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# *ALGER & ASSOCIATES, Inc.*

*Certified Public Accountants*

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VILLAGE OF MALVERN  
CARROLL COUNTY, OHIO

# *A&A*

**REGULAR AUDIT**

FOR THE YEARS ENDED  
DECEMBER 31, 2013 and 2012





# Dave Yost • Auditor of State

Village Council  
Village of Malvern  
116 West Main Street  
Malvern, OH 44644

We have reviewed the *Independent Auditor's Report* of the Village of Malvern, Carroll County, prepared by Alger & Associates, Inc., for the audit period January 1, 2012 through December 31, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

The Village employs Alana Evans as Income Tax Administrator.

Malvern, Ordinance 14-2011, December 19, 2011 states in part; it shall be the duty of the Income Tax Administrator to maintain flexible office hours at Village Hall, for the purpose of fulfilling the duties set forth in this ordinance: a minimum of fifteen (15) hours each week. Per review of the timecards there were 5 pay periods in which the Administrator did not work the required hours but was paid for the time not worked. Additionally Malvern, Personnel Policies and Procedures Adopted by Ordinance 2008-2, sections 7.2 and 7.8, January 7, 2008 do not provide for sick leave or holiday pay for part-time employees. The Administrator was paid for holidays and sick days. Total overpayment is \$1,248 (\$263 for 2012 and \$985 for 2013).

Village of Malvern Personnel Policies and Procedures Adopted by Ordinance 2008-2, Section 7.3, January 7, 2008 indicates part-time hourly employees are to receive vacation leave based on the number of hours worked divided by 2080 times hours for years of service. During 2012 and 2013 the Administrator received 40 and 60 hours of vacation time respectively. By policy the Administrator should have received 15 hours of vacation for 2012 and 22.5 hours of vacation for 2013 and had a January 1, 2012 unaudited beginning balance of 25.5 hours. According to the UAN system the ending balance was 0, however, the audited balance is negative 36.5 hours or \$465 overpayment all attributed to 2013.

When the Tax Administrator worked additional hours during the pay period she was not compensated for the time worked. Total underpaid \$436 (\$159 for 2012 and \$277 for 2013).

Therefore the total overpaid to Alana Evans is \$1,277 (-\$436 + \$1,248 + \$465)

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In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Alana Evans \$1,277 and in favor of the Village of Malvern's General Fund in the amount of \$1,277. Her bonding company, The Cincinnati Insurance Company, will be jointly and severally liable in the amount of \$1,277 and in favor of the General Fund to the extent that recovery is not obtained from Alana Evans.

Township Fiscal Officers signed the warrants resulting in improper payments. Fiscal Officer Nancy Yeager and her bonding company, Hartford Fire Insurance, will be jointly and severally liable in the amount of \$104 and in favor of the General Fund to the extent that recovery is not obtained from Alana Evans. Additionally, Fiscal Officer Pat Griffith and her bonding company, The Cincinnati Insurance Company, will be jointly and severally liable in the amount of \$1,173 and in favor of the General Fund to the extent that recovery is not obtained from Alana Evans.

The Village employs James Bates as the Village Administrator.

Malvern Ordinance 4-2007, February 20, 2007, states in part; "The part-time Village Administrator shall receive PERS and Workers' Compensation, pursuant to the Village of Malvern Personnel Policies and Procedures Handbook as currently enacted or hereafter amended." Pursuant Malvern, Ordinance 7-2007, May 7, 2007, "Effective June 1, 2007, PERS shall be picked up and paid as a fringe benefit by the Village of Malvern for the Village Administrator." However, Malvern, Ordinance 2008-2 January 8, 2008 and Malvern, Ordinance 18-2011, December 29, 2011, indicates in part; "the part-time Village Administrator shall receive PERS and Workers' Compensation, pursuant to the Village of Malvern Personnel Policies and Procedures Handbook as currently enacted or hereafter amended". The Village personnel and procedures handbook states in part; "generally, all employees, except fire and police personnel, are required to be a member of the State of Ohio Public Employee Retirement System. The Village will deduct 8.5 percent (currently 10%) of the employee's gross wages or salary as the employee's contribution to PERS."

The Village continued to pay the Administrator's 10% share of PERS contrary to Ordinances 2008-2 and 18-2011. The amount the Village paid on behalf of the Village Administrator per review of W-2's was \$12,329.

Year	Amount
2008	\$1,999
2009	\$2,050
2010	\$2,059
2011	\$2,059
2012	\$2,079
2013	\$2,080
Total	\$12,329

Malvern, Personnel Policies and Procedures Manual Adopted by Ordinance 2008-2, Article VII 7.3C Vacation Leave Hourly January 7, 2008 part-time employee shall receive the following vacation leave pro-rata based upon the number of hours worked divided by 2080 x hours for years of service. Therefore, since James Bates has between 1 to 7 years of service he shall receive 20 hours of vacation per year ( $1040/2080 \times 40 = 20$ ). James Bates received and was paid for 40 hours per year from 2008 through 2011. Therefore, \$1,576 was overpaid for vacation.

Year	Excess vacation hours	Pay rate	Total excess vacation paid
2008	20	\$19.23	\$384
2009	20	\$19.80	\$396
2010	20	\$19.80	\$396
2011	20	\$20.00	\$400
Total			\$1,576

Therefore the total overpaid to James Bates is \$13,905 (\$12,329 + \$1,576).

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against James Bates \$13,905 and in favor of the Village of Malvern's General Fund in the amount of \$13,905.

Township Fiscal Officers signed the warrants resulting in improper payments. Fiscal Officer Nancy Yeager and her bonding company, Hartford Fire Insurance, will be jointly and severally liable in the amount of \$12,574 and in favor of the General Fund to the extent that recovery is not obtained from James Bates. Additionally, Fiscal Officer Pat Griffith and her bonding company, The Cincinnati Insurance Company, will be jointly and severally liable in the amount of \$1,331 and in favor of the General Fund to the extent that recovery is not obtained from James Bates.

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Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Malvern is responsible for compliance with these laws and regulations.

The Village employs James Cinson as their Superintendent of Village Services.

Malvern, Ordinance 15-2011 Section 2 December 19, 2011, indicates the Village shall pay the cost of the Superintendent of Village Services' annual insurance deductible. The Village opened up a bank account in the employee's name and the Fiscal Officer would deposit the cost of the annual insurance deductible to this account. The Village paid for the employees wife's deductible contrary to Ordinance 15-2011– total overpaid is \$1,000 (\$500 for 2012 and \$500 for 2013). In addition, according to Malvern, Ordinance 2008-8, June 2, 2008, employees shall be responsible for and contribute twelve percent (12%) of the annual premium for coverage under the Village group medical and life insurance program provided for employees of the Village. We noted a total of \$55.68 not paid by the Superintendent for 2013. Therefore, total recovery for insurance is \$1,055.

Timecards for the audit period were reviewed to verify the hours worked, to determine if the hours worked and paid were in accordance with the policy manual. The Superintendent was under-paid \$188 (\$98 for 2012 and \$90 for 2013) for 14 pay periods because Council Meetings were not being considered as overtime since Mr. Cinson had worked the required 40 hours.

Therefore, the total overpaid is **\$867** (\$1,055 - \$188).

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against James Cinson \$867 and in favor of the Village of Malvern's General Fund in the amount of \$867.

Township Fiscal Officers signed the warrants resulting in improper payments. Fiscal Officer Nancy Yeager and her bonding company, Hartford Fire Insurance, will be jointly and severally liable in the amount of \$402 and in favor of the General Fund to the extent that recovery is not obtained from James Cinson. Additionally, Fiscal Officer Pat Griffith and her bonding company, The Cincinnati Insurance Company, will be jointly and severally liable in the amount of \$465 and in favor of the General Fund to the extent that recovery is not obtained from James Cinson.

