



**Dave Yost • Auditor of State**

**City of Mansfield  
Richland County, Ohio**

**Report on Accounting Methods**

**Local Government Services Section**

**City of Mansfield, Richland County  
Report on Accounting Methods**

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# Dave Yost • Auditor of State

## CERTIFICATION

In compliance with the requirements set forth in Section 118.10(A) of the Ohio Revised Code, an assessment of the methods, accuracy, and legality of the accounts, records, files, and reports of the City of Mansfield was conducted. This report on accounting methods states whether there are adequate controls in place to assure confidence in the records. The deficiencies and non-compliance with State statutes and the Ohio Administrative Code are identified throughout this report. Therefore, pursuant to Section 118.10 of the Ohio Revised Code, a "Report on Accounting Methods" is hereby submitted and certified to Sharon Hanrahan, Chairman of the Financial Planning and Supervision Commission of the City of Mansfield; Timothy Theaker, Mayor of the City of Mansfield and Phillip Scott, Council President.

A handwritten signature in black ink that reads "Dave Yost".

David Yost  
Auditor of State

April 10, 2012

## City of Mansfield – Richland County

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#### Purpose

As required by Section 118.10(A), Revised Code, the Auditor of State "...shall issue a preliminary report with respect to the methods, accuracy, and legality of the accounts, records, files, and reports of the municipality. This report shall state whether Chapter 117 of the Revised Code and the requirements of the Auditor of State have been compiled with..."

Accordingly, this report addresses the following: (1) whether the current accounting system fulfills the needs of the City, and (2) whether the current accounting system complies with Chapter 117 of the Revised Code and the requirements of the Auditor of State. Information for this report was obtained by interviewing City personnel and reviewing pertinent accounting, financial and budgetary records.

This report is intended solely for the use of the Financial Planning and Supervision Commission of the City of Mansfield. We were not engaged to, nor did we perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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#### Governance Overview

The City of Mansfield (the “City”) is located in Richland County. The City is a home rule municipal corporation established under the laws of the State of Ohio which operates under its own Charter. The Charter, which provides for a mayor-council form of government, was adopted November 2, 1982. Legislative authority is vested in a nine-member Council. Two members are elected at large and six members are elected by wards for four year staggered terms and a council president is elected at large for a four year term. The Mayor is the chief executive and administrative officer who is elected for a four-year term.

The Council is the legislative authority of the City. Council shall provide for the employment of a Clerk and an Assistant Clerk of Council. Members of the majority political party of Council shall designate the Clerk of Council and members of the next ranking political party of Council shall designate the Assistant Clerk of Council and each of them shall serve at the pleasure of the party members whom they were designated. All legislative powers of the City shall be vested in, and exercised by, the Council.

The Mayor exercises supervision and control over all administrative departments of the City. The Mayor appoints all officers and employees of the City, except the other elected officials of the City and the employees in those departments. The Mayor may make recommendations to Council, to introduce ordinances and has the power to appoint various City officials. The Mayor has the power to veto ordinances or resolutions.

The Finance Director serves as the chief fiscal officer of the City. The Finance Director shall collect all taxes, assessments, and monies due; disburse funds as authorized; select depositories; invest funds; maintain an efficient general accounting system; specify and supervise departmental accounting; and represent the City with other governmental fiscal agencies. The Finance Director shall serve as fiscal advisor to the Council and Mayor and assist the Mayor in the preparation of the yearly budget, appropriation ordinances or resolutions and statements of anticipated income.

A Board of Control which consists of the Mayor, Service-Safety Director, and Finance Director, approves all contracts let by competitive bid and the renewal of certain other contracts. Decisions are reached with a majority vote of all members.

The City Charter establishes the following departments and divisions:

- Department of Public Safety
  - Police Division
  - Fire Division
- Department of Public Works
- Department of Law
- Department of Finance

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On August 19, 2010, the City was declared in a state of fiscal emergency by the Auditor of State. A Financial Planning and Supervision Commission (the Commission) was established under Section 118.05 of the Ohio Revised Code. The Commission membership is as follows:

1. The director of the State office of Budget and Management or a designee;
2. The Mayor of the City or a designee;
3. The President of City Council or a designee;
4. The Treasurer of State or a designee; and
5. Three individuals appointed by the Governor with knowledge and experience in financial matters who are also residents of the City

The powers, duties, and functions of the Commission may include:

1. Review all tax budgets, tax levy ordinances and bond and note resolutions or ordinances, appropriation measures, and certificates of estimated resources, to ensure they are consistent with the financial recovery plan;
2. Inspect and secure copies of pertinent documents of the City;
3. Inspect and secure copies of pertinent documents of the County or State agencies relating to the City;
4. Review, revise and approve determinations and certifications affecting the City made by the County Budget Commission or the County Auditor;
5. Bring civil actions to enforce fiscal emergency provisions;
6. Approve the amount and purpose of any debt obligations;
7. Implement steps necessary to bring accounting records, accounting systems and financial procedures and reports into compliance with the Auditor of State's rules;
8. Make and enter into all contracts necessary or incidental to the performance of its duties;
9. Make recommendations for cost reductions or revenue increases to achieve a balanced budget; and,
10. Annually, before April 1, make a report and recommendations to the Speaker of the House of Representatives and President of Senate on the progress of the City.

This Commission adopted a financial recovery plan on April 20, 2011. By State statute, the City must operate within the provisions of the recovery plan.

The Commission will continue in existence until the Auditor of State or the Commission itself determines that:

1. An effective financial accounting and reporting system is in the process of being implemented and is expected to be completed within two years;
2. All of the fiscal emergency conditions have been corrected or eliminated and no new emergency conditions have occurred;
3. The objectives of the financial recovery plan are being met; and,
4. The City Council has prepared a financial forecast for a five-year period and such forecast is, in the Auditor of State's opinion, "non-adverse."

Once these requirements are satisfied, the Commission will be terminated.

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#### Budgetary System

##### Description of an Effective Budgetary System

The legally adopted annual budget plays a unique and central role in determining how much and the type of financial resources that shall be raised, and how those financial resources shall be spent. An annually appropriated budget should be adopted by ordinance, for all funds other than agency funds, and the amounts appropriated for each fund should not exceed the estimated resources available for the year. The budget should present sufficient information to identify the major sources of revenues and the programs, activities and major objects of expenditures. The process should encompass current operations and maintenance for the various city departments, programs offered to its residents, capital acquisition and replacement and debt retirement. The adopted budget should be integrated with the accounting system to ensure and demonstrate compliance with the budget and allow for ongoing and timely information on unrealized revenues and balances available for obligation.

##### Charter Requirements

The City Charter has no requirements related to the budget.

##### Statutory Requirements

The Tax Budget: The Richland County Budget Commission requires a tax budget containing levy information for all funds that receive property tax revenue to be submitted to the County Auditor as Secretary of the County Budget Commission, by July 20 of each year, for the succeeding year. Prior to submission, a notice and public hearing are required. The County Budget Commission examines the budget to ascertain that all tax levies of the City are properly authorized. The Budget Commission also revises and adjusts the estimated receipts for property taxes and local government fund allocations. On or about October 1, Council must authorize, by resolution, the necessary tax levies and certify them to the County Auditor.

Certificate of Estimated Resources: The County Budget Commission issues an official certificate of estimated resources on or about September 1, based on the revenue estimate submitted by the City and other information available to the Budget Commission. About January 1, the Director of Finance certifies the actual year end balances for all City funds to the budget commission. Upon receipt of the information, the budget commission issues an amended official certificate of estimated resources that includes the unencumbered fund balance at December 31. Further amendments may be made during the year if the Director of Finance determines that the revenue to be collected by the city will be greater than or less than the amount included in the official certificate.

Appropriations Ordinance: On or about January 1, an annual appropriation ordinance must be enacted by city council. Prior to the passage of the annual appropriation measure, a temporary appropriation measure may be passed to meet the ordinary expenses of the city until April 1. The appropriation ordinance, by fund must be within the estimated resources as certified by the county budget commission. Appropriation measures shall be classified so as to set forth separately the amounts appropriated for each office, department, and division, and within each, the amount appropriated for personal services. Any revisions that alter the appropriations at the level adopted by Council must be approved by Council. The City may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent amended certificate of estimated resources.

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No appropriation measure shall become effective until the County Auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate. When the appropriation does not exceed such official estimate, the County Auditor shall give such certificate forthwith upon receiving from the appropriating authority a certified copy of the appropriation measure.

Encumbrances: As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures in order to reserve that portion of the applicable appropriation and maintain legal compliance with the adopted appropriations. Expenditures plus encumbrances may not legally exceed appropriations.

#### Administrative Code Requirements

According to Section 117.2.02 of the Administrative Code, all local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

The legal level of control is the level at which spending in excess of budgeted amounts would be a violation of law. This is established by the level at which the legislative body appropriates. For all local public offices subject to provisions of Chapter 5705 of the Revised Code, the minimum legal level of control is described in Section 5705.38 of the Revised Code as department, personal services and other. The legal level of control is a discretionary decision made by the legislative authority and must meet or exceed the level prescribed in Section 5705.38 of the Revised Code.

#### City's Budgetary Process

The annual budget process begins in July with the preparation and filing of the tax budget with the County Budget commission. Estimated receipts for the ensuing year are based on two years of historical data and current year to date information. Public notice is given at least ten days prior to a public hearing on the tax budget held by the City Council. The tax budget is reviewed and adopted by City Council on or about July 15, prior to submitting it to the County Budget commission on or about July 20. The 2012 tax budget was adopted by Council on July 5, 2011.

Council adopted a resolution to authorize the rate of the tax for the levies to be collected in 2012 on September 20, 2011 and certified it to the county auditor. The County is required to provide the City with a certificate of estimated resources based on the tax budget by September 1. The original certificate of estimated resources was received from the County in September, 2011.

Once City Council has certified the tax levies, work begins on appropriations for the following year. In preparing appropriations for the next year, all department heads enter departmental requests in a budget worksheet in August. The budget worksheet includes the prior year budget and actual expenditures for the four years prior. Between August and November, the proposed departmental budgets are reviewed with the Finance Director, Mayor, other elected officials and department heads, and Council. The Mayor's Budget is prepared with assistance from the Finance Director and is presented by the Mayor to Council for their approval and adoption. The Finance Director also prepares a budget summary to compare total appropriations for each fund to the estimated resources. A temporary appropriation ordinance for all funds for the next year is adopted by Council before the end of the preceding year. Annual appropriations for the year are adopted by Council by the end of March. Council establishes the legal level of control for all funds at the object level within each fund and department. Any increase or decrease in appropriations at the object level adopted by Council must be approved by Council. Any department requiring an amendment to



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appropriations sends a request for legislation to the Assistant Finance Director. The ordinance to amend appropriations is prepared and submitted to Council by the Finance Director, along with any supporting documentation for the amendment.

In January of each year, the Finance Director certifies the year-end fund balances to the county budget commission and requests an amended certificate of estimated resources that includes the actual unencumbered fund balances of the preceding year. There are numerous amendments to the certificate of estimated resources throughout the year.

All revenue and appropriation changes are entered into the City's accounting system by the Assistant Finance Director within a few days of approval of Council. The Assistant Finance Director compares estimated revenues on the amended certificate to the estimated revenues in the accounting system each time a new amended certificate is received from the Budget Commission.

Certified copies of the appropriation measures are filed by the Finance Director with the County Auditor upon adoption. The City receives from the County Auditor a certificate that the total appropriations from each fund did not exceed the official or amended certificate of estimated resources.

