



**VILLAGE OF LAURA  
MIAMI COUNTY**

**SPECIAL AUDIT**

**JANUARY 1, 2000 THROUGH JANUARY 14, 2002**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



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**VILLAGE OF LAURA  
SCHEDULE OF ELECTED OFFICIALS AND RELEVANT INDIVIDUALS  
AS OF JANUARY 14, 2002**

**Village Council**

**Term**

Greta Slagle, Vice-Mayor	1/1/2002 - 12/31/2005
Gale Honeyman	1/1/2002 - 12/31/2005
Monty Evans	1/1/2000 - 12/31/2003
Kristie Clark	1/1/2002 - 12/31/2005
Charles Fine	1/1/2000 - 12/31/2003
Alice Beck	1/1/2002 - 12/31/2005

**Mayor**

Edward Guess	10/15/2001 - 12/31/2003
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**Clerk-Treasurer**

Lisa Terrill	12/1/1999 - 01/14/2002
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**Board of Public Affairs**

Bruce Ingle	1/1/2000 - 12/ 31/2003
Doug Baker	1/1/2000 - 12/ 31/2003

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## REPORT OF INDEPENDENT ACCOUNTANTS

The Honorable Edward Guess, Mayor  
Theodore Robinson, Clerk-Treasurer  
Village of Laura  
P.O. Box 202  
108 South Main Street  
Laura, Ohio 45337

Pursuant to your request, we have conducted a Special Audit and performed the procedures enumerated in the attached Supplement to the Special Audit Report for the period January 1, 2000 through January 14, 2002 ("the Period"). These procedures were performed solely to determine the purpose of expenditures during the Period, to determine the major sources of Village revenue, to search bank statements for miscellaneous debits and credits and determine the purpose of such charges, and to determine if the Village had delinquencies with outside agencies such as taxation departments and/or retirement systems. This engagement was conducted in accordance with consulting standards established by the American Institute of Certified Public Accountants. The procedures and associated findings are detailed in the attached Supplement to the Special Audit Report. A summary of our procedures and findings is as follows:

1. For non-payroll expenditures, we reviewed all canceled checks, bank statements, and the supporting documentation for each canceled check issued during the Period, to determine if the expenditure was for a purpose related to the operations of the Village.

Significant Results: The Village used the General Fund to process 22 expenditures, totaling \$741, which were related to the Police Athletic League and a Police Department charitable fund-raiser. When these expenditures were brought to the attention of Village Officials, the Police Athletic League and the Police Department repaid the Village General Fund \$656.

We issued 7 noncompliance citations related to certification of tax levies, certification of amounts available from all sources, annual appropriation measures, expenditure of unappropriated funds, failure to file annual financial reports, failure to maintain investment documentation, and the failure to attend Village Clerk training. In addition, we noted internal control weaknesses related to the lack of a mileage reimbursement policy, Mayor's Court cash reconciliations, Village bank reconciliations, lack of monitoring by Village Council, and deficiencies in the expenditure process.

2. We reviewed documents and conducted interviews of Village employees to determine the major sources of revenue for the Village and to determine if these revenues were accurately recorded in the Village's bank accounts.

Significant Results: The Village's major sources of revenue were intergovernmental receipts, utility charges, and Mayor's Court receipts. Those revenues were found to be deposited in the bank; however, the bank deposits were made infrequently by the Clerk-Treasurer. We issued 1 noncompliance citation for unauthorized advances between funds, and we noted internal control weaknesses related to inaccurate descriptions on receipts, lack of reconciliation between utility department receipts and Village records, lack of monitoring utility department financial activity, and depositing Village receipts promptly.

3. We reviewed all bank statements for the Period for debits and credits which were not the result of a Village check or deposit that had previously been reviewed through Issues No. 1 and 2, above, and Issue 5, below, to determine the purpose of such entries.

Significant Results: There were debits and credits identified in both 2000 and 2001 that were the result of the bank correcting errors between the Clerk-Treasurer's deposit slips and the actual monies in the deposit. We noted an internal control weakness related to bank deposit errors.

4. We contacted the State Department of Taxation, Ohio Bureau of Worker's Compensation, Public Employees Retirement System, and the Internal Revenue Service, to determine if the Village's accounts with these agencies were delinquent during the Period.

Significant Results: There were no delinquencies in any of these accounts as of January 14, 2002; however, during the Period, penalties totaling \$667 were assessed by the Internal Revenue Service and the Public Employees Retirement System. We issued 2 noncompliance citations for failing to promptly remit federal withholding tax and retirement system payments.

5. For payroll expenditures, we reviewed payroll payments to certain Village employees to determine whether they were made in compliance with applicable authority (e.g., union contracts and/or Village policy) and were accurately reported on year-end Forms W-2.

Significant Results: Findings for Recovery were issued against the former Clerk-Treasurer Lisa Terrill for \$1,040, and against Police Officer Terry Strawser for \$1,149, since compensation was miscalculated for these individuals and they were overpaid. In addition, Police Chief Steven Terrill was overpaid \$4,480. When he was notified of the overpayment, Chief Terrill repaid \$4,480 to the Village. As a result, we considered this a Finding Repaid Under Audit.

We issued a Federal Questioned Cost for \$66,500 because the Village received a COPS Universal Hiring Program Grant for 1 new, additional, full-time officer, yet the Village used the grant funds to make the existing part-time Police Chief full-time, contrary to the grant award.

We issued 4 noncompliance citations related to errors on Forms W-2, failure to maintain public records, failure to withhold medicare taxes, and the failure of Council to set compensation and bond of Village officers and the Clerk-Treasurer. We also noted internal control weaknesses related to the lack of a compensatory time policy, maintenance of police department log sheets, and inaccuracies in the payroll ledger.

