



Dave Yost • Auditor of State





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## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Village of Covington  
Miami County  
1 South High Street  
Covington, Ohio 45318

We have performed the procedures enumerated below, with which the Village Council and Mayor, and the management of the Village of Covington (the Village) and the Auditor of State have agreed, solely to assist the Council and Mayor in evaluating receipts, disbursements and balances recorded in their cash-basis accounting records for the years ended December 31, 2012 and 2011, and certain compliance requirements related to these transactions and balances. Management is responsible for recording transactions; and management, the Mayor, and / or the Council are responsible for complying with the compliance requirements. This agreed-upon procedures engagement was conducted in accordance with the American Institute of Certified Public Accountants' attestation standards and applicable attestation engagement standards included in the Comptroller General of the United States' *Government Auditing Standards*. The sufficiency of the procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

This report only describes exceptions exceeding \$10.

### Cash

1. We tested the mathematical accuracy of the December 31, 2012 and December 31, 2011 bank reconciliations. We found no exceptions.
2. We agreed the January 1, 2011 beginning fund balances recorded in the Y-T-D Fund Report to the December 31, 2010 balances in the prior year audited statements. We found no exceptions. We also agreed the January 1, 2012 beginning fund balances recorded in the Y-T-D Fund Report to the December 31, 2011 balances in the Y-T-D Fund Report. We found no exceptions.
3. We agreed the totals per the bank reconciliations to the total of the December 31, 2012 and 2011 fund cash balances reported in the Y-T-D Fund Report. The amounts agreed.
4. We confirmed the December 31, 2012 bank account balances with the Village's financial institutions. We found no exceptions. We also agreed the confirmed balances to the amounts appearing in the December 31, 2012 bank reconciliation without exception.
5. We selected five reconciling debits (such as outstanding checks) haphazardly from the December 31, 2012 bank reconciliation:
  - a. We traced each debit to the subsequent January bank statement. We found no exceptions.
  - b. We traced the amounts and dates to the check register, to determine the debits were dated prior to December 31. We noted no exceptions.

### **Property Taxes, Intergovernmental and Other Confirmable Cash Receipts**

1. We selected a property tax receipt from one *Statement of Semiannual Apportionment of Taxes* (the Statement) for 2012 and one from 2011:
  - a. We traced the gross receipts from the *Statement* to the amount recorded in the Revenue History Report. The amounts agreed.
  - b. We determined whether the receipt was allocated to the proper fund as required by Ohio Rev. Code Sections 5705.05-.06 and 5705.10. We found no exceptions.
  - c. We determined whether the receipt was recorded in the proper year. The receipt was recorded in the proper year.
2. We scanned the Revenue History Report to determine whether it included two real estate tax receipts for 2012 and 2011. We noted the Revenue History Report included the proper number of tax receipts for each year.
3. We selected five receipts from the State Distribution Transaction Lists (DTL) from 2012 and five from 2011. We also selected five receipts from the Miami County Vendor Expense Report from 2012 and five from 2011.
  - a. We compared the amount from the above reports to the amount recorded in the Revenue History Report. The amounts agreed.
  - b. We determined whether these receipts were allocated to the proper funds. We found that for 2011 and 2012 the Village recorded all Gasoline Tax and Auto Registration receipts in the street fund and failed to record 7.5% to the State Highway Fund as required by Ohio Rev. Code Section 5735.28. The Fiscal Officer should post the required percentage of the Gasoline Tax and Auto Registration monies to the State Highway Fund. Failure to do so could result in findings for adjustment in future audits.
  - c. We determined whether the receipts were recorded in the proper year. We found no exceptions.
4. We confirmed the amounts paid from the Ohio Public Works Commission to the Village during 2011 with the Ohio Public Works Commission. We found no exceptions.
  - a. We determined whether these receipts were allocated to the proper fund. We found no exceptions.
  - b. We determined whether the receipts were recorded in the proper year. We found no exceptions.

