



Dave Yost • Auditor of State

**City of Norwood
Hamilton County, Ohio**

Report on Accounting Methods

Local Government Services

City of Norwood - Hamilton County

Report on Accounting Methods

Table of Contents

Table of Contents 1

Certification 3

Purpose..... 5

Governance Overview 6

Analysis of the City’s Methods

 Budgetary System..... 8

 Chart of Fund and Account Codes 11

 Accounting Journals and Ledgers 12

 Revenue Activity 14

 Purchasing Process 21

 Cash Disbursements 26

 Payroll Processing 29

 Debt Administration 34

 Capital Assets and Supplies Inventory 37

 Cash Management and Investing..... 39

 Financial Reporting 42

 Recording Official Proceedings 44

Conclusion 46

This page intentionally left blank.



Dave Yost • Auditor of State

CERTIFICATION

In compliance with the requirements set forth in section 118.10(A) of the Ohio Revised Code, an assessment of the methods, accuracy, and legality of the accounts, records, files, and reports of the City of Norwood was conducted. This report on accounting methods states whether there are adequate controls in place to assure confidence in the records. The control deficiencies and instances of non-compliance with State statutes and the Ohio Administrative Code are identified throughout this report. Therefore, pursuant to section 118.10 of the Revised Code, a "Report on Accounting Methods" is hereby submitted and certified to Melissa Snider, Chairman of the Financial Planning and Supervision Commission of the City of Norwood; Tom Williams, Mayor of the City of Norwood, and Donna Laake, Council President.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

December 13, 2018

This page intentionally left blank.

City of Norwood – Hamilton County

Report on Accounting Methods

Purpose

As required by Section 118.10(A), Revised Code, the Auditor of State "...shall issue a preliminary report with respect to the methods, accuracy, and legality of the accounts, records, files, and reports of the municipality. This report shall state whether Chapter 117 of the Revised Code and the requirements of the Auditor of State have been complied with..."

Accordingly, this report addresses the following: (1) whether the current accounting system fulfills the needs of the City, and (2) whether the current accounting system complies with Chapter 117 of the Revised Code and the requirements of the Auditor of State. Information for this report was obtained by interviewing City personnel and reviewing pertinent accounting, financial and budgetary records.

This report is intended solely for the use of the Financial Planning and Supervision Commission of the City of Norwood. We were not engaged to, nor did we perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

City of Norwood – Hamilton County

Report on Accounting Methods

Governance Overview

The City of Norwood (the “City”) is located in Hamilton County. The City is a home rule municipal corporation governed by Article XVIII of the Ohio Constitution and by Title 7 of the Ohio Revised Code. Operating as a statutory city, Norwood must comply with all State laws governing City government. The decision making process is directed by an elected City Council (Council) and Mayor. Legislative authority is vested in a seven-member Council. Three members are elected at large and four members are elected by wards for two year staggered terms. A council president, who presides at all meetings of the legislative authority, but has no vote except in case of a tie, is elected at large for a two year term. The Mayor is the chief executive and administrative officer who is elected for a four-year term.

The Council is the legislative authority of the City. Council shall provide for the employment of a Clerk of Council. The Clerk of Council attends all Council meetings and keeps a record of all proceedings, rules, bylaws, and legislation. All legislative powers of the City shall be vested in, and exercised by, the Council.

The Mayor exercises supervision and control over all administrative departments of the City. The Mayor appoints all officers and employees, except the other elected officials and the employees in those departments. The Mayor may also introduce ordinances and make other recommendations to Council. The Mayor has the power to veto ordinances or resolutions.

The City Auditor is elected to a four year term and serves as the chief fiscal officer of the City. The City Auditor shall collect all taxes, assessments, and monies due; disburse funds as authorized; maintain an efficient general accounting system; specify and supervise departmental accounting; and represent the City with other governmental fiscal agencies. The City Auditor shall serve as fiscal advisor to the Council and assist in the preparation of the yearly budget, appropriation ordinances or resolutions and statements of anticipated income. The City Auditor is responsible for establishment of the accounting procedures necessary to comply with the administrative rules adopted by the Auditor of State.

The City Treasurer is the chief custodian of all monies of the City and is elected to a four-year term. The City Treasurer selects depositories, invests funds, and is required to keep the monies of the municipal corporation in such a manner and in such place as is determined by the legislative authority, and shall pay out money only on warrants issued by the City Auditor.

The Law Director is the City’s chief legal officer, elected to a four-year term.

On October 6, 2016, the City was declared in a state of fiscal emergency by the Auditor of State in accordance with Revised Code Sections 118.03(A)(5) and 118.03(B). A Financial Planning and Supervision Commission (the Commission) was established under Section 118.05 of the Ohio Revised Code. The Commission membership is as follows:

1. The director of the State office of Budget and Management or a designee;
2. The Mayor of the City;
3. The President of City Council or a designee;
4. The Treasurer of State or a designee; and
5. Three individuals appointed by the Governor with knowledge and experience in financial matters whose residency, office, or principal place of professional or business activity is situated within the City.

City of Norwood – Hamilton County

Report on Accounting Methods

The powers, duties, and functions of the Commission may include:

1. Review all tax budgets, tax levy ordinances and bond and note resolutions or ordinances, appropriation measures, and certificates of estimated resources, to ensure they are consistent with the financial recovery plan;
2. Inspect and secure copies of pertinent documents of the City;
3. Inspect and secure copies of pertinent documents of the County or State agencies relating to the City;
4. Review, revise and approve determinations and certifications affecting the City made by the County Budget Commission or the County Auditor;
5. Bring civil actions to enforce fiscal emergency provisions;
6. Approve the amount and purpose of any debt obligations;
7. Implement steps necessary to bring accounting records, accounting systems and financial procedures and reports into compliance with the Auditor of State's rules;
8. Make and enter into all contracts necessary or incidental to the performance of its duties;
9. Make recommendations for cost reductions or revenue increases to achieve a balanced budget; and,
10. Annually, before April 1, make a report and recommendations to the Speaker of the House of Representatives and President of Senate on the progress of the City.

The Commission is required to adopt a financial recovery plan for the City within one hundred twenty days of its first meeting. The Commission adopted a financial recovery plan on July 25, 2017. By statute, the City must operate within the provisions of the recovery plan.

The Commission will continue in existence until such time as the Auditor of State or the Commission itself determines that:

1. An effective financial accounting and reporting system is in the process of being implemented and is expected to be completed within two years;
2. All of the fiscal emergency conditions have been corrected or eliminated and no new emergency conditions have occurred;
3. The objectives of the financial recovery plan are being met; and,
4. The City Council has prepared a financial forecast for a five-year period and such forecast is, in the Auditor of State's opinion, "non-adverse."

Once these requirements are satisfied and certified to the Commission, the Governor, the Director of the Office of Budget and Management, and the County Budget Commission; the Commission will be terminated.

City of Norwood – Hamilton County

Report on Accounting Methods

Budgetary System

Description of an Effective Budgetary System

The legally adopted annual budget plays a unique and central role in determining how much and the type of financial resources that shall be raised, and how those financial resources shall be spent. An annually appropriated budget should be adopted by ordinance, for all funds other than agency funds, and the amounts appropriated for each fund should not exceed the estimated resources available for the year. The budget should present sufficient information to identify the major sources of revenues and the programs, activities and major objects of expenditures. The process should encompass current operations and maintenance for the various city departments, programs offered to its residents, capital acquisition and replacement and debt retirement. The adopted budget should be integrated with the accounting system to ensure and demonstrate compliance with the budget and allow for ongoing and timely information on unrealized revenues and balances available for obligation.

Statutory Requirements

The Tax Budget: The Hamilton County Budget Commission requires a tax budget containing levy information for all funds that receive property tax revenue to be submitted to the County Auditor as Secretary of the County Budget Commission, by July 20 of each year, for the succeeding year. Prior to submission, a notice and public hearing are required. The County Budget Commission examines the budget to ascertain that all tax levies of the City are properly authorized. The Budget Commission also revises and adjusts the estimated receipts for property taxes and local government fund allocations. On or about October 1, Council must authorize, by resolution, the necessary tax levies and certify them to the County Auditor.

Certificate of Estimated Resources: The County Budget Commission issues an official certificate of estimated resources on or about September 1, based on the revenue estimate submitted by the City and other information available to the Budget Commission. Section 5705.36 of the Revised Code requires that on or about January 1, the County Auditor certifies the actual year end balances for all City funds to the budget commission. Upon receipt of the information, the budget commission issues an amended official certificate of estimated resources that includes the unencumbered fund balance at December 31. Further amendments may be made during the year if the City Auditor determines that the revenue to be collected by the city will be greater than or less than the amount included in the official certificate.

Appropriations Ordinance: Section 5705.38 of the Revised Code requires that on or about January 1, an annual appropriation ordinance must be enacted by Council. Prior to the passage of the annual appropriation measure, a temporary appropriation measure may be passed to meet the ordinary expenses of the City until April 1. The appropriation ordinance, by fund must be within the estimated resources as certified by the County Budget Commission. Appropriation measures shall be classified so as to set forth separately the amounts appropriated for each office, department and division, and within each, the amount appropriated for personal services. Any revisions that alter the appropriations at the level adopted by Council must be approved by Council. The City may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent amended certificate of estimated resources.

As required by Section 5705.39 Revised Code, no appropriation measure shall become effective until the County Auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate. When the appropriation does not exceed such official estimate, the County

City of Norwood – Hamilton County

Report on Accounting Methods

Auditor shall give such certificate forthwith upon receiving from the appropriating authority a certified copy of the appropriation measure.

Encumbrances: As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures in order to reserve that portion of the applicable appropriation and maintain legal compliance with the adopted appropriations. Expenditures plus encumbrances may not legally exceed appropriations.

Section 705.19 of the Revised Code provides that no money shall be drawn from the treasury of a municipal corporation, except in pursuance of appropriations made by the legislative authority, and whenever an appropriation is so made, notice will be given to the Auditor and the Treasurer. Appropriations may be made in furtherance of improvements or other objects or work on the municipal corporation which will not be completed within the current year. At the end of each year, all unexpended balances of appropriations shall revert to the respective funds from which they were appropriated and shall then be subject to future appropriations.

Administrative Code Requirements

According to Section 117.2.02 of the Administrative Code, 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 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. For all local public offices subject to provisions of Chapter 5705 of the Revised Code, the minimum legal level of control is described in Section 5705.38 of the Revised Code as department, personal services and other. The legal level of control is a discretionary decision made by the legislative authority and must meet or exceed the level prescribed in Section 5705.38 of the Revised Code.

Methods Used by the City

The annual budget process begins in June with the preparation and filing of the tax budget with the County Budget commission. Estimated receipts for the ensuing year are based on two years of historical data and current year to date information. Public notice is given at least ten days prior to a public hearing on the tax budget held by the City Council. The tax budget is reviewed and adopted by City Council on or about July 15, prior to submitting it to the County Budget commission on or about July 20. The 2019 tax budget was adopted by Council on June 12, 2018 and submitted to the County Budget Commission on July 10, 2018.

Council adopted a resolution to authorize the rate of the tax for the levies to be collected in 2019 on October 23, 2018 and certified it to the County Budget Commission. The County is required to provide the City with a certificate of estimated resources based on the tax budget by September 1. The original certificate of estimated resources was received from the County on September 15, 2018.