6. On August 28, 2002, we held an Exit Conference with the following elected officials and administrative staff:

Edward Guess, Mayor  
Greta Slagle, Vice-Mayor  
Theodore Robinson, Clerk-Treasurer  
Alice Beck, Councilperson  
Gale Honeyman, Councilperson  
Kristie Clark, Councilperson  
Charlie Fine, Councilperson

The attendees were given five days to respond to this Special Audit, however, at the Exit Conference they indicated they did not intend to submit a response and no response was received.



This report is intended solely for the information and use of the Village of Laura and is not intended to be and should not be used by anyone other than these specified parties. However, reports by the Auditor of State are a matter of public record and use by other components of state government or local government officials is not limited.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

**Jim Petro**  
Auditor of State

July 29, 2002

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## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

### BACKGROUND INFORMATION

On October 9, 2001, after having been informed of concerns regarding the financial position of the Village, the Auditor of State's Office initiated a financial audit of the Village of Laura for the calendar year ended December 31, 2000.

The procedures performed for the 2000 financial audit indicated that utilities accounts, depository information, cancelled payroll checks, Mayor's Court activity, and budgetary documentation were missing and the budget activity was not posted correctly to Village ledgers during the Period. The former Village Clerk-Treasurer, Lisa Terrill, who had not attended the required Village Clerk training, encountered problems getting the Uniform Accounting Network to accept Village receipt and expenditure postings during 2000, and had begun using a computerized spreadsheet which did not include the required budget activity. Ms. Terrill also experienced problems with the accounting software used for utility billing and had begun tracking utility activity on a computerized spreadsheet. On January 14, 2002, before the completion of the 2000 financial audit, Ms. Terrill resigned. Village officials informed the auditors that prior to her resignation she issued checks to herself for travel to and from the bank for \$400, and to her husband, the Chief of Police, for \$1,500, for the Police Athletic League.

This information was presented to the Special Audit Committee and on February 7, 2002, the Committee voted to initiate a Special Audit of the Village of Laura.

# SUPPLEMENT TO THE SPECIAL AUDIT REPORT

## ISSUE 1 - Review of Non-Payroll Expenditures

For non-payroll expenditures, we reviewed all canceled checks, bank statements, and the supporting documentation for each canceled check issued during the Period, to determine if the expenditure was for a purpose related to the operations of the Village.

### PROCEDURES

1. Using available bank statements and photocopies of Village checks, we prepared a schedule of all expenditures that required follow up during the Period.
2. We reviewed the supporting documentation provided for each canceled check, noting the purpose for each expenditure. We met with Village management and officials who were in office during the Period, to discuss the validity of certain expenditures. We determined if expenditures were authorized and were made for a purpose related to the operations of the Village.
3. For significant expenditures where supporting documentation did not exist we contacted the vendor and requested copies of invoices which supported the payments made by the Village.
4. We traced the fixed assets purchased to the location where the fixed asset had been placed.
5. We reported any expenditures which appeared to be unrelated to Village operations.

### RESULTS

1. Our review of the canceled checks, invoices, and supporting documentation identified 43 expenditure transactions during the period totaling \$13,539 for further review. These transactions represented either questionable items purchased by the Village or instances where the supporting documentation was missing or did not reconcile.
2. Of the 43 expenditures previously identified, only 31 were approved by Village officials, and 22 were for charities and athletic activities not related to the operation of the Village (see Result No. 5). Additionally, we noted the following:
  - Village officials approved and issued a payment to former Board of Public Affairs member William Brame for utilities supplies; however, the supporting invoice was \$135 less than the approved check. When we notified him of this overpayment, Mr. Brame repaid \$135 to the Village.
  - Former Clerk-Treasurer Lisa Terrill paid herself mileage to make bank deposits, which amounted to \$471 for 2000 and \$451 for 2001. There is no mileage reimbursement policy in effect for Village employees; however, the payment in 2000 was approved by Village Council and the payment in 2001 was approved on March 11, 2002, when we brought it to the attention of Village Officials. We will issue a recommendation to establish a formal mileage policy.
  - During the Period, a Staples business card was used to purchase office supplies. The card was in the name of the prior Clerk-Treasurer, Wendy Fields, who left office in December 1999. The items purchased with the Staples card were used for Village operations; however, the credit card should have been updated when Clerk-Treasurer Lisa Terrill took office. The card was cancelled by Village officials in May 2002. We will issue a recommendation that signatories on Village accounts should only include current employees.

## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

- The Board of Public Affairs approved all purchases for Water and Sewer operations during the period without Village Council review or approval.
  - During our examination of cancelled checks and bank statements we noted that a bank reconciliation variance of \$30,993 existed at December 31, 2000, which, although detected by the Village, was not investigated. We discovered this difference was the result of errors in the outstanding check list which contained 18 voided checks as opposed to the 38 actually voided, and posting errors which should have been investigated and corrected by the Village Clerk-Treasurer at the time the reconciliation was being performed. We will recommend the Village investigate and resolve variances in bank reconciliations in a timely manner.
  - During examination of bank statements, we noted that the Mayor did not perform monthly cash reconciliations for the Mayor's Court account. We will issue a recommendation that monthly reconciliations be performed, reviewed by Village Council, and maintained for audit purposes.
  - Two certificates of deposit totaling \$5,845, were still in the name of the Village of Laura and prior Clerk-Treasurer Wendy Fields. Former Clerk-Treasurer Lisa Terrill failed to have her name placed on the certificates of deposit in accordance with Ohio Rev. Code Section 135.14, (J) when they were renewed, and was unaware of the location or current value of the certificates. Our audit staff, while conducting our fieldwork, located the certificates in the Village offices; therefore, the Village officials are now aware of the certificates' locations and values. We determined that the Village was still including the certificates on their books and the Village has indicated the name will be changed to the current Clerk-Treasurer when they are renewed. We will issue a noncompliance citation for failing to maintain investments in the name of the then-current Clerk-Treasurer.
  - The Clerk-Treasurer is responsible for all functions related to the accounting records and cash transactions, and did not provide Council with detailed monthly fund activity as well as budget versus actual financial reports required to monitor financial activity. We will issue a recommendation related to monitoring Village financial activity.
  - Disbursement testing failed to note expenditures for publication that the annual reports for 2000 and 2001 were available for inspection as required by Ohio Rev. Code 117.38, and expenditures for former Clerk-Treasurer Lisa Terrill to attend annual new clerk training in 2000 that is required by Ohio Rev. Code 733.27. We will issue noncompliance citations for each of these violations.
  - During our examination and testing of Village disbursements, we noted the Village violated the following budgetary laws during the Period, for which we will issue noncompliance citations:
    - a. For 2000 and 2001: The Council did not accept the tax rates in effect and certify the tax levies to the county auditor, in accordance with Ohio Rev. Code Section 5705.34.
    - b. For 2001: The fiscal officer did not certify to the county auditor the total amount from all sources which was available for expenditure, in accordance with Ohio Rev. Code Section 5705.36 (A) (1).
    - c. For 2000: On or about the first day of the year, the Village did not pass an appropriation measure, in accordance with Ohio Rev. Code, Section 5705.38 (A).
    - d. For 2000 and 2001: The Village expended funds which had not been appropriated, in violation of Ohio Rev. Code Section 5705.41(B).
3. There were no significant expenditures for which supporting documentation did not exist.
4. All fixed assets valued over \$200 which were purchased during the Period were located without exception.

## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

5. During the Period, the former Clerk-Treasurer incorrectly processed the Police Athletic League (PAL) monies through the Village accounting records as General Fund monies. The PAL activities were operated by the Police Department in conjunction with the Ohio Police Athletic League and should not have been entered on the Village books. PAL expenditures for the period exceeded PAL revenues by \$206. When we brought this to the attention of the Police Chief, \$86 from PAL and \$120 from a local supporter was paid into the Village's General Fund to cover the shortage.

During 2001, the Village Police Department accepted pledges of \$535 as donations for the Cancer Society Relay for Life fund raiser; however, the Police Department failed to collect the pledges and yet submitted \$535 to the Cancer Society. During our audit fieldwork, we brought this expenditure to the attention of Village Officials, and the Police Department then collected donations of \$450, which was deposited into the Village's General Fund.

Prior to leaving her position with the Village, Ms. Terrill issued a Village check to her husband, Police Chief Steven Terrill, to remove the PAL funds from the Village's accounts. We verified the payment to the Police Chief was deposited into a newly established account expressly for PAL funds.

### NONCOMPLIANCE CITATIONS

#### Certification of Tax Levies

Ohio Rev. Code Section 5705.34, states that each taxing authority is to pass an ordinance or resolution to authorize the necessary tax levies. Each such authority is to certify the levies to the county auditor before October 1, unless a later date is approved by the tax commissioner.

The Village did not pass an ordinance to authorize the necessary tax levies for 2000 or 2001.

The Village Council should review this section of the Ohio Rev. Code and implement procedures to improve compliance with the requirement.

#### Certification of Amounts Available from all Sources

Ohio Rev. Code Section 5705.36 (A) (1), generally provides that on or about the first day of each fiscal year, the fiscal officers of subdivisions and other taxing units are to certify to the county auditor the total amount from all sources which is available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year.

For calendar year 2001, the Village did not certify to the county auditor the total amount from all sources which was available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year.

The Village should develop policies and procedures to ensure the total amount from all sources which is available for expenditures from each fund is certified by the county auditor.

#### Adoption of Annual Appropriation Measure

Ohio Rev. Code Section 5705.38 (A), states that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for the ordinary expenses until April 1.

The Village did not approve a temporary or permanent appropriation measure in 2000.

The Village Council should develop policies and procedures to promptly adopt and approve appropriation measures each year.

## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

### Expenditure of Unappropriated Funds

Ohio Rev. Code Section 5705.41, outlines the restrictions on the appropriation and expenditure of money by the Village. Subsection B provides that no subdivision or taxing unit is to expend money unless it has been appropriated.

One-hundred percent of the monies expended by the Village were not appropriated in 2000 or 2001.

To comply with this requirement and prevent possible deficit spending, the Village should develop policies and procedures to ensure that monies are appropriated before expended.

### Failure to file Annual Reports

Ohio Rev. Code, Section 117.38, requires each public office other than a state agency, to file a financial report for each fiscal year with the Auditor of State. It further requires that upon filing, the chief fiscal officer shall publish notice in a newspaper of general circulation in the subdivision that the annual financial report has been completed and is available for inspection at the office of the chief fiscal officer.

The Village failed to file the annual report with the Auditor of State or publish notice that the annual reports were available for inspection in both 2000 and 2001.

The Village Council should develop procedures for monitoring compliance with the annual report filing and publication requirements.

### Failure to Maintain Certificate of Deposit Documentation

Ohio Rev. Code Sections 135.14, (J) requires that any investments or deposits to be issued to a designated payee or to the order of a designated payee, are to be in the name of the treasurer and his office shall be so designated. In addition, Ohio Rev. Code Section 135.14 (K) provides that the treasurer is responsible for safekeeping all the documents evidencing a deposit or investment.

The two certificates of deposit held during the Period with a value of \$5,845 were in the name of the prior Clerk-Treasurer, Wendy Fields, who resigned in 1999. Also, former Clerk-Treasurer Lisa Terrill did not know the location of the documents evidencing the certificates of deposit, or the bank location of the certificates of deposit, which were eventually documented and located by the auditor. This could result in the failure of the Village to detect the loss or misappropriation of Village investments in the normal course of business.

The Village should develop procedures to prevent the loss of documents evidencing a deposit or investment and monitor that the proper payee is designated on all Village deposits and investment accounts.

### Failure to attend Annual Training

Ohio Rev. Code, Section 733.27 (B), requires the Village Clerk-Treasurer to attend annual training programs for new village clerks and annual continuing education programs provided by the Auditor of State.

The former Village Clerk-Treasurer, Lisa Terrill, failed to attend the annual training program for new village clerks during 2000 and 2001.

