

OHIO AUDITOR OF STATE
KEITH FABER

LGOC

Top 10 Audit Comments for Townships & Municipalities

Ashley Perry,
Center for Audit Excellence, AOS

January 2024

Efficient • Effective • Transparent

1

Agenda

- Terminology
- Types of Audit Comments
- Common Audit Comments

Efficient • Effective • Transparent

2

Audit Terminology

GAGAS

- Generally Accepted Government Auditing Standards
- Comments affecting the financial statements
- aka: the Yellow Book

Single Audit

- The Single Audit Act of 1984 (amended in 1996) – applicable if entity expends \$750,000 of federal dollars in 1 year.
- Comments affecting federal programs

Noncompliance

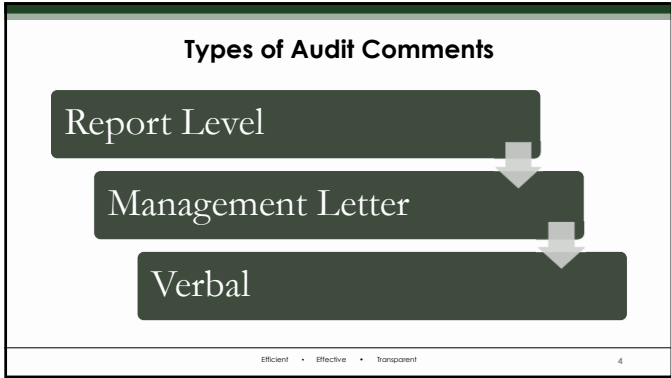
- Citation

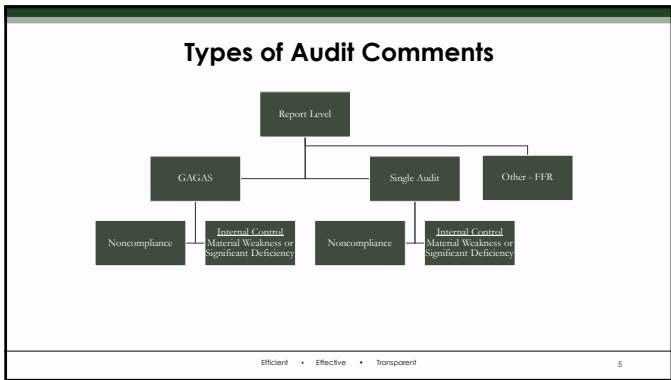
Recommendation

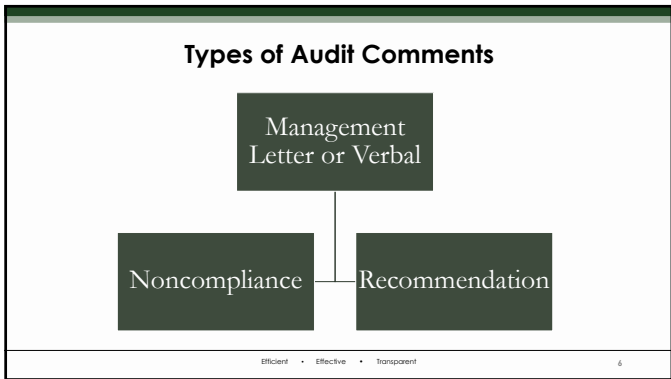
- Internal Control Deficiency

Efficient • Effective • Transparent

3



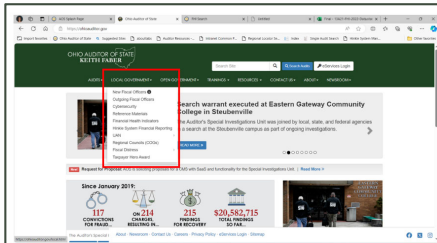




Noncompliance Examples

| | | |
|---------------------------------|--------------------------|---|
| Federal Code of Regulations | Grant Agreements | United States Code |
| Ohio Ethics Commission Opinions | Ohio Administrative Code | Ohio Revised Code |
| Federal & State Court Decisions | Ohio Constitution | Local Ordinance, Policy, Resolution, etc. |

Ohio Compliance Supplement



Ohio Compliance Supplement

| Reference Materials Quick Links |
|--|
| GAAS 84 |
| GAAS 84c |
| Ohio Compliance Manuals |
| Organic FISC and Program Codes |
| Other Accounting FISCs |
| Financial Statement Sheets & Footnotes |
| GAAP |
| GAAS 84 - Tables |
| GAAS 84 - Glossary |
| Regulatory |
| Standardized Footnotes |
| Single Audit Practice Aids & Report Sheets |
| Federal Award Compliance Control Records (FACCR) |
| Agreed-Upon-Procedure Sheets |
| Audit Report Sheets |
| FIR 12/1/21 & Change |
| Prior to FIR 12/1/21 |
| Additional Audit Guidance |
| Ohio Laws & Rules |
| Publications & Manuals |