Once City Council has certified the tax levies, work begins on appropriations for the following year. The appropriations are prepared by the City Auditor. The new year estimates are based on information available at the time of preparation and historical data. In preparing appropriations for the next year, the City Auditor updates a spreadsheet with appropriation projections based on historical baseline expenditures for each department, payroll projections, including current staff salaries and projected hiring, debt projections, and potential retirees. Once the City Auditor has prepared the main spreadsheet it is given to the finance

City of Norwood – Hamilton County

Report on Accounting Methods

committee. The committee then meets with department heads to make adjustments to their department appropriations. A permanent appropriation ordinance for all funds for 2018 was adopted by Council on December 26, 2017. Council establishes the legal level of control for all funds at the object level within each fund. Any increase or decrease in appropriations at the object level must be approved by Council through ordinance.

After the close of the year, the City Auditor certifies the year-end fund balances to the County Budget Commission and requests an amended certificate of estimated resources that includes the actual unencumbered fund balances of the preceding year.

Certified copies of the appropriation measures are filed by the Account Clerk II with the County Auditor upon adoption. The City received from the County Auditor a certificate that the total appropriations from each fund, with the exception of the General Fund, did not exceed the official or amended certificate of estimated resources.

All revenue and appropriation changes are entered into the City's accounting system by the Account Clerk II. The City Auditor does not immediately compare estimated revenues on the amended certificate to the estimated revenues in the accounting system or the appropriation changes approved by Council to the appropriations in the accounting system.

In prior years, appropriations were insufficient in certain funds and expenditures exceeded the approved appropriations in those funds.

Auditor of State Comments

- Pursuant to Section 5705.39, Revised Code, the City should not appropriate money in any fund in excess of the total estimated resources available for expenditure from that fund. The City Auditor should ensure that appropriations do not exceed the total estimated resources in any of the City's funds.
- The City Auditor should verify that the revenues and appropriations in the accounting system match the latest certificate of estimated resources and annual appropriations and related changes approved by Council.
- Pursuant to Section 5705.10, Revised Code, the City should credit money levied and collected to the proper fund. During, 2016, 2017 and 2018 the City has deficit fund balances in the general and water funds. The City should not use the money from one fund to pay the obligations of another fund with a deficit.

City of Norwood – Hamilton County

Report on Accounting Methods

Chart of Fund and Account Codes

Description of Effective Chart of Fund and Account Codes

Common terminology and classification should be used throughout the budgeting, accounting, and financial reporting activities. The consistent use of fund account codes is necessary to classify and summarize receipt and disbursement transactions. Fund codes should allow for the classification and identification of fund types and individual funds. Receipt and expenditure codes should allow the transactions to be summarized by major revenue sources or expenditure programs. Major object codes for expenditures should be used consistently throughout the various program and activity codes.

Statutory Requirements

The creation of funds is authorized by section 5705.09 of the Revised Code. Section 5705.13 of the Revised Code allows for the creation of a reserve for budget stabilization, payment of claims under a self-insurance program, and the payment of claims under a retrospective workers' compensation plan. This section also allows for a special revenue fund to accumulate resources for the payment of sick and vacation leave. Additionally, it allows for creation of capital projects funds to accumulate resources for up to ten years for the acquisition, construction, or improvement of capital assets. Funds may also be established under section 5705.12 of the Revised Code with the written approval of the Auditor of State.

Methods Used by the City

The City establishes funds as required by the Ohio Revised Code. The Deputy Auditor assigns fund numbers based on the parameters within SSI. Account codes are assigned and entered into the computer system by the Deputy Auditor based on the type of account. Each account consists of eleven digits. The first two designate the fund, the next four designate the department, and the last 5 digits designate revenue or expense coding.

Auditor Comments

- None

City of Norwood – Hamilton County

Report on Accounting Methods

Accounting Journals and Ledgers

Description of Effective Accounting Journals and Ledgers

The accounting ledgers of the City should allow for ongoing and timely information on estimated and actual revenues, disbursements and encumbrances, comparison of expenditures to the appropriation authority, available cash balances for each fund, and the available treasury balance. The information captured for each transaction should allow the transaction to be trailed throughout the ledgers and back to the document that originated the transaction.

Administrative Code Requirements

Section 117-2-02(A) of the Ohio Administrative Code requires that all local public offices maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance related legal and contractual requirements and prepare financial statements required by Ohio Administrative Code Section 117-2-03.

Section 117-2-02(C)(1) of the Ohio Administrative Code requires that all local public offices should integrate their budgetary accounts into their financial accounting system at the legal level of control or lower. This means designing an accounting system to provide ongoing and timely information on unrealized receipts and remaining uncommitted balances of appropriations.

Section 117-2-02(D) of the Ohio Administrative Code states that 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 following:

Cash Journal – The cash journal is the book of original entry for recording all cash receipts and disbursements processed in the City Auditor’s office. The cash journal presents receipts deposited to and checks drawn against the City treasury and the fund to which the receipts and checks were recorded. Entries to the cash journal are posted sequentially by date from source documents, such as pay-in orders and checks. The related pay-in order or check number, account codes, and date are also recorded for each transaction. At the end of each month, month to date totals and year to date totals are to be recorded.

Receipt Ledger – The receipt ledger is used to summarize receipts by fund and account. In addition, the estimated revenue and uncollected balance is presented for each source of revenue. Estimated revenues are recorded from the detail and/or supplemental information used in the preparation of the tax budget and is adjusted for any amendments to the certificate of estimated resources. Receipt transactions are posted from the cash journal based on the account code. A balance reflecting the estimated amount remaining to be received is maintained. At the end of each month, month to date totals and year to date totals are to be recorded.

Appropriation Ledger – The appropriation ledger is used to summarize appropriations, disbursements and encumbrances, by fund and account. In addition, the ledger should reflect the encumbering of obligations of the City, identifying the warrant/check issued for the payment of the obligation, and accommodate any adjustments to an appropriation account. The ledger also facilitates budgetary control by enabling the City to keep its disbursements and encumbrances within the amounts appropriated by Council. The unencumbered

City of Norwood – Hamilton County

Report on Accounting Methods

appropriation balance provides information on the amount available for disbursement. At the end of each month, month to date totals and year to date totals are recorded.

Methods Used by the City

The City uses Software Solutions Inc. (SSI) accounting system, a fund accounting software package, to maintain its accounting records. The City has software and system support services with SSI for their various applications. The SSI software incorporates estimated revenues and appropriations by fund and account. The software program allows for the accumulation and aggregation of budget and actual information. Detailed receipt and expenditure information is accumulated by fund, revenue source, expenditure program, department and object code. The software provides month and year-to-date information and detailed summary information for receipts and expenditures. The City Auditor's Office has a SSI accounting system user manual referencing financial management and payroll processes.

The City uses Municipal Income Tax Solutions (MITS) software to maintain its income tax functions. The Income Tax department uses the software for tracking income tax on individuals and corporate filers. The software system generates reports and tracks delinquent accounts. Various reports are used for reconciliations of cash transactions. The Income Tax department has a Municipal Income Tax Solutions manual referencing the general navigation, inquiries, reports, and income tax processing.

The City also uses SSI to perform its utility billing functions. The software allows the City to process utility payments and maintain customer utility account balances. The SSI reports provide detailed and summarized information regarding daily and monthly utility collections, forms of payment used (cash, check, etc.), utility type (water, sewer, refuse), customer balances and delinquent accounts. The user manual is updated and available on line from SSI through the system at any time and references receipt process, adjustment process, master file, and various system reports.

The City has two servers located in City Hall. Information from the SSI system (accounting and utility information) as well as all other program files and other files from the City Auditor and Water Department is stored on one server. The other server stores files from the remaining departments. This server is a virtual server from Veeam Software. Documents and files are stored automatically to the Veeam server multiple times a day. The SSI information uses Symantec backup and recovery program and is automatically backed up daily on media tapes Monday-Friday at 1am. The Secretary of the Law Department swipes media tapes Monday through Friday and keeps the newest tape at his residence in a fireproof safe. Two weeks of back-up that do not have the most current information are stored in City Hall.

The City has two back up servers that can be up and running within a few hours if needed.

The City does not have a written disaster recovery plan identifying how the City would restore operations, including information technology and accounting functions if the City would experience a serious incident (flood, explosion, computer malfunction, accident, grievous act).

Auditor of State Comments

- The City does not have a written disaster recovery plan identifying how the City would restore operations including information technology and accounting functions if the City would experience a serious incident (flood, explosion, computer malfunction, accident, grievous act.) The plan should address common terminology, preventative measures, a readiness plan, offsite locations and an emergency contract list. The City should develop and implement a disaster recovery plan.

City of Norwood – Hamilton County

Report on Accounting Methods

Revenue Activity

Description of an Effective Method for Recording Receipts

The receipting process should allow for the consistent identification and recording of each receipt. Receipts should be promptly recorded, safeguarded, and deposited. A pre-numbered, multi-part receipt form or a system-generated receipt form should be issued for any payment received by departments. The receipts should bear the name of the entity and reflect the date received, the payer, the amount, the purpose/nature of the receipt, and the signature of the person preparing the receipt. Departmental receipts should be summarized and remitted to the Treasurer's office daily. The City Auditor's office should issue pay-in orders to those departments depositing collections to the Treasurer's office and for any payments received by the Auditor's office. The pay-in order forms should be a multi-part, pre-numbered form that bears the name of the entity, the date received, the payer, the amount, the purpose/nature of the receipts, the account code, and the signature or name of the person preparing the pay-in order. Supporting documents should be attached to a copy of the pay-in order and filed numerically or by payer. All pay-in-orders should be recorded in the cash journal and receipts ledger in a timely manner. Adequate safeguards should be in place to ensure that one individual does not have total control over the receipting of monies, deposit of monies, posting of receipts, and reconciliation of bank accounts.

Statutory Requirements

Section 9.38, Revised Code, provides that a person who is a public official, employee, or agent shall deposit all public moneys received by that person with the treasurer of the public office or properly designated depository on the business day next following the day of receipt, if the total amount of such moneys received exceeds one thousand dollars. If the total amount of the public monies so received does not exceed one thousand dollars, the person shall deposit the monies on the business day next following the day of receipt, unless the public office of which that person is a public official adopts a policy permitting a different time period, not to exceed three business days next following the day of receipt, for making such deposits, and the person is able to safeguard the moneys until such time as the moneys are deposited. The policy shall include provisions and procedures to safeguard the public moneys until they are deposited. If the public office of which the person is a public official is governed by a legislative authority, only the legislative authority may adopt such a policy.

Section 733.40, Revised Code, requires all fines, forfeitures, and costs in ordinance cases, and all fees that are collected by the Mayor that in any manner come into the Mayor's hands, or that are due the Mayor or a marshal, chief of police, or other officer of the municipal corporation, any other fees and expenses that have been advanced out of the treasury of the municipal corporation, and all monies received by the Mayor for the use of the municipal corporation shall be paid by the Mayor into the treasury of the municipal corporation on the first Monday of each month. At the first regular meeting of the legislative authority each month, the Mayor shall submit a full statement of all monies received, from whom and for what purposes they were received, and when they were paid into the treasury.

Administrative Code Requirements

Section 117-2-02(D)(1) of the Ohio Administrative Code requires the date, amount, receipt number, account code, and any other information necessary to properly classify the receipt transactions be recorded in the cash journal. Section 117-2-02(D)(2) of the Ohio Administrative Code requires the amount, date, name of the payer, purpose, receipt number, and other information required for the transaction to be recorded in the receipts ledger.

City of Norwood – Hamilton County

Report on Accounting Methods

Methods Used by the City

City Auditor and City Treasurer's Offices

Many of the City's departments take payments for fees and services. Each department has its own process for taking payments. Except for the Mayor's Court, all departments remit their receipts to the City Treasurer's office to be deposited to the City's bank accounts. The Tax Commissioner makes deposits the same day or the next business day. The Tax Commissioner is the only employee in the City Treasurer's office who makes deposits. All departments' deposits are taken to the bank at the same time, but each department's deposit has its own deposit slip.

