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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Village of Harrod
Allen, County
P.O. Box 129
Harrod, Ohio 45850

We have performed the procedures enumerated below, with which the Village Council and Mayor, and the management of the Village of Harrod, Allen County (the Village) have agreed, solely to assist the Council and Mayor in evaluating receipts, disbursements and balances recorded in their cash-basis accounting records for the years ended December 31, 2015 and 2014 and certain compliance requirements related to these transactions and balances. Management is responsible for recording transactions; and management, the Mayor, and / or the Council are responsible for complying with the compliance requirements. This agreed-upon procedures engagement was conducted in accordance with the American Institute of Certified Public Accountants' attestation standards and applicable attestation engagement standards included in the Comptroller General of the United States' *Government Auditing Standards*. The sufficiency of the procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

This report only describes exceptions exceeding \$10.

Cash

1. We tested the mathematical accuracy of the December 31, 2015 and December 31, 2014 bank reconciliations. We found no exceptions.
2. We agreed the January 1, 2014 beginning fund balances recorded in the Fund Ledger Report to the December 31, 2013 balances in the prior year audited statements. We found no exceptions. We also agreed the January 1, 2015 beginning fund balances recorded in the Fund Ledger Report to the December 31, 2014 balances in the Fund Ledger Report. We found no exceptions.
3. We agreed the totals per the bank reconciliations to the total of the December 31, 2015 and 2014 fund cash balances reported in the Fund Status Reports. The amounts agreed.
4. We confirmed the December 31, 2015 bank account balances with the Village's financial institution. We found no exceptions. We also agreed the confirmed balances to the amounts appearing in the December 31, 2015 bank reconciliation without exception.
5. We selected five reconciling debits (such as outstanding checks) haphazardly from the December 31, 2015 bank reconciliation:
 - a. We traced each debit to the subsequent January bank statement. We found no exceptions.
 - b. We traced the amounts and dates to the check register, to determine the debits were dated prior to December 31. We noted no exceptions.

Minutes

1. We inspected the minutes to determine if the Village minutes were complete and properly approved. We found no exceptions.

Other Confirmable Cash Receipts

1. We obtained a copy of the 2014 lease agreement between the Village of Harrod and the Allen East Community Center. The amount in the approved lease agreement agreed to the Receipt Detail Report 2014. We found no exceptions.

We attempted to obtain a copy of the 2015 lease agreement between the Village of Harrod and the Allen East Community Center. The Village was unable to provide a lease agreement with the Allen East Community Center for 2015. The term of the most recent lease agreement available was for the period from January 1, 2013 through December 31, 2014. In addition, there was no evidence that the annual lease amount of \$1 (based on the most recent lease available) was paid to the Village by the Allen East Community Center in 2015.

The lack of an approved lease agreement being in place could lead to disputes related to the rights of the building, the lease price, and the responsibility for expenses such as utilities, repairs and maintenance, and insurance.

The Village should implement procedures to help assure the lease agreement with the Allen East Community Center is kept updated and a copy signed by both the Village and the Community Center is maintained. The Village Council should approve the lease agreement and document this approval in the minutes.

Income Tax Receipts

1. We obtained two Monthly Distribution Reports from 2015 and two from 2014 submitted by the Regional Income Tax Agency (RITA), the agency responsible for collecting income taxes on behalf of the Village. We agreed the total gross income taxes from the Monthly Distribution Reports to the Village's Receipt Detail Report. The amounts agreed.

Sewer Operating Fund

1. We haphazardly selected 10 Sewer Operating Fund collection cash receipts from the year ended December 31, 2015 and 10 Sewer Operating Fund collection cash receipts from the year ended 2014 recorded in the Receipt Detail Report and determined whether the:
 - a. Receipt amount per the Receipt Detail Report agreed to the amount recorded to the credit of the customer's account in the Summary Cash Receipts by Cycle and Book report (January 2014 to October 2014) or the Accounts Receivable Detail report (November 2014 to December 2015). The amounts agreed.
 - b. Amount charged for the related billing period:
 - i. Agreed with the debit to accounts receivable in the Utility Billing report (January 2014 to October 2014) or the Accounts Receivable Detail report (November 2014 to December 2015) for the billing period. We found no exceptions.
 - ii. Complied with rates in force during the audit period, plus any applicable late penalties, plus unpaid prior billings. We found no exceptions.
 - c. Receipt was posted to the proper funds, and was recorded in the year received. We found no exceptions.

