



OHIO AUDITOR OF STATE
KEITH FABER



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BASIC AUDIT REPORT

Village of Stone Creek
Tuscarawas County
P.O. Box 117
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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 Stone Creek, Tuscarawas County, Ohio (the Village) for the years ended December 31, 2021 and 2020.

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, 2021 and 2020.

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 §§ 109.43(B) and 149.43(E)(1)** require all state and local elected officials, or their designees, to attend 3 hours of training on Ohio's Public Records Laws during each term of office. The training received must be certified by the Ohio Attorney General. Proof of completion of training must include documentation either from the Attorney General's Office or from another entity certified by the Attorney General to provide the training to the elected official or his/her designee. Attendees who successfully complete the training will receive a certificate to serve as proof of training.

All four of the Village's elected officials with terms ending in 2020 or 2021, did not, during their term of office, attend a required Certified Public Records Training or have an appropriate designee attend a training, due to deficiencies in internal controls over public record laws training procedures and monitoring. This could result in improper education of public offices regarding the offices' duties related to public records requests as well as improper withholding of information from stakeholders.

The elected officials, or their designee(s), should, during their term of office, attend public records training and maintain proof of completion of the training.

Current Year Observations (Continued)

2. **Ohio Rev. Code § 117.38** provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. **Ohio Rev. Code § 117.38(B)**, states that the report shall be certified by the proper officer or board and filed with the Auditor of State within sixty days after the close of the fiscal year.

As the Village prepares regulatory financial statements, the Village failed to file the 2021 financial statements by the required date of March 1, 2022, as the statements were filed on March 10, 2022.

The Village should implement procedures to ensure that financial statements are filed with the Auditor of State within sixty days after the close of the fiscal year.

3. **Ohio Rev. Code § 121.22(C)** requires the minutes of a regular or special meeting of any public body shall be promptly prepared, filed, and maintained and shall be open to public inspection.

During testing, it was noted that the minutes for the follow meetings were not maintained: November and December 2020, January to March 2021, July 2021, and September to October 2021. As such, we were unable to determine what decisions were made by Village management during that time.

The Village should ensure that minutes are properly prepared, filed, and maintained for all public meetings.

4. **Ohio Rev. Code § 145.48** states, in part, that each employer shall pay to the public employees retirement system (OPERS) an amount that shall be a certain percent of the earnable salary of all contributions to be known as the "employer contribution."

In 2021, the Fiscal Officer failed to remit the pension withholdings and employer share for the months of in a timely manner as showed below:

- \$230 January payroll amounts were paid in April 2021;
- \$230 February payroll amounts were paid in April 2021;
- \$270 April payroll amounts were paid in June 2021;
- \$299 July payroll amounts were paid in September 2021;
- \$616 from payroll of October to December were paid in February 2022.

As a result, the Village incurred penalties and interest of \$15 from OPERS.

By failing to pay amounts due in a timely manner, the Village increases the risk of errors in the reconciliation and increases the chances of incurring penalties or interest charges from OPERS.

The Fiscal Officer should take care to ensure that the full amount due and posted to the accounting ledger is properly paid. By taking such steps the Village will avoid financial penalties and ensure compliance with this section. Our prior basic audit also reported this non-compliance.

5. **Ohio Rev. Code § 149.43(E)(2)** requires all public offices to create and display in a conspicuous place in all locations where the public office has branch offices a poster describing the public records policy.

Although the Village has adopted a public records policy, the Village failed to display a public records poster.

The Village should implement procedures to ensure that a public records poster is displayed in to comply with Ohio Rev. Code § 149.43(E)(2).

Current Year Observations (Continued)

6. **Ohio Rev. Code § 507.12(A)** provides that to enhance the background and working knowledge of township fiscal officers in government accounting, budgeting and financing, financial report preparation, cybersecurity, and the rules adopted by the auditor of state, the auditor of state shall conduct education programs and continuing education courses for individuals elected or appointed for the first time to the office of township fiscal officer, and shall conduct continuing education courses for individuals who continue to hold the office in a subsequent term. The Ohio township association also may conduct such initial education programs and continuing education courses if approved by the auditor of state. The auditor of state, in conjunction with the Ohio township association, shall determine the manner and content of the initial education programs and continuing education courses.

