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MANAGEMENT LETTER

Village of Glendale
Hamilton County
30 Village Square
Glendale, Ohio 45246

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements defined in our Independent Auditor's Report of the Village of Glendale, Hamilton County, Ohio (the Village) as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements and have issued our report thereon dated January 10, 2022.

Government Auditing Standards require us to communicate deficiencies in internal control, as well as, report on compliance with certain provisions of laws, regulations, contracts and grant agreements that could directly and materially affect the determination of financial statement amounts. We have issued the required report dated January 10, 2022, for the year ended December 31, 2020 and 2019.

We are also submitting the following comments for your consideration regarding the Village's compliance with applicable laws, regulations, grant agreements, contract provisions, and internal control. These comments reflect matters that do not require inclusion in the *Government Auditing Standards* report. Nevertheless, these comments represent matters for which we believe improvements in compliance or internal controls or operational efficiencies might be achieved. Due to the limited nature of our audit, we have not fully assessed the cost-benefit relationship of implementing these recommendations. These comments reflect our continuing desire to assist your government but are only a result of audit procedures performed based on risk assessment procedures and not all deficiencies or weaknesses in controls may have been identified. If you have questions or concerns regarding these comments please contact your regional Auditor of State office.

Noncompliance Findings

1. Fiscal Integrity Act

Ohio Rev. Code § 733.27 requires Village Fiscal Officers attend annual training programs for new village fiscal officer and annual continuing education programs provided by the Auditor of State.

The Fiscal Officer, the Village Clerk, did not complete the required continuing education training for 2019 or 2020. Failure to receive regular training increases the likelihood of errors.

In order to maintain and/or enhance the working knowledge and prevent future occurrences of noncompliance, the Village Clerk should attend annual trainings and submit continuing education hours information to the Auditor of State's office.

**Noncompliance Findings
(Continued)**

2. Mayor's Court State Remittances

Ohio Rev. Code § 2949.091(B) states that all moneys collected during a month and owed to the state shall be transmitted on or before the twentieth day of the following month by the clerk of the court to the treasurer of the state.

The Court failed to remit money collected to the State of Ohio by the 20th of the following month for three months in 2019. Failure to remit moneys in a timely manner reduces the accountability over the Court's receipts and disbursements, and could lead to undetected errors and penalties.

The Court should implement procedures to ensure remittances to the Treasurer of State are made in a timely manner.

3. Executive Sessions

Ohio Rev. Code § 121.22(G) states that the members of a public body may hold an executive session only after a majority of a quorum of the public body determines, by a roll call vote, to hold such a session and only at a regular or special meeting solely to consider any of the following matters:

(1) The appointment, employment, dismissal, discipline, promotion, demotion, or compensation of a public employee or officials, or the investigation of charges or complaints against a public employee, official, licensee, or regulated individual, unless the public employee, official licensee, or regulated individual requests a public hearing;

(2) The purchase of property for public purposes, or for the sale of property at competitive bidding, if premature disclosure of information would give an unfair competitive or bargaining advantage to a person whose personal private interest is adverse to the general public interest.

(3) Conferring with an attorney for the public body, concerning disputes involving the public body that are the subject of pending or imminent court action.

(4) Preparing for, conducting, or reviewing negotiations or bargaining sessions with public employees concerning their compensation or other terms and conditions of their employment.

(5) Matters required to be kept confidential by federal laws or rules or state statutes.

(6) Specialized details of security arrangements and emergency response protocols where disclosure of the matters discussed could reasonably be expected to jeopardize the security of the public body or public office.

(7) In the case of a county hospital operated pursuant to Ohio Rev. Code Chapter 339, a joint township hospital operated pursuant to Ohio Rev. Code Chapter 513, or a municipal hospital operated pursuant to Ohio Rev. Code Chapter 749, to consider trade secrets, as defined in Ohio Rev. Code § 1333.61.

(8) Confidential information related to the marketing plans, specific business strategy, production techniques, trade secrets, or personal financial statements of an applicant for economic development assistance, or to negotiations with other political subdivisions respecting requests for economic development assistance, provided that both of the following conditions apply:

**Noncompliance Findings
(Continued)**

- a. The information is directly related to a request for economic development assistance that is to be provided or administered under any provision of Ohio Rev. Code Chapters 715, 725, 1724, or 1728 or sections 701.07, 3735.67 to 3735.70, 5709.40 to 5709.43, 5709.61 to 5709.69, 5709.73 to 5709.75, or 5709.77 to 5709.81, or that involves public infrastructure improvements or the extension of utility services that are directly related to an economic development project.
- b. A unanimous quorum of the public body determines, by a roll call vote, that the executive session is necessary to protect the interests of the applicant or the possible investment or expenditure of public funds to be made in connection with the economic development project.

