



Mary Taylor, CPA
Auditor of State

VILLAGE OF WAYNESVILLE
WARREN COUNTY

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Waynesville
Warren County
1400 Lytle Rd.
Waynesville, Ohio 45068

To the Village Council:

We have selectively tested the accounts, financial records, files and reports of the Village of Waynesville, Warren County, Ohio (the Village), as of and for the years ended December 31, 2006, and December 31, 2005, following Ohio Admin. Code § 117-4-02.

There are reportable findings and conditions as a result of performing these procedures. These findings and conditions are described in the Schedule of Findings on page 19. Our engagement was not designed to result in expressing an opinion on the accompanying financial statements, and we express no opinion on them.

The Village is experiencing certain financial difficulties and declared to be in fiscal emergency on April 15, 2008, and is now under the financial supervision of Local Government Services, a division of the Auditor of State's Office. These conditions and management's plans are described in Note 10.

This report is intended solely for the information and use of officials authorized to receive this report under Section 117.26 of the Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

October 2, 2008

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**VILLAGE OF WAYNESVILLE
WARREN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
Cash Receipts:				
Property and Local Taxes	\$108,758	\$323,171	\$0	\$431,929
Intergovernmental	98,413	199,655	0	298,068
Special Assessments	0	0	2,286	2,286
Fines, Licenses and Permits	109,415	222	0	109,637
Earnings on Investments	24,310	685	0	24,995
Miscellaneous	105,742	68,816	0	174,558
Total Cash Receipts	446,638	592,549	2,286	1,041,473
Cash Disbursements:				
Current:				
Salaries	106,105	280,633	0	386,738
Unclassified	348,327	453,297	0	801,624
Debt Service:				
Redemption of Principal	373,500	16,500	2,019	392,019
Interest and Fiscal Charges	63,957	18,543	385	82,885
Total Cash Disbursements	891,889	768,973	2,404	1,663,266
Total Receipts (Under) Disbursements	(445,251)	(176,424)	(118)	(621,793)
Other Financing Receipts:				
Proceeds from Sale of Public Debt:				
Sale of Notes	368,000	0	0	368,000
Total Other Financing Receipts	368,000	0	0	368,000
Cash Receipts and Other Financing Receipts (Under) Cash Disbursements	(77,251)	(176,424)	(118)	(253,793)
Fund Cash Balances, January 1	132,245	(102,629)	(1,634)	27,982
Fund Cash Balances, December 31	\$54,994	(\$279,053)	(\$1,752)	(\$225,811)

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF WAYNESVILLE
WARREN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$1,297,863	\$0	\$1,297,863
Fines, Licenses and Permits	\$322,082	\$0	322,082
Miscellaneous	126,434	0	126,434
	<u>1,746,379</u>	<u>0</u>	<u>1,746,379</u>
Operating Cash Disbursements:			
Personal Services	246,277	0	246,277
Other	1,034,960	0	1,034,960
	<u>1,281,237</u>	<u>0</u>	<u>1,281,237</u>
Total Operating Cash Disbursements			
	<u>1,281,237</u>	<u>0</u>	<u>1,281,237</u>
Operating Income/(Loss)	<u>465,142</u>	<u>0</u>	<u>465,142</u>
Non-Operating Cash Receipts:			
Intergovernmental	96,302	0	96,302
Special Assessments	163	0	163
Other Non-Operating Cash Receipts	0	136,652	136,652
	<u>96,465</u>	<u>136,652</u>	<u>233,117</u>
Total Non-Operating Cash Receipts			
	<u>96,465</u>	<u>136,652</u>	<u>233,117</u>
Non-Operating Cash Disbursements:			
Capital Outlay	96,302	0	96,302
Redemption of Principal	303,566	0	303,566
Interest and Other Fiscal Charges	164,975	0	164,975
Other Non-Operating Cash Disbursements	0	139,401	139,401
	<u>564,843</u>	<u>139,401</u>	<u>704,244</u>
Total Non-Operating Cash Disbursements			
	<u>564,843</u>	<u>139,401</u>	<u>704,244</u>
Net Receipts Over/(Under) Disbursements	(3,236)	(2,749)	(5,985)
Fund Cash Balances, January 1	<u>622,683</u>	<u>9,740</u>	<u>632,423</u>
Fund Cash Balances, December 31	<u>\$619,447</u>	<u>\$6,991</u>	<u>\$626,438</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF WAYNESVILLE
WARREN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property and Local Taxes	\$104,021	\$307,253	\$0	\$411,274
Intergovernmental	238,105	215,137	0	453,242
Special Assessments	0	0	2,430	2,430
Fines, Licenses and Permits	103,915	225	0	104,140
Earnings on Investments	18,319	493	0	18,812
Miscellaneous	83,550	36,953	0	120,503
Total Cash Receipts	<u>547,910</u>	<u>560,061</u>	<u>2,430</u>	<u>1,110,401</u>
Cash Disbursements:				
Current:				
Salaries	97,858	285,237	0	383,095
Unclassified	256,379	397,017	140	653,536
Debt Service:				
Redemption of Principal	379,000	16,000	1,904	396,904
Interest and Fiscal Charges	58,165	19,107	500	77,772
Total Cash Disbursements	<u>791,402</u>	<u>717,361</u>	<u>2,544</u>	<u>1,511,307</u>
Total Receipts (Under) Disbursements	<u>(243,492)</u>	<u>(157,300)</u>	<u>(114)</u>	<u>(400,906)</u>
Other Financing Receipts:				
Proceeds from Sale of Public Debt:				
Sale of Notes	370,000	0	0	370,000
Total Other Financing Receipts	<u>370,000</u>	<u>0</u>	<u>0</u>	<u>370,000</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	126,508	(157,300)	(114)	(30,906)
Fund Cash Balances, January 1	<u>5,737</u>	<u>54,671</u>	<u>(1,520)</u>	<u>58,888</u>
Fund Cash Balances, December 31	<u>\$132,245</u>	<u>(\$102,629)</u>	<u>(\$1,634)</u>	<u>\$27,982</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF WAYNESVILLE
WARREN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$1,283,978	\$0	\$1,283,978
Fines, Licenses and Permits	\$318,462	\$0	318,462
Miscellaneous	99,095	0	99,095
	<u>1,701,535</u>	<u>0</u>	<u>1,701,535</u>
Operating Cash Disbursements:			
Personal Services	278,772	0	278,772
Other	877,877	0	877,877
	<u>1,156,649</u>	<u>0</u>	<u>1,156,649</u>
Total Operating Cash Receipts	<u>1,701,535</u>	<u>0</u>	<u>1,701,535</u>
Total Operating Cash Disbursements	<u>1,156,649</u>	<u>0</u>	<u>1,156,649</u>
Operating Income/(Loss)	<u>544,886</u>	<u>0</u>	<u>544,886</u>
Non-Operating Cash Receipts:			
Intergovernmental	10,350	0	10,350
Special Assessments	266	0	266
Other Non-Operating Cash Receipts	0	131,541	131,541
	<u>10,616</u>	<u>131,541</u>	<u>142,157</u>
Total Non-Operating Cash Receipts	<u>10,616</u>	<u>131,541</u>	<u>142,157</u>
Non-Operating Cash Disbursements:			
Capital Outlay	10,350	0	10,350
Redemption of Principal	215,055	0	215,055
Interest and Other Fiscal Charges	118,749	0	118,749
Other Non-Operating Cash Disbursements	0	128,973	128,973
	<u>344,154</u>	<u>128,973</u>	<u>473,127</u>
Total Non-Operating Cash Disbursements	<u>344,154</u>	<u>128,973</u>	<u>473,127</u>
Net Receipts Over/(Under) Disbursements	211,348	2,568	213,916
Fund Cash Balances, January 1	<u>411,335</u>	<u>7,172</u>	<u>418,507</u>
Fund Cash Balances, December 31	<u><u>\$622,683</u></u>	<u><u>\$9,740</u></u>	<u><u>\$632,423</u></u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF WAYNESVILLE
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Waynesville, Warren County, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, and police services.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Cash and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Certificates of deposit, repurchase agreements, money market accounts and U.S. Treasury Notes are valued at current market value. The investment in STAR Ohio is recorded at share values reported by the State Treasurer.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

**VILLAGE OF WAYNESVILLE
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

Police Law Enforcement Fund – This fund receives special levy tax money for police protection.

3. Debt Service Fund

These funds account for resources the Village accumulates to pay bond and note debt. The Village had the following significant Debt Service Fund:

Sidewalk Assessment Fund - This fund receives monies and makes payments related to the sidewalk assessment notes.

4. Enterprise Funds

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

Water Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

5. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs. There were no trust funds.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for the Mayor's Court activity.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

**VILLAGE OF WAYNESVILLE
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. The Village failed to submit the required budgetary documents during the audit period. The Village did not encumber all commitments required by Ohio law.

A summary of 2006 and 2005 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. Equity in Pooled Cash and Investments

The Village maintains a cash and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	<u>2006</u>	<u>2005</u>
Demand deposits	\$321,796	\$584,522
Total deposits	<u>321,796</u>	<u>584,522</u>
Merrill Lynch - Government Fund	11,875	11,383
STAR Ohio	2,335	2,233
Morgan Stanley - Government Securities Trust	<u>64,621</u>	<u>62,267</u>
Total investments	<u>78,831</u>	<u>75,883</u>
Total deposits and investments	<u><u>\$400,627</u></u>	<u><u>\$660,405</u></u>

**VILLAGE OF WAYNESVILLE
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

2. Equity in Pooled Cash and Investments (Continued)

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

Investments: Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$814,638	\$814,638
Special Revenue	0	592,549	592,549
Debt Service	0	2,286	2,286
Enterprise	0	1,842,844	1,842,844
Total	\$0	\$3,252,317	\$3,252,317

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$327,000	\$891,889	(\$564,889)
Special Revenue	620,000	768,973	(148,973)
Debt Service	4,000	2,404	1,596
Enterprise	1,518,000	1,846,080	(328,080)
Total	\$2,469,000	\$3,509,346	(\$1,040,346)

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$917,910	\$917,910
Special Revenue	0	560,061	560,061
Debt Service	0	2,430	2,430
Enterprise	0	1,712,151	1,712,151
Total	\$0	\$3,192,552	\$3,192,552

**VILLAGE OF WAYNESVILLE
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

3. Budgetary Activity (Continued)

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$387,000	\$791,402	(\$404,402)
Special Revenue	476,000	717,361	(241,361)
Debt Service	4,000	2,544	1,456
Enterprise	1,647,000	1,500,803	146,197
Total	\$2,514,000	\$3,012,110	(\$498,110)

Contrary to Ohio law, annual appropriations were approved by the Village Council, but were not submitted to the County Auditor. The annual appropriations for the year ended December 31, 2006 did not meet the minimum legal level of control as required by the Ohio Revised Code. In addition, budgetary expenditures exceeded appropriation authority in various funds.

Contrary to Ohio law, various funds had cash deficit balances.

Contrary to Ohio law, the Village did not authorize the necessary rates and certify them to the County Auditor by the required dates, submit the Certificate of Total Amount from All Sources Available for Expenditures and Balances to the County Auditor or prepare a Certificate of Estimated Resources for both years during the audit period. Since no Certificates of Estimated Resources were prepared, appropriations exceeded estimated resources for all funds in both years during the audit period.