The Village should develop policies which will require the Village Clerk-Treasurer to attend the required training programs.

# SUPPLEMENT TO THE SPECIAL AUDIT REPORT

## MANAGEMENT COMMENTS

### Mileage Reimbursement Policy

Village Council and the Board of Public Affairs have not adopted a formal mileage policy that outlines the guidelines for what is to be reimbursed, rates at which reimbursements are to be paid, limits on reimbursements, and required supporting documentation to be retained.

The lack of having a formal mileage reimbursement policy could lead to reimbursement of an expense that is not for an allowable purpose and said reimbursement may go undetected in the normal course of business.

We recommend Village Council establish a policy if they desire to reimburse officials and employees for mileage during the performance of normal job duties.

### Mayor's Court Cash Reconciliation

Monthly reconciliations to the Mayor's Court depository account were not performed during the audit period. A monthly bank reconciliation is a basic control to insure the accuracy and completeness of the Mayor's Court recording of current receipts and expenditures.

Failure to maintain complete accountability of public monies could result in the Village's failure to detect errors and irregularities during the normal course of business.

To strengthen controls and accountability for cash we recommend a monthly bank account reconciliation be performed, reviewed by Council, and maintained for audit.

### Bank Reconciliation Process

Bank reconciliation variances which were detected by the Village remained unresolved because there was no investigation performed to determine the reason for the discrepancies.

Also, the December 31, 2000 outstanding check list for the general checking account contained checks that were not outstanding and checks reported at inaccurate payment amounts. Our investigation and correction of the outstanding checks and reporting errors allowed for reconciliation of the account.

In 2000, according to the check copies maintained, there were 38 voided checks, yet according to the computer generated detailed warrants report there were 18 voided checks. The differences were caused by the failure of the Clerk-Treasurer to post the voided checks to the computer system. Notwithstanding these errors, the amounts actually expended by the Village were adequately supported by documentation.

The lack of an accurate bank reconciliation could result in misstatements of financial information. It also increases the possibility that errors and irregularities will not be detected in the normal course of Village operations.

If any discrepancies are noted during the bank reconciliation process, an investigation should be performed to determine the reasoning.

We recommend that to avoid the possible misstatement of financial information and to safeguard Village assets, bank reconciliation discrepancies be investigated and resolved in a timely manner.



## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

### Monitoring Village Financial Activity – Segregation of Duties

The small size of the Village's staff does not allow for an adequate segregation of duties; the Clerk-Treasurer must perform all accounting functions. It is therefore important that Council monitor financial activity closely.

While Council does approve all payment vouchers, there is no documentation of the extent to which the Council uses other financial information to monitor financial activity. Also, due to the lack of monitoring of computerized financial reports, the Council was unaware that as of October 2001, the Clerk-Treasurer had not posted any 2001 financial activity to the computerized accounting records.

To strengthen internal accounting and administrative controls, we recommend that personnel independent of the financial record-keeping process (such as a finance or audit committee, comprised of members of the Council) review monthly financial statements and the receipt and disbursement ledgers supporting the statements submitted. To achieve this, the following steps should be performed:

1. Review the monthly bank reconciliations performed by the Clerk-Treasurer to verify that a reconciliation is performed each month between the bank balances and the fund cash balances, verify that the reconciliation includes all active and invested monies under the control of the Village, and review the following month's bank statement to verify that the prior month's reconciling items, such as deposits-in-transit and outstanding checks, were accurately stated.
2. Consider the reasonableness of tax receipts by a comparison of monthly budget-to-actual reports at the council meetings. Also, ensure the reported property tax receipts correspond to supporting documentation.
3. Review billings from retirement systems, payroll withholdings, insurance, and utilities to ensure the obligations of the Village are being paid in a timely manner.
4. Review results of audits and develop plans of action in regards to any noncompliance and control weaknesses identified.

We recommend Council carefully review the aforementioned information and make appropriate inquiries to help determine the continued integrity of financial information. This information also provides important data necessary to manage the Village. This information can help answer questions such as the following:

1. Are current receipts sufficient to cover expenditures?
2. Are expenditures in line with prior year costs?
3. If unusual fluctuations in receipts or expenditures occur, is the reason understood, and has it been appropriately budgeted?
4. Are anticipated receipts being timely received?
5. Are the Village records and reports maintained and presented in a manner that provides accurate and meaningful information to Council?

When performing such reviews, the officials' signatures or initials and the date should be affixed to the records examined, which should be retained to document such reviews. In addition, the records examined and the conclusions should be noted in the Council minutes each month.

## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

### Village Expenditure Procedures

The following deficiencies were noted in our examination of Village expenditures:

- Village officials approved payment of \$270 when the supporting documentation attached to the voucher to substantiate the expenditure indicated an expenditure of \$135. Monies of \$135 were repaid during audit by Board of Public Affairs member William Brame.
- Village officials approved payment for Police Athletic League expenditures. Police Athletic League expenditures exceeded Police Athletic League revenues. Monies of \$206 were collected and repaid during the audit by Police Chief Steven Terrill.
- Village officials approved a donation for a Police Department Cancer Relay for Life fund raiser, which was to have been paid for with pledges of Village residents. However, no pledges were collected in 2001. When we brought this to the attention of Police Chief Terrill, \$450 was collected and deposited.
- A prior clerk's name was on the Staples credit card used for purchases in 2000 and 2001.
- The Board of Public Affairs purchased items for the Village utility operations during the year without Village Council approval.

Failure to employ functioning controls resulted in the payment of expenditures from incorrect funds and expenditures unrelated to Village operations. To strengthen internal accounting controls, and to provide management with reasonable assurance that all procedures are functioning properly, we recommend the following be considered:

- Village officials should sign all vouchers indicating they used due professional care in reviewing and approving the expenditures and that the vouchers have attached supporting documentation to substantiate the expenditure. They should also verify that the check number, amount, and funds charged are completed on the voucher.
- Village account users should include only the currently authorized Village officials. Failure to employ current signatories could result in mismanagement of Village funds and expenditures paid for purposes other than for the operations of the Village.
- Village officials should approve Board of Public Affairs (BPA) expenditures to ensure the purchases are consistent with appropriations made to the BPA by the Village.

