



VILLAGE of GLENDALE

GLENDALE, OHIO 45246

Keith Faber, Auditor of State and
Loren Crisp, CPA, Chief Auditor
1117 Kenwood Road
Blue Ash, Ohio 45242-1817

October 7, 2019

Re: Village of Glendale Responses to
Confidential Draft: Schedule of Findings Dec. 31, 2018 – 2017 and Management Letter

Dear Mr. Faber and Ms. Crisp,

The Village of Glendale is in receipt of your Confidential Draft Schedule of Findings Dec. 31, 2018 – 2017 and Management Letter (“Draft Findings and Letter”). For many years the Village of Glendale has found independent audits helpful in determining areas in which to improve. We appreciate the time and effort that the Auditors put into their work and we are pleased that their draft report does not show evidence of theft, fraud or other intentional malfeasance. To the extent that they show errors in posting or reporting, rest assured that we will take immediate steps to correct such actions and put measures in place to ensure that they do not reoccur in the future.

In some cases, there were errors in the original draft Findings and Letter, which we have called to the attention of the Auditors. To the extent that they agreed with our comments, they have amended their Findings and Letter and provided us with the amended letter. The responses herein are based on the amended Findings and Letter.

Please note that, in addition to this letter, the Village is also providing two letters to both of you, dated October 2, 2019: One concerns a potential formal exit conference and the other is the Representation Letter.

The Village has reviewed the amended Findings and Letter, excerpts from which are shown in italics below. Our responses are shown in regular font.

Finding 2018-001 Material Weakness – Financial Reporting

□ *The Village did not report the Mayor's Court receipts, disbursements, and fund balances on the 2017 and 2018 financial statements. For 2017, the Mayor's Court Agency Fund had a beginning fund balance of \$29,350, Non-Operating cash receipts of \$104,644, Non-Operating cash disbursements of \$99,634, and Ending Fund Balance of \$34,360. For 2018, the Mayor's Court Agency Fund had Beginning Fund Balance of \$34,360, Non-Operating cash receipts of*

\$100,057, Non-Operating cash disbursements of \$101,037, and Ending Fund Balance of \$33,380.

Village Response: With regards to the Mayor's Court findings, in the past the Village has not been required by other auditors to report activities of the Mayor's Court in the financial statements, but based on your findings, we agree that a change needs to take place for better oversight. Moving forward these activities will be reflected in future financial statements and the Village Administrator's office will now review all receipts and disbursements to insure distributions are effected in a timely matter. This additional step does not remove the oversight that still needs to take place within the Mayor's Court administration as part of the chain of command within the Police Department.

- Assigned Fund Balance in the General fund totaling \$53,203 for 2017 and \$102,766 for 2018 was incorrectly posted to Committed Fund Balance.*
- Restricted Fund balance in the Special Revenue Funds totaling \$50,638 for 2017 and \$38,156 for 2018 was incorrectly posted to Committed Fund Balance.*
- Assigned Fund Balance in the Capital Projects Funds totaling \$84,955 for 2017 and \$545,273 for 2018 was incorrectly posted to Committed Fund Balance.*

Village Response: Concerning these three items posted to the Committed Fund Balance, please know that during our last audit we were verbally instructed that this was the correct classification. Now that we have your direction in writing, we will in the future post this category in the Assigned Fund Balance as you recommend.

- Assigned Fund Balance in the General Fund totaling \$212,031 for 2017 and \$86,759 for 2018 was incorrectly posted to Unassigned Fund Balance*

Village Response: At first, we did not understand this comment and followed up with the Auditor. We were provided spreadsheets used to calculate and determine how the fund balance should be classified. This calculation method will be used going forward when preparing the Annual Financial Statement.

- Ohio Public Works Commission receipts totaling \$152,274 in the Enterprise Funds were incorrectly posted to Other Debt Proceeds instead of Intergovernmental Receipts for 2018.*

Village Response: It was our interpretation that was the correct posting at the time. We now stand corrected and understand the difference going forward.