Ohio Compliance Supplement

Ohio Compliance Supplement

OCS Legal Matrix (November 2023)

1. Exempt or additional rules
 2. Inactive rules with implementation dates
 3. Rules to apply between the dates listed for rules apply until they are replaced by the rules in brackets

| Rule No. | Requirement | OH 19 | OH 20 | OH 21 | OH 22 | OH 23 | OH 24 | OH 25 |
|----------|--|-------|-------|-------|-------|-------|-------|-------|
| 10 | General Budget Requirement (2 through 15) | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 11 | OH 19 10 - Asset Management - Capital Assets | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 12 | OH 19 10.02 and 19.03 - Asset Management - Operating Assets - Condition of Asset | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 13 | OH 19 10.03 - Asset Management - Operating Assets - Maintenance | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 14 | OH 19 10.04 - Asset Management and 19.03 - Operating Assets - Condition of Asset | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 15 | OH 19 10.05 - Asset Management - Operating Assets - Maintenance | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 16 | OH 19 10.06 - Asset Management - Operating Assets - Maintenance | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 17 | OH 19 10.07 - Asset Management - Operating Assets - Maintenance | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 18 | OH 19 10.08 - Asset Management - Operating Assets - Maintenance | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 19 | OH 19 10.09 - Asset Management - Operating Assets - Maintenance | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 20 | OH 19 10.10 - Asset Management - Operating Assets - Maintenance | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 21 | OH 19 10.11 - Asset Management - Operating Assets - Maintenance | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 22 | OH 19 10.12 - Asset Management - Operating Assets - Maintenance | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 23 | OH 19 10.13 - Asset Management - Operating Assets - Maintenance | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 24 | OH 19 10.14 - Asset Management - Operating Assets - Maintenance | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 25 | OH 19 10.15 - Asset Management - Operating Assets - Maintenance | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 26 | OH 19 10.16 - Asset Management - Operating Assets - Maintenance | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 27 | OH 19 10.17 - Asset Management - Operating Assets - Maintenance | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 28 | OH 19 10.18 - Asset Management - Operating Assets - Maintenance | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 29 | OH 19 10.19 - Asset Management - Operating Assets - Maintenance | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 30 | OH 19 10.20 - Asset Management - Operating Assets - Maintenance | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 31 | OH 19 10.21 - Asset Management - Operating Assets - Maintenance | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 32 | OH 19 10.22 - Asset Management - Operating Assets - Maintenance | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 33 | OH 19 10.23 - Asset Management - Operating Assets - Maintenance | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 34 | OH 19 10.24 - Asset Management - Operating Assets - Maintenance | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 35 | OH 19 10.25 - Asset Management - Operating Assets - Maintenance | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 36 | OH 19 10.26 - Asset Management - Operating Assets - Maintenance | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 37 | OH 19 10.27 - Asset Management - Operating Assets - Maintenance | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 38 | OH 19 10.28 - Asset Management - Operating Assets - Maintenance | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 39 | OH 19 10.29 - Asset Management - Operating Assets - Maintenance | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 40 | OH 19 10.30 - Asset Management - Operating Assets - Maintenance | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |

Finding Released Audits

Finding Released Audits

Audit Search Report Released Audit Type Request a Report

Free through State agencies. Local governments are required to audit compliance in accordance with 2 CFR Part 201, aka: the Uniform Guidance | version of an audit report package, please go to the TAC site of <https://taco.ohio.gov/>

Entity Name or Report Type: [Text Input] [Sign up]

Report Type: All Report Types [Dropdown] [Audit Now]

County: [Dropdown]

Year: All Fiscal Years [Dropdown]

Report Date: All Report Dates [Dropdown]

County/Report Date: [Dropdown]

Regional Council of Governments: [Dropdown]

Efficient • Effective • Transparent 13

Sample Noncompliance Citation

FINDING NUMBER 2021-003

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.41(D)(1) provides that no order or contracts involving the expenditure of money are to be made unless there is attached thereto a certificate of the Fiscal Officer certifying that the amount required meets the obligation or the cash of covering contract to be performed in whole or in part in any ensuing fiscal year, the amount required to meet the obligation in the fiscal year in which the contract is made has been lawfully appropriated in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be void and no amount shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that treasurer'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, lumped certificates, and super lumped certificates, which are provided for in Ohio Rev. Code §§ 5705.41(D)(1) and 5705.41(D)(3), respectively.