Revenues are reviewed in the system weekly, and a revenue budget performance report is run monthly to check for significant variances between estimated and actual revenues and includes determining if revenues are received within the time period and in the amounts anticipated. Expenditures are reviewed in the system weekly, and an expense budget performance report is run monthly to check for significant variances between expenditures, including encumbrances, and appropriations. The Assistant Finance Director brings any significant variances in estimates versus actual amounts to the attention of the Finance Director. The Finance Director discusses budgetary issues with the appropriate elected official or department head and an amendment is submitted to Council for approval.

In prior years, appropriations were insufficient in certain funds and expenditures exceeded the approved appropriations in those funds. Revenue estimates and actual revenue were well below what the City was anticipating to spend in those funds. Rather than reduce expenditures, the City limited appropriations to the amount of estimated resources and allowed expenditures to exceed appropriations.

#### **Auditor of State Comments**

- Pursuant to Section 5705.10, Revised Code, the City should credit money levied and collected to the proper fund. During 2009, 2010, 2011 and 2012, the City had deficit fund cash balances in several funds. The City should no longer use the money from one fund to pay the obligations of another fund with a deficit.
- Pursuant to Section 5705.41(B), Revised Code, the City should not make any expenditure of money unless it has been appropriated. During 2009 and 2010, the City had expenditures plus encumbrances that exceeded the Council adopted appropriations. The City should only spend and encumber money within the amount of adopted appropriations.
- Pursuant to Section 5705.39, Revised Code, the City should not appropriate money in any fund in excess of the total estimated revenue available for expenditure from that fund. During 2009, 2010, 2011 and 2012, the City had appropriations that exceeded estimated resources in several funds. The City should only appropriate an amount in each fund equal to or less than the amount of revenue certified by the budget commission as available to spend in each fund.

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#### Chart of Fund and Account Codes

##### Description of Effective Chart of Fund and Account Codes

Common terminology and classification should be used throughout the budgeting, accounting, and financial reporting activities. The consistent use of fund account codes is necessary to classify and summarize receipt and disbursement transactions. Fund codes should allow for the classification and identification of fund types and individual funds. Receipt and expenditure codes should allow the transactions to be summarized by major revenue sources or expenditure programs. Major object codes for expenditures should be used consistently throughout the various program and activity codes.

##### Charter Requirements

The City Charter has no requirements related to the chart of fund and account codes.

##### Statutory Requirements

The creation of funds is authorized by section 5705.09 of the Revised Code. Section 5705.13 of the Revised Code allows for the creation of a reserve for budget stabilization, payment of claims under a self-insurance program, and the payment of claims under a retrospective workers' compensation plan. This section also allows for a special revenue fund to accumulate resources for the payment of sick and vacation leave. Additionally, it allows for creation of capital projects funds to accumulate resources for up to ten years for the acquisition, construction, or improvement of capital assets. Funds may also be established under section 5705.12 of the Revised Code with the written approval of the Auditor of State.

##### Methods Used by the City

The City establishes funds as required by the Ohio Revised Code. The Finance Director assigns the new fund numbers. The fund numbers are assigned based on a chart of funds that reflects its fund type classification. The current fund structure includes: 100's – General; 200's – Special Revenue; 300's – Debt Service; 400's – Capital Projects; 500's – Proprietary; 600's – Internal Service; 700's – Trust; 800's – Agency. Account codes are assigned and entered into the computer system by the Assistant Finance Director based on a chart of accounts. Each account code consists of eleven digits. The first three digits designate the fund, the fourth and fifth digit designates department, the sixth and seventh digits indicate the sub-department if applicable and the last four digits indicate the specific type of revenue or expenditure object code.

##### Auditor of State Comments

- No Comments

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#### Accounting Ledgers

##### Description of Effective Accounting Ledgers

The accounting ledgers of the City should allow for ongoing and timely information on estimated and actual revenues, disbursements and encumbrances, comparison of expenditures to the appropriation authority, available cash balances for each fund, and the available treasury balance. The information captured for each transaction should allow the transaction to be trailed throughout the ledgers and back to the document that originated the transaction.

##### Charter Requirements

The City's Charter does not address accounting ledgers.

##### City Codified Ordinances

The City's Codified Ordinances do not address accounting ledgers.

##### Administrative Code Requirements

Section 117-2-02(A) of the Ohio Administrative Code requires that all local public offices maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements required by Ohio Administrative Code Section 117-2-03.

Section 117-2-02(C) (1) of the Ohio Administrative Code states that all local public offices should integrate their budgetary accounts into their financial accounting system at the legal level of control or lower. The Accounting system should provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

Section 117-2-02(D) of the Ohio Administrative Code states that all local public offices may maintain accounting records in a manual or computerized format. The records used should be based on the nature of operations and services the public office provides and should consider the degree of automation and other factors. Such records should include the following:

Cash Journal – The cash journal is the book of original entry for recording all cash receipts and disbursements processed in the Director of Finance's office. The cash journal presents receipts deposited to and warrants drawn against the City treasury and the funds to which the receipts and warrants were recorded. Entries to the cash journal are posted sequentially by date from source documents such as pay-in orders and warrants. The related pay-in order or warrant number, account codes, and date are also recorded for each transaction. At the end of each month, month-to-date totals and year-to-date totals are generated.

Receipt Ledger – The receipt ledger is used to summarize receipts by fund and account. In addition, the estimated revenue and uncollected balance are presented for each source of revenue. Estimated revenues are recorded from the detail used in the preparation of the tax budget and are adjusted for any amendments to the certificate of estimated resources. Receipt transactions are posted from the cash journal based on the account code. A balance reflecting the estimated amount remaining to be received is computed. At the end of each month, month-to-date totals and year-to-date totals are generated.

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Appropriation Ledger – The appropriation ledger is used to summarize appropriations, disbursements and encumbrances, by fund and account. In addition, the ledger accommodates the encumbering of obligations of the City, the warrant/check issued for the payment of the obligation, and necessary adjustments to an appropriation account. The ledger also facilitates budgetary control by enabling the City to keep its disbursements and encumbrances within the amounts appropriated by Council. The unencumbered appropriation balance provides information on the amount available for obligation. At the end of each month, month-to-date totals and year-to-date totals are recorded.

#### Methods Used by the City

The City uses New World accounting system a fund accounting software package to maintain its accounting records. All finance related departments within the City operate under the New World accounting system except for the Income Tax department. The City uses four of the software's module systems: the Financial Management System, the Payroll and Human Resources System, the Utility Management System, and the Community Development System. The software incorporates estimated revenues and appropriations by fund and account. The software program allows for the accumulation and aggregation of budget and actual information. Detailed receipt and expenditure information is accumulated by fund, revenue source, expenditure program, department and object code. The software provides month and year-to-date information and detailed and summary information for receipts and expenditures. The Finance Director has New World accounting system user manuals referencing the general navigation, inquiries and reports, accounts payable invoice entry and payment processing, purchase order processing and a technical guide for training and support personnel. Aside from these software user manuals, the City does not have written procedures for all steps to be taken during month, quarter or year-end closing.

The City uses Symantec Backup Exec. software and all financial program files except income tax, are backed up to tapes on the City's Network server in a secure location on the fifth floor of the Municipal Building. A differential daily backup is performed and it is stored for one week in the Information Technology Department. Weekly backup tapes are retained one month and are rotated off-site each week in a red protective case until the next week. Full backups of data and applications are completed weekly, monthly and quarterly. All full weekly, monthly, and quarterly backup tapes are rotated and stored at an undisclosed off site location.

The City uses the AS/400 software to maintain its income tax functions. The income tax department uses the software to separate the individual, business and withholding taxes, accept payments, generate bills and final returns, calculate penalty interest charges, figure the monthly balance due for payment plans, create labels and letters and track contractors, subcontractors and levys for the City. It maintains a history file for three full years in addition to the current year and generates magnetic media for reporting to the State and other government agencies. The IT Department does not have AS/400 user manuals or written procedures referencing the general navigation, inquiries and reports, income tax processing and a technical guide for training and support personnel.

The AS/400 server is located in the IT Department on the fifth floor. Hardware support for the AS/400 system is provided by Service Express, Inc. A full backup of the user libraries, including all data and source programs is completed daily. Backup tapes are no longer rotated off site.

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The City has a written disaster recovery plan which identifies how the City would restore operations, including information technology and accounting functions if the City would experience a serious incident (flood, explosion, computer malfunction, accident, grievous act) and addresses common terminology, preventative measures, a readiness plan, offsite locations and an emergency contact list.

#### Auditor of State Comments

- No Comments

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#### Revenue Activity

##### Description of an Effective Method for Recording Receipts

The receipting process should allow for the consistent identification and recording of each receipt. Receipts should be promptly recorded, safeguarded, and deposited. A pre-numbered, multi-part receipt form or a system-generated receipt form should be issued for any payment received by departments. The receipts should bear the name of the entity and reflect the date received, the payer, the amount, the purpose/nature of the receipt, and the signature of the person preparing the receipt. Departmental receipts should be summarized and remitted to the finance department daily. The finance department should issue pay-in orders to those departments depositing collections to the finance department and for any payments received by the finance department. The pay-in order forms should be a multi-part, pre-numbered form that bears the name of the entity, the date received, the payer, the amount, the purpose/nature of the receipts, the account code, and the signature or name of the person preparing the pay-in order. Supporting documents should be attached to a copy of the pay-in order and filed numerically or by payer. All pay-in-orders should be recorded in the cash journal and receipts ledger in a timely manner. Adequate safeguards should be in place to ensure that one individual does not have total control over the receipting of monies, deposit of monies, posting of receipts, and reconciliation of bank accounts.

##### Statutory Requirements

Section 9.38, Revised Code, provides that a person who is a public official, employee, or agent shall deposit all public moneys received by that person with the treasurer of the public office or properly designated depository on the business day next following the day of receipt, if the total amount of such moneys received exceeds one thousand dollars. If the total amount of the public monies so received does not exceed one thousand dollars, the person shall deposit the monies on the business day next following the day of receipt, unless the public office of which that person is a public official adopts a policy permitting a different time period, not to exceed three business days next following the day of receipt, for making such deposits, and the person is able to safeguard the moneys until such time as the moneys are deposited. The policy shall include provisions and procedures to safeguard the public moneys until they are deposited. If the public office of which the person is a public official is governed by a legislative authority, only the legislative authority may adopt such a policy.

Section 1901.026, Revised Code, provides that the operating costs of a municipal court that has territorial jurisdiction that extends beyond the corporate limits of the municipal corporation in which the court is located shall be apportioned pursuant to this section among all of the municipal corporations and townships that are within the territory of the court. Each municipal corporation and each township within the territory shall be assigned a proportionate share of the current operating costs of the municipal court that is equal to the percentage of the total criminal and civil caseload of the municipal court that arose in that municipal corporation or township. Each municipal corporation and each township is liable for its assigned proportionate share of the current operating costs of the court.

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#### City Processing of Revenue Activity

##### Finance Department

All departments except for the Clerk of Courts, Community Development and the Utility Department remit their daily cash/check receipts along with a daily summary report to the Finance Department. The daily receipts and summary reports are given to the Administrative Assistant who adds all checks, counts the cash and verifies that actual receipts match the total amount found on the daily summary report. He then initials the daily summary report. The daily receipts and summary reports are kept together in a locked safe in the Finance Department and deposited daily. At the end of the month the Administrative Assistant reconciles all the City's bank accounts, including the Community Development, Utility Department and Clerk or Courts.