The Council held an executive session on August 27, 2019 without stating a reason in the minutes.

The Council should only enter executive session for allowable reasons and ensure all official actions are conducted in open meetings.

4. Improper Certification of Expenditures

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 for the order or contract 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.

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, 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 Rev. Code.

1. "Then and Now" certificate – If the chief fiscal officer can certify 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 or in the process of collections, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Council can authorize the drawing of a warrant for the payment of the amount due. The Council 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 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 – The auditor or fiscal officer 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.

Noncompliance Findings (Continued)

3. Super Blanket Certificate – The Council 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, gasoline, food items, roadway materials, utilities, and any other specific recurring and reasonably predictable operating expense. This certification may, but need not, be limited to a specific vendor. This certification is not to extend beyond the current fiscal year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Due to deficiencies in internal controls, the Village used Then and Now Certificates for 12 out of 38 (or 32%) of the transactions in 2019, and 15 out of 47 (or 32%) of the transactions in 2020. Then and Now Certificates should only be used on a limited basis and when used, Then and Now Certificates over \$3,000 must be approved by Council. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to help ensure 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, the Treasurer should certify the 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.

5. Annual Appropriation Measures

Ohio Rev. Code § 5705.38(A) & (C) when read together, state that on or about the first day of each fiscal year, an appropriation measure is to be passed at the legal minimum level of budgetary control. 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. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1.

The Council approved the adoption of annual appropriations for 2020 and 2019 in the minutes. However, the appropriations were not adopted at the legal level of control except for the General Fund. Failure to approve the appropriation amounts at the legal level of control being approved reduces accounting over expenditures and the Village's ability to properly monitor spending and compliance.

The Village should adopt its annual appropriations at the legal level of control utilizing the example provided in the Ohio Village Handbook and include the appropriations adopted at the legal level of control in the minutes record.

6. Ohio Pooled Collateral System

Ohio Rev. Code § 135.18 states that each institution designated as a public depository and awarded public deposits under sections 135.01 to 135.21 of the Revised Code, except as provided in section 135.144 or 135.145 of the Revised Code, shall provide security for the repayment of all public deposits.

Noncompliance Findings (Continued)

If a public depository elects to provide security pursuant to division (A)(1) of this section, the public depository shall pledge to the public depositor, as security for the repayment of all public moneys deposited in the public depository during the period of designation pursuant to an award made under sections 135.01 to 135.21 of the Revised Code, eligible securities of aggregate market value at all times equal to at least one hundred five per cent of the total amount of the public depositor's uninsured public deposits.

The Ohio Pooled Collateral System (OPCS) Deposit Information & Sufficiency report indicated that financial balances were not accurate, complete or attested by a depository utilized by the Village.

The Village should monitor the OPCS for its depositaries, and request corrections and additional collateral if necessary.

7. Investments in Commercial Paper

Ohio Rev. Code § 1705.01 provides that an investment in commercial paper notes of a single issuer shall not exceed in the aggregate five per cent of interim moneys available for investment at the time of purchase.

The Village invested \$990,504 of commercial paper in a single issuer in May 2020 which exceeded 5% of total interim monies available.

Failure to adhere to investment requirements could result in noncompliance and possible reportable conditions in the future.

The Village should ensure investments in commercial paper with a single issuer do not exceed 5% of total interim monies available.

8. Maintaining Supporting Documentation

Ohio Rev. Code § 149.351 requires all records that are the property of the public office 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 commission provided for under Ohio Rev. Code §§149.38 through 149.42.

Maintaining organized documentation and support for financial transactions is essential in assuring the Village financial statements are not materially misstated and that all expenditures are made for a proper public purpose.

The Village did not maintain or provide underlying documentation and support for the following:

- A list of public records requests for 2019. A list of public records requests was provided for 2020 but the log did not include the name of the requestor, the date requests were fulfilled, or the name of the person fulfilling the request.
- An itemized restaurant disbursement totaling \$417 in 2020.
- A fund balance report for October 2021.

Noncompliance Findings (Continued)

Failure to maintain underlying documentation and support of financial transactions can increase the risk of fraud, result in financial statement misstatements, and expenditures that are not for a proper public purpose.