4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

**VILLAGE OF WAYNESVILLE
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

5. Debt

Debt outstanding at December 31, 2006 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OWDA Well Field Loan #3984	\$185,855	5.01%
OPWC WWTP Improvements	\$281,840	0.00%
OWDA WWTP Loan #2566	\$2,825,641	2.50%
OWDA Water Tower Loan #3235	\$404,611	6.41%
Land Acquisition Bond Anticipation Notes	\$368,000	6.50%
Special Assessment Bonds	\$4,408	6.00%
Police Tax Anticipation Notes	\$45,000	3.50%
Government Center Bonds	<u>1,238,000</u>	5.30%
Total	<u><u>\$5,353,355</u></u>	

The OWDA (Ohio Water Development Authority) Well Field Loan #3984 was processed by OWDA on December 18, 2003. The loan is repaid in semiannual installments of \$7,018.74 over 25 years.

The OPWC (Ohio Public Works Commission) WWTP Improvements loan was issued in 1988 in the amount of \$433,600 for wastewater treatment plant improvements. The loan is repaid in semiannual installments of \$10,840 over 20 years.

The OWDA WWTP 2566 was issued from 2000 through 2002 to finance wastewater treatment plant improvements. The loan is repaid in semiannual installments of \$123,175, including interest, over 20 years. The loan is collateralized by the Village's agreement to maintain revenues to cover debt service requirements.

The OWDA Water Tower Loan was issued in 2001 to build a new water tower. The loan is to be repaid in semiannual installments of \$18,827.26, including interest, over 25 years.

The Land Acquisition Bond Anticipation Notes were originally issued in 1998 to acquire land for various municipal uses. These notes are renewed in a new reduced principal amount each year up to a maximum of 30 years.

The Special Assessment Bonds relate to special assessment sidewalk improvements. These bonds were issued in 1998 and will be repaid in semiannual installments. In the event that an assessed property owner fails to make payments, the Village will be required to pay the related debt.

The Police Tax Anticipation Notes were issued to pay for operations and equipment used in the police department. These notes were issued in 2004 in the amount of \$75,000 and will be repaid in annual installments of \$15,000, plus interest over 5 years.

The Land Acquisition Bond Anticipation Notes, Special Assessment Bonds and Government Center Bonds have the full faith, credit and revenue irrevocably pledged for the prompt payment of principal and interest.

**VILLAGE OF WAYNESVILLE
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

5. Debt (Continued)

The Government Center Bonds were issued to pay for construction of the Village Government Center. The original bonds were issued in 2002 in the amount of \$1,250,000 to be repaid in semiannual installments. This issue was refunded in 2004 for \$1,248,000 and will be repaid in semiannual installments over 28 years.

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	Gov't Center Bonds	Special Assessment Bonds	OPWC WWTP Improvements
2007	\$72,535	\$4,673	\$21,680
2008	74,137	2,404	21,680
2009	75,634	0	21,680
2010	77,998	0	21,680
2011	79,229	0	21,680
2012 - 2016	422,954	0	108,400
2017 - 2021	473,891	0	65,040
2022 - 2026	528,997	0	0
2027 - 2031	573,002	0	0
Total	<u>\$2,378,377</u>	<u>\$7,077</u>	<u>\$281,840</u>

Year ending December 31:	OWDA Well Field Loan	OWDA Loan WWTP 2566	OWDA Loan Water Tower
2007	3984	3235	3235
2007	\$14,037	\$247,904	\$37,655
2008	\$14,037	\$247,904	\$37,655
2009	\$14,037	\$247,904	\$37,655
2010	\$14,037	\$247,904	\$37,655
2011	\$14,037	\$247,904	\$37,655
2012 - 2016	70,187	1,239,518	188,273
2017 - 2021	70,187	991,614	188,273
2022 - 2026	70,187	0	150,618
2027 - 2031	35,094	0	0
Total	<u>\$315,840</u>	<u>\$3,470,652</u>	<u>\$715,439</u>

6. Retirement Systems

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

**VILLAGE OF WAYNESVILLE
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

6. Retirement Systems (Continued)

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OP&F participants contributed 10% of their wages. For 2006 and 2005, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2006 and 2005, OPERS members contributed 9 and 8.5%, respectively, of their gross salaries and the Village contributed an amount equaling 13.7 and 13.55%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2006.

7. Risk Management

Risk Pool Membership

The Government belongs to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to over 550 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except for the 15% casualty and the 10% property portions the Plan retains. The Plan retains the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

	2006	2005
Assets	\$9,620,148	\$8,219,430
Liabilities	(3,329,620)	(2,748,639)
Members' Equity	\$6,290,528	\$5,470,791

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.

**VILLAGE OF WAYNESVILLE
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

8. Contingent Liabilities

The Village is defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Village's financial condition.

9. Compliance

Village did not post tax and intergovernmental receipts as required by ORC Sections 5705.09 (F), 4501.04, 5735.28 and 5735.23, resulting in many audit adjustments.

The Village failed to accurately maintain the Village's books as required by Ohio Revised Code Section 733.28 and Ohio Administrative Code Section 117-2-02(D).

The Village failed to file the 2006 and 2005 annual reports as required by Ohio Revised Code Section 117.38.

The Village failed to maintain a full and accurate record of the Village Council's proceedings as required by Ohio Revised Code Sections 121.22, 731.20 and 149.43.

The Village failed to maintain records as required by Ohio Revised Code Section 149.351

The Village failed to deposit public monies with the Fiscal Officer or designated depository within the required time frame as required by Ohio Revised Code Section 9.38.

10. Subsequent Events/Fiscal Emergency Determination

The Village began experiencing financial difficulties and requested assistance from the Auditor of State. Upon further review of the Village's records, the Village was placed in fiscal emergency by the Auditor of State on April 15, 2008. As of December 31, 2006, the following funds had deficit fund balances in the following amounts: SCMR (\$165,569), State Highway (\$14,421), Parks & Recreation (\$6,776), Police (\$293,529) and Sidewalk Assessment (\$1,752). These negative cash fund balances were covered primarily by the \$619,447 cash balance in the Enterprise Funds.

The Village has 120 days after going into fiscal emergency to have a plan submitted to the Auditor of State, Local Government Services Division (LGS). In order to meet the 120 day deadline the Village plans to have their recovery plan approved by Council by October 16, 2008. The Village put renewal levies for the police and street levies on the August 2008 ballot. These levies were defeated and the Village plans to place them on the November 2008 ballot.

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

Village of Waynesville
Warren County
1400 Lytle Rd.
Waynesville, Ohio 45068

To the Village Council:

We have selectively tested certain accounts, financial records, files, and reports of the Village of Waynesville, Warren County, (the Village), as of and for years ended December 31, 2006 and 2005 following Ohio Admin. Code § 117-4-02. We also noted the Village is experiencing certain financial difficulties and declared to be in fiscal emergency on October 2, 2008, and is now under the financial supervision of Local Government Services, a division of the Auditor of State's Office. Our engagement was not designed to result in expressing an opinion on the accompanying financial statements, internal control over financial reporting, or compliance. We therefore express no opinion on these matters.

Internal Control over Financial Reporting

During our procedures related to the internal control over financial reporting we noted a matter that, in our judgment, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. In addition, this matters could result in the occurrence of misstatements that are caused by error or fraud that would not be detected in a timely manner by employees when performing the assigned functions. This matters is described in the schedule of findings as item 2006-020.

We noted certain matters that we reported to the Village's management in a separate letter dated October 2, 2008.

Compliance and Other Matters

We tested compliance with certain provisions of laws, regulations, contract, and grant agreements, applicable to the Village. Noncompliance with these requirements could impact the Village's ability to determine financial statement amounts. The results of our tests disclosed instances of noncompliance or other matters that are reported in the accompanying schedule of findings as items 2006-001 through 2006-019 and 2006-021.

We did note certain noncompliance or other matters that we reported to the Village's management in a separate letter dated October 2, 2008.

The Village's responses to the findings identified in our report are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

Corporate Centre of Blue Ash / 11117 Kenwood Rd. / Blue Ash, OH 45242
Telephone: (513) 361-8550 (800) 368-7419 Fax: (513) 361-8577
www.auditor.state.oh.us

Village of Waynesville
Warren County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Page 2

We intend this report solely for the information and use of the management and Village Council. We intend it for no one other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

October 2, 2008

**VILLAGE OF WAYNESVILLE
WARREN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS

FINDING NUMBER 2006-001

Finding for Recovery – Doug Furnas Overpayment

Mr. Doug Furnas was employed as Village Public Works Director by the Village of Waynesville. In 2006, his approved salary rate was \$21.60/hour. Mr. Furnas was paid a higher hourly rate of pay beginning the pay period ending February 4, 2006. Mr. Furnas was given a 0.5% raise by Village Council in June 2007, increasing his pay to \$21.71/hour. Mr. Furnas retired from the Village in August 2007. The following comparison of the approved gross pay and the actual gross amount paid to Mr. Furnas for fiscal years 2006 and 2007 indicated that the amounts paid to Mr. Furnas exceeded his approved gross pay:

Pay Date	Approved Gross Pay	Amount Paid to Mr. Furnas	Difference (overpayment)
2/4/06	\$1,728.00	\$1,764.00	(\$36.00)
2/18/06	\$1,728.00	\$1,764.00	(\$36.00)
3/4/06	\$1,728.00	\$1,764.00	(\$36.00)
3/18/06	\$1,728.00	\$1,764.00	(\$36.00)
4/1/06	\$1,728.00	\$1,764.00	(\$36.00)
4/15/06	\$1,728.00	\$1,764.00	(\$36.00)
4/30/06	\$1,728.00	\$1,764.00	(\$36.00)
5/13/06	\$1,728.00	\$1,764.00	(\$36.00)
5/27/06	\$1,728.00	\$1,764.00	(\$36.00)
6/14/06	\$1,728.00	\$1,764.00	(\$36.00)
6/27/06	\$1,728.00	\$1,764.00	(\$36.00)
7/12/06	\$1,728.00	\$1,764.00	(\$36.00)
7/25/06	\$1,728.00	\$1,764.00	(\$36.00)
8/8/06	\$1,728.00	\$1,764.00	(\$36.00)
8/19/06	\$1,728.00	\$1,764.00	(\$36.00)
9/2/06	\$1,728.00	\$1,764.00	(\$36.00)
9/16/06	\$1,728.00	\$1,764.00	(\$36.00)
9/30/06	\$1,728.00	\$1,764.00	(\$36.00)
10/14/06	\$1,728.00	\$1,764.00	(\$36.00)
10/28/06	\$1,728.00	\$1,764.00	(\$36.00)
11/11/06	\$1,728.00	\$1,764.00	(\$36.00)
11/25/06	\$1,728.00	\$1,764.00	(\$36.00)
12/9/06	\$1,728.00	\$1,764.00	(\$36.00)
12/23/06	\$1,728.00	\$1,764.00	(\$36.00)
1/6/07	\$1,728.00	\$1,764.00	(\$36.00)
1/20/07	\$1,728.00	\$1,764.00	(\$36.00)
2/3/07 (1)	\$1,732.32	\$1,768.42	(\$36.10)
2/17/07	\$1,728.00	\$1,764.00	(\$36.00)
3/3/07	\$1,728.00	\$1,764.00	(\$36.00)
3/17/07	\$1,728.00	\$1,764.00	(\$36.00)
3/31/07	\$1,728.00	\$1,764.00	(\$36.00)
4/14/07	\$1,728.00	\$1,764.00	(\$36.00)
4/28/07	\$1,728.00	\$1,764.00	(\$36.00)
5/12/07	\$1,728.00	\$1,764.00	(\$36.00)
5/26/07	\$1,728.00	\$1,764.00	(\$36.00)
6/9/07	\$1,728.00	\$1,764.00	(\$36.00)
6/23/07	\$1,728.00	\$1,764.00	(\$36.00)