# SUPPLEMENT TO THE SPECIAL AUDIT REPORT

## ISSUE 2 - Revenue Sources

We reviewed documents and conducted interviews of Village employees to determine the major sources of revenue for the Village and to determine if these revenues were accurately recorded in the Village's bank accounts.

### PROCEDURES

1. We obtained prior audit working papers, previously released audit reports, and the Village's Minute Record for the Period. We reviewed these documents to determine the major sources of Village revenue.
2. We conducted interviews with Village management and officials to determine other sources of revenues. We documented the procedures for which funds from various sources were deposited in the Village's bank accounts.
3. We obtained third-party confirmations (such as County Auditor Tax Settlement Sheets, and State Distribution Transaction Lists) for the Period, and traced those amounts into the Village's bank accounts.
4. We obtained utility department billing and payment ledgers and traced amounts to supporting documentation. We compared these amounts to bank deposits to determine whether utility revenues were deposited into the Village account.
5. We sought detailed deposit information from the Village's financial institution of deposit amounts that remained unidentified.
6. We determined whether variances existed between the amounts received from third-party confirmations and Village bank statements.

### RESULTS

1. The following table depicts the Village's major revenue sources during the Period:

	2000	2001
<b>Total Revenues Received</b>	\$233,021	\$237,381
<b>Percentage of Total Revenue which consisted of Intergovernmental Revenues, Mayor's Court Receipts, and Utilities Charges for Services</b>	92%	95%

2. Interviews with prior and current Village management and officials did not identify any significant sources of revenue other than those already stated in Result No. 1.

Our documentation of the depositing procedures for the amounts received by the Village during the Period indicated the following weaknesses in the receipt and deposit process:

- The payees and/or the descriptions of the revenue transactions were reported inaccurately on 52 of the 206 receipts posted to the Village's accounting system during 2000. We will issue a recommendation that transaction descriptions be accurately recorded to describe the revenues being received.

## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

- A reconciliation is not performed between utility customer billing coupons and the Village receipts ledger. We will issue a recommendation that a monthly reconciliation be performed, using the customer billing coupons, payments received, and the receipts ledger.
  - The Clerk-Treasurer is responsible for all functions relating to the accounting records and cash transactions. While Council relies on the Board of Public Affairs to monitor the utility financial activity, the Board of Public Affairs was not receiving the necessary financial information to monitor utility department financial activity. We will issue a recommendation regarding segregation of duties and monitoring utility department activities.
  - The Village Clerk-Treasurer advanced \$7,735, without Council authorization, from the General Fund to the Enterprise Fund to meet Enterprise Fund debt payments. Advances from one fund to another are allowable; however, Village Council was unaware the advance had occurred and the Enterprise Funds owed the General Fund the amount advanced. We will issue a recommendation that the Village implement procedures for the authorization of fund advances.
3. The receipts from the County Auditor agreed to Village bank accounts. However, the February 2000 real estate settlement was not deposited until 14 days after receipt, the December 2000 personal property settlement was not deposited until 17 days after receipt, and the April 2000 Local Government Assistance payment was not deposited for 28 days. In 2001, the February tax settlement was not deposited for 14 days and the June Local Government Assistance payment was not deposited for 52 days.

The receipts from the State of Ohio reported on the Auditor of State's Distribution Transaction Listing were accurately posted to the Village's bank accounts. However, deposits were not always in a timely manner, and in one instance, 74 days passed from the date of the warrant to the date of deposit. We will issue a recommendation that receipts be deposited in a more timely manner.

4. During the Period, the Village recorded \$220,333 in utility revenues. The utility deposits agreed to the supporting billing statement and receipt information.

Utility payments reported on the 2000 and 2001 utility department payment and receipt ledger were deposited in the Village bank account. Although utility revenue was received on a daily basis, bank deposits occurred on average twice each month. Additionally, there were no utility revenue deposits during April and June of 2001.

The Board of Public Affairs did not receive utility delinquency reports during 2000 and 2001. Had those reports been presented to Council, the Village may have been alerted that receipts were not being deposited and posted in a timely manner. We will issue a recommendation that Village Council receive and review utility billing and receipt information on a timely basis.

5. January and August 2001 deposit ticket records were not maintained by the former Clerk-Treasurer Lisa Terrill. We obtained the deposit information from the bank and reconciled it to the receipts for the Period, with no discrepancies.
6. No variances were noted between third-party confirmations and Village bank statements.

# SUPPLEMENT TO THE SPECIAL AUDIT REPORT

## NONCOMPLIANCE CITATION

### Advance Transactions

The former Clerk-Treasurer, Lisa Terrill, advanced cash from the General Fund to the Enterprise Fund without Council authorization. Whenever the Village considers advancing monies from one fund to another the following criteria should be used:

- \* Any advance must be clearly labeled as such, and must be distinguished from a transfer. Transfers are intended to reallocate money permanently from one fund to another and may be made only as authorized in Sections 5705.14 to 5705.16 of the Ohio Rev. Code. Advances, on the other hand, are intended to temporarily reallocate cash from one fund to another and involve an expectation of repayment;
- \* In order to advance cash from one fund to another, there must be statutory authority to use the money in the fund advancing the cash (the "creditor" fund) for the same purpose for which the fund receiving the cash (the "debtor" fund) was established;
- \* The reimbursement from the debtor fund to the creditor fund must not violate any restrictions on use of the money to be used to make the reimbursement; and
- \* Advances must be approved by a formal resolution of the taxing authority of the subdivision which must include a specific statement that the transaction is an advance of cash, and an indication of the fund from which it is expected that repayment will be made.

We recommend Village Council implement procedures for the authorization of advance transactions.

