



**EMERGENCY MANAGEMENT AGENCY  
CHAMPAIGN COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**



**Auditor of State  
Betty Montgomery**



**EMERGENCY MANAGEMENT AGENCY  
CHAMPAIGN COUNTY**

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**Auditor of State  
Betty Montgomery**

Emergency Management Agency  
Champaign County  
1512 S. US Highway 68  
Suite C103  
Urbana, Ohio 43078

To the Executive Committee:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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**Betty Montgomery**  
Auditor of State

August 9, 2006

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Emergency Management Agency  
Champaign County  
1512 S. US Highway 68  
Suite C103  
Urbana, Ohio 43078

To the Executive Committee:

We have audited the accompanying financial statements of the Emergency Management Agency, Champaign County, (the EMA), as of and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the EMA's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the EMA has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the EMA to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. While the EMA does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The EMA has elected not to reformat its statements. Since the EMA does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2005 and 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the EMA's funds as of December 31, 2005 and 2004, or their changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Emergency Management Agency as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the EMA to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The EMA has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 9, 2006, on our consideration of the EMA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Betty Montgomery**  
Auditor of State

August 9, 2006



**EMERGENCY MANAGEMENT AGENCY  
CHAMPAIGN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Intergovernmental	\$66,121	\$311,140	\$377,261
Contract Fees	3,500		3,500
Other Revenue	86		86
	<u>69,707</u>	<u>311,140</u>	<u>380,847</u>
<b>Total Cash Receipts</b>			
	<u>69,707</u>	<u>311,140</u>	<u>380,847</u>
<b>Cash Disbursements:</b>			
Current:			
Salaries/Benefits	39,618		39,618
Supplies	1,211	512	1,723
Equipment	4,755	184,331	189,086
Contract Services	7,330	98,244	105,574
Training		6,221	6,221
Travel and Meeting Expenses	123	448	571
Repairs	2,535		2,535
Communications	4,013		4,013
Miscellaneous	294	357	651
	<u>59,879</u>	<u>290,113</u>	<u>349,992</u>
<b>Total Cash Disbursements</b>			
	<u>59,879</u>	<u>290,113</u>	<u>349,992</u>
Total Receipts Over/(Under) Disbursements	9,828	21,027	30,855
Fund Cash Balances, January 1	<u>166,748</u>	<u>13,379</u>	<u>180,127</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$176,576</b></u>	<u><b>\$34,406</b></u>	<u><b>\$210,982</b></u>

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

**EMERGENCY MANAGEMENT AGENCY  
CHAMPAIGN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Intergovernmental	\$80,864	\$256,095	\$336,959
Contract Fees	3,212		3,212
Other Revenue	1,304		1,304
	<u>85,380</u>	<u>256,095</u>	<u>341,475</u>
<b>Total Cash Receipts</b>			
	<u>85,380</u>	<u>256,095</u>	<u>341,475</u>
<b>Cash Disbursements:</b>			
Current:			
Salaries/Benefits	35,737	287	36,024
Supplies	2,043		2,043
Equipment	36,817	93,233	130,050
Contract Services	16,441	43,254	59,695
Advertising and Printing	5,650		5,650
Travel and Meeting Expenses	445	475	920
Repairs	3,883		3,883
Communications	4,050		4,050
Miscellaneous	231	3,821	4,052
	<u>105,297</u>	<u>141,070</u>	<u>246,367</u>
<b>Total Cash Disbursements</b>			
	<u>105,297</u>	<u>141,070</u>	<u>246,367</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>(19,917)</u>	<u>115,025</u>	<u>95,108</u>
<b>Other Financing (Disbursements):</b>			
Other Uses		(113,176)	(113,176)
		<u>(113,176)</u>	<u>(113,176)</u>
<b>Excess of Cash Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<u>(19,917)</u>	<u>1,849</u>	<u>(18,068)</u>
<b>Fund Cash Balances, January 1 Restated, See</b>	<u>186,665</u>	<u>11,530</u>	<u>198,195</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$166,748</b></u>	<u><b>\$13,379</b></u>	<u><b>\$180,127</b></u>

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

**EMERGENCY MANAGEMENT AGENCY  
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Emergency Management Agency, Champaign County, (the EMA) was organized under Ohio Revised Code Section 5502.26 to establish a program for county wide emergency management operations. The EMA has a nine member executive committee appointed by a county wide advisory group. The executive committee consists of a county commissioner, seven chief executives representing the municipal corporations and townships and one non-elected representative. The executive committee appoints a director that is responsible for organizing, administering, and operating emergency management in accordance with the agency's established program.