The City Auditor's office is responsible for issuing and receiving payments for licenses and permits. The City Auditor's office also processes the receipt of property taxes, homestead and rollback monies, and most State monies received by the City. Currently, the Account Clerk is the only person who posts receipts to the SSI system. When the Account Clerk is off work, no receipts are posted to the SSI system.

Property tax monies are automatically deposited to the City's bank account. The Deputy Auditor creates a spreadsheet that allocates the settlement to the City's funds based on the settlement sheets provided by the County Auditor. The Account Clerk uses the spreadsheet to post the receipt to the SSI system. The County settlement includes special assessments which are levied by the Water Department for unpaid utility bills. The City Auditor's office does not receive a detail showing the allocation of the amounts levied by utility type. The City Auditor's office allocates collections for these assessments equally to water, sewer, and refuse once received.

All payments received for licenses and permits are processed by the Treasurer's office. Payments may be made via cash, credit card, or check. The individual receives an "Auditor's Office Designation Slip" as their receipt.

After the bank deposits are completed, the City Treasurer's office provides the deposit slips, pay-in orders and other support to the City Auditor's office. The Account Clerk of the City Auditor's office matches amounts on the pay-in orders to the deposit slips. Once the amounts have been verified, the Account Clerk stamps the pay-in orders numerically, posts the receipts to the SSI system and assigns the corresponding pay-in number in the system.

Earnings tax receipts and water payments are posted to the SSI system several times per month. Other departments' receipts are posted monthly. The Water department's pay-in order tells the Account Clerk the amounts to be posted to each fund. For the other departments, the Account Clerk knows how to code the receipts based on what the receipt is. If the receipt coding is not on the pay-in order, and the Account Clerk cannot determine the coding based on the receipt, the Account Clerk will ask the department.

The Account Clerk maintains the pay-in orders in numerical order by month once they are posted to the SSI system.

City of Norwood – Hamilton County

Report on Accounting Methods

Earnings Tax Department

The City levies a municipal income tax of two percent on all salaries, wages, commissions and other compensation, and net profits earned within the City as well as income of residents earned outside of the City. All income tax goes to the general fund. The City allows a credit of 100 percent of the tax paid to another municipality. Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City. It is mandatory that all City residents and businesses file tax returns. The Earnings Tax department accepts cash, checks, money orders, and credit cards for payment of income taxes. The Earnings Tax department provides assistance to taxpayers to prepare returns; no fee is charged for this service.

When tax returns are mailed in, they are opened and the return, payment, and all supporting documents are paper clipped together. Checks are not deposited until the return is audited by the Earnings Tax department. Once the tax returns are opened, they are sorted into plastic bins by type, individual or business, and by amounts owed, greater or less than \$500. The 2017 returns were required to be filed with the City by April 18, 2018. The Earnings Tax department did not complete the opening or sorting of all returns until the middle of May.

The Earnings Tax department uses the MITS system to process income tax payments and refunds. The Earnings Tax department staff review all returns, along with the supporting calculations and documentation and enter tax payments and refunds into the MITS system. At the end of the day, each staff member prints a Batch Report from the MITS system showing total income tax payments received. Once the returns are processed and entered into the MITS system, the Tax Commissioner prepares a deposit slip for all of the payments received that day. After depositing the receipts, a pay-in order is sent to the City Auditor's office to be posted to the SSI system.

Utilities

The Water department is responsible for the supervision of and collection for water, sewer, and refuse services to the residents of the City. The City uses SSI to process billings and payments. The City of Norwood provides water service. Sewer is serviced by the Metropolitan Sewer District of Greater Cincinnati (MSD), and the refuse service is provided by Rumpke.

The City's utility accounts are divided into three districts. Customers are billed on a quarterly basis. Payments for utility services can be made by six different methods: (1) in person with cash, check, money order, or credit card, (2) by mail, (3) payment placed in the drop box located outside City Hall, (4) by credit card through the department's online payment system, (5) through automatic bank account withdrawal, or (6) at lockboxes at certain US Bank locations.

Most of the water meters in the City are manually read with a handheld device, and are located in the basements of the residences. If a meter cannot be read, a card is left instructing the resident to call in their meter reading. If a meter cannot be read and no reading is provided by the resident, the bill is estimated by the utility software system. There are no controls in the system that limit how many times readings can be called in, or utility bills can be estimated.

After all meter readings are entered into the system, the Clerk of the Water department reviews the Maintenance Report for high readings or other items that are out of the ordinary before the billing process starts. If necessary, the Clerk of the Water department makes adjustments in the system. The adjustments are not verified or approved by anyone. All payments are posted to the system before the next bill goes out. The system automatically allocates the payments that are received to water, sewer and refuse.

City of Norwood – Hamilton County

Report on Accounting Methods

Mayor's Court

The City's Mayor's Court uses the Baldwin Mayor's Court software system for tracking the City's Mayor's Court cases. The Mayor's Court Clerk is able to track all citations, assign case numbers, manage the fee schedule, track receipts and expenses, assign court dates, accept online payments, print reports, prepare a monthly reconciliation, and allocate receipts to the City of Norwood, the State of Ohio, and Hamilton County in the Baldwin Mayor's Court software system.

The Mayor's Court accepts payments in person via cash, check, money order, and credit card. There is a pre-numbered triplicate receipt book in the chamber room for cash, check, and money order payments. The person who makes the payment gets the white copy, the yellow copy is kept by the Mayor's court and the pink copy stays in the receipt book. The Mayor's Court Clerk uses the yellow copies of the receipts to post the payments to the Baldwin Mayor's Court software system. If someone pays by credit card, their receipt is the receipt from the credit card machine. The City also gets a copy of the credit card receipts, which is what the Mayor's Court Clerk uses to post credit card payments to the Baldwin Mayor's Court software system. The Baldwin Mayor's Court software system also allows people to make payments online, which are automatically applied in the system.

There is a cash register in the Mayor's Court that starts with \$25 in change for the day. The cash register is locked, and the Mayor's Court Clerk keeps the key in an unlocked drawer.

The Mayor's Court Clerk reconciles the monies collected to the daily summary of cash receipts from the Baldwin Mayor's Court software system and prepares a deposit slip. During the daily reconciliation process, the Mayor's Court Clerk prints a daily cash report from the Baldwin Mayor's Court software system and copies all checks and money orders and attaches them to the report. The Mayor's Court Clerk then deposits the monies into the Mayor's Court bank account.

At the end of the month, the Mayor's Court Clerk generates a monthly financial report for the Mayor which shows the amount due to the City, as well as the State. The Mayor's Court Clerk also provides a reconciliation of the monthly activity to the Finance Clerk. Checks are written by the Mayor's Court Clerk to the appropriate payee, such as the State and local governments, before the fifteenth of the next month.

Building Department

The Building Department receives payments for building and zoning permits, plumbing contractor registrations, plan examinations, inspections, dumpster, and other miscellaneous services. The customer fills out a permit application or license registration in the building department. The staff of the Building department enter the information into the Permits Plus system through Cincinnati Area Geographic Information System (CAGIS), which calculates the fees and generates an invoice. The Building department accepts payments by credit card. Cash and check payments are made in the City Treasurer's Office. The City Treasurer's office has access to the CAGIS system, and they apply cash payments to the corresponding invoices in CAGIS.

Whether the customer pays at the Building department, or the City Treasurer's office, they are given a receipt from CAGIS that shows the total amount billed, amount paid, and method of payment. The Clerk of the Building department offers customers a copy of their credit card receipt also.

The Clerk of the Building department prepares one pay-in order at the end of each month which is provided to the City Treasurer's and the Auditor's offices.

City of Norwood – Hamilton County

Report on Accounting Methods

Recreation Department

The Recreation department charges fees for park rentals, swim lessons, swim passes, swim team, pool admission, pool rentals, field rentals, gym rentals, basketball leagues, and other services, as well as concession sales. The Recreation department accepts cash and checks for payment. The Director of the Recreation department tracks all sales in a spreadsheet.

The Recreation department has a safe at the pool that is kept locked during the day. The safe has a slot to insert money and requires two keys to unlock. The safe is stored behind two locked doors. The Director of the Recreation department and one other employee of the department are the only ones with access to the safe.

The gate at the pool has a cash drawer and the concession stand has a cash register. Each collection point starts the day with \$100 to make change. The cash drawer at the gate is checked hourly, and large bills are removed, put in an envelope which is marked “gate,” and placed in the safe. The cash register in the concession stand is balanced at the end of each day to that day’s cash register receipts.

The gate starts each day with a sheet that has the date at the top and columns for: adult, child, paying, and free. Children under the age of four are admitted to the pool for free. When someone with a pass comes to the pool, the person working the gate writes down the pass number and puts a tally mark in the corresponding column for the person(s) who are entering. When someone without a pass comes to the gate, the person working the gate takes their money and marks the appropriate column(s) on the daily sheet. Admission is tracked through a spreadsheet.

The Director of the Recreation department prepares a deposit slip for each deposit and takes it to the City Treasurer’s office daily during the summer, and every other day during slower collection times. At the end of each month, the Director of the Recreation department prepares a pay-in order which is taken to the City Treasurer’s office.

Police Department

The Police department receives payments from the Drug Enforcement Agency when one of their officers works on a task force, as well as a share of forfeitures from Hamilton County. Some businesses also pay the City to have a police presence at certain times. Additionally, the Police department collects the coins from the parking meters in the City of Norwood. Police officers sometimes accept after hours payments for fines as well.

Occasionally, the Police department receives a check. When that occurs, the Secretary of the Police department fills out a pay-in order and takes the receipt to the City Treasurer’s office to be deposited to the bank. The Secretary of the Police department keeps a log of all checks that are received by the Police department.

When a police officer takes a payment for a citation after hours, the officer fills out a receipt for the person making the payment. The receipt is from a pre-numbered, duplicate receipt book. The person paying gets one copy and the other copy stays in the receipt book. The money is put into a bank envelope, and the officer writes the person’s name, control number and date of birth on the envelope. The envelope is put into a safe that does not lock until the next morning, when it is turned over to the Mayor’s Court Clerk.

City of Norwood – Hamilton County

Report on Accounting Methods

About once every other week, one of the auxiliary officers collects the coins from the parking meters. The money is stored in an unlocked drawer at the Safety Lane building, which is a secure building, until the officer takes it to the bank to convert it to cash. The officer converts the coins to cash about every three months. Once the money has been converted to cash, the officer takes it to the City Treasurer's office to be deposited. The police department does not keep any documentation on the money from the parking meters.

Fire Department

The Fire department charges fees for inspections and permits. The Fire Department uses the cloud-based software system, Emergency Reporting, to track the permits issued, businesses in the City, and invoicing for the inspections and permits. The permit is the receipt of payment.

The Bureau Fire Safety Clerk keeps a spreadsheet that tracks the date a permit is issued, the business name, permit number, and amount paid. The Bureau Fire Safety Clerk turns the spreadsheet and checks into the City Treasurer's office to be deposited to the City's bank account. The Clerk turns in checks whenever there are 3-4 checks to be deposited, so the timing of these deposits vary with the number of checks received.

EMS Billing

The City contracts with Medicount Management for EMS billings. Medicount Management does all of the EMS billing for the City and sends a check to the City each month for that month's collections net of Medicount Management's fees. The check is mailed to the Fire department, and is given to the City Treasurer's office when received.

Public Works Department

The Public Works department occasionally sells scrap metal to a recycling company. The recycling company mails a check to the City. The Public Works department makes a copy of the check and gives the check to the City Treasurer's, where a pay-in is completed and deposited to the City's bank account.

