

Audit Finding Review

May 9, 2018 Trustee Meeting

Regarding 2010-2016 audit reports

A **deficiency** in internal control over compliance exists every year. This means our current method of appropriating, spending and documenting does not allow for management to detect and correct to be in compliance with financial statements.

A **material weakness** in internal control over compliance is a combination of deficiencies.

\*David Yost: "...deficiencies in internal control does not allow employees (FO, Trustees, Township Administrator) to detect or PREVENT, mistakes." 2/2012

\*A couple of these deficiencies leads to the possibility of this Board misrepresenting our financial position.

Noted in the 2010 Audit report:

\*2010-01: 3 issues with posting incorrectly

**Recommendation:** "Township implement control procedures that enable management to identify, prevent, detect and correct potential misstatements."

\*2010-03: Actual resources less than estimated resources is an accounting way of stating: Board is saying we have more money than we actually do. Noted a variance of \$450,000 variance of appropriations over resources.

2009-01, 2009-02 not corrected and a repeated finding for 2010

Noted 2011 Audit report:

\*2011-001: 5 notations, including \$68,000 advance from General Fund to Fire Fund that was not paid back.

Report stated that 2009 -2010 audit adjustments needed to be done and that Appropriations exceeded estimated resources and there were not any corrections. This lead to an overstatement of the cash balance of \$6800.00.

\*2011-002: Appropriations posted do not agree with appropriations made by Board of Trustees. (Asked to formally post motions in meeting minutes) Failure to post appropriations as approved runs risk of funds being "overspent".

\*2011-003: Appropriations posted not agreeing with appropriations made by the Trustees. Expenditures exceed appropriations: Large amounts-See page 21 on the audit report.

**Recommendations:** Board of Trustees should monitor the budgetary expenditures and monitor the position of the township through the year, to determine when appropriation amendments are needed.

\*2011-004: Township did not properly certify the availability of funds for purchase commitments 8 out of 11 times of Federal funds (72% of tested) and 3 of 17 tested in non-federal(18%). Failure to pass motion to set a maximum rate for regular blanket certificates.

**Recommendations:** Fiscal Officer certify that funds are available, or will be, PRIOR to obligations. When Prior certification is not possible "then and now" certification should be used.

\*2011-005: Several findings for Federal Awards. Inventory, status reports-certain forms

Corrected 2010-002, not 2010-001-repeated finding

Noted 2012 Audit Report:

\*Financial statements of township do not include liability of unpaid leave which includes carry-overs.

\*Township does not report the property, buildings and equipment, as assets.

\*Contingent Liabilities: Grantor agencies payments are subject to audit and adjustment. Township has stated that they believe those liabilities to be negligible.

\*2012-001: 3 conditions noted: inaccurate financial statements, reduced accountability over Township funds, reduced Board's ability to monitor and make INFORMED decisions, increased risk that errors, theft and fraud occurring and not be detected in a timely manner.

\*2012-002: Expenditures exceed appropriations-could lead to overspending and negative cash balances.

**Recommendations:** Board of Trustees should monitor the budgetary expenditures and monitor the position of the township through the year, to determine when appropriation amendments are needed.

\*2012-003: Receipts don't match with those entered into accounting system. Appropriations do not match with approved appropriations. Could lead to overspending.

**Recommendations:** Board should ensure estimated receipts from the current amended certificate of estimated resources posted to the accounting system. \*Only those appropriations adopted by the Board and documented in the minutes should be posted in the accounting system and reported in the financial statements.

\*2012-004: Board of Trustees entered into a regular loan-only allowed to issue securities.

\*2012-005: Township did not certify availability of funds 8 out of 12 times, 67% of tested. Township failed to properly encumber year end commitments for 100% of transactions. Township failed to pass a resolution setting a maximum rate for regular blanket certificates.

**Recommendation:** Fiscal Officer certify that funds are available, or will be, PRIOR to obligations. When Prior certification is not possible "then and now" certification should be used.

2011-001, 2011-002, 2011-003, 2011-004 Not corrected. 2011-005 & 2011-006 No federal testing

Noted 2013/2014 Audit Report:

"Budgetary expenditures exceeded appropriation authority in Special Revenue Funds, contrary to Ohio law. (-pg 8 of audit report)

\*2014-001: 7 issues

\*2014-002: "Several Violations of budgetary law", including expenditures exceeding appropriations and not having prior certification of availability of funds.

Recommendation: Review Ohio Revised Code Section 5705. Township implement control procedures.

\*2014-003: Health insurance reimbursement issue

\*2012-004 corrected. 2012-001, 2012-002, 2012-003, 2012-005 not corrected, and found to be a repeated finding.

Noted 2015/2016 audit report:

2016-001: 7 issues of posting -pg 13 of report

Recommendation: Fiscal Officer refer to Ohio Township Handbook.

2016-002: 2 issues

\*expenditures exceed appropriations

\*appropriations exceed receipts

No control procedures

Not accurate reports to make decisions

Recommendations: Township Trustees review requirements Oh Ohio Revised Code Section 5705 and ESTABLISH CONTROL PROCEDURES!

2014-001 AND 2014-002 Not corrected and found to be repeated in 2016 findings

2014-003 corrected.