



Mary Taylor, CPA
Auditor of State

VILLAGE OF ROME
ADAMS COUNTY

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Mary Taylor, CPA
Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Rome
Adams County
P.O. Box 335
Stout, Ohio 4568

To the Village Council:

We have audited the accounts, financial records, files and reports of the Village of Rome, Adams County, Ohio (the Village), as of and for the years ended December 31, 2003 and December 31, 2002, following Ohio Admin. Code § 117-4-02.

There are reportable findings and conditions as a result of performing these procedures. These findings and conditions are described in the Schedule of Findings on pages 11-18.

This report is intended solely for the information and use of management, the Village Council, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 26, 2007

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**VILLAGE OF ROME
ADAMS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Unclassified Receipts	<u>\$6,522</u>	<u>\$5,657</u>	<u>\$12,179</u>
Total Cash Receipts	<u>6,522</u>	<u>5,657</u>	<u>12,179</u>
Cash Disbursements:			
Unclassified Disbursements	<u>4,092</u>	<u>4,098</u>	<u>8,190</u>
Total Cash Disbursements	<u>4,092</u>	<u>4,098</u>	<u>8,190</u>
Total Receipts Over Disbursements	<u>2,430</u>	<u>1,559</u>	<u>3,989</u>
Fund Cash Balances, January 1	<u>8,900</u>	<u>7,636</u>	<u>16,536</u>
Fund Cash Balances, December 31	<u><u>\$11,330</u></u>	<u><u>\$9,195</u></u>	<u><u>\$20,525</u></u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF ROME
ADAMS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Unclassified Receipts	<u>\$6,617</u>	<u>\$5,742</u>	<u>\$12,359</u>
Total Cash Receipts	<u>6,617</u>	<u>5,742</u>	<u>12,359</u>
Cash Disbursements:			
Unclassified Disbursements	<u>3,890</u>	<u>6,060</u>	<u>9,950</u>
Total Cash Disbursements	<u>3,890</u>	<u>6,060</u>	<u>9,950</u>
Total Receipts Over /(Under) Disbursements	<u>2,727</u>	<u>(318)</u>	<u>2,409</u>
Fund Cash Balances, January 1	<u>6,173</u>	<u>7,954</u>	<u>14,127</u>
Fund Cash Balances, December 31	<u><u>\$8,900</u></u>	<u><u>\$7,636</u></u>	<u><u>\$16,536</u></u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF ROME
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Rome, Adams County, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides general governmental services including road maintenance.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

B. Basis of Accounting

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a payment is made.

The Village did not classify receipts or disbursements in the accompanying financial statements. This is a material departure from the requirements of Ohio Administrative Code, Section 117-2-02(A), (effective July 1, 2000).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash

The Village maintains all available funds in a non interest-bearing checking account.

D. Fund Accounting

The Village uses fund accounting to segregate cash and deposits that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Fund:

Street Construction, Maintenance, and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

VILLAGE OF ROME
ADAMS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control, and appropriations may not exceed estimated resources. Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not use the encumbrance method of accounting. However, the Village did not have material outstanding commitments at December 31, 2003 and 2002. The Village did not adopt a budget for 2002 or 2003.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

2. EQUITY IN POOLED CASH AND DEPOSITS

The Village maintains a cash and deposits pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of demand deposits at December 31 was as follows:

	<u>2003</u>	<u>2002</u>
Demand deposits	<u>\$20,525</u>	<u>\$16,536</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

**VILLAGE OF ROME
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$6,522	\$6,522
Special Revenue	0	5,657	5,657
Total	\$0	\$12,179	\$12,179

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$4,092	(\$4,092)
Special Revenue	0	4,098	(4,098)
Total	\$0	\$8,190	(\$8,190)

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$7,900	\$6,617	(\$1,283)
Special Revenue	2,170	5,742	3,572
Total	\$10,070	\$12,359	\$2,289

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$6,207	\$3,890	\$2,317
Special Revenue	3,950	6,060	(2,110)
Total	\$10,157	\$9,950	\$207

Contrary to Ohio law, the Village did not adopt permanent appropriations for 2003. Expenditures exceeded appropriations in the General, Street Maintenance and Repair, and State Highway Funds in 2003 and in the Street Maintenance and Repair Fund for 2002.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the November 25 date for which the Village Council adopts tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

**VILLAGE OF ROME
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002
(Continued)**

4. PROPERTY TAX (Continued)

Property owners assess tangible personal property tax. They must file a list of tangible property to the County by each April 30. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on the Village's behalf.

5. RETIREMENT SYSTEMS

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plan's retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2003 and 2002, OPERS members contributed 8.5 percent of their wages. The Village withheld OPERS from employees salary but did not pay the employee or employers shares to OPERS

6. RISK MANAGEMENT

The Village is uninsured for the following risks:

- Comprehensive property and general liability; and
- Errors and omissions.

