



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and Members of Council
Village of Woodlawn
Woodlawn, Ohio

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund of the Village of Woodlawn as of and for the year ended December 31, 2007 and have issued our report thereon dated March 18, 2009, wherein we noted the Village prepares its financial statements on the modified cash basis of accounting, a comprehensive accounting basis other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Woodlawn's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process or report financial data reliably in accordance with its applicable accounting basis such that there is more than a remote likelihood that a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control. We consider the following deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting: Finding Numbers 2007-001, 2007-002, 2007-003, 2007-004, 2007-005, 2007-006, 2007-007 and 2007-008.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant

Honorable Mayor and Members of Council
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deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider Finding Numbers 2007-003, 2007-004, 2007-005, 2007-006, 2007-007 and 2007-008 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and responses as Finding Numbers 2007-009, 2007-010, 2007-011, 2007-012, 2007-013, 2007-014, 2007-015, 2007-16, 2007-17 and 2007-18.

We noted certain matters that we reported to management of the Village, in a separate letter dated March 18, 2009.

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

This report is intended solely for the information and use of management and the Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

VonLehman & Company Inc.

Cincinnati, Ohio
March 18, 2009

VILLAGE OF WOODLAWN
HAMILTON COUNTY

SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2007

FINDINGS AND RESPONSES RELATED TO THE INTERNAL CONTROL OVER FINANCIAL
REPORTING REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

Internal Control Over Financial Reporting

Finding Number	2007-001
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Significant Deficiency

Lack of Independent Oversight Over the Finance Director's Time Worked (Repeated from Prior Audit) - The Finance Director's timesheets were not approved by Council or the Village Manager. This would permit a misappropriation of assets to go undetected. We noted that all other employees have timesheets approved prior to submitting to payroll for the period worked. The Village should have procedures in place to ensure adequate oversight of the Finance Director's time. The Village did not have a Finance Director during 2007. Therefore, this finding remains in the audit report and will be re-evaluated as part of the 2008 audit.

Village Response: We concur. The Finance Director reports directly to Village Council as does the Village Manager. In lieu of the Council approving the Finance Director's time worked, the new electronic timekeeping system scheduled to be installed in early 2009 will adequately record the Finance Director's work attendance. The Finance Director will have no access to changing or editing his or her time recorded because attendance is verified by hand recognition and no one person can make changes to their own time record. Any manual changes will be supported with proper documentation. In the case of paid time off, the Finance Director will submit leave requests to the Mayor for approval.

Finding Number	2007-002
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Significant Deficiency

Lack of Ability to Prepare Annual Financial Statements (Repeated from Prior Audit) - Management has requested that we prepare the Village's financial statements, including footnotes. Although we have prepared the financial statements, the financial statements still remain the responsibility of management. A proper system of internal controls over financial reporting is essential in order to prevent, detect and correct misstatements. We noted that the Village does not have the necessary expertise in order to prepare the financial statements, including footnotes, in accordance with the complex requirements of the U.S. generally accepted accounting principles. Our firm has implemented the appropriate controls over the financial statement preparation; however, our controls cannot be considered as the Village's internal controls. Accordingly, a significant deficiency in the Village's internal controls exists in regards to the financial statement reporting function.

Village Response: We concur. The Village has hired a certified public accountant with more than 15 years in government accounting as its Finance Director. She has already changed procedures and processes in the accounting area and documented the same. The process of segregation of duties has been done and proper approvals of all disbursement, payroll processing and non-cash accounting adjustments are in place. These actions will help to ensure that the accounting records are free from material misstatements. While the Finance Director is responsible for the preparation of the financial statements and footnotes, we would still be looking for the auditor to assist the Finance Director with that task.

FINDINGS AND RESPONSES RELATED TO THE INTERNAL CONTROL OVER FINANCIAL REPORTING REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

Finding Number	2007-003
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Material Weakness

Lack of Segregation of Payroll and Human Resource Duties (Repeated from Prior Audit) - Because of the lack of segregation of duties due to a small staff, the Village has only one employee who is responsible for payroll disbursements and maintaining personnel files. This would permit a misappropriation of assets to go undetected. The Village should have an employee independent of the payroll function maintain all personnel records and another employee independent of the payroll function approve the payroll checks, prior to disbursement. Due to suggestions made in the last audit, the payroll files were moved to the Village Manager's Administrative Coordinator's office. However, per inquiry, the files are still maintained primarily by the payroll clerk, indicating the lack of segregation of duties still existed at the time of the 2007 audit fieldwork.

