



OHIO AUDITOR OF STATE
KEITH FABER



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Village of Cloverdale
Putnam County
P.O. Box 37
Cloverdale, Ohio 45827-0037

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 Cloverdale, Putnam County, Ohio (the Village) for the years ended December 31, 2018 and 2017.

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, 2018 and 2017.

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 the following significant compliance or accounting issues to report.

Current Year Observations

1. We noted the Village filed their Annual Financial Report for the 2018 and 2017 fiscal years with the Auditor of State on May 23, 2019 and May 28, 2019, respectively. Ohio Rev. Code §117.38 requires the financial report to be filed with the Auditor of State within sixty days following the last day of the Village's fiscal year. Failing to file by the required date can result in a penalty of \$25 per day up to a maximum of \$750. The Village should implement controls to help ensure the annual report is filed by the required due date.
2. The Village withheld Federal income tax, Medicare, Social Security taxes, State income taxes, and School District income taxes from the employees' gross wages. The Fiscal Officer completed and submitted quarterly withholding payment reports to the Internal Revenue Service, Ohio Department of Taxation, and School District Income Tax to remit payment of employee withholdings from gross wages in 2018 and 2017.

However, the Fiscal Officer failed to remit the payments. This could result in the Village's employees not being credited for payments being withheld from their gross wages for Federal income tax, Medicare, Social Security taxes, State income taxes, and School District income taxes at the time they file their Federal and State of Ohio income tax returns. The Village should contact the Internal Revenue Service, Ohio Department of Taxation, and the School District Income Tax to resolve this issue.

This matter will be referred to the IRS and Ohio Department of Taxation.

Current Status of Matters Reported in our Prior Engagement

3. The prior audit for the years ended December 31, 2016 and 2015 included a noncompliance comment for the appropriation resolution not being approved and expenditures exceeding appropriations. We noted the 2018 annual report included similar errors. The 2018 appropriation resolution was not approved. Ohio Rev. Code § 5705.38(A) requires that on or about the first day of each fiscal year, the taxing authority of each subdivision or other taxing unit shall pass an appropriation measure. Failure to approve appropriations resulted in expenditures being made that were not legally expended. The Village should adopt permanent appropriations on or about the first day of each year.

In addition, as of December 31, 2018, the General Fund expenditures exceeded appropriations by \$35,468. Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing authority unit from making any expenditure of money unless it has been appropriated in accordance with the Ohio Revised Code. Failure to have adequate appropriations in place at the time expenditures are made could cause expenditures to exceed available resources, further resulting in deficit spending practices. The Fiscal Officer should request Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

4. The prior audit for the years ended December 31, 2016 and 2015 included a material weakness due to posting errors and a lack of reconciliations. We examined the bank reconciliation prepared as of December 31, 2018. It included an unexplained reconciling item of \$3,915, which results in fund balances exceeding actual available cash by this amount. The fiscal officer was unable to determine what this amount represented and there was also no documentation of the governing board review of the bank statement.

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. The fiscal officer should record all transactions and prepare monthly bank to book cash reconciliations, which include all bank accounts and all fund balances. Variances should be investigated, documented and corrected. The Village hired an outside accountant to assist in identifying the errors, and has since reconciled with any adjustments being made to the Village's ledgers in 2019.

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 may be a material weakness in internal accounting control, resulting in inaccurate cash balances, or even undetected theft. Our prior audit also reported this deficiency.



Keith Faber
Auditor of State

Columbus, Ohio

October 9, 2019

OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF CLOVERDALE

PUTNAM 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
OCTOBER 22, 2019**