7. COMPLIANCE

The Village was not in compliance with laws and regulations as follows:

- The Village did not adopt appropriations for 2003.
- Expenditures exceeded appropriations in 2003 and 2002.
- The Village did not certify available balances for 2003.
- The Village did not amend estimated receipts in 2002.
- The Village did not adopt a budget for 2003 and 2002.
- The Village did not maintain official minutes for 2003 and 2002.
- Amounts were withheld from employees and the Village for Medicaid, but were not remitted by the Village.
- Amounts were withheld from employees and the Village for PERS, but were not remitted by the Village.
- The Village did not maintain journals and ledgers as required by Ohio law.
- The Village did not deposit funds within the time required by Ohio law.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

Village of Rome
Adams County
P.O. Box 335
Stout, Ohio 45684

To the Village Council:

We have audited the financial statements of the Village of Rome, Adams County, Ohio (the Village), as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated January 26, 2007.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2003-001 through 2003-011.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We consider reportable conditions 2003-009, 2003-010, and 2003-011 listed above to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters which are described in the accompanying schedule of findings as items 2003-001 through 2003-010.

Village of Rome
Adams County
Independent Accountants' Report On Internal Control Over
Financial Reporting and on Compliance and Other Matters
Page 2

We intend this report solely for the information and use of the management, and Village Council. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

January 26, 2007

VILLAGE OF ROME
ADAMS COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002

FINDINGS RELATED TO THE FINANCIAL STATEMENTS

FINDING NUMBER 2003-001

Reportable Condition/Material Noncompliance

Ohio Rev. Code, Section 5705.41(D)(1), prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

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 expenditure 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 (\$1,000 prior to April 7, 2003) 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. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) 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.

**FINDING NUMBER 2003-001
(Continued)**

The Village did not certify any of the expenditures for the audit period. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Clerk-Treasurer certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

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

Ohio Rev. Code Section 5705.41(D) provides that fiscal officers may prepare so-called "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 Village Council should establish a dollar amount for blanket purchase orders via a resolution. Failure to establish a dollar amount for blanket purchase orders could result in overspending and misappropriation of funds. We recommend that Council establish a dollar amount for blanket purchase orders via resolution in the minutes.

FINDING NUMBER 2003-002

Reportable Condition/Material Noncompliance

Ohio Rev. Code, Section 5705.38(A), requires 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 April 1. The Village did not adopt permanent or temporary appropriations for 2003. We recommend that the Village adopt its annual appropriation resolutions as required by the Ohio Revised Code.

FINDING NUMBER 2003-003

Reportable Condition/Material Noncompliance

Ohio Rev. Code, Section 5705.41(B), requires that no subdivision or taxing unit is to expend money unless it has been appropriated. Expenditures exceeded appropriations as follows:

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
2003 Funds			
General	\$0	\$ 4,092	\$(4,092)
Street Maintenance & Repair	0	4,098	(4,098)
2002 Funds			
Street Maintenance & Repair	3,800	6,060	(2,260)

The Village did not pass any appropriations for 2003 and as a result all expenditures exceeded appropriations. Additionally expenditures exceeded appropriations in the Street Maintenance Fund. As a result of not passing or amending appropriations the Village could have overspent its fund balance. We recommend that the Village familiarize themselves with budgetary law and follow the requirements.

FINDING NUMBER 2003-004

Reportable Condition/Material Noncompliance

Ohio Rev. Code, Section 5705.36, requires that each subdivision certify their fund balances on or before January 1 of each year. The Village did not certify their fund balances for 2003. In addition, an amended certificate was not obtained for 2003.

Ohio Rev. Code, Section 5705.36(A)(2), requires the Village to obtain an increased amended certificate of estimated resources and reduced amended certificate upon determination by the fiscal officer that the revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. In 2002 estimated receipts exceeded actual receipts in the following funds:

2002 Funds	<u>Estimated Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 7,900	\$ 6,617	\$(1,283)
State Highway	170	131	(39)

By not certifying year-end balances to the County Auditor, and subsequently obtaining an amended Certificate of Estimated Resources from him, the Village could base appropriations on outdated estimates of available resources which could result in negative fund balances.

The Village should file its certificate of available revenue with the County Auditor on or about the first day of each fiscal year and obtain any amendment as necessary upon determination by the fiscal officer that the revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.

FINDING NUMBER 2003-005

Reportable Condition/Material Noncompliance

Ohio Rev. Code, Section 5705.28 and 5705.30, require that on or before July 15th of each year each subdivision shall adopt a budget and file it by July 20th of each year. The Village of Rome did not adopt or file a budget for 2003 and 2002. In addition, the Village did not hold a budget hearing ten days prior to July 15th. Failure to file a budget could jeopardize the Village's share of local government monies. The Village should adopt a tax budget on or before the required date.