Health Department

The City's Health department charges for immunizations, and various licenses and permits. The Health department uses the Health Department Information Software (HDIS) system through the Baldwin Group and a spreadsheet for tracking receipts.

The Health department accepts cash, credit card, checks, and money orders as payment for their services. Customers fill out the appropriate application and make all payments at the health department. The Health department has separate pre-numbered receipt books for each service program that they provide. Customers receive a copy of their receipt for all payments. If a customer is renewing a license or permit through the mail, their receipt is mailed to them with the license or permit.

The Health department has two deposit books, one for revenues that go to the General fund, and one for revenues that go to the Health department's special revenue fund. At the end of each day, one of the employees in the Health department fills out the applicable deposit slip and takes that day's receipts to the City Treasurer's office to be deposited to the City's bank account. The City Treasurer's office gives the Health department a copy of the deposit slips after they are deposited to the bank.

City of Norwood – Hamilton County

Report on Accounting Methods

At the end of the month, the Secretary of the Health department prepares a pay-in order which is then taken to the City Treasurer's office. The Tax Commissioner matches the pay-in order to the deposit slips for that month. Once the deposit slips are matched to the pay-in order, the Tax Commissioner sends it to the City Auditor's office to be posted to the SSI system.

Auditor of State Comments

- Section 9.38, of the Revised Code requires the deposit of all public monies the next business day following the day of receipt. The City is not consistent in following the requirements of Section 9.38 of the Revised Code. The City should establish a policy to ensure that each department collecting monies is properly paying the money into the City Treasurer's office within the time constraints of the policy.
- The City also has issues with safeguarding the monies it receives. Monies are often stored in either an unlocked safe or unlocked drawers. The safeguarding of these monies should be addressed as part of the City's policy.
- Pay-ins should be completed the same day as deposits are completed and provided to the City Auditor's office for entry into the accounting system.
- There is no cross-training on job responsibilities in the City Auditor and City Treasurer's office. A staff member of the City Treasurer's office should be cross trained so that bank deposits can be made in the absence of the Tax Commissioner. A staff member in the City Auditor's office should be cross trained so that receipts can be posted to the SSI system in the absence of the Account Clerk.
- Council should create policies regarding how many times a meter can be read by the resident before the City is required to read the meter, how many times a reading can be estimated, limits on payment plans, defined parameters for when service should be shutoff, and when adjustments can be done, and who should approve the adjustments.
- The Earnings tax department should open and sort all tax returns as soon as they are received. Any payments received should be deposited and not placed in bins on the office floor.

City of Norwood – Hamilton County

Report on Accounting Methods

Purchasing Process

Description of an Effective Method for Purchasing

The process of purchasing goods or services should ensure that each transaction is properly authorized, documented, and recorded and the purchase of items should be in agreement with the budget. The process should include selection of the vendor with the best price as well as authorization by an appropriate individual. In addition, authorization must include the City Auditor's certification of the availability of funds stating that the amount has been appropriated and is encumbered. All purchase orders should be in written form clearly indicating the items, quantities, and unit cost. Authorized purchase commitments should be recorded against a budget line item in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

Statutory Requirements

Several State laws govern the purchasing process. The requirements are as follows:

Certification of the Fiscal Officer - Each contract or order for the expenditure of money must be accompanied by a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation or, in the case of a continuing contract to be performed in whole or in part in an ensuing year, the amount required to meet the obligation in the year in which the contract is made, has been lawfully appropriated for such purposes and is in the treasury or in process of collection to the credit of an appropriate fund free from any previous encumbrance. This certificate need be signed only by the subdivision's fiscal officer.

Blanket Certification of the Availability of Funds: The subdivision may utilize blanket purchase orders for authorizing obligations for a particular purpose that do not extend beyond year end in an amount established by resolution of City Council. A general certification of this type may be established for any appropriation line item and need not identify a specific vendor. This type of purchase order is used for routine recurring type items or for unanticipated emergencies. An itemized statement of obligations incurred and expenditures made under such certificate shall be rendered to the auditor or other chief fiscal officer before another such certificate may be issued, and not more than one such certificate shall be outstanding at a time.

"Super" Blanket Certification of the Availability of Funds: The super blanket certification permits the fiscal officer to certify any amount from a specific line item appropriation. The certification is authorized to be outstanding for any period up to the end of the fiscal year and more than one certificate is permitted to be outstanding at one time. The certification must identify a specific line item appropriation in a specific fund. The certification may be limited to a specific vendor, if desired. A list of obligations incurred and expenditures made under each certification must be maintained and provided by the fiscal officer.

Purchases that may be made through the use of a super blanket certificate are the services of an accountant, architect, attorney at law, physician, professional engineer, construction project manager, consultant, surveyor or appraiser by or on behalf of the subdivision; fuel oil, gasoline, food items, roadway materials and utilities; and any purchase exempt from competitive bidding under Ohio Revised Code Section 125.04 and any other specific expenditure that is a recurring and reasonably predictable operating expense.

City of Norwood – Hamilton County

Report on Accounting Methods

Then and Now Certification - It is intended that the fiscal officer's certification be secured at the time a purchase order is issued or a contract is executed. If timely certification was not obtained, contracts or purchase orders may be certified at the time of payment but the certification must indicate both at the time the order was placed (then) and at the current time (now) a sufficient sum was appropriated for the purpose of such contract and is in the treasury or in process of collection to the credit of an appropriate fund free from any previous encumbrances. If the amount exceeds \$3,000, the City Council has thirty days from receipt of such certificate to approve payment by resolution. If approval is not made within thirty days, there is no legal liability on the part of the City.

Authority to Contract - Contracts are authorized by the City Council and signed off on in the name of the City by the Safety Service Director or City Auditor, except as otherwise specified by State statute. The contracts are then accepted by the Board of Control. Contracts over \$50,000 must go through competitive bidding.

Bidding - Section 735.05 of the Revised Code states that all contracts calling for expenditures in excess of \$50,000 shall be in writing and made to the lowest and best bidder. Council must authorize and direct all such expenditures. Exceptions to the bidding requirements include contracts for:

1. Personal services of a specialized nature;
2. Goods and services when only one source is available;
3. Work to be done or for the purchase of supplies and materials in any department of the City if real and present emergency exists;
4. The purchase of used equipment and supplies at a public auction or at a sale where bids are required by all parties wishing to purchase;
5. Purchases from other political subdivisions and agencies; and
6. Goods purchased under the State Cooperative Purchasing Program.

Findings for Recovery Database - Effective January 1, 2004, State statute (Revised Code section 9.24) prohibits any State agency or political subdivision from awarding a contract for goods, services, or construction, paid for in whole or in part with State funds, to a person against whom a finding for recovery has been issued by the Auditor of State on or after January 1, 2001, if the finding for recovery is unresolved.

Per Auditor of State Bulletin 2004-006, a contract for purposes of Section 9.24 of the Revised Code is awarded when a written agreement is executed pursuant to a formal competitive contracting procedure that may include competitive bidding, requests for proposals, or invitations to bid. A purchase arrangement that does not involve competitive contracting procedures does not constitute the awarding of a contract and is not subject to Revised Code section 9.24. For purchases made off the State term schedule, the Ohio Department of Administrative Services engages in a contracting process as described under Attorney General Opinion 2004-014 and, consequently, is required to comply with Revised Code section 9.24. State agencies and political subdivisions that purchase off the State term schedule do not engage in their own contracting processes and are not subject to the provisions of Revised Code section 9.24.

Section 9.24 (G)(1)(a) of the Revised Code states that the only contracts subject to the provisions of the statute are those contracts in which the cost of goods, services, or construction exceeds \$25,000. Section 9.24 (G)(1)(b) of the Revised Code provides an exception to this rule and applies the statute to a contract awarded to any person who, in the previous year, received contracts from the State agency or political subdivision, the aggregate of which exceeded \$50,000.

City of Norwood – Hamilton County

Report on Accounting Methods

Delinquent Personal Property Taxes - Section 5719.042 of the Revised Code provides that after the award by a taxing district of any contract let by competitive bid, and prior to the time the contract is entered into, the person making a bid shall submit to the fiscal officer a statement affirmed under oath that the person with whom the contract is to be made was not charged, at the time the bid was submitted, with any delinquent personal property taxes on the general tax list of personal property of any county in which the taxing district has territory, or that such person was charged with delinquent personal property taxes on any such tax list, in which case the statement shall also set forth the amount of such due and unpaid delinquent taxes and any due and unpaid penalties and interest thereon. If the statement indicates that the taxpayer was charged with any such taxes, a copy of the statement shall be transmitted by the fiscal officer to the County Treasurer within thirty days of the date it is submitted.

Campaign Financing (HB 694) - Section 3517.13(I) of the Revised Code states any bid or unbid contract, purchase order, or collective bargaining agreement with a value of more than \$500 requires the vendor to certify to the contracting authority that the vendor has not made a contribution to the contracting authority within the two previous calendar years, one or more contributions totaling in excess of \$1,000.

Administrative Code Requirements

Section 117-2-02(C)(2) of the Ohio Administrative Code states, “purchase orders should be used to approve purchase commitments and to encumber funds against the applicable appropriation account(s), as required by Section 5705.41(D) of the Revised Code. Purchase orders are not effective unless the fiscal officer’s certificate is attached. The certificate should be attached at the time a commitment to purchase goods or services are made.”

Methods Used by the City

A City department makes the decision that they need to purchase an item or obtain service from an outside vendor. This process is initiated by a requisition. The City uses a requisition in paper form and a form created in excel. The requisition form is filled out by the employee who plans to make a purchase, typically the department head or clerk. The requisition form includes the department submitting the requisition, description of the planned purchase, the date of the requisition, the account code from which the purchase will be made, and the dollar amount of the purchase. There is no formal process for the submission of requisitions or purchase orders. Once a requisition is approved and signed, they are submitted to the Account Clerk in the City’s Auditor’s office.

The Account Clerk first checks the Request for Purchase Order form and determines whether sufficient funds have been appropriated against which to encumber the funds necessary for the Purchase Order. This is determined by checking the available funds in the City’s SSI system. In the event that sufficient funds are not available for the given account code, the requisition is entered onto the Insufficient Fund report, which is typed up by the Account Clerk in a Word document. The requisition is then attached to the Insufficient Fund report that the Account Clerk gives to the Safety Service Director, Department heads, and Council members once a month. The department then has the option to either transfer funds from a different account code to the one in question, or they can go through the appropriation process to get additional funds appropriated. Department heads do not keep track of the Purchase Order process and compare expenditures to current reports from the SSI system to ensure there are adequate appropriations. If appropriated funds are available, the Account Clerk enters the information into the SSI system and prints a Purchase Order.

When Purchase Orders are completed, there are four copies: a white copy, a pink copy, a green copy, and a yellow copy. All four parts of the Purchase Order are submitted to the City Auditor for final review and approval. In the event the City Auditor is not in the office, the Account Clerk will initial the City Auditor’s

City of Norwood – Hamilton County

Report on Accounting Methods

signature followed by their initials on all four parts of the Purchase Order. The Account Clerk then gives the Safety Service Director or the department head that originated the request, all four parts of the Purchase Order for review and approval. Once the Safety Service Director or department head signs all four parts of the purchase order, the pink and yellow copies are given back to the Account Clerk. The white copy is the original copy and is kept by the actual department requesting the purchase. The pink copy is attached to the requisition and is given to the Accounts Payable Clerk. The green copy is given back to the Safety Service Director or department head and the yellow copy is given to the Tax Commissioner.