## MANAGEMENT COMMENTS

### Description of Receipt Transactions

Transaction descriptions documented in the Revenue Journal did not always state an accurate description of the payee or revenue received. The failure to identify these transactions could allow revenues to be posted to the improper fund or account without being detected during the normal course of business operations.

We recommend that Village transaction descriptions be documented to accurately describe the revenues being received.

### Utility Department Reconciliations

The Utility Department does not perform an independent reconciliation between their customer billing coupons and the Village receipts ledger maintained by the Clerk-Treasurer.

The lack of reconciliation between the utility department's records and the Village could result in failure to detect improper recording of receipts and the misstatement of utility revenues.

To provide assurance that utility department receipts are posted accurately, we recommend a reconciliation be performed on a monthly basis, between the customer billing coupons, payments received, and the Clerk-Treasurer's receipt ledger.

## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

### Monitoring Utility Department Activities - Segregation of Duties

The Village of Laura Clerk-Treasurer performs the following duties for the Utility Department:

1. Calculates the billings;
2. Collects over-the-counter monies;
3. Inputs computer data;
4. Deposits revenue with the bank; and
5. Reconciles deposits with receipt records.

This lack of segregation of duties allows for the possibility of manipulation of records or diversion of public funds to private use, which could go undetected during the normal course of business operations.

Because the size of the Village's operation does not allow for an adequate segregation of duties, it is important that Council monitor financial activity closely.

While Council relies on the Board of Public Affairs to monitor the utility financial activity, the Board of Public Affairs was not receiving financial information to monitor such activity. At least monthly, the Clerk-Treasurer should provide the Board of Public Affairs with a detailed customer list of overdue accounts, customer billings, amounts received, and a reconciliation between utility department records and the Village's revenue journal.

We recommend the Board of Public Affairs carefully review the overdue accounts, customer billings, and utility receipts information each month and make appropriate inquiries of the Clerk-Treasurer to help determine the integrity of utility billing and collection information. When performing such reviews, the officials' signatures or initials and the date should be affixed to the records examined, which should be retained to document such reviews. In addition, the records examined and the conclusions reached should be recorded in the Board of Public Affairs minutes each month.

### Deposit of Village Receipts

The public monies received by the Clerk-Treasurer were not deposited in a timely manner and during the Period, up to 74 days had passed from the time funds were received until the time funds were deposited. The lack of timely depositing could result in the misstatement of monthly financial information. It also increases the possibility of the loss or theft of funds on hand and reduces investment income.

The Village's depositing procedures should assure that receipts are deposited on a timely basis. We recommend revenue be deposited and recorded promptly to avoid the possible misstatement of financial information and to safeguard Village assets.

## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

### ISSUE 3 - Miscellaneous Debits and Credits on Bank Statements

We reviewed all bank statements for the Period for debits and credits which were not the result of a Village check or deposit that had previously been reviewed through Issues No. 1, 2, and 5, to determine the purpose of such entries.

#### PROCEDURES

1. We used the Village bank statements during the Period to identify all charges to the bank accounts, other than checks and deposits previously identified.
2. We obtained supporting records to determine the purpose of any identified miscellaneous charges or credits.
3. We determined whether there were any unusual charges or credits to the Village bank account.

#### RESULTS

1. We identified \$6,052 in debits and \$115 in credits on the bank statements which were not the result of a payment or a receipt previously identified during our audit procedures.
2. Our review of the supporting deposit information indicated the debits and credits were made by the bank to correct errors in the Clerk-Treasurer's deposits.
3. We noted no significant charges or credits which were unsupported.

#### MANAGEMENT COMMENT

##### Bank Deposit Errors

There were 6 errors ranging from \$30 to \$1,836 in the amounts deposited by the Village Clerk-Treasurer during the Period which were found and corrected by the bank through debits and credits to the Village account. The failure of the Village to verify the accuracy of the amounts deposited could result in incorrect posting of revenue to the Village accounting system and incorrect receipt postings for utility customer accounts.

We recommend the Village Clerk-Treasurer use due diligence in preparing and processing bank deposits and reconcile the amounts collected for deposit to the supporting documents and to the amounts shown on the deposit ticket prior to their presentation to the bank for deposit.

## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

### ISSUE 4 - Payments to Outside Agencies

We contacted the State Department of Taxation, Ohio Bureau of Worker's Compensation, Public Employees Retirement System, and the Internal Revenue Service, to determine if the Village's accounts with these agencies were delinquent during the Period.

#### PROCEDURES

We mailed confirmation letters to the identified agencies and reported any delinquencies, late charges, or penalties assessed against the Village for non-payment of required accounts.

#### RESULTS

Written confirmations were not returned by the agencies but follow-up communications by phone determined there were no recorded delinquencies, late fees, or penalties assessed against the Village by the State of Ohio Department of Taxation and the Ohio Bureau of Workers' Compensation. However, both the Internal Revenue Service and the Public Employees Retirement System noted unpaid contributions and penalties as follows:

Internal Revenue Service: During calendar year 2000, no delinquencies, late fees, or penalties were assessed against the Village; however, during calendar year 2001, the Village had total penalties and interest assessed of \$230. There were no outstanding payments to the IRS for taxes withheld as of January 14, 2002.

Public Employees Retirement System (PERS): As of December 31, 2000, the Village had unpaid employee contributions totaling \$747, the employer liability was \$609, and total penalties assessed against the Village was \$163.

As of December 31, 2001, the Village had unpaid PERS employee contributions totaling \$396, the employer liability was \$785, and total penalties assessed against the Village was \$274. There were no outstanding payments to PERS payments as of January 14, 2002.

#### NONCOMPLIANCE CITATIONS

##### Federal Withholding Tax

26 CFR 31.6011(a)-4(a)(2001) requires that income tax withheld pursuant to 26 U.S.C. Section 3402 must be remitted to the IRS on a quarterly basis.

The Village deducted but failed to remit federal withholding tax on a quarterly basis. Failure to adhere to this section of the Internal Revenue Code caused the Village to incur penalties and interest charges. To avoid further penalties and interest charges, we recommend the Village remit the required federal withholdings in a timely manner.