FINDING NUMBER 2003-006

Reportable Condition/Material Noncompliance

Ohio Rev. Code, Section 121.22(C), provides that the minutes of a regular or special meeting of any public body shall be promptly prepared, filed and maintained and shall be open to public inspection. The Village did not maintain official minutes for 2003 and 2002. Lack of such minutes could result in actions being taken which are not authorized by the Village Council. We recommend that minutes be recorded for every meeting and be properly signed and maintained.

FINDING NUMBER 2003-007

Reportable Condition/Material Noncompliance

26 U.S.C. Section 3102(a), requires mandatory Medicare coverage for all employees hired on or after April 1, 1986 to be withheld at the rate of 1.45 percent as the employees share and 1.45 percent as the employer's share. Review of employee records show that Medicare was withheld but the employee and employers and share was not remitted. The failure of the Village to properly withhold and remit Medicare contributions to the IRS may subject the Village to penalties and charges. The Village should contact the IRS to remit the required Medicare contributions. This matter will be referred to the Internal Revenue Service for whatever action they deem necessary.

26 C.F.R. Section 1.6041-2, provides that wages as defined in Section 3401 of the Internal Revenue Code, are to be reported on form W-2. No W-2's were presented for the period under audit. Failure of the Village to report wages to employees on W-2 could result in penalties and charges to the Village and employees. The Village should prepare W-2's for all employees' wages. This matter will be referred to the Internal Revenue Service for whatever action they deem necessary.

FINDING NUMBER 2003-008

Reportable Condition/Material Noncompliance

Ohio Rev. Code, Section 145.03, generally requires compulsory membership of employees to the Public Employees Retirement System (PERS). Section 145.47, Revised Code, requires member contribution and Section 145.48, Revised Code, requires employer contribution. The Village withheld PERS from employees' wages but did not remit the employee or employer share to PERS. The failure of the Village to properly withhold and remit retirement contributions to PERS may subject the Village to penalties and charges. The Village should contact PERS to remit the required contributions.

FINDING NUMBER 2003-009

Material Weakness/Material Noncompliance

Ohio Rev. Code, Section 733.28, requires the Village Clerk to maintain the books of the Village and exhibit accurate statements of all monies received and expended. The Village's fiscal officer did not maintain a cashbook, receipt or appropriation ledgers for 2003 and 2002. In addition the Village did not prepare an annual report for 2003 and 2002, contrary to Ohio Rev. Code, Section 117.38.

Additionally, Ohio Admin. Code, Section 117-2-02(A), requires governments to maintain an accounting system and accounting records sufficient to identify, assemble, analyze, classify, record, and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

When designing the public office's system of internal control and the specific control activities, management should plan for adequate segregation of duties or compensating controls.

The small size of the Village's staff does not allow for an adequate segregation of duties. The Clerk performs all the financial record keeping including receipting, depositing, check writing, check signing and posting. This system could result in diversion of funds and bookkeeping errors without detection in a timely manner.

The following weaknesses were noted:

- The prior audit findings had not been addressed or corrected.
- Accounting and payroll records were not maintained.
- Minutes were not maintained showing approval for any of council's actions.
- Payment of bills was not approved by Council.
- Monthly bank reconciliations were not performed.
- Budgetary law was not followed including but not limited to budget hearings and budget adoptions.
- The Village Clerk issued and signed checks without any approval or review of council.
- Numerous attempts were made to contact the Clerk and obtain the records without any success. As a result the Village of Rome did not have any records for the current audit period.

The Auditor of State had to issue a subpoena to Fifth Third Bank to obtain the bank statements and cancelled checks. This resulted in bank charges to obtain copies of the bank statements and cancelled checks and an increase in audit costs.

**FINDING NUMBER 2003-009
(Continued)**

As a result of these weaknesses, unclassified financial statements were presented. Due to the lack of audit documentation, we were not able to complete this audit under Generally Accepted Auditing Standards and have performed the audit under the authority of Ohio Administrative Code section 117-4-02.

We recommend the Village implement monitoring controls over financial processing and reporting, compliance with laws and regulations, and audit follow-up that will help support the objectives of Council and management in these areas. Monitoring controls should be performed by someone independent of those performing the tasks.