### **Income Tax Receipts**

1. We compared the allocation of income tax receipts for the years ended December 31, 2012 and 2011 to the Village's funds according to the allocation requirements of Ordinance Nos. 15-11 and 18-10. The allocation agreed with the percentages the Ordinance requires.
2. We selected five income tax returns filed during 2012 and five from 2011.
  - a. We compared the payment amount recorded on the tax return to the amount recorded on the cash receipts book and deposit ticket. The amounts agreed.
  - b. We compared the cash receipts book and deposit ticket total from step a. to the amount recorded as income tax receipts in the Revenue History Report for that date. The amounts agreed.
3. We determined whether the receipts were recorded in the year received. We found no exceptions.

### **Income Tax Receipts (Continued)**

4. We selected five income tax refunds from 2012 and five from 2011.
  - a. We compared the refund paid from the Budget History Report to the refund amount requested in the tax return. The amounts agreed.
  - b. We noted each of the refunds were approved by the income tax clerk, Elaine Christian and then the final payment is approved by the fiscal officer, Carmen Siefring.
  - c. We noted the refunds were paid from the general fund and at the end of the year 20% of the total refunds are then allocated to the streets fund as required.

### **Water, Sewer, Trash Charges for Services**

1. We haphazardly selected 10 Water, Sewer, Trash Fund collection cash receipts from the year ended December 31, 2012 and 10 Water, Sewer, Trash Fund collection cash receipts from the year ended 2011 recorded in the Revenue History Report and determined whether the:
  - a. Receipt amount per the Revenue History Report agreed to the amount recorded on the deposit tickets and the deposit tickets agreed to the credit of the customer's account in the new charge billing report. The amounts agreed.
  - b. Amount charged for the related billing period:
    - i. Agreed with the debit to accounts receivable in the cash receipts journal for the billing period. We found no exceptions.
    - ii. Complied with rates in force during the audit period multiplied by the consumption amount recorded for the billing period, plus any applicable late penalties, plus unpaid prior billings. We found no exceptions.
  - c. Receipt was posted to the proper funds, and was recorded in the year received. We found no exceptions.
2. We read the Accounts Receivable Report for 12/31/2012.
  - a. We noted this report listed \$105,732.79 of accounts receivable as of December 31, 2012. The Village switched utility billing and collection systems in October 2012 and upon the switch the Village could not run reports using the information from the old system related to water, sewer and trash utilities. Without having access to the accounts receivable reports prior to October 2012 the Village lacks reliable information on overdue amounts, systems-derived documentation on non-cash adjustments and approval of noncash adjustments, and information upon which to judge whether the Village should write off or follow up on uncollectible amounts. We recommend the Village acquire an accounts receivable and billing system.
  - b. Of the total receivables reported in the preceding step, \$0 were recorded as more than 90 days delinquent as the Village switched utility billing and collections systems in October 2012 and no receivables were reported as more than 90 days delinquent. Without having access to the accounts receivable reports prior to October 2012 the Village lacks reliable information on overdue amounts, systems-derived documentation on non-cash adjustments and approval of noncash adjustments, and information upon which to judge whether the Village should write off or follow up on uncollectible amounts. We recommend the Village acquire an accounts receivable and billing system.

**Water, Sewer, Trash Charges for Services (Continued)**

3. We read the Batches by Type and Date Report for 10/1/2012 to 12/31/2012.
  - a. We noted this report listed a total of \$96.41 non-cash receipts adjustments for the year ended December 31, 2012. The Village switched utility billing and collections systems in October 2012 prior to that date there were no reports available on noncash adjustments. Without having access to the accounts receivable reports prior to October 2012 the Village lacks reliable information on overdue amounts, systems-derived documentation on non-cash adjustments and approval of noncash adjustments, and information upon which to judge whether the Village should write off or follow up on uncollectible amounts. We recommend the Village acquire an accounts receivable and billing system.
  - b. We selected all three non-cash adjustments from the October 1, 2012 to December 31, 2012 and noted that the Village Administrator approved each adjustment. The Village switched utility billing and collections systems in October 2012 prior to that date there were no reports available on noncash adjustments. Without having access to the accounts receivable reports prior to October 2012 the Village lacks reliable information on overdue amounts, systems-derived documentation on non-cash adjustments and approval of noncash adjustments, and information upon which to judge whether the Village should write off or follow up on uncollectible amounts. We recommend the Village acquire an accounts receivable and billing system

**Debt**

1. From the prior audit documentation, we noted the following Notes, Bonds, Loans, and lease outstanding as of December 31, 2010. These amounts agreed to the Villages January 1, 2011 balances on the summary we used in step 3.

