

Audit Do's and Don'ts

Mayors Partnership for Progress

August 8, 2019

Conner Kochansky

Ohio University Political Science (2019)

David Giddens

Ohio University Political Science (2021)

Community-Based Interns with the Center for Campus and Community Engagement
and the College of Arts and Sciences

Funded by the Career and Experiential Learning Fee



Objective: Help municipalities perform better on state audits in order to save them from incurring the costs of a re-audit, due to failure of the primary audit

Why do we care about audits, what has changed?

- Small municipalities have less resources available to them by default
- The cost of re-audits can be standardized which disproportionately hurts smaller localities
- Communities which are being audited or re-audited most likely cannot afford the cost therefore it is imperative to get the audit right the first time



Report

- Data was collected through a process of reviewing each municipality's most current state audit reports (within the MPP), and finding trends within the region.
- Suggestions are based on trends in mistakes and are based primarily off of suggestions and information from the State Auditor's Office

Some Statistics

- **70%** of municipalities examined have mislabeled or mis-posted receipts and disbursements
- **Over 50%** of municipalities examined have general material weaknesses
- **84%** of the municipalities examined are in not good standings with the state auditor's office

Mislabeleding of Funds as Miscellaneous

This is a general rule that funds must be accounted for with a legitimate reason/department and they must be agreed upon by the council and/or mayor (if they have that authority) as to what their purpose is. Both the dollar amount along with the specific reason must be then accounted for within the bookkeeping of the village. Generalizations are never good when it comes to auditing, it is literally picking apart every dollar of local government spending.

General rule to follow: Never label something as miscellaneous while allocating funds.

Simple fix: always create receipts for the municipality when receiving payments or funds.

Mayor's Court Activity is not being accounted for in the audit

Although there are different rules allowing for Mayor's court to take place in villages and small municipalities that lack a formal judiciary, the transactions of Mayor's court included but not limited to; court fees, fines, etc. must be recorded and accounted for as any other municipal transaction.

Simple fix: Again, receipts should be used to keep track of deposit details and expense details. An official should also record all transactions which take place in Mayor's court on the same day they are received to avoid confusion or misplacement of funds or receipts.

Failure to deposit money owed to the municipality on time

In the Village Handbook (as per MPP President, Gary Goosman) it is required that local officials turn in all money to the municipality on the first Monday of the month (Ohio Revised Code Section 733.40). This requirement keeps every part of the municipality on schedule financially allowing proper bookkeeping. When money is not brought by the scheduled date, it is more likely that it will either be lost in translation or accounted for incorrectly or forgotten about altogether.

Simple fix: deposit money the same day it is received or the next available business day.

Mixing of funds between accounts or for differing purposes

Funds allocated to one account are to stay in that account unless approved to be moved by an official. Cross checking by a second official of fund allocation along with regular in-house audits can be helpful in making sure that funds are never misplaced.

General material weakness in fiscal reporting and management

It is important that municipalities stay up to date with their financial records while using the State's auditing guidelines to help the process.

The Ohio Auditor's Office has a list of references on their website <https://www.ohioauditor.gov/references.html> The Auditor's office also offers online video training on how to use software program Uniform Accounting Network (UAN) to track fiscal spending and income.

Full process of fund reporting via the State Auditor's Office

1. Collect payment while issuing a receipt to the customer
2. Secure the funds
3. Post the payment to the billing/accounting system
4. Balance the cash on hand with the documented amount, make changes if and only if necessary
5. Prepare a deposit slip and deposit on the same day funds are received

General Themes to Remember

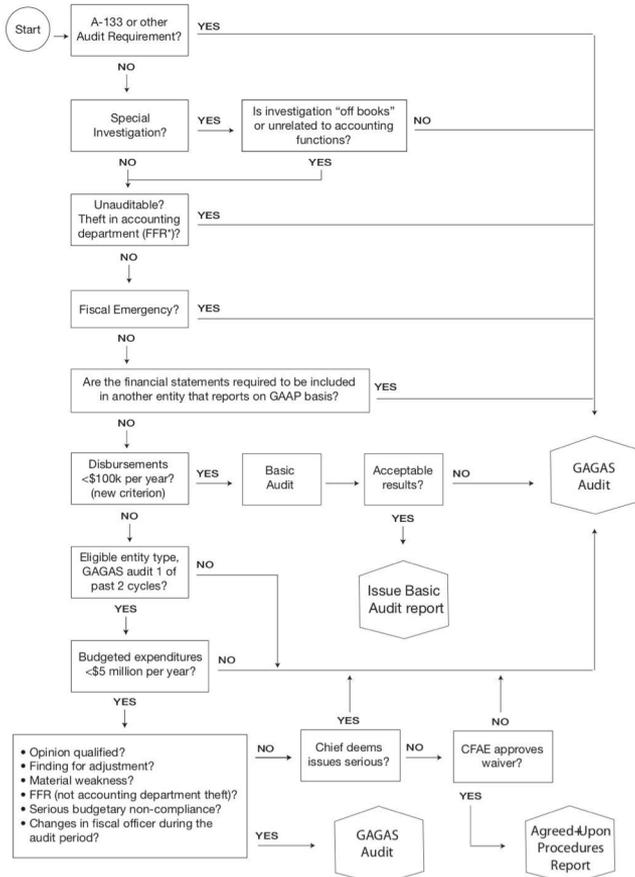
1. Receipts provide a paper trail for the community to use and are always helpful when figuring out where funds came from/where it is going.
2. When possible, use of multiple officials to handle the fiscal records, is ideal as it provides a two person verification to ensure all information is accurate.
3. Incorporating the practice of checking community funds at council meeting can be helpful as well as provide transparency to the community members while also providing a monthly check-up.
4. Training and experience is key, the State Auditor's website has multiple training resources which can be helpful throughout the audit process.
<https://www.ohioauditor.gov/>

Three Possible Solutions to audit pricing



- Continue advocating for the creation of a population based audit system
- Use private audit firms chosen by the municipality in order to dampen the cost of a re-audit
- Figure out if your town or village qualifies for a basic audit package offered by the State Auditor's Office https://www.ohioauditor.gov/publications/aup_basic14.pdf

Do You Qualify?



*FFR = Finding for recovery

Basic Audits and Agreed Upon Procedure Audits (AUP)

- Eligibility for these modified audit procedures can be determined by using this flow chart or simply contacting the State Auditor's Local Government Services section which can help with determining eligibility
- These modified auditing procedures often take less time and are available at a cheaper cost than standard state audits

Additional Resource Links - State Auditor's Office

Basic Accounting Presentation

<https://www.ohioauditor.gov/trainings/lgoc/2019/Basic%20Accounting%20for%20Villages.pdf>

Training and Conference Schedule / Request for training

<https://www.ohioauditor.gov/trainings/default.html>

Local Government Services <https://www.ohioauditor.gov/local.html>

Regional Office contact info: (740) 594-3300 / 53 Johnson Road, The Plains, Ohio 45780

Thank You!