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

**B. Basis of Accounting**

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The EMA recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

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

**C. Cash and Investments**

The Champaign County Auditor acts as the fiscal agent for the Emergency Management Agency (EMA) and the County Treasurer maintains a cash and investment pool used by all County funds. Because of the nature of the pool, all County funds are commingled; therefore the risk involved and the preferential claim of the EMA cannot be determined.

The Champaign County Auditor's records indicated the EMA's cash balances as of December 31, 2005 and 2004 were \$210,982 and \$180,127, respectively

**D. Fund Accounting**

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

**1. General Fund**

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The EMA had the following significant Special Revenue Funds:

**EMERGENCY MANAGEMENT AGENCY  
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Homeland Security Fund** – A state and federal reimbursement grant to be expended on emergency management expenditures related to terrorism training. These funds are administered under the Homeland Security Committee.

**Local Emergency Planning Committee Fund** – A state grant to prepare Champaign County for hazardous emergencies. These funds are administered under the Local Emergency Planning Committee.

**Mitigation Plan Fund** – A matching grant (75% state, 25% local) to prepare an All Hazard Mitigation Plan for Champaign County. These funds are administered under the Mitigation Planning Committee.

**E. Property, Plant, and Equipment**

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**F. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the EMA's basis of accounting

**2. PRIOR PERIOD ADJUSTMENT**

Reclassifications of grant activity resulted in the following prior period adjustment

	<b>General Fund</b>	<b>Special Revenue Funds</b>
12/31/03 ending balance previously reported:	\$171,699	\$26,526
Adjustment	<u>14,996</u>	<u>(14,996)</u>
12/31/03 restated ending balance	\$ 186,665	\$11,530

**3. RETIREMENT SYSTEMS**

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

The Ohio Revised Code also prescribes contribution rates. For 2005 and 2004, OPERS members contributed 8.5 percent of their gross salaries to OPERS. EMA contributed an amount equal to 13.55 percent of participants' gross salaries. The EMA has paid all contributions required through December 31, 2005.

**EMERGENCY MANAGEMENT AGENCY  
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**4. RISK MANAGEMENT**

**Commercial Insurance**

The EMA has obtained commercial insurance for the following risks:

- Comprehensive property and general liability.
- Vehicles.
- Errors and omissions.

The EMA also provides health insurance coverage to employees through Champaign County.

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Emergency Management Agency  
Champaign County  
1512 S. US Highway 68  
Suite C103  
Urbana, Ohio 43078

To the Executive Committee:

We have audited the financial statements of the Emergency Management Agency, Champaign County, (the EMA), as of and for the years ended December 2005 and 2004, and have issued our report thereon dated August 9, 2006, wherein we noted the EMA followed accounting practices the Auditor of State prescribes rather 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 EMA's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the EMA's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2005-002 through 2005-004.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We consider reportable condition 2005-002 listed above to be a material weakness. In a separate letter to the EMA's management dated August 9, 2006, we reported another matter involving internal control over financial reporting we did not deem a reportable condition.

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### **Compliance and Other Matters**

As part of reasonably assuring whether the EMA's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2005-001.

We intend this report solely for the information and use of management and the Executive Committee. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

August 9, 2006



**EMERGENCY MANAGEMENT AGENCY  
CHAMPAIGN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2005 AND 2004**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2005-001**

**Ohio Rev. Code 117.38** requires each public office to file their annual reports with the Auditor of State within 60 days of the fiscal year end. The report must be filed on forms prescribed by the Auditor of State. However, if the Auditor of State has not prescribed a form for the report, the public office shall submit its report on the form utilized by the public office. Any public office which does not file the report by the required date shall pay a penalty of twenty-five dollars for each day the report remains unfilled, not to exceed seven hundred fifty dollars. At the time the report is filed with the Auditor of State, the chief fiscal officer shall publish a notice in a local newspaper that the annual financial report has been completed and is available for inspection at the office of the chief fiscal officer.