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

Amounts less than \$100 in counties and less than \$3,000 in all other subdivisions or taxing units 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 Township.

Sample Internal Control Comment

FINDING NUMBER 2021-005

Material Weakness - Bank Reconciliations

Sound accounting practices require that when designing the public officer's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records. The reconciliation of cash bank balances to accounting system records (books) to the accounting system is the most basic and primary control process performed. Lack of completing an accurate and timely reconciliation may allow for accounting errors, theft and fraud to occur without timely detection.

The Fiscal Officer is responsible for reconciling the book (fund) balance to the total bank balance on a monthly basis, and the Board are responsible for reviewing the reconciliations and related support. The Fiscal Officer did not properly reconcile the bank statements to the cash journal monthly resulting in reconciling factors due to timing issues and other variances. Bank reconciliations completed included "other adjusting factors" for every month in 2020 and 2021. In addition, there were three checks totaling \$300 which were marked cleared in the system when still outstanding. The bank reconciliations were not completed for May, July, or September 2020 or for June or August 2021. In addition, bank reconciliations were not properly reviewed and approved by the Board of Trustees for nine meetings in 2021. Failure to properly reconcile monthly increases the possibility that the Township will not be able to identify, assemble, analyze, classify, and record transactions correctly or to document compliance with finance related legal and contractual requirements. Further, the lack of accurate monthly reconciliations increases the risk of theft/fraud over the cash cycle and could lead to inaccurate reporting in the annual financial statements.

The Fiscal Officer should record all transactions and prepare monthly bank to book cash reconciliations, which include all bank accounts and all fund balances. Variances should be investigated, documented and corrected. In addition, the Board should review the monthly cash reconciliations including the related support (such as reconciling items) and document the reviews.

Where did I get my data?

Efficient • Effective • Transparent

16

Common Noncompliance Citations

Efficient • Effective • Transparent

17

Common Noncompliance Citations

Ohio Rev. Code § 5705.41(D)(1) provides that no orders or contracts involving the expenditure of money are to be made unless there is attached thereto a certificate of the Fiscal Officer certifying that the amount required meet the obligation or, the case of continuing contract to be performed in whole or in part in an ensuing fiscal year, the amount required to meet the obligation in the fiscal year in which the contract is made has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon.

Efficient • Effective • Transparent

18

Common Noncompliance Citation

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing authority unit from making any expenditure of money unless it has been appropriated in accordance with the Ohio Revised Code.

Due to inadequate policies and procedures in approving and reviewing budget versus actual information, the Township's General, Motor Vehicle License Tax, Gasoline Tax, Road and Bridge, and Cemetery Funds had expenditures in excess of appropriations of \$38,385, \$10,000, \$97,408, \$84,021, and \$324, respectively, as of December 31, 2021.

Due to inadequate policies and procedures in approving and reviewing budget versus actual information, the Township's General, Motor Vehicle License Tax, Gasoline Tax, Road and Bridge, and Permissive Motor Vehicle License Tax Funds had expenditures in excess of appropriations of \$81,017, \$15,654, \$166,795, \$21,448 and \$12,000, respectively, as of December 31, 2020.

Common Noncompliance Citation

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

Common Noncompliance Citation

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

Common Noncompliance Citation

Ohio Rev. Code § 5705.36(A)(1) provides, in part, on or about the first day of each fiscal year, the fiscal officer of each subdivision and other taxing unit shall certify to the county auditor the total amount from all sources available for expenditures from each fund set up in the tax budget or, if adoption of a tax budget was waived under section 5705.281 of the Revised Code, from each fund created by or on behalf of the taxing authority.

Common Noncompliance Citation

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

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

Common Internal Control Deficiencies

Common Internal Control Deficiencies

The Township did not have a Disaster Recovery Plan in place to recover from a disaster which impacts their data processing capabilities.

A Disaster Recovery Plan should be developed, documented, tested and maintained. This plan should identify arrangements for contingency data processing on compatible hardware and software; key individuals to be contacted and their role in the recovery; and the location of backup data and source documents. Several copies of this plan should be kept off-site in the event that the on-site copies are destroyed during a disaster. In addition, the plan should be updated and tested periodically to ensure that it is current.

Common Internal Control Deficiencies

Sound accounting practices require that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The reconciliation of cash (bank) balances to accounting system records (book) is the most basic and primary control process performed. Lack of completing an accurate and timely reconciliation may allow for accounting errors, theft and fraud to occur without timely detection.

