



Dave Yost • Auditor of State

MANAGEMENT LETTER

Village of Bettsville
Seneca County
308 Emma Street, P.O. Box 505
Bettsville, Ohio 44815-0505

To the Village Council:

We have audited the financial statements of the Village of Bettsville, Seneca County, Ohio (the Village) in accordance with *Government Auditing Standards*, as of and for the years ended December 31, 2013 and 2012, and have issued our report thereon dated June 9, 2014.

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 June 9, 2014, for the years ended December 31, 2013 and 2012.

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 report *Government Auditing Standards* require. 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 government. If you have questions or concerns regarding these comments please contact your regional Auditor of State office.

COMPLIANCE

1. **Ohio Rev. Code § 109.43(B) and § 149.43(E)(1)**, provides all state and local elected officials, or their designees, must attend at least 3 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. Proof that 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 the elected official, or his/her designee, received. Attendees who successfully complete the training will receive a certificate to serve as proof of training. The Village designated the Fiscal Officer to attend the required training, although we could not locate proof of the training. We recommend the proof of trainings be maintained.
2. ***Ohio Rev. Code § 5705.41(B)**, prohibits a subdivision or taxing unit from making any expenditure of money unless it has been properly appropriated in accordance with the Ohio Revised Code.

Supplemental appropriations were posted to the appropriation ledger; however, there was no evidence Council adopted a formal resolution approving these supplemental appropriations as

required by **Ohio Rev. Code § 5705.40**. This caused certain expenditures to exceed appropriations in 2013. Noncompliance was found in the following funds:

Fund	Appropriations	Expenditures	Variance
Trust Funds	\$2,000	\$3,000	(\$1,000)

The Village's management was advised failure to have adequate appropriations in place at the time expenditures are made could cause expenditures to exceed available resources, further resulting in deficit spending practices.

The Fiscal Officer should not certify the availability of funds and deny payment requests exceeding appropriations. The Fiscal Officer may request Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

- Ohio Rev. Code § 149.43(B)(2)**, provides an entity shall have available a copy of its current records retention schedule at a location readily available to the public. **Ohio Rev. Code § 149.39** provides any application or schedule for the destruction of records must be sent to the Ohio Historical Society for review to determine whether any of the records are of historical value. Once reviewed by the Ohio Historical Society, the applications are then forwarded to the Ohio Auditor of State's Office for final approval.

The Village did not have a records retention schedule policy. We recommend a records retention schedule policy be developed including provisions for the application or schedule for destruction of public records, including transmission to the Ohio Historical Society and approval by the Auditor of State's Office, and be in a location readily available to the public, in order to stay in compliance with Ohio law.

- *Ohio Rev. Code § 5705.41(D)(1)**, provides 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 for the order or contract 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. 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 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, each of which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Rev. Code.

- "Then and Now" Certificate** – If the 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 collection, to the credit of an appropriate fund free from any previous encumbrances, Council can authorize the drawing of a warrant for the payment of the amount due. Council has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts 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 Council.

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** – 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, food items, 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 year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Seven percent of the transactions tested were not certified by the Fiscal Officer at the time the commitment was incurred and there was no evidence the Village followed the aforementioned exceptions. Failure to certify the availability of funds can result in overspending funds and negative cash fund balances.

Certification is not only required by Ohio law, but it is a key control in the disbursements process to help assure purchase commitments receive prior approval, and to help reduce the possibility of Village funds being over expended or exceeding budgetary spending limitations as set by Council. Council should review the purpose of the purchase orders and the above mentioned certificates to make themselves aware of the proper usage. Council should establish a limit for the blanket certificates by resolution. In addition, to improve controls over disbursements, we recommend all Village disbursements receive prior certification from the Fiscal Officer and Council periodically review the expenditures made to ensure they are within the appropriations adopted by Council, certified by the Fiscal Officer and recorded against appropriations.