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A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost  
Auditor of State  
May 26, 2015

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VILLAGE OF MALVERN  
CARROLL COUNTY

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# ***ALGER & ASSOCIATES, Inc.***

*Certified Public Accountants*

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## **INDEPENDENT AUDITOR'S REPORT**

Village of Malvern  
Carroll County  
116 West Main Street  
Malvern, OH 44644

To the Village Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements and the discretely presented component unit and related notes of the Village of Malvern, Carroll County Ohio (the Village) as of and for the years ended December 31, 2013 and 2012.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1B of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1B and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2013 and 2012, or changes in financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances and the discretely presented component unit of the Village of Malvern, Carroll County as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1B.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2015, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

*Alger & Associates, Inc.*

Alger & Associates, Inc.  
Certified Public Accountants  
North Canton, OH  
March 26, 2015

MALVERN VILLAGE  
CARROLL COUNTY

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES AND DISCRETE COMPONENT UNIT  
FOR THE YEAR ENDED DECEMBER 31, 2013

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)	Component Unit MCDF
<b>Cash Receipts:</b>					
Property and Other Local Taxes	\$28,112	\$5,781	\$0	\$33,893	\$0
Municipal Income Tax	178,187	-	-	178,187	-
Intergovernmental	30,669	69,008	-	99,677	-
Charges for Services	9,195	-	-	9,195	-
Fines, Licenses and Permits	9,999	-	-	9,999	-
Earnings on Investments	53	-	-	53	-
Miscellaneous	18,629	10,092	-	28,721	26,588
<b>Total Cash Receipts</b>	<b>274,844</b>	<b>84,881</b>	<b>-</b>	<b>359,725</b>	<b>26,588</b>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	20,908	-	-	20,908	-
Public Health Services	7,235	-	-	7,235	-
Leisure Time Activities	37,332	-	-	37,332	-
Transportation	19,169	115,555	-	134,724	-
General Government	148,457	-	-	148,457	-
<b>Total Cash Disbursements</b>	<b>233,101</b>	<b>115,555</b>	<b>-</b>	<b>348,656</b>	<b>-</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>41,743</b>	<b>(30,674)</b>	<b>-</b>	<b>11,069</b>	<b>26,588</b>
<b>Other Financing Receipts/(Disbursements):</b>					
Transfers In	-	33,250	-	33,250	-
Transfers Out	(33,250)	-	-	(33,250)	-
Other Financing Uses - Contract Services	-	-	-	-	(8,414)
Other Financing Uses - Facilities & Equipment	-	-	-	-	(35,578)
Other Financing Uses - Operations	-	-	-	-	(7,390)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(33,250)</b>	<b>33,250</b>	<b>-</b>	<b>-</b>	<b>(51,382)</b>
<b>Net Change in Fund Cash Balances</b>	<b>8,493</b>	<b>2,576</b>	<b>-</b>	<b>11,069</b>	<b>(24,794)</b>
<b>Fund Cash Balance, January 1</b>	<b>130,991</b>	<b>31,048</b>	<b>10</b>	<b>162,050</b>	<b>41,195</b>
<b>Fund Cash Balance, December 31</b>					
Restricted	-	33,624	10	33,635	16,401
Unassigned (Deficit)	139,484	-	-	139,484	-
<b>Fund Cash Balance, December 31</b>	<b>\$139,484</b>	<b>\$139,484</b>	<b>\$10</b>	<b>\$173,119</b>	<b>\$16,401</b>

The notes to the financial statements are an integral part of this statement

**MALVERN VILLAGE  
CARROLL COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN FUND CASH BALANCES  
ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<b>Proprietary Fund Type</b>	<b>Fiduciary Fund Type</b>	<b>Totals</b>
	<b>Enterprise</b>	<b>Agency</b>	<b>(Memorandum Only)</b>
<b>Operating Cash Receipts:</b>			
Charges for Services	\$321,488	\$0	\$321,488
Miscellaneous	76	-	76
<b>Total Operating Cash Receipts</b>	<b>321,564</b>	<b>-</b>	<b>321,564</b>
<b>Operating Cash Disbursements:</b>			
Personal Services	58,575	-	58,575
Employee Fringe Benefits	12,586	-	12,586
Contractual Services	31,812	-	31,812
Supplies and Materials	109,363	-	109,363
Other	157	-	157
<b>Total Operating Cash Disbursements</b>	<b>212,493</b>	<b>-</b>	<b>212,493</b>
<b>Operating Income</b>	<b>109,071</b>	<b>-</b>	<b>109,071</b>
<b>Non-Operating Receipts/Disbursements</b>			
Miscellaneous Receipts	9,493	-	9,493
Principal Retirement	(25,100)	-	(25,100)
Interest and Other Fiscal Charges	(57,249)	-	(57,249)
Other Financing Uses	-	(10,000)	(10,000)
<b>Total Non-Operating Receipts/Disbursements</b>	<b>(72,856)</b>	<b>(10,000)</b>	<b>(82,856)</b>
<b>Net Change in Fund Cash Balances</b>	<b>36,215</b>	<b>(10,000)</b>	<b>26,215</b>
<b>Fund Cash Balance, January 1</b>	<b>264,892</b>	<b>10,005</b>	<b>274,897</b>
<b>Fund Cash Balance, December 31</b>	<b>\$301,107</b>	<b>\$5</b>	<b>\$301,112</b>

*The notes to the financial statements are an integral part of this statement*

MALVERN VILLAGE  
CARROLL COUNTY

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES AND DISCRETE COMPONENT UNIT  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)	Component Unit MCDF
<b>Cash Receipts:</b>					
Property and Other Local Taxes	\$27,574	\$18,586	\$0	\$46,160	\$0
Municipal Income Tax	172,048	-	-	172,048	-
Intergovernmental	36,213	73,976	-	110,189	-
Charges for Services	8,749	-	-	8,749	-
Fines, Licenses and Permits	10,668	-	-	10,668	-
Earnings on Investments	43	-	-	43	-
Miscellaneous	594	3,340	-	3,934	32,796
<b>Total Cash Receipts</b>	<b>255,889</b>	<b>95,902</b>	<b>-</b>	<b>351,791</b>	<b>32,796</b>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	19,450	34,888	-	54,338	-
Public Health Services	7,235	-	-	7,235	-
Leisure Time Activities	51,981	-	-	51,981	-
Transportation	-	116,701	-	116,701	-
General Government	165,736	448	-	166,184	-
Debt Service:					
Principal Retirement	-	12,202	-	12,202	-
Interest and Fiscal Charges	-	114	-	114	-
<b>Total Cash Disbursements</b>	<b>244,402</b>	<b>164,353</b>	<b>-</b>	<b>408,755</b>	<b>-</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>11,487</b>	<b>(68,451)</b>	<b>-</b>	<b>(56,964)</b>	<b>32,796</b>
<b>Other Financing Receipts/(Disbursements):</b>					
Transfers In	-	61,200	-	61,200	-
Transfers Out	(61,200)	-	-	(61,200)	-
Other Financing Uses - Contract Services	-	-	-	-	(9,658)
Other Financing Uses - Facilities & Equipment	-	-	-	-	(1,201)
Other Financing Uses - Operations	-	-	-	-	(8,686)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(61,200)</b>	<b>61,200</b>	<b>-</b>	<b>-</b>	<b>(19,545)</b>
<b>Net Change in Fund Cash Balances</b>	<b>(49,713)</b>	<b>(7,251)</b>	<b>-</b>	<b>(56,964)</b>	<b>13,251</b>
<b>Fund Cash Balance, January 1</b>	<b>180,704</b>	<b>38,301</b>	<b>10</b>	<b>219,015</b>	<b>27,944</b>
<b>Fund Cash Balance, December 31</b>					
Restricted	-	31,048	10	31,059	41,195
Unassigned (Deficit)	130,991	-	-	130,991	-
<b>Fund Cash Balance, December 31</b>	<b>\$130,991</b>	<b>\$31,048</b>	<b>\$10</b>	<b>\$162,050</b>	<b>\$41,195</b>

