



OHIO AUDITOR OF STATE
KEITH FABER



**PIKE COUNTY CONVENTION AND VISITORS BUREAU
PIKE COUNTY
DECEMBER 31, 2018 AND 2017**

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OHIO AUDITOR OF STATE KEITH FABER



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REPORT ON THE FINANCIAL STATEMENTS, INTERNAL CONTROL, AND COMPLIANCE

Pike County Convention and Visitors Bureau
Pike County
P.O. Box 134
Waverly, Ohio 45690

To the Board of Trustees:

We have selectively tested certain accounts, financial records, reports and other documentation of the Pike County Convention and Visitors Bureau, Pike County, (the Bureau), as of and for the years ended December 31, 2018 and 2017. These procedures were designed to satisfy the audit requirements of Section 117.11, Ohio Rev. Code, and Section 117-4-02, Ohio Admin. Code. Our engagement was not designed as a basis to opine on the accompanying financial statements, internal control over financial reporting, or compliance. We therefore express no opinions on these matters.

Internal Control Over Financial Reporting

Certain of the aforementioned tests relate to internal control over financial reporting. The results of those tests may allow us to identify internal control deficiencies. An internal control deficiency exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements, whether caused by error or fraud.

Our internal control tests were not designed to identify all internal control deficiencies that might exist. Therefore, unidentified weaknesses may exist. However, we consider findings 2018-001 through 2018-009 and 2018-013 through 2018-014 reported in the Schedule of Findings to be internal control deficiencies management and those charged with governance should address.

Compliance and Other Matters

We also tested compliance with certain provisions of laws, regulations, contracts, and grant agreements, applicable to the Bureau, noncompliance with which could directly and materially affect the determination of financial statement amounts. The results of our tests disclosed instances of noncompliance we believe could directly and materially affect the determination of financial statement amounts that we reported in the Schedule of Findings as items 2018-001, 2018-004 through 2018-005, 2018-010 through 2018-012, and 2018-015 through 2018-018.

Other Matters

The Auditor of State is conducting an investigation. As of the date of this report, the investigation is ongoing. Dependent on the results of the investigation, results may be reported at a later date.

As discussed in Note 7 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Bureau. We also noted that the Pike County Commissioners intend to withdraw their funding of the Bureau.

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

Keith Faber
Auditor of State
Columbus, Ohio
January 5, 2022

PIKE COUNTY CONVENTION AND VISITORS BUREAU

Pike County, Ohio

Statement of Receipts, Disbursements

and Changes in Fund Balances (Regulatory Cash Basis)

For the Years Ended December 31, 2017 and 2018

	2017	2018	Totals (Memorandum Only)
Cash Receipts			
Unclassified	\$ 97,094	\$ 102,496	\$ 199,590
<i>Total Cash Receipts</i>	<u>97,094</u>	<u>102,496</u>	<u>199,590</u>
Cash Disbursements			
Current:			
Unclassified	94,983	112,338	207,321
<i>Total Cash Disbursements</i>	<u>94,983</u>	<u>112,338</u>	<u>207,321</u>
<i>Net Change in Fund Cash Balances</i>	2,111	(9,842)	(7,731)
<i>Fund Cash Balances, January 1, as restated (Note 6)</i>	<u>9,503</u>	<u>11,614</u>	<u>21,117</u>
Fund Cash Balances, December 31			
Nonspendable	-	-	-
Restricted	11,449	504	11,953
Unassigned (Deficit)	<u>165</u>	<u>1,268</u>	<u>1,433</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 11,614</u>	<u>\$ 1,772</u>	<u>\$ 13,386</u>

See accompanying notes to the basic financial statements

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PIKE CONVENTION AND VISITORS BUREAU

Pike County

Notes to the Financial Statements

For the Years Ended December 31, 2017 and 2018

Note 1 – Summary of Significant Accounting Policies

Organization

The Pike County Convention and Visitors Bureau (the Bureau) is a nonprofit organization which promotes travel and tourism in Pike County, Ohio. The organization is funded by an excise tax on lodging of transient guests within Pike County. The Bureau is governed by a Board of Trustees composed of at least ten members appointed by members of the Bureau's Board of Trustees.

Basis of Presentation

The Bureau's financial statement consists of a statement of receipts, disbursements and changes in fund balances (regulatory cash basis). The financial statement is prepared on the basis of cash receipts and disbursements. Consequently, support and revenue are recognized when received, and expenses are recognized when paid.

Excise tax on lodging is recognized by the Bureau as it is received from Pike County, and may not represent all revenue that is actually due from the lodging establishments. Pike County is solely responsible for collection of the tax.

Fund Accounting

The Bureau maintains its financial records using one fund. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Deposits

The Bureau had four checking accounts during the audit period.