The Finance Department receives property taxes, and most Federal, State and local grants by wire transfer to the City's general checking account. For all electronic fund transfers (EFT), the Administrative Assistant uses the information provided from each department with the drawdown amounts they have requested and tax settlements to confirm the amounts the City received. The Administrative Assistant prints out the online daily activity report for the general checking account to view EFT that have been received. The Administrative Assistant will identify the proper account codes for each EFT. The Administrative Assistant, based on the identified sources, posts gross receipts to the proper revenue account on the bank account journal post listing. Any deductions, such as administrative fees, are booked as memo expenditures. The Administrative Assistant verifies that the gross amounts booked for receipts and expenditures net to the amount that was wire-transferred to the bank.

The Finance Department receives payments for the sale of assets, reimbursements, special assessments, sewage pre-treatment user fees, parking meter fees and cable television franchise fees through the mail or by EFT. The mail received for the Finance Department is sorted and distributed by the Finance Clerk and all revenues are given to the Administrative Assistant.

The Administrative Assistant prints the revenue collection post listing from the New World accounting system and reviews the dollar amount, description and account numbers for the daily receipts submitted by the individual departments and compares the total for the cash and checks to the report. If the Administrative Assistant does not find an error, the receipts are posted in journal entry form to the journal post listing. The journal post listing includes date, pay-in number, dollar amount of receipt, description, fund number and account number.

Daily, the Administrative Assistant will take the receipts collected from all departments out of the locked safe and prepare a two part deposit slip. The checks, currency and deposit slip are taken to the bank by the Administrative Assistant daily. The Administrative Assistant waits for the deposit to be counted and the deposit slip amount to be validated by the bank. The white copy of the deposit slip goes to the bank and the yellow copy is stapled to the bank receipt and stored in a filing cabinet in the Finance Department.

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#### Income Tax Department

The City levies a municipal income tax of 1.75 percent on all salaries, wages, commissions and other compensation, and the net profits earned within the City as well as income of residents earned outside of the City. Of the 1.75 percent tax, 1 percent is levied by ordinance for general fund operations, .25 percent is levied by voter approval for streets and .5 percent is levied by voter approval for Police and Fire (referred to as the Safety Levy). The City allows a credit of one percent of the income tax paid to another municipality. The City of Mansfield Income Tax Department collects the City's Income Tax and deals with the collection of delinquent accounts. Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City on a monthly basis unless the amount withheld is less than \$100 then it is on a quarterly basis. It is mandatory that all City residents and corporations file tax returns.

The annual income tax forms are mailed to City residents and businesses in January each year. The annual tax return is due by April 15<sup>th</sup>. A declaration of estimated taxes for the new year is included as part of the annual return. Estimated tax payments are due quarterly by the last day of the month in April, July, October and January. Billing statements reflecting one quarter of the annual estimate are mailed out approximately 30 days before each quarterly payment is due.

Income tax payments can be paid by mail, in person at the City Income Tax Department or through the Ohio Business Gateway, a money-saving online filing and payment system. Ohio Business Gateway is used for the withholding amounts for some local businesses. Individuals making payments in person at the Income Tax Department will receive a printed receipt with the tax year and amount paid and a copy of the receipt is also kept by the Income Tax Department. The gross income tax receipts from collections are booked to the income tax holding fund. The income tax holding fund then transfers the net income tax receipts to the street and safety services fund based on the voted rates and the remaining amount to other funds as addressed in the appropriations ordinance.

#### Utility Department

Water charges are based upon a reading of the water meter. Sewer charges are based on water usage, both are regulated activities under City ordinance.

Residential water meters are read by radio signal and large commercial sites are read manually. The City has one person in charge of the meter reading and all meters are read on a monthly basis. The accounts are broken into four quadrants. One quadrant's meters are read each week, for 4 weeks.

The meter reader takes the meter readings for the day and uploads them into the New World accounting system. A monthly billing is generated from the New World accounting system and the water and sewer account information shows up on the Account Clerk's desk top computer. Customers are sent this information with the amounts they owe.

Residents are billed on a monthly basis and utility payments are due in full on the fourteenth day after the bill date. Failure to pay a bill by the twenty-first day after the bill date will result in the assessment of a ten percent late fee. Payments are received in person at the Utility Department, by mail, or by automatic withdrawal from customer's bank accounts. Receipts are provided to all payments made in person but the clerk does not print a hard copy of the receipt, for the City's records. It remains on the computer but can be printed at any point in time.

There are eight different Account Clerks who receive payments on a daily basis. These Account Clerks enter the payment amounts into New World accounting system. At the end of each day the Assistant Utility Manager receives a daily summary report from each Account Clerk and ties this report to the total amount of



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cash and checks from each Account Clerk drawer. The Assistant Utility Manager then creates a consolidated summary sheet with all the deposits for the day. The Assistant Utility Manager then creates a daily bank deposit slip, and either the Utility Manager or Assistant Utility Manager takes the deposit book to the bank. The Utility Department deposits daily into their bank accounts and then pay into the City general account once a month.

An account that is thirty days past due is considered delinquent. Reminder and delinquent notices are mailed out after the tenth of the month to the customer and to the landlord of rental properties. Delinquent accounts that are more than forty days past due are subject to shut-off. Shut-offs generally begin the third week of the month. Accounts that have been turned off are required to make full payments in cash plus a twenty-five dollar reconnect fee in order to resume service.

A fee of \$50 is required for new accounts. This fee is deposited in the Utility Guarantee Deposit Fund.

Occasionally, customers will request a write-off of all or part of their bill. The request is typically due to water leaks, pool filling, etc. A Board of Utility Appeals has been established to review requests on a case by case basis. The Board of Utility Appeals has the authority to write off any portion of a bill that they deem reasonable.

#### Codes and Permits

The Codes and Permits Department receives payments for license and permits. Permits, penalty letters and notices for license renewal are paid in person at the Codes and Permits Department or by mail. The Building Codes and Permits Manager or Account Clerk take in the payments and provide pre-printed computer generated receipts to all payments made in person. A copy is given to the customer and a copy is kept in the Codes and Permits Department.

The payment amounts are entered into the New World accounting system by either the Building Codes and Permits Manager or the Account Clerk. At the beginning of each morning the Codes and Permits Manager checks the prior day's receipt ledger to the revenue collection edit listing printed from New World accounting system. Then he compares the total entries in the New World accounting system to the amount of cash and checks received for that day. If an error occurs, the Account Clerk will fill out a register error slip and the issue will be resolved. If everything matches, the information is sent to the Finance Department.

#### Safety Department

The Safety Department receives payments for traffic permits and applications, immobilization fees, donations, crime lab fees, fines and forfeitures and various federal grant revenues. The payments are made in person or through the mail by individuals. The Safety Department accepts payment by cash or check and provides receipts for payments made in person. The white copy is given the payee and City keeps the colored copy.

The Confidential Secretary picks up the mail on the third floor and delivers all checks to the Confidential Secretary in charge of posting receipts to the New World accounting system. All cash payments are collected at the window on the second floor by the Police Aid. The records department and crime lab deliver their receipts to the Confidential Secretary. The records department Operations Supervisor delivers the receipts daily and the crime lab Chemist brings an invoice for laboratory services twice a month and sends the checks through the mail. Receipts for fines and forfeitures are collected at the METRICH crime lab and the lieutenant of METRICH brings all cash and checks in a sealed bag to the Police Department and delivers them to the Confidential Secretary who checks the cash amounts to the Property Control Disposition of Evidence/Property sheets provided by the Lieutenant. All receipts related to the Safety Department are posted to the New World accounting system by the Confidential Accountant. The Confidential Accountant takes all checks and cash to the finance department daily.

## City of Mansfield – Richland County

### Report on Accounting Methods

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#### Municipal Court Receipts

The Mansfield Municipal Court has jurisdiction within Madison, Springfield, Sandusky, Franklin, Weller, Mifflin, Troy, Washington, Monroe, Perry, Jefferson, and Worthington townships, and parts of Butler township, in Richland County. The court has three divisions; Civil, Criminal and Bond. The court handles traffic, misdemeanor criminal and civil cases. The receipting of criminal, civil and traffic monies is only done by five Cashier Clerks and four Traffic Criminal Clerks. Payments are made with cash, personal checks, money orders, credit card or cashier's check. The Clerks use the GBS Municipal Court Software System for all revenue entry.

The Mansfield Municipal Court charges the same fines and court costs for all participating cities based on cost and fine schedules established by the Court and in compliance with the requirements of the Ohio Revised Code. The Deputy Clerk maintains a current schedule of these rates and costs schedules.

Each day, the police turn over all traffic violation payments to the court, some violations can be retrieved from the police records department. The Criminal/Traffic Clerks enter the traffic case information into the GBS software system. If the case is waivable, the person may pay the amount without going before a judge. The Criminal/Traffic clerk collects and processes receipts for traffic violations. The Criminal/Traffic Clerk enters the amount received into the system. The system prints a one page receipt automatically to be given to the customer. This copy belongs to the customer and the courts copy stays on the computer.

The same procedure is used for criminal cases and non-waivable traffic cases except that the defendant must go before a judge. The judge writes the amount of the fine and costs on a journal entry/sentencing order which is given to the bailiff. The bailiff gives the Criminal/Traffic Clerk the journal entry/sentencing order for use in processing. If the defendant is unable to pay his or her fines that day, they sign an "Extended Payment of Fine Agreement", which allows the defendant 30 days to make payments; however, after the 30 day period the defendant can get another 30 day extension but the judge must authorize the payment agreement. If the judge does not authorize the payment agreement, the client must pay the fine or a warrant will be issued for their arrest.

When a civil case is filed with the Court, the Civil Clerks enter the case information into the computer system. Civil court monies can be collected and processed by the Civil Clerks. When the receipt is entered, the system automatically prints a receipt for the individual.

At the end of the day, the Clerks each count their receipts for the day and print out a Fine Cost Receipts Summary from the system. If the total receipts match the drawer, then Clerks put their receipts and Daily Money Summary into an envelope and lock the receipts in a drawer inside a safe in the vault overnight. The only employees with a key to the safe are the Clerk of Courts, Chief Deputy Clerk and two Deputy Clerks. Every morning, the Deputy Clerk opens the safe and recounts the receipts from the previous day and balances to the Daily Account Summary which she also initials. The Deputy Clerk prints out a Daily Cashbook Report which shows the detailed receipt activity for each employee that collected receipts that day and total receipts collected by all Court employees. The Deputy Clerk will match each employee's subtotal on the Daily Cashbook Report to the Daily Money Summary she received from that employee. The Daily Cashbook Report also shows the distribution of the receipts.

The Deputy Clerk prepares three deposit slips, one for the criminal/traffic account, one for the civil branch account, and one for the bond account. Each deposit slip has two parts. The deposit slips and receipts are placed in a bank bag and then placed in a brief case that the Clerk of Court locks. The Clerk of Court or Chief Deputy Clerk then takes the brief case to the bank. The bank keeps the white copies of the two deposit slips and places the yellow copies of the deposit slips along with the bank receipts in the bag and then locks it again. The Clerk of Courts or Chief Deputy Clerk unlocks the bag and removes the yellow copies of the deposit slips and the bank receipts. The deposit slip and bank receipt for each account are stapled and filed.

## City of Mansfield – Richland County

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The Court's previous month receipts are disbursed by check to the City and the various municipalities and agencies at the beginning of every month. Prior to the receipts being disbursed, the Deputy Clerk prints out and reviews the month-end reports. The month-end reports include the Monthly Account Summary Report which subtotals the monthly receipts and the End of Month Disbursement Report which summarizes the disbursement of receipts. The Deputy Clerk prints out all detailed receipt reports. Each detailed report shows the total monthly amount for a specific type of receipt. The Deputy Clerk matches each detailed receipt report to the summarized amounts on the End of Month Disbursement Report. The receipt monies are disbursed according to the End of the Month Disbursement Report. The End of Month Disbursement Report is generated manually by the Deputy Clerk. Total monthly receipts are entered into the New World accounting system by the Deputy Clerk.

