



Dave Yost • Auditor of State



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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Village of Octa
Fayette County
8029 Allen Street
Washington Court House, Ohio 43160

We have performed the procedures enumerated below, with which the Village Council and Mayor, and the management of the Village of Octa, Fayette County (the Village) have agreed, solely to assist the Council and Mayor in evaluating receipts, disbursements and balances recorded in their cash-basis accounting records for the years ended December 31, 2013 and 2012, including receipts, disbursements and balances, and certain compliance requirements related to these transactions and balances. Management is responsible for recording transactions; and management, the Mayor, and / or the Council are responsible for complying with the compliance requirements. This agreed-upon procedures engagement was conducted in accordance with the American Institute of Certified Public Accountants' attestation standards and applicable attestation engagement standards included in the Comptroller General of the United States' *Government Auditing Standards*. The sufficiency of the procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

This report only describes exceptions exceeding \$10.

Cash

1. We tested the mathematical accuracy of the December 31, 2013 and December 31, 2012 bank reconciliations. We found no exceptions.
2. We agreed the January 1, 2012 beginning fund balances recorded in the Fund Ledger Report to the December 31, 2011 balances in the prior year audited statements. We noted that the 2011 audited financial statement ending balances did not agree to the accounting system's 2012 beginning balances. The January 1, 2012 accounting system beginning balance was \$123 more than the December 31, 2011 balances reported in the prior year audited statements. The General Fund January 1, 2012 accounting system balance was \$257 more than the December 31, 2011 General Fund balance reported in the prior year audited financial statements. The combined Special Revenue funds' January 1, 2012 accounting system balances were \$134 less than the December 31, 2011 balances reported in the prior year audited financial statements. We recommend that the Village post all audit adjustments and agree beginning and ending balances. We also agreed the January 1, 2013 beginning fund balances recorded in the Fund Ledger Report to the December 31, 2012 balances in the Fund Ledger Report.
3. We agreed the totals per the bank reconciliations to the total of the December 31, 2013 and 2012 fund cash balances reported in the Fund Status Reports. The amounts agreed.
4. We observed the year-end bank balance on the financial institution's website. The balance agreed. We also agreed the confirmed balances to the amounts appearing in the December 31, 2013 bank reconciliation without exception.

5. We selected two reconciling debits (such as outstanding checks) haphazardly from the December 31, 2013 bank reconciliation:
 - a. We traced each debit to the subsequent January bank statement. We found no exceptions.
 - b. We traced the amounts and dates to the payment register detail to determine the debits were dated prior to December 31. We noted no exceptions.

Property Taxes, Intergovernmental and Other Confirmable Cash Receipts

1. We selected a property tax receipt from two *Statement of Semiannual Apportionment of Taxes* (the Statement) for 2013 and two from 2012:
 - a. We traced the gross receipts from the *Statement* to the amount recorded in the Receipt Register Report. We noted that the receipts were posted at net instead of the gross amount less Auditor and Treasurer Fees during both 2013 and 2012. This caused an understatement of receipts and expenditures of \$246 and \$183 in 2012 and 2013, respectively. We recommend that the Village post the receipts at the gross amount with an offsetting expenditure for deductions.
 - b. We determined whether the receipt was allocated to the proper fund as required by Ohio Rev. Code Sections 5705.05-.06 and 5705.10. We found no exceptions.
 - c. We determined whether the receipt was recorded in the proper year. The receipt was recorded in the proper year.
2. We scanned the Receipt Register Report to determine whether it included two real estate tax receipts for 2013 and 2012. We noted the Receipts Register Report included the proper number of tax receipts for each year.
3. We selected five receipts from the State Distribution Transaction Lists (DTL) from 2013 and five from 2012. We also selected five receipts from the County Auditor's DTLs from 2013 and five from 2012.
 - a. We compared the amount from the above reports to the amount recorded in the Receipt Register Report. The amounts agreed.
 - b. We determined whether these receipts were allocated to the proper fund(s). We found one exception. In 2013, a portion of a lodging tax receipt totaling \$9,326 was posted incorrectly. \$1,500 was incorrectly posted to the Street Construction Maintenance Repair Fund and \$500 was incorrectly posted to the Parks & Recreation Fund, these receipts should have been posted to the General Fund. We recommend that the Fiscal Officer properly post receipts to the correct funds. Audit adjustments were made to the Village's accounting records.
 - c. We determined whether the receipts were recorded in the proper year. We found no exceptions.
4. We confirmed the amounts paid from the Fayette County Travel & Tourism Bureau to the Village during 2013 and 2012. We found no exceptions.