##### Payments to Retirement System

Ohio Rev. Code Section 145.47 requires that the fiscal officer transmit promptly to the Public Employees Retirement System (PERS) a report of contributions showing employee deductions for PERS, along with warrants and checks covering the deductions. This Section also provides for late-filing penalties.

The Village did not make timely deposits of employee and employer contributions, as required. Failure to adhere to this section of the Ohio Rev. Code caused the Village to incur penalties on employee and employer contributions. To avoid further penalties, we recommend the Village remit public employees retirement board contributions and required reports in a timely manner.



## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

### ISSUE 5 - Review of Payroll Expenditures

We reviewed payroll payments to certain Village employees, to determine whether they were made in compliance with applicable authority (e.g., union contracts and/or Village policy) and were accurately reported on year-end Form W-2.

#### PROCEDURES

1. We scanned all payroll transactions during 2000 and reported on any fluctuations in salary amounts or frequency of payments.
2. We tested payroll payments issued during 2001 to the former Village Clerk-Treasurer, former Mayor, current Chief of Police, and current Police Officer, and reported on any fluctuations in salary amounts or frequency of payments. Where possible, we confirmed established salaries through Ordinance, Resolution, or Ohio Revised Code.
3. For those persons identified in Procedures No.1 and 2, above, we obtained the Village copies of his or her Form W-2 for calendar years 2000 and 2001, and reconciled the amounts documented on those forms (e.g., gross salary, withholdings, etc.) to the Village's payroll ledger or canceled checks and reported on any variances.
4. We documented discrepancies and control weaknesses in the Village's payroll during the Period.

#### RESULTS

1. The Village Mayor, Council, and Board of Public Affairs were being paid quarterly, the Clerk-Treasurer was paid monthly, the Police Chief was paid bi-weekly, and other Village employees were paid monthly.

Clerk-Treasurer Lisa Terrill was employed by the Village from December 13, 1999, through January 23, 2002. Village ordinances and Council minutes did not authorize any changes to the salary of the Clerk-Treasurer during the Period. Based on the salary rate in effect and the period of time employed, the former Clerk-Treasurer miscalculated the number of monthly payments due to herself and was overpaid \$1,040. We will issue a Finding for Recovery against Lisa Terrill for this overpayment.

Police Chief Steven Terrill's 2001 compensation was miscalculated by former Clerk-Treasurer Lisa Terrill and he was overpaid \$4,480. On May 2, 2002, Police Chief Terrill repaid the Village \$4,480. We considered this a Finding Repaid Under Audit.

Police Officer Terry Strawser's 2001 and 2002 compensation was miscalculated by former Clerk-Treasurer Lisa Terrill and he was paid at the Sergeant's rate when he should have been paid at the Patrolman's rate. Based upon the difference in rates, Officer Strawser was overpaid \$1,149 during the Period. We will issue a Finding for Recovery against Terry Strawser and former Clerk-Treasurer Lisa Terrill for this overpayment.

2. The legislative authority did not adopt an ordinance or resolution fixing the compensation or bond for all officers, clerks, and employees. The compensation rates which were paid during the Period were consistent with prior periods and Village hourly rates set by ordinances currently in effect for police officers. We will issue a noncompliance citation for failing to pass a resolution fixing the compensation of Village officials.

## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

Throughout the Period, the Village did not withhold medicare taxes for any of its employees. We will issue a noncompliance citation for this violation of the Internal Revenue Code.

The Village does not have a policy concerning the accrual and use of compensatory time. We will issue a recommendation that such a policy be created.

3. The check numbers and amounts documented in the payroll register did not agree to the check numbers and the amounts of the checks actually issued for payroll during the Period. Since the payroll register was used to prepare year-end Form W-2's and Form 1099's for 2000 or 2001, this resulted in the following reporting errors, for which we will issue a noncompliance citation:
  - Clerk-Treasurer Lisa Terrill's 2001 federal income tax withheld was understated by \$56 on the W-2 form.
  - Mayor Jane Brame's 2001 income was understated by \$375, federal income tax withheld was understated by \$28, and the State income tax withheld was understated by \$3 on the 1099 form.
  - Police Chief Steven Terrill's 2001 income was understated by \$1,020, federal income tax withheld was understated by \$84, and State income tax withheld was understated by \$9 on the W-2 form.
  - Board of Public Affairs members Ken James, Karl Helsinger, and Bill Brame's earnings for the year were understated by \$30 on each of their 1099 forms for calendar year 2000.
  - Police Chief, Steven Terrill's wages for 2000 were understated by \$1,378 on his W-2 form.
  - Police Officer Terry Strawser's Form W-2 for 2000 was unavailable for inspection.
4. During the Period, Police Officer Terry Strawser was required to work and document his hours on an Activity Log Sheet. The Village was unable to produce Activity Log Sheets to support 110 hours of time worked by Officer Strawser. Additionally, 7 of 85 Activity Log Sheets presented for Officer Strawser were not approved by his supervisor, the Police Chief. We will issue a noncompliance citation for failure to maintain records, and a recommendation to require the Police Chief's approval on all Activity Log Sheets.

On April 1, 1999, the Village was awarded a COPS Universal Hiring Program Grant in the amount of \$75,000 for the period from April 1, 1999, through March 31, 2002, for one new, additional full-time officer. During the Period, the Village used \$66,500 in grant proceeds for the additional salary required to make the existing part-time Police Chief Steven Terrill full-time, in direct violation of the grant agreement. We will issue a Federal Questioned Cost for using federal grant funds in a manner which was inconsistent with the grant agreement.

### FEDERAL QUESTIONED COST

#### CFDA #16.710 - COPS Universal Hiring Program Grant

OMB Circular A-87, Attachment A, Section C, Basic Guidelines, requires that to be an allowable cost it must, (a) be necessary and reasonable, (b) be authorized or not prohibited under State or local laws or regulations, (c) conform to any limitations or exclusions set forth in these principles, Federal laws, term and conditions of the federal award, or other governing regulations as to types or amounts of cost items, and be consistent with policies, regulations, and procedures that apply uniformly to both federal awards and other activities of the governmental unit.

