



Dave Yost • Auditor of State



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Village of Kipton
Lorain County
Kipton, Ohio 44049

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 Kipton, Lorain County (the Village) for the years ended December 31, 2013 and 2012.

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, 2013 or 2012.

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.

1. We noted on October 8, 2013, the former fiscal officer Rick Krueck issued warrant # 2176 in the amount of \$1,667.50 to himself to cover his salary from March 1, 2013 through October 30, 2013. The authorized fiscal officer salary was \$2,500 a year, to be paid in full at the end of the calendar year. The fiscal officer was appointed on April 1, 2013 and submitted his resignation letter immediately effective on October 7, 2013. With an allocation based on the official appointment and resignation dates, this leaves an overpayment of approximately \$365. In addition, this warrant was not processed through the payroll function, so no tax or pension amounts were held or subsequently remitted. Based on the recording of the transaction, the current Village management issued Rick Krueck a 1099 form for 2013; however his OPERS contribution and the Village's required contributions were not withheld and remitted. The Village has subsequently been cooperating with OPERS to address this transaction as well as other past deficiencies. The Village should ensure all employee payroll transactions are processed through the UAN payroll function to ensure the required amounts are withheld and properly remitted.

In addition, the former fiscal officer was able to process the warrant with no other review or oversight prior to issuance with only the fiscal officer's signature being required at the time. The Village's small size requires governing board involvement with critical accounting processes (such as disbursing funds and bank reconciliation) to compensate for the inability to segregate these duties. The Village has subsequently required two signatures on all warrants issued and management and the Council has taken a more active role in the monitoring process; however, the absence of these reviews could be considered a weakness in internal accounting control, resulting in inaccurate cash balances, or even undetected theft.

2. We examined the bank reconciliation prepared as of December 31, 2013. It appeared accurately reconciled with \$7,677 in reconciling debits also documented on the outstanding payments listing. Upon further review this listing included eight electronic payments totaling \$3,746.78 and three warrants totaling \$1,120.08 that were still listed as outstanding through the date of our review. The electronic payments were posted to account for debit card transactions however those debit card transactions were subsequently and separately posted in an accurate manner so the electronic payments on the outstanding payment listing represent duplicate expenditure postings that are not outstanding as indicated. These electronic payments should be removed from the outstanding payment listing and voided to return those monies to the funds and accounts incorrectly debited. The three warrants are still outstanding as of the date of this review; however, the Village is either current or arrangements have been made to collect remaining deficiencies with those three payees. The Village should perform and document their due diligence to determine if these warrants are truly outstanding and if it is determined they are not, they should remove them from the outstanding payment listing and void to return those monies to the funds and accounts incorrectly debited.

Reconciling cash is a critical control in assuring all transactions are posted accurately and in the proper accounting period. Unidentified differences result in inaccurate fund cash balance information, and conceivably could cause deficit spending. Also, the Village's small size requires governing board involvement with critical accounting processes (such as bank reconciliation) to compensate for the inability to segregate these duties. The absence of these reviews could be considered a weakness in internal accounting control, resulting in inaccurate cash balances, or even undetected theft.

3. We scanned the appropriation measures adopted for 2013 and 2012 to determine whether, for the General Fund and each Special Revenue fund, 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 noted the funds were appropriated by ordinance by fund type and not by the legal level of control as noted above. The Village should appropriate and maintain appropriations at the level required by Ohio Rev. Code Section 5705.38(C) by adopting with Council Ordinances.



Dave Yost
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August 8, 2014



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VILLAGE OF KIPTON

LORAIN 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 26, 2014**