**FINDING NUMBER 2006-001
 (Continued)**

Pay Date	Approved Gross Pay	Amount Paid to Mr. Furnas	Difference (overpayment)
7/7/07 (2)	\$1,825.00	\$1,861.00	(\$36.00)
7/21/07	\$1,736.80	\$1,772.80	(\$36.00)
8/4/07	\$1,736.80	\$1,772.80	(\$36.00)
8/18/07 (3)	<u>\$1,215.76</u>	<u>\$1,240.96</u>	<u>(\$25.20)</u>
	<u>\$70,454.68</u>	<u>\$71,919.98</u>	<u>(\$1,465.30)</u>

Calculation of Gross Pay:

2006: \$21.60/hour * 80 hours = \$1,728.00

July 2007: \$21.71/hour * 80 hours = \$1,736.80

- (1) \$21.60/hr * 80.20 hours paid = \$1,732.32
- (2) includes back pay for 0.5% retroactive to beginning of year.
- (3) \$21.71/hr * 56 hours paid = \$1,215.76

Former Village Finance Directors H. Scott Campbell and Kristin Kern-Spiekerman, former Interim Finance Director Karen Mohme and Finance Director Staci Morris, each signed a portion of the 2006 and 2007 overpayments, as detailed below.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public monies illegally expended is hereby issued against Mr. Doug Furnas, former Village Public Works Director, and Ohio Government Risk Management Plan, his bonding company, jointly and severally, in the amount of \$1,465.30 and in favor of the Village of Waynesville's Street Fund in the amount of \$488.44, the Village of Waynesville's Water Fund in the amount of \$488.43 and the Village of Waynesville's Sewer Fund in the amount of \$488.43. Doug Furnas is primarily liable for the amounts he received in overpayment.

Additionally, under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of such expenditure. *Seward v. National Surety Co.* (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex.rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are secondarily liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property 1980 Op. Att'y Gen. No. 80-074.

Therefore, because former Village Finance Director H. Scott Campbell signed a portion of the overpayments, he is jointly and severally liable in the amount of \$396.00 and in favor of the Village of Waynesville's Street Fund in the amount of \$132.00, in favor of the Village of Waynesville's Water Fund in the amount of \$132.00, and in favor of the Village of Waynesville's Sewer Fund in the amount of \$132.00.

Additionally, because former Village Interim Finance Director Karen Mohme signed a portion of the overpayments, she is jointly and severally liable in the amount of \$72.00 and in favor of the Village of Waynesville's Street Fund in the amount of \$24.00, in favor of the Village of Waynesville's Water Fund in the amount of \$24.00, and in favor of the Village of Waynesville's Sewer Fund in the amount of \$24.00.

Additionally, because former Village Finance Director Kristin Kern-Spiekerman signed a portion of the overpayments, she and her bonding company, The Ohio Casualty Insurance Company, are jointly and severally liable in the amount of \$504.10 and in favor of the Village of Waynesville's Street Fund in the amount of \$168.04, in favor of the Village of Waynesville's Water Fund in the amount of \$168.03, and in favor of the Village of Waynesville's Sewer Fund in the amount of \$168.03.

**FINDING NUMBER 2006-001
 (Continued)**

Additionally, because Village Finance Director Staci Morris signed a portion of the overpayments, she is jointly and severally liable in the amount of \$180.00 and in favor of the Village of Waynesville's Street Fund in the amount of \$60.00, in favor of the Village of Waynesville's Water Fund in the amount of \$60.00, and in favor of the Village of Waynesville's Sewer Fund in the amount of \$60.00.

Finally, because Village Finance Director Staci Morris signed the remaining portion of the overpayments, she and her bonding company, EMC Insurance Companies, are jointly and severally liable in the amount of \$241.20 and in favor of the Village of Waynesville's Street Fund in the amount of \$80.40, in favor of the Village of Waynesville's Water Fund in the amount of \$80.40, and in favor of the Village of Waynesville's Sewer Fund in the amount of \$80.40. Staci Morris was bonded from the period of 5/14/07 to 5/14/08.

H. Scott Campbell, Karen Mohme, Kristin Kern-Spiekerman, and Staci Morris will only be liable to the extent that payment is not received from Doug Furnas.

Officials' Response:

Council may take action to retroactively approve a salary increase equal to the overpayment to Doug Furnas, as was the case with Finding 2006-02.

FINDING NUMBER 2006-002

Finding for Recovery Repaid Under Audit

Mr. Bruce Snell is employed as Village Manager by the Village of Waynesville. Upon his hire date in 2006, his paid salary was \$54,240 a year. Mr. Snell was paid an extra hour of pay every pay period. This was corrected in early 2007. The following comparison of the approved gross pay and the actual gross pay paid to Mr. Snell for fiscal years 2006 and 2007 indicates the amounts paid to Mr. Snell exceeded his approved gross pay:

Pay Date	Approved Gross Pay	Amount Paid to Mr. Snell	Difference (overpayment)
9/16/06 *	\$1,043.20	\$1,069.28	(\$26.08)
9/30/06	\$2,086.40	\$2,112.48	(\$26.08)
10/14/06	\$2,086.40	\$2,112.48	(\$26.08)
10/28/06	\$2,086.40	\$2,112.48	(\$26.08)
11/11/06	\$2,086.40	\$2,112.48	(\$26.08)
11/25/06	\$2,086.40	\$2,112.48	(\$26.08)
12/9/06	\$2,086.40	\$2,112.48	(\$26.08)
12/23/06	\$2,086.40	\$2,112.48	(\$26.08)
1/6/07	\$2,086.40	\$2,112.48	(\$26.08)
1/20/07	\$2,086.40	\$2,112.48	(\$26.08)
2/3/07	<u>\$2,086.40</u>	<u>\$2,112.48</u>	<u>(\$26.08)</u>
	<u>\$21,907.20</u>	<u>\$22,194.08</u>	<u>(\$286.88)</u>

Calculation of Gross Pay:

\$54,240 / 2,080 annual work hours = \$26.08/hr

\$26.08/hr * 80 hours/pay period = \$2,086.40

* was only paid for one week of pay period = \$2,086.40/2 = \$1,043.20

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public monies illegally expended is hereby issued against Mr. Bruce Snell, Village Manager, in the amount of \$286.88, and in favor of the Village of Waynesville's General, Police, Water and Sewer Funds.

**FINDING NUMBER 2006-002
(Continued)**

When notified of this Finding, the Village Council passed Resolution 2007-029 on November 19, 2007 to retroactively approve a salary increase equal to the overpayment to Bruce Snell.

Officials' Response:

Mr. Snell made Council aware of this matter immediately upon discovery and this matter was resolved through passage of Ordinance 2007-029, as indicated in the previous paragraph.

FINDING NUMBER 2006-003

Finding for Recovery Repaid Under Audit

On May 15, 2006, the Village Council accepted Mr. Rod Smith's resignation effective July 14, 2006. According to the Village Policy Manual Section 5.2, the employee shall accrue vacation leave per pay period (based on 26 biweekly pay periods per year). Based upon Mr. Smith's employment contracts, he was to be credited with vacation leave at the same rate as other employees of the Village as outlined in the Personnel Rules, Regulations and Policy Manual of the Employer. This entitled him to three weeks of vacation leave annually. Therefore, according to the Policy Manual, Mr. Smith should have accrued vacation leave at a rate of 4.615 (3 weeks/year) hours per pay period. Upon his resignation, Mr. Smith had worked 14.5 pay periods in fiscal year 2006. The following table details his recalculated vacation leave balance:

12/30/04 Vacation Balance (1)	52.00
2005 Accrual (per contract)	120.00
2005 Usage (per timesheets)	<u>(56.00)</u>
12/31/05 Balance	<u>116.00</u>
2006 Accrual (2)	66.92
2006 Usage (per timesheets)	<u>(176.00)</u>
7/14/06 Vacation Balance	<u>6.92</u>

(1) per 12/30/04 pay stub, final pay under previous finance director (Linda Jones)

(2) 14.5 pay periods worked * 4.615 hours accrual per pay period = 66.92 hours

On June 30, 2006, Mr. Smith was paid out a balance of 140 hours of vacation time. The recalculation of his leave balance upon his resignation date indicates his balance should have been 6.92 hours; therefore, he was paid for 133.08 hours of unearned vacation leave. At his 2006 pay rate of \$27.58/hour, this amounts to \$3,670.35.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public monies illegally expended is hereby issued against Mr. Rod Smith, former Village Manager in the amount of \$3,670.35 and in favor of the Village of Waynesville's General Fund.

When notified of this Finding for Recovery, Mr. Smith reimbursed the Village on October 3, 2008.

Officials' Response:

Mr. Smith has reimbursed the Village in full for the cited overpayments, as indicated in the previous paragraph.

FINDING NUMBER 2006-004

Finding for Recovery Repaid Under Audit

According to the Village Policy Manual Section 4.6, reasonable expenses incurred by employees when attending or holding breakfast, lunch or dinner meetings necessary to the performance of their official duties, or for functions in which the employee or official was asked to appear as a representative of his or her office or otherwise in an official capacity on behalf of the Village, are reimbursable, provided that the employee attaches a statement to the reimbursement request detailing the business or official purpose of such meeting and a list of the persons in attendance. The appointing authority must approve the expenses for each separate meeting or function. These meetings do not fall under the per diem rates of this policy, and will be paid at actual cost when submitted with a request for payment, together with a statement as to the public or business purpose of said meeting. Travel and training expenses that do not involve overnight travel are to be handled in accordance with this section.

We identified the following reimbursements to the former Village Manager Rod Smith during the audit period that did not conform to the Village Policy Manual:

Check #	Date	Amount	Description	Purpose & Persons Attending Noted	Approved by Council
8920	4/5/05	\$100.00	Lunch meetings on 3/3/05 for \$45 and 3/18/05 for \$55	Yes	no
9001	5/23/05	61.00	Reimbursement for 5 Bentino's pizzas for 5/18 meeting – no receipt attached	No	no
9136	7/22/05	87.00	Lunch meetings on 7/21/05 for \$41, 5/26/05 for \$25 and 6/14/05 for \$21	No for 7/21 & 6/14 Yes for 5/26	no
9146	7/26/05	32.54	Lunch meeting on 7/26/05	Yes for purpose; no for persons	no
9219	8/18/05	62.38	Lunch meetings on 8/12/05 for \$49.23 and 8/18/05 for \$13.15	No on 8/12, but yes for person on 8/18	no
9204	9/13/05	29.23	Lunch meeting on 9/12/05	Yes	no
9272	9/15/05	50.00	Lunch meeting on 9/14/05	Yes	no
9285	10/28/05	<u>50.00</u>	Lunch meeting on 9/14/05 (duplicate of #9272)	Yes	no
		<u>\$472.15</u>			

Former Village Finance Director H. Scott Campbell signed all of the 2005 reimbursements detailed in the above table.