Sewer Operating Fund (Continued)

2. We read the Accounts Receivable Detail Report.
 - a. We noted this report listed \$9,374.02 and \$7,600.11 of accounts receivable as of December 31, 2015 and 2014, respectively.
 - b. Of the total receivables reported in the preceding step, \$2,491.11 and \$437.82 were recorded as more than 90 days delinquent.
3. We read the Adjustment Report.
 - a. We noted this report listed a total of \$72.43 and \$0 non-cash receipts adjustments for the years ended December 31, 2015 and 2014, respectively.
 - b. We selected five non-cash adjustments from 2015 and noted that the Board of Public Affairs approved each adjustment. There were no non-cash adjustments noted from 2014.
4. We read the minutes, inquired with management personnel, including the Fiscal Officer, Mayor, Village Council and the Village Solicitor, to identify officials or employees that received services from the Village that should be charged for other than utility usage. We identified the Village's approved sewer tap in fees and compared the charges billed/collected to payments made by those officials and employees. We noted that a Village Official should have been charged \$1,500 for services. We reviewed the Board of Public Affairs minutes dated September 11, 2013 and noted the Board of Public Affairs approved a motion to accept \$1,000 as a tap in fee from Triple R Construction since they are bringing in revenue to the Village by building a house. We reviewed the Village Official's account and noted the Official's business was charged \$1,000 on October 11, 2013 for a tap in fee. No exceptions were noted.

Debt

1. The prior audit documentation disclosed no debt outstanding as of December 31, 2013.
2. We inquired of management, and scanned the Receipt Detail Report and Payment Register Detail Report for evidence of debt issued during 2015 or 2014 or debt payment activity during 2015 or 2014. We noted no new debt issuances nor any debt payment activity during 2015 and 2014.

Payroll Cash Disbursements

1. We haphazardly selected one payroll check for each of the employees (excluding Officials) from 2015 and one payroll check for each of the employees (excluding Officials) from 2014 from the Employee Detail Adjustment Report and:
 - a. We compared the salary recorded in the Employee Detail Adjustment Report to supporting documentation (legislatively or statutorily-approved salary). We found no exceptions.
 - b. We determined whether the fund and account codes to which the check was posted were reasonable based on the employees' duties as documented in the minute record or as required by statute. We also determined whether the payment was posted to the proper year. We found no exceptions.
2. We scanned the Employee Detail Adjustment Report for evidence of payments to new employees other than those authorized to be hired. We found no exceptions.
3. We haphazardly selected five payroll checks made to the Village officials from 2015 and five from 2014 from the Employee Detail Adjustment Report and:

Payroll Cash Disbursements (Continued)

- a. We compared the salary recorded in the Employee Detail Adjustment Report to the legislatively approved rate. We found no exceptions.
 - b. We determined whether the fund and the account codes to which the check was posted were reasonable based on the official's position. We also determined whether the payments were posted to the proper year. We found no exceptions.
4. We scanned the last remittance of tax and retirement withholdings for the year ended December 31, 2015 to determine whether remittances were timely paid, and if the amounts paid agreed to the amounts withheld, plus the employer's share where applicable, during the final withholding period during 2015. We noted the following:

Withholding (plus employer share, where applicable)	Date Due	Date Paid	Amount Due	Amount Paid
Federal income taxes & Medicare	January 31, 2016	January 19, 2016	\$877.09	\$877.09
State income taxes	January 31, 2016	January 17, 2016	\$90.76	\$90.76
Village of Harrod income tax	January 31, 2016	January 19, 2016	\$93.85	\$93.85
OPERS retirement	January 30, 2016	January 22, 2016	\$792.32	\$792.32

Non-Payroll Cash Disbursements

1. We haphazardly selected ten disbursements from the Payment Register Detail Report for the year ended December 31, 2015 and ten from the year ended 2014 and determined whether:
- a. The disbursements were for a proper public purpose. We found no exceptions.
 - b. The check number, date, payee name and amount recorded on the returned, canceled check agreed to the check number, date, payee name and amount recorded in the Payment Register Detail Report and to the names and amounts on the supporting invoices. We noted one instance where the check number and payee on the cancelled check did not agree to the check number and payee in the accounting system. Upon further review, it was determined that the check numbers and payees on the cancelled checks numbered 9162 through 9168 were not in the same sequential order in the accounting system as the physical checks. For this block of checks the payees and amounts on the cancelled checks agreed to the accounting system, however, the individual check numbers did not agree.

Variance between the check numbers and payees on the physical checks and what is reported in the accounting system increases the risk of errors and/or irregularities.

When such errors are discovered they should be investigated and resolved. Council should be informed of such errors along with documenting an explanation.

- c. The payment was posted to a fund consistent with the restricted purpose for which the fund's cash can be used. We noted two instances in 2015 and two instances in 2014 in the sample selected where payments for mowing of Village property were not charged to a fund consistent with the restricted purpose for which the fund's cash can be used. We reviewed all additional payments for mowing of Village property and noted the Village paid \$2,346 in 2015 and \$1,989 in 2014 for mowing of Village property. All of these payments were charged to the Street Fund.

