quantify the level of services provided by Mr. Achterman, was not able to provide a work product by Mr. Achteman, and payments made to Mr. Achterman by the County could not be supported by the documented hours of service provided by Mr. Achterman, we quantified the level of services provided by Mr. Achterman. To do so, we reviewed proposals and invoices Mr. Achterman's companies had submitted to the bond counsels, Squire, Sanders and Dempsey, and Roetzel & Andress. In addition, we also reviewed timesheets provided by Mr. Achterman to support the services provided to Summit County.

Based upon our review of the invoices submitted by Mr. Achterman and his companies for the period April 1, 1994 through April 15, 1995 and his corresponding time sheets, we determined that Mr. Achterman and his companies were overpaid by the County \$10,400. During this period, Mr. Achterman and his companies billed based upon an hourly rate of \$100 as recommended to him by Mr. Ivan Otto, an attorney with Squire, Sanders & Dempsey.

Beginning April 16, 1995, Mr. Achterman and his companies discontinued billing at an hourly rate of \$100, although there is no evidence that the services which he and his companies provided had changed. In order to determine whether or not the services provided by Mr. Achterman and his companies were commensurate with the payments received during the period April 16, 1995 through March 15, 1998, we used the \$100 hourly rate initially recommended to Mr. Achterman by Mr. Otto and increased it by 10% each year. We believe a 10% yearly increase is reasonable given the fact that there was no evidence of changes in service, market conditions, or education and/or qualifications of Mr. Achterman. Utilizing the \$100 hourly rate and increasing it by 10% each year, we calculated the amount of fees which should have been paid to Mr. Achterman and his companies based upon the number of hours reflected on Mr. Achterman's time sheets attributable to Summit County. Based upon our analysis, we determined the maximum value of services that could have been received by the County for the period April 16, 1995 through March 15, 1998 was \$322,224 and the amount paid by the County for these services was \$1,047,737, resulting in an overpayment to Mr. Achterman and his companies of \$725,513.

In summary, Mr. Achterman and his companies were overpaid by Summit County a total of \$735,913¹ during the period April 1, 1994 through March 15, 1998. Of this amount, we were able to identify \$470,977 which Mr. Achterman or his companies paid to County employees and vendors.²

9. We subpoenaed identified bank records of William Hartung, Cindy Peters and Kathleen Hale to determine if any payments were received from County vendors

We determined that each received over \$100,000 from Mr. Achterman's companies or from monies which Mr. Achterman's companies provided to the V Group. As we describe in Issue No. 7, the V Group, and Step II Management and Development Corporation, which are companies owned by the same individual, received a total of \$154,500 from Mr. Achterman's companies during the Period.

10. We traced the money which was disbursed by the County through Squire, Sanders & Dempsey, Roetzel & Andress, LPA, A.G. Edwards, Inc., Mr. Achterman and his companies to determine if any payments were made to County employees.

¹ Calculated as follows: \$10,400 + \$725,513 = \$735,913.

² The identification of these payments totaling \$470,977 is described in Issue No. 7.

11. On August 2, 2000, we held an Exit Conference with the following Officials and Administrative Personnel:

Tim Davis, County Executive
James B. McCarthy, County Auditor
Mike Callahan, County Prosecutor
Tim Crawford, County Council
Paul Gallagher, County Council
Karen Doty, County Executive's Office
Kristen Poda, Administrative Secretary
David Horner, County Executive's Office
Dale Gibbons, County Executive's Office
Sean Dougherty, County Executive's Office
James Demboski, Director of Environmental Services
John Stiegel, Budget and Management
Linda Sowa, Budget and Management
Frank Williams, Chief Deputy Auditor
Dan Hawke, Deputy Auditor of Finance
James D. Casey, Assistant County Prosecutor

The attendees were provided until September 5, 2000 to respond to this Special Audit. We received responses from Tim Davis, County Executive, James B. McCarthy, County Auditor, Arnie L. Bruggeman on behalf of Roetzel & Andress, Ivan L. Otto on behalf of Squire, Sanders & Dempsey, William Hartung, E. Allan Cole on behalf of A. G. Edwards & Sons, Inc., William T. Doyle on behalf of Cindy Peters, and Paul V. Voinovich on behalf of the V Group. We critically reviewed all responses, evaluated the information and supporting documentation contained in the responses, and made changes we deemed appropriate.

Our detailed procedures and the results of applying these procedures are contained in the attached "Supplement to the Special Audit Report". Because these procedures do not constitute an examination conducted in accordance with generally accepted auditing standards, we do not express an opinion or limited assurance on any of the accounts or items referred to above. Also, we express no opinion on the County's internal control system over financial reporting or any part thereof. Had we performed additional procedures, or had we conducted an examination of the financial statements in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported to you. This report relates only to transactions relating to the above procedures, and does not extend to any financial statements of the County, taken as a whole.

This report is intended solely for the use of the specified users listed above, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Reports by the Auditor of State are a matter of public record and use by other components of state government or local government officials is not limited.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, sweeping loop at the beginning and a horizontal line extending to the right.

JIM PETRO
Auditor of State

September 6, 2000

SUPPLEMENT TO SPECIAL AUDIT REPORT

BACKGROUND INFORMATION

Mr. James B. McCarthy, Summit County Auditor, wrote to the Auditor of State, Mr. Jim Petro on April 27, 1998 requesting our office audit the Summit County Department of Environmental Services. He expressed specific concern about transactions with the V Group, Voinovich Companies, Public Sector Solutions, Inc., James Achterman, Cindy Peters, William Hartung, Kathleen Burch Hale, and their respective companies/consulting firms related to County Environmental Services projects. In addition, Mr. McCarthy requested us to audit the Northeast Ohio Trade and Economic Consortium (NEOTEC) and the Summit County Port Authority.

Mr. McCarthy's request and additional, relevant information gathered by our regional audit staff were reviewed by the Special Audit Committee, and it voted to initiate a Special Audit of Summit County and commence standard financial and compliance audits of NEOTEC and the Summit County Port Authority from their inception through December 31, 1997. This Special Audit Report relates only to the Special Audit of Summit County. The audits of NEOTEC and the Summit County Port Authority were released by the Auditor of State on February 4, 1999. These audits contained the following significant issues:

NEOTEC

1. A Finding for Recovery in the amount of \$281 against Public Sector Solutions, Inc. for overbilling.
2. Three reportable conditions relating to approval of Council minutes, Council oversight of financial activity, and supporting documentation for expenditures.
3. A reportable condition relating to the fact that NEOTEC had entered into consultant contracts with German Link, RCS Management Group, Inc., and MCS & Associates which were specific as to contract period and "not to exceed" amounts. However, the contract period and amounts were exceeded when extra services, outside the contract were provided by the consultants and approved by the Executive Director.
4. A reportable condition relating to the fact that NEOTEC entered into a contract with Public Sector Solutions, Inc. for \$4,950 to set up the accounting system and \$1,950 per month to maintain the accounting system and financial records from February through December 31, 1997. They also approved rates for additional accounting services at \$75 per hour and additional consulting services at \$125 per hour. The Council resolution did not mention any limits on "additional accounting services" or "other consulting services". In December 1996, the Council also approved a contract with Public Sector Solutions, Inc. to assist NEOTEC in the development and implementation of a business plan at a cost not to exceed \$111,000 for a period of 12 months. A second Council resolution amended this for a cost not to exceed \$9,250 per month.

SUPPLEMENT TO SPECIAL AUDIT REPORT

BACKGROUND INFORMATION (Continued)

The total payments made by NEOTEC to Public Sector Solutions, Inc. during 1996 and 1997, totaling \$181,969, were comprised of the following:

- Business Plan - \$101,750 (11 monthly payments of \$9,250)
- Accounting System - \$26,400 (set up of \$4,950 and 11 monthly payments of \$1,950)
- Services of a Public Sector staff person, L. Callahan \$8,064 (164 hours @ \$13.50 and 450 hours @ \$13.00)
- Additional consulting services - \$9,250 (74 hours @ \$125)
- Subcontract to Public Sector from Roetzel & Andress for writing policies and procedures, and for L. Callahan's assistance to NEOTEC - \$36,505

With respect to the above payments, the following were noted:

- The Business Plan received by NEOTEC was a "draft" copy;
- The "accounting software" received was "off-the-shelf" software entitled "Quickbooks Pro for Windows". It is available for several hundred dollars at any retail software store. The \$1,950 for accounting services appears high given that most CPA firms will do monthly write-up work for under \$1,000 per month, including bank reconciliations. As further evidenced of this, Public Sector Solutions contracted the monthly work to a CPA firm in Columbus, thus indicating that the cost was probably marked up by Public Sector Solutions when it was billed to NEOTEC. Such monthly billings were received for 11 straight months, but bank reconciliations and financial statements were apparently not received for certain of these months. In addition, when the services of Public Sector Solutions were terminated in July 1997, the Quickbooks software disks were not turned over to NEOTEC, but instead, the software had to be repurchased.
- The services of L. Callahan, Public Sector Solutions staff person, were approved by the Executive Director. While she was familiar with the services provided, no detail was provided on the invoices for his services.
- Invoices for additional accounting services billed at \$125 per hour did not specify what services were performed.
- The involvement of Public Sector Solutions in writing the policies and procedures manual was directed by the operations committee of the Council, as was the related billing arrangement. It is less clear why the \$6,305 of L. Callahan's services were also billed in this manner.

SUPPLEMENT TO SPECIAL AUDIT REPORT

BACKGROUND INFORMATION (Continued)

Summit County Port Authority

1. The Port Authority did not prepare a budget for 1994, 1995 or 1996 as required by the Ohio Revised Code.
2. Three reportable conditions relating to approval of Board minutes, Board oversight of financial activity, and supporting documentation for expenditures.
3. A reportable condition relating to the following facts: During 1996, six payments totaling \$25,450 were made to a company called "Business Development Consultants" for invoices which referenced such services as "project plans, objectives, research, meetings, efficiency improvements, architectural drawings etc." The checks for these payments were signed by the past Secretary/Treasurer of the Port Authority and two of the checks totaling \$18,300 were also co-signed by the President. During April 1997, the full \$25,450 was refunded by "Business Development Consultants" and referenced "cancellation of project." Upon inquiry, the President and the past Secretary/Treasurer of the Port Authority could not recall what specific project these payments were for. The phone number provided on the invoices was disconnected and the company was not listed in the phone book. Based upon the canceled checks, a subpoena was issued for this company's bank account. The check signer on the Business Development Consultants' account was then determined to be the past Secretary/Treasurer for the Port Authority. The former Secretary/Treasurer of the Port Authority pled guilty on February 3, 1999 to a felony theft-in-office charge related to the \$25,450 and on March 8, 1999 was fined \$1,000, placed on 3 years probation and sentenced to 200 hours of community service.

While attempting to complete this special audit, we encountered numerous delays and resistance in our attempts to obtain records from the Summit County Executive's Office and other related entities.

SUPPLEMENT TO SPECIAL AUDIT REPORT

RELEVANT INDIVIDUALS AND ENTITIES

William Hartung

William Hartung (Mr. Hartung) was Summit County Executive Director of Administration and Finance. He reported directly to Mr. Tim Davis, County Executive (Mr. Davis). He was initially hired by Mr. Davis, then County Auditor, on January 4, 1982 and became the Director of Administration to the County Executive on January 1, 1989. He resigned this position effective February 27, 1998. Mr. Hartung formed the Everest Consulting Company (Everest) on March 19, 1996 and is the President of that Company. Mr. Hartung opened a checking account in the name of William Hartung & Associates on July 27, 1993.

Cindy Peters

Ms. Peters was General Counsel of Summit County. She was hired by Mr. Davis on May 22, 1989 as a General Counsel 1 and became a General Counsel 2 on December 12, 1991. She resigned this position effective January 9, 1998. Ms. Peters formed the Cindy Peters Co., L.P.A. on December 18, 1995 and opened a checking account in the name of Cindy Peters, Attorney-At-Law. She also opened a checking account in the name of the Essex Consulting Company (Essex) on May 11, 1996.

Kathleen Hale

Ms. Hale, formerly known as Kathleen Burch, was an Assistant General Counsel of Summit County. She was first hired by Mr. Davis on October 31, 1994 as the County's Safety and Health Administrator. She became a General Counsel 1 on July 14, 1995. She resigned her position effective March 21, 1997.

James W. Achterman

James W. Achterman (Mr. Achterman) was Partner-in-charge of Ohio Government Services for KPMG Peat Marwick. He retired from KPMG in February of 1994 and founded Public Sector Solutions, Inc. and its successor company, Public Sector Resource Management Group, Inc.

Public Sector Solutions, Inc.

Public Sector Solutions, Inc. (PS Solutions) provided professional services to Summit County. PS Solutions never directly billed Summit County for their services, but rather billed the law firms of either Squire, Sanders & Dempsey or Roetzel & Andress who in turn billed Summit County for the services.

SUPPLEMENT TO SPECIAL AUDIT REPORT

RELEVANT INDIVIDUALS AND ENTITIES (Continued)

Public Sector Resource Management Group, Inc.