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Bureau must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

PIKE CONVENTION AND VISITORS BUREAU

Pike County

Notes to the Financial Statements

For the Years Ended December 31, 2017 and 2018

Nonspendable The Bureau classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. The Bureau did not have any nonspendable fund balance classifications during 2017 and 2018.

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions. The Bureau did not have any restricted fund balance classifications during 2017 and 2018.

Committed Trustees can *commit* amounts via formal action (resolution). The Bureau must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements. The Bureau did not have any committed fund balance classifications during 2017 and 2018.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Bureau Trustees or a Bureau official delegated that authority by resolution, or by State Statute. The Bureau did not have any assigned fund balance classifications during 2017 and 2018.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Bureau applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 2 – Deposits

The Bureau maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at December 31 was as follows:

	2017	2018
Demand deposits	<u>\$11,614</u>	<u>\$1,772</u>

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

Note 3 - Social Security

The Bureau's employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. Employees contributed 6.2 percent of their gross salaries. The Bureau contributed an amount equal to 6.2 percent of participants' gross salaries.

PIKE CONVENTION AND VISITORS BUREAU

Pike County

Notes to the Financial Statements

For the Years Ended December 31, 2017 and 2018

Note 4 - Hotel and Lodging Bed Tax and Concentration of Risk

The Bureau received excise tax on lodging establishments which represented 87 percent of total revenues in 2017 and 82 percent in 2018. At December 31, 2018, all lodging establishments were current in remitting the excise tax. A reduction in this tax could have a significant impact on the operations of the CVB.

Note 5 – Debt

The changes in the CVB's credit card debt during 2017 were as follows:

	Amount Outstanding			Amount Outstanding
	12/31/2016	Additions	Deletions	12/31/2017
US Bank Cash Flow Manager	\$ 9,806	\$ 5,157	\$ 5,267	\$ 9,696
US Bank Business Platinum VISA Card	5,011	1,655	1,952	4,714
Total	\$ 14,817	\$ 6,812	\$ 7,219	\$ 14,410

The changes in the CVB's credit card debt during 2018 were as follows:

	Amount Outstanding			Amount Outstanding
	12/31/2017	Additions	Deletions	12/31/2018
US Bank Cash Flow Manager	\$ 9,696	\$ 2,335	\$ 2,226	\$ 9,805
US Bank Business Platinum VISA Card	4,714	1,686	2,157	4,243
Total	\$ 14,410	\$ 4,021	\$ 4,383	\$ 14,048

The interest rate for the Cash Flow Manager ranged from 9.75% to 10.25% in 2017 and 10.5% to 11.25% in 2018.

The interest rate for the Business Platinum Visa Card for purchases ranged from 29.24% to 28.99% and the interest rate on cash advances ranged from 23.99% to 28.99%.

Note 6 – Prior Period Restatement

The Bureau did not include all accounts in the December 31, 2016 ending fund, therefore the beginning fund balance in 2017 was restated to reflect that difference. The difference was \$2,086.

PIKE CONVENTION AND VISITORS BUREAU

Pike County

Notes to the Financial Statements

For the Years Ended December 31, 2017 and 2018

Fund Balance at December 31, 2016	\$ 7,417
Adjustment for Jingle Bell Account	(490)
Adjustment for Appalachian Trail Account	2,576
Fund Balance at January 1, 2017	<u>\$ 9,503</u>

Note 7 – Subsequent Events

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Bureau. The impact on the Bureau's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

On July 20, 2020, the Board of the Pike County Commissioners passed Resolution 504-20 which stated in part, "the portion of the County Lodging Tax approved by the Board of Commissioners pursuant to Section 5739.09 of the Ohio Revised Code, that has been previously distributed to the Pike County Convention and Visitors Bureau be directed to the Pike County Chamber of Commerce." This will have a significant impact on the future operations of the Bureau.

**PIKE COUNTY CONVENTION AND VISITORS BUREAU
PIKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017**

FINDING NUMBER 2018-001

Noncompliance / Internal Control Deficiency

Segregation of Duties / Governing Board Monitoring

Ohio Admin. Code § 117-2-01(D)(4) states that when designing the public office's system of internal control and the specific control activities, management should plan for adequate segregation of duties or compensating controls.

The size of the Bureau's staff did not allow for an adequate segregation of duties; the Bureau's Executive Director performed all accounting functions, including receipting, depositing, disbursing, and reconciling. It is therefore important that the Bureau's Board of Trustees should have monitored financial activity closely. Due to a lack of adequate policies and procedures regarding financial information monitoring and segregation of duties, the Executive Director did not provide the Board with financial reports to review. The Executive Director did not prepare and present checks to the Board prior to payment, and only the Executive Director's signature was required on the checks. Minute records did not show evidence that the Board approved bills to be paid. Bank reconciliations were not completed by the Executive Director and reviewed and approved by the Board.