We also identified the following charges to the Village credit card by the former Village Manager Rod Smith during the audit period that did not conform to the Village Policy Manual:

Date	Amount	Check Signors	Payee	Description	Purpose & Persons Attending Noted	Approved by Council
11/4/05	42.40	SC	Champps Restaurant	Business lunch	no	no
11/8/05	29.00	SC	The Chop House	Business lunch	no	no
11/9/05	31.68	SC	Uno Chicago Grill	Business lunch	no	no
11/16/05	10.00	SC	Buffalo Wild Wings	Lunch meeting with prospective developer	Yes-persons No-purpose	no

**FINDING NUMBER 2006-004
(Continued)**

11/17/05	30.00	SC	Uno Chicago Grill	Business lunch	no	no
11/21/05	19.17	SC	Slyder's Tavern	Business lunch	no	no
11/23/05	15.00	SC	O'Leary's Pub & Grub	Lunch meeting with Victoria Glen Engineer	Yes-persons No-purpose	no
11/30/05	8.56	SC	Chipotle	Lunch meeting with Code Enforcement Official	Yes-persons No-purpose	no
12/5/05	24.40	SC	Longhorn Steakhouse	Lunch meeting with Chief McCloud	yes	no
12/7/05	28.24	SC	Uno Chicago Grill	Lunch meeting; HR issues	yes	no
12/9/05	9.00	SC	WLI Reservation Rewards	none	n/a	n/a
12/19/05	30.00	SC	Slyder's Tavern	Business lunch	no	no
12/27/05	30.09	SC	The Chop House	Lunch meeting; HR issues	no-persons yes-purpose	no
12/30/05	36.00	SC	Buffalo Wild Wings	Lunch meeting	no	no
1/5/06	34.00	SC	Uno Chicago Grill	none	no	no
1/9/06	9.00	SC	WLI Reservation Rewards	none	n/a	n/a
1/11/06	19.00	SC	Slyder's Tavern	none	no	no
1/12/06	22.00	SC	Pepito's Mexican	none	no	no
1/13/06	54.14	SC	Fox and Hound	none	no	no
1/17/06	25.14	SC	Longhorn Steakhouse	none	no	no
1/19/06	22.00	SC	Uno Chicago Grill	none	no	no
1/20/06	17.41	SC	Las Piramides	none	no	no
2/2/06	41.00	SC	Bravo Italian Kitchen	none	no	no
2/3/06	23.54	SC	Uno Chicago Grill	none	no	no
2/9/06	9.00	SC	WLI Reservation Rewards	none	n/a	n/a
2/9/06	22.75	SC	City BBQ	none	no	no
2/10/06	40.10	SC	Paolos Pizza	none	no	no
2/15/06	151.33	SC	Beef O'Brady's	none	no	no
2/17/06	18.81	SC	Slyder's Tavern	none	no	no
2/21/06	27.00	SC	The Chop House	none	no	no
2/22/06	42.00	SC	Applebee's	none	no	no
2/23/06	69.00	SC	J Alexander's	none	no	no
2/24/06	14.32	SC	Buffalo Wild Wings	none	no	no
2/28/06	30.62	SC	The Chop House	none	no	no
3/1/06	37.00	SC	Max & Erma's	none	no	no
3/8/06	33.00	SC	Smokey Bones	none	no	no
3/9/06	32.00	SC	Champps Restaurant	none	no	no
3/9/06	9.00	SC	WLI Reservation Rewards	none	n/a	n/a
3/14/06	29.00	SC	The Chop House	none	no	no
3/15/06	21.00	SC	Slyder's Tavern	none	no	no
3/21/06	17.88	SC	Kicker's Sports Grill	none	no	no

**FINDING NUMBER 2006-004
(Continued)**

3/27/06	34.00	SC	The Chop House	none	no	no
4/9/06	9.00	SC	WLI Reservation Rewards	none	n/a	n/a
4/26/06	43.00	SC	Champps Restaurant	none	no	no
5/1/06	29.00	SC, KM	Doubleday's	Lunch meeting	yes	no
5/3/06	21.00	SC, KM	Slyder's Tavern	meeting	yes	no
5/9/06	9.00	SC, KM	WLI Reservation Rewards	none	n/a	n/a
5/10/06	44.00	SC, KM	Elsa's South	meeting	yes	no
5/12/06	33.00	SC, KM	Uno Chicago Grill	meeting	yes	no
5/15/06	26.43	SC, KM	Buffalo Wild Wings	meeting	yes	no
5/16/06	44.00	SC, KM	The Chop House	meeting	yes	no
5/22/06	21.58	SC, KM	Beef O'Brady's	meeting	yes	no
5/30/06	43.00	KM, SS	The Chop House	meeting	yes	no
6/6/06	45.00	KM, SS	The Chop House	none	no	no
6/8/06	29.60	KM, SS	Paolos Pizza	Lunch meeting	Yes-persons No-purpose	no
6/9/06	9.00	KM, SS	WLI Reservation Rewards	none	n/a	n/a
6/12/06	19.87	KM, SS	Buffalo Wild Wings	meeting	Yes-persons No-purpose	no
6/13/06	36.00	KM, SS	The Chop House	meeting	yes	no
6/16/06	49.00	KM, SS	Chow's Asian Bistro	meeting	Yes-persons No-purpose	no
6/19/06	19.00	KM, SS	Buffalo Wild Wings	meeting	Yes-persons No-purpose	no
6/23/06	30.00	KM, SS	Slyder's Tavern	meeting	yes	no
6/26/06	23.00	KS, RB	Kicker's Sports Grill	meeting	Yes-persons No-purpose	no
6/27/06	45.00	KS, RB	The Chop House	meeting	yes	No
6/29/06	18.00	KS, RB	Domino's Pizza	Pizza for staff-working dinner	yes	No
7/10/06	9.00	KS, RB	WLI Reservation Rewards	none	n/a	n/a
<u>\$1,904.06</u>						

Check Signors Legend:
SC – H. Scott Campbell
KM – Karen Mohme
SS – Sandra Stemple
KS – Kristin Kern-Spiekerman
RB – Rhonda Bernard

Former Village Finance Directors H. Scott Campbell and Kristin Kern-Spiekerman, former Village Interim Finance Director Karen Mohme and Village Council Member Sandra Stemple, each signed a portion of the 2006 and 2005 reimbursements and credit card expenditures, as detailed in the above table.

According to the Village Manager's contract dated October 14, 2005, the employer and employee shall split the cost of Road Runner service to employee's home so as to allow employee to work from home on evenings and weekends. In addition, the employee shall be paid a mileage allowance of twenty dollars (\$20) per pay period to cover business travel expenses in Warren County.

**FINDING NUMBER 2006-004
 (Continued)**

We identified the following reimbursements regarding this portion of the Village Manager's contract during the audit period:

Check #	Date	Amount	Description
9494 (1)	2/3/06	\$299.42	For 2006 mileage reimbursement of \$520 and \$99.42 unknown. No documentation attached.
9596 (2)	3/1/06	<u>174.35</u>	For Road Runner service for 2006 and installation
		<u>\$473.77</u>	
<p>(1) Contract states \$20/pay period for travel. Mr. Smith resigned effective 7/14/06, so he only worked 16 pay periods in 2006. Therefore, he was reimbursed for 10 pay periods he did not work (\$20 * 10 pay periods = \$200) in addition to \$99.42 for an unknown reason. (\$200 + \$99.42 = \$299.42)</p> <p>(2) Mr. Smith resigned effective 7/14/06, so he only worked 6 ½ months in 2006. Mr. Smith was reimbursed road runner service by the Village of 5 months he did not work (\$49.94/2 * 5 = \$124.85). In addition, this check reimbursed \$49.50 for installation of the road runner. Installation was previously reimbursed to Mr. Smith on 12/2/05, check #9361. (\$124.85 + \$49.50 = \$174.35)</p>			

Former Village Finance Director H. Scott Campbell signed all of the 2006 reimbursements detailed in the above table.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public monies illegally expended is hereby issued against Mr. Rod Smith, former Village Manager in the amount of \$2,849.98 (\$472.15 + \$1,904.06 + \$473.77) and in favor of the Village of Waynesville's General Fund.

When notified of this Finding for Recovery, Mr. Smith reimbursed the Village on October 3, 2008.

Officials' Response:

Mr. Smith has reimbursed the Village in full for the cited transactions, as indicated in the previous paragraph.

FINDING NUMBER 2006-005

Finding for Recovery – Scott Campbell Leave Payout

On May 1, 2006, the Village Council accepted former Finance Director H. Scott Campbell's resignation effective June 30, 2006. According the Village Policy Manual Section 5.2, the employee shall accrue vacation leave per pay period (based on 26 biweekly pay periods per year). Based upon Mr. Campbell's employment contract, he was to be credited with vacation leave in accordance with the Policy Manual of the Village as available to other Village employees during the term of employment. His contract did not state the specific amount of vacation leave to which he was entitled, however, the Policy Manual states that years of service for vacation accrual shall include full-time service in this Village or another Ohio public, political subdivisions. Therefore, according to the Policy Manual, Mr. Campbell should have accrued vacation leave at a rate of 4.615 (3 weeks/year) hours per pay period. Upon his resignation, Mr. Campbell had worked 13.5 pay periods in fiscal year 2006. The following table details his recalculated vacation leave balance:

FINDING NUMBER 2006-005
(Continued)

12/30/04 Vacation Balance (1)	0.00
2005 Accrual (2)	120.00
2005 Usage (4)	<u>(112.00)</u>
12/31/05 Balance	<u>8.00</u>
2006 Accrual (3)	62.30
2006 Usage (4)	<u>(52.00)</u>
6/30/06 Vacation Balance	<u>18.30</u>

- (1) his start date was 1/1/05 per contract
- (2) Per Policy Manual, at 5-14 years of service (4.615 hours/pay period = 120 hours/year)
- (3) 13.5 pay periods worked * 4.615 hours accrual per pay period = 62.30 hours
- (4) Mr. Campbell rarely used timesheets. Usage was calculated using leave posted to the computer/payroll system by Mr. Campbell

On June 30, 2006, Mr. Campbell was paid out a balance of 40 hours of vacation time. The recalculation of his leave balance upon his resignation date indicates his balance should have been 18.30 hours; therefore, he was paid for 21.70 hours of unearned vacation leave. At his 2006 pay rate of \$22.73/hour, this amounted to \$493.24. The check for this leave payout was signed by former Village Interim Finance Director Karen Mohme.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public monies illegally expended is hereby issued against Mr. H. Scott Campbell, former Village Finance Director, in the amount of \$493.24 and in favor of the Village of Waynesville's General Fund. H. Scott Campbell is primarily liable for the amount he received in overpayment.