Public Sector Resource Management Group, Inc. (PS Management) was the successor company of PS Solutions and also provided professional services to Summit County. As with PS Solutions, PS Management never directly billed Summit County for their services, but rather billed the law firms of either Squire, Sanders & Dempsey or Roetzel & Andress who in turn billed Summit County for the services.

Roetzel & Andress, LPA

Roetzel & Andress, LPA (R&A) is a law firm which provided legal services, including serving as bond counsel, to Summit County. R & A included, in their invoices to the County, invoices submitted to them by PS Solutions and PS Management for professional services these firms provided to the County.

Thomas Liber

Mr. Liber was an attorney and shareholder partner with R & A and provided services, on behalf of the firm, to Summit County.

Squire, Sanders & Dempsey

Squire, Sanders & Dempsey (SS&D) is a law firm which provided legal services, including serving as bond counsel, to Summit County. SS&D included, as part of their invoices to the County, invoices for professional services provided to Summit County by PS Solutions and PS Management.

John Larson

Mr. Larson is an attorney and partner with SS&D and provided services, on behalf of the firm, to Summit County.

A. G. Edwards, Inc.

A. G. Edwards, Inc. (A.G. Edwards) was either the underwriter or lead underwriter for bond and note sales by Summit County during the Period.

Sverdrup Corporation

The Sverdrup Corporation (Sverdrup) was the Project Manager for the Summit County Department of Environmental Services 1993 Capital Improvements Plan.

SUPPLEMENT TO SPECIAL AUDIT REPORT

RELEVANT INDIVIDUALS AND ENTITIES (Continued)
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The V Group

The V Group, formerly known as the Voinovich Group, was a subcontractor to Sverdrup under its Project Manager contract with Summit County for the Summit County Department of Environmental Services 1993 Capital Improvements Plan. They jointly submitted the proposal to the County for the Project Manager services. The V Group also provided services to the County during the period related to the jail addition, the Courthouse renovation, and an administrative facility.

Step II Management and Development Corporation

The Step II Management and Development Corporation (Step II) is a company whose business address is the same as the V Group and whose authorized check signer is Paul Voinovich.

North Coast Villas Limited Partnership

North Coast Villas Limited Partnership (North Coast Villas) owns rental property in the City of Euclid, Ohio, and Paul Voinovich is its general partner and authorized check signer. Its business address is the same as the V Group.

Raymond Kapper

Raymond Kapper was the incorporator of Kapper & Associates, Inc. and the secretary of Reppak Associates, Inc. Both Kapper & Associates, Inc. and Reppak Associates, Inc. were paid by Mr. Achterman's companies. Kapper & Associates, Inc. also made payments to Cindy Peters.

Ivan Otto

Ivan Otto is an attorney and partner of Squire, Sanders and Dempsey. Mr. Otto provided services, on behalf of the firm, to Summit County.

SUPPLEMENT TO SPECIAL AUDIT REPORT

ISSUE NO. 1 - APPLICABLE LEGAL AUTHORITY

Procedure

We reviewed the applicable legal authority related to expenditures of Summit County to determine what laws, regulations, policies or procedures governed the process used to issue debt and distribute its proceeds, and make payments to authorized vendors of the County.

Results

We reviewed the Summit County Charter, Summit County Codified Ordinances, Ohio Revised Code, County of Summit Personnel Policy and Procedural Manual, Summit County Board of Control Procedures, County Council Minutes and Board of Control Minutes. The relevant applicable authority is described below:

Ohio Revised Code

1. Ohio Rev. Code Section 149.43(B)(1) generally provides that public records are to be promptly prepared and made available for inspection at all reasonable times during regular business hours and that upon request, copies are to be made available within a reasonable period of time.
2. Ohio Rev. Code Section 5705.41(D) generally provides that no subdivision or taxing unit shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

This section, also provides three "exceptions" to the above requirements:

- A. Then and Now Certificate - if no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was appropriated and free of previous encumbrances, the County Auditor may authorize the issuance of a warrant in payment of the amount due upon such contract of order by resolution within thirty days of the receipt of such certificate, if such expenditure is otherwise valid.
- B. If the amount involved is less than one hundred dollars, the fiscal officer may authorize it to be paid without affirmation of the County Commissioners.
- C. The County Commissioners may pass a resolution exempting purchases of seven hundred and fifty dollars or less from the prior certification requirement.

SUPPLEMENT TO SPECIAL AUDIT REPORT

County of Summit, Codified Ordinances

1. County of Summit, Codified Ordinance Section 169.04(b) states, “No employee, manager or staff shall use his/her official position for personal gain, nor participate directly or indirectly in any activity which is in conflict with the proper discharge of his/her official duties.”
2. County of Summit, Codified Ordinance Section 169.04(f) states, “No employee, manager or staff shall engage in or accept private employment or render services for private interests when such employment or service is incompatible with the proper discharge of his/her official duties or would tend to impair his/her independent judgement or action in the performance of his/her official duties.”
3. County of Summit, Codified Ordinance Section 170.03 outlines the rules to be followed by County employees and officials when requesting reimbursement for travel on County business. Subsection (k) of that Ordinance requires the employee/official to submit receipts for all hotels and motels, convention fees, garage rental, and other fees for which he/she is requesting reimbursement.
4. County of Summit, Codified Ordinance Section 177.07(a)(4) states in pertinent part, that competitive bidding shall not be required for any contract in any amount for contracts for unique services or professional services including consultants.
5. County of Summit, Codified Ordinance Section 177.08(a) requires the Executive to accept and compile qualification statements from any person or business entity seeking to obtain the award of any service contract which is exempt from competitive bidding pursuant to Section 177.07(a)(4), including, but not limited to, accountants, architects, attorneys, appraisers, auditors, consultants, physicians, engineers, construction project managers and surveyors. It further states this list shall be updated annually.
6. County of Summit, Codified Ordinance Section 177.08(d) states: “upon determination by the Executive that professional or unique services are necessary for a specific purpose, the Executive may request proposals to be submitted. Each request for a proposal shall set forth the nature and extent of the services to be provided, any terms and conditions required, and the duration. The Executive shall notify at least five of the persons or business entities who have submitted qualification statements pertaining to the services to be provided, unless less than five persons or business entities have submitted qualification statements pertaining to the services to be provided, in which case all persons or business entities who have submitted qualification statements pertaining to such services shall be contacted.”
7. County of Summit, Codified Ordinance Section 177.08(f) requires the Executive review proposals received, negotiate compensation to be paid and submit a recommendation to the Board of Control. The Executive may submit more than one recommendation. The Board may reject any or all proposals and may direct the Executive to submit additional proposals.

SUPPLEMENT TO SPECIAL AUDIT REPORT

8. County of Summit, Codified Ordinance Section 177.08(g) provides in pertinent part: “the Board of Control may award a contract which shall be in writing....Any professional contract awarded by the Board providing for compensation in an amount exceeding \$10,000 shall be approved by Council, and no contract shall be executed by the Executive until so approved.”
9. County of Summit, Codified Ordinance Section 177.10(b) requires that purchase contracts exceeding \$10,000 for supplies, commodities, materials, equipment, furnishings, or general services, must be in writing.
10. County of Summit, Codified Ordinance, Section 170.03(i)(2) states when a County officeholder or employee is required to be outside the State, reimbursement for meals shall not exceed a per diem rate of \$4 for breakfast, \$6 for lunch and \$14 for dinner.

SUPPLEMENT TO SPECIAL AUDIT REPORT

ISSUE NO. 2 - IDENTIFICATION OF EXPENDITURES

Procedure

We reviewed the County's vendor expenditure reports on microfiche for the Period to identify County expenditures made to the following entities and individuals (named parties) :

James W. Achterman
Public Sector Solutions, Inc.
Public Sector Resource Management Group, Inc.
Roetzel & Andress, LPA
Squire, Sanders & Dempsey
The V Group
Sverdrup Corporation
A.G. Edwards, Inc.
William Hartung
Cindy Peters
Kathleen Hale

Results

1. We identified 330 warrants written during the Period to the above named parties:
2. Neither Mr. Achterman, PS Solutions nor PS Management were listed as vendors on the vendor reports during the Period. It will be explained later that PS Solutions and PS Management were paid by the law firms SS&D, and R & A out of payments they received from their billings to the County.
3. The County paid SS&D \$1,357,856 and R & A \$934,961 during the Period. In addition, A. G. Edwards paid SS&D and R & A \$444,000 and \$445,500, respectively, during the Period from the proceeds of ten County debt sales for services as bond counsel.
4. The County paid the V Group \$945,893 during the Period. None of those payments were for services related to any Department of Environmental Services' projects.
5. The County paid the Sverdrup \$4,335,601 during the Period for their services as project manager of the 1993 Capital Improvement Plan.
6. A. G. Edwards was not listed as a vendor during the period. A. G. Edwards deducted \$1,959,639 from the proceeds of debt sales during the period for underwriting fees and to pay certain issuance costs on behalf of the County. Of the amount deducted by A. G. Edwards, \$433,372 was deducted for their underwriting fees and \$1,526,267 was deducted for certain costs of issuance paid, on behalf of the County, by A. G. Edwards.
7. Mr. Hartung, Ms. Peters and Ms. Hale were paid \$3,648, \$6,029 and \$1,477, respectively, by the County, in addition to their wages, for travel and other expense reimbursements.

SUPPLEMENT TO SPECIAL AUDIT REPORT

Management Comment

Our review of the vendor expenditure reports noted that some vendors were listed on the vendor disbursement ledger more than once. In each case the vendor name was spelled differently and each spelling had a separate vendor number.

Unique vendors should be assigned a unique vendor number. The County's vendor file should not contain duplicate vendor numbers for the same unique vendor. Duplicate vendor records for the same vendor can result in database and reporting errors which can cause extra work for County employees who must reconcile the inconsistencies and inaccuracies in management reports and reports to regulatory agencies like the Internal Revenue Service. It also made identifying all expenditures to a vendor during the period more difficult.

All County vendors should have just one vendor number so that all expenditures to a vendor can be accurately identified.

The County Executive's office stated that currently the County vendor file has a separate number for each unique vendor. We did not perform audit procedures on the current County vendor file, and, as a result, we have not verified this statement for purposes of this audit.

SUPPLEMENT TO SPECIAL AUDIT REPORT

ISSUE NO. 3 - REVIEW OF CANCELED WARRANTS AND INVOICES RELATED TO SELECTED EXPENDITURES

Procedure

For the expenditures identified in Procedure No. 2 which were paid to SS&D, R & A, V Group, Sverdrup, Mr. Hartung, Ms. Peters, and Ms. Hale, we obtained the canceled warrants and invoices to determine whether the warrants were:

- Signed by authorized signatories;
- Payee on warrant agreed with the invoice;
- Endorsed by the payees;
- Correctly posted to the appropriations ledger and the cash book.

Results

The County was unable to provide us with the canceled warrants for three (3) of the 330 warrants requested (1.5%). The County provided us with copies of thirty-eight (38) canceled warrants on August 14, 2000. Those documents were originally requested on July 24, 1998.

Citation

Ohio Rev. Code Section 149.43(B)(1) generally provides that public records are to be promptly prepared and made available for inspection at all reasonable times during regular business hours and that upon request, copies are to be made available within a reasonable period of time. The County was unable to provide us with the canceled warrants for three (3) of the 330 warrants requested (1.5%). The County provided us with copies of thirty-eight (38) canceled warrants on August 14, 2000. Those documents were originally requested on July 24, 1998. We do not view this production period, in excess of two years, as reasonable.

We recommend the County review its policies and procedures to determine whether they adequately address records retention and storage, and monitor compliance with existing or newly developed policies and procedures in this area.

Management Comment

The County Auditor filed canceled warrants by bank clearing date rather than by warrant number.

Financial records such as warrants should be filed in an easily retrievable manner, such as by warrant number.

To retrieve a canceled warrant, County Auditor employees had to guess as to when the warrant cleared the bank, which created lengthy delays in their retrieval for our review.

We recommend the County Auditor institute a policy of retaining canceled warrants in a file by warrant number to ease retrieval when necessary.

SUPPLEMENT TO SPECIAL AUDIT REPORT

ISSUE NO. 4 - REVIEW OF SELECTED EXPENDITURE VOUCHER PACKAGES

Procedure

We obtained the voucher packages for the warrants identified in Procedure No. 2 which were issued to SS&D, R & A, V Group, Sverdrup, Mr. Hartung, Ms. Peters, and Ms. Hale. We reviewed the information in these packages, which included the invoices, purchase orders, and contained the check number, date, amount, and payee to determine whether the:

- voucher amount agreed with the purchase order;
- expenditure was for a proper public purpose;
- expenditure was posted to the proper fund;
- expenditure was properly approved;
- discounts, if applicable, were taken;
- expenditures were within appropriations;
- expenditures were adequately supported by original source documents such as original invoices and receiving reports;
- expenditure amounts agreed among related documents (e.g., invoice amount agreed to purchase order amount); and
- computations, such as footings and extensions were correct.

