

Fairfield County Auditor — Finance Internal Control Manual
Excerpts from the Ohio Compliance Supplement

Legal Compliance Control Procedures and Substantive Tests

Section D: Generic Requirements for Revenues, Funds, and Transfers

1-23 Compliance Requirements: Ohio Rev. Code Sections 5705.14, 5705.15, and 5705.16 – Transfer of funds.

Summary of Requirements: No transfer can be made from one fund of a subdivision to any other fund, except as follows:

- The unexpended balance in a bond fund that is no longer needed for the purpose for which such fund was created shall be transferred to the sinking fund or bond retirement fund from which such bonds are payable.
- The unexpended balance in any specific permanent improvement fund, other than a bond fund, after the payment of all obligations incurred in the acquisition of such improvement, shall be transferred to the sinking fund or bond retirement fund of the subdivision. However, if such money is not required to meet the obligations payable from such funds, it may be transferred to a special fund for the acquisition of permanent improvements, or, with the approval of the court of common pleas of the county in which such subdivision is located, to the general fund of the subdivision.
- The unexpended balance in the sinking fund or bond retirement fund of a subdivision, after all indebtedness, interest, and other obligations for the payment of which such fund exists have been paid and retired, shall be transferred, in the case of the sinking fund, to the bond retirement fund, and in the case of the bond retirement fund, to the sinking fund. However, if the transfer is impossible by reason of the nonexistence of the fund to receive the transfer, the unexpended balance may be transferred to any other fund of the subdivision with the approval of the court of common pleas of the county in which such division is located.
- The unexpended balance in any special fund, other than an improvement fund, may be transferred to the general fund or to the sinking fund or bond retirement fund after the termination of the activity, service, or other undertaking for which such special fund existed, but only after the payment of all obligations incurred and payable from such special fund.
- Moneys retained by a county from the auto registration distribution fund in accordance with Ohio Rev. Code Section 4501.04, or the gasoline excise tax fund, in accordance with Ohio Rev. Code Section 5737.27, may be transferred from the fund into which they were deposited to the sinking fund or bond retirement fund from which any principal, interest, or charges for which such moneys may be used is payable.
- Money may be transferred from the general fund to any other fund of the subdivision by resolution of the taxing authority.
- Moneys retained or received by a municipal corporation under Ohio Rev. Code section 4501.04 (motor vehicle license tax), or division (A) (1) or (2) of Ohio Rev. Code section 5735.27 (motor vehicle fuel excise taxes), may be transferred from the fund into which they were deposited to the sinking fund or bond retirement fund from which any principal, interest, or charges for which such moneys may be used is payable.

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1-23 Compliance Requirements: Ohio Rev. Code Sections 5705.14, 5705.15, and 5705.16 – Transfer of funds. (continued)

- Money may be transferred from the County Mental Retardation and Developmental Disabilities general fund to the County Mental Retardation and Developmental Disabilities capital fund established under Ohio Rev. Code section 5705.091, or for any other fund created for purposes of the County Board of Mental Retardation and Developmental Disabilities so long as it is spent for the particular purpose of the transfer. An unexpended balance in an account may be transferred back to the County Mental Retardation and Developmental Disabilities general fund. Transfers shall be done by resolution of the Board of County Commissioners.

Except in the case of transfers from the general fund, transfers can be made only by resolution of the taxing authority passed with the affirmative vote of two thirds of the members. Transfers from the general fund require a resolution passed by a simple majority of the board members (i.e., a two thirds vote is not required for general fund transfers though a resolution is required).

In addition to the transfers listed above, which are authorized in Ohio Rev. Code Section 5705.14, the taxing authority of any political subdivision, with the approval of the Tax Commissioner and of the Court of Common Pleas, may transfer from one fund to another any public funds under its supervision, except

- the proceeds or balances of:
 - loans,
 - bond issues,
 - special levies for the payment of loans or bond issues,
- the proceeds or balances of funds derived from any excise tax levied by law for a specified purpose, and
- the proceeds or balances of any license fees imposed by law for a specified purpose.

In determining how the government ensures compliance, consider the following:

- Policies and Procedures Manuals
- Knowledge and Training of personnel
- Presence of Effective Accounting System
- Legislative and Management Monitoring
- Periodic Reviews/Comparisons of Budgeted and Actual Transfers
- Independent Inspection/Comparison of Transfers to Source Documents
- Management's identification of changes in laws and regulations
- Management's communication of changes in laws and regulations to employees

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Suggested Audit Procedures - Compliance (Substantive) Tests

Inspect documents authorizing transfers during the audit period and determine that funds have been transferred in accordance with the above requirements:

- Unexpended bond balance;
- Permanent improvement balance;
- Bond retirement;
- Special fund;
- Auto registration;
- Resolution;
- Municipal corporation;
- Mental Retardation.

Determine if transfers were made that meet one or more of the exceptions listed above:

Determine if any transfers were made from the proceeds or balances of:

- loans,
 - bond issues,
 - special levies for the payment of loans or bond issues,
 - the proceeds or balances of funds derived from any excise tax levied by law for a specified purpose, or
 - the proceeds or balances of any license fees imposed by law for a specified purpose.
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