The notes to the financial statements are an integral part of this statement

**MALVERN VILLAGE  
CARROLL COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN FUND CASH BALANCES  
ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Proprietary Fund Type	Fiduciary Fund Type	Totals  (Memorandum Only)
	Enterprise	Agency	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$301,459	\$0	\$301,459
Miscellaneous	302	-	302
<b>Total Operating Cash Receipts</b>	<b>301,761</b>	<b>-</b>	<b>301,761</b>
<b>Operating Cash Disbursements:</b>			
Personal Services	67,176	-	67,176
Employee Fringe Benefits	13,332	-	13,332
Contractual Services	38,615	-	38,615
Supplies and Materials	47,014	-	47,014
Other	156	-	156
<b>Total Operating Cash Disbursements</b>	<b>166,293</b>	<b>-</b>	<b>166,293</b>
Operating Income	135,468	-	135,468
<b>Non-Operating Receipts/Disbursements</b>			
Miscellaneous Receipts	15	-	15
Principal Retirement	(36,202)	-	(36,202)
Interest and Other Fiscal Charges	(58,443)	-	(58,443)
Other Financing Sources	-	10,000	10,000
<b>Total Non-Operating Receipts/Disbursements</b>	<b>(94,630)</b>	<b>10,000</b>	<b>(84,630)</b>
Net Change in Fund Cash Balances	40,838	10,000	50,838
Fund Cash Balance, January 1	224,054	5	224,059
<b>Fund Cash Balance, December 31</b>	<b>\$264,892</b>	<b>\$10,005</b>	<b>\$274,897</b>

*The notes to the financial statements are an integral part of this statement*

**VILLAGE OF MALVERN  
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Malvern, Carroll County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water utilities and park operations. The Village contracts with the Carroll County Sheriff's department to provide security of persons and property. The Village appropriates general fund money to support a volunteer fire department. The Malvern Community Development Foundation is a discretely presented component unit of the Village of Malvern (See Note 9).

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Deposits and Investments**

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Village maintains an interest bearing checking account used by all funds. No other investments are held by the Village.

**D. Fund Accounting**

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

**1. General Fund**

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

VILLAGE OF MALVERN  
CARROLL COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)

1. **Summary of Significant Accounting Policies (continued)**

2. **Special Revenue Funds**

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

*Street Department Maintenance and Repair Fund* - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

3. **Capital Project Funds**

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project funds:

*Other Capital Projects Fund* – This fund accounted for various capital projects within the Village.

4. **Enterprise Funds**

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

*Water Operating Fund* - This fund receives charges for services from residents to cover water service costs.

5. **Agency Funds**

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village had no significant Agency Funds.

E. **Budgetary Process**

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. **Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function, personal services and other level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

VILLAGE OF MALVERN  
CARROLL COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)

1. Summary of Significant Accounting Policies (continued)

E. Budgetary Process (continued)

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2013 and 2012 budgetary activity appears in Note 3.

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

VILLAGE OF MALVERN  
CARROLL COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)

1. Summary of Significant Accounting Policies (continued)

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. Property, Plant, and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. Equity in Pooled Deposits

The Village maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

	2013	2012
Demand deposits	<u>\$474,231</u>	<u>\$436,947</u>

**VILLAGE OF MALVERN  
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**2. Equity in Pooled Deposits (continued)**

**Component Unit - Equity in Pooled Deposits:**

	2013	2012
Demand deposits	\$16,401	\$41,195

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$260,612	\$274,844	\$14,232
Special Revenue	118,400	118,131	(269)
Enterprise	310,000	331,057	21,057
Total	\$689,012	\$724,032	\$35,020

2013 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$324,375	\$284,351	\$40,024
Special Revenue	100,880	115,555	(14,675)
Enterprise	322,115	294,842	27,273
Fiduciary	0	10,000	(10,000)
Total	\$747,370	\$704,748	\$42,622

**VILLAGE OF MALVERN  
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**3. Budgetary Activity (continued)**

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$241,909	\$255,889	\$13,980
Special Revenue	120,350	157,102	36,752
Enterprise	310,000	301,776	(8,224)
Fiduciary	0	10,000	10,000
Total	\$672,259	\$724,767	\$52,508

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$304,869	\$309,097	(\$4,228)
Special Revenue	122,956	168,579	(45,623)
Enterprise	345,551	264,202	81,349
Total	\$773,376	\$741,878	\$31,498

Contrary to Ohio Revised Code §5705.41(B), the Village had expenditures in excess of appropriations in 2013 and 2012. Also, contrary to Ohio law, appropriations may not exceed disbursements.

**4. Property Tax**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

**VILLAGE OF MALVERN  
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**5. Local Income Tax**

The Village levies a municipal income tax of one percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**6. Debt**

The \$40,000 five-year Note for a Dump Truck was paid off the early by the Village on February 29, 2012.

Debt outstanding at December 31, 2013 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$ 1,247,100	4.5%

The Water System Revenue Bond was issued for \$1,501,000 at an interest rate of 4.50 percent for the repayment of an Ohio Water Development Authority loan. The bond was entered into on March 15, 1999 for a period of 40 years. The repayment of this bond will be made with funds from user fees. Amortization of the above debt, including interest, is scheduled as follows:

	Water System Revenue Bond
Year ending December 31:	
2014	\$26,200
2015	27,400
2016	28,600
2017	29,900
2018	31,300
2019-2023	178,700
2024-2028	222,700
2029-2033	277,600
2034-2038	345,900
2039	78,800
Total	\$1,247,100

**VILLAGE OF MALVERN  
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**7. Retirement Systems**

The Village's elected officials and employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2013.

**8. Risk Management**

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2013, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

**VILLAGE OF MALVERN  
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**8. Risk Management (continued)**

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2012 and 2013 (the latest information available):

	<u>2012</u>	<u>2013</u>
Assets	\$34,389,569	\$34,411,883
Liabilities	<u>(14,208,353)</u>	<u>(12,760,194)</u>
Net Position	<u>\$20,181,216</u>	<u>\$21,651,689</u>

At December 31, 2012 and 2013, respectively, the liabilities above include approximately \$13.1 million and \$11.6 million of estimated incurred claims payable. The assets above also include approximately \$12.6 million and \$11.1 million of unpaid claims to be billed to approximately 475 member governments in the future, as of December 31, 2012 and 2013, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the Village's share of these unpaid claims collectible in future years is approximately \$8,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>Contributions to PEP</u>	
<u>2012</u>	<u>2013</u>
\$11,179	\$11,179

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

VILLAGE OF MALVERN  
CARROLL COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)

9. **Malvern Community Development Fund – Discretely Presented Component Unit**

The Malvern Community Development Fund (the “Fund”) is a legally separate foundation, served by a Board of Trustees, which includes six members of the Malvern Village Council, the Mayor of Malvern and the Manager of the Lake Mohawk Property Owner’s Association. The Malvern Fiscal Officer shall serve as a non-voting, ex officio member of the board and fills the roles of secretary and treasurer.

The Fund was formed for the following purposes: 1) to raise funds for the support of projects, equipment, services and facilities that benefit the Village of Malvern, Ohio and its residents, 2) to engage in activities that are exclusively for charitable purposes, and 3) to support research, education, and public information programs to promote economic growth and community services.

Based on the significant oversight, services and resources provided by the Village to the Fund and the Fund’s sole purpose of providing benefit to the Village of Malvern, the Fund is considered a component unit of the Village of Malvern. The Malvern Community Development Fund has a December 31st year end.



# ALGER & ASSOCIATES, Inc.

Certified Public Accountants

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## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Village of Malvern  
Carroll County  
116 West Main Street  
Malvern, OH 44644

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements and the discretely presented component unit of the Village of Malvern, Carroll County, (the Village) as of and for the year ended December 31, 2013 and 2012, and the related notes to the financial statement, and have issued our report thereon dated March 26, 2015, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit.

### *Internal Control Over Financial Reporting*

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2013-004 through 2013-017 and 2013-002 described in the accompanying schedule of findings to be material weaknesses.

***Compliance and Other Matters***

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2013-001 through 2013-003.