Results

1. Fifty-nine (59) expenditures were not certified by the fiscal officer prior to the time of invoicing. Of those expenditures, six (6) expenditures were made without the issuance of a purchase order including an expenditure in the amount of \$817,737.36 to SS&D, and expenditures in the amount of \$520,000 and \$175,000 to R & A. These three (3) expenditures included monies which were subsequently paid to PS Solutions by the law firms after they received payment from the County.
2. In two (2) instances, the amounts encumbered for a purchase exceeded the amounts reflected on purchase orders (one by \$171 and another by \$60,741). Purchase Order No. 95003502, dated December 16, 1994, was issued in the amount of \$10,000. The County made payments in the amount \$10,171.57 against that purchase order. Purchase Order No. 95056911, dated March 16, 1995, was issued in the amount of \$2,328.43. The County made payments in the amount \$63,070.33 against that purchase order. The County provided us with a document titled Subsidiary Ledger Monthly Activity (Report Number F-21) which indicated that on July 13, 1995 the encumbered amount for Purchase Order No. 95056911 was \$63,500. The County was unable to provide us with documentation for the discrepancies such as formal authorizations for the increased encumbrances or revised purchase orders. It appears that the County altered its accounting system without authorization.

SUPPLEMENT TO SPECIAL AUDIT REPORT

3. The County did not provide us with six (6) purchase orders totaling \$1,520,597. The County provided us with copies of thirty-three (33) purchase orders on August 14, 2000. Those documents were originally requested on July 24, 1998. In a letter dated August 9, 2000, the County Auditor stated the “six vouchers related to jury fees and legal services relating to the issuance of obligations of the County and did not have purchase orders.” Of those six (6) vouchers, three (3) of the vouchers were for the expenditures to SS&D and R & A which were reflected in No. 1 above.
4. One hundred eight (108) purchase orders did not contain evidence of supervisory review or approval.
5. Twenty-four (24) receiving documents or invoices did not contain evidence of receipt (i.e., receiver and date).
6. Six (6) warrants issued for travel reimbursement were not supported by documentation such as meal receipts.
7. The County did not always charge Sverdrup invoices to the correct fund. When processing Sverdrup project manager invoices for Department of Environmental Services (Department) projects which had not yet been established in the County’s financial system, the Department often charged the amount to existing project funds containing sufficient, unencumbered resources for their payment.
8. Three (3) reimbursements for cellular phone calls were not supported by the detailed cellular phone bill. The County did not have policy in effect during the Period which governed the usage of cellular phones.

Citations

1. Summit County, Codified Ordinance, Section 177.08(g) provides in pertinent part, that “the Board of Control may award a contract which shall be in writing certified pursuant to Ohio Rev. Code Section 5705.41.

Ohio Rev. Code Section 5705.41(D) states that “no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.”

SUPPLEMENT TO SPECIAL AUDIT REPORT

This section, also provides three “exceptions” to the above requirements:

- A. Then and Now Certificate - if no certificate is furnished as required, upon receipt of the fiscal officer’s certificate that a sufficient sum was appropriated and free of previous encumbrances, the County Auditor may authorize the issuance of a warrant in payment of the amount due upon such contract of order by resolution within thirty days of the receipt of such certificate, if such expenditure is otherwise valid.
- B. If the amount involved is less than one hundred dollars, the fiscal officer may authorize it to be paid without affirmation of the County Commissioners.
- C. The County Commissioners may pass a resolution exempting purchases of seven hundred and fifty dollars or less from the prior certification requirement

Fifty-nine (59) expenditures exceeding \$100 were not certified by the fiscal officer prior to the time of invoicing. The County Council did not ratify the certifications under the “then and now” process, and the County did not resolve to exempt from prior certification purchases not exceeding \$750. Of those fifty-nine (59) expenditures, six (6) expenditures were made without the issuance of a purchase order including an expenditure in the amount of \$817,737.36 to SS&D, and expenditures in the amount of \$520,000 and \$175,000 to R & A. These three (3) expenditures included monies which were subsequently paid to PS Solutions by the law firms after they received payment from the County.

Two (2) payments to R & A exceeded the amounts previously certified and revised certifications were not made by the fiscal officer; one by \$171 and the other by \$60,741.

Failure to certify the availability of funds prior to making an expenditure commitment for goods and services weakens overall budgetary control and could result in expenditures exceeding amounts legally appropriated.

We recommend the County increase its efforts at complying with Summit County, Codified Ordinance, Section 177.08(g).

- 2. Ohio Rev. Code Section 149.43(B)(1) generally provides that public records are to be promptly prepared and made available for inspection at all reasonable times during regular business hours and that upon request, copies are to be made available within a reasonable period of time.

The County did not provide us with six (6) purchase orders. In a letter dated August 9, 2000, the County Auditor stated the “six vouchers related to jury fees and legal services relating to the issuance of obligations of the County and did not have purchase orders.” The County provided us with copies of 33 purchase orders on August 14, 2000. Those documents were originally requested on July 24, 1998. We do not view this production period, in excess of two years, as reasonable.

SUPPLEMENT TO SPECIAL AUDIT REPORT

3. County of Summit, Codified Ordinance Section 170.03 outlines the rules to be followed by County employees and officials when requesting reimbursement for travel on County business. Subsection (k) of that Ordinance requires the employee/official to submit receipts for all hotels and motels, convention fees, garage rental, and other fees for which he/she is requesting reimbursement.

Six (6) warrants issued for travel reimbursement were not supported by documentation such as meal receipts.

Management Comments

1. Encumbrances restrict spending authority and should reflect properly certified expenditure commitments (purchase orders). In two instances, the amounts encumbered for a purchase exceeded the amounts reflected on purchase orders. The County was unable to provide us with documentation for the discrepancies such as formal authorizations for the increases in encumbrances or revised purchase orders.

Entering or increasing encumbrances in the budgetary system without reference to properly certified expenditure commitments could unnecessarily restrict spending authority and result in unnecessary appropriation adjustments

2. Supervisory review of transactions helps to reduce entry error and establish authority for the initiation of the transaction and contributes to a culture of accountability. We reviewed 108 purchase orders which did not contain evidence of supervisory review. Without proper review and approval, unauthorized (illegal or incorrect) County payments could be made without detection.

We recommend the County implement a policy designating the authority to approve purchase orders. No County purchase order should be made without proper authorization.

3. Documenting receipt of goods and services assures the County that payments will be made only for goods and services received. Twenty-four (24) receiving documents or invoices did not contain evidence of receipt (receiver and date). Paying invoices without proper receiving documentation can result in payments for goods or services not received by the County or in duplicate payments.

We recommend County employees, who receive goods or services on behalf of the County, initial and date the receiving document or invoice to indicate the goods or services were received. In addition, all invoices should be stamped or clearly marked "Paid" after payment has been made by the County.

SUPPLEMENT TO SPECIAL AUDIT REPORT

4. Government accounting systems should be organized and operated on a fund basis. Funds are designed to segregate and record transactions for the purpose of carrying on specific activities in accordance with special regulations, restrictions, or limitations. County resolutions approving the debt sales associated with the 1993 Capital Improvement Plan (Plan) stipulated that proceeds of debt sales associated with the Plan be paid into project specific funds. When processing Sverdrup project manager invoices for Department of Environmental Services (Department) projects for which funds had not yet been set up in the County's accounting system, the Department often charged the amount to existing project funds containing sufficient, unencumbered resources for their payment. By not creating separate project specific funds, the County's Department of Environmental Services failed to monitor the receipts and costs associated with each of the projects undertaken as part of the Plan, and may have violated the intent of the resolutions approving the debt sales.

We recommend the County set up project-specific funds for projects initiated under the 1993 Capital Improvement Plan. Proceeds from the sale of debt should be paid to the proper funds and used for the purpose for which debt was issued. All expenditures should be charged to their proper funds.

5. Requests for reimbursement of expenses should be supported by documentation sufficient to prove the expenses were incurred on official County business. Three (3) reimbursements for cellular phone calls totaling \$1,367 were not supported by the detailed cellular phone bill. As a result, County employees could have been reimbursed for personal calls.

The County should implement a policy which governs the usage of cellular phones and describes the documentation to be submitted necessary for approval of reimbursement.

The County Executive stated the County currently has a cell phone policy. We did not perform audit procedures on the current County cell phone policy, and, as a result, do not know whether the County complies with the provisions of that policy.

SUPPLEMENT TO SPECIAL AUDIT REPORT

ISSUE NO. 5 - BIDDING AND CONTRACTING COMPLIANCE

Procedure

For expenditures identified in Procedure No. 2 which were made to SS&D, R & A, V Group, Sverdrup, Mr. Hartung, Ms. Peters, and Ms. Hale, we determined whether the bidding and contracting procedures associated with Summit County, Codified Ordinance, Section 177.10 or Section 177.08 applied and, whether those expenditures complied with the applicable authority.

Results

1. None of the expenditures reviewed were required to comply with Summit County, Codified Ordinance, Section 177.10(a),(b), or (c) since they were for professional services, and, accordingly, were required to comply with Summit County, Codified Ordinance, Section 177.08.
2. The County Executive's office did not incorporate the safeguards inherent in the provisions of Summit County, Codified Ordinance, Section 177.08 with respect to the professional services provided to the County by PS Solutions and PS Management by allowing those services to be indirectly billed through professional services invoices of the law firms SS&D and R & A or to be paid by A. G. Edwards out of the proceeds of County debt sales.

The County Executive's office reached a conclusion that County Council's resolutions approving the issuance of bond and note debt provided the authority for the above mentioned expenditures. Regardless of whether that was the intent of County Council at the times those resolutions were passed, the County Executive's office did not utilize the procedures which they had in place with respect to bidding or negotiating and contracting requirements for professional service contracts.

The County Executive's office further believes there was no "County policy" during the period which prohibited consultants from using the services of subconsultants, and billing for those services through the consultants and that County Ordinance Section 177 did not contain any restrictions regarding the use of subconsultants. Although the County's ordinances and policies did not prohibit the use of subconsultants by consultants, Mr. Achterman's companies were not subconsultants to the law firms. Both SS&D and R & A have denied hiring Mr. Achterman or his companies and incorporated Mr. Achterman's billings within their invoices to the County only at the insistence of the County. Employees of both SS&D and R & A further indicated they neither reviewed nor relied on Mr. Achterman's work to perform their duties as co-bond counsel.

SUPPLEMENT TO SPECIAL AUDIT REPORT

3. The County Executive’s office also did not incorporate the safeguards inherent in the provisions of Summit County, Codified Ordinance, Section 177.08 with respect to County payments to:

- Squire, Sanders & Dempsey,
- Roetzel & Andress,
- The V Group,
- The Sverdrup Corporation, and
- A. G. Edwards, Inc.

The following table illustrates whether we were provided with documentation with respect to the above named professional service firms (Y - documentation provided; N - documentation not provided; S - documentation provided in some instances).

Vendor	Applicable Authority: Summit County <u>Codified Ordinance</u> Section						
	177.08(d) Qualification Statement or update	177.08(d) RFP Issued	177.08 (f) Proposal Received	177.08 (f) Review Proposal/ Negotiate Amount	177.08 (f) County Executive Recommendation to Board of Control	177.08(g) Contract in Writing	177.08(g) Approved by Council
Squire, Sanders & Dempsey, LPA	N	N	N	N	N	N	S ³
Roetzel & Andress, LPA	N	N	N	N	N	N	S ³
The V Group ⁴	N	N	Y	Y	N	Y	Y
The Sverdrup Corp.	N	Y	Y	Y	N	Y	Y
A. G. Edwards, Inc.	N	Y	Y	N	N	Y ⁵	Y

The County’s Board of Control was established in 1981 to administer the awarding of contracts and to be sure that all purchasing procedures are followed properly. The Board of Control consists of the County Executive or authorized designee, the President of Council or authorized designee, the Finance Committee Chair or authorized designee, the County Engineer or authorized designee, the County Treasurer or authorized designee, and the Director of Budget and Management or authorized designee. As reflected in this report, the County’s Board of Control does not have the authority to award contracts greater than \$10,000 without the approval of Council.

³Council approved payments for services as co-bond counsel for debt issuances. Council did not approve any other payments to those law firms.

⁴Our review related to services provided to the County for a jail addition, courthouse renovation, and an administrative office facility.

⁵The County did not provide us with separate written contracts for the services to be rendered by A.G. Edwards. Instead, within the Transcripts of Proceedings for all debt issuances there was contained a purchase agreement which set forth all services and terms of compensation for the underwriters.

SUPPLEMENT TO SPECIAL AUDIT REPORT

Management Comments

1. Summit County, Codified Ordinance Section 177.08(a) requires the Executive to accept and compile qualification statements from any person or business entity seeking to obtain the award of any service contract which is exempt from competitive bidding pursuant to Section 177.07(a)(4) and that this list be updated annually. Summit County, Codified Ordinance Section 177.08(d) requires the Executive to notify at least five persons or businesses who have submitted qualification statements pertaining to the services to be provided of the County's intent to solicit proposals. The County Executive did not have any qualification statements.

