



Dave Yost • Auditor of State



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Village of Conesville
Coshocton County
Conesville, Ohio 43811

We have completed certain procedures in accordance with Ohio Rev. Code Section 117.01(G) to the accounting records and related documents of the Village of Conesville, Coshocton County, Ohio (the Village), for the years ended December 31, 2012 and 2011.

Our procedures were designed solely to satisfy the audit requirements of Ohio Rev. Code Section 117.11(A). Because our procedures were not designed to opine on the Village's financial statements, we did not follow *generally accepted auditing standards*. We do not provide any assurance on the Village's financial statements, transactions or balances for the years ended December 31, 2012 or 2011.

The Village's management is responsible for preparing and maintaining its accounting records and related documents. Our responsibility under Ohio Rev. Code Section 117.11(A) is to examine, analyze and inspect these records and documents.

Current Year Observations

1. Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing authority from expending money unless it has been appropriated. During 2012 and 2011, all Village funds had expenditures which exceeded approved appropriations at the legal level of control.

The Village did not formally approve and certify their appropriation measure for 2012 and 2011; therefore, expenditures in all funds exceeded appropriations by \$44,691 and \$43,191, respectively.

The Village Fiscal Officer should deny payment requests exceeding appropriations. The Village Fiscal Officer and Village Council should compare expenditures to appropriations on a monthly basis. If appropriations in addition to those already adopted will be needed, the Village Council should take the necessary steps to adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations.

2. Ohio Rev. Code Section 5747.06 provides that every employer making payment of compensation to an employee who is a taxpayer shall withhold from such compensation state taxes computed in such a manner as to result in an amount substantially equivalent to the tax reasonably estimated to be due.

During 2012 and 2011, the Village did not withhold any state taxes from the Village officials' wages.

The Village should implement procedures to ensure that state taxes are withheld from the Village officials' wages and properly remitted to the State of Ohio.

3. Ohio Rev. Code Section 5705.41(D) requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon. There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditures of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" Certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

During 2012 and 2011, all expenditures were not properly certified by the Fiscal Officer as the Village does not utilize purchase orders.

The Fiscal Officer should certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language section 5705.41(D) required to authorize disbursements. The Fiscal Officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of section 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

4. Ohio Rev. Code Sections 149.43(B)(1) and (B)(2) state, in part, “all public records shall be promptly prepared and made available for inspection to any person at all reasonable times during regular business hours...In order to facilitate broader access to public records, public offices shall maintain public records in a manner that they can be made available for inspection.”

Ohio Rev. Code Section 149.351 states that all records are the property of the public office and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under Sections 149.38 to 149.42, Revised Code.

Additionally, Ohio Admin. Code Section 117-2-02(C)(3) states that vouchers may be used as a written order authorizing the drawing of a check in payment of a lawful obligation of the public office. Each voucher shall contain the date, purchase order number, the account code, amount, approval, and any other required information. The local office should also attach supporting documentation to the voucher, such as vendor invoices.

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper Public Purpose states that the Auditor of State’s Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

During the course of the audit, we noted that all expenditures made in June 2012 and most expenditures made in May 2012 and July 2012 did not have supporting documentation, such as vendor invoices. There were also invoices missing for several other expenditures throughout the rest of the audit period.

The Village has since provided invoices and other supporting documentation for the expenditures in question. These expenditures were determined to be for a proper public purpose.

The Village should implement procedures to help ensure supporting documentation is attached to each expenditure. This will help reduce the risk unauthorized or improper expenditures are being made.

5. 26 U.S.C. Section 3401 through Section 3406 requires each employer's Quarterly Federal Tax Return include employees' withheld Federal Income Tax, Social Security Tax, Medicare tax, and the employer's share of Social Security and Medicare tax. If the employer accumulates a liability for these taxes of \$2,500 or more per quarter, the employer must deposit this amount by making payment to an authorized financial institution. Deposits are made either by the Electronic Federal Tax Payment System (EFTPS), or by using a Form 8109, *Federal Tax Deposit Coupon*, which must accompany the payment. If you use the coupon, it is very important that it shows the correct employer identification number, name, and type of tax and tax period; as this information is used by the IRS to credit your account. Your check or money order should be made payable to the financial institution where you make your deposit, not to the IRS. In addition, the employer shall be liable for the payment of the tax required to be deducted and withheld under this chapter, and shall not be liable to any person for the amount of any such payment.

Based on testing, the following errors were noted:

- Although the Village withheld Medicare tax and Social Security during 2012, the Village did not remit the taxes. The amount of Medicare tax and Social Security withheld from the employee's pay checks was \$42 and \$142, respectively.
- The Village neglected to withhold Medicare tax from one employee throughout 2011 and 2012.
- For the fourth quarter in 2012, the Village neglected to withhold Medicare tax and Social Security from three employee's pay checks.