The annual reports for 2004 and 2005 were not completed or filed with the Auditor of State's office nor was the annual report published in a local newspaper. To be in compliance, the Director should submit the annual financial statements to the Auditor of State's office and publish a notice in the local newspaper stating the statements are available upon request.

**FINDING NUMBER 2005-002**

**Grant Accounting System**

The Emergency Management Agency (EMA) should establish a monitoring system for each grant. EMA has several reimbursement grants that have budgets and matching requirements. The following weaknesses were noted:

- Overspent Mitigation grant and matching amount by \$8,980;
- Spent grant monies on unallowable expenses per grant agreement;
- Homeland Security Grant's revenue & expenditures were commingled with EMA monies;
- EMA does not track disposal of equipment purchased and distributed to other local agencies.

The above weaknesses resulted in the Mitigation Plan and Homeland Security Grant Funds being overspent and could result in federal fixed assets being disposed of improperly. The Director and management should do the following:

- EMA should develop a grant accounting system that tracks revenue, expenditures and grant balance;
- The Executive Committee should review financial activity, including grant transactions on a regular basis;
- The Board should review and approve all expenditures;
- Disposal of assets should be approved by the EMA;
- The Director should post all grant receipts to the proper fund and expenditures should be charged from the corresponding fund;
- The Director should review the grant agreement to verify expenditures are allowable before approval.

### **FINDING NUMBER 2005-003**

#### **Adoption of Cell Phone, Vehicle and Travel Policy**

The Emergency Management Agency provides personnel with cell phones and a government-owned vehicle for business purposes and reimburses travel expenses. However, the Agency has not adopted policies regarding these items which have resulted in the following:

- Meals reimbursed for up to \$98.18 per meal;
- Lodging reimbursed for up to \$210.04 per night;
- Several cell phone invoices were for additional minutes, up to \$273 per month, with no review indicating whether calls were personal or for business;
- The Agency's vehicle is being kept at the Director's home but no log is kept of the mileage or usage of the vehicle.

The Agency should adopt policies setting guidelines for the reimbursement for travel expenses which should include a maximum allowable amount and require receipts before payment. The vehicle policy should include a requirement of a log stating destination, date, number of miles, purpose. Gasoline purchases should also be recorded. Cell phone invoices should identify personal and business calls.

By adopting formal policies, the Agency can prevent unauthorized expenditures and misuse of government vehicles and equipment.

### **FINDING NUMBER 2005-004**

#### **Paying of Expenditures**

The Emergency Management Agency should only pay for goods and services from the original invoice after proper authorization.

The Agency does not have policies or procedures in place which resulted in the following:

- The Director approved his own reimbursements for gasoline, snacks, cell phone, meals, etc.;
- Invoices for cell phones, training and meeting expenses did not always include backup documentation;
- Gasoline is purchased from the County Engineer but not tracked to vehicle or personnel;
- Executive Committee does not always document the approval of specific expenditures in the minutes;
- Meeting expenditures were paid from a grant that does not allow said expenses.

To reduce the risk of fraud or misuse of funds, the Executive Committee should review and approve all expenditures in the minutes, especially the Director's expenses. Invoices or receipts should be required for all expenditures.

#### **Officials Response:**

We did not receive a response from officials for the above findings.

EMERGENCY MANAGEMENT AGENCY  
CHAMPAIGN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2005

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2003-001	Ohio Rev. Code Section 117.28, Finding for Recovery for \$121.13 for expenditures without supporting documentation.	Corrected	





**Auditor of State  
Betty Montgomery**

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**EMERGENCY MANAGEMENT AGENCY**

**CHAMPAIGN 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  
OCTOBER 17, 2006**