



Dave Yost • Auditor of State



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Village of Old Washington
Guernsey County
P.O. Box 268
Old Washington, Ohio 43768

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 Old Washington, Guernsey County, Ohio (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.

Current Year Observations

1. We examined the bank reconciliation prepared as of December 31, 2013. It included an unexplained reconciling item of \$2,000, which results in fund balances exceeding actual available cash by this amount. During the performance of our procedures, we were able to determine what this amount represented and the Fiscal Officer posted adjustments to the Village's records to correct this error.

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.

There was no documentation of the Village Council review of the bank statement or reconciliation. 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 may be a material weakness in internal accounting control, resulting in inaccurate cash balances, or even undetected theft.

2. During our review of Village transactions, we noted that during the year ended December 31, 2013, the Fiscal Officer posted several fund balance adjustments which equated to illegal transfers between funds. During the performance of our procedures, the Fiscal Officer posted adjustments to the Village's records to correct these errors.

The Fiscal Officer should refrain from posting fund balance adjustments unless requested to post adjustments as part of the audit process. Posting fund balance adjustments which equate to illegal transfers could result in the Village expending money for improper public purposes.

Current Year Observations (Continued)

If the Village encounters a potential negative fund balance situation with one of its funds, the Fiscal Officer should request that Village Council approve a transfer or advance from the General Fund to cover the deficit. Council's approval should be documented within the minute record.

3. Ohio Rev. Code § 5705.41(B) requires that no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated.

We noted expenditures exceeded appropriations in the General Fund by \$34,251, for the year ended December 31, 2013. As a result, deficit spending could occur.

The Village Council and Fiscal Officer should compare expenditures to appropriations on a monthly basis. If appropriations in addition to those already adopted will be needed, the Village Council should take the necessary steps to adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations or reduce spending. The Fiscal Officer should deny requests for payment when appropriations are not available.

Current Status of Matters Reported in a Prior Engagement

4. In addition to the reconciling and fund balance adjustment matters reported in items 1 and 2 above, the prior audit for the years ended December 31, 2011 and 2010 included an adjustment of \$1,000 for an unapproved transfer. The report indicated that the adjustment had been posted to the Village's records; however, we determined the adjustment had not been posted.

The Fiscal Officer should post audit adjustments when provided by the Village's auditors and provide the auditors with proof the required adjustments were posted. Posted audit adjustments should not be reversed later.



Dave Yost
Auditor of State

Columbus, Ohio

May 16, 2014



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VILLAGE OF OLD WASHINGTON

GUERNSEY 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
JUNE 3, 2014**