- a. We determined whether these receipts were allocated to the proper fund(s). We found one exception. In 2013, \$1,600 of the receipt was incorrectly posted to the General Fund. These monies should have been receipted into the Parks & Recreation Fund for the purpose of trail improvements and to maintain ball fields as outlined in the grant application. We recommend that the Village receipt monies into the proper fund. Audit adjustments were made to the Village's accounting records.
- b. We determined whether the receipts were recorded in the proper year. We found no exceptions.

Income Tax Receipts

- 1. We selected five income tax returns filed during 2013 and five from 2012.
 - a. We compared the payment amount recorded on the tax return to the amount recorded on the Fiscal Officer's Composition Book. The amounts agreed.
 - b. We compared the Fiscal Officer's Composition Book total from step a. to the amount recorded as income tax receipts in the Receipt Register Report for that date. The amounts agreed.
- 4. We determined whether the receipts were recorded in the year received. We found no exceptions.
- 5. We selected one income tax refund from 2012. The Village did not have any refunds during 2013.
 - a. We compared the refund paid from Payment Register Detail Report to the refund amount requested in the tax return. The amounts agreed.
 - b. We noted the refund was approved by the Fiscal Officer.
 - c. We noted the refunds were paid from the General Fund, as is required.

Debt

- 1. From the prior audit documentation, we noted the following note outstanding as of December 31, 2011. We also noted that the amount does not agree to the Village's January 1, 2012 balances on the summary we used in step 3. The principal outstanding should be \$19,616 because the amount below does not include an extra debt payment made in December 2011.

Issue	Principal outstanding as of December 31, 2011:
Promissory Note – Pole Barn	\$19,807

- 2. We inquired of management, and scanned the Receipt Register Report and Payment Register Detail Report for evidence of debt issued during 2013 or 2012 or debt payment activity during 2013 or 2012. All debt noted agreed to the summary we used in step 3. However, issues were noted in step 3 below.

3. We obtained a summary of note debt activity for 2013 and 2012 and agreed principal and interest payments from the related bank debt payment stubs to Parks & Recreation and General Funds' payments reported in the Payment Register Detail Report. We also compared the date the debt service payments were due to the date the Village made the payments. All debt payments were made per the debt payment stubs from the bank; however, the payments were not correctly recorded in the accounting system. The Village posted debt payments to capital outlay, park maintenance, and other financing uses. Payments should have been posted to principal and interest in the accounting system, per the UAN Village accounting codes.

Payroll Cash Disbursements

1. We haphazardly selected one payroll check for five employees from 2013 and one payroll check for five employees from 2012 from the Employee Wage Earnings Detail and:
 - a. We compared the hours and pay rate, or salary recorded in the Employee Wage Earnings Detail to supporting documentation (timecard, legislatively or statutorily-approved rate or salary). We found no exceptions.

We determined whether the fund and account code(s) to which the check was posted were reasonable based on the employees' duties as documented in the minute record. We also determined whether the payment was posted to the proper year. We found no exceptions.

2. We scanned the last remittance of tax and retirement withholdings for the year ended December 31, 2013 to determine whether remittances were timely paid, and if the amounts paid agreed to the amounts withheld, plus the employer's share where applicable, during the final withholding period during 2013. We noted the following:

Withholding (plus employer share, where applicable)	Date Due	Date Paid	Amount Due	Amount Paid
Federal income taxes & Medicare (and social security, for employees not enrolled in pension system)	January 31, 2014	01/29/14	\$645.21	\$645.21
State income taxes	January 15, 2014	01/29/14	\$113.32	\$113.32
Village of Octa income taxes	January 1, 2014	01/29/14	\$30	\$30
OPERS retirement	January 30, 2014	01/29/14	\$1,320	\$1,320

Non-Payroll Cash Disbursements

1. We haphazardly selected ten disbursements from the Payment Register Detail Report for the year ended December 31, 2013 and ten from the year ended 2012 and determined whether:
 - a. The disbursements were for a proper public purpose.