Employee withholdings and employer contributions should be withheld and remitted promptly in the future to avoid expenditures for late fees and interest.

6. Ohio Admin. Code Section 117-2-02(D)(1) states all local public offices may maintain accounting records in a manual or computerized format. The records used should be based on the nature of operations and services the public office provides, and should consider the degree of automation and other factors. Such records should include the cash journal which typically contains the amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transaction.

The Village did maintain electronic cash journals on a monthly basis, however, there were many formula errors that caused the ending fund balances to be inaccurate starting in February 2011. Additionally, the Village failed to capture a few receipts and expenditures on the monthly cash journals. Failure to maintain accurate cash journals prohibits the Village's elected official from knowing the Village's actual financial position.

The Village should implement procedures to ensure that the cash journal is accurate and reflects all receipts and expenditures of the Village. This will allow the Village's elected officials to understand the financial position of the Village when making decisions.

7. Ohio Rev. Code Section 5705.38 (A) requires, in part, that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1.

The Village did not formally approve and certify their appropriation measure for 2012 and 2011. Expenditures in 2012 and 2011 in the amounts of \$44,691 and \$43,191, respectively, were made without any formal approval.

Village Council should approve, and certify to the County Auditor, the annual appropriation measure on or near January 1 of each year. If Village Council chooses to postpone passage of this measure until receipt of an Official Certificate of Estimated Resources, temporary appropriations should be approved by Village Council.

8. Ohio Admin. Code Section 117-2-02(C)(1) states that all local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations. The legal level of control is the level (E.G., fund, program or function, department, or object) at which spending in excess of budgeted amounts would be a violation of law. This is established by the level at which the legislative body appropriates. The legal level of control is a discretionary decision to be made by the legislative authority, unless otherwise prescribed by statute.

During testing, we noted the Village did not properly integrate budgetary activity into their manual accounting system for 2012 or 2011.

The Village should implement procedures to help ensure estimated receipts and appropriations are included in the Village's manual accounting system.

9. Elected Officials Payroll

The Village Council, Mayor, and Fiscal Officer were paid a monthly rate of \$30, \$50, and \$75, respectively, that was paid on a quarterly basis. However, for the fourth quarter in 2011, the Council Members, Mayor and Fiscal Officer received 4 months of wages instead of 3. This extra month of wages totaled to an overpayment of \$305.

The Village should implement procedures to ensure employees are paid correctly to help avoid underpayments or overpayments. Additionally, the Village should seek reimbursement from these individuals.

10. Duplicate Receipt Books

Although most of the receipts collected by the Village were checks, the Village did receive some receipts in the form of cash. As the Village did not utilize duplicate receipt books, there was no supporting documentation for any receipts in the form of cash collected during 2012 or 2011.

The Village should ensure supporting documentation exists for all types of receipts collected by using a duplicate receipt book to record all receipts received in the form of check or cash.

11. Bank Reconciliations

The Village did not initially prepare 2011 and 2012 monthly bank-to-book cash reconciliations. However, the 2011 and 2012 monthly bank-to-book reconciliations were prepared and submitted for audit. Upon review of the monthly bank-to-book reconciliations, the following errors were identified:

- The Village did not properly identify outstanding checks for the months of January, February, April and June 2011, as well as June 2012.
- Each monthly reconciliation revealed unreconciled differences between the book balance and the bank balance ranging in amounts from \$2,315 to (\$2,328).
- Upon testing the monthly bank-to-book cash reconciliations for the months of January 2011 through December 31, 2012, it was determined various formula errors existed in the Village's prepared cash journal. As a result, the cash journal total fund balances exceeded the reconciled bank balance by \$2,395 (December 31, 2012 reconciled book balance \$25,634 less cash journal total fund balances \$28,020).

As a result, the risk that funds could be misappropriated or errors and omissions could go undetected is increased.

The Village has adjusted the January 1, 2013 General Fund balance accordingly.

The Village should perform a complete and accurate bank to book reconciliation each month. The monthly bank to book reconciliations should clearly identify the bank balances and each reconciling item that reduces or increases the bank balances to the Village's balance presented on the monthly cash journals. Support should be maintained for all reconciling items noted in the monthly bank to book reconciliations. Additionally, the monthly bank to book reconciliations should be submitted to Village Council for approval. This will help strengthen the Village's internal controls over the monthly bank to book reconciliation process and help ensure errors or omissions are detected timely reducing the risk funds could be misappropriated.



Dave Yost
Auditor of State

Columbus, Ohio

November 13, 2013



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VILLAGE OF CONESVILLE

COSHOCTON 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
NOVEMBER 26, 2013