The Board should implement policies regarding the review of detailed financial reports and bank reconciliations on a monthly basis. The reviews should be documented in the minute record and/or initialed and dated as reviewed. The Board should also make appropriate inquiries to help determine the continued integrity of financial information. Appropriate inquiries would include:

- Are current receipts and balances sufficient to cover expenditures?
- Are receipts and expenditures in line with prior years?
- If unusual fluctuations in receipts or expenditures occur, is the reason understood?
- Are anticipated receipts being received in a timely manner?

The information obtained as a result of such reviews and inquiries will provide important data necessary to properly monitor the activity of and manage the Bureau.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2018-002

Internal Control Deficiency

Establishment of Policies and Procedures

When designing the public office's system of internal control, management should consider taking steps to ensure officials and employees are provided with policies and procedures so that they have a sufficient understanding to perform job duties as expected.

**FINDING NUMBER 2018-002
(Continued)**

The Bureau did not have a policies and procedures manual to cover travel and mileage reimbursements, expense reimbursements, and leave accrual and usage. These policies should, at a minimum, identify guidelines for allowable travel, allowable expenses to be reimbursed, amount per mile to be reimbursed, method of reimbursement, specific unallowable reimbursement, appropriate documentation for reimbursement, appropriate documentation for leave usage, rate of leave accrual reporting, monitoring by appropriate levels of management, and other guidelines the legislative body deems appropriate.

Without documented policies and procedures, the Bureau increases the risk that payments may be for unallowable purposes or for incorrect amounts and payments for leave and leave balances may be inaccurate. Lack of documented policies and procedures also increases the risk that errors, theft or fraud will occur and not be detected in a timely manner.

The Bureau should develop and implement internal documented policies and procedures for travel reimbursement, expense reimbursements and leave.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2018-003

Internal Control Deficiency

Reconciliations

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 are responsible for reviewing the reconciliations and related support. The Executive Director did not maintain a full and accurate cash journal for the engagement period that could be reconciled to the bank.

Monthly bank to book reconciliations were not prepared or reviewed each month of 2018 and 2017. Failure to reconcile monthly increases the possibility that the Bureau 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 Bureau 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, the Board should review the monthly cash reconciliations including the related support (such as reconciling items) and document the reviews.

Officials' Response:

We did not receive a response from Officials to this finding.

**FINDING NUMBER 2018-004
(Continued)**

Noncompliance / Internal Control Deficiency

Accounting Records

Ohio Admin Code § 117-2-02(A) requires all local public offices to 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, document compliance with finance-related legal and contractual requirements and prepare financial statements.

Ohio Admin Code §117-2-02-(C) provides that vouchers may be used as a written order authorizing the drawing of a check in payment of a lawful obligation of the public office. Each voucher shall contain the date, purchase order number, the account code, amount, approval, and any other required information. The local office should also attach the supporting documentation to the voucher, such as vendor invoices.

Ohio Admin Code § 117-2-02(D) provides that all local public offices may maintain accounting records in a manual or computerized format. Such records should include the following:

1. Cash journal, which typically contains the following information: the amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transaction.
2. Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund the public office uses. The amount, date, name of payor, purpose, receipt number, and other information required for such transactions to be recorded on this ledger.
3. Appropriation ledger, which assembles and classifies disbursements or expenditures/expenses into separate accounts for, at a minimum, each account listed in the appropriation resolution. The amount, fund, date, check number, purchase order number, encumbrance amount, unencumbered balance, amount of disbursement, uncommitted balance of appropriations and any other information required may be entered in the appropriate columns.
4. In addition, all local public offices should maintain payroll records including a payroll journal that records, assembles and classifies by pay period the name of the employee, the employee's identification number, hours worked, wage rates, pay date, withholdings by type, net pay, and other compensation paid to an employee, and the fund and account charged for the payments.

The following deficiencies existed in the accounting records:

- The Bureau did not maintain a receipts ledger or an appropriation ledger that classified receipts and disbursements by accounts.
- The Bureau did not maintain a complete payroll ledger for the entire engagement period.
- The Bureau did not use pre-numbered duplicate receipts.
- The Bureau did not use vouchers.
- The Bureau did not maintain the accounting records in such a manner that allowed the presentation of financial statements in a classified format as required by the Ohio Administrative Code.

**FINDING NUMBER 2018-004
(Continued)**

Failure to properly maintain accounting records could result in inaccurate amounts being reported by the Bureau on their annual financial report. Also, not having complete and accurate accounting records increases the risk of spending more than is available. Officials need to have complete and accurate accounting records in order to make informed management decisions.

The Bureau should implement the appropriate procedures to ensure that financial records are sufficiently maintained in order to properly present financial statements in the required format. Additionally, the Executive Director should properly maintain the accounting records and reconcile the cash journal to the bank balances and to the receipts ledger and appropriation ledger monthly.