***Entity's Response to Findings***

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Alger & Associates, Inc.*

**Alger & Associates, Inc.**  
**Certified Public Accountants**  
**North Canton, Oh 44720**  
March 26, 2015

VILLAGE OF MALVERN  
CARROLL COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012

FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2013-001

**NONCOMPLIANCE - Expenditures Limited by Appropriations**

**Ohio Revised Code, §5705.41(B)** states that no subdivision or taxing unit is to expend money unless it has been appropriated.

During 2012, expenditures exceeded appropriations in the General Fund by \$4,227.55 and in the State Highway Maintenance & Repair by \$47,586.36. During 2013, expenditures exceeded appropriations in the State Highway Maintenance & Repair by \$16,036.44.

This situation increases the possibility that deficit spending may occur. The Fiscal Officer should not certify to availability of funds and should deny payment requests exceeding appropriations. The Fiscal Officer may request Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

We recommend management monitor their budgetary accounts throughout the year to ensure that expenditures do not exceed appropriations and prior year carryover encumbrances. Fund appropriations should be amended to correspond with any increase or decrease in fund expenditures.

FINDING NUMBER 2013-002

**NONCOMPLIANCE AND MATERIAL WEAKNESS**

**Ohio Rev. Code, §5705.40** provides that any appropriation measure may be amended or supplemented provided that such amendment or supplement complies with all provisions of law governing the tax authority in making the original appropriation.

The Village had several Interfund Transfers during calendar years 2012 and 2013. The Ordinances were passed and recorded in the minutes but there were never any amendments to the appropriations for either year or an amendment to the Certificate of Estimated Resources through the County Auditor. The Ordinances specified that the amounts be appropriated but the records don't reflect that this was done.

Additionally, during 2013 and 2012, the Fiscal Officer amended appropriations in the Uniform Accounting Network (UAN) without the required approval of Council for 2012 and without documentation supporting the approved changes, i.e. Appropriation Amendments being filed with the County Auditor.

VILLAGE OF MALVERN  
CARROLL COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012

FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2013-002 (continued)

The estimated revenue amounts recorded on the UAN system did not agree to the Certificate of Estimated Resources in 2013 by a total of \$9,547. Also, the original appropriations did not agree the appropriations reported on the expenditures ledgers in the UAN causing the following differences of \$20,000 in 2013 and \$81,200 in 2012. As a result, certain budgetary reports generated from the UAN computer system did not reflect approved appropriations.

The Fiscal Officer should implement procedures to ensure budgetary activity approved by Council is reconciled to the UAN computer system. Also, the Fiscal Officer should submit all approved appropriation amendments and amended estimated resources to the County Auditor for proper procedures. This will allow the Council to properly monitor the Village's finances.

FINDING NUMBER 2013-003

NONCOMPLIANCE

Ohio Rev. Code, §145.03, generally requires compulsory membership of employees to the Ohio Public Employees Retirement Systems (OPERS). Section 145.47, Revised Code, requires member contribution and Section 145.48, Revised Code, requires employer contribution.

Internal Revenue Code (IRC) Chapter 26 Section 3102 (a) states the tax imposed by Section 3101 shall be collected by the employer of the taxpayer, by deducting the amount of the tax from the wages as and when paid.

During our review of the payroll time cards, payroll ledger and pertinent ordinances we noted the following:

- The Village hired a Community Development Director and in accordance with Ordinance 1 -2013, the Director is to be paid \$1,000 a month and shall provide and document a minimum of 50 hours of work per month. Malvern Community Development Fund (MCDF) a non-for-profit entity established for the beautification of the Village of Malvern, is to pay ½ of the salary for the Community Development Director to the Village. We have reviewed the time cards provided and found a total of 66 hours or \$1,320 not documented on the time cards as being worked.

VILLAGE OF MALVERN  
CARROLL COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012

FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2013-003 (continued)

- The Village was required to remit the 24% of the wages earned (10% from the employee & 14% from the employer) to OPERS during the time the Director worked for the Village. MCDF reimbursed the Village of Malvern a total of \$7,453 and \$4,300 for 2012 and 2013 respectively. The Village withheld the 10% employee's portion of OPERS from the Director's payroll or \$1,175. The Village also withheld and paid the Village share of 14% or \$1,645 to OPERS. The Village paid OPERS for the Director's timed work for the Village and for the time she was working for MCDF, a non-for-profit agency for a total paid of \$2,820.

We recommend Council authorize the Solicitor to collect the money due the Village. The Fiscal Officer should contact OPERS and inquire as to the procedures to recoup the additional monies paid into OPERS while the Director was working for the non-profit agency. The Fiscal Officer should also contact the IRS regarding the amount of Social Security due the IRS which had not been deducted and paid. Also, the OPERS withheld from the Director's salary while working for the non-profit agency (\$1,175) should be reimbursed to the Director after the appropriate Social Security withholdings have been determined.

This matter will be referred to the Internal Revenue Service for further review.

FINDING NUMBER 2013-004

**Material Weakness/Reclassification**

**Financial Reporting**

As a result of audit procedures performed, a reclassification for 2013 General Fund was made to the Village's financial statements. The City's portion of a paving project amounting to \$19,169 were reclassified from Transfer Out to Transportation. Transfers-in must agree with Transfer-out.

Sound financial reporting is the responsibility of the Village Fiscal Officer and Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

To ensure the Village's financial statements and notes to the financial statements are complete and accurate, we recommend Village implement sufficient control procedures over the financial reporting process in order to enable management to detect and prevent potential misstatements in the financial statements and footnotes. The Village Fiscal Officer should review the Village Manual for guidance on the correct line item to post various receipts and expenditures.

VILLAGE OF MALVERN  
CARROLL COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012

FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2013-005

**Material Weaknesses**

**Medical Insurance – Superintendent of Village Services**

The Village provides for medical insurance to the Superintendent of Village Services. A regular full-time employee, is covered by the Village of Malvern group medical and life insurance program, unless the Superintendent opts not to accept the coverage because of coverage under another policy. The Superintendent of Village Services is to contribute twelve (12%) of the annual premium for coverage under the Village insurance program, unless the Superintendent opts not to accept coverage. Payment of the annual premium is to be made by payroll deduction. Pursuant to Ordinance 2008-8 and Ordinance 15-2011, passed December 19, 2011, the Village of Malvern is to pay the cost of the Superintendent of Village Services' annual insurance deductible.

The Village did not have a Group Insurance plan. Council did not obtain quotes for insurance coverage for the Superintendent rather they had the Superintendent obtain his own medical insurance with no limitations attached. The Village opened up a bank account in the employee's name and deposited the cost of the insurance premiums to this account. This account also includes a line of credit. We received copies of the bank statements from the bank in order to determine if the payments made by the Village was being paid to the insurance company. We found no exceptions, however, we noted the Village paid for the Superintendent spouse's insurance deductible for both years – total of \$1000 (\$500 each year) contrary to Ordinance 2008-8. Also, according to the Ordinance the Superintendent is to pay 12% of the premium. We noted a total of \$55.68 not paid.

Council should obtain quotes for medical insurance for their employees. All payments should be made directly to the insurance company or agent. The Fiscal Officer should close the bank account and arrange payment of the premiums to the insurance company. Council should only authorize the payment for the deductible in accordance with the ordinance. Council should also authorize the Village Solicitor to collect the funds due the Village and deposit the collection with the Fiscal Officer.

VILLAGE OF MALVERN  
CARROLL COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012

FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2013-006

**Unauthorized Personal Expenditure – Assistant Superintendent of Village Services**

A policy manual is essential to assure that key areas of operations are fully documented (in written form) and understood by employees, management, and elected officials. The Village is operating without key policies in place. The Village does not have policies in place regarding nonpayroll expenditures. The procurement process should be specified in a policy established by the Village and should at a minimum identify authorized users, guidelines for allowable use/purchase, specific unallowable uses, reporting, monitoring of use by appropriate levels of management, and other guidelines deemed appropriate by the Village.

During our review of expenditures we noted the Assistant Superintendent of Village Services purchased, from Cintas, clothing for his wife and charged it to the Village. The Village was reimbursed by the Assistant, however, this constitutes an expenditure for a nonpublic purpose utilizing tax dollars improperly.