We noted that the Village purchased flowers for the funeral of an individual who lived in the Village, and the Village also hired a company to resolve an old workers' compensation claim. The Village should consult their legal counsel to determine if these are allowable expenditures. Also, all decisions related to the hiring of a company should be approved and documented in the minutes.

- b. The check number, date, payee name and amount recorded on the returned, canceled check agreed to the check number, date, payee name and amount recorded in the Payment Register Detail Report and to the names and amounts on the supporting invoices. We found no exceptions.
- c. The payment was posted to a fund consistent with the restricted purpose for which the fund's cash can be used. We found no exceptions.
- d. The fiscal officer certified disbursements requiring certification or issued a *Then and Now Certificate*, as required by Ohio Rev. Code Section 5705.41(D).

We found fourteen instances where the certification date was after the vendor invoice date, and there was also no evidence that a *Then and Now Certificate* was issued. Ohio Rev. Code Section 5705.41(D) requires certifying at the time of a commitment, which should be on or before the invoice date, unless a *Then and Now Certificate* is used. Because we did not test all disbursements requiring certification, our report provides no assurance whether or not additional similar errors occurred.

Compliance – Budgetary

1. We compared the total estimated receipts from the *Amended Official Certificate of Estimated Resources*, required by Ohio Rev. Code Section 5705.36(A)(1), to the amounts recorded in the Revenue Status Report for the General, Street Construction Maintenance Repair, and Parks & Recreation Funds for the years ended December 31, 2013 and 2012. The amounts on the *Certificate* did not agree to the amounts recorded in the accounting system. The Revenue Status Report recorded budgeted (i.e. certified) estimated receipts for the General, Street Construction Maintenance Repair, and Parks & Recreation Funds of \$82,551, \$4,505, and \$14,386, respectively, for 2013. However, the final *Amended Official Certificate of Estimated Resources* reflected estimated receipts in the amount of \$77,083, \$4,250, and \$50,105, respectively. The Revenue Status Report recorded budgeted (i.e. certified) estimated receipts for the General, Street Construction Maintenance Repair, and Parks & Recreation Funds of \$72,222, \$1,785, and \$14,200, respectively, for 2012. However, the final *Amended Official Certificate of Estimated Resources* reflected estimated receipts in the amount of \$87,862, \$1,225, and \$23,479, respectively. The Fiscal Officer should periodically compare amounts recorded in the Revenue Status Report to amounts recorded on the *Amended Official Certificate of Estimated Resources* to assure they agree. If the amounts recorded in the Village's accounting system do not agree to official budgetary documents, Council may be using inaccurate information for budgeting and to monitor spending.
2. We scanned the appropriation measures adopted for 2013 and 2012 to determine whether, for the General, Street Construction Maintenance Repair, and Parks & Recreation Funds, the Council appropriated separately for "each office, department, and division, and within each, the amount appropriated for personal services," as is required by Ohio Rev. Code Section 5705.38(C). We found no exceptions.