Using these accounting records will provide the Bureau with information to prepare annual reports in the format required by the Ohio Administrative Code.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2018-005

Noncompliance / Internal Control Deficiency

Supporting Documentation

Maintaining organized documentation and support for financial transactions is essential in assuring the Bureau's financial statements are not materially misstated and that all expenditures are made for a proper public purpose. Additionally, **Ohio Rev. Code § 149.351** requires all records that are the property of the public office shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided for under Ohio Rev. Code §§149.38 through 149.42.

Of the 926 transactions tested, we identified 414 transactions where the Bureau did not obtain proper documentation for credit card, business checking account, Jingle Bell account, Bicentennial account and Appalachian Trail account transactions. We were able to perform alternative engagement procedures to gain the necessary engagement assurances to determine that \$35,754 of the \$54,675 transactions with no supporting documentation were expended for a proper public purpose. Transactions for which the Bureau could not provide evidence that they were for a proper public purpose resulted in findings for recovery (see Finding Numbers 2018-017 and 2018-018).

All expenditures should be supported by adequate documentation to show the amount paid was for a proper public purpose. Failure to maintain underlying documentation and support of financial transactions can increase the risk of fraud, result in financial statement misstatements, and expenditures that are not for a proper public purpose. Expenditures deemed to not be for a proper public purpose could result in findings for recovery being issued.

Also, of the 81 receipts tested, we identified 52 receipts for which the Bureau did not maintain proper documentation. All receipts should be supported by adequate documentation to show the amount received was properly deposited and accounted for.

The Bureau should develop policies and procedures outlining the security of all records or take a written inventory of all records noting the records description and location. All records should be maintained orderly in a secure central location, such as locked file cabinets or in a locked office, with access limited to specific officials and/or personnel. Disposal of records should only be made in accordance with an approved records retention schedule.

**FINDING NUMBER 2018-005
(Continued)**

Furthermore, the Executive Director should keep supporting documentation for all transactions.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2018-006

Internal Control Deficiency

Financial Reports

Accurate financial reporting is a key component of an effective accounting system required to enable the Bureau to properly classify transactions, maintain accountability for funds, distribute funds accurately, and detect fraud and errors in a timely manner.

The annual financial report should contain the following: (A) amount of collections and receipts; (B) amount of expenditures for each purpose; and (C) amount of public debt, the purpose of the debt, and how the debt will be repaid.

Due to inadequate policies and procedures over financial reporting the Bureau did not prepare annual financial statements for either of the years of the engagement. The Auditor of State compiled financial statements based on ledgers provided by the Bureau.

Failure to prepare annual financial statements in a timely manner after the fiscal year-end could be a symptom of an inadequate accounting system, inadequate training of personnel in understanding the accounting and reporting process, unposted or unreconciled records or other significant issues affecting the control environment, and may even pose fraud risks.

The lack of financial statements makes it difficult for management to monitor financial performance and impossible for the Bureau to be transparent to the public in its financial activity.

The Executive Director should prepare annual financial statements in a timely manner. Further, the Bureau should establish an accounting system capable of accurate financial reporting. All the Bureau's officials should obtain the necessary training needed to obtain an understanding in accounting information and reporting to help with the understanding of these financial statements.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2018-007

Internal Control Deficiency

Minute Records

The minutes of a public meeting of a public body must be "full and accurate." The minutes must state sufficient facts and information to permit the public to understand and appreciate the rationale behind the public body's decisions. See State ex rel. White v. Clinton County Board of Commissioners (76 Ohio St. 3d 416) and State ex rel. Long v. Council of the Village of Cardington (92 Ohio St. 3d 54).

**FINDING NUMBER 2018-007
(Continued)**

Due to insufficient policies and procedures, the following conditions related to the minutes were noted:

- For the period of January 1, 2017 through December 31, 2018, minutes were provided for only 5 meetings. No documentation was provided to determine how many meetings were held during our engagement period.
- Prior meeting minutes were not always approved or accepted during Board meetings.
- Minutes were not always signed.
- Votes on official business were not always taken. When votes were taken, roll call was not documented.
- Bills were not always approved for payment by the Board and no listing of the bills was provided in the minutes.
- Salaries and hourly wages were not approved.
- Financial reports were not always accepted and approved and copies were not included in the minute record.
- Executive Session was held with no reasoning nor any vote to enter or exit Executive Session.

As the Board speaks through its record of proceedings, the Bureau should maintain an accurate record of all Board meetings and actions. All votes taken should be accurately documented with roll call. Properly documenting all Board actions will help to assure the Bureau that a complete and accurate record of Board proceedings is maintained.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2018-008

Internal Control Deficiency

Credit Card Policy

If an entity has authority to secure and to use a credit card, the governing board should create and adopt a credit card use policy to strengthen and to maintain internal controls over credit card transactions.

