



Village of Glendale, Ohio

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Donald A. Lofty, Mayor
David Lumsden, Village Administrator

Memorandum

To: Mayor Donald Lofty, Council of the Village of Glendale
From: David Lumsden, Village Administrator 
Date: December 1, 2023
Attached: Independent Auditor's Report for 2021 and 2022
Management Letter for 2021 and 2022
Subject: **Review of Auditor's Report for 2021 and 2022 dated November 16, 2023**

I. Overall Opinion and Comparison to 2019-2020 Audit Findings

On page 1 of the Village of Glendale's 2021 and 2022 Audit Report from the Ohio Auditor of State's Office, it reads:

"In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each governmental and proprietary fund type and the fiduciary fund type combined total as of and for the years ended December 31, 2022 and 2021,"

In brief, this means the Village's financial statements accurately reflect the financial activity of the Village for its status as a regulatory accounting entity.

The report also explains that the Village's financial statements "do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village,".

This may seem to indicate that the Village's records are incorrect or poorly prepared, but this is not the case. The Village does not operate using "generally accepted accounting principles", which is known as GAAP accounting. Since the Village does not operate under that kind of accounting, it is not appropriate to evaluate its statements against those criteria and the Auditor includes this statement to call attention to this fact. The Village does not use GAAP accounting due to the relatively small size of the Village's budget and its types of financial activity.

The audit report consists of two documents, the Schedule of Findings and the Management Letter. The Schedule of Findings is listing of the findings where the Village had material weaknesses in

its financial statements or reporting. A list of these items is included in the attached report. The Management Letter, which is not published on the Auditor of State’s website, but is attached to this document, lists other noncompliance findings which are not significant enough to be included in the Schedule of Findings. This entire document is published on the Village’s website for review by the public.

This audit report, for the 2021 and 2022 financial statements, lists 2 findings in the Schedule of Findings, and 4 findings and 1 recommendation.

The Village’s previous audit was performed in 2021 and reviewed the financial statements for 2019 and 2020. In the audit report for that period, the report listed 2 findings in the audit report, and 10 findings and 3 recommendations in the management letter.

Years Audited	Schedule of Findings	Management Letter
2021 and 2022	2 findings	4 findings, 1 recommendation
2019 and 2020	2 findings	10 findings, 3 recommendations

The audit report and findings for 2021 and 2022 show notable improvement from the previous audit report for 2019 and 2020. This is the result of improvements to the Village’s financial recording procedures to simplify them and eliminate possible errors, and expansion of the Village’s finance staff to better segregate duties and establish procedures.

In 2024, the Village will be undergoing a one-year audit for 2023, to verify the work performed in 2023 to further improve the Village’s financial operations, including the transition to the Uniform Accounting Network (UAN) software.

Through the rest of this document, I will review each finding and recommendation and provide additional information related to why they were included, what operation or function of the Village is being reviewed, and how the Village has taken steps to address and correct them.

II. Schedule of Findings, Finding 2022-001 (page 35 of the Audit Report document)

This finding describes reporting conditions that were erroneous or misstated. Four specific items were identified as part of this finding.

The first refers to Mayor’s Court activity not being reported on the Village’s financial statements. The Mayor’s Court account is a separate bank account, operated by the Mayor’s Court Clerk. The financial activity for that account is required to appear on the Village’s financial statements as a ‘Custodial’ fund, meaning that it is simply reported on the financial statements but isn’t part the Village’s regular operating budgets.

The second item refers to the total of the Special Revenue Funds being understated. One of the Village’s Special Revenue Funds was erroneously not reported in the financial statements. There was no activity in the fund, which is why the beginning and ending balances were the same in 2021 and 2022. The fund is included in the financial statements for 2023.

The third item refers to items that were placed in different lines than the Auditor recommends for these expenditures in 2021. They were accurately recorded in 2022 and continue to be accurately recorded in 2023 and onward.

The last item is included as the Village's 2021 financial statement notes did not include outstanding encumbrances. Outstanding encumbrances are amounts that are committed before the end of the year but are not paid until the following year. This issue was corrected in the 2022 financial statements.

Through the simplification of the Village's budget for 2024, as well as expanded staffing in the Village Office, these issues, and issues like them, are significantly less likely to occur again.

III. Schedule of Findings, Finding 2022-002 (page 36 of the Audit Report document)

This finding lists certain amounts for appropriations and estimated resources (revenues) that were not correctly recorded in the Village's internal accounting software.

Appropriations, or budgeted amounts, can only be set by Council, in public meetings. All appropriations, including the starting budget for each year, and any changes to appropriations made by ordinance during the year were discussed and approved by Council at one of its regular meetings. From there, the changes are reported to the Hamilton County Budget Commission.

All appropriations for 2021 and 2022, including amendments throughout the year, were reviewed and approved by Council in a public meeting. All changes were submitted to the Hamilton County Budget Commission. Further, no expenditures were made over appropriations.

Like the first finding, the expansion of staffing in the Village Office will ensure the Village's accounting software is properly updated to reflect changes made by Council.

IV. Management Letter Findings and Recommendation

The purpose of the Management Letter is to identify smaller, less consequential findings that were identified during the audit. Because this letter is written for use by the management of the Village and Council, the Auditor of State's Office does not publish it publicly. To maintain and promote transparency in the Village, the Management Letter is included here, for the public to review.

Each item in the Management Letter is listed below, along with additional information about how the Village is addressing each finding. Each of the findings were corrected for 2023.

1. Noncompliance Finding – Fiscal Integrity Act

The Village fiscal officer (the Village Clerk) did not attend the annual training programs in 2021 and 2022. The Clerk attended a training in 2023 and will attend training annually every year going forward.

2. Noncompliance Finding – Undistributed Funds

The Mayor's Court account, mentioned in Finding 2022-001 of the Schedule of Findings, maintained a balance of over \$20,000. After confirmation that all obligations to the State of Ohio were paid, the remaining balance was transferred to the General Fund. In 2024, any significant uncommitted balance will be transferred automatically to the General Fund to prevent this finding from reoccurring.

3. Noncompliance Finding – Timely Deposits

The Village keeps all payments securely stored until they can be deposited. In 2024, the Village Administration and Council will draft and review policies related to the accounting and budget procedures for the Village, including deposit timing.

4. Noncompliance Finding – Public Records Custodian

The Village Administrator serves as the individual responsible for the maintenance of public records and responding to records requests. To correct this finding, the Village Council passed Resolution 2023-20, appointing the Village Administrator as the Public Records Custodian for the Village. This appointment will be confirmed by Council every 2 years, the Auditor's recommended timeframe.

5. Recommendation – Cash Reconciliation Process Errors

This recommendation listed two accounts that were not properly reconciled for 2021 and 2022, the Payroll checking account and Mayor's Court checking account.

The Payroll checking account was a 'clearing' account established to process payroll, including the payment of benefits like pension payments and insurance for employees. When the Village transitioned to Huntington for its banking services, this account was closed, with the balance transferred into the Village's operating account. All outstanding expenses were paid before the account was closed.

The Mayor's Court account was retroactively reconciled for 2021 and 2022 by Village Office finance personnel and has been included in the Village's financial statements with the transition to the Uniform Accounting Network (UAN) software.