#### Community Development Department

The Community Development Department receives payments for all revolving and small business loans regulated by City ordinance. The Community Development Department also receives payments for federal grants and reimbursements. The payments are often made through the mail but some are also received in person. Federal grant payments are received electronically and show up on the City's bank statements. The Community Development Finance Officer or Economic Development Officer will take the check amount and enter the information into the Portfol computer software system and the New World accounting system. Since most the payments are received through the mail receipts are not provided at the time of payment. The Finance Officer can provide a receipt when requested.

At the end of the day, the Community Development Finance Officer counts the day's collections and prepares a bank deposit slip, either the Finance Officer, Fair Housing Officer or Rehab Officer will take the deposit book to the bank. Then the Community Development Finance Officer takes the deposit slip and bank receipt to the Finance Department Administrative Assistant for the information to be confirmed and posted by the Administrative Assistant to New World accounting system journal post listing.

#### Auditor of State Comments

- No Comments

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### Report on Accounting Methods

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#### Purchasing Process

##### Description of an Effective Method for Purchasing

The process of purchasing goods or services should ensure that each transaction is properly authorized, documented, and recorded and the purchase of items should be in agreement with the budget. The process should include selection of the vendor with the best price as well as authorization by an appropriate individual. In addition, authorization must include the fiscal officer's certification of the availability of funds stating that the amount has been appropriated and is encumbered. All purchase orders should be in written form clearly indicating the items, quantities, and unit cost. Authorized purchase commitments should be recorded against a budget line item in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

##### Charter Requirements

The City Charter has no requirements related to the purchasing process.

##### Statutory Requirements

Several State laws govern the purchasing process. The requirements are as follows:

Certification of the Fiscal Officer - Each contract or order for the expenditure of money must be accompanied by a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation or, in the case of a continuing contract to be performed in whole or in part in an ensuing year, the amount required to meet the obligation in the year in which the contract is made, has been lawfully appropriated for such purposes and is in the treasury or in process of collection to the credit of an appropriate fund free from any previous encumbrance. This certificate need be signed only by the subdivision's fiscal officer.

Blanket Certification of the Availability of Funds: The subdivision may utilize blanket purchase orders for authorizing obligations for a particular purpose that do not extend beyond year end in an amount established by resolution of City Council. A general certification of this type may be established for any appropriation line item and need not identify a specific vendor. This type of purchase order is used for routine recurring type items or for unanticipated emergencies. An itemized statement of obligations incurred and expenditures made under such certificate shall be rendered to the auditor or other chief fiscal officer before another such certificate may be issued, and not more than one such certificate shall be outstanding at a time.

"Super" Blanket Certification of the Availability of Funds: The super blanket certification permits the fiscal officer to certify any amount from a specific line item appropriation. The certification is authorized to be outstanding for any period up to the end of the fiscal year and more than one certificate is permitted to be outstanding at one time. The certification must identify a specific line item appropriation in a specific fund. The certification may be limited to a specific vendor, if desired. A list of obligations incurred and expenditures made under each certification must be maintained and provided by the fiscal officer.

Purchases that may be made through the use of a super blanket certificate are the services of an accountant, architect, attorney at law, physician, professional engineer, construction project manager, consultant, surveyor or appraiser by or on behalf of the subdivision; fuel oil, gasoline, food items, roadway materials and utilities; and any purchase exempt from competitive bidding under Ohio Revised Code Section 125.04 and any other specific expenditure that is a recurring and reasonably predictable operating expense.

## City of Mansfield – Richland County

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Then and Now Certification - It is intended that the fiscal officer's certification be secured at the time a purchase order is issued or a contract is executed. If timely certification was not obtained, contracts or purchase orders may be certified at the time of payment but the certification must indicate both at the time the order was placed (then) and at the current time (now) a sufficient sum was appropriated for the purpose of such contract and is in the treasury or in process of collection to the credit of an appropriate fund free from any previous encumbrances. If the amount exceeds \$3,000, the City Council has thirty days from receipt of such certificate to approve payment by resolution. If approval is not made within thirty days, there is no legal liability on the part of the City.

Authority to Contract - Contracts are authorized by the City Council and executed in the name of the City by the Safety Service Director, except as otherwise specified by City Charter or State statute. Contracts over \$25,000 are awarded by the Board of Control.

Bidding - All contracts calling for expenditures in excess of \$25,000 shall be in writing and made to the lowest and best bidder. Council must authorize and direct all such expenditures. Exceptions to the bidding requirements include contracts for:

1. Personal services of a specialized nature;
2. Goods and services when only one source is available;
3. Work to be done or for the purchase of supplies and materials in any department of the City if real and present emergency exists;
4. The purchase of used equipment and supplies at a public auction or at a sale where bids are required by all parties wishing to purchase;
5. Purchases from other political subdivisions and agencies; and
6. Goods purchased under the State Cooperative Purchasing Program.

Findings for Recovery Database - Effective January 1, 2004, State statute (Revised Code section 9.24) prohibits any State agency or political subdivision from awarding a contract for goods, services, or construction, paid for in whole or in part with State funds, to a person against whom a finding for recovery has been issued by the Auditor of State on or after January 1, 2001, if the finding for recovery is unresolved.

Per Auditor of State Bulletin 2004-006, a contract for purposes of Section 9.24 of the Revised Code is awarded when a written agreement is executed pursuant to a formal competitive contracting procedure that may include competitive bidding, requests for proposals, or invitations to bid. A purchase arrangement that does not involve competitive contracting procedures does not constitute the awarding of a contract and is not subject to Revised Code section 9.24. For purchases made off the State term schedule, the Ohio Department of Administrative Services engages in a contracting process as described under Attorney General Opinion 2004-014 and, consequently, is required to comply with Revised Code section 9.24. State agencies and political subdivisions that purchase off the State term schedule do not engage in their own contracting processes and are not subject to the provisions of Revised Code section 9.24.

Section 9.24 (G)(1)(a) of the Revised Code states that the only contracts subject to the provisions of the statute are those contracts in which the cost of goods, services, or construction exceeds \$25,000. Section 9.24 (G)(1)(b) of the Revised Code provides an exception to this rule and applies the statute to a contract awarded to any person who, in the previous year, received contracts from the State agency or political subdivision, the aggregate of which exceeded \$50,000.

Terrorist Activity - Effective April 14, 2006, Section 2909.32 of the Revised Code, states that the director of public safety in accordance with Chapter 119 of the Revised Code is to identify licenses the state issues for which a holder with a connection to a terrorist organization would present a potential risk to the residents of this state. Also effective April 14, 2006, Section 2909.33 of the Revised Code, states that in accordance with

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2909.32 of the Revised Code, a terrorist exclusion list shall be compiled and made available. Prior to entering into a contract to conduct business with or receive funding from any State agency, instrumentality, or political subdivision of the State, any person, company, affiliated group, or organization, may precertify that it has not provided material assistance to an organization on the terrorist exclusion list.

Delinquent Personal Property Taxes - Section 5719.042 of the Revised Code provides that after the award by a taxing district of any contract let by competitive bid, and prior to the time the contract is entered into, the person making a bid shall submit to the fiscal officer a statement affirmed under oath that the person with whom the contract is to be made was not charged, at the time the bid was submitted, with any delinquent personal property taxes on the general tax list of personal property of any county in which the taxing district has territory, or that such person was charged with delinquent personal property taxes on any such tax list, in which case the statement shall also set forth the amount of such due and unpaid delinquent taxes and any due and unpaid penalties and interest thereon. If the statement indicates that the taxpayer was charged with any such taxes, a copy of the statement shall be transmitted by the fiscal officer to the County Treasurer within thirty days of the date it is submitted.

Campaign Financing (HB 694) - Section 3517.13 of the Revised Code states any bid or unbid contract, purchase order, or collective bargaining agreement with a value of more than \$10,000 requires the vendor to certify to the contracting authority that the vendor has not made a contribution to the contracting authority in an amount that exceeds the limits provided by law.

#### Administrative Code Requirements

Section 117-2-02(C)(2) of the Ohio Administrative Code states, “purchase orders should be used to approve purchase commitments and to encumber funds against the applicable appropriation account(s), as required by Section 5705.41(D) of the Revised Code. Purchase orders are not effective unless the fiscal officer’s certificate is attached. The certificate should be attached at the time a commitment to purchase goods or services are made.”

#### Methods Used by the City

A City department makes the decision that they need to purchase an item or obtain service from an outside vendor. The City utilizes an on-line application in the New World software system to create a purchase order. Each department has access to this application and either the department head or someone approved by the department head enters the necessary information to create the purchase order. Information needed includes department, item type, vendor, item description, type of purchase order, bill to location, delivery date, expiration date of the purchase order, resolution number (if appropriate), quantity, unit price, and freight terms. When the type of item is chosen, the system automatically assigns the account code to be charged based on the item and the department of the person entering the information. New item types and the related account codes can only be added by the finance department. The purchase price is determined by contacting the vendor, through the bid process, or using past purchase records. Some department heads request quotes from vendors before deciding who to order from, but obtaining quotes are not part of the policy for the City. The best quote is chosen by the individual wanting to make the purchase or the department head prior to requesting the purchase order.

Once the purchase order information is entered and saved, it must be validated. Clicking the validate icon performs a system check to validate available appropriations. If there are not sufficient appropriations to purchase the item, the user receives an error message and will have to request a budget adjustment. If the department head isn’t the one to enter the information in the system, he or she will review the purchase order before approving it. Approval is given by clicking on an approval button which automatically adds an electronic signature to the form. Once the purchase order is approved by the department head, it is

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automatically routed through the approval process, first to the appointing authority (if applicable), then to the Mayor, and finally to the Finance Director. In the absence of the Finance Director, the Assistant Finance Director is authorized to approve on the Finance Director's behalf. Once the purchase order is approved by each person in the process, the department that entered the request is notified via an electronic message from the system. The department prints the purchase order and then a purchase order number is assigned by the system automatically. This step also creates an encumbrance in the system for the amount of the purchase order. A copy of the purchase order can be printed and mailed to the vendor if requested, but typically the vendors do not ask for a copy.

A vendor list is maintained in the New World system and a purchase order can only be created using a vendor from the approved vendor list. For new vendors, individual department heads contact the vendors and gather all the required information. The department head or appointed individual enters the vendor information into the system. The information then goes to the finance department for approval. The Internal Auditor searches the State findings for recovery database for the requested vendor, searches the terrorist exclusion list, searches for the vendor on the Secretary of State's website and ensures that the vendor is filing a City tax return, if applicable. The Internal Auditor notifies the Finance Director that the vendor has met all the criteria and the Finance Director then approves the vendor in the system. The City asks for and usually receives a completed IRS Form W-9 from the vendors.

The Finance Department provides new vendors with the City's tax identification number, billing address and contact information as requested. For those vendors that do request, the information is provided either by email or mail. For those vendors who make no requests, the information is not provided.

The City uses super blanket purchase orders for lease payments, professional services, and other recurring expenses. Blanket purchase orders are used for items such as office supplies.

Council authorizes the City to advertise for bids. Bids are submitted from the various bidders, along with a bond. The bid bond is a guarantee that they will honor the bid price from the date of bid opening until the contract is awarded. It is usually a surety letter in an amount equal to one hundred percent of the bid amount or a check or letter of credit equal to ten percent of the contract bid amount and is part of the bid specification to provide a bond. After the public bid opening, the City Engineer's office prepares a bid tabulation, summarizing all the bids. The City Engineer's office sends the bid tabulation to each company that submitted a bid. The contract is sent to the Director of Law, the Equal Opportunity Employment Officer, and the Finance Director for review and signature. A copy of the contract is kept by the Safety Service Director, the City Engineer, and the successful bidder. Purchase orders are created for contracts that are bid. Contracts are filed in the City Engineer's office.