<u>Issue</u>	<u>Principal outstanding as of December 31, 2010:</u>
Walnut Street Improvement Notes	\$ 255,000
Village Hall Renovation Bonds	\$ 450,000
Ohio Water Development Authority Loan	\$2,940,173
TCF Trash Truck Lease	\$ 238,929

2. We inquired of management, and scanned the Revenue History Report and Check Register for evidence of debt issued during 2012 or 2011 or debt payment activity during 2012 or 2011. All debt noted agreed to the summary we used in step 3.
3. We obtained a summary of bonded, note, loan and lease debt activity for 2012 and 2011 and agreed principal and interest payments from the related debt amortization schedules to general fund, debt service fund, street fund, water fund and trash fund payments reported in the Budget History Report. We also compared the date the debt service payments were due to the date the Village made the payments. We found no exceptions.
4. We agreed the amount of debt proceeds from the debt documents to amounts recorded in the capital projects fund per the Revenue History Report. The amounts agreed. The Village properly recorded the proceeds in a capital projects fund as required by Ohio Rev. Code Section 5705.09(E).
5. For new debt issued during 2012 and 2011, we inspected the debt legislation, noting the Village must use the proceeds for the Walnut Street Reconstruction Project. We scanned the Budget History Report and noted the Village made payments related to the Walnut Street Project.

**Payroll Cash Disbursements**

1. We haphazardly selected one payroll check for five employees from 2012 and one payroll check for five employees from 2011 from the Payroll Detail Report and:
  - a. We compared the hours and pay rate, or salary recorded in the Payroll Detail Report to supporting documentation (timecard and legislatively approved rates or salaries in the minutes and Council ordinances). We found no exceptions.
  - b. We determined whether the fund and account codes to which the check was posted were reasonable based on the employees' duties as documented in the minute record and or Council approved ordinance. We also determined whether the payment was posted to the proper year. We found no exceptions.
  
2. We scanned the last remittance of tax and retirement withholdings for the year ended December 31, 2012 to determine whether remittances were timely paid, and if the amounts paid agreed to the amounts withheld, plus the employer's share where applicable, during the final withholding period during 2012. We noted the following:

<b>Withholding (plus employer share, where applicable)</b>	<b>Date Due</b>	<b>Date Paid</b>	<b>Amount Due</b>	<b>Amount Paid</b>
Federal income taxes & Medicare	January 31, 2013	January 15, 2013	\$ 1,149.10	\$ 1,149.10
State income taxes	January 15, 2013	December 29, 2012	\$ 1,594.44	\$ 1,594.44
Covington income taxes	January 31, 2013	December 29, 2012	\$ 3,002.43	\$ 3,002.43
School District Income Tax	January 31, 2013	January 31, 2013	\$ 901.40	\$ 901.40
OPERS retirement	January 31, 2013	January 31, 2013	\$10,403.14	\$10,403.14
OP&F retirement	January 31, 2013	January 31, 2013	\$ 1,400.08	\$ 1,400.08

3. We haphazardly selected and recomputed one termination payment (unused vacation, etc.) using the following information, and agreed the computation to the amount paid as recorded in the Payroll Detail Report:
  - a. Accumulated leave records
  - b. The employee's pay rate in effect as of the termination date
  - c. The Village's payout policy.

The amount paid was consistent with the information recorded in a. through c. above.

**Non-Payroll Cash Disbursements**

1. We haphazardly selected ten disbursements from the Check Register for the year ended December 31, 2012 and ten from the year ended 2011 and determined whether:
  - a. The disbursements were for a proper public purpose. We found no exceptions.
  - b. The check number, date, payee name and amount recorded on the returned, canceled check agreed to the check number, date, payee name and amount recorded in the Check Register and to the names and amounts on the supporting invoices. We found no exceptions.
  - c. The payment was posted to a fund consistent with the restricted purpose for which the fund's cash can be used. We found no exceptions.
  - d. We found for all twenty instances that the certification date was after the vendor invoice date, and there was also no evidence that a *Then and Now Certificate* was issued. Ohio Rev. Code Section 5705.41(D) requires certifying at the time of a commitment, which should be on or before the invoice date, unless a *Then and Now Certificate* is used. Because we did not test all disbursements requiring certification, our report provides no assurance whether or not additional similar errors occurred.

