



OHIO AUDITOR OF STATE
KEITH FABER



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Outdoor Recreation Council of Appalachia
Athens County
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We have completed certain procedures in accordance with Ohio Rev. Code § 117.01(G) to the accounting records and related documents of the Outdoor Recreation Council of Appalachia, Athens County, Ohio (the Council) for the years ended December 31, 2020 and 2019.

Our procedures were designed solely to satisfy the audit requirements of Ohio Rev. Code § 117.11(A). Because our procedures were not designed to opine on the Council's financial statements, we did not follow *generally accepted auditing standards*. We do not provide any assurance on the Council's financial statements, transactions or balances for the years ended December 31, 2020 and 2019.

The Council's management is responsible for preparing and maintaining its accounting records and related documents. Our responsibility under Ohio Rev. Code § 117.11(A) is to examine, analyze and inspect these records and documents.

Based on the results of our procedures, we found the following significant compliance or accounting issues to report.

Current Year Observations

1. Ohio Rev. Code § 117.38 provides, in part, that each public office, other than a state agency, shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. Entities choosing not to file on a GAAP basis have 60 days following fiscal year-end to complete their submission. When due dates fall on a weekend, on a legal holiday or when the AOS is closed to the public, the submission will be due the next business day. An entity failing to comply with the filing requirements may be subject to non-compliance citations and penalties established by the Revised Code.

The Council filed the 2020 and 2019 annual financial reports in the Hinkle System on October 25, 2021 and December 1, 2021, respectively, which was not within 60 days of fiscal year end. Failure to provide timely the complete required annual financial report can limit transparency of the Council to the public.

The Board or the Executive Director should certify the annual financial statements and file them with the Auditor of State within 60 days following the last day of the Council's fiscal year, unless a waiver is obtained.

2. Ohio Rev. Code § 149.43(E)(2) provides that every public office must have a policy in place for responding to public records requests. Generally, a public records policy cannot: (1) limit the number of public records the office will make available to a single person; (2) limit the number of public records the office will make available during a fixed period of time; and (3) establish a fixed period of time before the office will respond to a request for inspection/copying of public records

Current Year Observations (Continued)

2. Ohio Rev. Code § 149.43(E)(2) (Continued)

unless that period is less than eight hours. However, pursuant to Ohio Rev. Code § 149.43(B)(7)(c), the policy may limit the number of public records the public office will physically deliver by U.S. Mail or other delivery service to ten per month unless the person certifies to the office in writing that the person does not intend to use or forward the requested records, or the information contained in them, for commercial purposes. "Commercial" is narrowly construed and does not include reporting or gathering news, reporting or gathering information to assist citizen oversight or understanding of the operation or activities of government, or nonprofit educational research.

Ohio Rev. Code § 149.43(E)(2) further requires all public offices take certain actions with regard to their public record policy. Public offices must distribute their Public Records Policy to the employee who is the records custodian/manager or otherwise has custody of the records of that office and have that employee acknowledge receipt of the Public Records Policy; create and display in a conspicuous place in all locations where the public office has branch offices a poster describing the public records policy; and, if the public office has a manual or handbook of its general policies and procedures for all employees, include the public records policy in that manual or handbook.

Ohio Revised Code § 149.43(B)(2) indicates the entity shall have available a copy of its current records retention schedule at a location readily available to the public. The auditor of state, in the course of an annual or biennial audit of a public office pursuant to Ohio Revised Code Chapter 117 shall audit the public office for compliance with this section and division (B) of Ohio Revised Code § 149.43.

The Council has no formal written policy over public records or records retention that would demonstrate compliance with the Ohio Revised Code. This could result in records requests not being fulfilled in accordance with Ohio law.

The Council shall establish a public records policy. The policy shall be distributed to the records custodian/manager and the Council should have a written acknowledgement of receipt from the records custodian/manager. In addition, a poster describing the public records policy must be conspicuously displayed in all of the Council's branch offices and the public records policy must be included in policy manuals or handbooks if any exist. Pursuant to Ohio Rev. Code § 109.43(E)(2), the Ohio Attorney General has developed and provided to all public offices a model public records policy for responding to public records requests. The policy, which is available at <https://www.ohioattorneygeneral.gov/Files/Government-Entities/Model-Public-Records-Policy.aspx>, provides guidance to public offices in developing their own policies for responding to public records requests in compliance with the Public Records Act.

Further, the Council should approve a records retention policy based on guidance in Ohio Revised Code § 149.43 and Auditor of State Bulletin 2007-014.

3. State ex. Rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically, the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialize by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper "Public Purpose" states that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

Current Year Observations (Continued)

3. State ex. Rel. McClure v. Hagerman, 155 Ohio St. 320 (1951)(Continued)

From December 8, 2020 to December 15, 2020, the recorded fund balance of the Council was negative which corresponded to a negative bank balance in one of the Council's bank accounts. This resulted in a \$35 nonsufficient funds (NSF) charge to the Council on December 9, 2020 which does not serve a proper public purpose and could result in findings for recovery in future audits.

Council management should establish and implement procedures to verify disbursements do not exceed fund balance.

4. 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 Executive Director is responsible for reconciling the book (fund) balance to the total bank balance on a monthly basis, and the Board is responsible for reviewing the reconciliations and related support.

Formal monthly bank to book reconciliations were not prepared or reviewed each month of 2020 after the account was opened in May 2020. The Executive Director did track expenditures in an excel spreadsheet and compare those to bank statements for one bank account. Failure to reconcile monthly increases the possibility that the Council 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 Executive Director should record all transactions and prepare monthly bank to book cash reconciliations for all accounts, which include all bank accounts and all fund balances. Variances should be investigated, documented and corrected. In addition, the Board should review the monthly cash reconciliations including the related support (such as reconciling items) and document the reviews.

5. In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

In addition, all local public offices shall 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 rule 117-2-03 of the Administrative Code.

Current Year Observations (Continued)

The Council held two bank accounts but only recorded activity in its accounting excel spreadsheet that cleared one of those bank accounts. This resulted in an understatement of receipts and disbursements of \$49,100 and \$49,000, respectively, in the annual financial report filing.

All activity of the Council should be accounted for in the Council's accounting system and annual financial report filed in the Hinkle.



Keith Faber
Auditor of State
Columbus, Ohio

March 22, 2022

OHIO AUDITOR OF STATE KEITH FABER



OUTDOOR RECREATION COUNCIL OF APPALACHIA COUNCIL OF GOVERNMENTS

ATHENS COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 4/5/2022

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This report is a matter of public record and is available online at
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