A vendor list is maintained in the SSI system by the Auditor's office. Purchase orders can only be created using a vendor from the approved vendor list. Prior to being added to the approved vendor list, vendors must submit an IRS form W-9 to the City. When a department wants to go through a vendor that is not yet in the City's system, the Accounts Payable Clerk is notified. The Account Clerk then adds the vendor into the system and assigns it a vendor name so that it can be added to the Purchase Order. The City does not conduct a search of the Auditor of State Findings for Recovery Database to ensure there are no findings for recovery against the new vendor. The City Auditor does not approve new vendors.

There is no official process for selecting a vendor for a purchase. The vendor is specified by the department submitting the requisition, and is typically based on familiarity with a vendor for a given product which is developed over time.

Blanket Purchase Orders are used for the purposes of utility bills, lease and debt payments and other recurring expenses. As expenditures are made against blanket purchase orders for utility bills, the invoices come to the Accounts Payable Clerk, who in turn gives the invoices to the Account Clerk, who enters the information into an electronic spreadsheet to keep track of all utilities. The Account Clerk will then give the invoice to the applicable department the utility bill is related to for their signature and approval. The department will then return the invoice to the Accounts Payable Clerk for payment. As expenditures are made against blanket purchase orders for lease and debt payments, the invoices come to the Accounts Payable Clerk, who already has the blanket purchase order from the Account Clerk. As expenditures are made against blanket purchase orders for other recurring expenses within a department, invoices are sent to the Department head for signature and approval. The invoice is returned to the Accounts Payable Clerk, who processes them in the same way all other invoices are processed. The Accounts Payable Clerk will subtract the amount of the invoice on the Pink Purchase Order to get a new total. Once the new total is calculated, the Accounts Payable Clerk makes a copy of the Pink Purchase Order. The Pink Purchase Order stays in the Accounts Payable Clerk's file cabinet until all the money has been spent on the Blanket or the Department tells the Accounts Payable Clerk to close the Blanket.

Council authorizes the City to advertise for bids. The Safety Service Director advertises for bids in the Eastern Hills Journal. Bids are submitted from the various bidders along with any required documents. The sealed bids are received by Safety Service Director's Secretary and are stamped upon being received. They also certify in this way that they are not in the Auditor of State findings for recovery database. Once the open bidding period has ended, the Safety Service Director opens the bid envelopes with the Accounts Payable Clerk as a witness. The Safety Service Director makes a list of all the bids on a summary sheet, which is typed up by the Safety Service Director's Secretary. The City has hired JMA Consultants to reviews all bids. JMA Consultants certifies the list and returns all the bids back to the Safety Service Director. JMA Consultants will then recommend on the best bid as determined by price and other factors. The Safety Service Director makes the final decision and either the City or JMA Consultants send a letter to the contractor notifying them of the contract award. A pre-construction meeting is schedule where JMA Consultants, the City and the contractor meet to sign the contract and go over additional details. There are two original contracts signed so the contractor and the City have an original copy. The Safety Service Director's Secretary files the original contract in her office and sends a copy to the City Auditor's office.

City of Norwood – Hamilton County

Report on Accounting Methods

Auditor of State Comments

- The City does not utilize the Auditor of State Findings for Recovery Database when entering into all contracts. Section 9.24, Revised Code, prohibits any State agency or political subdivision from awarding a contract for goods, services, or construction, paid for in whole or in part with State funds, to any person against whom a finding for recovery has been issued by the Auditor of State, if that finding is unresolved. The City should verify vendors against the State’s database of findings for recovery before entering into a contract for goods, services, or construction paid for in whole or in part with State funds and save that documentation.
- The City does not have a formal purchasing policy and purchasing procedures for the City are not documented. A purchasing policy for the City should be developed, adopted by ordinance, and distributed to all departments.
- The City does not have a formal bidding policy and bidding procedures for the City and are not documented. A bidding policy for the City should be developed, adopted by ordinance, and distributed to all departments.
- City Council, per Section 5705.41(D)(1), Revised Code, should approve all “Then and Now” purchase orders in excess of \$3,000 within thirty days. The City does not have the authority to issue “Then and Now” certifications in excess of \$3,000 without action by City Council.
- The City should not issue purchase orders to a vendor before all the required information has been turned in and the City Auditor has given approval. The City should have all new vendors fill out the IRS Form W-9 and the City Auditor should approve the vendor before placing orders with the vendor.
- City Council, per Section 5705.41(D), Revised Code, should establish, by resolution or ordinance, the maximum amount for blanket purchase orders to be issued by the City Auditor’s office. Blanket purchase orders used without the City Council having set a limit are not valid because the City does not have the authority to use blanket purchase orders without the action by City Council.

City of Norwood – Hamilton County

Report on Accounting Methods

Cash Disbursements

Description of an Effective Method for Cash Disbursements

The processing of invoices should ensure that each payment represents goods or services that were properly authorized and received by the City. The processing should include a comparison of the invoiced items and quantities to the purchase order and billing slips or receiving copy of the purchase order, a comparison of the prices on the invoice to the purchase order, and the signature of the individual who made the comparisons. All invoices should be recomputed ensuring accurate extensions and totals. A voucher should be prepared reflecting the proper payee, invoice amount and account codes, and should include a copy of the purchase order, invoice and receiving report or a signed billing slip. A warrant should be prepared based on the completed voucher, the existence of appropriate vendor information (I.R.S. Form 1099 data), a properly executed certification by the City Auditor and a determination whether there is adequate cash in the fund to pay the obligation. All warrants should be signed by the City Auditor and recorded in the cash journal and appropriation ledger. Vouchers should be filed numerically or by vendor.

Statutory Requirements

State law places the following requirements on the disbursements of funds:

Checks - Expenditures may only be made by a proper warrant drawn against an appropriate fund. The warrant must show upon its face the appropriation from which the expenditure is made and the fund it is drawn upon.

Restrictions - Money is drawn from the City treasury only for appropriations enacted by the City Council. Appropriations from each fund may be used only for the purposes of such fund.

No Certification - If no certificate is furnished as required, upon receipt by the City of a certificate of the fiscal officer stating that there was at the time of the making of such contract or order and at the time of the execution of such certificate a sufficient sum appropriated for the purpose of such contract and in the treasury or in process of collection to the credit of an appropriate fund free from any previous encumbrances, the City may authorize the drawing of a warrant in payment of amounts due upon such contract, but such ordinance shall be passed within thirty days from the receipt of such certificate; provided that, if the amount involved is less than \$3,000, the fiscal officer may authorize it to be paid without such affirmation of the taxing authority of the subdivision or taxing unit, if such expenditure is otherwise valid.

Administrative Code Requirement

Section 117-2-02(C)(3) of the Ohio Administrative Code states “vouchers may be used as a written order authorizing the drawing of a warrant 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.”

Methods Used by the City

The Accounts Payable Clerk performs the disbursement functions.

City of Norwood – Hamilton County

Report on Accounting Methods

The cash disbursement process begins with the receipt of goods and services. These goods and services are delivered directly to the department that originated the purchase order. At that time, the department head or the department clerk verifies that the goods received and the accompanying invoice matches the purchase order. The department head or department clerk signs or initials, writes “okay to pay”, date and the purchase order number on the invoice to indicate that verification has been completed and is approved for payment.

The department head or department clerk sends the original invoice received at the time of delivery to the Auditor’s Office via interoffice mail to the Accounts Payable Clerk. If an invoice is received that has no purchase order attached, the Accounts Payable Clerk first communicates to the Account Clerk to see if they have the purchase order. If the Account Clerk does not have the purchase order, then the Accounts Payable Clerk will then send the invoice back to the department with a note that a purchase order needs to be attached. If the Invoiced amount is more than \$50 of the purchase order then the Accounts Payable Clerk will contact the department head to further investigate. If the Invoiced amount is less than \$50 of the purchase order, the Accounts Payable Clerk will work with the Account Clerk to see if there is enough money within the appropriation line to cover the difference.

The Accounts Payable Clerk gathers the pink purchase order copy from the Account Clerk, matches them up with the corresponding invoice received from the departments, and puts them into alphabetic order by vendor. On top center of the pink purchase order copy, the Accounts Payable Clerk will write the amount being paid, the invoice number, and the date of the invoice. The Accounts Payable Clerk logs into the accounts payable application in the SSI system to process the payment of invoices. The Accounts Payable Clerk pulls up the corresponding purchase order information for each invoice. She then enters the invoice number, date of the invoice and the invoice amount into the system. The system automatically assigns check numbers.

The checks are then ready to be printed for payment. The checks are three part checks and include, the actual check, a yellow copy and a pink copy. When the checks are printed, the computer system automatically updates the related encumbered balance, account balance, and overall cash balance. When all the checks have been printed, the Accounts Payable Clerk gives the actual check, (part one of the three part check), to the City Auditor or Deputy Auditor to manually sign. The Accounts Payable Clerk then takes the actual checks to the Treasurer’s office for the City Treasurer or Tax Commissioner to manually sign. The printed yellow check gets condensed by the Accounts Payable Clerk totaling the check by fund totals and goes to the Account Clerk to be keyed into a spreadsheet for reconciliation purposes. The pink check is kept by the Accounts Payable Clerk to create a voucher packet, which also includes the purchase order, the requisition if it’s the original purchase order, invoice, and any other supporting documentation.

The Accounts Payable Clerk conducts check runs once a week. Checks are mailed by the Accounts Payable Clerk. The voucher packets are filed in the vault in numeric order by check number.

When a check is voided, the word “VOID” is written across the check and the Account Clerk voids the check in the SSI system. The Account Clerk makes a copy of the voided check and keeps the copy in a folder. The original voided check goes to the Treasurer’s office.

Some debt payments are made by wire transfers or ACH transactions. The Accounts Payable Clerk processes the debt payments on the City’s online banking once the Deputy Auditor has given approval. After the debt payment has been made, the Account Clerk posts memo expenditures to the SSI system to record the electronic payments. Each wire transfer needs two people to complete the process in the online banking. The Accounts Payable Clerk will create the batch in the online banking and the Payroll Clerk approves the transfer.

City of Norwood – Hamilton County

Report on Accounting Methods

Manual checks are written on rare occasions. If checks are manually written, the Accounts Payable Clerk has a template on the computer in a Word document, fills in all the information and prints the check. Once the check is signed by the City Auditor or Deputy Auditor and City Treasurer or Tax Commissioner, the check is handled like a regular check through the SSI system.

Auditor of State Comments

- The City Auditor or Deputy Auditor does not review the checks after they are printed. The City Auditor or Deputy Auditor should review the printed checks along with the payment voucher to ensure that the checks are complete and the amounts are correct.
- The City should document the procedures for cash disbursements including staff positions and functions. This document should also include procedures for invoices exceeding the purchase order and the use of “Then and Now” certifications.
- Invoices are mailed to the either the originating department or the City Auditor’s office. The Auditor’s office should require all invoices be mailed to the City Auditor’s office. Invoices should be copied and sent to the appropriate department for approval and returned along with the packing slip and any other supporting documentation to the City Auditor’s office.
- In prior years, the City has not paid invoices in a timely manner and has paid significant penalties and interest. The City Auditor should ensure that all invoices are paid timely and no penalties or interest are incurred.