5. ***Ohio Rev. Code § 5705.36**, provides on or about the first day of each fiscal year, the fiscal officer 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 § 5705.131 provides the principal of the nonexpendable trust fund and any additions to principal arising from sources other than the reinvestment of investment earnings arising from the fund shall not be considered part of the unencumbered balance or revenue of the subdivision under division (A) (a) of section 5705.36 of the Revised Code. Only investment earnings arising from investment of the principal or investment of such additions to principal may be considered unencumbered balance or revenue of the subdivision under that division.

The Village has two private purpose trust funds. Both of these funds included the principal portion in the unencumbered balance on the certificate of estimated resources.

6. ***Ohio Rev. Code § 1347.01(E)**, defines personal information to be any information that describes anything about a person, or indicates actions done by or to a person, or indicates a person possesses certain personal characteristics, and that contains, and can be retrieved from a system by, a name, identifying number, symbol, or other identifier assigned to a person.

Ohio Rev. Code § 1347.05, provides every state or local agency that maintains a personal information system shall: (info paraphrased)

- (A) Appoint one individual to be directly responsible for the system;
- (B) Adopt and implement rules that provide for the operation of the system;
- (C) Inform each of its responsible employees of all rules adopted in accordance with this section;
- (D) Specify disciplinary measures for unauthorized use of information contained in the system;
- (E) Inform a person supplying personal information if it is legally required, or if they may refuse;
- (F) Develop procedures for purposes of monitoring the accuracy, relevance, timeliness, and completeness of the personal information in this system;
- (G) Take reasonable precautions to protect personal information in the system from unauthorized modification, destruction, use, or disclosure;
- (H) Collect, maintain, and use only personal information that is necessary and relevant to the functions that the agency is required or authorized to perform, and eliminate personal information from the system when it is no longer necessary and relevant to those functions.

The Village does not have a written policy in place that governs when personal information may be accessed.

We recommend the Village develop a written policy regarding the access of personal information. The policy should address requests from outside the entity and access to personal information from inside the entity. It should also identify valid reasons for which employees may access personal information. Management should review **Ohio Rev. Code § 1347.05** which lists requirements related to personal information systems maintained by state and local agencies.

RECOMMENDATIONS

1. *Budgeted Receipts

Receipts budgeted by Council and approved by the Budget Commission should agree to the budgeted receipts posted to the receipt ledgers. The budgeted receipts posted to the UAN system did not agree to the final Amended Certificate of Estimated Resources for the General, Special Revenue and Enterprise funds for 2013 and 2012. Using inaccurate information could lead Council to make misinformed decisions. We recommend the Fiscal Officer reconcile budgeted receipts to the official amended certificate of estimated resources in order to ensure their accuracy.

2. *Park Receipt Books

Duplicate receipt books should be used for the various cash collection points at the park. There were several pre-numbered, duplicate receipt books being used. However, multiple books were used at the same time, the receipts were not issued in numerical order and some books were only

partially used. The lack of appropriate accountability could result in funds being lost, stolen or being unaccounted for. We recommend one receipts book be used for admissions and one for the concession stand. These should be used in numerical order and completely used before starting a new book.

3. *Force Accounts

Certain capital construction and/or maintenance projects undertaken by villages may be performed by these entities' own employees, equipment, and materials as opposed to bidding these jobs out to private contractors if the estimated costs of these projects are below certain statutory limits. This is what is generally meant by the term "force account". However, various terms regarding force account work such as road maintenance and repair, construction, and reconstruction, are not defined in the Ohio Revised Code. The Auditor of State's office will accept definitions from the entity's legal counsel, and/or county engineer, as appropriate, when auditing force accounts unless the definitions are palpably and manifestly arbitrary or incorrect.

To assure compliance with the Ohio Revised Code, we recommend Council review the Ohio Compliance Supplement and Auditor of State Bulletin 2003-003 regarding force account requirements, and obtain definitions for road maintenance and repair, construction and reconstruction. The Ohio Compliance Supplement and Auditor of State Bulletins can be found at the Auditor of State website (<http://www.ohioauditor.gov>).

*We also reported these matters in our audit of the 2011 and 2010 financial statements.

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



Dave Yost
Auditor of State

Columbus, Ohio

June 9, 2014