Non-Payroll Cash Disbursements (Continued)

Ohio Rev. Code Section § 5705.10(I) states that money paid into any fund shall be used only for the purposes for which such fund is established. The Village recorded the payments to an independent contractor for mowing Village owned property in the amount of \$2,346 in 2015 and \$1,989 in 2014 in the Street Construction Maintenance and Repair Fund. The invoices indicated that the mowing was in the Village Park, at the Village Community Center, and at the Sewer Plant, however, there was no indication of the time spent at each location. Absent a more detailed invoice that would permit an allocation to the Sewer Fund, the mowing services should have been charged to the General Fund.

The failure to record disbursements in the appropriate fund(s) resulted in the illegal use of restricted money. In addition, it resulted in an inaccurate picture of operations and may have made it more difficult to detect errors and/or irregularities. These errors resulted in an understatement of the Street Construction Maintenance and Repair Fund balance and an overstatement in the General Fund balance in the amount of \$4,335. The accounting records have been adjusted for these errors.

Disbursements should not be allocated to a restricted fund(s) unless supported by an invoice or other documentation that clearly shows the benefit provided to the fund(s). Periodically the Fiscal Officer and Members of Council should review the accounting records and supporting documentation to help ensure that only allowable disbursements are charged to each fund(s).

- d. The fiscal officer certified disbursements requiring certification or issued a Then and Now Certificate, as required by Ohio Rev. Code Section 5705.41(D). We found one instance in 2015 and five instances in 2014 where the certification date was after the invoice date, and there was no evidence that a Then and Now Certificate was issued. We also found one instance in 2014 where a purchase order was not issued. Ohio Rev. Code Section 5705.41(D) requires certifying at the time of a commitment, which should be on or before the invoice date, unless a Then and Now Certificate is used. Because we did not test all disbursements requiring certification, our report provides no assurance whether or not additional similar errors occurred.
2. We read the minutes, reviewed the prior audit report, audit working papers, and inquired with management personnel, including the Fiscal Officer, Mayor, Village Council and the Village Solicitor, to identify the names of all potentially related parties to determine whether transactions with the related parties occurred during 2015 and 2014. We scanned the 2015 and 2014 Payment Register Detail Report to identify payments made to the identified related parties. We agreed payments of the related party transactions to supporting invoices. We also reviewed the goods or services purchased from the related parties and performed procedures to determine that it was comparable to and arm's-length transaction. We identified payments between the Village and two Village Officials.

Ohio Rev. Code Section 2921.42(A) states that no public official shall knowingly do any of the following: (1) Authorize, or employ the authority or influence of the public official's office to secure authorization of any public contract in which the public official, a member of the public official's family, or any of the public official's business associates has an interest; and (4) Have an interest in the profits or benefits of a public contract entered into by or for the use of the political subdivision or governmental agency or instrumentality with which the public official is connected.

The following situation was identified in which a Village Council member was involved in a contract with the Village:

Non-Payroll Cash Disbursements (Continued)

- During 2015 Tony Blake was appointed to Village Council after a Council member resigned. Tony Blake owns Blake's Garage, located in the Village of Harrod. The Village had utilized Blake's Garage for the repair of Village owned vehicles in recent years. In 2014, the Village made eight payments to Blake's Garage totaling \$1,917.61. In 2015, seven payments in the amount of \$1,684.69 were made to Blake's Garage. Of this amount in 2015, \$741.32 was paid to Blake's Garage subsequent to Tony Blake being appointed to Village Council.

In addition, the following situation occurred in 2016:

- The Village of Harrod (Village) owns a building which it leases to the Allen East Community Center (AECC), a not for profit organization. Per the lease agreement commencing on January 1, 2013 and continuing for two years, the lease is for \$1 annually. The AECC is responsible for any and all minor repairs and maintenance and upkeep of the building up to \$500. In the event a major repair of any kind and nature exceeds \$500, the AECC will be responsible for the first \$500, after which the remaining cost shall be shared equally between the by the AECC and the Village. The Village was unable to provide a lease agreement for the period starting January 1, 2015.

During January of 2016, the AECC Board approved to contract with Triple R Construction for repairs to be made to the building roof. Village of Harrod Council member James Pinks is part owner of Triple R Construction. The total amount of the contract was \$12,600, payable by the AECC. In accordance with the lease agreement, the AECC was responsible for the first \$500 of the bill for the repairs the remaining costs were shared equally by the AECC and the Village. On April 21, 2016 the AECC issued the Village of Harrod a bill in the amount of \$6,050 for the Village's share of the contract.

These matters will be referred to the Ohio Ethics Commission.

