Ohio Auditor of State

Top 10 Audit Comments

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Agenda

• Types of Audit Comments
• Common comments

Terminology

• GAGAS
  • Generally Accepted Government Auditing Standards
  • Comments affecting the financial statements
  • aka: the Yellow Book
• Single Audit
  • The Single Audit Act of 1984 (amended in 1996) – applicable if entity expends $750,000 of federal dollars in 1 year.
  • Comments affecting federal programs
• Noncompliance = Citation
• Recommendation = Internal Control Deficiency
Levels of Audit Comments

- Report Level
- Management Level
- Verbal

Types of Audit Comments

- Report Level
  - Single Audit
    - Noncompliance
    - Internal Control Material Weakness or Significant Deficiency
  - GAGAS
    - Noncompliance
    - Internal Control Material Weakness or Significant Deficiency

- Management Letter or Verbal
  - Noncompliance
  - Recommendation
Noncompliance Examples

- Federal Code of Regulations (CFR)
- Grant Agreement
- United States Code (USC)
- Federal & State Court Decisions
- Ohio Administrative Code (OAC)
- Ohio Revised Code (ORC)
- Ohio Constitution
- Ohio Ethics Commission Opinions
- Local Ordinance, Policy, Resolution, etc.

Ohio Compliance Supplement

- Ohio Property and Evidence Room Best Practices Manual
- Ohio Compliance Supplement Manuals
  - County Board of Developmental Disabilities Manual

Ohio Compliance Supplement

Ohio Compliance Supplement Manuals

2018
- Ohio Compliance Supplement Implementation Guide (PDF)
  - Exhibit M Compliance ACE (Microsoft Word)
- Ohio Compliance Supplement Manuals (PDF)
  - Chapter 1: Street Laws (PDF) (Microsoft Word)
  - Chapter 2: Subpoena Laws and Miscellaneous Mandated Tests (PDF) (Microsoft Word)
  - Chapter 3: Immunity Laws (PDF) (Microsoft Word)
- Optional Precedence Manual (Microsoft Word)
Example Noncompliance Citation

FINDINGS NUMBER 2016-020

Material Weakness/Noncompliance

Ohio Revised Code Section 1709.14(D) provides that no solicitor or taxing and shall make any expenditure of any monies or emoluments except as paid from the fund for which the certificate was issued or on account of any such fund, unless the certificate for which the expenditure was made has been fully appropriated and is in the treasury or is in the process of collection on the credit of or an appropriation from any other fund or proceeds from any other source. Only those solicitors or taxing officers must sign the certificate, every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount therein

There are several exceptions to the standard requirement stated above that a fiscal officer’s certificate must be obtained prior to a solicitation or taxing authority entering into a contract or entering into an expenditure of money. The main exceptions are: “written and oral” certificates, “blanket certificates,” and “written statements” which are provided for in sections 1709.14(D), 1709.14(E), and 1709.15(D)(1).
Example Internal Control Comment

Common Noncompliance Citations

Common Noncompliance Comment

ORC 5705.41 (D) requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the Treasurer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only the subdivision's fiscal officer. Every contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon.
Common Noncompliance Comment

**Ohio Rev. Code § 5705.41(B)** states, in part, that no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated.

Total disbursements and outstanding commitments exceeded appropriations in the Water Fund by $45,557 in 2016. As a result, there was an increased risk of the Village incurring deficit cash balances.

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Common Noncompliance Comment

**Ohio Revised Code §5705.39** states that total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure therefrom, as certified by the budget commission, or in case of appeal, by the board of tax appeals.

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Common Noncompliance Comment

Ohio Revised Code §5705.38 (A) requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1.
Common Noncompliance Comment

Ohio Revised Code Section 5705.36(A)(3) states upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be greater than the amount included in an official certificate and the legislative authority intends to appropriate and expend the excess revenue, the fiscal officer shall certify the amount of the excess to the commission, and if the commission determines that the fiscal officer’s certification is reasonable, the commission shall certify an amended official certificate reflecting the excess.