Due to the Bureau's lack of a credit card policy to provide guidance regarding what type of expenses are allowable, the following conditions were identified related to credit card usage by the Bureau:

- The Bureau did not maintain any supporting documentation for 141 credit card expenditures totaling \$5,642. We were able to perform alternative engagement procedures to determine that \$1,594 was expended for a proper public purpose.

Failure of the Bureau to provide guidance regarding required supporting documentation, allowable expenses, and review of charges for reasonableness resulted in purchases that were not for proper public purpose (see Finding Number 2018-018). The absence of an appropriate policy and thorough monitoring of this activity increases the risk of unauthorized and/or otherwise improper expenditures that do not further the public purpose of the entity and are likely to result in engagement findings or other sanctions.

**FINDING NUMBER 2018-008
(Continued)**

The Bureau should adopt and implement a credit card policy and develop written procedures that could include the following provisions:

- Designation of the person or persons who are empowered to authorize and approve credit card transactions;
- The names and job titles of officers or employees who are authorized to use the cards;
- Limits on the total dollar amount each authorized card user may incur as part of any individual transaction;
- A clear indication that the credit card may be used only for official business and for the benefit of the public entity;
- The disciplinary action or range of disciplinary actions which may be taken in the instances in which the credit card is utilized for other than a proper public expenditure/purpose or in violation of the entity's policies and procedures;
- A prohibition of cash withdrawals;
- A description of the documents which are to be created or secured, and maintained so as to create and preserve an appropriate audit trail;
- A statement signed by each potential card user acknowledging that he/she has read, understands and agrees to abide by the credit card policy;
- A requirement that the cardholders cannot benefit through any type of awards program offered in connection with credit card use (e.g., frequent flier miles), and;
- A stipulation that cardholders immediately notify their direct supervisor if the credit card is lost or stolen.

Additionally, review procedures should be implemented that include a detailed examination of charges and resolution of questioned items.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2018-009

Internal Control Deficiency

Payroll Disbursements

All public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance for the safeguarding of public funds. Weaknesses noted in the internal controls over payroll disbursements, due to inadequate payroll documentation policies and procedures, are as follows:

- The Bureau did not formally authorize the salary for the Executive Director in a contract or in the Board minutes.

FINDING NUMBER 2018-009
(Continued)

- The Bureau has employees that have verbally been identified as contracted employees. However, no contracts were made available for review.
- Time sheets were not always provided to determine employees were paid for correct time worked.
- Two signatures were not always present on payroll checks.
- Gross/Net Pay did not always agree to timesheet.
- For one pay check, no withholdings were withheld for the Executive Director.
- 2 employees were over paid in 2017 and one in 2018 in amounts ranging from \$75 to \$195. (see Finding Numbers 2018-015 and 2018-016)

Failure to design and implement sufficient controls over the disbursements of public funds increases the risk that loss or misappropriation of funds could occur and not be detected in a reasonable time period. To improve controls over payroll disbursements, the Board should:

- Document employees' salaries in a contract and approve the contract and salary amounts in the minutes.
- Determine which employees are actual employees of the Bureau and which are considered independent contractors.
- Appropriate tax forms should be completed and appropriate taxes should be withheld and remitted for all determined to be employees.
- Require 1) employees document time worked for each pay period, 2) a supervisor's signature as documentation of review and approval on the timesheets, and 3) maintain these items on file.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2018-010

Noncompliance

Federal Payroll Taxes

Section 278, Public Law 97-248, H. R. 4961 states that Medicare should be deducted from employees' compensation for all employees hired after March 31, 1986. Furthermore, employers are liable for reporting and remitting these taxes.

26 U.S.C. § 3402(a)(1) states in general, except as otherwise provided in this section, every employer making payment of wages shall deduct and withhold upon such wages a tax determined in accordance with tables or computational procedures prescribed by the Secretary.

26 U.S.C. § 3403 states that the employer shall be liable for the payment of the tax required to be deducted and withheld under this chapter, and shall not be liable to any person for the amount of any such payment.

FINDING NUMBER 2018-010
(Continued)

During the engagement period the Bureau withheld social security, federal tax and Medicare from employees; however, \$13,121 of the amounts that were withheld was not remitted to the Internal Revenue Service as of December 31, 2018 due to insufficient policies and procedures at the Bureau. There was also no evidence that the \$22,773.64 reported in the prior engagement covering 2013-2016 was remitted to the Internal Revenue Services. The total withheld was \$35,894.64. The fund balance of the Bureau at December 31, 2018 was \$1,772, which is insufficient to remit the amount owed to the Internal Revenue Service.

Failure to promptly remit employment related taxes could result in unnecessary payments and penalties and interest.

The Bureau should monitor payroll data to determine withholdings are paid in a timely manner.