Ohio Rev. Code § 507.12(C)(2) states a township fiscal officer who is elected to a subsequent term of office shall complete twelve hours of continuing education courses in each subsequent term of office. Furthermore, Ohio Rev. Code § 507.12(C)(4) provides that at least two hours of ethics instruction shall be included in the continuing education hours required by divisions (C)(1) and (2) of this section.

The former Fiscal Officer, who was serving a re-elected term that ended March 31, 2020, should have completed a total of twelve hours of continuing education during the term. Review of the Auditor of State (AOS) online database shows that the Fiscal Officer did not complete any continuing education. There were also no paper copies of training certifications to show that continuing education was completed.

The Fiscal Officer should register through the AOS on-line database and begin self-reporting continuing education hours. Fiscal Officers can access the Fiscal Integrity Act portal at <http://www.ohioauditor.gov/fiscalintegrity/default.html>.

7. **Ohio Rev. Code § 5705.10(D)** provides in part that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose.

Additionally, Auditor of State Bulletin 2021-004 outlines that all State and Local Fiscal Recovery Funds should be recorded in a separate fund. This allows the Village to properly track the expense made with these federal funds.

The Village inappropriately recorded \$8,956 in State and Local Fiscal Recovery Funds in the General Fund. Given the source of the revenue, this should have been recorded in its own separate Special Revenue Fund.

Fund balances adjustments were agreed upon by management and posted to the Village's system. The Village should implement procedures to help ensure all transactions are posted to the proper funds.

Current Year Observations (Continued)

8. **Ohio Rev. Code § 5735.28** requires that wherever a municipal corporation is on the line of the state highway system as designated by the director of transportation as an extension or continuance of the state highway system, seven and one-half per cent of the amount paid to any municipal corporation pursuant to §§ 4501.04, and 5735.27 of the Revised Code shall be used by it only to construct, reconstruct, repave, widen, maintain, and repair such highways, to purchase, erect, and maintain traffic lights and signals, and to erect and maintain street and traffic signs and markers on such highways, or to pay principal, interest, and charges on bonds and other obligations issued pursuant to Chapter 133 of the Revised Code or incurred pursuant to § 5531.09 of the Revised Code for such purposes.

Ohio Rev. Code §§ 4501.04 and 5735.27 require that monies from auto registration distributions and gasoline excise tax revenue shall be used for specific purposes in regard to the Village's streets.

The Village received gasoline excise tax and state and local government highway distributions. The Village has one state highway within its corporation limits and has established the State Highway Fund to account for the seven and one-half percent distribution of these revenues. They have also established the Street Construction Maintenance and Repair Fund to account for remaining 92.5 percent distribution of these revenues.

The Village received these revenues in these two funds. However, Gasoline excise tax and state and local government highway distribution were not always properly allocated to the Street Construction Maintenance and Repair Fund and State Highway Fund. Revenue was inaccurately reported as follows:

- In 2020, the Street Construction Maintenance and Repair Fund balance was understated and the State Highway Fund balance was overstated by \$880.
- In 2021, the Street Construction Maintenance and Repair Fund balance was understated and the State Highway Fund balance was overstated by \$787.

Inaccurate reporting of revenue could lead to gasoline excise taxes and state and local government highway distribution monies being utilized for unallowable disbursements that do not correspond with the legally required intent as defined in State statutes.

These adjustments were agreed to by management and posted to the Village's accounting system accordingly.

The Village should implement procedures to ensure that gasoline excise tax and state and local government highway distribution funds are properly recorded.