Contracts go through the Board of Control which consists of the Mayor, Finance Director, and the Safety Service Director. Bids are received at a set date at a bid opening, and a bid tabulation is created. Department Heads give their opinions on the bids received. At a later date, the Board of Control meets and evaluates the submitted bids. Minutes are taken at the meetings. Based on the comments and discussions, the Board of Control awards the winning bid based on the criteria of lowest and best bid.

The Municipal Court for the City of Mansfield does all their purchasing through the City. Requests are processed through the in house purchase order application in the same manner as the other City departments.

#### **Auditor of State Comments**

- The original purchase order is not sent to the vendor. The purchase order should be mailed or faxed to the vendor.

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#### Cash Disbursements

##### Description of an Effective Method for Cash Disbursements

The processing of invoices should ensure that each payment represents goods or services that were properly authorized and received by the City. The processing should include a comparison of the invoiced items and quantities to the purchase order and billing slips or receiving copy of the purchase order, a comparison of the prices on the invoice to the purchase order, and the signature of the individual who made the comparisons. All invoices should be recomputed ensuring accurate extensions and totals. A voucher should be prepared reflecting the proper payee, invoice amount and account codes, and should include a copy of the purchase order, invoice and receiving report or a signed billing slip. A warrant should be prepared based on the completed voucher, the existence of appropriate vendor information (I.R.S. Form 1099 data), a properly executed certification by the Director of Finance and a determination whether there is adequate cash in the fund to pay the obligation. All warrants should be signed by the Director of Finance and recorded in the cash journal and appropriation ledger. Vouchers should be filed numerically or by vendor.

##### Charter Requirements

The City Charter has no requirements related to cash disbursements.

##### Statutory Requirements

State law places the following requirements on the disbursements of funds:

Warrants - Expenditures may only be made by a proper warrant drawn against an appropriate fund. The warrant must show upon its face the appropriation from which the expenditure is made and the fund it is drawn upon.

Restrictions - Money is drawn from the City treasury only for appropriations enacted by the City Council. Appropriations from each fund may be used only for the purposes of such fund.

No Certification - If no certificate is furnished as required, upon receipt by the City of a certificate of the fiscal officer stating that there was at the time of the making of such contract or order and at the time of the execution of such certificate a sufficient sum appropriated for the purpose of such contract and in the treasury or in process of collection to the credit of an appropriate fund free from any previous encumbrances, the City may authorize the drawing of a warrant in payment of amounts due upon such contract, but such ordinance shall be passed within thirty days from the receipt of such certificate; provided that, if the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without such affirmation of the taxing authority of the subdivision or taxing unit, if such expenditure is otherwise valid.

##### Administrative Code Requirement

Section 117-2-02(C)(3) of the Ohio Administrative Code states “vouchers may be used as a written order authorizing the drawing of a warrant in payment of a lawful obligation of the public office. Each voucher shall contain the date, purchase order number, the account code, amount, approval, and any other required information.”



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### Report on Accounting Methods

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#### Methods Used by the City

The Accounts Payable Clerks perform the disbursement functions, with review of the invoices by the Finance Director and Internal Auditor.

Materials and supplies are delivered to the originating departments. The items and quantities on the packing slip and invoice are compared to the purchase order by the department head. A certificate of receipt is stamped on the invoice and is signed and dated by the department head or the department head's designee.

Invoices are received in the various departments when items are delivered. The invoices are then forwarded to the Finance Department through inter-office mail. The Internal Auditor receives the invoices and reviews them for possible capital assets. If the invoice includes items that should be a capital asset, the Internal Auditor makes a copy of the invoice and later tags the item.

The Accounts Payable Clerks enter each invoice into the New World system. If a vendor invoice does not have an invoice number, the system creates one automatically and it is written on the vendor invoice. To create an invoice in the system, the Accounts Payable Clerk selects the purchase order related to the invoice. This pulls the purchase order information, such as the vendor address, quantity, and price into the invoice screen. The invoice screen can be updated to adjust the quantity or price if the entire purchase order amount was not used on the single invoice. Additional information, such as the invoice due date, the paying bank, and the check sort code, is entered. If the Accounts Payable Clerk finds an invoice that should have a "Then and Now" certificate, that invoice is sent to the Finance Director and not included in the current batch. Once the Finance Director completes the "Then and Now" certificate, that invoice will be included in a later batch. Once all the invoices in a batch are entered, the batch is processed. The first step in batch processing is validation, which checks budget availability. Then the Accounts Payable Clerk runs a summary report and compares the system amounts to the documentation. Next, the batch is approved in the system by the Accounts Payable Clerk and the system sends a notification to the Finance Director that the batch is ready for final approval. Once the Finance Director has approved the batch for payment, all the invoices in that batch will be available to post in the system and can be added to a payment batch.

The Accounts Payable Clerk creates a payment batch and selects approved invoices to add to the payment batch. The payment batch is validated to check budget availability and is approved in the system by the Accounts Payable Clerk, which sends the notification of the payment batch to the Finance Director. A cash requirement listing is printed. Any funds with negative cash must be reviewed by the Assistant Finance Director. The Finance Director reviews and approves the payment batch in the system, which allows her signature to be added to the checks, and then the Accounts Payable Clerk creates the Payment Batch Register report. Next, the Accounts Payable Clerk prints the checks from the payment batch. The Finance Director's signature is printed on the checks by the system.

The checks are one page, with two parts. The bottom portion is the actual check and the top portion is the remittance. Both parts are mailed to the vendor. The City does not keep a printed copy of the check, as they are stored in the New World system. The Accounts Payable Clerk writes the check number on the related invoice and files the invoices by vendor.

The Accounts Payable Clerk posts the payment batch and gives the Administrative Assistant a posting report. The administrative assistant tracks each batch posted in a spreadsheet, along with receipts posted. The spreadsheet is later used to reconcile the system balances to the bank balances.

Debt payments are all made by wire transfers processed by the Confidential Accountant. Other wire transfers are done by the Payroll Director for insurance payments. Once the wire transfer has been made a confirmation page is printed from the bank. This is kept in the debt or benefits files, respectively.

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Voided checks have “void” written on them by the Assistant Finance Director and the signature block is cut out. The transaction is voided in the system. The voided checks and related journal entry reports are filed numerically in finance department.

Checks are written at various times during the month as invoices are processed and approved. There are no set dates for check runs.

#### **Auditor of State Comments**

- The City should document the staff positions and their functions as related to cash disbursements. The document should be kept on file in the Director of Finance’s office. The document should be reviewed periodically to ensure procedures are followed and it is kept up to date.

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#### Payroll Processing

##### Description of an Effective Method of Payroll Processing

The processing of the payroll should ensure that all employees are compensated on a regular basis for work performed and at the rate approved by the appointing authority. All compensation should be recorded in a permanent record reflecting the hourly rate and hours worked or salary, deductions, and the gross net compensation for the pay period and the year. Standard deductions such as pension, Medicare, and Federal and State taxes, should also be computed at the applicable rates established by the regulatory agencies. Other deductions permitted by the employer should be authorized by the employee and the authorization should be maintained in a file. Payment of the net compensation should be by a check signed by the appropriate official or by direct deposit to a bank account of the employee. Payment of deductions and the related employer obligations should be made timely and reported in the format prescribed by the regulatory agency. Personnel files should contain information of the benefits that the employee has selected, withholding forms and any other information required by Federal and/or State laws. Safeguards should be in place to ensure that the same individual does not hire personnel, authorized pay rates, process payroll, generate and distribute pay checks, and reconcile the bank accounts.

##### Charter Requirements

The City's Charter does address payroll processing.

##### Statutory Requirements

Section 705.13, Revised Code, states that the legislative authority of a municipal corporation shall, by ordinance, fix the salary of its members which shall be paid in equal monthly installments. For each absence from regular meetings of the legislative authority, unless authorized by a two-thirds vote of all members, there shall be deducted a sum equal to two per cent of such annual salary. Absence for ten successive regular meetings shall operate to vacate the seat of a member, unless such absence is authorized by the legislative authority.

##### Methods Used by the City

All full and part time employees are compensated biweekly. There are 409 full time employees and 43 part time employees within the City. For all hourly and part time employees as well as full time Service Department employees, the pay period begins on Saturday and ends on Friday two weeks later. Pay checks are distributed to employees every other Friday. City Council and the Civil Service Commission are paid monthly. All employees are paid in accordance with the City's pay ordinance or bargaining contracts. Employees receive an earnings statement with each pay that indicates gross and net pay and withholdings for the pay period as well as year-to-date totals.

Personnel files are kept in the Finance Department. The files contain forms for tax information, benefit information, direct deposit information, voluntary deductions, wage information, position information, hire date and any other information the City chooses to retain about the employee. The employee record in the City's accounting software also contains the information kept in the Finance Department. The Payroll Director, Payroll Clerk, and Assistant Payroll Clerks have access to change employee records in the payroll system.

The City's hourly employees use timecards or timesheets to track hours worked. Hourly employees include all employees at the City except for non bargaining exempt employees. Timecards are used by AFSCME and non bargaining non exempt employees and they show the dates, arrival time, departure time, hours worked each day. The timecards are placed in the inter office mail room or are delivered directly to the payroll department.

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Timesheets are used by all other employees besides the police, AFSCME and bargaining non exempt employees and are completed on a weekly basis with dates, hours worked each day and accumulated hours for the week. Timesheets are prepared for each week of the two week pay period. The timecards and timesheets are signed and approved by the department head and submitted to the Payroll Administrator for all departments not governed by the mayor. The Mayor's departments send the weekly timesheets and summary reports to the Mayor's office for review. The Public Works Director reviews regular and overtime payroll sheets for the following departments: parks, wastewater treatment, airport, sewer and water repair, repair garage, streets department, Clearfork reservoir, engineering, codes and permits and utility collections. The Public Works Director only signs off on the overtime payroll sheets and not the regular hours. The Safety Service Director reviews regular and overtime payroll sheets for fire, communication, maintenance and information technologies and does not sign off on the sheets she reviews. The human resources, economic development, community development and RCA timesheets also go to the Mayor's office but are not currently reviewed by anyone. After these department timesheets are reviewed the Mayor's secretary will either put the timesheets in the interoffice mail room or bring them directly to the payroll department.

The Police department is made up of several different departments: administration, records, investigation section, special operations bureau, and the three patrol officer's shifts (day, afternoon and night). Each department completes their own daily assignment schedules and the different department heads must sign off on these schedules each day. Any changes in schedules result in a hand written note called a request for time off slip which must be signed by a superior officer. After the time off slip has been approved the changes will be made to the daily assignment schedules. Overtime is approved in the same manner but the employee must submit an overtime work record slip. The slip must be signed by a superior officer. Overtime does not show up on the daily assignment schedules. The daily assignment schedules and overtime work record slips are collected by the payroll department daily. The schedules and slips are put in a basket in the police department and one of the assistant payroll clerks picks them up every morning.

The City's salaried employees use timecards or timesheets for regular hours worked. Their regular pay is based on salary divided by 26 annual pays. Non-bargaining exempt salary positions are not eligible for overtime compensation.

Non-Bargaining Unit Employees - City Ordinances 11-136, 11-077, 11-059, 10-284, 10-283, 10-259, 10-258, 10-222, 10-043, and 10-026 establish the rates and ranges of pay for all positions, vacation accruals, and benefit packages for all employees not covered under a union contract. All non-bargaining unit employees, except for non-bargaining exempt employees are eligible to earn overtime compensation.

