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
  - GAGAS
    - Noncompliance
    - Internal Control
      - Material Weakness
      - Significant Deficiency
      - Noncompliance
      - Internal Control
        - Material Weakness
        - 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 Compliance Supplement Manuals

Ohio Compliance Supplement Manuals

Ohio Compliance Supplement Manuals
Ohio Compliance Supplement

Example Noncompliance Citation

FINDINGS NUMBER 2016-022
Material Weakness/Noncompliance

Ohio Revised Code Section 770.441(D) requires that no subdivision or taxing and shall make any expenditure or appropriation for the construction of any public improvement upon a certificate signed by the fiscal officer and countersigned by the auditor. A certificate must be in writing, must be signed by the fiscal officer, and the expenditure must be made only from the funds specifically appropriated for the purpose. The certificate must be attached to the entry in the minutes of a meeting at which the expenditure is authorized. The expenditure must not exceed the amount for which funds were appropriated. The expenditure must be made as soon as practicable after the funds are received.

Material weakness: The fiscal officer's certificate was not signed by the auditor. The expenditure was made without the auditor's signature, and the certificate was not attached to the entry in the minutes of the meeting.

1. "Cash and warrant" certificate: If the fiscal officer can certify that the amount in the certificate is reasonable and necessary, the warrant may be issued. The warrant is then issued by the auditor to the order of the fiscal officer. The warrant must be signed by the auditor and attached to the entry in the minutes of the meeting at which the expenditure is authorized.

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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

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 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.
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 Township incurring deficit cash balances.

Common Noncompliance Comment

Ohio Rev. Code § 505.24(C) sets forth the method by which township trustees’ compensation should be allocated. This section is further clarified by Ohio Attorney General (OAG) Opinion 2004-036.

For salaries not paid from the General Fund, pursuant to OAG Opinion 2004-036, trustees are required to establish administrative procedures to document the proportionate amount chargeable to other Township funds based on the kinds of services rendered. The “administrative procedures” can be time sheets or a similar method of record keeping, as long as the trustees document all the time spent on Township business and the type of service performed, in a manner similar to trustees paid per diem compensation. If trustees do not document their time, then no part of salaries may be paid from these other funds.

Also, as clarified in Auditor of State Bulletin 2013-002, township officials are required to attend board meetings in order to conduct the regular business of the township. Attendance at board meetings and other activities supporting the general business of the township must be allocated to the general fund; therefore, the allocation of 100 percent of an official’s compensation to funds other than the general fund is not permitted under Ohio law.

Common Noncompliance Comment

Ohio Revised Code Section 149.43(E)(1) states, in part, that all elected officials or their appropriate designee shall attend training approved by the attorney general as well as that all public offices that 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 section 109.43 of the Revised Code.

Ohio Revised Code Section 149.43(E)(2) further states, in part, that 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.
Common Noncompliance Comment

Ohio Rev. Code § 117.103 (B) (1) states that a public office shall provide information about the Ohio fraud-reporting system and the means of reporting fraud to each new employee upon employment with the public office. Each new employee shall confirm receipt of this information within thirty days after beginning employment.

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

On our web page: http://www.ohioauditor.gov/
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 Internal Control Issue

Internal Control Comment

Financial Reporting
The Township 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
For the Ohio Township Handbook
Accounting System deficiencies - Budgetary

The Township did not have a control in place to ensure that amended certificates as authorized by the Board of Trustees 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 and the Road & Bridge Fund in 2017.

Runners Up

Noncompliance

Ohio Rev. Code § 121.22(C) states in part the minutes of a regular or special meeting of the Township shall be promptly prepared, filed and maintained and shall be open to public inspection. The minutes need only reflect the general subject matter of discussions held in executive sessions. During the period, the Township 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 Township meetings can result in violations of the Sunshine Law and increase the risk of unallowable activity occurring.

The Township 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 Township's staff does not allow for an adequate segregation of duties; the Fiscal Officer must perform all accounting functions. It is therefore important that the Board of Trustees and the Audit 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 Township did not have policies governing the following items which are utilized by the Township's employees during the course of their employment:

- Credit Card Policy
- Petty Cash Policy
- Prohibited Political Activities / Outside Employment Policy

Questions??