This matter will be referred to the Internal Revenue Service.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2018-011

Noncompliance

State Payroll Taxes

Ohio Rev. Code § 5747.06 requires the employing government to withhold state income taxes. It also requires the government to report and remit those tax matters to the appropriate tax authorities and to the recipients. The Executive Director appears to have withheld the required state payroll taxes for both 2017 and 2018; however, there was no evidence they paid the taxes in 2017 and/or 2018 nor submitted the required annual reports as required by the State of Ohio. Failure to file and pay the required tax could result in penalties and interest levied against the Bureau.

The Executive Director should file the required reports when completing the last payroll of the year to avoid interest and penalties.

This matter will be referred to the Ohio Department of Taxation.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2018-012

Noncompliance

W-2 and 1099 Forms

26 C.F.R. Sections 1.6041-1 and 1.6041-2 require the employing government to report certain payments of compensation on either a Form 1099 or a Form W-2.

The Executive Director did not issue either a Form 1099 or a Form W-2 to any contactors or employees for the period January 1, 2017 through December 31, 2018 due to insufficient payroll policies and procedures.

The Bureau could incur penalties and interest due to the non-filing of the above noted forms.

**FINDING NUMBER 2018-012
(Continued)**

The Executive Director should prepare and distribute the above noted forms in a timely manner to help ensure compliance with applicable laws and regulations and to avoid interest and penalties.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2018-013

Internal Control Deficiency

Check Images

Auditor of State (AOS) Bulletin 2004-010 states an auditor can regard electronic imaging of checks as evidence when performing an engagement. The Bulletin provides, in part, that a bank may use the electronic image to create a "substitute check" for a bank that chooses to continue receiving paper checks. This substitute check has the same legal effect as the original paper check. A substitute check is a paper reproduction of the original check that: contains an image of the front and back of the original check; bears a magnetic ink character recognition (MICR) line containing all of the information appearing on the original check's MICR line, with certain exceptions; conforms, in paper stock, dimension, and otherwise, with generally applicable banking industry standards for substitute checks; and is as suitable for automated processing as the original check. A substitute check that meets these requirements and bears the following legend is considered to be the legal equivalent of the original paper check.

For governments that do not receive their canceled original or substitute checks, AOS suggests these governments request that their banks send images of the front and back of all issued checks. This will enable governments to review and scrutinize the transactions and ensure that the payees as well as the various endorsements are appropriate. As monthly bank statements are received, reconciliation between check numbers and the amounts paid should be conducted promptly. If questionable items are identified, governments should immediately request their bank investigate these items for possible adjustment to the government's account.

Furthermore, a government may want to request a substitute check or the best available source document from the bank (e.g., copy of the front and back of the check) when a questionable item is identified that requires investigation.

Throughout the engagement period, the bank provided optical imaging of the front side of each canceled check. For all of the engagement period, in the Jingle Bell, Bicentennial and Appalachian Trail bank accounts, the bank did not provide optical images of the reverse side of the canceled checks for the disbursements. By not having the reverse side of the check, it is not possible to ensure that the payees as well as the various endorsements are appropriate. This could result in a lack of sufficient audit evidence or could result in a failure to follow the records retention laws.

The Executive Director should consult with the bank to have the bank provide images of both the front and reverse side of each canceled check for disbursements. As an alternative, the bank could send the original canceled checks back to the Bureau.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2018-014

Internal Control Deficiency

Payment from Wrong Accounts

Accurate financial reporting is a key component of an effective accounting system required to enable the Bureau to properly classify transactions, maintain accountability for funds, distribute funds accurately, and detect fraud and errors in a timely manner.

The Bureau has only one operating fund; however, they maintain several bank accounts for specific events. The Bureau inappropriately expended money from the main operating bank account for activities related to the Jingle Bell festival in the amount of \$10,813. The Bureau also inappropriately expended money from the Jingle Bell Parade account for activities that should be paid from the main operating account in the amount of \$252.

The lack of controls over the posting of financial transactions decreases the reliability of financial data at year-end and can result in undetected errors and irregularities. The Bureau should implement controls to help ensure all transactions are reviewed to help ensure posting to the proper funds.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2018-015

Noncompliance / Finding for Recovery

Overpayment

Ohio Rev. Code Section 5739.09(A)(2) restricts the Bureau to spending lodging tax specifically for promotion, advertising, and marketing of the region in which the county is located.

1983 Op. Att'y. Gen. No. 83-054 and 2003 Op. Att'y. Gen. No. 2003-039, provide added support that a convention and visitors bureau must use public monies for the public purposes of conventions and tourism.

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 memorialized 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.