Bargaining Unit Employees - The City of Mansfield bargaining unit employees are associated with one of four negotiated agreements, depending on the department, as follows:

Police Command Officers - The Police Sergeants are covered by a negotiated agreement between the City of Mansfield and the Fraternal Order of Police Lodge 32. The current contract covers the period of August 1, 2011 to July 31, 2013. The contract contains detailed information pertaining to fringe benefits, absences, leave accruals and conditions of employment. Police Sergeants are eligible to earn overtime compensation.

Patrol Officers - The Police Patrolmen are covered by a negotiated agreement between the City of Mansfield and the Fraternal Order of Police Ohio Labor Council, Incorporated. The current contract covers the period of September 1, 2009 to August 31, 2012. The contract has detailed information pertaining to fringe benefits, absences, leave accruals and conditions of employment. Police Patrolmen are eligible to earn overtime compensation.

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### Report on Accounting Methods

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Fire Fighters - The fire fighters are covered by a negotiated agreement between the City of Mansfield and the International Association of Fire Fighters, Local 266. The contract covers the period of April 1, 2011 to March 31, 2013. The contract has detailed information pertaining to compensation, fringe benefits, absences and leave accruals. Fire fighters are eligible to earn overtime compensation.

Service and Clerical - The non-administrative service and clerical employees' salaries and benefits are governed by a negotiated agreement between the City of Mansfield and the American Federation of State, County and Municipal Employees Council 8 and Local 3088. The contract covers the period of May 1, 2009 to April 30, 2012. The contract has detailed information pertaining to compensation, fringe benefits, absences and leave accruals. Non-administrative service and clerical employees are eligible to earn overtime compensation.

Elected Officials - City Ordinance 07-261 establishes that the Mayor, Law Director, Finance Director, President of Council and Members of Council will have a salary freeze beginning in 2009 and until ratified by Council. The salary for Municipal Court Judges and Clerk of Court is regulated by the Supreme Court of the State of Ohio which also reflects a freeze in current salary through 2012.

Overtime and Compensatory Leave - Employees work overtime in all the departments at the discretion of the department head. Non-bargaining exempt employees do not qualify for overtime pay. The overtime rate paid is time and a half. For all departments besides the Police Department, overtime is submitted using the regular timesheets or timecards. Some departments choose to track overtime through a summary sheet which shows the dates and hours of overtime worked. Police overtime is tracked within the department using the Overtime Work Record, which must be signed by a superior officer. Compensatory time is earned in place of paid overtime at time and a half for all eligible employees. Compensatory time is tracked by the Payroll department in an accrual bank. The overtime budget is monitored through the budget performance reports in the finance department.

Leave - Vacation, personal and sick leave is credited to each employee at the appropriate accrual rates indicated in the negotiated agreement or City Ordinance. All non-bargaining exempt employees are not eligible for personal leave. The Departments can track leave balances using the standard timesheets which have sick, personal and vacation balances for each employee. Police leave is tracked using hand written forms called a request for time off slip. Then the leave amount will show up on the officer's daily assignment schedule.

Payroll Deductions - Payroll, tax and retirement forms are distributed to each new employee to be completed and returned to the Finance Department. The Payroll Director enters the employee's demographic and salary information into computer. The Payroll Director creates the employee record and notifies the appropriate retirement system of each new hire that is required to become a member.

Payroll deductions for OPERS, Ohio Police and Fire Pension System and Medicare are processed through the payroll system. After the last pay period in each month, a report is run for OPERS and the Ohio Police and Fire Pension System to determine the employer's share for each retirement system. The OPERS report and payment are due the last day of the following month and the Ohio Police and Fire Pension System employee portion is due the last day of the following month. The Ohio Police and Fire Pension System employer portion report is due on the last day of the month at the end of the following quarter. Employee contributions for OPERS and the Ohio Police and Fire Pension System are processed monthly and due at the end of the following month.

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Non-Police Payroll Processing – The weekly timesheets arrive at the payroll department and are reviewed and checked by the Payroll Clerk for any form of inaccuracy. The Payroll Clerk marks each line representing only regular hours worked with a red check to show her approval. Then the timesheets or timecards information is entered into the AS400 payroll software system by one of the assistant payroll clerks. After all weekly hours are entered in AS400 a weekly edit report is run from the system for week one and then this process is repeated in week one. This is how payroll is entered for all of the other payroll departments except for the fire department. The fire department time sheets arrive in the payroll department and the information is checked by the Payroll Clerk. For fire department employees the information is entered on a daily basis instead of a week end total hours basis. Then the Assistant Clerk takes the week one edit and checks the information to the department weekly summary reports and repeats the process for the week two edit.

Police Payroll Processing – The Assistant Payroll Clerk picks up the daily assignment sheets and overtime work records from the Police department each morning. The information is taken to the Payroll Department and entered into the AS400 each day. The information is tracked by the Payroll Department on the daily timesheet edit listing. The Daily timesheet edit listing is checked by the assistant payroll clerk to make sure it reflects the information on the daily assignment sheets and overtime work records. At the end of the second week the Payroll Director checks the daily timesheet edit to make sure no errors were made over the past two week period. If an error is found the Assistant Payroll Clerk will be notified and will make any corrections needed. Finally the Police daily timesheet edit is merged with the week one and two non-police payroll edits and will now be part of the final edit time sheet.

Final Combined Payroll Processing –The two weekly edit reports are combined with fire department daily summary and police payroll edit from AS400 and a final edit report is processed. The final edit report is then reviewed by the Assistant Payroll Clerks to make sure it matches each of the weekly edit reports.

During the two week process the Payroll Clerk prepares a report for any changes to the employee's payroll process such as W-4 changes, voluntary deductions, raises etc. If a change is needed the information is put on the payroll change list. The payroll change list is then reviewed by the Payroll Director. These changes are then made to the master data file. Next the employee master file will be viewed to ensure that the changes related to the individual employees payroll are updated every payroll.

Final payroll is calculated. This final report is checked by both Payroll Clerk and Payroll Director for any payroll errors or payment issues. If an error is found before checks have been processed the particular department will be contacted and the issue can easily be corrected. If the mistake is not found until after the checks have been processed, the Payroll Director will contact the employee and cut them a check if the error was for base pay. In cases involving overtime or other compensation then the error will be corrected on the following regular pay check.

A large majority of the City's employees receive their pay through direct deposit, but some still receive actual checks. The Payroll Department has authorization sheets that must be by signed by any employee who is designated to pick up the paychecks and pay stubs for those using direct deposit. Only the employees who have signed an authorization sheet have the ability to pick up the pay checks from the payroll department. The authorized employee will receive a manila folder with the actual checks and pay stubs for those employees not getting direct deposit and the pay stubs for the direct deposit employees. The checks and pay stubs will then be delivered to each department.

Payroll is processed and the checks are cut from the AS400 payroll system. The payroll must then be transferred to the New World accounting system. The amount for gross payroll is transferred from the general and Community Development checking accounts to the payroll holding account by the Payroll Director. The Payroll Director will use the AS400 payroll register to break down the different types of

## City of Mansfield – Richland County

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payroll and properly code them for the accounts payable entry. The Payroll Director summarizes the different codes being charged for a particular employee on payroll distribution worksheet. These worksheets are used by the Payroll Director to create an excel file that is manually imported into the New World accounting system. After the file has been successfully imported into the accounting system the Payroll Director prints a journal posting listing from New World accounting system to make sure all of information was transferred successfully. The Administrative Assistant double checks the amounts in New World accounting system and compares them to the actual bank account transfers on the bank statements and his own bank reconciliations.

Retirement - When an employee wishes to retire, the City requires them to provide a resignation letter. The City receives various communications from the Ohio Public Employees Retirement System (OPERS) or Ohio Police and Fire Pension Fund (OP&F) verifying that the employee is retiring under OPERS or OP&F. OPERS or OP&F is sent notification of the employee's last working day and payroll information.

The department head will send a sheet to the Finance Department showing the leave balances the department has recorded for the employee. The Payroll Clerk recalculates the leave balances all retiring employees. The Payroll Clerk reviews the employee's annual leave balance forms and check for any mathematical errors. The employee's annual leave balances are summarized on the City of Mansfield Payroll Additional Checks Entry/Update report and the employee's final pay is calculated. If the amount of leave balance varies significantly from what the department head had recorded, the Payroll Director will have the department head and employee come in for an explanation of the difference. After the amount is confirmed the Payroll Director will make the changes to the master data file to ensure that all of the employees leave balances are removed upon severance payment. The Finance Director will approve and sign the final pay computation.

The City is currently implementing a new software system for payroll. The payroll process will be reevaluated once the City has fully implemented the new process.

#### Auditor of State Comments

- No Comments

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### Report on Accounting Methods

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#### Debt Administration

##### Description of an Effective Method of Debt Administration

The issuance of debt is strictly controlled by State statute. Before any debt is issued, a resolution or ordinance authorizing the issuance of debt should be passed by the Council. The statute authorizing the issuance should be identified in the ordinance as well as the purpose of the debt, the principal amount, the maturity date or dates, interest rate, and the source of revenue to be used for repayment. Debt instruments should be signed by the president or vice president of Council and the Director of Finance. Debt proceeds should be receipted into a separate fund and used only for the purpose specified in the authorizing legislation. Money to be used for debt payments may be receipted in a separate fund created specifically for debt retirement. Care should be taken to insure the timely payment of both principal and interest.

##### Charter Requirements

The City's Charter does address debt administration.

##### Statutory Requirements

General statutory guidelines regarding the issuance of debt are found in Chapters 133 and 5705 of the Revised Code. Specific statutes relating to cities are found in Chapter 7. The statutory requirements vary depending on the nature of the debt being issued.

Section 133.05, Revised Code, provides a municipal corporation shall not incur net indebtedness that exceeds an amount equal to ten and one-half per cent of its tax valuation, or incur without a vote of the electors net indebtedness that exceeds an amount equal to five and one-half per cent of that tax valuation. In calculating the net indebtedness of a municipal corporation, self-supporting securities, certain securities for which there is an agreement with another subdivision to pay to the municipal corporation amounts equivalent to debt charges on the securities, securities that are not general obligations of the municipal corporation, securities that a covenants to appropriate annually municipal income taxes or other municipal excises or taxes, and certain other types of securities are excluded from the net indebtedness.

##### Methods Used by the City

The Confidential Accountant monitors debt payments using the debt service schedules and other information related to each issue. Debt issuances are authorized by City ordinance. The statute authorizing the issuance is identified in the ordinance as well as the purpose of the debt, the principal amount, the maturity date or dates, interest rate, and the source of revenue to be used for repayment.

The Finance Committee is responsible for making the initial decision to issue debt for a project. Debt instruments are signed by the Mayor and the Finance Director. The amount paid down each year on the notes is determined by what the City can afford. The money comes from property taxes levied and collected, income tax collections and revenue from water and sewer usage. The Confidential Accountant makes all wire transfers to the paying agent related to debt issues. Notes are issued for one year, but the City typically rolls them over each year, for up to five years. At that time, if they are not paid, they are bonded.