9. **Ohio Rev. Code § 5747.07** requires an employing government to remit taxes which it withheld pursuant to Ohio Rev. Code § 5705.06 (including the state payroll tax) to the appropriate authority. It also requires the employing government to report compensation paid and taxes withheld to the tax commissioner and to each of its own employees by January 31 of each year. The Village Fiscal Officer did withhold the required state payroll taxes for both 2021 and 2020; however, withheld amounts were not remitted to the state of Ohio Treasurer's Office until May 2022. As a result, the Village incurred penalties and interest of \$1.

The Fiscal Officer should remit the proper state taxes promptly to the State of Ohio Treasurer's Office each period, as required.

Current Year Observations (Continued)

10. 26 U.S.C. §3102 states that Medicare taxes should be deducted from employees' compensation for all employees hired after March 31, 1986. Furthermore, employers are liable for reporting and remitting these taxes.

26 U.S.C. § 3402(a)(1) states in general, except as otherwise provided in this section, every employer making payment of wages shall deduct and withhold upon such wages a tax determined in accordance with tables or computational procedures prescribed by the Secretary.

26 U.S.C. § 3403 states that the employer shall be liable for the payment of the tax required to be deducted and withheld under this chapter, and shall not be liable to any person for the amount of any such payment.

During our testing for 2021, we noted that the Village properly withheld \$912 in federal taxes and Medicare. However, the withholdings were not remitted to the Internal Revenue Services until July 2022.

Failure to remit federal taxes in a timely fashion, as required, could subject the Village to penalties and interest charges. The Fiscal Officer should remit the proper federal taxes and Medicare promptly to the Internal Revenue Service each period, as required.

11. Ordinance No. 2015-2 Village of Stone Creek Income Tax Ordinance, effective January 1, 2016, states that the annual tax is levied at a rate of 1% on all persons residing in or earning or receiving income in the Village of Stone Creek. The Village's Fiscal Officer also serves as the Village's Tax Administrator.

At the beginning of each year, the Tax Administrator obtains a listing of all property owners within the Village limits. The Tax Administrator will then mail an income tax form to each property owner even though some of the owners might not need to remit income tax. The Tax Administrator uses this listing to track when an individual or business remits a tax form in order to monitor those who do not respond.

When an income tax payment is received, the money is deposited by the Tax Administrator. Each deposit of income tax receipts solely consists of income tax money. If the Tax Administrator has other receipts such as County checks to deposit, then a separate deposit slip is used. Any un-deposited money is kept either in the Village's post office box or in a money bag within the Village Tax Administrator's house.

Additionally, for each income tax deposit, the Tax Administrator maintains a spreadsheet showing all the income tax forms collected for that period and the amount of income remitted. The amount remitted is then totaled at the bottom of the spreadsheet. Once the income tax receipts are deposited in the bank, the bank deposit slip is attached to the spreadsheet to show that the amounts agreed and that all income tax receipts collected were deposited. The income tax forms and statements submitted by the individuals or businesses are kept with the respective spreadsheet and maintained in a monthly binder by the Tax Administrator.

Current Year Observations (Continued)

11. Ordinance No. 2015-2 Village of Stone Creek Income Tax Ordinance (Continued)

However, during testing of income tax receipts, we noted the following:

- The Tax Administrator did not maintain the list of property owners received from the County for 2020 and 2021, which would provide evidence that the Tax Administrator monitored those individuals or businesses that did not properly remit tax forms to the Village.
- Starting in August 2020, the Fiscal Officer no longer maintained a spreadsheet for income tax receipt batch/posting that shows the income tax forms collected for that period and the amount of income remitted. The Fiscal Officer also did not implement any other procedure to ensure that the income tax supporting documentation could be agreed to the UAN receipt.

In fact, as the audit period progressed, all tax returns and receipts were just placed in a box in an unorganized manner by the end of 2021. Once the income tax records were organized by the Village, it was discovered that there were two returns with checks from the income taxpayer that were not deposited. Total undeposited checks was \$127.

Additionally, there were three income tax returns that showed that income tax was remitted (totaling \$200) that could not be matched to UAN receipts.

