



Dave Yost • Auditor of State



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Village of Parral
Tuscarawas County
Dover, Ohio 44622

We have completed certain procedures in accordance with Ohio Rev. Code Section 117.01(G) to the accounting records and related documents of the Village of Parral, Tuscarawas County, Ohio (the Village), for the years ended December 31, 2012 and 2011.

Our procedures were designed solely to satisfy the audit requirements of Ohio Rev. Code Section 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, 2012 or 2011.

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

Current Year Observations

- 1. Ohio Admin. Code Section 117-2-02(D)** states 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:
 - Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund the public office uses. The amount, date, name of the payor, purpose, receipt number, and other information required for the transactions can be recorded on this ledger.
 - Appropriation ledger, which may assemble and classify disbursements or expenditure/expenses into separate accounts for, at a minimum, each account listed in the appropriation resolution. The amount, fund, date, check number, purchase order number, encumbrance amount, unencumbered balance, amount of disbursement, uncommitted balance of appropriations and any other information required may be entered in the appropriate columns.

The Village did not properly maintain a receipts or appropriation ledger for 2011 or 2012.

The Village should maintain an accounting system and accounting records as set forth in Ohio Admin. Code Section 117-2-02. The Village should ensure that a receipts and appropriation ledger are maintained. This will help ensure the Village properly captures all receipt and expenditure activity.

- 2. 26 U.S.C. Section 3401 through Section 3406** requires each Employer's Quarterly Federal Tax Return include employees' withheld Federal Income Tax, Social Security Tax, Medicare Tax, and the employer's share of Social Security and Medicare Tax. If the employer accumulates a liability for these taxes of \$2,500 or more per quarter, the employer must deposit this amount by making payment to an authorized financial institution. Deposits are made either by the Electronic Federal Tax Payment System (EFTPS), or by using a Form 8109, *Federal Tax Deposit Coupon*, which must accompany the payment.

Current Year Observations (Continued)

2. 26 U.S.C. Section 3401 through Section 3406 (Continued)

If you use the coupon, it is very important that it shows the correct employer identification number, name, and type of tax and tax period; as this information is used by the IRS to credit your account. Your check or money order should be made payable to the financial institution where you make your deposit, not to the IRS. In addition, the employer shall be liable for the payment of the tax required to be deducted and withheld under this chapter, and shall not be liable to any person for the amount of any such payment.

The Village did not properly withhold Medicare from the Fiscal Officer's and Mayor's wages during 2011 and 2012.

Employee withholdings and employer contributions should be withheld and promptly remitted in the future to avoid expenditures for late fees and interest.

3. **Ohio Admin. Code Section 117-2-02(C)(1)** states that 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 (E.G., fund, program or function, department, or object) 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. The legal level of control is a discretionary decision to be made by the legislative authority, unless otherwise prescribed by statute.

During testing, we noted the Village did not properly integrate budgetary activity in their manual accounting system for 2011 or 2012.

The Village should implement procedures to help ensure estimated receipts and appropriations are included in the Village's manual accounting system.

4. **Ohio Rev. Code Section 117.38** requires each public office, other than a state agency, to file a financial report for each fiscal year. The report shall be certified by the proper officer or board and filed with the auditor of state within sixty days after the close of the fiscal year. At the time the report is filed with the auditor of state, the chief fiscal officer shall publish notice in a newspaper published in the political subdivision or taxing district, and if there is no such newspaper, then in a newspaper of general circulation in the political subdivision or taxing district. The notice shall state that the financial report has been completed by the public office and is available for public inspection at the office of the chief fiscal officer.

During 2012, the Village did not prepare nor subsequently file an annual financial report with the Auditor of State.

The Village should implement procedures to ensure that an annual financial report is created and filed with the Auditor of State within sixty days after the close of the fiscal year. This will help ensure compliance with Ohio Rev. Code Section 117.38.

5. **Ohio Rev. Code Section 5705.41(D)** requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

Current Year Observations (Continued)

5. Ohio Rev. Code Section 5705.41(D) (Continued)

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village Council can authorize the drawing of a warrant for the payment of the amount due. The Village Council has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Expenditures between April 2012 and December 2012 were not properly certified as the Village did not utilize purchase orders.

The Village should implement procedures to ensure that purchase orders are being utilized and expenditures are properly certified. This will help ensure compliance with Ohio Rev. Code Section 5705.41(D).



Dave Yost
Auditor of State

Columbus, Ohio

July 11, 2013

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VILLAGE OF PARRAL

TUSCARAWAS 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
JULY 23, 2013