Additionally, under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of such expenditure. Seward v. National Surety Co. (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex.rel. Village of Linndale v. Masten (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are secondarily liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liable if and to the extent that recovery or restitution

is not obtained from the persons who unlawfully obtained such funds or property 1980 Op. Att'y Gen. No. 80-074.

Therefore, because former Village Interim Finance Director Karen Mohme signed the warrant relating to the illegal expenditure, she is jointly and severally liable in the amount of \$493.24 and in favor of the Village of Waynesville's General Fund.

Karen Mohme will only be liable to the extent that payment is not received from H. Scott Campbell.

Officials' Response:

Leave balances are maintained and presented to Council. Retirement reports are filed and paid on time to avoid penalties. Village officials are working to ensure that payroll is processed properly.

FINDING NUMBER 2006-006

Noncompliance

According to the **Village Policy Manual Section 4.6**, reasonable expenses incurred by employees when attending or holding breakfast, lunch or dinner meetings necessary to the performance of their official duties, or for functions in which the employee or official was asked to appear as a representative of his or her office or otherwise in an official capacity on behalf of the Village, are reimbursable, provided that the employee attaches a statement to the reimbursement request detailing the business or official purpose of such meeting and a list of the persons in attendance. The appointing authority must approve the expenses for each separate meeting or function. These meetings do not fall under the per diem rates of this policy, and will be paid at actual cost when submitted with a request for payment, together with a statement as to the public or business purpose of said meeting. Travel and training expenses that do not involve overnight travel are to be handled in accordance with this section

We identified the following reimbursements to the former Village Finance Director, H. Scott Campbell, during the audit period that did not conform to the Village Policy Manual:

Check #	Date	Amount	Description
9210	8/15/05	\$38.28	Reimbursement for breakfast at Der Dutchman on 8/15, no indication of persons, purpose or approval
9220 (1)	8/22/05	350.00	Reimbursement to attend GFOA Fall Conference, no documentation
9543	2/15/06	398.00	No documentation or support provided for this check
		<u>\$786.28</u>	
(1) While this would be an allowable expense, Mr. Campbell noted that "he did not attend the conference and he reimbursed the Village for this amount."			

Former Village Finance Director H. Scott Campbell signed all of the reimbursements detailed in the above table.

We identified the following charges to the Village credit card by the former Village Finance Director, H. Scott Campbell during the audit period that did not conform to the Village Policy Manual:

Date	Amount	Payee	Description	Purpose & Persons Attending Noted	Approved by Council
11/15/05	\$56.37	Kicker's Sports Grill	Business lunch written on credit card statement	no	no
12/21/05	91.68	Red Roof Inn *	None	n/a	n/a
1/4/06	3.19	Staples	none	n/a	n/a
1/4/06	35.00	Cracker Barrel	Business lunch	no	no
1/18/06	2.69	Waynesville Pharmacy	none	n/a	n/a
1/20/06	6.93	Der Dutchman	Donuts for employees written on credit card statement	n/a	n/a
1/31/06	172.93	Staples	none	n/a	n/a
2/6/06	209.00	Dell Marketing LP	none	n/a	n/a
2/27/06	19.67	Uno Chicago Grill	Business lunch written on credit card statement	no	no

**FINDING NUMBER 2006-006
 (Continued)**

3/8/06	105.45	Red Roof Inn *	None	n/a	n/a
3/11/06	93.46	Red Roof Inn *	None	n/a	n/a
4/20/06	29.00	Buffalo Wild Wings	Business lunch written on credit card statement	no	no
5/5/06	17.88	Slyder's Tavern	Business lunch with Village Mgr & other employee	Yes-persons No-purpose	no
5/11/06	23.87	Buffalo Wild Wings	Business lunch with Village Mgr & other employee	Yes-persons No-purpose	no
5/17/06	81.00	Dublin Pub	Business lunch with Village Mgr & other employee	Yes-persons No-purpose	no
5/25/06	22.81	Fields Restaurant	Business lunch with Village Mgr & other employee	Yes-persons No-purpose	no
5/31/06	101.97	Fox & Hound	none	no	no
5/31/06	124.92	Elsa's Mexican South	none	no	no
<u>\$1,197.82</u>					

In an email dated July 31, 2006 from Mr. Campbell, he stated that he made a cash reimbursement to the Village in April for \$900 and one on June 30th, but he could not remember the exact amount of the June 30th cash deposit. He also stated that he reimbursed the Village through these two deposits for four charges on his Village credit card that were by mistake and for his portion of the cell phone charges. Three were identified on the credit card bills (by an * in the above table), the other charge on the bill had not been received as of his resignation date. We were able to determine that the reimbursements made by Mr. Campbell were sufficient to cover credit card payments made in violation of the Village policy.

We recommend that Village management monitor all credit card payments to ensure compliance with Village policy.

Officials' Response:

The current administration approves every expenditure and a council member approves any work-related meal expenditures made by the administration.

FINDING NUMBER 2006-007

Finding for Recovery – Shane Wiseman Credit Card Expenditures

The Village of Waynesville opened a credit card account with Fifth Third Bank on October 13, 2005. All full-time Village employees were issued their own credit card. Mr. Shane Wiseman, Village Police Officer, was one of the employees issued a credit card. We reviewed all credit card payments and any supporting documentation available during the audit period. According to the Village Policy Manual Section 4.6, travel and training expenses that involve overnight travel are to be handled in accordance with Section 406(c). This section states that detailed receipts are required for all expenses except mileage for use of a personal vehicle and meals under the per diem method. The following items charged to Mr. Wiseman's Village credit card were training related expenses; however, the Village could not present detailed receipts:

**FINDING NUMBER 2006-007
 (Continued)**

Statement Date	Transaction Date	Amount	Payee	Description	Support
4/27/06	4/10/06	\$9.65	Kosheng Chinese Food	Unknown (meal travel expense)	None
4/27/06	4/11/06	9.99	Papa Johns	Unknown (meal travel expense)	None – note on statement
4/27/06	4/13/06	3.99	McDonalds	Unknown (meal travel expense)	None – note on statement
4/27/06	4/14/06	7.87	Panera Bread	Unknown (meal travel expense)	None – note on statement
4/27/06	4/14/06	378.35	Comfort Suites	Unknown (hotel travel expense)	None – note on statement
6/27/06	6/5/06	3.99	KFC	Meal expenses – OPOTA training	Charge slip only
6/27/06	6/6/06	18.72	Pizza Hut	Meal expenses – OPOTA training	Charge slip only
6/27/06	6/7/06	<u>21.90</u>	Applebees	Meal expenses – OPOTA training	Charge slip only
		<u>\$454.46</u>			

We provided a description of these expenditures to Shane Wiseman, and he was unable to provide additional documentation to support the credit card expenditures identified. Former Village Finance Director H. Scott Campbell, former Interim Finance Director Karen Mohme, and Village Council Member Sandra Stemple, each signed a portion of the credit card expenditures, as detailed below.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public monies illegally expended is hereby issued against Mr. Shane Wiseman, Village Police Officer, and Ohio Government Risk Management Plan, his bonding company, jointly and severally in the amount of \$454.46 and in favor of the Village of Waynesville’s Police Fund. Shane Wiseman is primarily liable for the amounts of these expenditures.

Additionally, under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of such expenditure. *Seward v. National Surety Co.* (1929), 120 Ohio St. 47; 1980 Op. Att’y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex.rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are secondarily liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property 1980 Op. Att’y Gen. No. 80-074.

Therefore, because former Village Finance Director H. Scott Campbell signed a portion of the expenditures, he is jointly and severally liable in the amount of \$409.85 and in favor of the Village of Waynesville’s Police Fund. Additionally, because former Village Interim Finance Director Karen Mohme and former Village Council Member Sandra Stemple signed a portion of the expenditures, they and Sandra Stemple’s bonding company, Ohio Government Risk Management Plan, are jointly and severally liable in the amount of \$44.61 and in favor of the Village of Waynesville’s Police Fund.

H. Scott Campbell, Karen Mohme and Sandra Stemple will only be liable to the extent that payment is not received from Shane Wiseman.

**FINDING NUMBER 2006-007
 (Continued)**

Officials' Response:

Shane Wiseman stated that he submitted the receipts and documentation to Finance Director H. Scott Campbell. Mr. Wiseman had no reason to believe that the submitted receipts were lost. However, the Village will request duplicate receipts from the vendor for these expenses.

FINDING NUMBER 2006-008

Finding for Recovery – Angela Tipton Credit Card Expenditures

Ohio Revised Code, Section 149.351, states, in part, that “all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions.”

The Village of Waynesville opened a credit card account with Fifth Third Bank on October 13, 2005. All full-time Village employees were issued their own credit card. Ms. Angela Tipton was one of the employees issued a credit card. We reviewed all credit card payments and any supporting documentation available during the audit period. We noted the following charges on Ms. Tipton’s Village credit card during the audit period:

Statement Date	Transaction Date	Amount	Payee	Description	Support
12/27/05	12/12/05	\$2.19	Ellis Super Value	Unknown	None
5/29/06	4/28/06	168.89	Ellis Super Value	Deli and Grocery	Receipt not detailed –only says deli & grocery
5/29/06	5/23/06	6.94	Walmart	Unknown	None
8/28/06	7/28/06	102.24	Ellis Super Value	Unknown	None
		<u>\$280.26</u>			

The failure to maintain adequate support for expenditures could result in a loss of accountability over the Village’s finances, make it difficult to identify errors which could go undetected, and possibly result in expenditures that are not for a proper public purpose.

We provided a description of these expenditures to Angela Tipton and the current Village Manager, Bruce Snell and they were unable to provide a reasonable explanation of Village use or additional supporting documentation to support the credit card expenditures identified. Former Village Finance Directors H. Scott Campbell and Kristin Kern-Spiekerman, and former Village Interim Finance Director Karen Mohme, each signed a portion of the 2006 and 2005 credit card expenditures, as detailed below.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public monies illegally expended is hereby issued against Ms. Angela Tipton, Village Employee, and Ohio Government Risk Management Plan, her bonding company, jointly and severally, in the amount of \$280.26 and in favor of the Village of Waynesville’s General Fund. Angela Tipton is primarily liable for the amounts of the expenditures.

**FINDING NUMBER 2006-008
(Continued)**

Additionally, under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of such expenditure. Seward v. National Surety Co. (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex.rel. Village of Linndale v. Masten (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are secondarily liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property 1980 Op. Att'y Gen. No. 80-074.

Therefore, because former Village Finance Director H. Scott Campbell signed a portion of the expenditures, he is jointly and severally liable in the amount of \$178.02 and in favor of the Village of Waynesville's General Fund.

Additionally, because former Village Interim Finance Director Karen Mohme signed a portion of the expenditures, she is jointly and severally liable in the amount of \$175.83 and in favor of the Village of Waynesville's General Fund.

Finally, because former Village Finance Director Kristin Kern-Spiekerman signed a portion of the expenditures, she and her bonding company, The Ohio Casualty Insurance Company, are jointly and severally liable in the amount of \$102.24 and in favor of the Village of Waynesville's General Fund.