Maintaining organized documentation and support for financial transactions is essential in assuring the Village's financial statements are accurately presented and that all expenditures are made for a proper public purpose. Strong monitoring practices of Village financial activities are the responsibility of management and Village Council, and are essential to ensure proper financial reporting. We recommend Council develop a policy regarding their nonpayroll expenditure process. Nonpayroll expenditure policies and procedures should include the process for initialing an expenditure through the approval and the accounting treatment for each.

The policy should also include each person's responsibility for each type of expenditure including approvals. Council should insure each employee is provided the policy and signs a document they have read the policy. This document should be included in the employee file.

VILLAGE OF MALVERN  
CARROLL COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012

FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2013-007

Payroll:

Management of the Village is responsible for the design and implementation of an internal control process that provides reasonable assurance of the integrity of its financial reporting, the safeguarding of its assets, the efficiency and effectiveness of its operation, and its compliance with applicable laws, regulations, and contracts.

In designing its internal control process, management should consider policies and procedures that provide for the following:

- Safeguards over assets and a means to prevent and detect errors and fraud.
- Provides **reasonable assurance** that the following objectives are achieved:
  - Effectiveness and efficiency of operations
  - Reliability of financial reporting
  - Compliance with applicable laws and regulations will be achieved
  - Appropriate authorization and approval of transactions
  - Adequately designed records to facilitate classification and summarization of transactions
  - Security of assets and records
  - Segregation of incompatible duties
  - Periodic reconciliations of account balances
  - Periodic verification of assets

We noted that the Village has a personnel manual, however, Council has not developed any policy and procedures manual regarding the collection of revenues, purchases/expenditures and payroll procedures. Some employees were not familiar with some basic personnel policies.

We recommend Council develop a policy and procedures manual regarding revenues, expenditures and payroll procedures. The procedures and personnel manual should be distributed to employees in hard-copy form. A comprehensive and up-to-date Village manual can help communicate, and encourage adherence to, Village policies; prevent possible confusion or misunderstandings among personnel.

VILLAGE OF MALVERN  
CARROLL COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012

FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2013-008

**Superintendent of Village Service:**

The Village Administrator is responsible for review of the hours worked and insuring the employees are informed of the policies regarding their pay.

During our review of payroll for the Superintendent of Village Services we noted the following:

- We noted the sick leave balances for the Superintendent was 232 hours less than what the UAN system was reflecting.
- We traced all timecards for the audit period to verify the hours worked per the Ordinance - as a Supervisor. Based on our testing, we noted 14 pays in which the Superintendent was under-paid because the Council Meetings were not being considered as overtime. He was underpaid \$188.01.
- Additionally in some cases we found the Superintendent was paid when he was not eligible for a paid holiday, according to section 7.2 of the policy manual which states in part; the employee must work his/her regularly scheduled shift the day before and the day after the holiday or present just cause to his or her supervisor justifying the absence. We also noted 3 pay periods, the Superintendent noted on his time-card, "Personal Time". According to section 7.2.4 of the policy manual, no personal time allowed.
- The time cards reflected 8 instances where the Superintendent would take sick and/or vacation leave during the week and work the weekend to receive over time and/or double time. Section 3.10 of the Policy Manual states overtime will be paid for time worked beyond 40 hours per the standard work week. The total overpayment was \$1,096.54 for a net overpayment of \$908.53 (\$1,096.54-\$188.01).

We recommend the Fiscal Officer review the sick leave balances and correct the system accordingly. The Village Administrator should insure all employees are informed of the Village policies and the Fiscal Officer should review the time cards for inconsistencies with Village policy. All inconsistencies should be reviewed with the Administrator prior to payment of payroll. This will help to insure payments made to the employees are in accordance with Village policy. Council should authorize the Solicitor to recover any money owed to the Village and deposit the collection with the Fiscal Officer.

VILLAGE OF MALVERN  
CARROLL COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012

FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2013-009

**Village Water Department Administrator:**

In reviewing the time cards for the Village Water Department Administrator we noted the following:

- According to Ordinance 2012-3, the Village Water Department Administrator shall be compensated \$35.00 per day for weekend coverage. The ordinance does not include any language regarding pay when the Water Department Administrator is required to perform the backwash or answer alarms on Holidays or during the week. We noted the Administrator performed the backwash six times on Holidays with no additional compensation.
- We noted the time cards for the Water Department Administrator reflected the Administrator performed the backwash on the weekends, holidays and was also called in to address the alarms on those days without pay. At \$35 per day, which equates to \$4.38 per hour, is contrary to the 2012 Ohio Minimum Wage which requires employees are to be paid a minimum of \$7.70 per hour for non-tipped employees. Even though the Administrator did not work 8 hours on the weekend and holidays she was required to answer the water department alarms and was not paid for the work performed which equates to \$64.28 not paid.
- According to the Federal Labor Standards Act (FSLA), hours worked ordinarily include all the time during which an employee is required to be on the employer's premises, on duty, or at a prescribed workplace. We noted the time cards were hand written from 8:00 am to 4:00 pm each day whether the Administrator came in early or left late in performing her duties. We noted when the department received a time clock in June 2013, the actual hours were then reflected on the timecards, however, in July, after the Administrator earned 13.95 hours of overtime they were instructed by the Village Administrator they were only to clock in at 8:00 am and out at 4:00 pm.

The Village Administrator initially denied the overtime hours contrary to section 3.10 of the policy manual. Thus the employees of the water department were unable to record the actual hours they worked. The overtime earned by the Water Department Administrator was later paid by the Village Council.

- For payroll period 12/16/2012 to 12/29/2012 the wage detail report shows the Administrator had a balance of 7.25 hours of compensation time, however, the following pay period the balance was not carried forward nor was it used during that pay period.

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FINDING NUMBER 2013-009 (continued)

According to section 8.2 of the policy manual, accumulated compensatory time during one pay period must be used within six months of the date it is accrued unless permission is given by the appointing authority. We noted this policy is not being enforced for all employees by the Village Council.

- We noted the time cards reflected personal time taken contrary to section 7.2.4 of the policy manual, but charged to sick leave, and 4 instances where the Administrator was not eligible for Holiday pay as she did not work the day before and/or the day after the Holiday contrary to section 7.2 of the policy manual. Total overpayment was \$449.80. The Village Administrator approved these time cards and Village Council approved the payments contrary to the sections noted above.
- Ordinance 2012-3, states under section 1; The Village Water Department Administrator shall be compensated \$35.00 per day for weekend coverage. Section 3 states; This Ordinance shall take effect at the earliest time allowed by law and apply retroactively to and after January 1, 2010. Council approved this ordinance on March 19, 2012. We were unable to locate any payment retroactively to January 1, 2010 for the backwashes the Administrator performed.

We recommend the following:

- Village Council should review their policy manual regarding payment for weekend coverage of the water department. The policy should be consistent for all employees performing the work and should not be contrary to the policy manual. The policy and/or Ordinance should be more specific as to how many work hours the Ordinance is referring to and the rate of pay for Holiday work. This Ordinance should also be consistent with the policy manual. The Administrator should be compensated for any additional compensation for Holiday work in accordance with the policy manual.
- The employees should record the actual time worked on a given day. Any hours worked over 40 hours should be reflected on their payroll, whether in overtime or comp time.
- Council should be consistent with the employees regarding the carryover of compensation time.
- The Village Administrator and Council, prior to approving payroll, should insure the time being paid is in accordance with the Village policy manual.

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FINDING NUMBER 2013-009 (continued)

- Council should review all the backwashes the Water Administrator performed back to January 1, 2010 and approve payment in accordance with this Ordinance 2012-3.

Council should review the overpayment and underpayments as noted above to determine if monies are owed to the Village or the Water Administrator.

FINDING NUMBER 2013-010

Assistant Superintendent of Village Services:

Section 3.11 of the policy manual, states in part; "Call in Pay for Hourly Employees", employees called in for emergency work will be paid a minimum of two hours at their 1.5 rate of pay. According to section 3.14.1 of the policy manual, "Sunday and Holiday Work", when employees with two exceptions, are required to work on Sundays and Holidays, they shall receive pay at a total rate of two times their normal hourly rate for each hour worked, with a minimum of two hours for each occurrence.