The Village should maintain public records requests, itemized meal receipts and budgetary report for all financial transactions, and records be maintained in an orderly manner to support all transactions. Additionally, the Village should review the public records requests sample log included in Appendix A of AOS Bulletin 2019-003.

9. Public Records Commission

Ohio Rev. Code § 149.39 provides, in part, that each municipal corporation create a records commission composed of the chief executive or the chief executive's appointed representative, as chairperson, and the chief fiscal officer, the chief legal officer, and a citizen appointed by the chief executive. The commission shall appoint a secretary, who may or may not be a member of the commission and who shall serve at the pleasure of the commission. The commission shall meet at least once every six months and upon the call of the chairperson.

The Village's records commission did not meet once every six months as required by state statute due to deficiencies in the Village's public records retention procedures. Public records could be improperly maintained or destroyed as a result of the deficiencies.

The Village should monitor the scheduling of record commission meetings in order to help ensure meetings are held as required by Ohio Rev. Code Chapter 149.

10. Employee Policy Handbook

Ohio Rev. Code § 149.43(E)(2) requires all public offices take certain actions with regard to their public record policy. Public offices must distribute their Public Records Policy to the employee who is the records custodian/manager or otherwise has custody of the records of that office and have that employee acknowledge receipt of the Public Records Policy; create and display in a conspicuous place in all locations where the public office has branch offices a poster describing the public records policy; and, if the public office has a manual or handbook of its general policies and procedures for all employees, include the public records policy in that manual or handbook.

The Village's public records policy was not included in the employee handbook. Additionally upon hiring, employees receive a new hire packet which includes a December 2012 public records policy that has since been amended by the Council.

The Village should update its employee handbook to include the current public records policy.

Recommendations

1. Cash Receipts Internal Controls

All public officials and management are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the operations of their respective public offices.

Recommendations (Continued)

Cash receipts are received at the Village Office where a physical receipt form is completed and signed. For four of seven contributions receipts in 2019, the cash receipt was recorded in the accounting system before the check date, physical receipt date, and deposit date. Additionally, for 13 of 13 cash receipts deposited on May 14, 2019, the physical cash receipt date was altered from May 15, 2019 to May 14, 2019 to match the deposit slip.

Failure to properly complete cash receipt forms and post receipt transactions to the accounting system reduces the accountability for cash receipts, and increases the risk of misappropriation of funds.

The Village should post transactions to the accounting system on the same day the transaction occurs.

2. Council Monitoring Controls

Sound accounting practices require that when designing the public office's system of internal control and the specific control activities, management should ensure the reliability of financial reporting, adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records. Additionally, the governing body should review the draft financial statements and disclosures and have opportunity to meaningfully comment on or inquire about the draft information.

We identified the following conditions related to the above criteria:

- The annual report financial statements and footnotes prepared by the Administrator did not receive a documented review and approval by Council or the Finance Committee. Additionally, the Finance Committee only met once in 2020 although other committees met three to seven times.
- The Village has not established an audit committee.
- Monthly financial reports including budget vs. actual receipts and disbursements were not reviewed and approved by the Council in the minutes.

Due to the small size of the Village, it is important that the elected officials take an active role along with management in monitoring the financial reporting activity. Failure to accurately monitor financial reporting and cash reconciliations increases the risk that errors could occur and not be detected in a timely manner.

To strengthen the system of internal controls:

- The annual financial statements and footnotes should be formally reviewed and approved prior to submission for audit.
- The Finance Committee should meet regularly.
- The Village should establish an audit committee.
- The Council should receive and approve monthly budget vs. actual reports from the Fiscal Officer.

**Recommendations
(Continued)**

3. Mayor's Court Segregation of Duties

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.

The Mayor's Court Clerk received fine monies from defendants, posted receipts to the cash journal, prepared deposits, made bank deposits, and made disbursements from the Mayor's Court account.

A lack of segregation of duties increases the risk that errors, theft, or fraud could occur and not be detected in a timely manner.

The Village should implement segregation of duties over Mayor's Court financial transactions by involving other Village officials and employees to separate the processes and strengthen the system of internal controls.

The Village of Glendale has responded to issues discussed in this Management Letter. You may obtain a copy of their response from David Lumsden at 513-771-7200.

We intend this report for the information and use of the Council and management.



Keith Faber
Auditor of State
Columbus, Ohio
January 10, 2022