On April 1, 1999, the Village was awarded a COPS Universal Hiring Program Grant in the amount of \$75,000 for the period from April 1, 1999 through March 31, 2002, for one new, additional full-time officer. The Village filled the additional full-time position required by the grant by making the existing part-time Police Chief full-time. The COPS Universal Hiring Program Grant monies were used to pay for the salary of the full-time Police Chief and no additional officer was hired contrary to the original grant award. The questioned costs for payments received from the COPS Universal Hiring Program for the period of April 1, 1999 through March 31, 2002, are \$66,500.

# SUPPLEMENT TO THE SPECIAL AUDIT REPORT

## FINDINGS FOR RECOVERY

### Lisa Terrill, Payroll Overpayment

Former Village Clerk-Treasurer Lisa Terrill was employed by the Village from December 13, 1999 through January 23, 2002. During this period the Clerk-Treasurer's compensation was miscalculated and she was overpaid \$1,040 based upon the \$750 per month salary in place at the time of her employment and a starting date of December 13, 1999, as documented in the Village record of proceedings.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against former Clerk-Treasurer Lisa Terrill and the Ohio Farmers Insurance Company, her bonding company, jointly and severally, and in favor of the Village of Laura, in the amount of \$1,040.

### Terry Strawser, Payroll Overpayment

Police Officer Terry Strawser was paid at the Police Sergeant's rate for both 2001 and 2002. According to the Village Ordinance in effect during the Period, Officer Strawser should have been paid at the Patrolman's rate for both 2001 and 2002. Since Officer Strawser's compensation was calculated at the higher rate, he was overpaid \$1,149.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Police Officer Terry Strawser and former Clerk-Treasurer Lisa Terrill and the Ohio Farmers Insurance Company, her bonding company, jointly and severally, and in favor of the Village of Laura, in the amount of \$1,149.

## FINDING REPAID UNDER AUDIT

### Steven Terrill, Payroll Overpayment

During the Period, Police Chief Steven Terrill's compensation was miscalculated by former Clerk-Treasurer Lisa Terrill and he was overpaid \$4,480.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegal expended was considered for Chief Terrill's payroll overpayment in the amount of \$4,480. On May 2, 2002, Chief Terrill repaid the Village \$4,480. As a result, we considered this a Finding Repaid under Audit.

## NONCOMPLIANCE CITATIONS

### Errors on Forms W-2

26 C.F.R. § 1.6041-2 (a)(1)(2001) requires that wages paid to an employee must be reported on a Form W-2. During the Period, numerous errors were made when preparing Village employees' Forms W-2, which caused some employees' wages and withholdings to be misstated. Failure to accurately record payroll history on an employee's Form W-2 could cause further inaccuracies when the employee is completing his annual tax return.

We recommend the Village utilize due diligence in reconciling the payroll history to the employees' Forms W-2.

### Failure to Withhold Medicare Tax

26 U.S.C. 3102 (a) of the Internal Revenue Code requires employers to withhold Medicare Tax from employees hired on or after April 1, 1986. The Village did not withhold Medicare taxes from eligible Village officials and employees during the Period.

The Village should implement procedures for the proper deduction of Medicare taxes.

## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

### Failure to Maintain Public Records

Ohio Rev. Code Section 149.351(A) states in pertinent part “all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under sections 149.38 to 149.42 of the Ohio Rev. Code.... Such records shall be delivered by outgoing officials and employees to their successors and shall not be otherwise removed, transferred, or destroyed unlawfully.”

Our procedures noted there were 110 hours of police officer Terry Strawser’s log sheets missing.

The failure to retain required records could result in unexpected liabilities, increased audit costs, and qualified opinions on financial statement reporting.

To comply with this provision, the Village should implement procedures to ensure payroll records are maintained.

### Failure to set Compensation and Bond of Village Officers and Clerk

Ohio Rev. Code Section 731.13, states in pertinent part “the legislative authority of a village shall fix the compensation and bonds of all officers, clerks, and employees of the village except as otherwise provided by law. The legislative authority shall, in the case of elective officers, fix their compensation for the ensuing term of office at a meeting held not later than five days prior to the day fixed by law for filing as a candidate for such office.... The compensation so fixed shall not be increased or diminished during the term for which any officer is elected or appointed....”

The legislative authority did not adopt an ordinance or resolution fixing the compensation and bond for all Village officers, clerks and employees for 2000 or 2001. We recommend such an ordinance or resolution be adopted immediately.

## **MANAGEMENT COMMENTS**

### Compensatory Time Policy

The Village does not have a policy for the accrual and usage of compensatory time earned during the year. The lack of a policy could result in incorrect payments to employees for the usage of compensatory time.

To comply with Village Council's decisions on accrual and usage of compensatory time, we recommend a written compensatory time policy be established by Council.

### Police Department Activity Log Sheets

During the Period, there were 7 of 85 Police Department Activity Log Sheets that were not approved by the Police Chief. This could result in incorrect payments to employees for unauthorized time.

We recommend the Activity Log Sheets be reviewed and approved by the Police Chief or Council. The Activity Log Sheets should have evidence of these approvals by affixing the reviewer’s initials or signature and the date performed.

## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

### Payroll Ledger

The payroll ledgers maintained by the Village Clerk-Treasurer for the Period were inaccurate. The payroll ledgers reported one check that was not issued, one payroll check was issued that was not recorded, and four payroll deductions that were not withheld from checks. This resulted in the issuance of inaccurate Form W-2's and Form 1099's which were based upon the payroll ledger information.

To insure the accuracy and completeness of the Form W-2's and Form 1099's, due professional care should be exercised during the preparation of the payroll ledger.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**VILLAGE OF LAURA**

**MIAMI COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
SEPTEMBER 12, 2002**