



Dave Yost • Auditor of State

MANAGEMENT LETTER

Village of South Lebanon
Warren County
99 North High Street
South Lebanon, Ohio, 45065

To the Village Council:

We have audited the financial statements of the Village of South Lebanon, Warren County, Ohio (the Village) in accordance with *Government Auditing Standards*, as of and for the years ended December 31, 2015 and 2014, and have issued our report thereon dated July 18, 2016.

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 July 18, 2016, for the years ended December 31, 2015-2014.

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 government. If you have questions or concerns regarding these comments please contact your regional Auditor of State office.

COMPLIANCE

1. Expenditures Exceeding Appropriations *

Ohio Revised Code §5705.41 (A) and (B); and 5705.42 contain guidelines on restrictions on appropriating and expending money. For selected funds total expenditures plus contract commitments (including outstanding encumbrances) from each fund should be within the appropriations for that fund. The Village had two funds that expenditures exceed appropriations. Fund 2908 appropriations were \$3,809 while the expenditures at year-end per UAN were \$5,482. Fund 2905 appropriations were \$48,822 while the expenditures at year-end per UAN were \$112,047.

Additionally, as noted in the prior audit, amounts included in the UAN accounting system did not always agree to amounts included in the filed legally adopted budgetary documents. Specifically, the accounting system included a reserve for encumbrances in certain funds, when in fact those encumbrances had been closed out in the budgetary documents. The accounting system should be used by Village personnel to quickly and easily access the budget, track the status of appropriations, and ensure that actual disbursements do not exceed appropriated amounts throughout the year. The system should accurately reflect information in the legal budgetary documents approved and filed.

COMPLIANCE (Continued)

We recommend that the Village monitor the budget to ensure that appropriate amounts of appropriations are assigned to each fund.

Legally adopted budgetary documents should be recorded in the UAN system and should be reviewed for accuracy.

2. Mayor's Court Depositing to Village General Fund

Ohio Revised Code §733.40 requires that all fines, forfeitures, and costs in ordinance cases and all fees that are collected by the mayor, or which in any manner come into his hands, or which are due such mayor or a marshal, chief of police, or other officer of the municipal corporation, any other fees and expenses which have been advanced out of the treasury of the municipal corporation, shall be paid by the mayor into the treasury of the municipal corporation on the first Monday of each month.

Monies collected were not paid into the Village by the first Monday of the month for 2 of 3 months tested for 2015 and for 3 of 3 months tested for 2014.

Failure by the Mayor's Court to timely remit monies to the Village could result a negative reconciled cash balance for the Court.

We recommend that the Mayor's Court disburse the monies due to the Village in a timely manner.

3. Public Records Training

Ohio Revised Code §109.43(B) & §149.43(E)(1) states 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 to the elected official, or his/her designee. Attendees who successfully complete the training will receive a certificate to serve as proof of training.

Sharon Louallen was the designee for the public records training. The last time she completed public records training was July 11, 2008.

We recommend that the elected officials or designee attend public records training once per election cycle (every four years) per Ohio Revised Code §109.43(B) & §149.43(E)(1).

RECOMMENDATIONS

1. Sanitation Collection Rate

The Village has no current policy for residential rates for garbage collection. The last Ordinance relating to residential garbage collection rates was 2011-06, which set the rate at \$15.25 per month. The Village of South Lebanon is currently charging \$15.75, but has no documentation of legislation for the current rate.

We recommend that the Village have a formal policy and accompanying ordinance detailing the garbage pickup rates the Village charges to its residents.

**RECOMMENDATIONS
(Continued)**

2. Mayor's Court Cash Reconciliations

The Mayor's Court Clerk reconciles the Mayor's Court Bank Account to the system. While we noted no significant issues with the reconciliations, we did note that no one at the Village is reviewing the reconciliations and approving and documenting that they are proper.

We recommend the Mayor or Fiscal Officer review the monthly Mayor's Court Reconciliations to insure that they are properly completed and then sign off on the reconciliation.

3. Segregation of Duties *

An entity's internal control should be designed to prevent or detect and correct misstatements in the financial statement assertions. Maintaining an appropriate system of internal controls over cash disbursements, including segregation of duties, is an essential element of effective internal control over financial reporting.

Per review of the monthly minutes, the Village did not state that the Council approved any financial statements or reports. As a result, one staff member is responsible for oversight over the financial statements.

Fraud, error or omission material or immaterial to the financial statements taken as whole may occur and may not be detected by employees in the normal course of their duties.

The Village Council should review the financial statements/reports to ensure that the financial statements are free of any misstatements.

*- Repeat from the prior audit.

We intend this report for the information and use of the governing board, audit committee, management.



Dave Yost
Auditor of State

Columbus, Ohio

July 18, 2016