We recommend the County increase its efforts at complying with Summit County, Codified Ordinance Section 177.08(a) and (d).

2. Summit County, Codified Ordinance Section 177.08(f) requires the Executive to review proposals to provide requested services received, negotiate compensation to be paid under the contract and submit his recommendation to the Board of Control. The Executive did not provide us with any documentation supporting his review of any proposals received, his evaluations of the proposals or his recommendations to the Board of Control, except for the providing a joint proposal for construction manager services under the 1993 Capital Improvement Program from the Sverdrup Corporation and the V Group. It was the only proposal for services provided for the Plan and the only proposal received from any of the professional services vendors listed above.

We recommend the County increase its efforts at compliance with the requirements of Summit County, Codified Ordinance Section 177.08(f).

3. Summit County, Codified Ordinance Section 177.08(d) states upon determination by the Executive that professional or unique services are necessary for a specific purpose, the Executive may request proposals to be submitted. The County did not provide us with requests for proposal for any professional service contract identified above other than for the services of the construction manager for the 1993 Capital Improvements Plan.

We recommend the County increase its efforts at compliance with the requirements of Summit County, Codified Ordinance Section 177.08(d).

4. Summit County, Codified Ordinance Section 177.08(g) states the Board of Control may award a contract which shall be in writing. Any professional contract awarded by the Board providing for compensation in an amount exceeding \$10,000 shall be approved by Council, and no contract shall be executed by the Executive until so approved. The County did not provide us with contracts with SS&D and R & A. We were provided with the contract between the County and the Sverdrup and the V Group for the services of construction manager. The agreements with A. G. Edwards were a part of the Transcripts of Proceedings.

SUPPLEMENT TO SPECIAL AUDIT REPORT

We recommend the County increase its efforts at compliance with Summit County, Codified Ordinance Section 177.08(g).

5. Summit County, Codified Ordinance Section 177.08 establishes bidding and contracting requirements for professional service contracts. The County allowed significant professional service invoices to be submitted for payment by PS Solutions and PS Management (Mr. Achterman's companies) indirectly through inclusion in professional services invoices of SS&D or R & A, or to be paid indirectly by A.G. Edwards out of the proceeds of County debt sales thereby avoiding the requirements of Section 177.08. With respect to the professional services performed by Mr. Achterman's companies, the County did not document whether:
- Other professional services firms had expressed interest in these professional services or were qualified to perform them;
 - Request for proposals for the professional services provided by Mr. Achterman's companies had been developed or distributed;
 - The professional services performed by Mr. Achterman's companies were evaluated for necessity;
 - Compensation to Mr. Achterman's companies was negotiated;
 - Recommendations were made to the Board of Control for Mr. Achterman's Companies' services
 - Approved and executed contracts exist for the services performed by Mr. Achterman's companies.

As a consequence of the apparent failure of the County and the County Executive to follow the provisions of Summit County Codified Ordinances Section 177.08, the law firms of SS&D and R & A were able to invoice the County for services provided by Mr. Achterman's companies. SS&D and R & A provided us with a few proposals submitted to them by Mr. Achterman's companies with respect to the services they provided.

SUPPLEMENT TO SPECIAL AUDIT REPORT

ISSUE NO. 6 - IDENTIFICATION OF PAYMENTS TO MR. ACHTERMAN AND HIS COMPANIES

Procedure

We obtained and reviewed financial information, including expenditure records, from SS&D, R & A and the A.G. Edwards Company to identify payments made to Mr. Achterman's companies, or Mr. Achterman himself, and to review transactions associated with Summit County for supporting documentation.

Results

- The following table represents payments to Mr. Achterman's companies for services allegedly provided by them to the County and invoiced to the County indirectly through the law firms.

		Paid To			Total
		PS Solutions or PS Management	Roetzel & Andress	Mr. Achterman	
Paid By	Squire, Sanders & Dempsey	\$555,103	\$0	\$0	\$555,103
	Roetzel & Andress	\$665,000	\$0	\$0	\$665,000
	A. G. Edwards	\$0	\$110,000 ⁶	\$0	\$110,000
	Total	\$1,220,103	\$110,000	\$0	\$1,330,103

- Underwriting agreements between the County and A. G. Edwards indicate that the County assigned its authority to pay most issuance costs for the debt sales during the period to its underwriter, A. G. Edwards.
- A. G. Edwards paid on the County's behalf and deducted from the proceeds of ten bond and note debt sales during the period 1995 through 1997 \$1,526,267 for issuance costs. We requested documentation to support these issuance costs from both the County and A.G. Edwards. The County was not able to provide any documentation supporting these costs. A.G. Edwards provided us with documentation supporting \$1,437,843 of the costs. The remaining \$88,424 of costs were unsupported.

⁶Money paid by A. G. Edwards to Roetzel & Andress out of the proceeds of the June 4, 1997 note debt sale which were in turn paid by Roetzel & Andress to Mr. Achterman's companies. Roetzel & Andress included amounts billed them by Mr. Achterman's companies in their invoice to A. G. Edwards.

SUPPLEMENT TO SPECIAL AUDIT REPORT

Upon receiving our request for additional documentation to support the \$88,424 of issuance costs, A.G. Edwards performed its own internal audit of the costs. In a letter dated January 11, 1999, Mr. Alan Bauccho, Vice President of A.G. Edwards stated the internal audit concluded that A.G. Edwards owed the County \$23,610 plus interest. He further stated the remainder of those expenses which were not supported by documentation were internal expenses incurred by A.G. Edwards for items such as internal printing, computer/financial analysis, office supplies, telephone charges, clearing and cost of carry. In addition to the fact that expenses for clearing and cost of carry were not supported by any documentation, those expenses were not explicitly stated as allowable expenses under the debt purchase agreement, and thus it is not clear whether or not these expenses should have been paid by the County.

In a subsequent letter to the County, dated March 29, 1999, Mr. Bauccho stated A.G. Edwards conducted a full reconciliation of the 23 separate debt transactions during the period March 1991 through December 1998 for which A.G. Edwards served as senior manager. The results of those reconciliations reflected A.G. Edwards owed the County \$28,250 plus interest.

We received a letter dated March 3, 2000 from Mr. Bauccho indicating that A.G. Edwards has repaid Summit County \$28,250 which represents the net amount of budgeted expenses which were greater than actual expenses for all debt issuances covering the period 1991 through September, 1998. In addition, A.G. Edwards was also repaying the County \$36,570 representing 10% interest compounded annually on the \$28,250. Attached to the letter were copies of the checks in the above amounts issued from A.G. Edwards to Summit County. Of the \$28,250 repaid by A.G. Edwards, \$25,246 relates to the debt issuances which we reviewed and the remaining \$3,004 is attributable to debt issuances outside of the Period. Taking into consideration the repayment of \$25,246, the total amount of issuance costs during the Period which remains unsupported is \$63,178.

On May 23, 2000, we interviewed Mr. Bauccho to clarify his description of the issuance costs totaling \$88,424 which remained unsupported. Mr. Bauccho indicated that all internal costs and issuance costs relating to Summit County debt issuances were negotiated orally with the County's finance director and bond counsel. There were no documents to support those verbally agreed-upon costs. Mr. Bauccho could provide no supporting documentation only general descriptions of the costs. Mr. Bauccho further explained that A.G. Edwards deducted \$21,653 from the March 95 Bond Issue as "computer/financial analysis", however, these costs were not related to the March 95 Bond Issue. Instead, the \$21,653 represented compensation that was verbally committed to A.G. Edwards by Mr. Hartung in 1994 when the County issued \$76 million of debt for the purpose of investing in the Cuyahoga County SAFE Program. According to Mr. Bauccho, when the County issued the \$76 million of debt in 1994, he approached Mr. Hartung and requested a higher fee for A.G. Edwards' services as the County was expecting them to act as an on-call financial advisor throughout the year. Mr. Hartung denied the immediate payment of a higher fee and stated he would compensate A.G. Edwards later. Mr. Bauccho stated the services that A.G. Edwards performed relating to the 1994 debt issuance were to monitor the investment of the \$76 million in the SAFE Program. He stated he believed the services which A.G. Edwards provided amounted to \$35,000, although he only deducted \$21,653. Since the March 95

SUPPLEMENT TO SPECIAL AUDIT REPORT

Bond Issue was not a part of our original engagement scope, these costs totaling \$21,653 which were not supported by documentation and attributable to the March 95 Bond Issue, are not included within the \$88,424 discussed in the preceding paragraph.

In addition, an expense in the amount of \$25,000, which A.G. Edwards credited themselves for the development of debt policies and the preparation of a debt report related to the March 1996 Bond Issue, consisted of a five (5) page report which was almost identical to similar reports issued in 1995 and 1998 for which they were not paid by the County.

A. G. Edwards has stated that according to the bond and note purchase agreements, they were contractually obligated to pay specific amounts for the securities purchased from the County and that they did that. They further stated that although they were not contractually obligated to pay any unsupported external expenses, they returned to the County the difference between certain costs of the County that had been specifically negotiated and the amounts actually paid. The bond and note purchase agreements which we reviewed contained ambiguous language with respect to the payments of costs of issuance. The County entered into agreements which were written by the underwriter's attorneys to protect the interests of the underwriter. As a result, the County paid \$63,178 for expenses related to costs of issuance for bond and note debt issuances which we not able to substantiate.

4. Of the bond and note debt sales reviewed during the Period, we noted that A.G. Edwards had deducted bond counsel fees on four of the issuances for SS&D and R&A for which neither A. G. Edwards nor the County could provide us with the supporting invoices. We obtained these invoices directly from the SS&D and R & A.
5. A. G. Edwards charged \$9,100 of underwriter counsel's fees to the wrong debt sale. The fees were paid to Buckingham, Doolittle & Burroughs, and were charged to the June 5, 1996 note debt sale when the services were for the June 1, 1996 bond debt sale.
6. In five (5) instances, vendors submitted invoices for services provided related to issuance costs which lumped together services for both bond and note debt sales into one fee. As a result, the County arbitrarily split the value on the services between the bond debt sale and the note debt sale and advised A. G. Edwards of its decision.
7. A. G. Edwards' compensation for underwriting the debt issues were never specified in the note or bond purchase agreements.

SUPPLEMENT TO SPECIAL AUDIT REPORT

8. A. G. Edwards deducted fees and issuance costs in excess of the combined amounts provided in various note and bond purchase agreements as indicated below:

Date of Issuance	Type of Issuance	Amount Deducted	Amount Provided by Agreement	Excess
June 1, 1996	Bond	\$203,366	\$175,000	\$28,366
June 5, 1996	Note	\$336,287	\$243,787	\$92,500
November 21, 1996	Note	\$260,208	\$217,015	\$43,193

9. A. G. Edwards deducted from the proceeds of various debt sales the costs of travel expenses, including meals and limousine services, incurred on trips to New York City by County officials for meetings with bond rating agencies. The table below summarizes these expenses paid by the County.

Travel Dates	Issuance Date	Limousine Cost	Meal Costs	Including Single Meal	
				At	Cost
Jan. 23-25, 1995	March 1995	\$1,656	\$2,101	Il Molino's	\$1,014
Jan. 24-26, 1996	March 1996	\$1,881	\$2,276	Oak Room	\$1,282
May 13-14, 1996	June 1996	\$1,679	\$1,918	Le Cirque	\$916
May 11-13, 1997	June 1997	\$849	\$1,898	Ben Benson's	\$811
Totals		\$6,065	\$8,193		

Expense reports submitted by employees of A. G. Edwards listed who was in attendance at the meals reflected above. According to those reports, in attendance at the meal at Il Molino's were County officials Tim Davis, Ron Brooks, Cindy Peters, Dale Gibbons, and Bill Hartung, along with Alan Bauccho from A. G. Edwards. In attendance at the meal at the Oak Room were County officials Tim Davis, Ron Brooks, Cindy Peters, Dale Gibbons, Bill Hartung, and Lou Berroteran, along with Alan Bauccho and Mike Sudsina from A. G. Edwards. In attendance at the meal at Le Cirque were County officials Tim Davis, Ron Brooks, Cindy Peters, Dale Gibbons, and Bill Hartung, along with Alan Bauccho from A. G. Edwards. In attendance at the meal at Ben Benson's were County officials Tim Davis, Ron Brooks, Dale Gibbons, and Lou Berroteran, along with Alan Bauccho from A. G. Edwards. The receipts submitted by Mr. Bauccho which supported those meal expenditures reflected only a lump sum cost for food, beverages, and tip and did not itemize the food and beverage cost for each person who was in attendance. As a result, we cannot quantify the exact amount of food, beverages, and tip which related to County officials.

SUPPLEMENT TO SPECIAL AUDIT REPORT

Mr. Davis stated that he was not aware that the meal charges incurred on those trips were charged directly back to the County as costs of issuance. He thought that those expenses were part of the fees of the underwriter. When he found out those expenses were being charged back to the County he told Mr. Bauccho, Vice-president of A. G. Edwards, there was an obvious problem. Mr. Bauccho agreed with him and told him their company was changing their policy on how they handled meal expenses.