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The City’s outstanding governmental long-term obligations are as follows:

	Interest	Maturity	Original	Balance
<i>Governmental Activities:</i>	<u>Rate</u>	<u>Date</u>	<u>Issue</u>	<u>12/31/11</u>
<u>General Obligation Bonds</u>				
Series 2002 Various Purpose Bonds	2.05 - 5.00%	2022	\$4,565,000	\$ 2,560,000
Series 2009 Various Purpose Bonds	4.00 - 6.00%	2029	2,620,000	<u>2,450,000</u>
Total general obligation bonds				<u>5,010,000</u>
<u>Other Long-Term Obligations</u>				
Notes payable	0.64 - 2.78%	2011-2015	1,000,000	<u>230,000</u>
Total governmental activities long-term obligations				<u>\$ 5,240,000</u>

The City’s outstanding business-type long-term obligations are as follows:

	Interest	Maturity	Original	Balance
<i>Business-Type Activities:</i>	<u>Rate</u>	<u>Date</u>	<u>Issue</u>	<u>12/31/11</u>
<u>General Obligation Bonds:</u>				
Series 2008 Waterworks Refunding	3.50%	2013	\$2,230,000	\$ 640,000
Series 2009 Various Purpose Bonds	4.00 - 6.00%	2029	1,080,000	<u>1,010,000</u>
Total general obligation bonds				1,650,000
<u>Other long-term obligations:</u>				
Notes payable	0.00% - 1.00%	2017	2,008,693	<u>1,837,669</u>
Total business-type activities long-term obligations				<u>\$ 3,487,669</u>

**Auditor of State Comments**

- No Comments

## City of Mansfield – Richland County

### Report on Accounting Methods

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#### Capital Assets and Supplies Inventory

##### Description of an Effective Inventory of Capital Assets and Supplies

Capital assets of the City should be accounted for and reported in accordance with generally accepted accounting principles (GAAP). Capital assets of the City should be adequately safeguarded against loss or theft. The City should have a policy that defines capital assets, capitalization thresholds, determination of cost, useful lives, method of depreciation, assignment of assets and depreciation expense to an expense function, tracking of capital and non-capital assets, and determination of salvage values. An inventory should be maintained that includes a description of each item, its cost, serial and/or model numbers, date of purchase, location, useful life, salvage value, depreciation information, fund and account used to purchase the asset, tag number, whether the item is leased, and current purchases and disposals. The purchase and disposal of an asset should be properly authorized, reported to and promptly recorded by the Director of Finance, and insurance records adjusted. The transfer or re-assignment of assets should be approved by an appropriate official and promptly recorded. Verification of the listed assets should be performed annually.

Consumable materials and supplies include office supplies, gasoline, salt and wastewater chemicals. Inventories, where appropriate, should be monitored, controlled, and physical counted periodically to determine the items and quantities in existence. A physical inventory of all material items should be conducted at or near the fiscal year end date.

##### Charter Requirements

The City's Charter does not address capital assets and supplies inventory.

##### City Codified Ordinances

Ordinance 04-090 authorizes the sale of unneeded, obsolete and unfit personal property belonging to the City to be sold by means of Internet Auction.

Ordinance 04-091 authorizes the City of Mansfield to enter into a contract with GovDeals, Inc., to provide means for the sale of surplus, unneeded, obsolete and unfit personal property by means of an Internet-based auction system.

##### Administrative Code Requirements

Section 117-2-02(D)(4)(c) of the Ohio Administrative Code, requires that all public offices should maintain fixed asset records including such information as the original cost, acquisition date, voucher number, the asset type (land, building, vehicle, etc.), asset description, location and tag number. Local governments preparing financial statements using generally accepted accounting principles will want to maintain additional data. Capital assets are tangible assets that normally do not change form with use and should be distinguished from repair parts and supply items.

##### City's Method of Accounting for Capital Assets

The City has a written policy for capital assets. The Internal Auditor maintains the capital asset records. The capitalization threshold generally used is \$5,000. However, in some instances capital assets under the threshold will also be capitalized based on the Finance Director's discretion. Capital assets that meet the threshold amount or discretion are reported as capital outlay for budgetary and entered into the capital assets inventory. The capital asset inventory is the basis for the amounts reported in the financial statements. Assets which do not meet the threshold amount or discretion are accounted for as expenditures. The

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### Report on Accounting Methods

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classification of capital assets includes land, buildings, land improvements other than buildings, machinery and equipment, streets, bridges, traffic signals, storm sewer, water and sewer lines and construction in progress. All assets are capitalized at cost or estimated historical cost. Maintenance costs are not capitalized. Improvements that will add additional life to the asset or increase the asset's service capacity are capitalized.

All assets exceeding \$5,000 are entered directly in the New World accounting system from each department as purchases are made. The Internal Auditor in the Finance Department identifies these items, assigns an asset number to them, creates a blue tag for each individual item, and physically tags each item. All controlled assets ranging between \$50-\$5,000 are tracked using the asset management system. These assets are considered small scale assets and are tagged with a white tag with the asset number. For assets acquired prior to 2007, the Internal Auditor uses a Microsoft Excel spreadsheet to track capital assets less than \$5,000. Assets are removed from the excel sheet when they have been deemed unusable and are disposed of.

All capital asset additions, except for infrastructure and construction in progress, are identified by the Internal Auditor. The Internal Auditor will assign an asset number to each item and then enter them into the New World accounting system. The information entered into New World accounting system includes asset number and class, asset description, year acquired, department/program, cost, estimated useful life and annual depreciation. After the end of the year, the Confidential Accountant will print reports with this information from the New World accounting system to prepare the financial statements. The amounts to be capitalized for infrastructure and construction in progress are provided to the Confidential Accountant by the City Engineer.

The Internal Auditor will physically tag all capital assets except for land and improvements, buildings, and any asset in which the tag would stand a very good chance of being defaced, destroyed, or lost by normal use. If a department acquires one of these assets, the department head must contact the Internal Auditor and he will assign a tag number to the asset. The asset tag aids in identifying the existence of the asset.

The Confidential Accountant is responsible for ensuring that depreciation has been calculated properly for all capital assets. Depreciation is calculated on a straight-line basis. In the year an asset is acquired, depreciation is calculated for the remaining portion of the year. A full year of depreciation is then calculated for the asset each following year up to the last year of the asset's useful life. In the last year of the asset's useful life or at the time of disposal, whichever occurs first, the remaining of the years depreciation is taken.

When a department wants to dispose of an asset they submit an asset disposal request form to the Internal Auditor. If the asset is unusable, the department will trash it. If the asset is tagged, prior to trashing it, the department will remove the tag and send it to the Internal Auditor who uses the old tags to delete items from the capital asset spreadsheets. If the asset can still be used, the department will hold the asset until auction time.

The City uses an Internet-based auction system through a contract with GovDeals, Inc., to provide a means for the sale of surplus, unneeded, obsolete and unfit personal property. If a department has an asset they are not using that can be sold, the department head notifies the Internal Auditor. If the Internal Auditor determines that the inventory should be placed on the Internet auction site, the department head will fill out an internet auction form and send it to the Internal Auditor. The item will be listed on the GovDeals internet site for fourteen days and if it is not sold, it will be put on for one additional fourteen day period. Each department is responsible for storing the items until they are sold or otherwise disposed of. The Internal Auditor will remove the tags from all assets to be sold at auction just prior to the start of the auction.

After the sale or disposal of an asset, the Internal Auditor will update the capital asset records by removing all deleted assets. The assets to be removed are identified by asset number.

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#### **Consumable Inventory**

The City has a written policy for consumable inventory. In mid to late December, the Confidential Accountant will send a inventory of expendable supplies memo and forms to all department heads, reminding them to conduct their annual physical inventory. After conducting the physical inventory, the department heads send the list of their inventory items and totals to the Confidential Accountant. These inventory lists are the basis for the amounts reported in the financial statements.

#### **Auditor of State Comments**

- No Comments

## City of Mansfield – Richland County

### Report on Accounting Methods

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#### Cash Management and Investing

##### Description of an Effective Method of Cash Management

Cash received by the City should be deposited in a central bank account. Monies for all funds should be maintained in the account or temporarily used to purchase investments. Reconciliations should be completed for all accounts on a monthly basis. The books should be closed at the end of the last business day of the month and processing of transactions for the new month should commence the following business day. The reconciliations should be completed immediately upon receipt of the bank statement. Reconciling items should be specifically identified and listed with supporting documentation attached. Reconciling items such as unrecorded deposits and bank charges should be posted upon completion of the bank reconciliation.

##### Charter Requirements

Section 6 of the City Charter, requires the Finance Director shall be the chief fiscal officer of the City She shall, on behalf of the City, invest funds when available for investment.

##### City Codified Ordinances

The City's Codified Ordinances do not address cash management and investing.

##### Statutory Requirements

Interim cash should be invested according to Section 135.14 of the Ohio Revised Code. The deposits of public money should be insured and/or collateralized to insure repayment of public monies deposited with a financial institution. Interest allocation should be in accordance with the Ohio Constitution and State statutes. Cash management and investment activities of a city are additionally governed by Sections 135.01 to 135.22 of the Ohio Revised Code.

Section 135.14(O)(1), Revised Code, state, "Except as otherwise provided in divisions (O)(2) and (3) of this section, no Director of Finance or governing board shall make an investment or deposit under this section, unless there is on file with the Auditor of State a written investment policy approved by the Finance or governing board. The policy shall require that all entities conducting investment business with the Director of Finance or governing board shall sign the investment policy of that subdivision.

Section 135.14(O)(2), Revised Code, states, "if a written investment policy described in division (O)(1) of this section in not filed on behalf of the subdivision with the Auditor of State, the Director of Finance or governing board of that subdivision shall invest the subdivision's interim moneys only in interim deposits pursuant to division (B)(3) of this section, no-loan money market mutual funds pursuant to division (B)(5) of this section, or the Ohio subdivision's fund pursuant to division (B)(6) of this section."

Section 135.14 (O)(3), Revised Code, states, "Divisions (O)(1) and (2) of this section do not apply to a Director of Finance or governing board of a subdivision whose average annual portfolio of investments held pursuant to this section is one hundred thousand dollars or less, provided that the Director of Finance or governing board certifies, on a form prescribed by the Auditor of State, that the Director of Finance or governing board will comply and is in compliance with the provisions of sections 135.01 to 135.21 of the Revised Code."

Section 135.22, Revised Code, requires the Director of Finance to attend annual training programs of continuing education for directors of finance provided by the Treasurer of State.

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Section 9.38, Revised Code, requires that monies received by the City is to be deposited on the next business day following the day of receipt, if the total amount of such monies received exceeds \$1,000. If the total amount of the monies received does not exceed \$1,000, the City shall deposit the monies on the next business day following the day of receipt, unless the City adopts a policy permitting a different time period, not to exceed three business days following the day of receipt, and the monies are safeguarded until they are deposited.

#### **Federal Requirements**

The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) requires that, in order for a depositor to have a valid claim to assets of a failed financial institution, there must be a security agreement. This agreement must have been:

1. in writing;
2. executed by the financial institution and the depositor making the claim;
3. approved by the board of directors or loan committee of the institution; and
4. an official record of the financial institution continuously from the time of its execution.

#### **Methods as Described by the City**

The City's treasury activities are the responsibility of the Finance Director. The City has twenty-five accounts in two banks. The City's investments are limited to STAROhio, federal agency securities, repurchase agreements, and certificates of deposit through the Richland Bank.

Richland Bank serves as the primary depository which receives all wire transfers and deposits of the City. Monthly transfers are made from this account to the payroll, income tax and the public fund express accounts when needed. Checks are written against this account for City obligations other than payroll. The City has signed depository agreements for all accounts and investments with Richland Bank, renewed every five years. The City's deposits are collateralized by the use of a collateral pool.

Access to online banking accounts and the ability to transfer funds from one account to another is specifically defined and restricted for certain individuals. Only the Finance Director can grant access to online banking and account transfers by an electronic banking maintenance request signed by the Finance Director. The ability to transfer funds is restricted to the Finance Director, Assistant Finance Director, Administrative Assistant, Confidential Accountant, Payroll Director, Internal Auditor and Community Development Finance Officer.