The following procedures, at minimum, should be implemented:

- Proper accounting records should be maintained including but not limited to: A cashbook, receipt and appropriation ledgers. Prenumbered duplicate receipts should be written for all money received. Prenumbered checks should be utilized a practice of using counter checks on a routine basis should be discontinued. Monthly bank reconciliations should be performed. Payroll records of all employees should be maintained and all deductions be submitted to their respective agencies.
- The management needs to familiarize themselves with Ohio Revised Code, Section 5705 which contains budgetary law. The Village needs to implement the requirements therein.
- Minutes should be maintained of all council meetings. All bills should be listed in the minutes and approved by council.
- Council should receive monthly financial reports including, but not limited to: bank reconciliations (with supporting documentation such as bank statements and outstanding checklists, deposits in transit), estimated versus actual receipts, and appropriations compared to actual expenditures. Council should receive these reports prior to the regular meetings so that members have an opportunity to review the information and ask informed questions. Council's approval of these reports should be documented in the minutes. The documents reviewed should be initialed and dated by the reviewer. There is no evidence that any reports were given to Council or approved by Council.
- Council needs to exercise control over the safekeeping of the Village records. Proper care and safeguarding of the accounting records needs to be exercised. We recommend that the aforementioned suggestions for improvement for record keeping be implemented by the Village of Rome.

FINDING NUMBER 2003-010

Material Weakness/Material Noncompliance

Ohio Rev. Code, Section 9.38, requires public officials to deposit all public moneys received with the treasurer of the public office or properly designated depository on the next business day following the day of receipt, if the total amount of such moneys received exceeds \$1,000. If the total amount does not exceed \$1,000, the public official shall deposit the money on the next business day following the day of receipt unless the legislative authority of the public office adopts a policy permitting a different time period. The alternate time period, however, shall not exceed three business days following the day of receipt. Further, the policy must include procedures to safeguard the moneys until the time of deposit. When designing the public office's system of internal control and the specific control activities, management should ensure that all transactions are properly authorized in accordance with management's policies, ensure that accounting records are properly designed, ensure adequate security of assets and records and plan for adequate segregation of duties or compensating controls.

We noted the following weaknesses in the receipt cycle:

- Receipts were not deposited intact and timely, some were not deposited for nine months.
- Receipts from the State were not deposited by the Village and were voided by the State. These voided receipts totaled \$1,969.
- The Village did not maintain a cashbook, issue duplicate receipts, maintain documentation on the receipts or prepare monthly bank reconciliations.

Failure to maintain adequate accounting records or deposit receipts in a timely manner could increase fraud risk factors and result in the misappropriation of moneys.

We recommend that the clerk deposit all funds in a timely manner and implement procedures to safeguard moneys until deposited. The clerk should contact the state to determine if voided warrants can be re-issued.

We also recommend that the Village maintain a cashbook, issue duplicate receipts, maintain documentation on the receipts and prepare monthly bank reconciliations.

FINDING NUMBER 2003-011

Material Weakness

When designing the public office's system of internal control and the specific control activities, management should ensure that all transactions are properly authorized in accordance with management's policies, ensure that accounting records are properly designed, ensure adequate security of assets and records and place for adequate segregation of duties or compensating controls.

The Village lacks management oversight in the disbursement and payroll operations of the Village. This lack of oversight is illustrated by the following.

- The Village did not maintain invoices as support for disbursements. We were able to perform alternative procedures to determine the proper public purpose of expenditures.
- Pre-numbered checks were not used or maintained.
- Counter checks were issued for disbursements.
- OPERS and Medicare were deducted from employee's salaries, but were not remitted to the respected agencies. The employer's share was also not remitted.
- Withholding forms were not maintained and W-2's were not issued.

The lack of proper management oversight could result in material misstatement, overpayment, or unauthorized payment relating to payroll expenditures. To improve recordkeeping and accountability of payroll expenditures:

- Invoices should be maintained to show evidence of proper public purpose.
- Vouchers should be utilized to show approval of the expenditure.
- Pre-numbered checks should be utilized and canceled checks should be maintained.
- Payroll deductions should be withheld from all required employees. If employees are exempt from withholdings, exemption forms should be maintained in the employee's personnel file. All withholdings should be submitted in a timely manner. The Village should contact OPERS and the Internal Revenue Service for guidance to resolve prior withholdings.

The Village Officials did not respond to the findings above.

**VILLAGE OF ROME
ADAMS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2001-001	Ohio Rev. Code, Section 5705.41(D), failure to properly certify funds	No	Not corrected – reissued as Finding 2003-001.
2001-002	Ohio Rev. Code, Section 733.28, requires that records of the Village be maintained.	No	Not corrected – reissued as Finding 2003-009.
2001-003	Ohio Rev. Code, Section 5705.41(B), prohibits expenditures in excess of appropriations.	No	Not corrected – reissued as Finding 2003-003
2001-004	Ohio Rev. Code, Section 121.22, requires that minutes of all council meetings be maintained.	No	Not corrected – reissued as Finding 2003-006.
2001-005	Ohio Admin. Code, Section 117-1-02(A), requires governments to maintain accounting records.	No	Not corrected – reissued as Finding 2003-009.



Mary Taylor, CPA
Auditor of State

VILLAGE OF ROME

ADAMS 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
FEBRUARY 13, 2007