Kelsie Stark was contracted by the Bureau as office help with a rate of \$10 per hour. On February 8, 2017 Ms. Stark's time sheet showed that she worked 26 hours, thus should have been paid \$260. Ms. Stark was incorrectly paid \$360, a \$100 overpayment. In addition, on November 6, 2017, Ms. Stark's time sheet showed that she worked 8.5 hours, thus should have been paid \$85. Ms. Stark was incorrectly paid \$80.50, a \$4.50 underpayment. (see Finding Number 2018-009)

In accordance with the forgoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Kelsie Stark in the amount of \$95 and in favor of the Pike County Convention and Visitor's Bureau's operating fund.

**FINDING NUMBER 2018-015
(Continued)**

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.* (1929), 120 Ohio St. 47; 1980 Op. Att’y Gen. No. 80-074; Ohio Revised Code Section 9.39; *State, ex. Rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att’y Gen. No. 80-074.

Sharon Manson, former Executive Director, who signed the checks resulting in the finding, is jointly and severally liable in the amount of \$95 and in favor of the Pike County Convention and Visitor’s Bureau’s operating fund.

The Bureau should draft, approve, and implement policies and procedures requiring proper support for all transactions including time sheets. Approval of such policies and procedures should be memorialized in the minutes.

Officials’ Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2018-016

Noncompliance / Finding for Recovery

Overpayment

Ohio Rev. Code Section 5739.09(A)(2) restricts the Bureau to spending lodging tax specifically for promotion, advertising, and marketing of the region in which the county is located.

1983 Op. Att’y. Gen. No. 83-054 and 2003 Op. Att’y. Gen. No. 2003-039, provide added support that a convention and visitors bureau must use public monies for the public purposes of conventions and tourism.

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 memorialized 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. .

Jessica Harris was contracted by the Bureau as office help with a rate of \$10 per hour. On July 13, 2017 Ms. Harris’ time sheet showed that she worked 19 hours, thus should have been paid \$190. Ms. Harris was incorrectly paid \$265, a \$75 overpayment. In addition, on April 10, 2018, Ms. Harris’ time sheet showed that she worked 12.5 hours, thus should have been paid \$125. Ms. Harris was incorrectly paid \$320, a \$195 overpayment. (see Finding Number 2018-009)

In accordance with the forgoing facts and pursuant to Ohio Rev.- Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Jessica Harris in the amount of \$270 and in favor of the Pike County Convention and Visitor’s Bureau’s operating fund.

FINDING NUMBER 2018-016
(Continued)

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.* (1929), 120 Ohio St. 47; 1980 Op. Att’y Gen. No. 80-074; Ohio Revised Code Section 9.39; *State, ex. Rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att’y Gen. No. 80-074.

Sharon Mansion, former Executive Director, who solely signed a check resulting in \$75 of the finding, is secondarily liable in the amount of \$75 and in favor of the Pike County Convention and Visitor's Bureau's operating fund.

Also, Sharon Mansion, former Executive Director, and Julia Dixon, Trustee, who jointly signed one check resulting in \$195 of the finding, are secondarily jointly and severally liable in the amount of \$195 and in favor of the Pike County Convention and Visitor's Bureau's operating fund.

The Bureau should draft, approve, and implement policies and procedures requiring proper support for all transactions including time sheets. Approval of such policies and procedures should be memorialized in the minutes.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2018-017

Noncompliance / Finding for Recovery

Checking Account Expenditures

Ohio Rev. Code Section 5739.09(A)(2) restricts the Bureau to spending lodging tax specifically for promotion, advertising, and marketing of the region in which the county is located.

1983 Op. Att’y. Gen. No. 83-054 and 2003 Op. Att’y. Gen. No. 2003-039, provide added support that a convention and visitors bureau must use public monies for the public purposes of conventions and tourism.

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 memorialized 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. The Bulletin further states that the Auditor of State’s Office does not view the expenditure of public funds for alcoholic beverages as a proper public purpose and will issue findings for recovery for such expenditures as manifestly arbitrary and incorrect.

Due to insufficient policies and procedures, the Bureau did not provide supporting documentation for the following expenditures. We were unable to determine whether these expenditures were for a proper public purpose: (see Finding Number 2018-005)

**FINDING NUMBER 2018-017
(Continued)**

- Executive Director Sharon Manson was paid for \$5,832 as reimbursement for business expenses, however no receipts were provided to document her expenses.
- The Bureau did not provide support to document proper public purpose for electronic transactions including withdrawals and overdraft fees totaling \$4,923.
- The Bureau did not provide support to document proper public purpose for other expenditures totaling \$9,700.

In accordance with the forgoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Sharon Manson in the amount of \$16,871 and in favor of the Pike County Convention and Visitor's Bureau's operating fund and \$3,584 in favor of the Jingle Bell Parade account.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.* (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Revised Code Section 9.39; *State, ex. Rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att'y Gen. No. 80-074.