Regarding limousine fees, Mr. Bauccho stated this was the cheapest way to transport the County officials in the City.

10. While in New York for the January 1996 bond rating meetings, Mr. Bauccho met with former employees of Chemical Bank on business unrelated to Summit County and charged \$196 in expenses related to those meetings to the County's March 1, 1996 bond debt sale.
11. Mr. Bauccho explained⁷ that underwriting fees for bond and note debt sales conformed to certain standards. He stated the standard fee for note debt sales was approximately \$1.75 per \$1,000 sold, and for bond debt sales it ranged between 6% and 9% with 9% being extremely high.

The following table illustrates the underwriting fees charged by A. G. Edwards on certain bond and note debt sales occurring during the period which exceeded the standard fees adopted by A. G. Edwards or which approach an "extremely high" level as explained by Mr. Bauccho.

Date of Sale	Type of Sale	Underwriting Fee	
		Charged	Standard
June 6, 1995	Note	\$2.39	\$1.75
November 21, 1995	Note	\$2.23	\$1.75
	Bond	8.8%	6-9%
	Bond	11%	6-9%
	Bond	11%	6-9%

⁷Telephone conversation between Mr. Bauccho and AOS representative on May 14, 1998.

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12. Bond counsel fees are generally set by the County and paid from the proceeds of debt sales as a cost of issuance. Bond counsel fees paid to SS&D during the period ranged from 0.15% to 0.74% of the debt sale proceeds. Bond counsel fees paid to R & A during the period ranged from 0.05% to 1.11% of the debt sale proceeds. In each case either no invoice was submitted for payment by the bond counsel or the invoice submitted did not display the hours worked or rates per hour charged. In the cases where no invoice was submitted, Mr. Bauccho indicated that the County directed him to make the payment. Neither the County nor the law firms provided us with contracts outlining the scope of bond counsel services or the fees to be paid.

Management Comments

1. The County assigned its authority to pay for most debt sales issuance costs, including bond counsel fees, to their underwriter as outlined in their agreements. We found no evidence that the County reviewed the costs of issuance paid by A. G. Edwards from the proceeds of its debt sales.

Standard financial control practices include management oversight of its expenditures. Without this control, organizations may expend resources in excess of expected amounts or for reasons other than those authorized.

We recommend the County either :

- A. not delegate the authority to pay debt issuance costs, including bond counsel fees to an underwriter; or
 - B. if it chooses to delegate that authority to an underwriter, the County should ensure that: a) there is a transcript of proceedings relating to each debt issuance which includes copies of the underwriter's invoices; b) there is a debt issuance budget adopted which outlines how the debt proceeds are to be distributed or expended; c) there are internal controls in place to ensure that all invoices are reviewed and the debt issuance budget is monitored to ascertain whether all debt proceeds are being distributed/expended as intended.
2. During the Period, Summit County employed the services of an underwriter, A.G. Edwards, to assist in the issuance of its debt. The County selected A.G. Edwards without requesting proposals from other underwriters.

As stated in the Government Finance Officers Association March 2000 "*Recommended Practices for State and Local Governments*", the use a Request for Proposal process is recommended when selecting underwriters and financial advisors because it promotes fairness and objectivity, allows the issuer to compare respondents, and helps the issuer to obtain the best price and level of service. County officials and management should have

SUPPLEMENT TO SPECIAL AUDIT REPORT

a clear understanding of their needs and should carefully develop a Request for Proposal that complies with state and local bidding requirements.

3. Summit County, Codified Ordinance, Section 170.03(i)(2) authorizes reimbursement of meals, when a County officeholder or employee is required to be outside the State, at a per diem rate not to exceed \$4 for breakfast, \$6 for lunch and \$14 for dinner.

On 4 occasions during the period County officials attended bond rating meetings in New York City and had meals reimbursed by the County through its payment of debt issuance costs. The cost of the meals exceeded the limits imposed by Summit County, Codified Ordinance, Section 170.03(i)(2). Total meal expenses for the four trips to New York amounted to \$8,193. The total allowable reimbursable amount for County officials who attended those meetings in New York was \$1,320.

Had the County officials complied with the County provisions for travel and reimbursement for their trips to New York, the County could have saved up to \$6,873 less those meal expenses attributed to employees of A. G. Edwards.

We recommend whenever any County employees are on County business outside the County, they follow the provisions of Summit County, Codified Ordinance, Section 170.03.

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ISSUE NO. 7 - REVIEW OF FINANCIAL INFORMATION OF PS SOLUTIONS, PS MANAGEMENT, AND MR. ACHTERMAN
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Procedure

We subpoenaed all financial information from PS Solutions, PS Management and Mr. Achterman to determine if they made any payments to County employees or vendors. Specifically:

1. We subpoenaed bank records of PS Solutions, PS Management and Mr. Achterman.
2. We scheduled all receipts greater than \$500 identifying bank, account name, account number, date, amount, deposit source and cash deposits.
3. We scheduled all disbursements greater than \$500 identifying bank, account name, account number, date, amount, check number, payee, and checks made out to cash or negotiated for cash.

Results

We observed the following cash activity during the period among parties involved in this audit.

		Paid To					Total
		Cindy Peters ^a	Kathleen Hale	Step II ^d	V Group ^d	Everest Consulting ^b	
Paid By	PS Solutions/PS Management	\$195,000	\$118,477 ^c	\$129,500	\$25,000	\$0	\$467,977
	Mr. Achterman	\$0	\$3,000	\$0	\$0	\$0	\$3,000
	Voinovich Companies ^d	\$0	\$0	\$0	\$0	\$101,500 ^e	\$101,500
	Unidentified	\$0	\$0	\$0	\$0	\$25,000	\$25,000
Total		\$195,000	\$121,477	\$129,500	\$25,000	\$126,500	\$597,477
^a Or entities formed in her name ^b Everest Consulting's checking account is in the name of William Hartung. ^c Of this amount, \$8,000 was paid to Ms. Hale while she was employed by the County ^d Voinovich Companies include Step II, North Cost Villas, and the V Group. ^e Of this amount, \$89,000 was paid to Everest Consulting while Mr. Hartung was employed by the County							

SUPPLEMENT TO SPECIAL AUDIT REPORT

ISSUE NO. 8 - REVIEW OF COUNTY PAYMENTS TO PS SOLUTIONS, PS MANAGEMENT, AND MR. ACHTERMAN

Procedures

1. We requested all documentation from the County related to PS Solutions, PS Management, and Mr. Achterman to determine what services were provided to the County and determine if the services provided were commensurate with the payments received.
2. We interviewed Mr. Achterman and Mr. Thomas Liber, of R & A, deposed Mr. Davis and Mr. John Larson of SS&D, and attempted to depose Mr. Hartung and Ms. Peters⁸ to determine who initially requested Mr. Achterman to provide services to the County, how the fees paid to PS Solutions and PS Management by SS&D and R & A were negotiated, what comprised Mr. Achterman's work product, and whether Mr. Achterman's work product was reviewed by anyone.

Results

Hiring of Mr. Achterman

1. In response to our repeated requests⁹ for all documentation from the County related to services provided to the County by Mr. Achterman's companies, PS Solutions and PS Management, County Executive, Mr. Tim Davis responded¹⁰ by challenging our independence and calling for the appointment of an independent public accounting firm to continue the investigation. Initially, we were not provided with the records we requested. Mr. Davis stated that any records referred to in this section, which the County had, were in the possession of the U. S. Attorney's office at the time the request was made. Even though the County turned over those records to the U. S. Attorney's office, that did not absolve the County from their responsibilities under the public records laws to provide documents. The County had an obligation to make copies of those records and to provide those records when public records requests were made.

On September 23, 1998 pursuant to our authority under Ohio Rev. Code Section 117.18, we issued a subpoena to Mr. Davis to produce any and all records related to Mr. Achterman, PS Solutions and PS Management.

⁸We subpoenaed Ms. Peters for deposition which was to take place at 9:00 AM on September 8, 1999. At 9:03 AM Ms. Peters attorney, William Doyle, called by phone and left a message that Ms. Peters would not be arriving for deposition because there was no attorney to come with her. Prior to this message, we had not received any indication from Ms. Peters or any attorney on her behalf that she would not be appearing at her appointed time. An Assistant Attorney General with the Chief Counsel's Staff of the Ohio Attorney General's office, had driven from Columbus to Akron to conduct this deposition. Subsequently, an interview of Ms. Peters was conducted on January 27, 2000.

⁹Letters to Mr. Ron Brooks, the County's Director of Budget and Management, dated July 15, 1998 and September 3, 1998.

¹⁰Letter to Auditor of State, Mr. Jim Petro, dated September 17, 1998. In a previous letter dated September 15, 1998, Mr. Ron Brooks stated that ... "the County Executive is considering complying and/or challenging your request for documents pursuant to your September 3, 1998 letter."

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On February 8, 1999, the County provided us with minimal tangible work products related to work performed for the County by Mr. Achterman and his companies.

2. Initially stymied by the County, we resorted to reviewing proposals and invoices Mr. Achterman's companies submitted to the bond counsels, SS&D and R & A and determined that services rendered by Mr. Achterman's companies to the County included the following:
 - Negotiation and settlement of USEPA grants numbered C3907001 and C39073401;
 - Senior/Disabled Citizen Discount Program;
 - Metered billing;
 - Audit resolution;
 - Financial advice on:
 - the Annual Capital Improvements Plan of the County;
 - the overall financial position of the County;
 - Annual Information Statement in connection with bonds and notes of the County; and
 - Preliminary and final Official Statements in connection with specific debt sales of the County.

All of the invoices from SS&D other than one invoice dated June 20, 1995 referred to the services and fees of Mr. Achterman's companies. Only one of R & A's invoices referred to the services and fees of Mr. Achterman's Companies

3. Mr. Achterman stated he was retained by KPMG, LLP, his former employer, to finish the rate study which KPMG, LLP had been conducting for the County.
4. In his deposition, Mr. Davis stated since the County had already worked with Mr. Achterman during his prior employment with KPMG, LLP, and since he had done a very good job for the County with respect to those matters and was well-known to County officials, he was hired as a financial advisor on bond issuances. Mr. Davis did not recall how the decision was made to hire Mr. Achterman.
5. In his deposition, Mr. Larson, of SS&D, stated Mr. Achterman's companies were hired by his firm at the direction of the County. There were several engagements involved, and he had personal knowledge of the retention of Mr. Achterman's companies in 1996 and 1997. In January of 1996 he met with Mr. Hartung and Ms. Peters who requested that Mr. Achterman's companies be retained. In January or February, 1997 he, again, met with Mr. Hartung at which time Mr. Hartung requested SS&D retain Mr. Achterman's companies.
6. In an interview, Mr. Liber, formerly of R & A, stated Mr. Achterman was never hired by R & A. R & A became aware they had to pay Mr. Achterman because Mr. Hartung told them to. Mr. Liber understood that Mr. Achterman was part of a prior process which had been established with SS&D and Summit County and that the County wanted to continue this process.

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Negotiation of Mr. Achterman's Fees

1. In his deposition, Mr. Davis stated he was never involved in the negotiation of Mr. Achterman's fees and did not know how they were arrived at, and that Mr. Hartung would know that.
2. In an interview, Mr. Achterman stated that prior to initially billing the County for his services, he went to Mr. Ivan Otto, an attorney with SS&D, and asked him what he should bill the County, and Mr. Otto told him "what about an hourly rate of \$100 per hour?" Regarding the settlement of the US EPA matters, Mr. Achterman stated he negotiated a final settlement with EPA officials in Washington in June of 1995 which saved the County \$6 million. He went to Mr. Davis and requested 15% of the savings as his fee. According to Mr. Achterman, Mr. Davis told him it couldn't be done that way because he would be crucified politically and then told him to bill a lower percentage (3%) of the initial EPA finding (\$28 million) to calculate his fee. He said Mr. Davis then outlined the payment methodology, which was \$370,000 billed through R & A, \$195,000 billed through SS&D, and \$275,000 billed through Urbanistics Inc. The billing through SS&D would include payment for any work done through that point in time, and the billing through R & A would include payment for work to be performed through the end of 1995. Urbanistics, Inc., was a consulting and lobbying firm of which John Meeks was President. Mr. Meeks attended the above mentioned meeting with the US EPA, along with Mr. Achterman, on behalf of the County. According to Mr. Achterman, Urbanistics, Inc. was paid for their services by the accounting firm KPMG.
3. In an interview, Mr. Liber stated Mr. Hartung set up the process by which Mr. Achterman would be paid.
4. In a deposition, Mr. Larson stated that he believed Mr. Achterman's companies were hired at the direction of the County, and worked under the supervision and direction of County officials. At the County's direction, he agreed to have the invoices for Mr. Achterman's services submitted to SS&D and then to the County for payment.
5. In an interview, Mr. Liber stated that Mr. Brooks wrote him¹¹ to inform him that he had received and reviewed a copy of the service deliverables by PS Solutions related to the June 4, 1997 note sale, that they were complete, and that R & A should facilitate payment to PS Solutions.
6. In an interview, Mr. Brooks stated that PS Solutions performed all the work which was reflected in the scope for that specific note sale. There was no tangible work product other than discussions, meetings and phone conversations and he never saw any physical work product other than two rate studies which were conducted by Mr. Achterman.

