

# OHIO AUDITOR OF STATE KEITH FABER



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## MANAGEMENT LETTER

City of Franklin  
Warren County  
1 Benjamin Franklin Way  
Franklin, Ohio 45005

To the Members of City Council and Mayor:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements defined in our Independent Auditor's Report of the City of Franklin, Warren County, Ohio (the City) as of and for the year ended December 31, 2021, and the related notes to the financial statements and have issued our report thereon dated June 21, 2022.

*Government Auditing Standards* require us to communicate deficiencies in internal control, as well as, report on compliance with certain provisions of laws, regulations, contracts and grant agreements that could directly and materially affect the determination of financial statement amounts. We have issued the required report dated June 21, 2022, for the year ended December 31, 2021.

We are also submitting the following comments for your consideration regarding the City's compliance with applicable laws, regulations, grant agreements, contract provisions, and internal control. These comments reflect matters that do not require inclusion in the *Government Auditing Standards* report. Nevertheless, these comments represent matters for which we believe improvements in compliance or internal controls or operational efficiencies might be achieved. Due to the limited nature of our audit, we have not fully assessed the cost-benefit relationship of implementing these recommendations. These comments reflect our continuing desire to assist your government but are only a result of audit procedures performed based on risk assessment procedures and not all deficiencies or weaknesses in controls may have been identified. If you have questions or concerns regarding these comments please contact your regional Auditor of State office.

### Noncompliance Finding

**Ohio Rev. Code § 9.38** provides in part, all public monies received shall be deposited with the treasurer of the public office or designated depository on the business day next following the day of receipt, if the total amount of such monies received exceeds \$1,000. If the total amount of public moneys so received does not exceed \$1,000, the person shall deposit the moneys on the business day next following the day of receipt, unless the public office 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 monies until they are deposited.

To date the City has not approved a policy to extend the time between collection and deposit beyond one business day.

18 out of 45 (40%) income tax receipts tested, totaling \$6,813, were not deposited with the Finance Director or designated depository for a period ranging from two to four business days after initial receipt of the monies. Delays of this nature resulting from deficiencies in internal control procedures could cause receipts to be lost, misplaced, or stolen without being detected in a timely manner.

## **Noncompliance Finding (Continued)**

The City should draft, approve, and implement policies and procedures to help ensure timely depositing of public monies in accordance with Ohio Rev. Code § 9.38.

### **Recommendations**

#### **1. Municipal Court Cash Reconciliation Process Errors**

Sound accounting practices require that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The reconciliation of cash (bank) balances to accounting system records (book) to the accounting system is the most basic and primary control process performed. Lack of completing an accurate and timely reconciliation may allow for accounting errors, theft and fraud to occur without timely detection.

The Clerk of Courts is responsible for reconciling the Municipal Court's book (fund) balance to the total bank balance on a monthly basis, and Council and/or other administrator are responsible for reviewing the reconciliations and related support.

In addition, the Court has a policy to write a check from the Court's VISA bank account to the City after each monthly reconciliation for any amount over \$10,000 but less any deposits in transit, to account for a convenience fee charged by the Court for credit card transactions.

During 2021, the Clerk of Courts did not complete adequate bank reconciliations for the VISA bank account. The VISA bank account had an ending cash balance of \$25,251, which is a cumulative effect of the credit card convenience fee being collected by the Court and not properly remitted to the City.

Failure to adequately reconcile monthly increases the possibility that the Court will not be able to identify, assemble, analyze, classify, and record its transactions correctly or to document compliance with finance related legal and contractual requirements. Further, the lack of accurate monthly reconciliations increases the risk of theft/fraud over the cash cycle and could lead to inaccurate reporting in the annual financial statements.

The Clerk of Courts should record all transactions and prepare monthly bank to book cash reconciliations, which include all bank accounts and all fund balances. Variances should be investigated, documented and corrected. In addition, Council and/or other administrator should review the monthly cash reconciliations including the related support (such as reconciling items) and document the reviews. This monthly reconciliation should also include analyzing the balance in the VISA bank account and remitting the credit card convenience fee to the City according to the Court's policy.

#### **2. Utilities Rates**

Sound accounting practices require public officials to design and operate a system of internal control that is adequate to provide reasonable assurance over the rates charged for utilities.

The City approved a rate increase for the water usage billed to the Village of Carlisle from \$3.64 per 1000 gallons to \$3.71 per 1000 gallons, effective March 1, 2021. The City failed to charge the increased rate for two out of three (66%) receipts tested, resulting in a projected loss of Water Fund Charges for Services revenue of \$3,988.

**Recommendations  
(Continued)**

The City did not have procedures in place for effective monitoring of utility rates charged to customers. Failure to accurately monitor utility rates could result in loss of revenues for the City.

The City should adopt procedures to ensure that amounts billed are calculated using the correct rates. Periodic reviews of billings should be performed by an individual independent of the billing system to ensure compliance with established rates. .

We intend this report for the information and use of the governing board, audit committee, management.

A handwritten signature in black ink, appearing to read "Keith Faber". The signature is fluid and cursive, with the first name "Keith" and last name "Faber" clearly distinguishable.

Keith Faber  
Auditor of State  
Columbus, Ohio  
June 21, 2022