3. We compared total appropriations required by Ohio Rev. Code Sections 5705.38 and 5705.40, to the amounts recorded in the Appropriation Status Report for 2013 and 2012 for the following funds: General, Street Construction Maintenance Repair, and Parks & Recreation. The amounts on the appropriation resolutions did not agree to the amounts recorded in the Appropriation Status report for 2013 and 2012. The Appropriation Status Report recorded appropriations for the General, Street Construction Maintenance Repair, and Parks & Recreation Funds of \$72,345, \$5,750, and \$14,625.82, respectively, for 2013. However, the appropriation resolution reflected \$71,210, \$4,250, and \$6,890, respectively. The Appropriation Status Report recorded appropriations for the General, Street Construction Maintenance Repair, and Parks & Recreation Funds of \$85,395, \$3,101, and \$34,568, respectively, for 2012. However, the appropriation resolution reflected \$82,050, \$3,650, and \$34,215, respectively. The Fiscal Officer should update amounts recorded in the Appropriation Status Report to amounts adopted by the Council to assure they agree. If the amounts do not agree, the Fiscal Officer may be using inaccurate information for budgeting and to monitor spending.
4. Ohio Rev. Code Sections 5705.36(A)(5) and 5705.39 prohibits appropriations from exceeding the certified resources. We compared total appropriations to total certified resources for the General, Street Construction Maintenance Repair, and Parks & Recreation Funds for the years ended December 31, 2013 and 2012. We noted that Street Construction Maintenance Repair and Parks & Recreation Funds' appropriations for 2012 exceeded certified resources by \$774 and \$46, respectively, contrary to Ohio Rev. Code Section 5705.39. The Council should not pass appropriations exceeding certified resources. Allowing this to occur could cause the Village to incur fund balance deficits. We recommend that the appropriations do not exceed certified resources.
5. Ohio Rev. Code Section 5705.41(B) prohibits expenditures (disbursements plus certified commitments) from exceeding appropriations. We compared total expenditures to total appropriations for the years ended December 31, 2013 and 2012 for the General, Street Construction Maintenance Repair, and Parks & Recreation funds, as recorded in the Appropriation Status Report. We noted that General fund expenditures for 2013 exceeded total appropriations by \$1,842, contrary to Ohio Rev. Code Section 5705.41(B). The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Fiscal Officer may request the Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary, and if resources are available.
6. Ohio Rev. Code Section 5705.09 requires establishing separate funds to segregate externally-restricted resources. We scanned the Receipt Register Report for evidence of new restricted receipts requiring a new fund during December 31, 2013 and 2012. We also inquired of management regarding whether the Village received new restricted receipts. We noted no evidence of new restricted receipts for which Ohio Rev. Code Section 5705.09 would require the Village to establish a new fund.
7. We scanned the 2013 and 2012 Revenue Status Reports and Appropriation Status Reports for evidence of interfund transfers exceeding \$100 which Ohio Rev. Code Sections 5705.14 - .16 restrict. We noted the Village transferred \$434 and \$116 from the Employee Benefits and Other Capital Projects funds, respectively, to the General Fund. Ohio Rev. Code Section 5705.16 does not permit this transfer without approval of the Tax Commissioner and the Court of Common Pleas. The Village did not obtain this approval. We therefore requested management to adjust these amounts to the Employee Benefits and Other Capital Project Funds. We noted the fiscal officer adjusted these amounts in the accounting records on May 19, 2015.

8. We inquired of management and scanned the Appropriation Status Reports to determine whether the Village elected to establish reserve accounts permitted by Ohio Rev. Code Section 5705.13. We noted the Village did not establish these reserves.
9. We scanned the Cash Summary by Fund Report for the years ended December 31, 2013 and 2012 for negative cash fund balance. Ohio Rev. Code Section 5705.10 (I) provides that money paid into a fund must be used for the purposes for which such fund is established. As a result, a negative fund cash balance indicates that money from one fund was used to cover the expenses of another. We noted no funds having a negative cash fund balance.

Compliance – Contracts & Expenditures

We inquired of management and scanned the Payment Register Detail Report for the years ended December 31, 2013 and 2012 to determine if the Village proceeded by force account (i.e. used its own employees) to maintain or repair roads (cost of project exceeding \$30,000) or to construct or reconstruct Village roads (cost of project \$30,000/per mile) for which Ohio Rev. Code Sections 117.16(A) and 723.52 requires the Village engineer, or officer having a different title but the duties and functions of an engineer, to complete a force account project assessment form (i.e., cost estimate). We identified no projects requiring the completion of the force account assessment form.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on the Village's receipts, disbursements, balances and compliance with certain laws and regulations. Accordingly, we do not express an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management, those charged with governance, and others within the Village, and is not intended to be, and should not be used by anyone other than these specified parties.



Dave Yost
Auditor of State

Columbus, Ohio

May 19, 2015

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VILLAGE OF OCTA

FAYETTE 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
JUNE 2, 2015