H. Scott Campbell, Karen Mohme, and Kristin Kern-Spiekerman will only be liable to the extent that payment is not received from Angela Tipton.

Officials' Response:

Angela Tipton stated that she submitted the receipts and documentation to Finance Director H. Scott Campbell. Ms. Tipton had no reason to believe that the submitted receipts were lost. However, the Village will request duplicate receipts from the vendor for these expenses.

FINDING NUMBER 2006-009

Noncompliance Citation

Ohio Rev. Code, Section 5705.09(F), provides that each subdivision shall establish a special fund for each source of revenue derived from a source other than the general property tax which the law requires to be used for a particular purpose. Monies were not always posted to the particular fund specified by their purpose. Ohio Rev. Code Section 5705.10(H) provides that monies paid into any fund shall be used only for the purpose for which such fund is established.

Ohio Rev. Code, Section 4501.04(A), provides that auto registration fees distributed by the County Auditor per Ohio Rev. Code, Section 4501.03, be paid into the municipal treasury to be used for municipal streets. The fund established by the Village for these receipts and expenditures is the Street Construction, Maintenance, and Repair Fund.

Ohio Rev. Code, Section 5735.28(C)(2)(a), provides that whenever a municipal corporation is on the line of a state highway, that seven and one-half percent of the amount paid to a municipal corporation pursuant to sections 4501.04, 5735.23, and 5735.27 of the Revised Code be credited to the State Highway Fund for purposes related to state highways within the municipal corporation. The fund established by the Village for these receipts and expenditures is the State Highway Fund.

**FINDING NUMBER 2006-009
 (Continued)**

Ohio Rev. Code, Section 5735.23 (C)(2)(a), provides that gasoline excise tax distributed from the State and Local Government Highway Distribution Fund pursuant to Ohio Rev. Code Section 5735.27(A)(1) be used pursuant to that section. Ohio Rev. Code Section 5735.27 provides that gasoline excise tax distributed from the Gasoline Excise Tax Fund be used for municipal street expenditures. The fund established by the Village for these receipts and expenditures is the Street Construction, Maintenance, and Repair Fund.

According to above laws, the monthly distributions from the County designated as “MV Reg Fees,” “Gasoline Tax to Municipalities” and “Gasoline Cents Per Gallon” must be posted to the Village funds at the rate of ninety two and one half percent (92½%) to the Street Construction, Maintenance, and Repair Fund and seven and one half percent (7½%) to the State Highway Fund. The Village also posted special assessments and public utility deregulation monies to the wrong funds. Special assessments funds are to be posted as distributed on the County Auditor Settlement sheets, usually between the Sidewalk Assessment, Street Levy and Sewer Funds. The two receipts in 2005 were posted only to the Sidewalk Assessment Fund and for one receipt in 2006. Public utility deregulation monies that should have been posted to the Street Fund were posted to the Village Add-on MVL Fund. In addition, the Village did not record the OPWC monies received for Project CJ121. The following table reflects the net effect of the adjustments on the financial statements.

Fund	Net Effect of Adjustments on Fund Balance at December 31, 2006
General Fund A01	\$180,641
Street Construction & Maintenance Fund (B01)	15,050
State Highway Fund (B02)	1,229
Village Add-on MVL Fund (B10)	344
Police Fund (B20)	(50,727)
Street Levy Fund (B30)	2,996
Permissive Tax Fund (B40)	(38,194)
Sidewalk Assessment Fund (H02)	(2,840)
Water Fund (E01)	(49,774)
Sewer Fund (E02)	(56,231)
Street Light Utility Fund (E11)	(2,493)

The adjustments listed above are reflected in the accompanying financial statements of the Village as of December 31, 2006. The Village posted the adjustments listed above to their ledgers. As a result of the significance of the above adjustments, the records maintained by the Fiscal Officer were not an accurate reflection of all moneys received and expended by the Village. Failure to accurately prepare and reconcile the accounting records 1) reduces the accountability over Village funds, 2) reduces the Council’s ability to monitor financial activity and make informed financial decisions, 3) increases the likelihood that moneys will be misappropriated and not detected, and 4) increases the likelihood that the financial statements will be misstated.

We recommend the Finance Director accurately maintain the accounting records in accordance with the uniform accounting system prescribed by the Auditor of State. The Village should adopt procedures to properly prepare and monitor the Village’s statements.

Officials’ Response:

Current village administration strives to ensure that all receipts and expenditures are reflected in the proper fund(s).

FINDING NUMBER 2006-010

Noncompliance Citation

Ohio Rev. Code, Section 733.28, states that the village clerk should keep the books of the village, exhibit accurate statements of all moneys received and expended, all property owned by the Village and income derived thereof, and all taxes and assessments

Ohio Admin. Code, Section 117-2-02(D), states all local public offices may maintain accounting records in a manual or computerized format. The records used should be based on the nature of operations and services the public office provides, and should consider the degree of automation and other factors. Such records should include the following:

- (1) Cash journal, which typically contains the following information: The amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transaction.
- (2) Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund the public office uses. The amount, date, name of the payor, purpose, receipt number, and other information required for the transactions can be recorded on this ledger.
- (3) Appropriation ledger, which may assemble and classify disbursements or expenditure/expenses into separate accounts for, at a minimum, each account listed in the appropriation resolution. The amount, fund, date, check number, purchase order number, encumbrance amount, unencumbered balance, amount of disbursement, and any other information required may be entered in the appropriate columns.
- (4) In addition, all local public offices should maintain or provide a report similar to the following accounting records:
 - a. Payroll records including:
 - i. W-2's, W-4's and other withholding records and authorizations;
 - ii. Payroll journal that records, assembles and classifies by pay period the name of employee, social security number, hours worked, wage rates, pay date, withholdings by type, net pay, and other compensation paid to an employee (such as a termination payment), and the fund and account charged for the payments;
 - iii. Check register that includes, in numerical sequence, the check number, payee, net amount, and the date;
 - iv. Information regarding non-monetary benefits such as car usage and life insurance
 - v. Information, by employee, regarding leave balances and usage
 - b. Utilities billing records including:
 - i. Master file of service address, account numbers, billing address, type of services provided, and billing rates;
 - ii. Accounts receivable ledger for each service type, including for each customer account, the outstanding balance due as of the end of each billing period (with an aging schedule for past due amounts), current usage and billing amount, delinquent or late fees due, payments received and non-cash adjustments, each maintained by date and amount;

**FINDING NUMBER 2006-010
(Continued)**

- iii. Cash receipts records, recording cash received and date received on each account. This information should be used to post payments to individual accounts in the accounts receivable ledger described above

Although the Village Finance Director paid bills and deposited receipts, no accounting records were maintained, no bank reconciliations were performed, and the 2005 or 2006 annual financial statements were not prepared and submitted. As a result, the Auditor of State's Local Government Services (LGS) Division was hired by the Village to reconstruct the Village's records for January 2005 through August 2006. Timely bank reconciliations were not performed until September 2006. Therefore, the Finance Director did not maintain an accurate reflection of all moneys received and expended.

Failure to accurately prepare and reconcile the accounting records 1) reduces the accountability over Village funds, 2) reduces the Councils' ability to monitor financial activity and make informed financial decisions, 3) increases the likelihood that moneys will be misappropriated and not detected, and 4) increases the likelihood that the Village's financial statements will be misstated.

We recommend the Village Finance Director accurately maintain the Village's accounting records in accordance with the uniform accounting system prescribed by the Auditor of State. In addition, all supporting documentation of receipts, expenditures, and bank reconciliations should be maintained. For added accountability, we recommend Council review all bank reconciliations for accuracy and ensure that all reconciling items are justified.

Officials' Response:

Village financial records are maintained in the computer system. Supporting documentation maintained in Village records. Bank reconciliations are completed monthly.

FINDING NUMBER 2006-011

Noncompliance Citation

Ohio Rev. Code, Section 117.38, requires each public office to file an annual financial report made in accordance with forms prescribed by the Auditor of State within sixty days after the close of the fiscal year. The Village did not file the 2006 or 2005 reports.

If the annual financial reports are not completely and accurately presented, the reports can not be relied upon by management or others using these reports. The statements and columns of the report that are applicable to the Village should be completed and the Village Finance Director and Council should review the reports to check that they are properly completed before they are filed with the Auditor of State. The reports should be filed within sixty days after the close of the fiscal year. The Village should maintain proof of mailing of the report by the required date.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2006-012

Noncompliance Citation

Ohio Rev. Code, Section 5705.10(H), provides that money paid into a fund must be used only for the purposes for which such fund was established. The following funds had negative fund balances:

Fund	Fund Balance At 12/31/05	Fund Balance At 12/31/06
Street Construction Maintenance & Repair (B01)	\$(78,334)	\$(165,569)
State Highway (B02)	12,516	(14,421)
Parks & Recreation (B04)	(2,995)	(6,776)
Police Law Enforcement (B20)	(144,543)	(293,529)
Historic Preservation Grant (B80)	(2,402)	(2,402)
Sidewalk Assessment (H02)	(1,634)	(1,752)

This deficit balance indicates money from other funds was used to cover the expenditures of this fund, contrary to law. Failure to monitor budgetary activity can result in overspending and negative fund balances. The management of the Village should monitor the Village's budgetary receipts and expenditures by having the Finance Director provide budgetary reports at least quarterly to be reviewed and approved by Council. By regularly monitoring its budgetary position throughout the year, the Village will be better able to determine when amendments need to be made to original budgeted receipts thus avoiding negative fund/account code balances, and will be better prepared for making decisions which effect the overall cash position of the Village.

Officials' Response:

Under the supervision of a Governor appointed supervisory commission, village officials are currently developing a recovery plan to eliminate all negative fund balances within five years.

FINDING NUMBER 2006-013

Noncompliance Citation

Ohio Rev. Code, Section 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 fiscal officer 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 by 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.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

**FINDING NUMBER 2006-013
(Continued)**

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. Blanket Certificate – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The availability of funds was not certified prior to the time of commitment in 83% of expenditures tested in 2006 and 93% of expenditures tested in 2005, nor did the Village use the aforementioned exceptions. In addition, the Village did not establish by resolution a limit for regular blanket certificates used in 2006. Every effort should be made by the Village to properly utilize the encumbrance method of accounting by certifying funds on purchase orders. Failure to properly encumber could result in overspending funds and negative cash fund balances.

Unless the Village uses the exceptions noted above, prior certification is not only required by statute but also is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village’s funds exceeding budgetary spending limitations, we recommend that the Finance Director certify that funds are or will be available prior to obligation by the Village. When prior certification is not possible, “then and now” certification should be used.

We recommend the officials and employees obtain the Fiscal Officer’s certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Finance Director should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Village should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

Officials’ Response:

Current village administration requires that purchase orders are obtained before a purchase is made.

FINDING NUMBER 2006-014

Noncompliance Citation

Ohio Rev. Code, Section 5705.38(A), requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. The Village Council approved annual appropriations each year of the audit period but did not certify these with the County Auditor.