¹¹Letter from Mr. Brooks to Mr. Liber dated June 25, 1997.

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7. In his deposition, Mr. Davis stated he never personally reviewed any of Mr. Achterman's work product. He stated that would have been the job of Mr. Hartung and the Budget Director. He stated that he thought the increase in the County's bond rating could be attributed to Mr. Achterman's work.
8. In his deposition, Mr. Larson stated he reviewed Mr. Achterman's work product on two occasions, neither of which are related to County debt issuances. In May, 1997 with respect to a proposed consent decree against the County, and in October, 1997 with respect to projected revenues and costs of operating the County's sewer system. Mr. Larson stated Mr. Achterman was not paid by either the County or the County's law firms for the above mentioned work.
9. In an interview, Tom Liber stated he never reviewed any of Mr. Achterman's work product. He further stated employees of the County's Department of Environmental Services would probably have reviewed Mr. Achterman's work product.

Calculation of a Reasonable Amount for Mr. Achterman's Fees

1. The issue of determining a reasonable fee for Mr. Achterman's services was complicated by a selection and billing process characterized by convolution and minimal documentation. The County Executive indicated Mr. Achterman was the County's financial advisor and in many ways his work was intangible in nature, such as attendance at meetings with County employees and answering questions by telephone. Since the County did not quantify the level of services provided by Mr. Achterman, was not able to provide a work product by Mr. Achterman, and payments made to Mr. Achterman by the County could not be supported by the documented hours of service provided by Mr. Achterman, we quantified the level of services provided by Mr. Achterman. In order to determine whether or not the services provided by Mr. Achterman and his companies were commensurate with the payments received during the period April 16, 1995 through March 15, 1998, we used the \$100 hourly rate initially recommended to Mr. Achterman by Mr. Otto and increased it by 10% each year. We believe a 10% increase is reasonable given the fact that there was no evidence of changes in service, market conditions, or education and/or qualifications of Mr. Achterman. Also, our Office has entered into similar types of consulting agreements at an hourly rate of \$100. Utilizing the \$100 hourly rate and increasing it by 10% each year, we calculated the amount of fees which should have been paid to Mr. Achterman and his companies based upon the number of hours reflected on Mr. Achterman's time sheets attributable to Summit County.

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Billing Period Ending Date	As Calculated			As Billed			Over-payment
	Hours	Rate/Hr	Fee	Hours	Rate/Hr	Fee	
Through April 15, 1995	1,399	\$100	\$139,900	1,503	100	\$150,300	\$10,400
Through December 31, 1995	795	\$100	\$79,500				
Through December 31, 1996	717	\$110	\$78,870				
Through December 31, 1997	1,308	\$121	158,268				
Through March 15, 1998	42	\$133	5,586				
Unallocated billing April 16, 1995 through March 15, 1998						\$1,047,737	\$725,513
Totals			\$462,124			\$1,198,037	\$735,913

2. In addition to the payments outlined above, PS Management billed SS&D \$200,000 for financial advisory services on an invoice dated November 7, 1997. Mr. Brooks wrote to SS&D saying that he had received and reviewed a copy of the service deliverables by PS Management related to that invoice, the service deliverables were complete, and SS&D should facilitate payment to PS Management.¹² In an interview, Mr. Brooks stated he received a call after sending the letter to Mr. Larson who stated SS&D would not honor the invoice of Mr. Achterman.

3. In a document prepared by Mr. Achterman, he stated he received a phone call from Mr. Brooks on December 22, 1997 requesting him to issue a second invoice for services rendered to R & A and to date the invoice November 24, 1997. Mr. Brooks wrote to R & A saying he had received and reviewed a copy of the service deliverables by PS Management related to that invoice, the service deliverables were complete, and R & A should facilitate payment to PS Management.¹³

Mr. Liber wrote to Mr. Achterman saying they were not directed by the County to engage or pay financial consultants and therefore could not pay Mr. Achterman.¹⁴

4. Mr. Achterman then wrote to Mr. Davis informing him that PS Management had not been paid for a report that it issued to the County on October 27, 1997, that the report had been reviewed and approved in writing by Mr. Brooks and that unless the County paid for the report it would be withdrawn.¹⁵

¹²Letter dated December 15, 1997

¹³Letter dated December 22, 1997

¹⁴Letter dated December 31, 1997

¹⁵Letter dated March 2, 1998

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5. On March 5, 1998, Mr. Achterman wrote a short note to Mr. Davis thanking him for the meeting which they had that day and that he felt all pending matters were resolved. On March 16, 1998, he wrote to Mr. Davis saying, in part, “[y]our personal assurance that the work was completed and accepted by Summit County confirmed the previous letters of the Director of the Office of Management and Budget of Summit County,” and “[a]s you explained, the unilateral decision of Bond Counsel to implement an after-the-fact change to the long-standing payment methodology for our Financial Advisory Services poses a significant problem for you and for Summit County.”

Mr. Davis wrote in response “prior personal discussions cannot, nor should not, be interpreted as agreements with Summit County Government.” He further stated “your representation of my personal comments concerning Bond Counsel, and the prior method of payment must be addressed. As you know, I was not at all personally involved in the details of how costs for Bond issues were processed at the time of your dispute with the County. Since you have brought this issue to my attention, I have made general inquiries to both of the law firms in question. Based on those inquiries, it seems that there is an honest dispute as to why this cost was not processed under the prior agreement.”¹⁶

We wrote to Mr. Davis asking him to explain to us what he meant by “honest dispute” and “prior agreement”.¹⁷ Mr. Lewis Adkins, former General Counsel to the Executive Director, on behalf of Mr. Davis, responded that “prior agreement” referred to how Mr. Achterman’s costs were processed by the law firms. He did not address what Mr. Davis meant by “honest dispute, but he said “[s]ometime in late 1997, for whatever reasons, representatives from Roetzel & Andress, and Squire, Sanders and Dempsey, brought to Mr. Davis’ specific attention concerns about further processing payments to Mr. Jim Achterman on the County’s behalf. In sum, for the first time, the law firms generally stated that for various reasons they could not reconcile Mr. Achterman’s cost, at that time, as part of the County’s bond issuance costs.”¹⁸ In his deposition, Mr. Davis said “the law firms didn’t think they should be doing it anymore (paying Mr. Achterman under the prior agreement) and that was -- that’s their decision to make and our problem was that since he hadn’t gone through an RFP (Request for Proposal) and gone through a contract with the County I didn’t see a legal basis of paying him. The problem was that the law firms were set up and doing it one way, when they changed they caught him in the process.”

¹⁶Letter dated March 16, 1998

¹⁷Letter dated February 8, 1999

¹⁸Letter dated February 23, 1999

SUPPLEMENT TO SPECIAL AUDIT REPORT

Finding for Recovery

During the period April 1, 1994 through March 15, 1998, Mr. Achterman's companies over-billed the County for services for which they were paid. The over billings were accomplished by billing more hours than worked and billing amounts which were in excess of reasonably calculated fees. A table illustrating the over-payment is included within the results of this section.

As the Summit County Director of Administration and Finance, Mr. William Hartung arranged the process by which Mr. James Achterman and his companies, Public Sector Solutions, Inc. and Public Sector Resource Management Group, Inc. were to be paid during the period April 1, 1994 through March 15, 1998. During that period, Public Sector Solutions and Public Sector Resource Management Group over-billed the County for their services, as described in the previous paragraph, which resulted in overpayments by the County, as included in the results of this section.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Mr. James Achterman, Public Sector Solutions, Inc., and Public Sector Management Group, Inc.; and Mr. William Hartung and his bonding company, Fidelity and Deposit Company of Maryland jointly and severally, and in favor of Summit County in the amount of \$735,913.

SUPPLEMENT TO SPECIAL AUDIT REPORT

ISSUE NO. 9 - REVIEW OF COUNTY PAYMENTS TO WILLIAM HARTUNG, CINDY PETERS, AND KATHLEEN HALE

Procedure

We subpoenaed identified bank records of William Hartung, Cindy Peters and Kathleen Hale to determine if any payments were received from County vendors.

- A) We scheduled all receipts greater than \$500 identifying bank, account name, account number, date, amount, deposit source and cash deposits.
- B) We scheduled all disbursements greater than \$500 identifying bank, account name, account number, date, amount, check number, payee, and checks made out to cash or negotiated for cash.

Results

- Cindy Peters' accounts included her personal account, an account in the name of Cindy Peters Co., L.P.A., an account in the name of Cindy Peters Attorney-at-Law, and an account in the name of Essex Consulting whose authorized check signer was Ms. Peters.
- In addition to Mr. Hartung's personal account, we identified accounts in the name of William Hartung & Associates, Everest Consulting and Ms. Mary Beth Hartung, Mr. Hartung's spouse.
- Review of Cindy Peters, L.P.A. account revealed deposits from Kapper & Associates (Kapper). Kapper and a related company, Reppak Associates, Inc. (Reppak), had both received amounts from the Achterman Companies during the Period. They were related companies as Mr. Raymond Kapper endorsed checks issued to both companies which were deposited into their accounts.
- Through our review of the bank records of William Hartung, Cindy Peters and Kathleen Hale, we identified the following cash transactions among parties of interest in this audit. We have grouped the cash transactions as they appear to have flowed between parties:

Period	From	To	Amount
January 30, 1995 through October 3, 1996	PS Solutions	Cindy Peters, Atty-at-Law.	\$98,000
August 15, 1996 through October 7, 1996	Cindy Peters, Attorney-at-Law	Everest Consulting	\$38,000
May 15, 1996	Everest Consulting	Cindy Peters, Atty-at-Law	\$8,000
May 20, 1996	Everest Consulting	Essex Consulting	\$4,000

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Period	From	To	Amount
October 29, 1996 through May 6, 1997	PS Solutions	Cindy Peters Co., LPA	\$62,000
June 11, 1997 through December 3, 1997	PS Management	Cindy Peters Co., LPA.	\$35,000

Period	From	To	Amount
October 16, 1995 through April 14, 1998	PS Solutions and PS Management	Kapper & Associates	\$58,000
July 20, 1995 through December 3, 1997	Kapper & Associates	Various accounts of Ms. Peters	\$38,000
August 7, 1997 through December 8, 1997	PS Management	Reppak Associates Inc.	\$28,000

Period	From	To	Amount
November 8, 1996 through July 7, 1997	PS Solutions	Ms. Hale.	\$15,556
May 1, 1997 through May 7, 1998	PS Management	Ms. Hale.	\$102,920

Period	From	To	Amount
May 13, 1996 through June 1, 1998	Paul Voinovich related companies. These payments were subsequent to payments to Voinovich related companies from either PS Solutions or PS Management.	Everest Consulting	\$101,500
April 6, 1998 through May 4, 1998	Unidentified ¹⁹	Everest Consulting	\$25,000
May 20, 1996 through June 15, 1998.	Everest Consulting	William Hartung	\$104,278
May 20, 1996 through August 26, 1996	Everest Consulting	Hartung & Associates	\$13,500
May 21, 1996 through August 21, 1996	Everest Consulting	Mary Beth Hartung	\$10,200
May 31, 1996 through May 12, 1997	William Hartung & Associates	William Hartung	\$9,800
May 17, 1996 through September 18, 1996	William Hartung & Associates	Mary Beth Hartung	\$5,300

¹⁹ Bank could not provide the supporting detail.

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Of the payments received by Mr. Hartung, Ms. Peters and Ms. Hale, they were paid either directly or indirectly by PS Solutions and PS Management while they were County employees in the following amounts:

- Mr. Hartung, \$127,000
- Ms. Peters, \$245,000
- Ms. Hale, \$8,000

Ms. Peters stated she was paid by Mr. Achterman for legal services related to the following areas: a living will, trust and estate planning, non-compete status, stock purchase agreement, investments, collections outside of Summit County, small business loans, business plans and proposals outside of Summit County, non-profit corporations outside of Summit County, domestic relations, property rentals, deregulation areas, sale of business, contracts outside of Summit County, alternatives to incarceration outside of Summit County, an inside millage project outside of Summit County, federal reimbursement areas outside of Summit County, audit work outside of Summit County, governmental chargebacks outside of Summit County, tax increment financing outside of Summit County, local government funds review outside of Summit County, managed care outside of Summit County, restructuring government outside of Summit County, use of real estate investment trust's outside of Summit County, creative capital financing for government facilities outside of Summit County, condominium arrangements for local governments for local governments outside of Summit County, and general legal advice. Although Ms. Peters claimed she provided the above mentioned services to Mr. Achterman, she further stated there was no work product related to those services other than her own notes which she did not provide to us.

In a letter dated August 26, 1999, Ms. Hale's attorney, John C. Weisensell, stated Ms. Hale, while employed by the County, prepared a set of employment policies and procedures for Mr. Achterman for a fixed price of \$8,000.