3. We read the minutes, inquired with management personnel, including the Fiscal Officer, Mayor, Village Council and the Village Solicitor, and scanned the 2015 and 2014 Payment Register Detail Report to identify potential contract expenditures in excess of \$5,000 for which it would have been in the best interest of the Village to obtain quotes or bids. We found no exceptions.

Compliance – Budgetary

1. We compared the total estimated receipts from the *Amended Official Certificate of Estimated Resources* required by Ohio Rev. Code Section 5705.36(A)(1), to the amounts recorded in the Revenue Status Report for the General, Street Construction Maintenance & Repair, and Permissive Motor Vehicle License Tax funds for the years ended December 31, 2015 and 2014. The amounts agreed.
2. We scanned the appropriation measures adopted for 2015 and 2014 to determine whether, for the General, Street Construction Maintenance & Repair, and Permissive Motor Vehicle License funds, the Council appropriated separately for "each office, department, and division, and within each, the amount appropriated for personal services," as is required by Ohio Rev. Code Section 5705.38(C). We found no exceptions.

Compliance – Budgetary (Continued)

3. We compared total appropriations required by Ohio Rev. Code Sections 5705.38 and 5705.40, to the amounts recorded in the Appropriation Status Report for 2015 and 2014 for the following funds: General, Street Construction Maintenance & Repair, and Permissive Motor Vehicle License Tax. The amounts on the appropriation resolutions agreed to the amounts recorded in the Appropriation Status report.
4. Ohio Rev. Code Sections 5705.36(A)(5) and 5705.39 prohibits appropriations from exceeding the certified resources. We compared total appropriations to total certified resources for the General, Street Construction Maintenance & Repair Fund and Sewer Operating funds for the years ended December 31, 2015 and 2014. We noted no funds for which appropriations exceeded certified resources.
5. Ohio Rev. Code Section 5705.41(B) prohibits expenditures (disbursements plus certified commitments) from exceeding appropriations. We compared total expenditures to total appropriations for the years ended December 31, 2015 and 2014 for the General, Street Construction Maintenance & Repair Fund and Sewer Operating funds, as recorded in the Appropriation Status Report. We noted no funds for which expenditures exceeded appropriations.
6. Ohio Rev. Code Section 5705.09 requires establishing separate funds to segregate externally-restricted resources. We scanned the Receipt Detail Report for evidence of new restricted receipts requiring a new fund during December 31, 2015 and 2014. We also inquired of management regarding whether the Village received new restricted receipts. We noted no evidence of new restricted receipts for which Ohio Rev. Code Section 5705.09 would require the Village to establish a new fund.
7. We scanned the 2015 and 2014 Revenue Status Reports and Appropriation Status Reports for evidence of inter-fund transfers exceeding \$5,000 which Ohio Rev. Code Sections 5705.14 - .16 restrict. We found no evidence of transfers these Sections prohibit, or for which Section 5705.16 would require approval by the Tax Commissioner and Court of Common Pleas.
8. We inquired of management and scanned the Appropriation Status Reports to determine whether the Village elected to establish reserve accounts permitted by Ohio Rev. Code Section 5705.13. We noted the Village did not establish these reserves.
9. We scanned the Cash Summary by Fund Report for the years ended December 31, 2015 and 2014 for negative cash fund balances. Ohio Rev. Code Section 5705.10 (l) provides that money paid into a fund must be used for the purposes for which such fund is established. As a result, a negative fund cash balance indicates that money from one fund was used to cover the expenses of another. We noted no funds having negative cash fund balances.

Compliance – Contracts & Expenditures

We inquired of management and scanned the Payment Register Detail Report for the years ended December 31, 2015 and 2014 to determine if the Village proceeded by force account (i.e. used its own employees) to maintain or repair roads (cost of project exceeding \$30,000) or to construct or reconstruct Village roads (cost of project \$30,000/per mile) for which Ohio Rev. Code Sections 117.16(A) and 723.52 requires the Village engineer, or officer having a different title but the duties and functions of an engineer, to complete a force account project assessment form (i.e., cost estimate). We identified no projects requiring the completion of the force account assessment form.

Other Compliance

1. Ohio Rev. Code Section 117.38 requires villages to file their financial information in the HINKLE system formerly known as the Annual Financial Data Reporting System (AFDRS) within 60 days after the close of the fiscal year. We reviewed AFDRS to verify the Village filed their financial information within the allotted timeframe for the years ended December 31, 2015 and 2014. No exceptions noted.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on the Village's receipts, disbursements, balances and compliance with certain laws and regulations. Accordingly, we do not express an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management, those charged with governance, and others within the Village, and is not intended to be, and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

August 5, 2016



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VILLAGE OF HARROD

ALLEN 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
SEPTEMBER 27, 2016