City of Norwood – Hamilton County

Report on Accounting Methods

Payroll Processing

Description of an Effective Method of Payroll Processing

The processing of the payroll should ensure that all employees are compensated on a regular basis for work performed and at the rate approved by the appointing authority. All compensation should be recorded in a permanent record reflecting the hourly rate and hours worked or salary, deductions, and the gross net compensation for the pay period and the year. Standard deductions such as pension, Medicare, and Federal and State taxes, should also be computed at the applicable rates established by the regulatory agencies. Other deductions permitted by the employer should be authorized by the employee and the authorization should be maintained in a file. Payment of the net compensation should be by a check signed by the appropriate official or by direct deposit to a bank account of the employee. Payment of deductions and the related employer obligations should be made timely and reported in the format prescribed by the regulatory agency. Personnel files should contain information of the benefits that the employee has selected, withholding forms and any other information required by Federal and/or State laws. Safeguards should be in place to ensure that the same individual does not hire personnel, authorize pay rates, process payroll, generate and distribute pay checks, and reconcile the bank accounts.

Statutory Requirements

Section 705.13, Revised Code, states that the legislative authority of a municipal corporation shall, by ordinance, fix the salary of its members which shall be paid in equal monthly installments. For each absence from regular meetings of the legislative authority, unless authorized by a two-thirds vote of all members, there shall be deducted a sum equal to two per cent of such annual salary. Absence for ten successive regular meetings shall operate to vacate the seat of a member, unless such absence is authorized by the legislative authority.

Section 731.08, Revised Code requires the legislative authority of a City to fix the compensation and bonds of all officers, clerks, and employees of the City except otherwise provided by law. All bonds shall be made with sureties subject to the approval of the Mayor.

Methods Used by the City

There are 145 full-time employees and 27 part-time employees with the City. Hourly employees and elected officials are paid biweekly. Council members and Civil Service Commission members are paid monthly on the second pay each month. For hourly employees, the pay period begins on Sunday and ends on Saturday two weeks later. Pay checks and direct deposits to employees are distributed every other Friday. All employees are paid in accordance with the City's pay ordinance or bargaining contracts. Employees receive an earnings statement with each pay that indicates gross and net pay and withholdings for the pay period as well as year-to-date totals.

All salary schedules and negotiated contracts are approved by City Council. Pay schedules for bargaining unit employees are reported in their respective Collective Bargaining Agreements by job classification.

Personnel files are kept in the City Auditor's office. The files contain forms for tax information, benefit information, direct deposit information, voluntary deductions, wage information, position information, hire date and any other information the City chooses to retain about the employee. The City Auditor, Deputy Auditor and Payroll Clerk have access to change employee information in the payroll system.

City of Norwood – Hamilton County

Report on Accounting Methods

Department specific payroll sheets or City timesheets are used to track hours worked for salary and hourly employees. Timesheets are completed by the employee or the employees' supervisor. The timesheets show the employee's name, dates, hours worked and any leave taken. Departments that do not use City timesheets, have administrative employees within the department that prepare the City timesheets for every departmental employee at the end of the pay period. All required information is updated and hours calculated for the days worked by reviewing the department specific payroll sheets. Elected officials are not required to track hours worked.

Non-bargaining Employees - City Ordinance 2009-33, establishes the rates and ranges of pay for non-bargaining employees effective July 1, 2009. Non-bargaining employees are not eligible to earn overtime compensation.

Bargaining Unit Employees - The City of Norwood bargaining unit employees are associated with one of eight negotiated agreements, depending on the job classification, as follows:

Police Chief - The Police Chief is covered by a negotiated agreement between the City of Norwood and William Schlie Chief of Police of the Norwood, Ohio Police Division. The current police chief is William Kramer. The contract covers the period of January 1, 2008 to December 31, 2010. This contract contains detailed information pertaining to fringe benefits, absences, leave accruals and conditions of employment. The Police Chief is ineligible to earn overtime compensation, however, if the base pay of the Police Captain increases, the Police Chief shall receive the same percentage increase per the contract agreement.

Police Captain - The Police Captain is covered by a negotiated agreement between the City of Norwood and Keith Belleman Captain of Police, of the Norwood, Ohio Police Division. The current contract covers the period of January 1, 2008 to December 31, 2010. The contract contains detailed information pertaining to fringe benefits, absences, leave accruals and conditions of employment. Police Captains are eligible to earn overtime compensation.

Police Officers - The Police Officers are covered by a negotiated agreement between the City of Norwood and the Norwood Ohio Police Division. The current contract covers the period of December 1, 2015 to November 30, 2018. The contract contains detailed information pertaining to fringe benefits, absences, leave accruals and conditions of employment. Police Officers are eligible to earn overtime compensation.

Municipal Employees – Municipal employees are covered by a negotiated agreement between the City of Norwood and Local #3278 and Ohio Council 8 of the American Federation of State, County, and Municipal Employees, AFL-CIO. The contract covers the period of February 9, 2017 to December 31, 2018. The contract has detailed information pertaining to compensation, fringe benefits and leave accruals. Municipal employees are eligible to earn overtime compensation.

Public Works – Public Works are covered by a negotiated agreement between the City of Norwood and Local #914 and Ohio Council 8 of the American Federation of State, County, and Municipal Employees, AFL-CIO. The contract covers the period of January 1, 2016 to December 31, 2018. The contract has detailed information pertaining to compensation, fringe benefits and leave accruals. Public Works employees are eligible to earn overtime compensation.

Fire Fighters - Fire Fighters are covered by a negotiated agreement between the City of Norwood and the City of Norwood, International Association of Firefighters, Local #445. The contract covers the period of December 8, 2016 to December 31, 2018. The contract has detailed information

City of Norwood – Hamilton County

Report on Accounting Methods

pertaining to compensation, fringe benefits, absences and leave accruals. Fire fighters are eligible to earn overtime compensation.

Fire Chief – The Fire Chief is covered by a negotiated agreement between the City of Norwood and Curtis Goodman, Fire Chief of Norwood Ohio Fire Division. The current chief is Ronald Wallace. The contract covers the period of January 1, 2001 to December 31, 2003. The contract has detailed information pertaining to compensation, fringe benefits, absences and leave accruals. The Fire Chief is ineligible to earn overtime compensation, however, the City shall maintain an equitable pay differential between the Chief's base salary and the Assistant Chief, which shall be not less than 12 percent.

E-911(Part-Time Dispatchers) – E-911 part time dispatchers are covered by a negotiated agreement between the City of Norwood and the Norwood E-911 Bargaining Unit (part time dispatchers). The contract was effective December 31, 2011 and has no end date. The contract has detailed information pertaining to compensation, fringe benefits and leave accruals. E-911 employees are eligible to earn overtime compensation.

Elected Officials – City Ordinance 16-2003 establishes salaries for elected City officials, including the Mayor, Council, City Auditor, City Treasurer, and City Law Director.

Non-Union, Unclassified Positions – City Ordinance 2009-33 established the base rate and salary ranges for employees who are not covered by a union agreement and hold an unclassified position.

Overtime and Compensatory Leave – Employees work overtime in all the departments at the discretion of the department head. The overtime rate paid is time and a half. Overtime is submitted on the employee timesheets. Compensatory time may be earned in place of paid overtime at time and a half for all eligible employees.

Leave – Vacation, personal, sick and any additional leave provided by the union contracts is credited to each employee at the appropriate accrual rates indicated in the negotiated agreement or City Ordinance. Forms are used to request time off and are signed by the department head and employee. The departments mark leave taken on their timesheets. The Accounts Payable Clerk tracks leave balances for each employee on an excel spreadsheet called a time bank. Every two weeks the Accounts Payable Clerk sends the Safety Service Director, Police, Fire, Dispatch, Public Works and Health departments the time bank file to check leave balances against departmental records. Employees can request this information from the City Auditor's office. If an employee notices a discrepancy, the employee must notify the Payroll and Accounts Payable Clerks.

Payroll Processing – The Payroll Clerk has written procedures for payroll processing. All approved department timesheets are submitted to the City Auditor's Office for processing. Time Sheets must be submitted by Monday morning of the pay week. The Payroll Clerk goes through each timesheet and checks totals then circles total as confirmation of time to pay and marks the bottom right corner of each timesheet and circles to show total hours to pay. The information from the time sheets is entered into the payroll system by the Payroll Clerk. The Payroll Clerk also enters leave taken and overtime worked in the system, however, leave time is not tracked within the payroll software of SSI.

When all employee hours are entered, a Time Card Proof report is run from the SSI accounting system. The Payroll Clerk compares the total gross wages, deductions, and net pay to the department timesheet and overtime summaries. The Payroll Clerk also checks to see that each full-time employee has 80 hours entered and that there are no noticeable errors.

City of Norwood – Hamilton County

Report on Accounting Methods

The Payroll Clerk prints out various other reports including a Current Payroll Register Report which shows detailed payroll related information including gross and net pay amounts, as well as, the various deductions which have been processed. The Payroll Clerk also runs and reviews an Account Distribution Report for any noticeable errors. If the Payroll Clerk finds any errors, she will review the timesheets and payroll reports to resolve any issues. Corrections that are needed are noted by the Payroll Clerk on the timesheets. The Payroll Clerk also dates and initials notation of corrections.

Once the Current Payroll Register Report is reviewed and deemed accurate, checks are processed by the system. The Payroll Clerk runs numerous other reports that summarize gross pay, deductions, and net pay; report direct deposit and other bank transmittal information. The City uses SSI to print checks. The Tax Commissioner and Deputy Auditor sign the payroll checks manually. Almost all employees receive direct deposit, however, there are a limited number of employees that still receive paper checks. The payroll checks, direct deposit earnings statements, and a copy of the timesheets are given to the Treasurer's Office. The Treasurer's Office then sorts them into different departments and places the paper checks and direct deposit earnings statements into individual envelopes. On Friday morning, the envelopes are taken over to the mail room and put into the department mail slots.

The Tax Commissioner transfers funds from the general checking account to the payroll account when needed to cover payroll. From the payroll account, electronic fund transfers are made for direct deposit, medicare and federal and state taxes when due. Checks printed for the remaining payroll deductions, such as OPERS, Ohio Police and Fire Pension, City taxes and child support garnishments are mailed to the appropriate government agencies.

Internal Revenue Service W-2 forms are processed during January of the new calendar year. W-2 forms are distributed to all employees by the end of January. The Payroll Clerk uses instructions printed each year in the SSI handbook for processing W-2 forms and submits them to the IRS.

Payroll Deductions - Payroll, tax, and retirement forms are distributed to each new employee to be completed and returned to the City Auditor's Office. All the information is entered into the SSI system based on the forms turned in by each employee.

Payroll deductions for OPERS, Ohio Police and Fire Pension System and Medicare are processed through the payroll system. After every pension period, a report is run for OPERS and the Ohio Police and Fire Pension System to determine the employer's share for each retirement system. The OPERS report and payment as well as the Ohio Police and Fire Pension System report and payment are due the thirtieth of the following month. Employee contributions for OPERS and the Ohio Police and Fire Pension System are due monthly. The payment is made by check.

Retirement - When an employee wishes to retire, he or she provides a letter stating their intention. The City receives various communications from the Ohio Public Employees Retirement System (OPERS) or Ohio Police and Fire Pension Fund (OP&F) verifying that the employee is retiring under OPERS or OP&F. OPERS or OP&F is sent notification of the employee's last working day and payroll information.

The Payroll Clerk checks the leave balances per the time banks. The Deputy Auditor uses the employee leave balances to calculate the employee's final payout. The calculation is given to the payroll clerk to review and pay.

City of Norwood – Hamilton County

Report on Accounting Methods

Auditor of State Comments

- The employee who processes payroll has access to and is responsible for making rate adjustments and changes to the employee master file. An employee who does not process payroll should make rate adjustments and changes to the employee master file or, once entered, have them verified by the Deputy Auditor or City Auditor.
- Several negotiated contracts are expired. City Council should pass an ordinance indicating continuation of the contract or approve a new contract.