SUPPLEMENT TO SPECIAL AUDIT REPORT

- The following table is another graphical depiction of the same cash transactions identified between the parties above:

		Paid To										
Paid By	Cindy Peters ^a	Kathleen Hale	Kapper & Associates	Reppak Associates, Inc.	Everest Consulting ^b	William Hartung & Associates	Mary Beth Hartung	William Hartung	Total			
PS Solutions/PS Management	\$195,000	\$118,476	\$58,000	\$28,000	\$0	\$0	\$0	\$0	\$399,476			
Cindy Peters	\$0	\$0	\$0	\$0	\$38,000	\$0	\$0	\$0	\$38,000			
Everest Consulting	\$12,000	\$0	\$0	\$0	\$0	\$13,500	\$10,200	\$104,278	\$139,978			
Voinovich Companies	\$0	\$0	\$0	\$0	\$101,500	\$0	\$0	\$0	\$101,500			
William Hartung & Associates	\$0	\$0	\$0	\$0	\$0	\$0	\$5,300	\$9,800	\$15,100			
Kapper & Associates	\$38,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$38,000			
Total	\$245,000	\$118,476	\$58,000	\$28,000	\$139,500	\$13,500	\$20,000	\$109,578	\$732,054			

^a Or entities formed in her name

^b Everest Consulting's checking account is in the name of William Hartung.

^c Of this amount, \$8,000 was paid to Ms. Hale while she was employed by the County

^d Voinovich Companies include Step II, North Cost Villas, and the V Group.

^e Of this amount, \$89,000 was paid to Everest Consulting while Mr. Hartung was employed by the County

SUPPLEMENT TO SPECIAL AUDIT REPORT

Other Compliance Matters

1. Ohio Rev. Code Section 102.03 (E) prohibits a public official or employee from accepting “anything of value that is of such a character as to manifest a substantial and improper influence upon the public official or employee with respect to that person’s duties.” Evidence suggests that Mr. Hartung, Ms. Hale and Ms. Peters accepted payments directly or indirectly from Mr. Achterman or his companies while they were public employees and while Mr. Achterman or his companies were seeking to do or doing business with the County. Accepting these payments may indicate a violation of Ohio Rev. Section 102.03 (E).
2. Ohio Rev. Code Section 102.03 (F) prohibits any person from promising or giving a public official or employee “anything of value that is of such a character as to manifest a substantial and improper influence upon the public official or employee with respect to that person’s duties.” Evidence suggests that Mr. Achterman or his companies made payments directly or indirectly to Mr. Hartung, Ms. Hale and Ms. Peters while they were public employees and while he or his companies were seeking to do or doing business with the County.
3. County of Summit, Codified Ordinance Section 169.04(b) prohibits an employee, manager or staff from using his/her official position for personal gain, or to participate directly or indirectly in any activity which is in conflict with the proper discharge of his/her official duties. Evidence suggests that Mr. Hartung, Ms. Hale and Ms. Peters accepted payments directly or indirectly from Mr. Achterman or his companies while they were public employees and while Mr. Achterman or his companies were seeking to do or doing business with the County. Making these payments may indicate a violation of Codified Ordinance Section 169.04(b).
4. County of Summit, Codified Ordinance Section 169.04(f) prohibits an employee, manager or staff from engaging in or accepting private employment or to render services for private interests when such employment or service is incompatible with the proper discharge of his/her official duties or would tend to impair his/her independent judgement or action in the performance of his/her official duties. Evidence suggests that Mr. Hartung, Ms. Hale and Ms. Peters accepted payments directly or indirectly from Mr. Achterman or his companies while they were public employees and while Mr. Achterman or his companies were seeking to do or doing business with the County. Accepting these payments may indicate a violation of Codified Ordinance Section 169.04(f).

SUPPLEMENT TO SPECIAL AUDIT REPORT

ISSUE NO. 10 - REVIEW OF COUNTY PAYMENTS TO SQUIRE, SANDERS & DEMPSEY, AND ROETZEL & ANDRESS

Procedure

We traced the money which was disbursed either directly by the County or indirectly through the County's debt sale underwriter, A.G. Edwards, Inc. to SS&D and R & A, who in turn paid PS Solutions or PS Management for services provided to the County to determine if any payments were made to County employees.

1. We reviewed the money flow and subpoenaed any other bank accounts which came to our attention.
2. For each additional bank account identified, we scheduled all receipts greater than \$500 identifying bank, account name, account number, date, amount, deposit source and cash deposits.
3. For each additional bank account identified, we scheduled all disbursements greater than \$500 identifying bank, account name, account number, date, amount, check number, payee and checks made out to cash or negotiated for cash.
4. We merged all schedules of receipts and disbursements from procedures 7 and 9 and sorted by date, by deposit source, by payee, and by cash transactions to determine the beneficiaries of County expenditures to the law firms and A.G. Edwards, Inc.

RESULTS

Based on our review of documents which were obtained either by request or subpoena, we determined:

1. Payments were indirectly made by Summit County to PS Solutions or its successor company, PS Management through the law firms of SS&D and R&A. The payments to SS&D and R&A were made either directly to them by the County, or were made to them by A. G. Edwards, the County's underwriter for the sale of bonds and notes, with proceeds of the sales of County bonds and notes which were held by the underwriter to pay for the costs of issuance of those bonds and notes.

SS&D paid PS Solutions and PS Management \$555,103 during the period September 6, 1994 through August 14, 1997 with monies received from Summit County as a result of billings submitted to the County by SS&D for services which were provided to Summit County by PS Solutions or PS Management.

R&A paid PS Solutions and PS Management \$665,000 during the period January 18, 1996 through June 27, 1997 with monies which were also received from Summit County as a result of billings submitted to the County by R&A for services which were provided to Summit County by PS Solutions or PS Management.

SUPPLEMENT TO SPECIAL AUDIT REPORT

2. On May 1, 1996, a check in the amount of \$40,000 was issued from PS Solutions Inc. to Step II Management and Development Corporation, a company whose business address was the same as the V Group and for whom Paul Voinovich signed checks. That check was endorsed by Step II Management and Development Corporation and co-endorsed by North Coast Villas, another company whose business address was the same as the V Group and for whom Paul Voinovich signed checks, and deposited into North Coast Villas account. Paul Voinovich authorized checks for both the Step II Management and Development Corporation and the North Coast Villas checking accounts. On May 7, 1996, Paul Voinovich issued a check in the amount of \$40,000 from North Coast Villas checking account to Everest Consulting, William Hartung's company. This check which was deposited into Everest Consulting's checking account was the first deposit into the account after it was opened. After the \$40,000 was deposited into Everest Consulting's account, Mr. Hartung subsequently issued checks from that account to Cindy Peters in the amount of \$8,000 and Essex Consulting, a consulting company operated by Cindy Peters, in the amount of \$4,000. Cindy Peters was the authorized check signer for the Essex Consulting account. Most of the remainder of the money was issued in checks to himself personally, his wife and William Hartung & Associates, another company operated by William Hartung. Mr. Hartung deposited the check issued to William Hartung & Associates into the William Hartung & Associates checking account for which he was the authorized check signer. He subsequently issued checks to himself and his wife from that account.

3. On July 15, 1996, SS&D submitted an invoice in the amount of \$125,000 to Summit County, in care of William Hartung, for the fees and services of PS Solutions Inc. related to the issuance of bonds and notes in March and June of 1996. Summit County issued a check to Squire Sanders & Dempsey in the amount of \$125,000 on July 29, 1996. On July 18, 1996, Squire Sanders & Dempsey issued a check to PS Solutions Inc. in the amount of \$125,000 which was deposited into PS Solutions Inc.'s checking account on August 1, 1996. On July 16, 1996, Cindy Peters submitted an invoice in the amount of \$40,000 to PS Solutions Inc. for legal services related to patent research for services related to a "Triangle Toss". On July 31, 1996, two days after the County issued a check in the amount of \$125,000 to SS&D, PS Solutions Inc. issued a check to Cindy Peters Co. LPA in the amount of \$40,000 which was deposited into her Cindy Peters Attorney At Law account.

On August 10, 1996, Cindy Peters issued a check to herself in the amount of \$16,000, which she deposited into her personal checking account; and, on August 13, 1996, Cindy Peters issued a check to Everest Consulting in the amount of \$18,000 from her Cindy Peters Attorney At Law account. Most of the proceeds of the check deposited into Everest Consulting's account were then subsequently disbursed by Mr. Hartung by check to himself personally, his wife and William Hartung & Associates. Mr. Hartung deposited the check issued to William Hartung & Associates into the William Hartung & Associates checking account and subsequently issued checks to himself and his wife from that account.

SUPPLEMENT TO SPECIAL AUDIT REPORT

4. On September 15, 1996, PS Solutions issued another check to Cindy Peters Co. LPA in the amount of \$20,000 as a result of an undated invoice which was sent to PS Solutions Inc. by Cindy Peters Co. LPA. The invoice was in the amount of \$20,000 for services provided concerning legal matters involving the potential purchase of a minor league professional baseball team franchise. On October 1, 1996, Cindy Peters issued another check to Everest Consulting in the amount of \$20,000, which Mr. Hartung deposited into the Everest Consulting account on October 7, 1996. From the proceeds of that deposit, he issued a check to National City Bank on October 12, 1996 in the amount of \$9,644 for a tax payment; a check to himself on October 14, 1996 in the amount of \$5,000; a check to the Treasurer of the State of Ohio on October 29, 1996 in the amount of \$1,000; and a check to himself on November 12, 1996 in the amount of \$4,000.

5. On March 26, 1997, the regional council of the Northeast Ohio Trade & Economic Consortium (NEOTEC) approved a resolution which authorized the retention of PS Solutions for a business management plan at a fee of \$9,250 per month for 10 months. On April 15, 1997, NEOTEC issued 4 checks to PS Solutions in the total amount of \$26,027 which included the business management fees for March and April of 1997. Two of those checks totaling \$12,488 were deposited into the PS Solutions Inc. account on April 29, 1997. The other two checks totaling \$13,539 were deposited into the PS Management account on April 29, 1997.

On April 11, 1997, PS Solutions Inc. issued a check to Step II Management and Development Corp. in the amount of \$15,000. On April 14, 1997, Step II Management and Development Corp. issued a check to Everest Consulting in the amount of \$15,000 which was authorized by Paul Voinovich. On April 15, 1997, Mr. Hartung issued a check from the Everest Consulting account to himself, personally, in the amount of \$15,000. On April 15, 1997, from his personal account in which he deposited the \$15,000 check, Mr Hartung issued a check to the Internal Revenue Service in the amount of \$12,028 for federal taxes and issued a check to the Treasurer of the State of Ohio in the amount of \$1,881.

6. On June 4, 1997, R&A submitted an invoice in the total amount of \$160,000 to the County, to the attention of Ron Brooks, the Director of the Office of Budget and Management, for services provided with respect to the County's issuance of bonds and notes. This invoice included \$110,000 in consulting expenses for PS Management with respect to those issuances. This invoice was submitted with a cover letter dated May 28, 1997 from R&A to Ron Brooks.

SUPPLEMENT TO SPECIAL AUDIT REPORT

On May 22, 1997, Tom Liber, of R&A, sent a letter to Mr. Hartung which outlined they had been requested by the County to retain PS Management as a financial consultant to the County for a fee which was established by the County in the amount of \$110,000. They further stated they had not supervised or worked with PS Management in the services it had provided and they were assured by Mr. Hartung those financial consulting services had been performed to the satisfaction of the County. On June 25, 1997, Ron Brooks issued a letter to Mr. Liber stating that he had reviewed the service deliverables by PS Management and found them to be complete, and to pay the invoice, dated June 20, 1997, which was submitted to R&A by PS Management in the amount of \$110,000. On June 25, 1997, using proceeds from the sale of bonds and notes which were deducted by the underwriter, A.G. Edwards, to pay for the costs of issuance, A.G. Edwards wired \$110,000 to R&A. On June 27, 1997, R&A paid PS Management \$110,000.

On June 10, 1997, SS&D submitted an invoice to the County in the amount of \$225,000 for the fees for advisory services of PS Solutions Inc. Attached was an invoice from PS Management, dated June 2, 1997, to SS&D in the amount of \$225,000 for financial advisory services provided to the County. This invoice was verbatim to the above mentioned invoice sent by PS Management to R&A except for the invoice amount, the date, and to whom it was sent. The County issued a warrant to SS&D on June 30, 1997 in the amount of \$225,000. On July 16, 1997, SS&D issued a check to PS Management in the amount of \$225,000. In addition, SS&D, with an invoice dated June 25, 1997, billed the County an additional \$10,000 for the above mentioned financial services provided by PS Management to the County. The County issued a warrant, dated July 30, 1997, to SS&D in the amount of \$10,000. On August 14, 1997, SS&D issued a check to PS Management in the amount of \$10,000.

The above mentioned payments from R&A and SS&D to PS Management in the amounts of \$110,000, \$225,000 and \$10,000 were deposited into PS Management's checking account on June 30, 1997, July 18, 1997 and September 8, 1997, respectively.

