



OHIO AUDITOR OF STATE
KEITH FABER



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Chesterhill-Marion Union Cemetery
Morgan County
PO Box 62
Chesterhill, Ohio 43728

We have completed certain procedures in accordance with Ohio Rev. Code § 117.01(G) to the accounting records and related documents of the Chesterhill-Marion Union Cemetery, Morgan County, Ohio (the Cemetery), for the years ended December 31, 2018 and 2017.

Our procedures were designed solely to satisfy the audit requirements of Ohio Rev. Code §117.11(A). Because our procedures were not designed to opine on the Cemetery's financial statements, we did not follow *generally accepted auditing standards*. We do not provide any assurance on the Cemetery's financial statements, transactions or balances for the year ended December 31, 2018 and 2017.

The Cemetery's management is responsible for preparing and maintaining its accounting records and related documents. Our responsibility under Ohio Rev. Code § 117.11(A) is to examine, analyze and inspect these records and documents.

Based on the results of our procedures, we found the following significant compliance or accounting issues to report.

Current Year Observations

1. Ohio Rev. Code § 117.38 provides, in part, that each public office, other than a state agency, shall file a financial report for each fiscal year. The report shall be certified by the proper officer or board and filed with the auditor of state within sixty days after the close of the fiscal year. The Cemetery's 2018 and 2017 financial reports were not filed until July 2, 2019. Management should file financial reports within sixty days after the close of the fiscal year.
2. 26 C.F.R §1.6041-1 states, in part, entities that pay any independent contractors (other than a corporation) \$600 or more during a year must issue a Form 1099. During 2018 and 2017, the Cemetery did not issue a Form 1099 for independent contractors that were paid \$600 or more. The Board of Trustees should review the Internal Revenue Code and determine who is required to receive a Form 1099 and issue the form accordingly.
3. Internal Revenue Service Publication 15, Circular E, Employer's Tax Guide and Publication 15-A, Employer's Supplemental Tax Guide, defines an employee. Generally, a worker who performs services is an employee if the employer has the right to control what will be done and how it will be done. This is so even giving the employee freedom of action. What matters is that the right to control the details of how the services are performed.

Current Year Observations (Continued)

3. Internal Revenue Service Publication 15, Circular E, Employer's Tax Guide and Publication 15-A, Employer's Supplemental Tax Guide (Continued)

On April 2, 2014, the Cemetery approved hiring one employee to mow for the Cemetery at \$10 per hour. During 2017, the employee allowed a secondary individual to perform part of his mowing duties. He then included, and was paid for, hours on his timesheets for work performed by both himself and this secondary individual. The Cemetery had not formally approved hiring any such secondary individual. The second individual worked a total of 110.5 hours resulting in \$1,105 paid to the Cemetery employee for work he did not perform. Allowing a non-employee to perform mowing duties for the Cemetery can result in an unnecessary liability to the Cemetery as that individual would not be covered by the Cemetery's workers' compensation. Further, paying an employee for work he did not provide and failing to pay another individual for work he performed distorts payroll records and can result in Internal Revenue Service and Ohio Public Employees Retirement System inquiries and repercussions. In addition, as expenditures are being made to an unauthorized individual, the situation could potentially lead to findings for recovery.

The Cemetery should only pay authorized employees for work they perform.

4. When designating the public office's system of internal control and specific control activities, management should plan for adequate segregation of duties or compensating controls. The Board of Trustees should perform procedures to monitor the financial activity of the Cemetery.

The small size of the Cemetery's staff did not allow for an adequate segregation of duties, the Cemetery Clerk-Treasurer performed all accounting functions. It is, therefore, important that the Board of Trustees monitor financial activity closely. There was no documentation of the extent to which the Board of Trustees reviewed vouchers for payment, financial reports and records to monitor financial activity of the Cemetery. This could result in unauthorized expenditures, the ledgers of the Cemetery not being posted up-to-date, errors in the reconciliation, and errors and omissions occurring in the Cemetery's annual report without the timely knowledge of the Board of Trustees.

The Board of Trustees should review financial information on a regular basis. This information should include vouchers for payment, reconciliations, as well as revenue and expenditure activity and balance reports. A periodic review should also be performed on the Cemetery's cash book and deed records to gain assurances that the records are posted up-to-date, in agreement with the presented reports and reflect authorized transactions. The reviews would be documented in the minutes of the Board of Trustees meetings.

Current Status of Matters Reported in our Prior Engagement

1. Our prior audit for the years ended December 31, 2016 and 2015 included a noncompliance citation for late filing of the annual report in the HINKLE system. This issue was repeated in the current period in item 1 above.
2. Our prior audit for the years ended December 31, 2016 and 2015 included a noncompliance citation for not issuing a Form 1099 for independent contractors that were paid \$600 or more. This citation has repeated in item 2 above.

Current Status of Matters Reported in our Prior Engagement (Continued)

3. Our prior audit for the years ended December 31, 2016 and 2015 included a control deficiency for not having adequate segregation of duties. This deficiency was repeated in item 4 above.

A handwritten signature in black ink that reads "Keith Faber". The signature is written in a cursive, flowing style.

Keith Faber
Auditor of State
Columbus, Ohio

July 23, 2019

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OHIO AUDITOR OF STATE KEITH FABER



CHESTERHILL MARION UNION CEMETERY

MORGAN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 6, 2019**