



Dave Yost • Auditor of State



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Village of Midway
Madison County
13830 Main Street
P.O. Box 119
Sedalia, Ohio 43151

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 Midway, Madison County, Ohio (the Village) for the years ended December 31, 2014 and 2013.

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, 2014 and 2013.

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.

Based on the results of our procedures, we found no significant compliance or accounting issues to report.

Current Year Observations:

1. Ohio Revised Code Section 5705.39 requires appropriations to not exceed the final budgeted amount for certificate of estimated resources. Per review of the original budget the Village was properly budgeted. Later there was an amendment made to appropriations which caused them to exceed the budgeted amount of the certificate of estimated resources. The village did have actual receipts exceed their budgeted amounts. **We recommend the Village also submit amendments to the county for estimated resources when they suspect a significant increase to properly cover increase in amended appropriations.**
2. A policy manual is essential to assure that key areas of operations are fully documented (in written form) and understood by employees, management, and elected officials. The Village is operating without key policies in place. During this audit period, the Village Council approved the use of a credit card for non-payroll cash disbursements. The Village does not have a credit card policy. The Village Council should adopt a credit card policy which includes the following: who is responsible for custody of the credit cards; who is permitted to use the credit cards; types of authorized purchases; and receipt documentation requirements. The Village Council should review all credit card transactions against the policy on a monthly basis. Per review of the Financial Policies for the village of Midway they do set a limit on single purchases for the Master Card. **We recommend more detail on who is permitted to use the card, authorized purchases and receipt documentation requirements is included in the policy.**

Current Year Observations (Continued)

3. 26 U.S.C. § 3101(a) requires an employer to withhold Social Security tax from compensation paid. The Village Council, Mayor and Clerk voted not to participate in OPERS in 2014 and 2013. Additionally, Social Security tax was withheld from Clerk but was not withheld from the council members and Mayor. **We recommend the Village withhold Social Security tax for Council members and Mayor.**

Current Status of Matters reported in the Prior Engagement

In addition to the matters repeated in items 2 and 3 above, the current status of matters reported in the prior engagement are as follows.

1. Strong monitoring practices of Village financial activities are the responsibility of management and Village Council, and are essential to ensure proper financial reporting. The Village Clerk incorrectly reconciled bank statements. We recommend the Village perform a bank-to-book reconciliation monthly and reconciling items should be identified and adjusted at the time the reconciling item or error is discovered. Reconciliations should include all bank accounts and book balances. Approved estimates of receipts and disbursements from certificates of estimated resources or appropriation measures should be entered into the accounting system to enable meaningful budget vs. actual comparisons. Additionally, Village Council should review the bank-to-book reconciliation and monthly financial reports of financial activity of the Village including budgeted versus actual receipts and expenditures, fund balance reports, and bank to book reconciliations. Evidence of these reviews should be documented. **In prior audit there was a lack of monitoring controls for financial reporting and bank reconciliations. Per review of the minutes, cash journals, bank statement and inquiry with the client cash journals/financial reports are approved monthly at the board meetings. Cash journal is tied to the bank statements for proper reconciliation. AA noted no issues with reconciliations or proper financial reporting concerning monitoring controls.**
2. Maintaining organized documentation and support for financial transactions is essential in assuring the Village's financial statements are accurately presented and that all expenditures are made for a proper public purpose. Additionally, Ohio Rev. Code Section 149.351 requires that all records that are the property of the public office 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 commission provided for under Ohio Rev. Code Sections 149.38 through 149.42. In fiscal year 2012, we noted there were payments for a credit card and the Village did not consistently maintain supporting documentation for credit card purchases. Failure to maintain underlying documentation and support of financial transactions can increase the risk of fraud, inaccurate financial statements, and expenditures that are not for a proper public purpose. We recommended the Village maintain all invoices, purchase orders, receipts, and check stubs attached to each other for all financial transactions. **In prior audit the village failed to comply with Ohio Revised Code Section 149.351 (Maintaining public records). Per review of invoices, ledgers and other supporting documentation the Village maintained proper supporting documentation for their records for the period of 1/1/13-12/31/14.**
3. Lack of at least one council member's signature eliminates a significant internal control. Allowing one person to have total control over the disbursement function could result in the Village making inappropriate disbursements for goods or services that are not for a proper public purpose. During our non-payroll disbursement testing, we determined that several warrants were only signed by the Village Clerk. We recommend the Village have all checks signed in accordance with the current policy, by both the council President and the Village Clerk.

Current Status of Matters reported in the Prior Engagement (Continued)

The entire voucher packet should be submitted to the signing council member in order to inspect the payee, amount, and to ensure the payment is for a proper public purpose. **In the prior audit it was noted that the village did not have the Board President sign for all non-payroll checks. Per review of the vouchers, minutes and purchase orders the village is properly reviewing expenditure and 3 members of Council is signing off on each purchase order. Also per scan of the check images the Council President and Clerk/Treasurer are signing off on the checks.**

4. Ohio Revised Code Section 9.38 states that public money must be deposited with the treasurer of the public office *or* to a designated depository on the business day following the day of receipt. If the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public offices may adopt a policy permitting their officials who receive this money to hold it past the next business day, but the deposit must be made no later than 3 business days after receiving it. In prior audit the Village failed to comply with ORC section 9.38. **Per review of the receipt ledger and bank statements timely deposits were made in current audit period.**

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

December 14, 2015

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VILLAGE OF MIDWAY

MADISON 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
JANUARY 5, 2016