During 2020, receipt and disbursement transactions were not consistently recorded timely, with the longest period between invoice or receipt date and the transaction/posting date in the Village's accounting system being 248 days. Since transactions were not posted timely, bank reconciliations were not completed in a timely manner (for example, the January through June 2020 reconciliations were not completed until July 12 and the July through October 2020 reconciliations were not completed until November 27 or December 2). In addition, monthly financial reports and bank reconciliations were not prepared or provided to the Village Council for 7 out of the 9 regular monthly meetings for which Council minutes were maintained during 2020.

Common Internal Control Deficiencies

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

Common Internal Control Deficiencies

Ohio Admin. Code § 117-2-02-(C) (1) requires all local public offices to integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system in order to effectively maintain the accounting and budgetary records. This means designing an accounting system to provide ongoing and timely information of appropriations.

The Township did not have a control procedure in place to ensure that appropriations, as authorized by the Board and the County Auditor, were reconciled to the appropriations posted to the accounting system for both 2022 and 2021. This resulted in incorrect amounts being posted to the accounting system and information available to Township officials to monitor year-to-date total comparison of budgeted amounts versus actual amounts was not accurate. The budgetary footnote reflects all adjustments.

Common Internal Control Deficiencies

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that all transactions are properly authorized in accordance with management's policies, ensuring accounting records are properly designed, planning for adequate segregation of duties or compensating controls, verifying the existence and valuation of fund balances and periodically reconciling them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data.

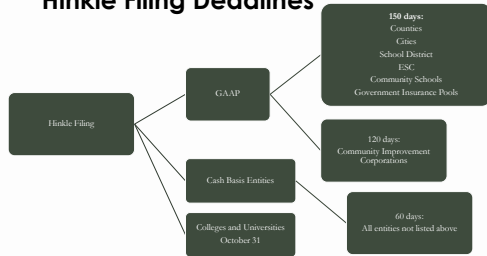
Due to a small staff, the Fiscal Officer receives various payments to the Township, prepares the Township deposits, records receipt (deposit) information into the Township accounting system, transports the Township bank deposits to the designated depository, and reconciles the Township accounting system to the bank statement monthly. The Fiscal Officer also receives Township bills, writes and signs checks, mails all payments, and handles all payroll information.

Runner's Up

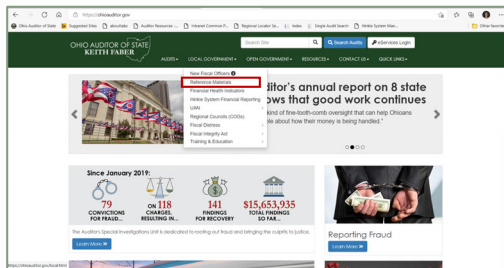
Common Noncompliance Citation

Ohio Revised Code Section 117.38 states, in part, cash-basis entities must file annual reports with the Auditor of State within 60 days of the fiscal year end. The Auditor of State may prescribe by rule or guidelines the forms for these reports. However, if the Auditor of State has not prescribed a reporting form, the public office shall submit its report on the form used by the public office. The report shall contain the amount of: (A) receipts, and amounts due from each source; (B) expenditures for each purpose; (C) income of any public service industry that the entity owns or operates, as well as the costs of ownership or operation; and (D) public debt of each taxing district, the purpose of the debt, and how the debt will be repaid. Also, the public office must publish notice in a local newspaper stating the financial report is available for public inspection at the office of the chief fiscal officer.

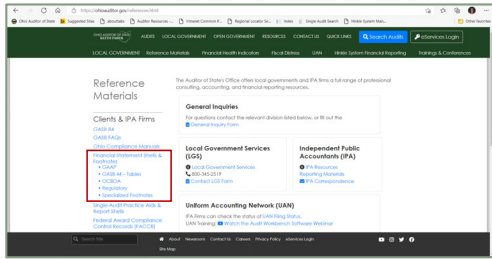
Hinkle Filing Deadlines



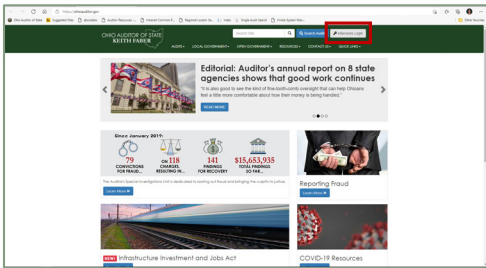
Annual Filing Resources



Annual Filing Resources



Annual Filing Resources



Annual Filing Resources

