



Dave Yost • Auditor of State

MANAGEMENT LETTER

Village of Gloria Glens Park
Medina County
7966 Lake Road
P.O. Box 457
Chippewa Lake, Ohio 44215

To the Village Council:

We have audited the financial statements of the Village of Gloria Glens Park, Medina County, Ohio, (the Village) in accordance with *Government Auditing Standards*, as of and for the years ended December 31, 2014 and 2013, and have issued our report thereon dated September 9, 2015 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Government Auditing Standards require us to report significant internal control deficiencies, fraud (including noncompliance with laws and regulations), and also abuse and noncompliance with contracts and grant agreements that could directly and materially affect the determination of financial statement amounts. We have issued the required report dated September 9, 2015, for the years ended December 31, 2014 and 2013.

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. However, these comments reflect our continuing desire to assist your Village. If you have questions or concerns regarding these comments please contact your regional Auditor of State office.

Noncompliance Findings

1. Blanket Purchase Orders

Ohio Rev. Code § 5705.41(D) allows political subdivisions to use "blanket" purchase orders for the payment of lawfully appropriated goods and services of the subdivision in place of regular purchase orders. Only one "blanket" purchase order may be outstanding per appropriation line-item, the amount of the "blanket" purchase order may not exceed an amount that has been established by a majority of the legislative body of the subdivision, and the "blanket" purchase order may not run beyond the fiscal year.

Council has not adopted a maximum amount a "blanket" purchase order may not exceed through formal resolution. Failure to adopt a maximum purchase order amount could result in loss of control over spending limits and possible budget overages.

Council should formally adopt a resolution for the maximum amount "blanket" purchase orders may not exceed pursuant to Ohio Rev. Code § 5705.41(D).

Noncompliance Findings (Continued)

2. Public Records Training

Ohio Rev. Code § 109.43(B) and 149.43(E)(1), requires all state and local elected officials, or their designees, to attend at least three hours of training on Ohio's Public Records Laws during each term of office. The training received must be certified by the Ohio Attorney General and proof training has been completed must include documentation that either the Attorney General's Office or another entity certified by the Attorney General provided the training to the elected official, or his/her designee.

The Village did not provide evidence training was completed during the audit period.

The Village should ensure all elected officials or their designee attends training approved by the attorney general as required and maintain applicable evidence of attendance.

3. Stale Outstanding Checks

Ohio Rev. Code § 9.39 indicates all money received or collected by a public official under color of office and not otherwise paid out according to law shall be paid into the treasury of the public office with which he is connected to the credit of a trust fund and shall be retained there until claimed by its lawful owner. If not claimed within a period of five years, the money shall revert to the general fund of the public office.

The Village's December 31, 2013 and December 31, 2014 bank reconciliations included outstanding checks greater than one year old, dating back to July 1993 and totaling \$536.

The Village should develop a written policy regarding writing off old or stale checks following the guidance provided for in Auditor of State Management Advisory Services Bulletin 91-11. This bulletin indicates pursuant to Ohio Rev. Code Section 9.39 unclaimed money shall be deposited to the credit of a trust fund and shall be retained there until claimed by its lawful owner. If not claimed within a period of five years, the money shall revert to the General Fund.

4. Appropriations Limited by Estimated Resources

Ohio Rev. Code § 5705.39 indicates total appropriations from each fund shall not exceed the total estimated resources.

The General Fund's appropriations exceeded estimated resources by \$6,200 at December 31, 2013. Failure to limit fund appropriations to available resources could result in over spending and negative cash fund balances.

The Village should compare each fund's total appropriations to its estimated resources to ensure the amount appropriated does not exceed the available resources.

Noncompliance Findings (Continued)

5. Budgetary Accounting

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. This includes designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

Appropriations posted to the Village's computerized budgetary reports did not always agree to the Village's Council-approved appropriations. Variances for 2013 ranged between (\$400) to \$4,022 in the General Fund, and variances for 2014 ranged between (\$80,000) to \$89,100 in the General Fund, Street Fund, and Police Fund. Failure to accurately post appropriations to the accounting system hinders management's ability to monitor the Village's budget and prevent over-spending.

The Village should periodically review the computerized budgetary reports to ensure budgeted amounts are posted accurately and timely. This will help the Village to better monitor its budget performance and compliance with budgetary laws and regulations.

Recommendations

1. Revenue Classifications

Management is responsible for implementing and maintaining an internal control system designed to enable management to determine the accuracy of the Village's financial statement transactions. Also, management is responsible for developing and maintaining complete and accurate financial records.

Accounting errors noted include the following:

- In 2014, General Fund and Special Revenue Funds' property and other local taxes receipts were understated and intergovernmental receipts overstated \$1,012 and \$499, respectively, due to the misposting of a special tax settlement as intergovernmental. This was reported to management as an unadjusted item.
- In 2013, General Fund and Special Revenue Funds' intergovernmental receipts were understated and property and other local taxes receipts were overstated \$8,089 and \$5,495, respectively, due to homestead & rollback settlements being incorrectly recorded as taxes. This was adjusted to the financial statements.

The Village should exercise due care when posting transactions to help ensure receipts are posted to proper accounts and funds. Additionally, Council should review monthly receipt activity reports to help ensure transactions are properly classified and consistent with management's expectations. This will help more accurately reflect the Village's financial activity and will aid in more accurate financial reporting.

Recommendations (Continued)

2. Receipt Procedures

Receipt cycle internal controls are necessary to help ensure receipts collected by an entity are properly posted to the accounting system and timely deposited with the entity's financial institution. Basic receipt internal controls should include, but not be limited to, use of secured accounting software, pre-numbered receipts, batch report summaries, and daily reconciliations of deposit tickets to receipt postings. Additionally, the process and records should be periodically reviewed by individuals independent of the receipt process to ensure it is functioning properly.

Our testing of receipts revealed the following conditions which increase the risk of errors and/or omissions occurring related to parking ticket, hall rental, and zoning permit fees as well as the potential for the misappropriation of public funds.

- Pre-numbered logs were not maintained for parking ticket, hall rental, or zoning permit fees collected during 2014 and 2013.
- Duplicate pre-numbered receipts were not issued to customers when parking ticket, hall rental, or zoning permit fees were collected during 2014 and 2013.

Failure to implement internal controls over receipt collections could result in improper transaction posting, financial statement errors, theft and/or loss of public funds.

The individuals collecting receipts related to hall rentals and zoning permits should issue pre-numbered duplicate receipts for each hall rental or zoning permit issued. In addition, pre-numbered logs should be maintained for parking tickets, hall rentals, and zoning permits. The pre-numbered logs should include the duplicate receipt number issued, the permit number, the name and address of the individual remitting payment, the receipt amount, and the date in which receipts were turned into the Fiscal Officer. These procedures will help ensure all revenues are properly collected, recorded, and deposited.

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



Dave Yost
Auditor of State
Columbus, Ohio

September 9, 2015