**FINDING NUMBER 2006-014
 (Continued)**

Ohio Administrative Code, 117-2-02(C)(1), states in part the legal level of control is the level (e.g. fund, program or function, department, object) at which spending in excess of budgeted amounts would be a violation of law. This is established by the level at which the legislative body appropriates. For all local public offices subject to the provisions of Chapter 5705 of the Revised Code, except school districts and public libraries, the minimum legal level of control is described in Section 5705.38 of the Revised Code. Ohio Rev. Code 5705.38(C) requires the following minimum level of budgetary control for “subdivisions” other than schools: Appropriation measures shall be classified so as to set forth separately the amounts appropriated for each office, department, and division, and, within each, the amount appropriated for personal services. The Village’s appropriations did not meet the minimum legal level of control for the year ended December 31, 2006.

Ohio Rev. Code, Section 5705.41(B), prohibits a subdivision from making an expenditure unless it has been properly appropriated. The following funds had expenditures which exceeded appropriations:

Year Ended December 31, 2006	Appropriations	Expenditures	Variance
General	\$327,000	\$891,890	(\$564,890)
SCMR	101,000	229,810	(128,810)
State Highway	7,000	36,736	(29,736)
Parks & Recreation	7,000	9,791	(2,791)
Police	293,000	474,140	(181,140)
Water	395,000	475,007	(80,007)
Trash	142,000	145,202	(3,202)
Water Capital Improvement	131,000	407,342	(276,342)
Sewer Capital Improvement	111,000	134,792	(23,792)

Year Ended December 31, 2005	Appropriations	Expenditures	Variance
General	\$387,000	\$791,402	(\$404,402)
SCMR	100,000	231,306	(131,306)
Parks & Recreation	15,000	16,410	(1,410)
Police	266,000	465,749	(199,749)
Water	383,000	457,366	(74,366)

Failure to monitor budgetary activity can result in overspending and negative fund balances. We recommend the Finance Director deny any payments until the legislative authority has passed the necessary changes to the appropriation measure. The management of the Village should monitor the Village’s budgetary receipts and expenditures by having the Finance Director provide budgetary reports at least quarterly to be reviewed and approved by Council. By regularly monitoring its budgetary position throughout the year, the Village will be better able to determine when amendments need to be made to original budgeted receipts thus avoiding negative fund/account code balances, and will be better prepared for making decisions which effect the overall cash position of the Village. The Village should refer to the Ohio Compliance Supplement and Village Officer’s Handbook for guidance on the legal budgetary process.

Officials’ Response:

Village officials are working to ensure that expenditures do not exceed appropriations.

FINDING NUMBER 2006-015

Noncompliance Citation

Ohio Rev. Code, Section 5705.34, provides that each taxing authority shall authorize the necessary tax levies for the following year and certify them to the County Auditor before the first day of October in each year

Ohio Rev. Code, Section 5705.36(A)(1), requires on or about the first day of each fiscal year, the fiscal officers of subdivisions and other taxing units are to certify to the county auditor the total amount from all sources available for expenditures from each fund in the tax budget along with any unencumbered balances existing at the end of the preceding year.

Ohio Rev. Code, Section 5705.39, provides that the total appropriations from each fund shall not exceed the total estimated revenue. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

In addition, Ohio Rev. Code, Section 5705.36(A)(2), allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. 5705.36(A)(3) requires obtaining an increased amended certificate from the budget commission if the legislative authority intends to appropriate and expend excess revenue. 5705.36(A)(4) requires obtaining a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriation. The total appropriations made during a fiscal year from any fund must not exceed the amount contained in the certificate of estimated resources or the amended certificate of estimated resources which was certified prior to making the appropriation or supplemental appropriation.

During testing we noted the following:

- The necessary tax levies resolution was not filed with the County Auditor in 2005 and minute records did not reflect that the resolution was made as required. In 2006, this resolution was approved November 20, 2006.
- The Village did not certify to the county auditor the total amount from all sources available for expenditures from each fund in the tax budget along with any unencumbered balances existing at the end of the preceding year for either year of the audit period.
- No certificates of amended resources were submitted to the county auditor; therefore all funds had appropriations exceeding estimated resources for both years of the audit period.

We recommend the Village prepare the necessary documents and use due care in monitoring their budgetary documents since these documents are an integral part of the budgetary control process. The Village should integrate the budgetary documents into the computer system. Failure to properly monitor budgetary activity could result in negative fund balances. We recommend that the Village monitor budgetary activity on a regular basis and obtain amended certificates as needed. The Village should refer to the Ohio Compliance Supplement and Village Officer's Handbook for guidance on the legal budgetary process.

Officials' Response:

Current administration requires strict staff compliance to budgetary procedures at all times.

FINDING NUMBER 2006-016

Noncompliance

White v. Clinton Cty. Bd. of Commrs' (1996), 76 Ohio St.3d 416, **Ohio Rev. Code Sections 121.22, and 149.43** when read together impose a duty on the Village to maintain a full and accurate record of their proceedings. Minutes of meetings must be promptly recorded and open for public inspection per State, ex rel. Fairfield Leader v. Ricketts (1990), 56 Ohio St.3d 97.

While reading the minutes, we noted the following items:

- The written minutes or video tapes could not be located for 2 of 28 (7%) meetings in 2006.
- In 2006, 4 of 28 (14%) minute records were not reviewed or approved by Council.
- The Mayor did not sign 5 of 28 (18%) minute records in 2006.
- The Clerk of Council did not sign 2 of 28 (7%) minutes in 2006.
- A statement of receipts for the Mayor's Court should be prepared and turned into Council each month. Mayor's Court monthly reports were not noted as reviewed 24 of 24 months (100%) by Council.
- The written minutes do not indicate the salary rate for the new Police Chief hired in 2003.
- The written minutes do not indicate Council approval of the storm water charge that started in January 2005.

The Village did not document decisions concerning bill payments, contracts awarded and monthly reconciliations. In as much as the Village Council speaks through its minutes, all actions of the Village should be documented in the minute records with as much detail as possible, and with proper and accurate reference to supporting documentation. Without proper authorization, illegal transactions or payments could occur without the knowledge of the Village officials. Also, these records will provide management with the needed future references for informed decision making, and be available for the public inspection of legislative decisions of the Village Council.

Officials' Response:

Current Council Clerk ensures that minutes of meetings are an accurate reflection of the meeting. Minutes currently maintained for Village meetings.

FINDING NUMBER 2006-017

Noncompliance Citation

Ohio Rev. Code, Section 9.38, provides that public money must be deposited with the Fiscal Officer of the public office or to the designated depository on the business day next following the day of receipt, if the total amount of such moneys received exceeds one thousand dollars. If the total amount of the public moneys so received does not exceed one thousand dollars, the person shall deposit the moneys on the business day next following the day of the receipt, unless the public office of which that person is a public official adopts a policy permitting a different time period, not to exceed three business days next following the day of receipt, for making such deposits, and the person is able to safeguard the moneys until such time as the moneys are deposited. The policy shall include provisions and procedures to safeguard the public moneys until they are deposited. During testing we noted the following items not deposited timely:

**FINDING NUMBER 2006-017
(Continued)**

- Mayor's Court receipts: 4 of 40 (10%) receipts tested. (2-10 days late)
- Utilities receipts: 10 of 40 (25%) receipts tested. (2-8 days late)

Failing to deposit monies within the required time period could cause receipts to be susceptible to loss or theft. We recommend the Village implement procedures to ensure deposits are made within one business day of receipt. As an alternative, the Village may adopt a policy permitting a different time period. Auditor of State Bulletin 99-020 provides further guidance on this issue.

Officials' Response:

Village officials will make every effort to make timely deposits of public monies .

FINDING NUMBER 2006-018

Noncompliance Citation

Ohio Rev. Code, Section 149.351(A), provides that all records are the property of the public office and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under Sections 149.38 to 149.42, Revised Code.

During the audit period, the Village did not provide complete documentation of the following items:

- Minutes for November 6th and December 4th, 2006;
- Debt/loan documentation with OPWC/OWDA;
- Vouchers and supporting documentation for
 - 2006: 2/30 (7%) of expenditures tested
 - 2005: 5/30 (17%) of expenditures tested;
- Supporting documentation of credit card expenditures/reimbursements (which resulted in several Findings for Recovery);
- Bid documents, including prevailing wage documentation, for 1/2 (50%) of projects bid during the audit period.

Proper documentation was not always attached to the vouchers to support the validity or proper posting of the expenditure; no documentation was presented that disbursements were authorized before payment; and no prior approval of bill payment was noted in the minutes. During our testing of non-payroll disbursements, credit card expenditures and reimbursements, a portion of the expenditures tested did not have sufficient detail on the supporting documentation to evaluate whether it was for a proper public purpose. The lack of a system of approvals and documentation significantly increases the probability of expenditures being made that are not for a proper public purpose. Alternative auditing methods were used to determine the legitimacy of the expenditures and findings for recovery were issued for those items not supported by proper documentation.

**FINDING NUMBER 2006-018
(Continued)**

We recommend the Finance Director should attach vendor invoices and supporting documentation including, but not limited to, original itemized invoices of goods and services received and mileage logs, to the vouchers to support the validity of the expenditure and Village Council should institute procedures for the approval of the payment of bills. Vouchers should be signed by at the Village Manager. No check should be signed, unless it is supported by detailed receipt or invoice. By having the voucher the Village Manager and requiring a detailed receipt before the check is cut, the Village would ensure that the expenditures are properly approved. In addition, the Village should develop policies and procedures outlining the security of all records or take a written inventory of all records noting the records description and location. All records should be maintained in a secure central location, such as locked file cabinets or in a locked office, with access limited to specific officials and/or personnel. Disposal of records should only be made in accordance with an approved records retention schedule and the required approvals of the records commission established by the Ohio Historical Society as well as the Auditor of State.

Officials' Response:

Village officials will work to ensure that records are maintained in a manner as required by law.

FINDING NUMBER 2006-019

Noncompliance

When designing the public office's system of internal control and the specific control activities, management should consider the following:

- Ensure that all transactions are properly authorized in accordance with management's policies.
- Ensure that accounting records are properly designed.
- Ensure adequate security of assets and records.
- Plan for adequate segregation of duties or compensating controls.
- Verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.
- Perform analytical procedures to determine the reasonableness of financial data.
- Ensure the collection and compilation of the data needed for the timely preparation of financial statements.
- Monitor activities performed by service organizations.

Ohio Rev. Code, Section 705.27, provides, in part, that municipal treasurer and auditors are required to give a bond to the municipal corporation for the faithful performance of their duties. Ohio Rev. Code Section 733.69 further provides that any officer of a municipal corporation required by law to give a bond must do so before taking office.

The small size of the Village does not allow for an adequate segregation of duties. The Finance Director processes all the financial record keeping including receipting, posting, and reconciling to the depository. Bookkeeping errors occurred without the detection of management. It is, therefore, important that Council monitor financial activity.

