



OHIO AUDITOR OF STATE
KEITH FABER



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Village of Nellie
Coshocton County
117 Main Nellie St.
Warsaw, Ohio 43844

We have completed certain procedures in accordance with Ohio Rev. Code § 117.01(G) to the accounting records and related documents of the Village of Nellie, Coshocton County, Ohio (the Village), for the years ended December 31, 2019 and 2018.

Our procedures were designed solely to satisfy the audit requirements of Ohio Rev. Code § 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, 2019 and 2018.

The Village's management is responsible for preparing and maintaining its accounting records and related documents. Our responsibility under Ohio Rev. Code § 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. Ohio Rev. Code § 121.22(F) states that every public body, by rule, shall establish a reasonable method whereby any person may determine the time and place of all regularly scheduled meetings.

The Village did not establish a reasonable method for the public to determine the time and place of regularly scheduled meetings.

We recommend the Village publish the time and place of regularly scheduled meetings.

2. Ohio Rev. Code § 149.43(B)(2) states to facilitate broader access to public records, a public office or the person responsible for public records shall organize and maintain public records in a manner that they can be made available for inspection or copying in accordance with division (B) of this section. A public office also shall have available a copy of its current records retention schedule at a location readily available to the public. If a requester makes an ambiguous or overly broad request or has difficulty in making a request for copies or inspection of public records under this section such that the public office or the person responsible for the requested public record cannot reasonably identify what public records are being requested, the public office or the person responsible for the requested public record may deny the request but shall provide the requester with an opportunity to revise the request by informing the requester of the manner in which records are maintained by the public office and accessed in the ordinary course of the public office's or person's duties.

The Village follows the records retention schedule published by the Ohio Historical Society, however has not approved a formal records retention policy.

We recommend the Village establish a formal records retention policy and ensure it is readily available to the public.

Current Year Observations (Continued)

3. Ohio Rev. Code § 149.43(E)(1) states to ensure that all employees of public offices are appropriately educated about a public office's obligations under division (B) of this section, all elected officials or their appropriate designees shall attend training approved by the attorney general as provided in § 109.43 of the Revised Code. A future official may satisfy the requirements of this division by attending the training before taking office, provided that the future official may not send a designee in the future official's place.

Ohio Rev. Code § 149.43(E)(2) states public offices shall adopt a public records policy in compliance with this section for responding to public records requests. In adopting a public records policy under this division, a public office may obtain guidance from the model public records policy developed and provided to the public office by the attorney general under § 109.43 of the Revised Code. Except as otherwise provided in this section, the policy may not limit the number of public records that the public office will make available to a single person, may not limit the number of public records that it will make available during a fixed period of time, and may not establish a fixed period of time before it will respond to a request for inspection or copying of public records, unless that period is less than eight hours.

The public office shall distribute the public records policy adopted by the public office under this division to the employee of the public office who is the records custodian or records manager or otherwise has custody of the records of that office. The public office shall require that employee to acknowledge receipt of the copy of the public records policy. The public office shall create a poster that describes its public records policy and shall post the poster in a conspicuous place in the public office and in all locations where the public office has branch offices. The public office may post its public records policy on the internet web site of the public office if the public office maintains an internet web site. A public office that has established a manual or handbook of its general policies and procedures for all employees of the public office shall include the public records policy of the public office in the manual or handbook.

The Village's elected officials (Fiscal Officer, Mayor and Council) are required to attend public records training, however we noted none of the elected officials attended public records training during their term, and there was no documentation that a designee was appointed to attend the required training on their behalf.

The Village has a public records policy, however has not posted the policy in a conspicuous place within the public office. The Village has appointed the Village Fiscal Officer as the records custodian, however there is no written acknowledgement she has received a copy of the policy.

We recommend all elected officials attend the required public records training for each term of office, or formally document an appointed designee to attend on their behalf. We also recommend the Village ensure the public records policy is publicly posted and written evidence is maintained that the records custodian has received the policy.

4. Ohio Rev. Code § 5705.10(C) states all revenue derived from a special levy shall be credited to a special fund for the purpose for which the levy was made.

In 2019, the Village improperly recorded real estate settlement receipts and the related homestead and rollback receipts totaling \$5,699 in the General Fund, however should have been recorded in the Special Revenue Garbage Levy Fund. In 2018, the Village improperly recorded homestead and rollback receipts totaling \$1,610 in the General Fund, however should have been recorded in the Special Revenue Garbage Levy Fund.

Current Year Observations (Continued)

4. Ohio Rev. Code § 5705.10(C) (Continued)

The 2018 error was posted by the Village as a fund balance adjustment on March 12, 2019. The 2019 error has been agreed to by the Village and posted to their ledgers in 2020.

The Village should ensure receipts are posted to the appropriate funds per the *Statement of Semi-Annual Apportionment of Taxes* received by the County Auditor to avoid future errors. Our prior basic audit also reported this non-compliance.

5. Ohio Rev. Code § 5705.36(A)(2) states the total appropriations made during the fiscal year from any fund shall not exceed the amount set forth as available for expenditure from such fund in the official certificate of estimated resources, or any amendment thereof, certified prior to the making of the appropriation or supplemental appropriation.