Ohio Revised Code Section 5705.36(A)(4) states upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency.

Common Noncompliance Comment

5705.10 (C) requires that all revenue derived from a special levy shall be credited to a special fund for the purpose for which the levy was made.

In addition to property tax monies being assessed and collected for the levies, the State of Ohio reimbursed taxing subdivisions for homestead and rollback. These revenues were derived and allocated upon property tax levies.

Sample Property Tax Settlement
Common Noncompliance Comment

Ohio Rev. Code Section 135.22 states that annually a treasurer shall complete continuing education programs to enhance the background and working knowledge of investments, cash management, and ethics, unless the treasurer provides annually to the Auditor of State a notice of exemption. The notice shall be certified by the Treasurer of State and shall provide that the treasurer is not subject to the continuing education requirements.

Common Noncompliance Comment

Section 117.38, Ohio Revised Code requires cash basis entities to file complete annual reports via the Hinkle System within 60 days of the fiscal year end. To be considered complete, the regulatory filing must contain a statement or statements of receipts, disbursements and changes in fund balance – governmental, proprietary and fiduciary fund types and notes to the basic financial statements.

Annual Financial Statement Filing

For regulatory entities:
http://www.ohioauditor.gov/references/shells/regulatory.html

For OCBOA entities:
http://www.ohioauditor.gov/references/shells/gasb34ocboa.html
Annual Financial Statement Filing


Annual Financial Statement Filing

Hinkle System

Hinkle Annual Financial Data Reporting System

Annual Financial Statement Filing

More References

- Quick Index
- Index
- Additional Guidance
Common Internal Control Issues

Internal Control Comment

Charges for Services – Water & Sewer Accountability Deficiency
- Service Organization Issues
- Proper rates
- Unauthorized account adjustments

Internal Control Comment

Prior to closing out the financial records each month, the bank account balances should be reconciled to the combined fund balances. This procedure is an important method of detecting errors in the financial records and bank account records. After this procedure is completed any errors found should be immediately corrected, the financial records closed, and month end financial information generated by the Clerk/Treasurer.
Internal Control Comment

**Financial Reporting**
The Municipality should have procedures and controls in place to prevent and detect errors in the financial statements and accounting records to help assure that the information provided to the users is complete and accurate. The following errors were identified in the accounting records and/or financial statements:

See the AOS website at: [http://www.ohioauditor.gov/publications.html](http://www.ohioauditor.gov/publications.html)
For the Ohio Village Officer’s Handbook

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Internal Control Comment

The Village did not have a control in place to ensure that amended certificates as authorized by Council reconciled to estimated resources that were posted to the accounting system. This resulted in incorrect amounts being posted to the accounting system for the General Fund 2017.

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Runners Up
Noncompliance

Ohio Rev. Code § 121.22(C) states in part the minutes of a regular or special meeting of the Village shall be promptly prepared, filed and maintained and shall accurately reflect the general subject matter of discussions held in executive sessions.

During the period, the Village did not maintain minutes that were able to accurately reflect the actions the Council took during its meetings. Information excluded from the minutes is comprised of the following:

• Approving bank reconciliations
• Approving salary schedules for four part time employees.
• Approving compensatory time disbursements

Not adequately maintaining a complete record of Village meetings can result in violations of the Sunshine Law and increase the risk of unallowable activity occurring.

The Village should develop additional procedures to help ensure all actions taken during meetings of public session are properly recorded in the meeting minutes.

Internal Control

Segregation of Duties:

The small size of the Village’s staff does not allow for an adequate segregation of duties; the Fiscal Officer must perform all accounting functions. It is therefore important that Council and the Finance Committee monitor financial activity closely.

Internal Control

Policy Deficiencies

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 did not have policies governing the following items which are utilized by the Village’s employees during the course of their employment:

• Credit Card Policy
• Petty Cash Policy
• Prohibited Political Activities / Outside Employment Policy
Questions??

Local Government Officials Conference

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