Julia Dixon, Trustee, who signed 24 of the checks resulting in the finding, is jointly and severally liable, in the amount of \$4,929 and in favor of the Pike County Convention and Visitor's Bureau's operating fund.

The Bureau should draft, approve, and implement policies and procedures requiring proper support for all transactions including original receipts for business expense reimbursements and proper public purpose documentation related to electronic transactions (including withdrawals and overdraft fees) and other transactions of the Bureau. Approval of such policies and procedures should be memorialized in the minutes.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2018-018

Noncompliance / Finding for Recovery

Credit Card Expenditures

Ohio Rev. Code Section 5739.09(A)(2) restricts the Bureau to spending lodging tax specifically for promotion, advertising, and marketing of the region in which the county is located.

1983 Op. Att'y. Gen. No. 83-054 and 2003 Op. Att'y. Gen. No. 2003-039, provide added support that a convention and visitors bureau must use public monies for the public purposes of conventions and tourism.

FINDING NUMBER 2018-018
(Continued)

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 memorialized 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. The Bulletin further states that the Auditor of State’s Office does not view the expenditure of public funds for alcoholic beverages as a proper public purpose and will issue findings for recovery for such expenditures as manifestly arbitrary and incorrect.

Due to insufficient policies and procedures over credit card expenditures, the Bureau did not provide supporting documentation for the following expenditures. We were unable to determine whether these expenditures were not for a proper public purpose due to the Bureau not providing support: (see Finding Number 2018-005)

- Interest on cash advances in the amount of \$2,604.
- Interest on purchases in the amount of \$60.
- Late fees in the amount of \$117.
- Various purchases, including but not limited to food, fuel and hotels in the amount of \$4,815.

In accordance with the forgoing facts and pursuant to Ohio Rev.- Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Sharon Manson, former Executive Director, in the amount of \$7,596, and in favor of the Pike County Convention and Visitor’s Bureau’s operating fund.

The Bureau should draft, approve, and implement policies and procedures for credit card expenditures requiring proper support for all transactions and document its determination of items considered to be for a “proper public purpose” as noted above. Approval of such policies and procedures should be memorialized in the minutes.

Officials’ Response:

We did not receive a response from Officials to this finding.

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**PIKE COUNTY CONVENTION AND VISITORS BUREAU
PIKE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2018 AND 2017**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2016-001	Lack of policies and procedures regarding financial information monitoring and segregation of duties.	No	Not Corrected – Issued as Finding Number 2018-001.
2016-002	Lack of policies and procedures manual.	No	Not Corrected – Issued as Finding Number 2018-002.
2016-003	No monthly reconciliations.	No	Not Corrected – Issued as Finding Number 2018-003.
2016-004	Lack of accounting records.	No	Not Corrected – Issued as Finding Number 2018-004.
2016-005	Lack of supporting documentation for both disbursements and receipts.	No	Not Corrected – Issued as Finding Number 2018-005.
2016-006	Lack of controls over disbursements.	No	Not Corrected – Issued as Finding Number 2018-004.
2016-007	Did not prepare annual financial statements.	No	Not Corrected – Issued as Finding Number 2018-006.
2016-008	Lack of controls over receipts.	No	Not Corrected – Issued as Finding Number 2018-004.
2016-009	Deficiencies in minute records.	No	Not Corrected – Issued as Finding Number 2018-007.
2016-010	Lack of a credit card policy and supporting documentation for credit card disbursements.	No	Not Corrected – Issued as Finding Number 2018-008.
2016-011	Lack of employee files.		No longer valid.
2016-012	Lack of controls over payroll disbursements.	No	Not Corrected – Issued as Finding Number 2018-009.
2016-013	Failure to remit federal payroll taxes withheld.	No	Not Corrected – Issued as Finding Number 2018-010.
2016-014	Failure to remit state payroll taxes.	No	Not Corrected – Issued as Finding Number 2018-011.
2016-015	Failure to issue form 1099s or form W-2s.	No	Not Corrected – Issued as Finding Number 2018-012.
2016-016	Failure to obtain reverse image of checks from bank.	No	Not Corrected – Issued as Finding Number 2018-013.

Pike County Convention and Visitors Bureau
Pike County
Schedule of Prior Audit Findings
Page 2

2016-017	Prior board member still a signatory on bank account.		No longer valid.
2016-018	Finding for Recovery over checking account expenditures.	No	Not Corrected – not repaid. Same issue as Finding Number 2018-017.
2016-019	Finding for Recover over credit card expenditures.	No	Not Corrected – not repaid. Same issue as Finding Number 2018-018.

OHIO AUDITOR OF STATE KEITH FABER



PIKE COUNTY CONVENTION AND VISITORS BUREAU

PIKE 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 1/25/2022

88 East Broad Street, Columbus, Ohio 43215
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This report is a matter of public record and is available online at
www.ohioauditor.gov