- The Tax Administrator did not have a method to track when a resident or business taxpayer remits their taxes in order to determine if a follow-up is required.
- The Tax Administrator does not appear to issue tax refunds as one individual's tax returns shows that he is owed tax refunds for several years of returns. The 2020 and 2021 UAN Payment Listing also showed that no refunds were issued to the taxpayer.

Lastly, the Village properly withheld income tax from their employees that reside within the Village. However, the income tax withheld for the period of July to December 2021 was not remitted to Village until May 2022. Since the Village has part time employees with wages and withholdings being paid from a Special Revenue fund, this remittance of income tax receipts is necessary to reflect the income tax withholdings as income tax revenue within the General Fund.

The Village should implement procedures to ensure that proper documents are maintained in order for the Tax Administrator to properly monitor when an income tax return is received in order to determine if there are any businesses or individuals that did not remit taxes. This will help ensure the completeness of the income tax monies. Additionally, the Village should implement procedures to ensure that all income tax payments are properly deposited and that refunds are issued to the taxpayer when necessary. Lastly, the Village should ensure that income taxes are remitted on a timely basis. This matter was also partially included in our prior basic audit report.

12. 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.

During testing of reimbursements to the fiscal officer, we noted in 2021 that there were two reimbursements to the Fiscal Officer for internet amounting to \$25 and for postage amounting to \$11 was not properly supported by vendor invoices or other supporting documentation. Based on the purchasing history of the Village, these transactions appeared to be for normal activities of the Village.

Failure to maintain organized 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.

Current Year Observations (Continued)

13. The Village utilizes Uniform Account Network (UAN) software to record all receipts received by the Village. The system also shows when a receipt is posted to the system. The Village's receipts are comprised of state monies such as local government funds, county monies such as real estate tax, motor vehicle license tax and gasoline tax, municipal income tax monies, and interest. All state funds are received via EFT and the funds from the county and municipal income tax are received via check.

At the end of each month, a bank reconciliation is completed and given to Council for review. Council also receives a monthly fund status report and a payment listing report.

During 2021 and 2020, we noted that there were many receipts that were not posted to the general ledger in a timely manner as there was a substantial lag between the date when the receipt was received and the date the receipt was recorded:

- Of the 176 receipts recorded in 2020, 29 receipts totaling \$9,317 were not posted to UAN within 30 days resulting in a range of 33 to 61 lag days.
- Of the 195 receipts recorded in 2021, 142 receipts totaling \$37,948 were not posted to UAN within 30 days resulting in a range of 31 to 175 lag days.

Since revenue was not being posted timely, bank reconciliations were also not being completed in a timely manner as shown below:

- January through February 2021 bank reconciliations were not completed until April 2021;
- March through May bank reconciliations were not completed until July 2021; and
- September through December bank reconciliations were not completed until February 2022.

Additionally, during testing over the December 2021 bank reconciliation, we noted some improperly recorded reconciling items as shown below:

- The Fiscal Officer included two checks totaling \$58 that were written in 2020 from the General Fund and shown as outstanding checks on the outstanding payment listing. However, the Fiscal Officer reissued the checks and neglected to void the original checks in the UAN system and remove the checks from the outstanding payment listing. These outstanding checks were still shown as reconciling items on the May 2023 bank reconciliation.
- The Fiscal Officer reflected two outstanding receipts totaling \$588 dating back to July 2021 and September 2021. However, the Fiscal Officer had improperly posted the receipts twice in the General Fund in the UAN system causing the outstanding receipts. These outstanding receipts were still shown as reconciling items on the May 2023 bank reconciliation.

Fund balance adjustments were agreed to by management and posted to the UAN system in May 2023.

The Village should implement procedures to ensure that receipts are deposited and posted to the general ledger in a timely manner. This will help reduce the risk of receipts being misplaced. This will also ensure that the monthly reports printed from the UAN system will reflect a current status of the Village's financial position. Additionally, monthly bank reconciliations should be properly completed in a timely manner in order to identify any unaccounted receipts or expenditures. 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

October 11, 2023

OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF STONE CREEK

TUSCARAWAS COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 10/24/2023

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This report is a matter of public record and is available online at
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