Village Response: Effective immediately, the payroll clerk will not provide documents to the personnel files. The Village Manager's office will be responsible for keeping the files up to date with current personnel changes.

Finding Number	2007-004
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Material Weakness

Lack of Support for Pay Rates Maintained by the Village - Through our testing of employee payroll, we noted many instances where the employee's pay rate could not be traced to the employee's human resource file. Employee pay rates should be properly approved and maintained in each employee's file and, as mentioned in Finding Number 2007-003, maintained by someone other than the payroll clerk.

Village Response: As of February, 2009, updated Personnel Action Forms will be prepared, approved and filed in each active personnel file. The Personnel Action Form will indicate employee status, title, department and effective date of pay rate. When any change is initiated, a Personnel Action Form will be prepared and approved, and filed in the applicable personnel file by the Village Manager's office.

Finding Number	2007-005
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Material Weakness

Lack of Proper Control Over Cash (Repeated from Prior Audit) - Because of the lack of a Finance Director during 2007, the Village has not been adequately reconciling the cash from the ledger to the bank statement. Through our testing of cash, we noted that interest income was not properly recorded.

This would permit a misappropriation of assets to go undetected. While the Village has been performing individual bank reconciliations on a monthly basis, the cash balance maintained by the Village is not being reconciled together, which does not provide appropriate control over cash.

Village Response: The overall cash balance will be reconciled each month, but the auditors must provide current combined reconciliation of all accounts for 2007 to the Finance Director.

FINDINGS AND RESPONSES RELATED TO THE INTERNAL CONTROL OVER FINANCIAL REPORTING REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

Finding Number	2007-006
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Material Weakness

Lack of Independent Oversight Over Disbursement Activity (Repeated from Prior Audit) - Because of the lack of segregation of duties due to a small staff and inadequate procedures, the Village Clerk has the ability to make cash disbursements with little oversight. This would permit a misappropriation of assets to go undetected. Through testing of cash disbursements, we noted inadequate internal controls and compliance issues over disbursement activity (see the list of findings and responses noted on Finding Number 2006-013 in the "Compliance and Other Matters" section of this report). The Village should have adequate procedures in place to ensure that all disbursements are properly authorized by someone other than the person responsible for making the disbursement.

Village Response: In early 2008, the Finance Director updated and documented the procurement and disbursement procedures, and reviewed the same with Village department heads. The procedures provide for proper segregation of duties and approvals of applicable staff. Department heads sign off on the requisition and purchase order voucher. The Village Manager signs off on all requisitions. The Finance Director signs off on all requisitions, purchase order vouchers and checks. In no circumstance is the Village Clerk involved in any step of the approval process.

Finding Number	2007-007
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Material Weakness

Lack of Written Policy Regarding Use of Funds for Political Activity (Repeated from Prior Audit) - There is no written policy regarding the prohibition of use of public funds to publish, distribute or communicate information that supports or opposes the nomination or election of a candidate for public office, the investigation, prosecution or recall of a public official or the passage of a levy or bond issue.

Village Response: We concur. The Village's goal is to have a policy in place by June 30, 2009.

Finding Number	2007-008
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Material Weakness

Lack of Segregation of Duties in the Mayor's Court Function - There is only one employee responsible for all Mayor's Court functions, from collecting and recording payment of fines, to payout to various agencies of fines received, and reconciliation of the bank statements. This leaves the Mayor's Court open to misappropriation of funds. We recommend that another person be involved in the bookkeeping for the Mayor's Court function.

Village Response: The Finance Director will reconcile the Mayor's Court bank account each month.

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

Compliance and Other Matters

Finding Number	2007-009
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Budgetary Activity

Budgeted Receipts Exceeded Actual Receipts (Repeated from Prior Audit) - Ohio Revised Code, Section 5705.36, requires that an amended certificate of estimated resources be obtained upon determination by the fiscal officer that revenues collected will be less than the amount in the official certificate of estimated resources. The following funds were not in compliance by the following amounts as of December 31, 2007:

<u>Fund</u>	<u>2007</u>
General	\$1,021,993
Special Revenue	94,640

Village Response: We concur. Actual revenues will be monitored closely and a request for an amended certificate will be initiated if necessary.