City of Norwood – Hamilton County

Report on Accounting Methods

Debt Administration

Description of an Effective Method of Debt Administration

The issuance of debt is strictly controlled by State statute. Before any debt is issued, a resolution or ordinance authorizing the issuance of debt should be passed by the Council. The statute authorizing the issuance should be identified in the ordinance as well as the purpose of the debt, the principal amount, the maturity date or dates, interest rate, and the source of revenue to be used for repayment. Debt instruments should be signed by the president or vice president of Council and the City Auditor. Debt proceeds should be receipted into a separate fund and used only for the purpose specified in the authorizing legislation. Money to be used for debt payments may be receipted in a separate fund created specifically for debt retirement. Care should be taken to insure the timely payment of both principal and interest.

Statutory Requirements

General statutory guidelines regarding the issuance of debt are found in Chapters 133 and 5705 of the Revised Code. Specific statutes relating to cities are found in Chapter 7. The statutory requirements vary depending on the nature of the debt being issued.

Section 133.05, Revised Code, provides a municipal corporation shall not incur net indebtedness that exceeds an amount equal to ten and one-half per cent of its tax valuation, or incur without a vote of the electors net indebtedness that exceeds an amount equal to five and one-half per cent of that tax valuation. In calculating the net indebtedness of a municipal corporation, self-supporting securities, certain securities for which there is an agreement with another subdivision to pay to the municipal corporation amounts equivalent to debt charges on the securities, securities that are not general obligations of the municipal corporation, securities that a covenants to appropriate annually municipal income taxes or other municipal excises or taxes, and certain other types of securities are excluded from the net indebtedness.

Methods Used by the City

Debt issuances are authorized by City ordinance. The statute authorizing the issuance is identified in the ordinance as well as the purpose of the debt, the principal amount, the maturity date or dates, interest rate and source of revenue to be used for repayment.

The Mayor, City Auditor, or Safety Service Director is responsible for making the initial decision to enter into a debt agreement. The Deputy Auditor and Account Clerk II monitor debt payments using the debt service schedules and other information related to each issue. Payments are made by check or automatic electronic withdrawals

City of Norwood – Hamilton County

Report on Accounting Methods

The City's outstanding long-term obligations are as follows:

	Interest Rate	Maturity Date	Original Issue	Balance 6/30/18
<u>General Obligation Bonds:</u>				
General Obligation Refunding Various Purpose	4.48%	April 1, 2021	\$6,545,752	\$929,773
Special Obligation Central Parke	6.00	December 1, 2046	2,655,000	2,655,000
Total General Obligation Bonds				3,584,773
<u>Tax Increment Financing Bonds:</u>				
Cornerstone	4.00-6.20	December 1, 2031	12,500,000	9,970,000
Linden Pointe	5.00-7.00	December 31, 2037	3,595,000	3,345,000
University Station	6.00-7.00	February 1, 2043	7,050,000	6,830,000
Rookwood Exchange	6.50	December 1, 2041	20,350,000	19,780,000
Total Tax Increment Financing Bonds				39,925,000
<u>OPWC Loans:</u>				
Williams Avenue Resurface	0.00	January 1, 2024	247,090	67,954
Montgomery Road Phase II	0.00	July 1, 2024	623,255	186,977
Beech Street Improvements	0.00	July 31, 2046	20,420	19,059
Williams Avenue	0.00	July 31, 2047	165,000	159,500
Hunter Avenue Improvements	0.00	July 31, 2047	100,000	96,666
Smith Road Waterline Improvements	0.00	January 1, 2041	529,890	397,418
Total OPWC Loans				927,574
<u>Other Long Term Obligations:</u>				
Capital Leases	Various	Various	1,024,422	629,412
Police and Fire Liability	2.12	2035	2,220,520	1,824,331
Paycor Note	5.00	December 31, 2038	3,607,719	3,344,849
Total Other Long Term Obligations				5,798,592
Long-Term Obligations				\$50,235,939

The City is not delinquent on any principal and interest payments.

The General Obligation Refunding Various Purpose and the Special Obligation Central Parke General Obligation Bonds were for public infrastructure projects. The bonds will be repaid from the debt service fund.

The Tax Increment Financing (TIF) Bonds were issued for infrastructure improvements related to development areas. All TIF bonds will be repaid from the City's debt service fund with the exception of Linden Pointe, which will be repaid from the Linden Pointe TIF capital projects fund.

The Ohio Public Works Commission (OPWC) loans are related to street resurfacing projects and a water line improvement project. The loans will be repaid over a period of 20-30 years at zero percent interest. The Smith Road Waterline Improvements will be repaid from the water fund while all other loans will be repaid from the City's permissive motor vehicle license tax fund.

City of Norwood – Hamilton County

Report on Accounting Methods

Capital lease obligations were for equipment and vehicles and will be repaid from general fund. The Police and Fire Liability will be repaid from the general fund. The Paycor note was issued for an infrastructure project and will be repaid from the debt service fund.

Auditor of State Comments

- None

City of Norwood – Hamilton County

Report on Accounting Methods

Capital Assets and Supplies Inventory

Description of an Effective Method of Recording Official Proceedings

Capital assets of the City should be accounted for and reported in accordance with generally accepted accounting principles (GAAP). Capital assets of the City should be adequately safeguarded against loss or theft. The City should have a policy that defines capital assets, capitalization thresholds, determination of cost, useful lives, method of depreciation, assignment of assets and depreciation expense to an expense function, tracking of capital and non-capital assets, and determination of salvage values. An inventory should be maintained that includes a description of each item, its cost, serial and/or model numbers, date of purchase, location, useful life, salvage value, depreciation information, fund and account used to purchase the asset, tag number, whether the item is leased, and current purchases and disposals. The purchaser and disposal of an asset should be properly authorized, reported to and promptly recorded by the City Auditor, and insurance records adjusted. The transfer or re-assignment of assets should be approved by an appropriate official and promptly recorded. Verification of the listed assets should be performed annually.

Consumable materials and supplies include office supplies, gasoline, salt and wastewater chemicals. Inventories, where appropriate, should be monitored, controlled, and physically counted periodically to determine the items and quantities in existence. A physical inventory of all material items should be conducted at or near the fiscal year end date.

Administrative Code Requirements

Section 117-2-02(D)(4)(c) of the Ohio Administrative Code, requires that all public offices should maintain fixed asset records including such information as the original cost, acquisition date, voucher number, the asset type (landed building, vehicle, etc.), asset description, location and tag number. Local governments preparing financial statements using generally accepted accounting principles will want to maintain additional data. Capital assets are tangible assets that normally do not change form with use and should be distinguished from repair parts and supply items.

Methods Used by the City

The City has no written policy for capital assets. The City maintains a capitalization threshold of \$5,000. Capital assets, with the exception of infrastructure, are maintained by the Deputy Auditor in the Asset Management module within the City's Software Solutions Inc. (SSI) system. This asset listing is maintained and updated monthly, no physical check is performed at year-end. Infrastructure is maintained on a separate spreadsheet; this spreadsheet contains: asset name, asset description, original cost, annual depreciation amount, years in use, and accumulated depreciation. Useful life for all infrastructure assets is not maintained, leading to an inaccurate depreciation expense on the annual financial statements.

For asset additions, department heads will gather all of the necessary documents (which could include: ownership papers, purchase order, lease agreement, and/or invoice) and provide to the Deputy Auditor. The Deputy Auditor will use this information to enter the asset in the Asset Management module if the asset meets the threshold amount. The Deputy Auditor stores all documentation in his office. There is no formal asset addition form or tagging system. Serial and vehicle identification numbers are used when available.

The City uses straight-line depreciation based on the asset's useful life which is pre-determined by the SSI Asset Management module based on asset type.

City of Norwood – Hamilton County

Report on Accounting Methods

When a department head informs the Deputy Auditor that an asset is disposed of, the asset is marked inactive in the SSI Asset Management module. There is no formal asset disposal form.

The City does not perform an annual review of capital assets since the City has no formal policy.

The City has no written policy for consumable inventory. There is no physical inventory taken annually. Each department orders supplies as they are needed. The City does not keep a large stock of supplies or other consumable inventory on hand. No inventory is reported in the City's financial statements.

Auditor of State Comments

- The City does not have written policies and procedures for capital assets and the City does not annually verify the existence of capital assets. The City should prepare and adopt a comprehensive capital asset policy that should address such things as valuing donated assets, assigning salvage values, establishing capitalization thresholds, and determining the estimated useful life of an asset. The City should also prepare written capital asset procedures that include documentation for each asset and prescribe how accountability will be maintained. The policies for capital assets should be approved by Council.
- The City does not have written policies and procedures to account for consumable inventory. The City should prepare a policy for consumable inventory. The policy should include an annual year-end physical inventory. Procedures for performing the inventory should also be developed, documented, and maintained in the office of the City Auditor. The policies for consumable inventory should be approved by Council.
- The City is not using a formal capital asset addition or disposal forms. In order to better track asset additions and dispositions, the City should enact a policy that documents these transactions.
- The spreadsheet used to track infrastructure should include the useful life for every asset listed.
- The City does not use asset tags. The City needs to develop a method of tagging capital assets, with each asset having a unique number. The City should assign tags and asset numbers to assets at the time they are delivered to ensure that all assets are accounted for.
- The City does not perform an annual review of capital assets. The City should annually review that all capital assets are still active assets of the City.

City of Norwood – Hamilton County

Report on Accounting Methods

Cash Management and Investing

Description of an Effective Method of Cash Management

Cash received by the City should be deposited in a central bank account. Monies for all funds should be maintained in the account or temporarily used to purchase investments. Idle cash should be invested in interest bearing accounts, certificates of deposit, STAR Ohio, and/or other investments as authorized by State statute. Investment transactions should be conducted in accordance with the policies adopted by City Council. Deposits of public monies should be insured and/or collateralized to ensure repayment of public monies deposited with a financial institution. Interest allocated should be in accordance with the Ohio Constitution and State statutes.

Reconciliations should be completed for all accounts on a monthly basis. The reconciliations should be completed immediately after the books are closed for the month and upon receipt of the bank statement. Reconciling items should be specifically identified and listed with supporting documentation attached. Reconciling items such as unrecorded deposits and bank charges should be posted upon completion of the bank reconciliation.

Statutory Requirements

Interim cash should be invested according to Section 135.14 of the Ohio Revised Code. The deposits of public money should be insured and/or collateralized to insure repayment of public monies deposited with a financial institution. Interest allocation should be in accordance with the Ohio Constitution and State statutes. Cash management and investment activities of a city are additionally governed by Sections 135.01 to 135.22 of the Ohio Revised Code.

Section 135.14(O)(1), Revised Code, states, “Except as otherwise provided in divisions (O)(2) and (3) of this section, no Treasurer or governing board shall make an investment or deposit under this section, unless there is on file with the Auditor of State a written investment policy approved by the Treasurer or governing board. The policy shall require that all entities conducting investment business with the Treasurer or governing board shall sign the investment policy of that subdivision”.

Section 135.14(O)(2), Revised Code, states, “If a written investment policy described in division (O)(1) of this section is not filed on behalf of the subdivision with the Auditor of State, the Treasurer or governing board of that subdivision shall invest the subdivision’s interim monies only in interim deposits pursuant to division (B)(3) of this section, no-load money market mutual funds pursuant to division (B)(5) of this section, or the Ohio subdivision’s fund pursuant to division (B)(6) of this section”.

Section 135.14(O)(3), Revised Code, states, “Divisions (O)(1) and (2) of this section do not apply to a Treasurer or governing board of a subdivision whose average annual portfolio of investments held pursuant to this section is one hundred thousand dollars or less, provided that the Treasurer or governing board certifies, on a form prescribed by the Auditor of State, that the Treasurer or governing board will comply and is in compliance with the provisions of sections 135.01 to 135.21 of the Revised Code”.