According to section 3.10 of the Village policy manual, overtime will be paid to appropriate employees classified as non-exempt according to the Federal Fair Labor Standards Act at a rate of one and one-half times the calculated hourly rate for time worked beyond forty (40) hours per standard work week.

During our review of the Assistant Superintendent's payroll we noted the following:

- We traced all timecards for the audit period to verify the hours worked per the Ordinance - as an Assistant. Based on our testing, we noted 4 pays in which the Assistant was under-paid because the retroactive payroll was incorrectly calculated. He was underpaid \$233.
- Additionally in some cases we found the Assistant was paid when he was not eligible for a paid holiday, according to section 7.2 of the policy manual which states in part; the employee must work his/her regularly scheduled shift the day before and the day after the holiday or present just cause to his or her supervisor justifying the absence. We also noted 4 pay periods, the Assistant noted on his time-card, "Personal Time". According to section 7.2.4 of the policy manual, no personal time allowed.

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FINDING NUMBER 2013-010 (continued)

- The time cards reflected 16 instances where the Assistant would be off work during the week for sick and/or vacation leave and work on the weekends and receive overtime and/or double time. Section 3.10 of the Policy Manual states overtime will be paid for time worked beyond 40 hours per the standard work week. The total overpayment was \$1,473 for a net overpayment of \$1,240 (\$1,473-\$233).

We recommend employees are to be paid in accordance with the policy manual. Any overtime earned should only be after the employee has worked 40 hours that week. The Fiscal Officer should provide the documentation for the overpayment to the Village Solicitor to recover the total amount due and deposit the collection with the Fiscal Officer.

FINDING NUMBER 2013-011

**Council:**

According to section 7.2 of the policy manual, to be eligible for a paid holiday, the employee must work his/her regularly scheduled shift the day before and the day after the holiday or present just cause to his or her supervisor justifying the absence. According to section 7.2.4 of the policy manual, no personal time allowed.

After reviewing the Ordinances, policy manual and minutes we noted the following:

- We noted on the time cards for December 23, 2011 payroll (paid in 2012) Council approved the employees to leave early for the holiday, however, we were unable to locate in the minutes any formal approval. Council also approved to close the Village the day after Thanksgiving and December 24 as noted in the minutes dated November 5, 2012. The minutes dated November 4, 2013 indicates the day after Thanksgiving has been approved as a holiday. Because the employees are required to work the day before and the day after the holiday the Village employees were not eligible for compensation for the Holiday in accordance with section 7.2 of the Village Manual. This caused the hourly employees to be overpaid for those pay periods.
- We noted some employees were taking personal time during the audit period contrary to section 7.2.4 of the policy manual. Personal time was paid as sick time on their wage earnings report.

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FINDING NUMBER 2013-011 (continued)

- We also noted several instances where the employees of the Administrative Services Department only worked 7.5 hours of the 8 hour shift and indicate they worked through their lunch time. For the Water Department employees we were advised if the employee takes their lunch at the department they do not need to clock out on their time cards, however, if the employee leaves the premises they are required to clock out and in and work the additional time. Council does not have a consistent policy regarding employees working through their lunch time thus we were unable to determine if these hours not worked and paid for are accurate.

We recommend the following:

- All employees and Council Members should be provided the policy manual and sign a statement they read and understood what was included in the manual. Any concerns should be brought up to the Village Solicitor for his opinion.
- An adjustment is required for the employees whose personal time was charged to sick time. The Fiscal Officer should review those employees and adjust the sick leave hours for only sick leave taken.
- Council should develop a policy that is consistent for all departments regarding lunch time. Anytime employees are working through their lunch time prior approval should be obtained unless it is an emergency.

FINDING NUMBER 2013-012

Sick Leave:

Section 7.8.2 of the policy manual, states in part; an employee absent on sick leave for more than three (3) days shall submit a claim for sick leave. For a sick leave absence of three days or less, the appointing authority may require employees to furnish a claim for sick leave form. Failure to submit the sick leave claim form when required will result in the employee being determined to be on leave without pay and a deduction in the subsequent payroll period. The claim form should be forwarded with the employee's time sheet. Also the appointing authority may investigate all usage of sick leave and may withhold full payment of said sick leave until the investigation is completed. Should the appointing authority determine that an employee has not used sick leave properly, payment may be denied and discipline imposed.

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Section 3.2 of the policy manual, states in part; for each arranged position, there is an assigned Grade. Within each Grade there are a total of 5 steps. An employee of the Village of Malvern, Ohio, upon appointment, will be assigned to a particular grade dependent upon the position being assigned, and particular step based upon education, experience and/or specific training necessary for employment. Advancement from step to step within the pay range shall be made by the Council using the Performance Appraisal System; each employee will be evaluated at least once a year. Evaluations may take into consideration merit, fitness, longevity, change in responsibilities of the position, and any other factors in the judgment of the Council which may be pertinent in determining individual advancements and compensation. The evaluation will be on a standardized form and will be placed permanently in each employee's personnel file. All evaluations shall be shown to the employee being rated and discussed thoroughly with him or her. At the conclusion of the discussion, the employee will be asked to sign the evaluation form.

We noted the following:

- The Village does not have an effective control measure to ensure sick leave abuse does not occur. Although the Village requires verification for sick leave use over three days, the Village does not require sick leave forms for each occurrence.
- An employee of the Village, hired Nov 21, 2011 used a total of 41.5 hours of sick leave in 2012 and 107 hours of sick leave in 2013. According to the Fiscal Officer, there has only been one sick leave form completed by the employee.
- The Village was unable to provide any evaluations for the employee in order to determine if Council and the Village Administrator was monitoring the sick leave hours the employee was taking.
- The employee also was provided a pay raise after 4 months of employment and prior to completing his probation without any written evaluation being performed by the Village Administrator and prior to Council's approval of an increase in compensation. Another pay raise was provided in September, 2012 again without any performance evaluation being performed contrary to section 3.2 of the policy manual.

The Village Administrator failed to perform the required evaluations and monitor the sick leave usage and Council failed to require the evaluation in order for Council to make a more informed decision regarding increase compensation.

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FINDING NUMBER 2013-012 (continued)

By developing a policy of having the employees complete a sick leave form, for each time the employee is off on sick leave, Council and the Village Administrator would be able to review for patterns of abuse which would allow the Governing Board to investigate situations and reduce abuse.

The Village should establish a policy that clearly states that employees are expected to report to work as scheduled and on time. The policy should define what the Village considers to be an acceptable standard of attendance and outline consequences for noncompliance.

Council should require the Village Administrator perform the essential evaluations pursuant to section 3.2 of the policy manual. Council should be reviewing these evaluations prior to approving advancements and compensation as required by this section.

FINDING NUMBER 2013-013

**Payments in advance of services being rendered:**

Vacation Time – we noted employees are provided their vacation time for the year in advance. This could lead to errors or irregularities occurring if an employee takes all their vacation prior to leaving employment for whatever reason. If the employee was paid for all his/her vacation prior to earning the vacation, Council will have made expenditures of public funds prior to the service being rendered.

During our review of the contract with Lowery's Lawn Care we noted the contract calls for a total payment of \$24,950 in monthly installments of \$2,079.17. These payments are being made prior to the services being rendered. The amount paid prior to services being rendered is \$8,316.68

According to the Village Handbook, under Liability for Unlawful Expenditures - Any officer, employee, or other person who unlawfully expends or authorizes the expenditure of public funds shall be personally liable for the full amount paid from those funds. The chief legal officer is required to enforce this liability in the name of the village, and may be forced to do so by any taxpayer. (Ohio Revised Code Section 5705.45).

We recommend vacation should be provided to the employees when earned. We also recommend payments should not be authorized prior to the service of goods being received or rendered. This will help to eliminate the possibility of errors or irregularities occurring and ensure expenditure of funds are for proper public purpose.