### Compliance – Budgetary

1. We compared the total estimated receipts from the Amended Official Certificate of Estimated Resources, required by Ohio Rev. Code Section 5705.36(A)(1), to the amounts recorded in the Revenue Status Report for the General, Street and Equipment funds for the years ended December 31, 2012 and 2011. The amounts on the *Certificate* agreed to the amount recorded in the accounting system, except for the General Fund in 2011 and 2012. The Revenue Status Report recorded budgeted (i.e. certified) resources for the General fund of \$1,117,472 for 2011 and \$968,892 in 2012. However, the final *Amended Official Certificate of Estimated Resources* reflected \$1,115,043 for 2011 and \$962,564 for 2012. The fiscal officer should periodically compare amounts recorded in the Revenue Status Report to amounts recorded on the *Amended Official Certificate of Estimated Resources* to assure they agree. If the amounts do not agree, the Council may be using inaccurate information for budgeting and to monitor spending.
2. We scanned the appropriation measures adopted for 2012 and 2011 to determine whether, for the General, Street and Equipment funds, the Council appropriated separately for “each office, department, and division, and within each, the amount appropriated for personal services,” as is required by Ohio Rev. Code Section 5705.38(C). We found no exceptions.
3. We compared total appropriations required by Ohio Rev. Code Sections 5705.38 and 5705.40, to the amounts recorded in the Expense Status Report for 2012 and 2011 for the following funds: General, Street and Walnut Street Debt Service. The amounts on the appropriation resolutions agreed to the amounts recorded in the Expense Status report.
4. Ohio Rev. Code Sections 5705.36(A)(5) and 5705.39 prohibits appropriations from exceeding the certified resources. We compared total appropriations to total certified resources for the General, Street and Walnut Street Debt Service funds for the years ended December 31, 2012 and 2011. We noted no funds for which appropriations exceeded certified resources.
5. Ohio Rev. Code Section 5705.41(B) prohibits expenditures (disbursements plus certified commitments) from exceeding appropriations. We compared total expenditures to total appropriations for the years ended December 31, 2012 and 2011 for the General, Street and Walnut Street Debt Service funds, as recorded in the Expense Status Report. We noted no funds for which expenditures exceeded appropriations.
6. Ohio Rev. Code Section 5705.09 requires establishing separate funds to segregate externally-restricted resources. We scanned the Revenue Status Report for evidence of new restricted receipts requiring a new fund during December 31, 2012 and 2011. We also inquired of management regarding whether the Village received new restricted receipts. We noted no evidence of new restricted receipts for which Ohio Rev. Code Section 5705.09 would require the Village to establish a new fund.
7. We scanned the 2012 and 2011 Revenue Status Report and Expense Status Report for evidence of interfund transfers exceeding \$5,000 which Ohio Rev. Code Sections 5705.14 - .16 restrict. We found no evidence of transfers these Sections prohibit, or for which Section 5705.16 would require approval by the Tax Commissioner and Court of Common Pleas.
8. We inquired of management and scanned the Expense Status Reports to determine whether the Village elected to establish reserve accounts permitted by Ohio Rev. Code Section 5705.13. We noted the Village did not establish these reserves.



### **Compliance – Contracts & Expenditures**

We inquired of management and scanned the Check Register for the years ended December 31, 2012 and 2011 to determine if the Village proceeded by force account (i.e. used its own employees) to maintain or repair roads (cost of project exceeding \$30,000) or to construct or reconstruct Village roads (cost of project \$30,000/per mile) for which Ohio Rev. Code Sections 117.16(A) and 723.52 requires the Village engineer, or officer having a different title but the duties and functions of an engineer, to complete a force account project assessment form (i.e., cost estimate). We identified no projects requiring the completion of the force account assessment form.

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

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



**Dave Yost**  
Auditor of State

Columbus, Ohio

July 29, 2013

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# Dave Yost • Auditor of State

**VILLAGE OF COVINGTON**

**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  
AUGUST 20, 2013**