Section 135.22, Revised Code, requires the Treasurer to attend annual training programs of continuing education for directors of finance provided by the Treasurer of State. The Treasurer is not subject to this training if the investments are limited as defined by the Revised Code and an exemption form is certified by the Treasurer of State.

City of Norwood – Hamilton County

Report on Accounting Methods

Section 135.12 of the Revised Code requires that the designation period for depositories be five years. Section 9.38, Revised Code, requires that monies received by the City are to be deposited on the next business day following the day of receipt, if the total amount of such monies received exceeds \$1,000. If the total amount of the monies received does not exceed \$1,000, the City shall deposit the monies on the next business day following the day of receipt, unless the City adopts a policy permitting a different time period, not to exceed three business days following the day of receipt, and the monies are safeguarded until they are deposited.

Article XII, Section 5a, Ohio Constitution requires that interest be allocated to Street Construction, Maintenance, and Repair and State Highway special revenue funds.

Federal Requirements

The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) requires that, in order for a depositor to have a valid claim to assets of a failed financial institution, there must be a security agreement. This agreement must have been:

1. in writing;
2. executed by the financial institution and the depositor making the claim;
3. approved by the board of directors or loan committee of the institution; and
4. an official record of the financial institution continuously from the time of its execution.

Methods Used by the City

The City's treasury activities are the responsibility of the Treasurer's office. The City has several bank accounts, all of which are held by US Bank, as well as investing some City monies in STAR Ohio.

US Bank serves as the primary depository where the general account receives wire transfers and deposits of the City. Checks are written against this account for City obligations other than payroll. Transfers are made from this account to the payroll account when needed. The Tax Commissioner makes deposits into the general account each business day. The general account is reconciled at the end of each month by the Tax Commissioner. Other accounts include a payroll clearing account, an account for water revenue deposits, and various other holding accounts.

The general account, along with all other accounts, is reconciled at the end of each month by the Tax Commissioner. The various bank accounts provide monthly statements as well as images of the cleared checks. The Tax Commissioner prepares an outstanding checklist in Excel. The Tax Commissioner starts with outstanding checks at the beginning of the month, removes previous checks that cleared during the month and adds in new checks issued during the month that have not yet cleared. As part of the reconciliation process, the Tax Commissioner reconciles the receipts and disbursements as posted to the accounting system to the deposits and withdrawals on the bank statements. The Tax Commissioner identifies all timing and non-timing reconciling adjustments. The reconciling adjustments are entered on the reconciliation as well as noted on the supporting documentation. The reconciliation is considered complete when the total fund cash balances on the books plus all identified reconciling adjustments matches the adjusted bank balance. However, the City has unidentified adjustments presented on the monthly reconciliation.

Upon completion of the reconciliation, it is reviewed by the City Treasurer. However, the review is not documented by the Treasurer. This process is completed by the 15th of the following month. Reconciliations are kept in a file cabinet in the Tax Commissioners office.

City of Norwood – Hamilton County

Report on Accounting Methods

Access to online banking and the ability to transfer funds from one account to another is specifically defined and restricted for certain individuals. The ability to transfer funds is restricted to the Tax Commissioner.

The City receives interest on the balance in a few of its accounts. Interest is posted to the General Fund, Street Construction, Maintenance, and Repair and the State Highway funds. The Police and Fire departments have petty cash funds. The monies disbursed to these departments are not included on the monthly bank reconciliation.

The City filed an investment policy with the Clerk of Bureau in September, 1996. The investment policy does not address the allocation of interest. Council has given the Treasurer the authority to make investments of available monies in securities authorized by State law, including STAR Ohio.

The City Treasurer attends training on investing offered by the State Treasurer's Office.

Auditor of State Comments

- The investment policy filed with the Clerk of the Bureau was received on September 27, 1996, and does not address the allocation of interest. The investment policy should be updated and should include the allocation of interest, be signed by the Treasurer and Auditor, and filed with the Clerk of the Bureau.
- The City should have written procedures for petty cash and the replenishment of it. These procedures should include the individual designated as the custodian and the custodian's duties and responsibilities. The petty cash accounts should be included as part of the monthly bank reconciliation.
- The City should identify all reconciling items included as part of the monthly reconciliation process. It should identify why the reconciling item is necessary.
- The City Treasurer should review and sign the monthly bank reconciliation.

City of Norwood – Hamilton County

Report on Accounting Methods

Financial Reporting

Description of Effective Method of Financial Reporting

The City Auditor should periodically provide Council with the year-to-date receipts, disbursements, outstanding encumbrances, and available fund balances for each fund of the City. In addition, information concerning the estimated and actual receipts, appropriation and disbursements plus encumbrances should be presented for Council's review. On an annual basis, the City Auditor should prepare and publish, within 150 days of year end, financial statements prepared in accordance with generally accepted accounting principles (GAAP).

Statutory Requirements

Section 117.38, Revised Code, requires that an annual financial report be filed with the Auditor of State within one hundred and fifty days after the close of the fiscal year for reports prepared in accordance with the general accepted accounting principles (GAAP). At the time the report is filed with the Auditor of State, the fiscal officer must publish in the newspaper notice of the completion of the report and the fact that the report is available at the office of the fiscal officer.

Administrative Code Requirements

Ohio Administrative Code section 117-2-03(A)(1) requires that local public offices file their annual financial report electronically with the Auditor of State through the annual financial data reporting system (The Hinkle System) via an entity-specific link, unless the local public office has an approved waiver. A copy of the report is to be retained by the fiscal officer of the local public office.

Cities are required by Section 117-2-03(B), Administrative Code, to prepare and publish an annual financial report in accordance with generally accepted accounting principles (GAAP).

Methods Used by the City

The City prepares its annual financial report in accordance with generally accepted accounting principles (GAAP). The City filed a copy of its annual financial report to the Office of the Auditor of State for the year ended December 31, 2017 on May 29, 2018. The City published a notice of the availability of the financial statements in the local newspaper.

All monthly reports are stored in the City Auditors office for two years. All monthly reports are emailed to City Council, the Mayor, and all Department Heads as soon as month end is closed. The reports are reconciled with the Treasurer's department, but not the bank. No reports are given during the meetings but will be distributed again upon request. Council is not required to verify that they received the monthly statements via email.

The monthly reports consist of the following:

- Revenue Report- This report provides adopted budgeted receipts, month-to-date receipts, year-to-date receipts, the amount of the budget remaining to be received, and the percentage of the budget received for each revenue line item.
- Expense Reports- The City provides four separate expense reports including Encumbrance Detail, Month-to-Date, Current Year Only, and Prior Year.

City of Norwood – Hamilton County

Report on Accounting Methods

- Statement of Cash Position- This report provides beginning balances for each fund, month-to-date and year-to-date receipts and disbursements, outstanding encumbrances and ending balance.
- Revenue/Expense Audit Trail- This report provides account and batch number, post date, transaction description, document reference, vendor number, check number, invoice number, debit amount, credit amount and other amount.
- Bank Report- This report provides month-to-date and year-to-date revenues and expenses, transfers in/out and ending balance.

Auditor of State Comments

- A copy of the monthly bank reconciliation with supporting documentation should be presented to City Council at meetings.
- The City's minutes should state what financial reports were provided to Council.

City of Norwood – Hamilton County

Report on Accounting Methods

Recording Official Proceedings

Description of an Effective Method of Recording Official Proceedings

The City Councils' minutes should reflect full and accurate information to permit the public's understanding and appreciation of the rationale behind the Council's decisions. An ordinance, resolution, or by-law should be limited to one subject, which should be clearly expressed in its title. In the adoption or passage of an ordinance, resolution, or by-law, the yeas and nays should be entered into the minutes and the ordinance, resolution, or by-law, should be signed by the presiding officer and the Clerk of Council. All Council minutes, ordinances, and resolutions should be maintained as a permanent record of the City.

Statutory Requirements

Section 121.22(C), Revised Code, requires 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 minutes need only reflect the general subject matter of discussions in executive sessions authorized under division (G) or (J) of this section. Further, the Ohio Supreme Court has held that the minutes must be "full and accurate," which means that they must contain sufficient facts and information to permit the public to understand and appreciate the rationale behind the relevant decision. The public not only has a right to know a government body's final decision on a matter, but also the means by which those decisions were reached.

Sections 731.20 through 731.25, Ohio Revised Code, address the passage, style, number of subjects, authentication and recording, and publication requirements of Council's legislation. In general, no ordinance, resolution or bylaw shall contain more than one subject, which shall be clearly expressed in its title. The copy of the proposed ordinance must be filed with the Council Clerk and kept open for public inspection for ten days. Each ordinance, resolution or bylaw is required to be adopted or passed by separate vote of Council and the yeas and nays shall be entered in the minutes. Ordinances, resolutions or bylaws shall be authenticated by the signature of the presiding officer and clerk. Ordinances and resolutions must be published in a newspaper of general circulation in the City once a week for two consecutive weeks.

Section 149.39 of the Revised Code creates in each municipal corporation, a records commission composed of the chief executive or his appointed representative as chairman, the chief fiscal officer, the chief legal officer, and a citizen appointed by the chief executive. The commission shall appoint a secretary, who may or may not be a member of the commission, and who shall serve at the pleasure of the commission. The commission may employ an archivist to serve under its direction. The commission shall meet at least once every six months and upon call of the chairman. The functions of the commission shall be to provide rules for retention and disposal of records of the municipal corporation, to review applications for one-time records disposal and schedules of records retention and disposition submitted by municipal offices.

Methods Used by the City

The City holds their regular Council meetings on the second and fourth Tuesdays of each month. The Clerk of Council records the audio of the meetings on an electronic voice recorder and takes notes during City Council meetings. The audio recording is saved to a CD and archived at the Clerk's home office. From the notes and audio recording, the Clerk of Council prepares the minutes of the meeting.

The minutes include who is in attendance, any amendments of the agenda, notes on any public hearings, any documents that are presented to Council by departments and/or City officials for discussion, resolutions and ordinances with a description, any discussion and the votes thereon, and some detail of new and old business discussed. The minutes are approved by Council at the next regular meeting and signed and dated by the

City of Norwood – Hamilton County

Report on Accounting Methods

Clerk of Council and President of Council. Ordinances and resolutions, once passed, are signed by the Clerk of Council, President of Council and the Mayor.

The current year's minutes, resolutions, and ordinances are kept in separate folders on the desk in the Clerk of Council's office. The office is locked when the Clerk of Council and the Clerk's Secretary are not present. The minutes, resolutions, and ordinances are uploaded to the City's website after they have been passed and signed by the Secretary for the Clerk of Council after they are received from the Law Department. The minutes, ordinances and resolutions from prior years are grouped together by year. Each year has its own drawer in the filing cabinets in the Clerk of Council's office after they have been uploaded.

Ordinances and resolutions, once passed, are published in a local newspaper for the public to inspect. These publications are typically seven days apart.

The last meeting of the records commission was May 14, 2018.

Auditor of State Comments

- None

City of Norwood – Hamilton County

Report on Accounting Methods

Conclusion

The methods described and included in this report are based on our inquiries and discussions with the City of Norwood personnel and the related procedures documented from the City's ordinances, resolutions, administrative rules and the Ohio Revised Code. These methods in some cases vary from the actual methods used in performing the daily activities.

It is our opinion that the current methods of accounting and financial reporting of the City of Norwood are not completely in compliance with Chapter 117 of the Ohio Revised Code and the requirements of the Auditor of State as disclosed throughout this report.



Dave Yost • Auditor of State

CITY OF NORWOOD

HAMILTON 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
DECEMBER 13, 2018**