**FINDING NUMBER 2006-019
(Continued)**

Council was not always aware of their appropriate administrative responsibilities such as reviewing monthly financial records, reviewing minutes and reviewing bills, as a result, the following weaknesses were noted:

- Monthly financial reports such as budget and actual and bank reconciliations were not presented to Council (Nothing was presented to Council in 2006 or 2005);
- Village books were not always reconciled to the bank accurately and in a timely manner;
 - 2005: 12/12 months (100%) were not timely
 - 2006: 8/12 months (67%) were not timely
- Receipts were posted to improper funds (adjustments summarized in Finding 2006-009);
- Receipts were not posted to the system until well after the receipt date and/or deposit;
- Checks were not always in sequence;
- Late payment fees were paid on bills (OPERS, OP&F and Fifth Third Bank Credit Card);
- The Finance Director's position was not individually bonded from 1/1/05 through 7/31/06. (19/24 months = 79%).
- \$1,033.87 in equipment purchases were paid for by the Village on the Nextel phone account. No employees claimed these purchases and therefore the Village paid for the various pieces of equipment for either the employee or their family member on the Village plan.

The lack of timely financial reports and accurate fund balances significantly reduces Council's ability to monitor Village's financial position. In addition, the lack of control over invoices and goods/services received resulted in late payments to the various vendors. This may create an environment which promotes future fraud or inaccurate financial reporting.

To help strengthen the Village's internal control structure and reduce the likelihood of undetected errors, we recommend Village officials and management implement the following controls:

- Monthly budget and actual financial reports be prepared and submitted to Council. This submission should occur prior to the regular Council meetings so that Council members have an opportunity to review the information and ask informed questions at the Council meetings. Discussion and approval of the monthly financial reports should be documented in the minutes;
- When invoices are received, a comparison should be made between the goods/services included on the invoice and the goods/services received. The official/department head which received the goods should perform this comparison and indicate his/her review by initializing the invoice. The initials indicate the goods/services were received and the invoice is approved for payment. Invoices should be attached to all voucher packets;
- Once invoices have been approved for payment, the Finance Director should issue the corresponding check and stamp the invoice "Paid." The invoice should be filed with the voucher packet;

**FINDING NUMBER 2006-019
(Continued)**

- Village checks should be signed by the Finance Director and one Council member and written in sequential order. The Village Council required the dual-signing of checks in April 2006. Prior to signing the checks, the Council member should agree the vendor name and amount on the check to the invoice;
- Manual checks should not be written unless absolutely necessary;
- Receipts should be posted to the computer system upon receipt of the monies and/or deposit to ensure that monies are posted to the proper funds;
- Vouchers packets should be maintained in numerical sequence;
- Council should ensure that bills be paid on a timely basis to avoid late charges;
- Minutes of Council meetings should be prepared, approved, and available for public inspection in a timely manner. The minutes should also include all actions taken by Council during those meetings. For each regular meeting, the Finance Director should provide Council members with detailed budget and actual financial statements, cash balances, checks paid, outstanding encumbrances, receipts and bank reconciliations. These periodic reviews should be noted in the minutes and documents reviewed should be initialed by the reviewer;
- Officials should periodically review the records to determine accuracy and to assure themselves that proper procedures are followed by the Finance Director.

Officials' Response:

Current administration is working to correct these multiple issues.

FINDING NUMBER 2006-020

Significant Deficiency

Sound internal controls should include formal policies governing the high risk areas such as cell phone and vehicle usage, conflicts of interest, and credit card usage. The policies should, at a minimum, identify authorized users; guidelines for allowable use/purchases; method of reimbursement (if personal use is allowed); specific unallowable uses; reporting; monitoring of use by appropriate levels of management; and other guidelines deemed appropriate by the legislative body.

The Village does not have formal, detailed policies which establish guidelines and requirements for usage of government credit cards, vehicles, conflicts of interest/ethics and cell phones. Adoption of such policies will assist the Village in reducing the risk of fraud and theft inherent with usage of credit cards, government vehicles and cell phones. Lack of documented cell phone policies resulted in the loss of Village funds. No formal policies and procedures were documented for a Village cell phone plan. However, according to officials and employees, participants were to receive a "credit" of \$54.95 per month. Any additional monthly charges were to be reimbursed to the Village by the employee. Employees were also allowed to add phone lines for family members; however those charges were to be 100% paid by each employee. If an employee did not have a cell phone on the Village plan, the employee was to be reimbursed \$50 per month by the Village.

**FINDING NUMBER 2006-020
(Continued)**

The Nextel bills received by the Village showed detailed charges for each cell phone. Those lines provided to non-employees were used for personal use and not for business purposes of the Village. Individuals were not billed separately, but were included in the Village's bill. According to Village officials, H. Scott Campbell, former Village Finance Director, was supposed to send a statement to each person indicating amounts owed each month. The Village paid the monthly phone bill and the employees were supposed to reimburse the Village. However, we found that Mr. Campbell did not send the statements to employees every month and most of the individuals did not pay their cell phone bill on a monthly basis to the Village.

During the audit period, the Village paid the Nextel bills. However, the Village did not collect the employee's portion of the bills for excess personal and family member usage.

In July 2006, the Village created a spreadsheet, which detailed the monthly charges from January 2005 through July 2006, by cell phone on the Village's plan. On July 31, 2006, the Village issued invoices to various employees and former employees based upon this spreadsheet. The Village received payment from a few individuals based on the July 31, 2006 invoices, but most employees did not pay. Based on a spreadsheet maintained by the Village, eight employees still owed approximately \$5,700.

On October 20, 2006, Village Manager Bruce Snell notified participants that "due to the fact you were not invoiced in a timely manner, not to mention that some of you asked repeatedly for an invoice from the Village in order to avoid piling up usage fees, outstanding employee balances will be waived by the Village."

We recommend that the Village adopt and document the above policies. In addition, we recommend the minutes clearly document the approval and details of these policies. Employees should sign a copy of the policy prior to its usage in order to ensure they understand what is expected of them and what is allowable. In addition, personal usage of a cell phone constitutes a taxable fringe benefit. We recommend that in addition to a cell phone policy, bills are reviewed for calls of a personal nature and if necessary, included on the employees' W-2's as a taxable fringe benefit.

Officials' Response:

Council and staff will take immediate action toward enforcing the Village's cell phone policy.

FINDING NUMBER 2006-021

Noncompliance

26 U.S.C. §3402 states 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 C.F.R. §1.61-21 states that a mileage allowance is excludable as a wage to an employee, if it meets the accountable plan rules.

Ohio Rev. Code, Section 145.03(A), states a public employees retirement system is hereby created for the public employees of the state and of the several local authorities mentioned in section 145.01 of the Revised Code. Except as provided in division (B) of this section, membership in the system is compulsory upon being employed and shall continue as long as public employment continues.

**FINDING NUMBER 2006-021
(Continued)**

Ohio Rev. Code, Section 145.034, states that a member of the public employees retirement system who is a public employee as defined in division (A)(2) of section 145.01 of the Revised Code and whose earnings from employment are or become subject to the tax on wages imposed by the "Federal Insurance Contributions Act," 68A Stat. 415 (1954), 26 U.S.C.A. 3101, as amended, may elect to have such earnings exempted from contributions to the public employees retirement system by filing with the public employees retirement board a written request bearing his signature.

Ohio Rev. Code, Section 742.31, states each employee shall contribute an amount equal to ten percent of the employee's salary to the Ohio police and fire pension fund.

The following conditions were noted:

- Federal and state taxes were not withheld from the former Finance Director's (H. Scott Campbell) salary from May 2005 through June 2006.
- The former Village Manager, Rod Smith, received a mileage allowance as detailed in his contract. This allowance did not meet the accountable plan rules and was not included in his W-2. This amounted to \$15/pay period in 2005 and \$20/pay period in 2006.
- Withholdings were not remitted in proper amounts in 2006:
 - Federal was over-remitted by \$312.55
 - State was under-remitted by \$36.75
- Village paid various penalties and fees to OPERS and OP&F for late reporting and remittance of withholdings.
 - PERS: \$3,734.05 (2005) and \$660.64 (2006) paid in penalties and late fees
 - OP&F: \$2,325.38 in penalties and late fees (2005)
- The following issues were noted once the Village started using Paycor to process their payroll in August 2006:
 - Social Security was withheld for all employees in error. This was corrected and refunded to employees in 2007.
 - Medicare is calculated at 1.45% of gross pay less insurance premiums.
 - OP&F was deducted at an incorrect rate of 10.1% until corrected in 2007.
 - As of 8/31/05, Paycor only has a Tier 1 SAS 70 report. This could affect future audit testing.

We also noted that the Village did not have adequate internal controls procedures over the operation of the payroll disbursements process, record keeping was inaccurate and inconsistent, and there appeared to be little progress on the part of either the Village Council or Management to develop appropriate administrative functions. Lack of internal controls and poor recordkeeping increases the risk that theft, fraud or errors could occur and not be detected in a timely manner.

**FINDING NUMBER 2006-021
(Continued)**

The following conditions were noted:

- Employee personnel files did not contain all necessary information, including: hiring authorization, position and authorized salary rate until former Finance Director, Kristin Kern-Spiekerman, required all employees to complete the necessary forms in August 2006. No forms or documentation could be located prior to this date.
- The former Finance Director, H. Scott Campbell, did not withhold health insurance premiums from his paycheck from August through December 2005, although he was on the Village's insurance plan. He began withholding premiums in January 2006 until his resignation. He also withheld an extra \$803 from his 4/15/06 pay check in order to repay the amounts not withheld in 2005.
- The Public Works Director was paid at a higher rate than approved by Council in 2006 until his retirement date in 2007. See Finding 2006-001 for details.
- The Village Manager was paid an extra hour of pay from his hire date in September 2006 until corrected by the Finance Director in February 2007. See Finding 2006-002 for details.
- Leave usage was not accurately tracked on the Village computer system during the audit period.

Failure to accurately record leave balances and maintain payroll records could cause employees to be paid at incorrect amounts or cause federal or state tax issues for the Village or its employees. In order to strengthen internal controls over the payroll process and ensure all employees are properly compensated, we recommend the Village implement the following procedures:

- Council should approve all employee's pay rates;
- Leave records for every eligible employee should be maintained and agree to the employee's contract or the Village Policy Manual;
- Someone other than the Finance Director should periodically review the payroll ledgers and records to ensure employee's are paid at the proper rates, in accordance with their time cards and leave balances are properly accrued and usage noted;

The overpayment of hours and pay resulted in findings for recovery. In addition, failure to accurately maintain leave balances resulted in overpayments upon the resignation of two employees and findings for recovery. These items resulted in Findings for Recovery and are detailed in Findings 2006-003 and 2006-005. We recommend that the Finance Director and Village Council review the approved Policy Manual and follow it when paying leave of any type and when increasing employee pay rates.

Officials' Response:

Leave balances are maintained and presented to Council. Retirement reports are filed and paid on time to avoid penalties. Village officials are working to ensure that payroll is processed properly.

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**VILLAGE OF WAYNESVILLE
WARREN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	Lack of Segregation of Duties	No	Repeat as Finding 2006-010
2004-002	Failure to prepare bank reconciliations in a timely manner	No	Repeat as Finding 2006-010
2004-003	ORC 5705.41(D), not certifying the availability of funds.	No	Repeat as Finding 2006-013
2004-004	ORC 5705.10, negative fund balances	No	Repeat as Finding 2006-012
2004-005	ORC 5705.39, appropriations exceeding estimated revenue	no	Repeat as Finding 2006-015



Mary Taylor, CPA
Auditor of State

VILLAGE WAYNESVILLE

WARREN 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
OCTOBER 16, 2008**