Finding Number	2007-010
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Budgetary Activity

No Appropriation Measure Filed With the County Auditor for 2007 (Repeated from Prior Audit) - Ohio Revised Code, Section 5705.39, states that no appropriation measure is effective until the County Auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official certificate. This certificate was not filed, nor were the four council-approved revisions to the appropriation measure filed in 2007. In addition, there were four amendments and Ohio Revised Code, Section 5705.40, states that appropriations may be amended. However, original certificate was not filed.

Village Response: Because of the vacancy in the Finance Director position, the council-approved appropriations were not filed with the County Auditor. Appropriations were filed with the County Auditor for 2008.

**FINDINGS AND RESPONSES RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

Finding Number	2007-011
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Budgetary Activity

Expenditures Exceeded Appropriations (Repeated from Prior Audit) - Ohio Revised Code, Section 5705.41(B), requires that no subdivision or taxing unit is to expend money except by a proper warrant drawn against an appropriate fund. The following funds were not in compliance by the following amounts as of December 31, 2007:

<u>Fund</u>	<u>2007</u>
General	\$923,125
Debt Service	95,197

Village Response: We concur. Because of the vacancy in the Finance Director position, expenditures were not monitored properly and, therefore, appropriate budget revisions were not made. In the future, appropriations will be properly amended before expenditures exceed appropriations.

Finding Number	2007-012
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Fund Balances

Negative Fund Balances (Repeated from Prior Audit) - Ohio Revised Code, Section 5705.10, requires that appropriations do not exceed official or amended estimated resources. These deficit balances indicate that cash from other funds has been used to pay obligations of these funds. This is a violation of Ohio Revised Code, Section 5705.10, which also requires that money paid into any fund shall be used only for the purpose for which the fund is established. Certain special revenue, capital projects and debt service funds had negative (cash) fund balances as of December 31, 2007 as follows:

	<u>2007</u>
Special Revenue	
Summer Lunch Grant	\$ (19,360)
Summer Youth Employment	(31,332)
FEMA Fire Grant	(3,931)
Capital Projects	
Building Improvement	(41,844)
Property Acquisition	(238,963)
Marion Road	(82,559)
Debt Service	
Pool House Construction	(1,674)

Village Response: We concur. Expenditures will be monitored closely and controlled and, if necessary, approved fund transfers will be made prior to the occurrence of a negative fund balance. Fund transfers were approved for 2008 to ensure that no negative balances exist.

**FINDINGS AND RESPONSES RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

Finding Number

2007-013

Fund Balances

Inadequate Independent Oversight of Disbursement Activity (Repeated from Prior Audit) - Ohio Revised Code, Section 5705.41(D), requires that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the Treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Through testing of cash disbursements, we noted the following:

- Payments made in excess of purchase order
- Payments made without proper invoice support
- Payments made without verification of receipt of goods or services
- Payments made without proper authorization
- Confirming purchase orders used

The Village should implement adequate procedures to ensure that all disbursements are properly appropriated, money is in the appropriate fund and free from encumbrances.

Village Response: We concur. As mentioned in response in **Finding Number 2007-005**, disbursement procedures have been revised to address the lack of separation of duties and lack of proper authorization/approvals. Check copies are now attached to approved vouchers with the source documents attached. In addition, the bank statement is now reconciled by someone independent of the cash disbursement function, and unsigned and unissued checks are marked "Void".

Finding Number

2007-014

Other

Income Tax Refunds in Excess of \$10 Were Not Reported to the Taxpayer on Form 1099d (Repeated from Prior Audit) - Internal Revenue Regulation, Section 1.6050E-1, requires that every refund officer prepare and mail an information return in accordance with this section for each calendar year. This section applies to any refund officer who, with respect to an individual, makes payments of refunds of state or local income taxes or allows credits or offsets with respect to such taxes aggregating \$10 or more for such individual in any calendar year. An information return must be prepared even if the refund officer is not required to furnish a statement to the applicable taxpayer. The information return required by this section shall be made on Forms 1096 and 1099.

The Village of Woodlawn has not issued any 1099's for income tax refunds.

Village Response: We concur. It is unclear why information returns were not issued for this audit period and prior. The Village has prepared and mailed the Forms 1099d for 2008 in a timely manner.

**FINDINGS AND RESPONSES RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

Finding Number	2007-015
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Other

Inadequate Detail of Capital Assets (Repeated from Prior Audit) - Ohio Revised Code Section 117-2-02(D), requires a fixed assets record including information on the original costs, acquisition date, voucher number, the asset type (land, building, vehicle, etc.), asset description, location and tag number. All public offices should have a record of significant capital assets owned sufficient to manage their operations.

