



OHIO AUDITOR OF STATE
KEITH FABER





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Village of Conesville
Coshocton County
P.O. Box 214
Conesville, Ohio 43811

We have completed certain procedures in accordance with Ohio Rev. Code § 117.01(G) to the accounting records and related documents of the Village of Conesville, Coshocton County, Ohio (the Village), for the years ended December 31, 2018 and 2017.

Our procedures were designed solely to satisfy the audit requirements of Ohio Rev. Code § 117.11(A). Because our procedures were not designed to opine on the Village's financial statements, we did not follow *generally accepted auditing standards*. We do not provide any assurance on the Village's financial statements, transactions or balances for the years ended December 31, 2018 and 2017.

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

Based on the results of our procedures, we found the following significant compliance or accounting issues to report.

Current Year Observations

1. **Ohio Rev. Code § 145.01** requires a public employee is any person holding an office, not elective, under the state or any county, township, municipal corporation, park district, conservancy district, sanitary district, health district, metropolitan housing authority, state retirement board, Ohio history connection, public library, county law library, union cemetery, joint hospital, institutional commissary, state university, or board, bureau, commission, council, committee, authority, or administrative body as the same are, or have been, created by action of the general assembly or by the legislative authority of any of the units of local government named in division (A)(1) of this section, or employed and paid in whole or in part by the state or any of the authorities named in division (A)(1) of this section in any capacity not covered by section 742.01, 3307.01, 3309.01, or 5505.01 of the Revised Code. Ohio Rev. Code § 145.03(A) states that membership in the public employees retirement system is compulsory upon being employed and shall continue as long as public employment continues. A notable exception for this compulsory membership would be Ohio Admin. Code § 145-1-26 (G)(9), which states that payments made as fees or commissions that are fixed charges or calculated as a percentage of an amount are not "earnable salary". Ohio PERS (OPERS) has determined that payments for meetings, such as those made to Village Council, should not be used for a basis of OPERS contributions.

During testing, we noted the Fiscal Officer is appointed and also paid on a monthly salary basis and not a per meeting fee. The Village should have been withholding retirement and remitting it to the Ohio Public Employees Retirement System (OPERS). For 2018 and 2017, the Village failed to withhold and remit the mandatory 10% Member Contribution Rate. Additionally, the Village failed to remit the mandatory 14% Employer Contribution rate.

Current Year Observations (Continued)

1. Ohio Rev. Code § 145.01 (Continued)

Failure to remit employee and employer share of OPERS in a timely fashion, as required, could subject the Village to significant interest and penalties.

The Fiscal Officer should remit the proper employee and employer share of OPERS promptly to the Ohio Public Employees Retirement System each period, as required. In addition, the Village should consult with OPERS in order to address the amounts currently owed.

This matter will be referred to OPERS for whatever action deemed necessary. Our prior audit also reported this issue.

2. Ohio Rev. Code § 5705.14 states that no transfer shall be made from one fund of a subdivision to any other fund, by order of the court or otherwise, with a few exceptions. One the exceptions is money may be transferred from the general fund to any other fund of the subdivision. Additionally, as outlined in Ohio Rev. Code § 5705.16, transfers from the general fund require a resolution passed by a simple majority of the board members.

During 2018 and 2017, the Village transferred \$9,435 and \$65,000, respectively from the General Fund to the Bond Retirement Fund in order to fund the principal and interest payments charged to the Bond Retirement Fund. Although this transfer is allowable per the Ohio Rev. Code, there is no evidence Council approved these transfers.

The Village should implement procedures to ensure that all transfer activity is approved by Council and documented within the Village minutes.

3. 26 U.S.C. § 3102 requires every employer making payment of wages to deduct and withhold a tax determined in accordance with tables or computational procedures prescribed by the Secretary of the Treasury.

During 2018 and 2017, since the Council Members and Mayor do not qualify for any exceptions, they should have been paying into Social Security. Additionally, the Council Members, Mayor and Fiscal Officer should have been paying into Medicare. However, the Village failed to withhold and remit Social Security and Medicare from employees at a rate of 6.20% and 1.45% on earnings, respectively. The Village would be required to also remit a matching amount for each employee for Social Security and Medicare.

Failure to remit federal taxes in a timely fashion, as required, could subject the Village to penalties and interest charges.

The Fiscal Officer should remit the proper federal taxes and Medicare promptly to the Internal Revenue Service each period, as required. In addition, the Village should consult with the Internal Revenue Service in order to address the amounts currently owed.

This matter will be referred to the Internal Revenue Service for whatever action deemed necessary. Our prior audit also reported this issue.

Current Year Observations (Continued)

4. Sound accounting practices require accurately posting estimated receipts and appropriations to the ledgers to provide information for budget versus actual comparison and to allow the Council to make informed decisions regarding budgetary matters.

The Appropriation resolution and subsequent amendments establish the legal spending authority of the Village and the appropriation ledger provides the process by which the Village controls spending, it is therefore necessary the amounts appropriated by the Council are precisely stated and accurately posted to the appropriation ledger.

The original certificate and amendments establish the amounts available for expenditures for the Village and the receipts ledger provides the process by which the Village controls what is available, it is therefore necessary the amounts estimated by the County Budget Commission are posted accurately to the receipts ledger.

The Village did not have procedures in place to accurately post authorized budgetary measures to the accounting system as the approved Certificate of Estimated Resources for 2018 was not posted to the accounting system.

Failure to accurately post the appropriations and estimated resources to the ledgers could result in overspending and negative cash balances.

To effectively control the budgetary cycle and to maintain accountability over receipts and expenditures, the Village should post to the ledgers, on a timely basis, estimated resources as certified by the budget commission and appropriations approved by the Council. The Village should then monitor budget versus actual reports to help ensure amended certificates of resources and appropriations have been properly posted to the ledgers.

Our prior audit also reported this issue.

5. Maintaining organized documentation and support for financial transactions is essential in assuring the Village's financial statements are accurately presented and that all expenditures are made for a proper public purpose.

During testing of reimbursements to elected officials and the Fiscal Officer, we noted the following:

- In 2017, a reimbursement to the Mayor improperly included a personal debit card cash back of \$40.
- In 2017, two reimbursements to the Fiscal Officer for mileage amounting to \$123 was not properly supported as the number of miles traveled nor the mileage reimbursement rate used to calculate the reimbursement was documented.
- In 2018, a reimbursement to the Mayor for \$30 was not properly supported by vendor invoices or other supporting documentation from the vendor.

Failure to maintain organized underlying documentation and support of financial transactions can increase the risk of fraud, inaccurate financial statements, and expenditures that are not for a proper public purpose.

The Village should ensure proper supporting documentation is maintained for all expenditures made by the Village. This will help ensure transactions are for a proper public purpose.

Current Year Observations (Continued)

6. The Village utilizes Regional Income Tax Agency (RITA) to handle the processing and collection of income tax receipts. As an administrative fee for handling this process, RITA withholds a retainer fee and distributes the net receipts to the Village. The gross receipts and the retainer fees should be captured as receipts and expenditures on the ledgers and financial statements.

However, in 2018, the Village had income tax receipts and retainer fees of \$1,695 that were not included on the financial statements.

The Village should ensure gross receipts collected by RITA, as well as related fees, are recorded on the financial statements.



Keith Faber
Auditor of State
Columbus, Ohio

September 24, 2019

OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF CONESVILLE

COSHOCTON COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
OCTOBER 8, 2019