On August 20, 1997 Public Sector issued a check to Step II Management and Development Corporation, a company whose business address was the same as the V Group and for whom Paul Voinovich signed checks, in the amount of \$74,500. On September 8, 1997, the V Group of Florida, another company operated by Paul Voinovich, issued a check to Everest Consulting in the amount of \$15,000 which was deposited into Everest Consulting's checking account on September 9, 1997. On September 9, 1997, Mr. Hartung issued a check to himself from the Everest Consulting checking account in the amount of \$10,000. On September 20, 1997, Mr. Hartung issued another check to himself from the Everest Consulting checking account in the amount of \$5,000. On November 12, 1997, the V Group of Florida, issued another check to Everest Consulting in the amount of \$14,000 which was deposited into Everest Consulting's checking account on November 14, 1997. Mr. Hartung subsequently issued checks to himself from the Everest Consulting checking account in the amounts of \$5,000, \$2,000, \$3,000, \$2,000, \$1,000 and \$500 dated November 11, 1997, November 15, 1997, November 20, 1997, November 29, 1997, December 6, 1997 and December 12, 1997, respectively. On December 19, 1997, the V Group of Florida, issued another check to Everest Consulting in the amount of \$5,000 which was deposited into Everest Consulting's checking account on December 22, 1997. Mr. Hartung subsequently issued a check to himself from the Everest Consulting checking account on December 22, 1997 in the amount of \$5,000.

SUPPLEMENT TO SPECIAL AUDIT REPORT

7. On May 8, 1997, the V Group submitted a letter to Mr. Achterman which outlined the professional arrangements for their assistance to PSRMG and Summit County with regard to resolution of issues currently under dispute between Summit County and the Ohio EPA. The services they were to provide consisted of a physical plant evaluation, an Ohio EPA Consent Decree Analysis, and a ten year Capital Improvement Plan. On November 1, 1997, Mr. Achterman prepared a project overview which indicated the V Group had begun Phase 1 of their assignment in May of 1997. On November 3, 1997, the V Group invoiced Mr. Achterman \$450,000 for services related to their Phase 1 work which consisted of the physical plant evaluation and submitted a report titled "Comprehensive Strategic Plan". On November 10, 1997, Mr. Achterman submitted a letter to Squire, Sanders & Dempsey confirming the professional arrangements to Squire, Sanders, & Dempsey and Summit County with regard to resolution of issues under dispute between Summit County and the Ohio EPA. On December 3, 1997, the County Board of Control authorized a \$500,000 payment to SS&D for legal fees related to the Fishcreek WWTP No. 25. On December 29, 1997, the V Group issued an invoice to the Sverdrup Corporation in the amount of \$400,000 for services provided during the period April 1997 through December 15, 1997 related to the State of Ohio E.P.A. Draft Consent Order Comprehensive Strategies Plan. This invoice was submitted by the Sverdrup Corporation to the County for payment and the County paid the Sverdrup Corporation \$400,000 on January 7, 1998. The invoice was authorized for payment by County Budget Director Ron Brooks. Mr. Brooks stated Mr. Hartung ordered him to approve the payment. The Sverdrup Corporation subsequently paid the V Group \$400,000. In documents retrieved by the County from Mr. Hartung's office, meeting notes, dated February 12, 1998, indicate that an Executive Order for an emergency contract with Sverdrup was to be prepared in an amount not-to-exceed \$600,000 for services related to the Ohio EPA Draft Consent Order. Of that amount, \$500,000 was to cover work which already was completed (\$450,000 originally invoiced by the V Group and an additional \$50,000 invoiced by Mr. Achterman). After reviewing Board of Control minutes and other documentation, we determined that the plan to implement this emergency contract never came to realization.

The County paid the Sverdrup Corporation with a warrant issued January 7, 1998 in the amount of \$400,000. On January 30, 1998, Voinovich Companies, Inc. issued a check to Cindy Peters Co., LPA in the amount of \$12,500 which was deposited into the Cindy Peters Co., LPA account on February 2, 1998. Mrs. Peters' employment with the County was terminated on January 9, 1998. On January 27, 1998, Voinovich Companies, Inc. issued a check to PS Management in the amount of \$50,000 which was deposited into PS Management's checking account on February 2, 1998. On March 3, 1998, Step II Management and Development Corporation issued a check to Cindy Peters, LPA in the amount of \$12,500 which was deposited into the Cindy Peters Co., LPA account on March 6, 1998. On April 1, 1998, The V Companies issued a check to Cindy Peters Co., LPA in the amount of \$12,500 which was deposited into the Cindy Peters Co., LPA account on April 6, 1998. On June 1, 1998, The V Companies issued a check to Everest Consulting in the amount of \$12,500 which was deposited into Everest Consulting's account on June 4, 1998.

SUPPLEMENT TO SPECIAL AUDIT REPORT

On June 4, 1998, Mr. Hartung issued a check to himself from the Everest Consulting checking account in the amount of \$7,000. On June 15, 1998, Mr. Hartung issued another check to himself from the Everest Consulting checking account in the amount of \$1,000. Although on April 6, 1998 and May 4, 1998, there were deposits of \$12,500 each in the Everest Consulting checking account, the bank could not provide us with the detail of those deposits.

SUPPLEMENT TO SPECIAL AUDIT REPORT

8. The following is a graphical depiction of paragraphs 1 through 7 described above:

1.	Date	From	To	Amount	For
	Sept 6, 1994- Aug. 14, 1997	SS&D	PS Solutions and PS Management	\$555,103	Services provided to County
	Jan. 18, 1996 - June 27, 1997	R & A	PS Solutions and PS Management	\$665,000	Services provided to County

2.	Date	From	To	Amount	For
	March 14, 1996	PS Solutions	Mr. Achterman and his spouse	\$284,397	based on their 60%/40% partnership arrangement
	May 1, 1996	PS Solutions	Step II	\$40,000	That check was endorsed by Step II and co-endorsed by North Coast Villas; both companies are operated by Paul Voinovich. The check was deposited into North Coast Villas' account.
	May 7, 1996	North Coast Villas	Everest Consulting	\$40,000	This was the first deposit made into Everest's checking account. Of this \$40,000, \$12,000 was paid to Ms. Peters and her company Essex Consulting (See next box). Most of the remainder of the \$40,000 was paid to Mr. Hartung, his wife, and Hartung & Associates.
		Everest Consulting	Ms. Peters Essex Consulting William Hartung Mary Beth Hartung William Hartung & Associates	\$8,000 \$4,000	Checks issued subsequent to deposit from North Coast Villas
		William Hartung & Associates	William Hartung Mary Beth Hartung		

SUPPLEMENT TO SPECIAL AUDIT REPORT

3.	Date	From	To	Amount	For
	July 29, 1996	Summit County	SS&D	\$125,000	SS&D submitted this Invoice to the County on July 15, 1996 for PS Solutions' services on the March and June 1996 debt sales.
	July 18, 1996	SS&D	PS Solutions	\$125,000	This check was deposited into PS Solutions' checking account on August 1, 1996.
	July 31, 1996	PS Solutions	Cindy Peters Co. LPA	\$40,000	On July 16, 1996, Ms. Peters submitted an invoice in the amount of \$40,000 to PS Solutions for legal services related to patent research for services related to a "Triangle Toss".
	Aug. 10, 1996	Cindy Peters, Atty-at-Law	Cindy Peters	\$16,000	Ms. Peters deposited this check for \$16,000 into her personal checking account.
	Aug. 13, 1996	Cindy Peters, Atty-at-Law	Everest Consulting	\$18,000	Most of the proceeds of this \$18,000 check deposited into Everest Consulting's account were then subsequently disbursed by Mr. Hartung by check to himself personally, his wife and William Hartung & Associates. Mr. Hartung deposited the check issued to William Hartung & Associates into the William Hartung & Associates checking account and subsequently issued checks to himself and his wife from that account.

4.	Date	From	To	Amount	For
	Sept. 15, 1996	PS Solutions	Cindy Peters Co. LPA	\$20,000	The invoice which Ms. Peters submitted to PS Solutions was undated and represented services provided to PS Solutions concerning legal matters involving the potential purchase of a minor league professional baseball team franchise.
	Oct. 1, 1996	Cindy Peters, Atty-at-Law	Everest Consulting	\$20,000	This check was deposited into the Everest Consulting account on October 7, 1996.
	Oct. 12, 1996	Everest Consulting	National City Bank	\$9,644	Tax Payment
	Oct. 14, 1996	Everest Consulting	William Hartung	\$5,000	
	Oct. 29, 1996	Everest Consulting	Treas. of State of Ohio	\$1,000	
	Nov. 12, 1996	Everest Consulting	William Hartung	\$4,000	

SUPPLEMENT TO SPECIAL AUDIT REPORT

5.	Date	From	To	Amount	For
	April 15, 1997,	NEOTEC	PS Solutions	\$26,027	NEOTEC issued 4 checks to PS Solutions for business management fees for March and April of 1997. Two of those checks totaling \$12,488 were deposited into the PS Solutions account on April 29, 1997. The other two checks totaling \$13,539 were deposited into the PS Management account on April 29, 1997.
	April 11, 1997	PS Solutions	Step II	\$15,000	
	April 14, 1997	Step II	Everest Consulting	\$15,000	
	April 15, 1997,	Everest Consulting	William Hartung	\$15,000	Of this \$15,000, Mr. Hartung issued a check to the Internal Revenue Service in the amount of \$12,028 for federal taxes and a check to the Treasurer of the State of Ohio in the amount of \$1,881.

SUPPLEMENT TO SPECIAL AUDIT REPORT

Date	From	To	Amount	For
June 25, 1997	A.G. Edwards	R & A	\$110,000	Wire transfer deducted from proceeds of sales of bonds and notes
June 27, 1997	R & A	PS Management	\$110,000	Deposited into PS Management checking account June 30, 1997.
June 30, 1997	County	SS&D	\$225,000	
July 16, 1997	SS&D	PS Management	\$225,000	Deposited into PS Management checking account July 18, 1997.
July 30, 1997	County	SS&D	\$10,000	SS&D, with an invoice dated June 25, 1997, billed the County an additional \$10,000 for the above mentioned financial services provided by PS Management to the County.
Aug. 14, 1997	SS&D	PS Management	\$10,000	Deposited into PS Management checking account September 8, 1997.
Aug. 20, 1997	Public Sector	Step II	\$74,500	
Sept. 8, 1997	V Group of Florida	Everest Consulting	15,000	deposited into Everest Consulting's checking account on September 9, 1997.
Sept. 9, 1997	Everest Consulting	William Hartung	\$10,000	
Sept. 20, 1997	Everest Consulting	William Hartung	\$5,000	
Nov. 12, 1997	V Group of Florida	Everest Consulting	\$14,000	deposited into Everest Consulting's checking account on November 14, 1997.
Nov. 11, 1997	Everest Consulting	William Hartung	\$5,000	
Nov. 15, 1997			\$2,000	
Nov. 20, 1997			\$3,000	
Nov. 29, 1997			\$2,000	
Dec. 6, 1997			\$1,000	
Dec. 12, 1997			\$500	
Dec. 19, 1997	V Group of Florida	Everest Consulting	\$5,000	deposited into Everest Consulting's checking account on December 22, 1997.
Dec. 22, 1997	Everest Consulting	William Hartung	\$5,000	

SUPPLEMENT TO SPECIAL AUDIT REPORT

Date	From	To	Amount	For
January 7, 1998	County	Sverdrup	\$400,000	
January 30, 1998	Voinovich Companies, Inc.	Cindy Peters Co., LPA	\$12,500	deposited into the account on February 2, 1998. Mrs. Peters employment with the County was terminated on January 9, 1998.
January 27, 1998	Voinovich Companies, Inc.	PS Management's	\$50,000	Check issued a check to Resource Management Group Inc. Deposited into checking account of PS Management on February 2, 1998.
March 3, 1998	Step II	Cindy Peters, LPA	\$12,500	deposited into the Cindy Peters Co., LPA account on March 6, 1998.
April 1, 1998	V Companies	Cindy Peters Co., LPA	\$12,500	deposited into the Cindy Peters Co., LPA account on April 6, 1998.
June 1, 1998	V Companies	Everest Consulting	\$12,500	deposited into Everest Consulting's account on June 4, 1998.
June 4, 1998	Everest Consulting	William Hartung	\$7,000	
June 15, 1998	Everest Consulting	William Hartung	\$1,000	
	Unidentified	Everest Consulting	\$12,500	Deposited into Everest Consulting's Account on April 6, 1998
	Unidentified	Everest Consulting	\$12,500	Deposited into Everest Consulting's Account on May 4, 1998

SUPPLEMENT TO SPECIAL AUDIT REPORT

APPENDIX A

Summary of Findings for Recovery

Pg. No.	Issued Against	Reason	Amount
49	Mr. James W. Achterman, Mr. William Hartung	Overpayment of services from the County.	<u>\$735,913</u>
	Total Findings For Recovery		<u>\$735,913</u>



STATE OF OHIO
OFFICE OF THE AUDITOR

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SUMMIT COUNTY SPECIAL AUDIT

SUMMIT 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
OCTOBER 11, 2000