Concerning the closing comments of Finding 2018-001, we take great pride in our financial accounting and are receptive to constructive feedback in how we can improve our operations with each audit. Our Council remains involved at a level that is likely higher than most municipalities and receives comprehensive reports each month, allowing their review and acceptance during each Council meeting.

Finding 2018-002 Significant Deficiency – Budgetary Posting

□ *The appropriations and amendments thereof approved by Council were not properly posted to the accounting system as follows:*

101 General Fund - 2017 \$2,774,881 \$2,784,881 (\$10,000)
101 General Fund - 2018 3,936,850 3,990,053 (53,203)
201 Motor Vehicle License Tax - 2018 284,600 303,818 (19,218)
217 Police Support and SRO Fund - 2018 100,000 102,043 (2,043)
601 Water Works Fund - 2018 625,343 677,081 (51,738)
404 Village Plan & Gen Improvement Fund - 2018 662,652 865,205 (2,553)

Village Response: While the variances in parenthesis appear mathematically to represent errors, please know that, with the exception of the \$2,774,881/\$2,784,881 posting, which was a typo/error, the postings that we made in your illustration include encumbrances. Therefore, the variances (differences), are the encumbrances, rather than errors. We have received no prior notice that this long-standing practice that has been accepted by all past audits is no longer acceptable. Should this not be appropriate, we will work to amend this practice that has been accepted by all past audits.

□ *The appropriations and amendments thereof approved by Council were not properly posted to the 2017 financial statement footnotes as follows:*

Special Revenue Funds \$861,759 \$840,259 \$21,500
Capital Projects Funds 882,247 690,167 192,080
Enterprise Funds 1,545,095 1,735,415 (190,320)

□ *Additionally, the approved Certificate of Estimated Resources and amendments thereof was not properly posted to the 2017 financial statement footnotes as follows:*

Special Revenue Funds \$617,911 \$617,511 400
Capital Projects Funds 621,908 457,658 164,250
Enterprise Funds 1,310,078 1,474,328 (164,250)

The financial statement footnotes have been corrected for these errors.

Village Response: Our working with the footnotes has been difficult via the Ohio online system and our accounting system. Your services were contracted to make the correct postings. Looking forward, we will explore additional training in our ability to make accurate footnote reporting.

Finding 2018-003 Noncompliance/Finding for Recovery - Mayor's Court – Repaid Under Audit

□ *Contrary to the above requirements the Mayor's Court collected fines totaling \$1,684 which had not been remitted to the Treasurer of State. Furthermore, distributions to the Treasurer of State were not made in a timely manner for one month in 2017 and two months in 2018. These errors occurred because the Village did not properly record and monitor court receipts to ensure*

the proper remittances were made to the Treasurer of State. The Village owes \$1,684 to the State of Ohio Treasury:

*\$810 to the drug law enforcement fund;
\$280 to the indigent defense support fund;
\$504 to the victims of crime reparations fund;
\$60 to the child safety restraint fund; and
\$30 to the seat belt fines fund.*

The Village remitted \$1,684 via check number 1689 on August 7, 2019 to Treasurer State of Ohio.

Village Response: The Police Clerk assigned to the monthly task of disbursement failed to make timely payments on two occasions, which is being addressed by discussions with him. Though it is no excuse, we note that one of the failures to disburse coincided with the death of his wife. In addition to direct discussions, the Village has added review by his supervisor, the Chief of Police, of the Clerk's monthly processing and disbursement of future receipts.

Noncompliance Findings

*1. The Village had expenditures in excess of appropriations in the following fund:
404 Village Plan & Gen Improvement Fund \$864,958 \$862,652 (Variance of \$2,306)*

Village Response: The format allowed by Fund Balance software includes the prior year encumbrances. Should this not be appropriate, we will work to amend this long standing practice that has been accepted by all past audits.