Village Response: The Village agrees but has not yet decided the implementation process. The Village will develop the proper listing of capital assets by December 31, 2009.

Finding Number	2007-016
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Other

No Mayor's Court Report Presented to Council of Funds Received and Distributed on a Monthly Basis - Ohio Revised Code, Section 1905.21, requires that at the first regular meeting of the legislative authority each month, the Mayor shall submit a full statement of all money received, from whom and for what purposes received, and when paid into the Treasury. Per inquiry of the Mayor's Court Clerk and the Village Finance Director, this was not being done. We recommend that monthly reports to Council on the status of Mayor's Court funds be resumed on a monthly basis.

Village Response: We concur. The Mayor's Court Clerk has resumed providing this report on a monthly basis to the Mayor and Village council.

Finding Number	2007-017
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Budgetary Activity

Tax Budget was Approved Late - Ohio Revised Code, Section 5705.28, states that on or before July 15 in each year, the taxing authority of each subdivision or other taxing unit must adopt a tax budget for the succeeding fiscal year. Per Village council minutes, the tax budget was approved on July 31, which is later than the required adoption date.

Village Response: The Village was without a Finance Director during most of 2007. However, a temporary was utilized to prepare the 2008 tax budget and cash basis financial report only after the due dates of both. The 2009 tax budget was prepared and approved in a timely manner.

Finding Number	2007-018
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Budgetary Activity

Certification of Tax Levies was Approved Late - Ohio Revised Code, Section 5705.34, requires each taxing authority to pass an ordinance or resolution to authorize the necessary tax levies. Each such authority is to certify the levies to the County Auditor before October 1, unless a later date is approved by the tax commissioner. The resolution, certifying tax levies, was passed on October 31, 2007, which is past the certification deadline per the requirement, and a later date does not appear to be approved by the tax commissioner.

Village Response: Because the 2008 tax budget was approved and filed with the County late, the certification was approved late as well. The 2009 tax levies certification was approved in a timely manner.

**VILLAGE OF WOODLAWN
HAMILTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007**

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

Finding Number	Finding Summary	Fully Corrected?	Not corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid: Explain
Internal Control Over Financial Reporting			
2006-001	Lack of Independent Oversight Over the Finance Director's Time Worked	No	Not corrected. Refer to Finding 2007-001
2006-002	Lack Ability to Prepare Annual Financial Statements	No	Not corrected. Refer to Finding 2007-002
2006-003	Lack of Segregation of Payroll and Human Resource Duties	No	Not corrected. Refer to Finding 2007-003
2006-004	Lack of Proper Control Over Cash	No	Not corrected. Refer to Finding 2007-005
2006-005	Lack of Independent Oversight Over Disbursement Activity	No	Not corrected. Refer to Finding 2007-006
2006-006	Lack of Written Policy Regarding Use of Funds for Political Activity	No	Not corrected. Refer to Finding 2007-007
Compliance and Other Matters			
2006-007	Budgeted Receipts Exceeded Actual Receipts (Ohio Revised Code, Section 5705.36)	No	Not corrected. Refer to Finding 2007-009
2006-008	No Appropriation Measure Filed with the County Auditor for 2006 (Ohio Revised Code, Section 5705.39)	No	Not corrected. Refer to Finding 2007-010
2006-009	"Blanket" Fiscal Officer Certificate Exceeding One Year (Ohio Revised Code, Section 5705.41(D))	Yes	
2006-010	Expenditures Exceeded Appropriations (Ohio Revised Code, Section 5705.41(B))	No	Not corrected. Refer to Finding 2007-011
2006-011	Negative Fund Balances (Ohio Revised Code, Section 5705.10)	No	Not corrected. Refer to Finding 2007-012

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

Finding Number	Finding Summary	Fully Corrected?	Not corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid: Explain
2006-012	Inadequate Independent Oversight of Disbursement Activity (Ohio Revised Code, Section 5705.41(D))	No	Not corrected. Refer to Finding 2007-013
2006-013	Financial Report Was Not Filed Within 60 Days of the Fiscal Year End (Ohio Revised Code, Section 117.38)	Yes	
2006-014	Income Tax Refunds in Excess of \$10 Were Not Reported to the Taxpayer on Form 1099d (Internal Revenue Regulation, Section 1.6050E-1)	No	Not corrected. Refer to Finding 2007-014
2006-015	Inadequate Detail of Capital Assets (Ohio Revised Code Section 117-2-02(D))	No	Not corrected. Refer to Finding 2007-015