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**FINDING NUMBER 2013-014**

**Village Administrator:**

During our review of the Village Administrator time cards we noted the following:

- Council has not adopted any policy or procedures for the oversight of the Village Administrator's duties by the Mayor. Ordinance 18-2011 states in part: The part-time Village Administrator shall be under the general supervision and control of the Mayor. During our review of the timecards we noted the Mayor did not approve the hours worked for the audit period, however, Council approved the payrolls.
- We noted the Administrator's payroll is charged 50% to the Water Fund and 50% to the General Fund, however, the time cards do not reflect what the Administrator was working on during the pay periods thus we were unable to determine if the amounts charged to the two funds were appropriate.
- The Village Administrator's time cards reflected the time worked was hand written rather than utilizing the clock as his staff are required. According to Ordinance 4-2007 and Ordinance 18-2011, the Administrator is required to work 20 hours per week.
- The Administrator also works for another Village. Based on the hand written time cards we were unable to determine if the hours worked for the Village was actual hours the Administrator was working on Village duties.
- According to the Fiscal Officer the first available time card supporting the Village Administrator is pay period starting August 15, 2010. Because there are no other time cards available we were unable to determine if the Village Administrator worked the required hours from the date of employment in 2007 through August 15, 2010.
- In accordance with Ordinance 4-2007 and Ordinance 18-2011, the part-time Village Administrator shall receive vacation, pursuant to the Village Personnel Policies and Procedures. In accordance with the policy, the Village Administrator was eligible for 20 hours of vacation per year, however, the Administrator took 40 hours of vacation each year from 2008 thru 2013 and payroll was approved by Council as noted below:

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**FINDING NUMBER 2013-014 (continued)**

<b>Vacation Taken Contrary To Policy</b>			
<b>Years</b>	<b>Hours</b>	<b>Rate</b>	<b>Amount</b>
<b>2008</b>	20	19.23	\$ 384.60
<b>2009</b>	20	19.8	\$ 396.00
<b>2010</b>	20	19.8	\$ 396.00
<b>2011</b>	20	20	\$ 400.00
	<b>80</b>		<b>\$ 1,576.60</b>

This table does not include the additional vacation hours taken in 2012 and 2013, however, those hours are included in the total hours the Village Administrator did not work noted below.

- As noted in Ordinance 4-2007 and Ordinance 18-2011, the Administrator is required to work 20 hours per week. Based on our review of the time cards we noted the following:
  - The Administrator did not work the required hours in accordance with these ordinances. Because the Village Administrator did not work the required hours for the audit period under audit, we reviewed the prior years the Village Administrator was employed to determine how many hours the Village Administrator failed to work the required hours but was paid.
  - Also Ordinance 4.-2007, passed by Council on February 20, 2007 states in part; The part-time Village Administrator shall receive PERS and Workers' Compensation, pursuant to the Village of Malvern Personnel Policies and Procedures Handbook as currently enacted or hereafter amended. On May 7 2007, Council passed an Ordinance stating in part; Effective June 1, 2007, PERS shall be picked up and paid as a fringe benefit by the Village of Malvern for the Village Administrator. However, Ordinance 2008-2 (which passed the Village of Malvern Personnel Policy) and Ordinance 18-2011, passed December 29, 2011, states in part; the part-time Village Administrator shall receive PERS and Workers' Compensation, pursuant to the Village of Malvern Personnel Policies and Procedures Handbook as currently enacted or hereafter amended. The Village personnel and procedures handbook states in part; generally, all employees, except fire and police personnel, are required to be a member of the State of Ohio Public Employee Retirement System.

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**FINDING NUMBER 2013-014 (continued)**

The Village will deduct 8.5 percent (currently 10%) of the employee's gross wages or salary as the employee's contribution to PERS. The Village continued to pay the Administrator's 10% share of PERS contrary to Ordinance 2008-2 and Ordinance 89-2011. The amount the Village paid on behalf of the Village Administrator for the years reviewed and the amount paid for hours not worked are as follows:

Year	2008	2009	2010	2011	2012	2013	Total
Hours Short			157.5	341.25	100	120.25	719
Rate			19.8	20	20	20	
Total			\$ 3,118.50	\$ 6,825.00	\$ 2,000.00	\$ 2,405.00	\$ 14,348.50
PERS Pickup	\$ 1,999.92	\$ 2,050.61	\$ 2,059.98	\$ 2,059.98	\$ 2,079.23	\$ 2,080.00	\$ 12,329.72
Total Overpaid	\$ 1,999.92	\$ 2,050.61	\$ 5,178.48	\$ 8,884.98	\$ 4,079.23	\$ 4,485.00	\$ 26,678.22

As noted above, the Village Administrator failed to work 719 hours or 36 weeks (719/20 hrs. per week) in accordance with the above mentioned ordinances. Plus, the Village share paid to OPERS for the hours the Village Administrator did not work for a total of \$2,008.79 (\$14,348.50 \* 14%).

The combined total overpaid is \$30,263.61 (\$1,576.60 + \$26,678.22 + \$2,008.79). This constitutes an expenditure for a nonpublic purpose utilizing tax dollars improperly.

Sound internal controls, such as proper monitoring and formal procedures, are pertinent to ensure that all financial transactions incurred are authorized, for a proper public purpose, and accounted for. Council should ensure that the following procedures are implemented:

- Council should monitor the payroll process including reviews of payroll reports.
- Sufficiently detailed employee time cards should be completed and signed by the relevant supervisor indicating approval of the employee's hours worked.
- Timely evaluations should be performed for all employees and placed into their personnel files to assist in determination of wage or salary changes, promotions or demotions, terminations, or other employment actions.
- Council should require the Village Administrator utilize the time card clock when the Administrator is working on Village duties. The time cards should detail the hours worked on Village projects and the time spent working on the Water Department projects. The Village funds being charged should coincide with the projects the Administrator's time cards reflects.

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**FINDING NUMBER 2013-014 (continued)**

- Council should consider requiring the Village Administrator to be on Village premises when working his required hours. This will eliminate any irregularities from occurring. Council should also develop a policy with the Mayor which specifically outlines the duties of the Mayor in his/her oversight of the Village Administrator. The Mayor should approve and sign off on the Administrator's payroll and ensure the Administrator is performing his duties in accordance with the aforementioned ordinance and/or policy. The Mayor should also monitor the Village Administrator to insure he is performing his duties in accordance with Village Policies and Procedures manual. All additional procedures adopted by Council should also be monitored.
- The Fiscal Officer should only pay the Village Administrator's payroll based on the number of hours worked. Prior to making any payment for payroll the Fiscal Officer should insure the time cards are appropriately approved by the Mayor.
- The documentation regarding the amount overpaid to the Village Administrator should be provided to the Village Solicitor for collection and deposited to the Fiscal Officer. The Fiscal Officer should contact OPERS and inquire as to the procedures to recoup the additional monies paid into OPERS (\$2,008.79) for the hours paid but not worked.

This report will be referred to the IRS for further review.

The Village Administrator utilizes his personal computer for Village business rather than utilizing a Village computer. All files relating to the Village would not be available to the public in accordance with ORC section 149.43. The Village should insure the Administrator is conducting Village business utilizing Village assets. This will help to insure the Village is in compliance with this section of the ORC.

**FINDING NUMBER 2013-015**

**Village Tax Administrator**

**Income Tax Village Officer's Handbook, Chapter Two (V) (E) -- Tax Administrator –**

Tax Administrator - The legislative authority (council) of the village that operates under a general statutory plan of municipal government may appoint an individual known as the Tax Administrator to assist the Village Treasurer in matters relating to income taxes. The individual so appointed must be an employee of the treasurer's office and be responsible to, and under the control of, the village treasurer.

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FINDING NUMBER 2013-015 (continued)

The legislative authority (Council) has appointed a part-time person to server as Tax Administrator. However, the Tax Administrator is not under the control of the Fiscal Officer. The Fiscal Officer has no knowledge and/or involvement of the Village tax collections procedures and computerized bookkeeping system. However, the Fiscal Officer is required to issue refund checks without any supporting documentation. Also the Fiscal Officer is unable to assist the Tax Administrator.

We recommend Village's Council consider merging the Income Tax Department under the Fiscal Officer as required by the Village Officer's Handbook.