2. Ohio Rev. Code § 5705.10(D) requires that all revenue derived from a source other than the general property tax, for which the law does not prescribe use for a particular purpose, including interest earned on the principal of any special fund, regardless of the source or purpose of the principal, shall be paid to the general fund. Further, 1982 Op. Atty. Gen. No. 82-031 determined that interest earned on money derived from a motor vehicle license or fuel tax must follow the principal. The Village improperly posted all interest earned in 2017 totaling \$148,093 to the General Fund. The Street Construction, Maintenance, and Repair Fund, State Highway Improvement Fund, and Municipal Motor Vehicle License Tax Fund should have received interest on principal from motor vehicle license and fuel tax. Interest receipts totaling \$2,556 posted to the General Fund should have been posted to the Special Revenue Funds. Failure to post interest to the correct funds could result in amounts not being allocated per requirements found in the Ohio Revised Code and cash fund balances being misstated. The Village should implement procedures to ensure that all interest received is posted to the correct fund

Village Response: This was an oversight on behalf of staff in 2017. We will take steps to increase review and reminders to do same, as this must be done manually within the Fund Balance systems.

Recommendations

1. Controls Over Cash

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) 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 following conditions related to management controls over bank accounts and reconciliation procedures were identified:

The Village did not prepare a bank reconciliation, list of reconciling items, or reconciliation of bonds and other open items outstanding each month for the Mayor's Court in 2017 or 2018.

Village Response: As stated prior and based on your findings, we agree that a change needs to take place for better oversight. Moving forward these activities will be reflected in future financial statements and the Village Administrator's office will now review all receipts and disbursements to insure distributions are effected in a timely matter. This additional step does not remove the oversight that still needs to take place within the Mayor's Court administration as part of the chain of command.

The Village opened a new account with Huntington National Bank in 2017, opened two new accounts with CF Bank in 2018, and closed an account with US Bank in 2018. None of these actions were approved by the Village Council in the minutes.

Village Response: The Village Council unanimously adopted ordinances to include Hunting National Bank and CF Bank as additional interim depositories and this is duly noted in the Council minutes. Each of our banks are recognized as Ohio depositories. The Village Treasurer, as the chief fiscal officer, invests in approved financial instruments at the appropriate time and reports his actions, in a monthly report, to the Council at the end of each monthly meeting. For example, the following is a council minute notation (Nov. 2018 Council Meeting minutes), November being one of the audit months:

IX. Miscellaneous Business and Reports

a. Reports from the Clerk and Treasurer

Treasurer Beaugrand reviewed the October Investment Report. Continue to be on track to meet the \$165k commitment to the Village.

The Village maintains a petty cash box in the Village office for \$100. This amount was not listed on the Village's cash reconciliation.

Village Response: This was an oversight and we appreciate your bringing it to our attention.

□ *The Village had 23 outstanding checks on its bank reconciliations for December 2018 that were over 18 months old.*

Village Response: We agree that these are in need of clearing and we will do so well after any bank would refuse to honor them, six (6) months being the standard. We will clear these checks as invalid this fall.

2. Building Permit Rates

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. We identified the following conditions related to management controls over the Building Permit receipts:

□ *Billed amounts for four receipts in 2018 and one receipt in 2017 did not recalculate based on the approved fee schedule with variances ranging from an overpayment of \$1,800 to an underpayment of \$284.*

Failure to accurately bill the approved rates reduces the accountability over the Village's Building Permit receipt collections, reduces the Village's ability to monitor Building Permit collections, and could lead to customers not paying the correct amounts and the Village not collecting all Building Permits revenue it is entitled to. Controls should be implemented to help assure that the proper rates are billed for Building Permit receipts

Village Response: The determination of each permit fee involves many factors and is specific to the nature of the project. For example, a new home has an impact fee added to the permit fee, as defined elsewhere in the Glendale Codified Ordinance but not in the fee ordinance. Without knowing specific of which of the four (4) permits did not recalculate, we cannot comment specifically. The Administrator will work with the Chief Building Official to increase oversight of each specific building permit in relation to building department fees, impact fees and tap fees.

In closing, we appreciate this opportunity to respond to your draft Findings and Letter and trust that you will take our comments into consideration.

Sincerely,

Donald A. Lofty, Mayor

Michael Beaugrand, Treasurer

Cc: Village Council
Walter C. Cordes, Administrator
Phyllis DePeel, Administrative Assistant