Richland Bank and Chase Bank provide monthly account statements. Images of the cleared checks are provided by Richland Bank. The Administrative Assistant marks the issued checks as cleared in the accounts payable and payroll systems. The Administrative Assistant reconciles the accounts payable and payroll account monthly. As part of the reconciliation process, the Administrative Assistant reconciles the receipts and disbursements as posted to the books to the deposits and withdrawals on the bank statements. Any discrepancies found are noted on the bank statement and posted during the reconciliation process. After each account is reconciled, the reconciled balance of all accounts is totaled and compared to the total fund cash balances on the books. If there is a difference the amount will be posted to the system at this time. When the reconciliations are completed, the Finance Director signs off on the reconciliations and the books are closed for that month. This process is usually completed by the 10<sup>th</sup> of the following month. All reconciliations are filed in the Finance Director's office.

## City of Mansfield – Richland County

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The City receives interest on the balance in several of its bank accounts. The City investments are limited to STAROhio, repurchase agreements, federal agency securities and certificates of deposit. The investment securities are in the custody of Key Bank Safe Keeping. All interest earned on the City's cash management pool is credited to the general fund and the community development bank account interest is posted to the community development special revenue fund.

The City has an investment policy on file with the Clerk of Bureau but needs to submit an updated copy with the newly elected Finance Director's signature. The investment policy does not address the allocation of interest. The Council has given the Finance Director authority to make investments of available monies from the funds of the City in securities authorized by State law. The Administrative Assistant and Confidential Accountant have attended training on investing offered by the State Treasurer's Office.

Voided accounts payable and payroll checks have "void" written on them by the Assistant Finance Director and the signature block is cut out. They are filed numerically in Finance Department. Any accounts payable and payroll checks that have not yet been used are also filed in the Finance Department in a secure area.

City Council has authorized, by resolution, the existence of eight petty cash funds and fifteen cash drawers or change funds. These monies appear on the monthly bank reconciliations. The department head is in charge of handling the petty cash funds and change funds in these departments.

The Municipal Court has three accounts with Richland Bank, a criminal, civil, and bond account. Only the civil account earns interest. The Clerk of Courts makes daily deposits and reconciles the accounts at the end of each month. Copies of bank statements and reconciliations are provided to the Administrative Assistant in the Finance Department and he reviews the accounts and includes the information in the month end reconciliation that presents the City's consolidated financial records.

The Community Development Department has seven accounts with Richland Bank. Only the savings accounts earn interest. The Finance Officer in the Community Development Department makes the daily deposits to the bank and reconciles the statements at the end of the month. Copies of bank statements, deposit slips and reconciliations are provided to the Administrative Assistant in the Finance Department and he reviews the accounts and includes the information in the month end reconciliation that presents the City's consolidated financial records.

The Utility Department has one checking account with Richland Bank. The checking account does not earn interest. The Assistant Utility Manager makes daily deposits to the bank account. Copies of bank statements and deposit slips are provided to the Administrative Assistant in the Finance Department and he reconciles the accounts at the end of each month and includes the information in the month end reconciliation that presents the City's consolidated financial records.

#### **Auditor of State Comments**

- The City does not post interest to Street Construction and Maintenance or the State Highway special revenue funds as required by Article XII, Section 5a, Ohio Constitution. The City should allocate interest to the required funds.
- The City's investment policy on file with the Clerk of the Bureau does not include the newly elected Finance Director's signature. It should be updated and filed with the Clerk of the Bureau.
- The investment policy does not address the allocation of interest and should be updated to do so.

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### Report on Accounting Methods

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#### Financial Reporting

##### Description of Effective Method of Financial Reporting

The fiscal officer should periodically provide Council with the year-to-date receipts, disbursements, outstanding encumbrances, and available fund balances for each fund of the City. In addition, information concerning the estimated and actual receipts, appropriation and disbursements plus encumbrances should be presented for Council's review. On an annual basis, the Director of Finance should prepare and publish within 150 days of year end financial statements prepared in accordance with generally accepted accounting principles (GAAP).

##### Charter Requirements

Section 6 of the City Charter, requires the Finance Director, provide for the Council and Mayor the current financial status of the City not less than quarterly; provide Council all supportive financial information requested for consideration of the annual appropriation ordinance or resolution; and make a yearly report covering all accounts and obligations of the previous fiscal year

The Director of Finance shall maintain an efficient general accounting system according to Generally Accepted Accounting Principles (GAAP).

##### Statutory Requirements

Section 117.38, Revised Code, requires that an annual financial report be filed with the Auditor of State within one hundred and fifty days after the close of the fiscal year for reports prepared in accordance with the general accepted accounting principles (GAAP). At the time the report is filed with the Auditor of State, the fiscal officer must publish in the newspaper notice of the completion of the report and the fact that the report is available at the office of the fiscal officer.

##### Administrative Code Requirements

Cities are required by Section 117-2-03(B), Administrative Code, to prepare and publish an annual financial report in accordance with generally accepted accounting principles (GAAP).

##### Methods Used by the City

The City prepares its annual financial report in accordance with generally accepted accounting principles (GAAP). The City filed a copy of its annual financial report to the Office of the Auditor of State for the year ended December 31, 2010 on May 27, 2011. The Confidential Accountant typically publishes a notice of completion in the newspaper within ten days after filing.

Quarterly reports are generally printed a month after the end of the quarter. Each Quarter the Confidential Accountant prints and binds a copy of the City's quarterly financial report, known as the Finance Department Report. The Finance Department keeps a copy internally for their reference but will print additional copies upon request. The report is made available to City Council, Elected Officials, Department Heads, and all citizens of Mansfield on the City website in the Finance Department section.



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### Report on Accounting Methods

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The quarterly financial reports consist of the following:

**Revenue Budget by Fund Report:** This report provides adopted budgeted receipts, budget amendments, the current budget, year-to-date receipts, the amount of the budget remaining to be received, the percentage of the budget received and the prior year actual revenues for each fund.

**Expense Budget by Fund Report:** The report provides the initial appropriations, the year to date budget adjustments, the current budget, year-to-date expenses and encumbrances, the amount of budget still available, the amount of the budget remaining to be expended, the percentage of the budget expended, and the prior year actual expenditures by fund.

**Cash Position Report:** This report provides the beginning fund balance, the year-to-date receipts and disbursements and ending fund balances for all funds.

**Investment Portfolio:** Consists of four separate reports; Consolidated Investment Portfolio, Investment Portfolio Analysis, STAR Ohio Average Monthly Yields and the Interest Revenue Summary Ledger. These reports provide the information on current investments held by the City with the par value, cash balances, maturity dates, interest rates, days to maturity, diversification of investments, and the monthly accrual of interest.

**Income Tax Activity:** Consists of ten separate reports; Income Tax Receipts Total Comparisons, Monthly Income Tax Collections, Income Tax Collections for Current & Delinquent Tax Years, Income Tax Collection Comparisons, Income Tax Distribution, Top 50 Withholding Accounts, Delinquent Income Tax Collections, Total Collections & Delinquent Collections, Payment Plan History, and the History of Income Tax Court Activity.

**Inventory Report:** This report provides the types of items sold as of the end of the current quarter. The report shows both the item sold and the amounts received by the City.

#### **Auditor of State Comments**

- No Comments

## City of Mansfield – Richland County

### Report on Accounting Methods

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#### Recording Official Proceedings

##### Description of an Effective Method of Recording Official Proceedings

The City Councils' minutes should reflect full and accurate information to permit the public's understanding and appreciation of the rationale behind the Council's decisions. An ordinance, resolution, or by-law should be limited to one subject, which should be clearly expressed in its title. In the adoption or passage of an ordinance, resolution, or by-law, the yeas and nays should be entered into the minutes and the ordinance, resolution, or by-law, should be signed by the presiding officer and the Clerk of Council. All Council minutes, ordinances, and resolutions should be maintained as a permanent record of the City.

##### Charter Requirements

Section 3 of the City Charter provides that the laws of Ohio applicable to cities having the general statutory plan of government shall control Council with respect to its meetings, rules, procedures, and functions.

Section 13 of the City Charter provides that all of the provisions of Section 121.22, Ohio Revised Code are specifically incorporated and made a part of the City Charter. The provisions shall also be applicable to "non-decision making" committees, agencies, or instrumentalities of the public bodies of the City.

##### Statutory Requirements

Section 121.22, Revised Code, requires the minutes of a regular or special meeting of any public body shall be promptly prepared, filed, and maintained and shall be open to public inspection. The minutes need only reflect the general subject matter of discussions in executive sessions authorized under division (G) or (J) of this section. Further, the Ohio Supreme Court has held that the minutes must be "full and accurate," which means that they must contain sufficient facts and information to permit the public to understand and appreciate the rationale behind the relevant decision. The public not only has a right to know a government body's final decision on a matter, but also the means by which those decisions were reached.

Sections 731.20 through 731.24, Ohio Revised Code, address the passage, style, number of subjects, authentication and recording, and publication requirements of Council's legislation. In general, no ordinance, resolution or bylaw shall contain more than one subject, which shall be clearly expressed in its title. The copy of the proposed ordinance must be filed with the Council Clerk and kept open for public inspection for ten days. Each ordinance, resolution or bylaw is required to be adopted or passed by separate vote of Council and the yeas and nays shall be entered in the minutes. Ordinances, resolutions or bylaws shall be authenticated by the signature of the presiding officer and clerk. Ordinances and resolutions must be published in an English-speaking newspaper once a week for two consecutive weeks.

Sections 705.84 of the Ohio Revised Code requires that the Board of Control have stated meetings at least twice a week; keep a record of its proceedings; take its votes by yeas and nays, which votes shall be entered on the record; and adopt any motion or order only by a majority of the vote of all members of the board.

##### Methods Used by the City

The City holds their regular meetings on the first and third Tuesdays of each month, except July. In July, the City will hold a regular meeting on the first Tuesday of the month only. The Clerk of Council or Assistant Clerk of Council records and takes notes during the City Council meetings. From those notes as well as an audiotape recording of the meeting, the Clerk of Council or Assistant Clerk of Council prepares the minutes of the meeting. The minutes include who is in attendance, reports that are presented by various departments and officials, the detail of topics discussed, resolutions and ordinances by number and description and the votes thereon, and other upcoming events. The minutes are approved, signed and dated at the next council

## City of Mansfield – Richland County

### Report on Accounting Methods

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meeting. The typed minutes, resolutions and ordinances are kept in files in the Clerk of Council's office throughout the year. At the end of each year, they are bound into a book for the year. Council holds caucus meetings to discuss various issues and gather information before each regular Council meeting, typically the day before the regular meeting. An audiotape is made of the caucus meetings, but because no formal action is taken, there are no typed minutes of the caucus meetings.

#### Auditor of State Comments

- No Comments

**City of Mansfield – Richland County**

**Report on Accounting Methods**

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**Conclusion**

The methods described and included in this report are based on our inquiries and discussions with the City of Mansfield personnel and the related procedures documented from the City's Policy and Procedures Manual, resolutions, administrative rules and the Ohio Revised Code. These methods in some cases vary from the actual methods used in performing the daily activities.

It is our opinion that the current methods of accounting and financial reporting of the City of Mansfield are not completely in compliance with Chapter 117 of the Ohio Revised Code and the requirements of the Auditor of State as disclosed throughout this report.

**City of Mansfield – Richland County**

**Report on Accounting Methods**

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# Dave Yost • Auditor of State

CITY OF MANSFIELD

RICHLAND 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  
APRIL 10, 2012