During our review of the time cards and wage detail reports for the Village Tax Administrator we noted the following:

- We noted the Tax Administrator works 15 hours per week and was granted compensatory time if she performed additional duties beyond 15 hours per week but prior to her working 40 hours per week contrary to section 3.10 and section 8 of the Village policy, which states in part; overtime will be paid to employees for time worked beyond forty (40) hours of work.
- When the Tax Administrator worked additional hours during the pay period she was not compensated for the time worked. Total underpaid \$436.73.
- Ordinance 14-2011 states in part; It shall be the duty of the Income Tax Administrator to maintain flexible office hours at Village Hall, for the purpose of fulfilling the duties set forth in this ordinance: a minimum of fifteen (15) hours each week. We noted 5 pay periods in which the Administrator did not work the required hours, however, was paid for the time not worked. The policy manual for part-time employees does not provide for sick leave or holiday pay as noted in sections 7.2 and 7.8 of the policy manual. The Administrator was paid for holidays and sick days. Total overpayment is \$1,714.09 resulting in a net overpayment of \$1,277.36 (\$1,714.09 - \$436.73)
- The Tax Administrator's work hours are 7.5 hours a day, two days a week. When the Administrator took vacation there were times she was charged 8.0 hours for that day of vacation and other days she was only charged 7.5 hours of vacation. We have provided the Fiscal Officer with audited balances as of pay period ending 12/13/2013.

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- According to section 7.3 of the Village manual, part-time hourly employees are to receive vacation leave based on the number of hours worked divided by 2080 times hours for years of service. During 2012 and 2013 the Administrator received 40 and 60 hours of vacation time respectively. According to the manual the Administrator should have received 15 hours of vacation for 2012 and 22.5 hours of vacation for 2013.

According to the UAN system the ending balance was 0, however, the audited balance is negative 36.5 hours or \$465.38. Because we were unable to verify the accuracy of the beginning balances of 25.5 hours as of 1/1/2012 the ending balance as of the pay period ending 12/13/2013 may be more.

- The UAN system reflects the Tax Administrator has a compensatory balance of 1.25 hours, however, based on our review the balance should be 15 hours as of 12/14/2013. Because the Tax Administrator is a part time employee the Fiscal Officer should review all the compensatory time taken prior to 1/1/2012 to determine if the Tax Administrator was eligible for the compensatory time in accordance with the Village manual.
- The Income Tax Administrator attends Tricota meetings sponsored by the Ohio Municipal League. The Village was unable to provide any documentation from Council approving the attendance for these meetings.

We recommend Council review the policy manual and only approve payroll in accordance with their policy. The Tax Administrator should only be paid for the actual hours worked. All overtime worked should be paid at the appropriate rate and not converted to compensatory time. Sick leave should not be paid and vacation should be deducted based on the hours the administrator was required to work. All vacation time taken should be in accordance with the policy as an hourly part-time employee and not as a part-time salaried employee. The Fiscal Officer should review the ending vacation balances as of 12/31/2011 as the Tax Administrator was provided the incorrect vacation time from the beginning of employment (August 2005) the beginning balances may be incorrect. Any overpayments should be brought to the Village Solicitor's Office for collection.

Council should approve any employees attending training and/or seminars prior to their attendance. Also employees should submit to Council the itineraries for these meetings and these documents should be included in the employees file. All mileage should be documented and approved along with drive time. This will help to prevent any errors and/or irregularities from occurring.

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FINDING NUMBER 2013-016

**Long Term Financial Planning:**

Long-term financial planning combines financial forecasting with strategizing. It is a highly collaborative process that considers future scenarios and helps governments navigate challenges. Long-term financial planning works best as part of an overall strategic plan. Financial forecasting is the process of projecting revenues and expenditures over a long-term period, using assumptions about economic conditions, future spending scenarios, and other salient variables.

Long-term financial planning is also the process of aligning financial capacity with long-term service objectives. Financial planning uses forecasts to provide insight into future financial capacity so that strategies can be developed to achieve long-term sustainability in light of the government's service objectives and financial challenges.

The Village has not performed any type of long term financial planning. The Village should consider asking the Local Government Services of the Auditor of State's office to perform this forecast. The forecast can then be used to identify potential challenges to fiscal stability. These could be fiscal deficits (e.g., expenditures outpacing revenues), environmental challenges (e.g., unfavorable trends in the environment), or policy weaknesses (e.g., weaknesses in the financial policy structure).

FINDING NUMBER 2013-017

**Performance Audit:**

Performance audits provide elected officials and government employees with an objective, third-party analysis of their operations to help them improve performance, reduce costs, and make informed, data-driven decisions. The Auditor of State's office conducts performance audits of Ohio's schools, local governments and state agencies.

A performance audit is a non-recurring examination of the economy, efficiency and effectiveness of government programs and functions. The principles guiding performance auditing are often called the "Three Es":

- The principle of ECONOMY is keeping the cost low.
- The principle of EFFICIENCY is getting the most out of available resources.
- The principle of EFFECTIVENESS is meeting the objectives set.

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FINDING NUMBER 2013-017 (continued)

**Performance Audit: (continued)**

Tailored to each client, Auditor of State performance audits are flexible and may include a range of subject areas. Performance audits can analyze the operations of an entire entity or a particular department. They can also examine a function or service that cuts across the operation or a single issue that involves several departments. Some examples of areas commonly analyzed are staffing, health insurance, collective bargaining agreements, employee compensation, contract management, transportation systems, and facility and asset utilization. Results may identify cost savings, duplicative or underused services that could be reduced or eliminated, and gaps and overlaps in services. Performance audits are collaborative efforts requiring the participation of the governments being audited during all three phases of the engagement: planning, fieldwork and reporting.

A performance audit can be used by the Village to improve operations, identify cost savings and produce sustainable, balanced budgets.

We recommend the Village consider obtaining a performance audit. This audit can be used by the Village seeking to improve operations, identify cost savings and produce sustainable, balanced budgets.

**Council Response:**

In response to audit findings, the Mayor, Village Council and the Fiscal Officer will be working closely with the Village Solicitor to adapt proper controls to correct the findings noted in the audit report. Council and the Mayor have been working on our Policy and Procedure manual, all employee ordinances and employee handbook. We realize that there are issues and discrepancies that need to be corrected have appointed a committee which has been working on the various employee issues.

The Mayor, Council and the Fiscal Officer will work to correct the problems from 2012 and 2013. Any issues that might have continued into 2014 and 2015 will be addressed also.

We have instructed the Fiscal Officer to inquire with the Auditor of State's Office regarding obtaining a five year forecast and performance audit as the audit report has recommended.

We are confident that all the issues will be rectified before our next audit.

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CARROLL COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012

FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

**Village Fiscal Officer Response:**

I must first say 'thank you' to Alger & Associates, Inc. and Mr. J. Jones for what I believe to be a successful and thorough audit for the Village of Malvern. As our weaknesses came to light, many opportunities for improvement were examined and all the necessary corrections were defined. We, now, just need to take action. As we move forward with an enhanced understanding of what is required, we will be better able to master the mission that we are called to do. I definitely look forward to that challenge! I agree that a performance audit would assist us in improving efficiency and reducing costs. I genuinely believe that long term financial planning is necessary to prepare us for any future restrictions we may face. I also feel it would be beneficial to have all new councilmembers attend training which reviews the basics and requirements of their newly elected position. Ultimately though, the Fiscal Integrity Act, which was enacted today, will undoubtedly be the icing on the cake. Every fiscal officer will be better able to serve in their best capacity for the entity in which they are employed and share the information with council.

We look ahead to a much greater insight for the next audit!

**VILLAGE OF MALVERN**  
**CARROLL COUNTY**  
**SCHEDULE OF PRIOR AUDIT FINDING**  
**DECEMBER 31, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-001	ORC §731.14 no sign contract or documentation of prevailing wage language in the bidding process	Yes	



# Dave Yost • Auditor of State

**VILLAGE OF MALVERN**

**CARROLL 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  
JUNE 9, 2015**