The Village recorded a fund balance adjustment to correct a prior period error, which resulted in the January 1, 2019 General Fund unencumbered balance decreasing by \$1,610, and the Village did not obtain an *Amended Certificate of Estimated Resources* to reflect the change. This error resulted in the Village's appropriations exceeding estimated resources by \$1,610 for fiscal year 2019.

Failure to ensure budgetary documents are updated could result in overspending and/or deficit fund balances.

6. 26 USC § 3402 and Ohio Rev. Code § 5747.06 requires every employer, including the state and its political subdivisions making payments of any compensation to an employee who is a taxpayer, to deduct and withhold from such compensation for each payroll period a tax substantially equivalent to the tax reasonably estimated to be due under this chapter with respect to the amount of such compensation included in his adjusted gross income during the calendar year. 26 USC § 3102(a) requires employers to withhold social security Medicare tax from an employee's wages if the employee was hired after April 1, 1986. Ohio Rev. Code § 145.03 states that employees eligible for exemption from the Ohio Public Employees Retirement System (OPERS) may choose to be exempt from compulsory membership by signing a written application for exemption within the first month after being employed.

We noted that no individuals had Federal, State, Medicare or pension withheld from their pay. Additionally, the Village did not pay the employer portion of Medicare or any required pension payment. The Village has identified Council, the Mayor and Fiscal Officer as independent contractors; however, they are elected officials and should not be identified as independent contractors.

The Village should not identify elected and/or appointed officials to be independent contractors. The Village should review OPERS guidelines to determine employees eligible for OPERS retirement and make the appropriate withholdings and payments. Employees not eligible for OPERS should have Social Security withheld and paid. All other applicable payroll withholdings should be identified and appropriately withheld and paid on behalf of the employees. Our prior basic audit also reported this non-compliance.

This matter will be referred to the IRS, State of Ohio, and OPERS for whatever action deemed necessary.

Current Year Observations (Continued)

7. Monthly reconciliations between the Village's bank statements and accounting ledgers should be performed on a timely basis. Any variances between the bank balance and accounting ledgers, such as outstanding checks or deposits-in-transit, should be recorded on a formal bank-to-book reconciliation as reconciling items.

Per review of the December 2019 and May 2020 bank statements and Village ledgers, no bank to book reconciliations had been completed by the Village Fiscal Officer other than a note indicating "balanced & reconciled" on the bank statement envelope and markings on the bank statement noting the transaction was recorded in the Village's ledgers. While the Village did not perform a formal bank reconciliation, alternative audit procedures were performed to gain assurances the Village was properly reconciled as of December 31, 2019 and May 31, 2020.

Failure to complete a reconciliation could result in inaccurate information being used by Council to make sound financial decisions for the Village.

The Village Fiscal Officer should complete a formal monthly bank to book reconciliations on a timely basis. Additionally, the reconciliation should be presented to Village Council and formally approved in the minutes during the monthly council meetings. Our prior basic audit also reported this control issue.

8. Sound accounting practices require accurately posting estimated receipts and appropriations to the ledgers to provide information for budget versus actual comparison and to allow the Village Council to make informed decisions regarding budgetary matters.

The original certificate and amendments establish the amounts available for expenditures for the Village and the receipts journal provides the process by which the Village controls what is available, it is therefore necessary the amounts estimated by the County Budget Commission are posted accurately to the receipts journal.

The Village did not have procedures in place to accurately post authorized budgetary measures to the accounting system. The approved Certificate of Estimated Resources (and amendments thereof) were not posted to the Village's manual accounting ledgers. It was also noted the Village did not review budget versus actual receipts and appropriations throughout 2019 and 2018.

Failure to accurately post the estimated resources to the ledgers and failure to review budget versus actual receipts and appropriations could result in overspending and negative cash balances.

To effectively control the budgetary cycle and to maintain accountability over receipts and expenditures, the Village should post to the ledgers, on a timely basis, estimated resources as certified by the budget commission. The Village should then monitor budget versus actual reports to help ensure amended certificates of resources and appropriations have been properly posted to the ledgers.

9. The Village's small size requires governing board involvement with critical accounting processes (such as the review and approval of all revenue and disbursements) to compensate for the inability to segregate the duties of the accounting function. Currently, Council reviews and approve revenue information each month in aggregate but not in detail. The absence of a review of detailed receipt information may be a significant deficiency in internal accounting control which could possibly result in inaccurate cash balances or even undetected theft.

Current Year Observations (Continued)

9. Segregation of Duties (Continued)

The Village's Fiscal Officer should submit the monthly Cash Journal and bank to book reconciliation to Council for review and approval. This will allow Council timely review of financial information and compensate for the lack of segregation of duties within the accounting function. Our prior basic audit also reported this control issue.

A handwritten signature in black ink that reads "Keith Faber". The signature is written in a cursive, flowing style.

Keith Faber
Auditor of State
Columbus, Ohio

June 30, 2020

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OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF NELLIE

COSHOCTON 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 14, 2020**