



OHIO AUDITOR OF STATE
KEITH FABER



**HAMILTON COUNTY AGRICULTURAL SOCIETY
HAMILTON COUNTY
NOVEMBER 30, 2021-2019**

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OHIO AUDITOR OF STATE KEITH FABER



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Columbus, Ohio 43215
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(800) 282-0370

INDEPENDENT AUDITOR'S REPORT

Hamilton County Agricultural Society
Hamilton County
7700 Vine Street
Cincinnati, Ohio 45216

To the Board of Directors:

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of the cash balances, receipts and disbursements, and related notes of the Hamilton County Agricultural Society, Hamilton County, Ohio (the Society) as of and for the years ended November 30, 2021, 2020, and 2019.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit; 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.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We conducted our engagement in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement. Because of the matters described in the *Basis for Disclaimer of Opinion* paragraph; however, we were unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

We were unable to obtain sufficient evidence to support the completeness, accuracy, cutoff, and classification of unclassified receipts and disbursements, and therefore, also fund cash balances for the years ended November 30, 2021, 2020, and 2019, nor were we able to satisfy ourselves by other auditing procedures.

In addition, the accompanying financial statements for the years ended November 30, 2021, 2020, and 2019, present unclassified receipts and disbursements and failed to include notes to the financial statements. Ohio Revised Code Section 117.38 and Ohio Administrative Code, Section 117-2-03(C), requires governments to classify receipt and disbursement transactions and include financial notes, even when the government elects not to follow accounting principles generally accepted in the United States of America (GAAP).

Although the effects on the financial statements of the variances between the unclassified financial statements, regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material and would have resulted in an additional opinion modification if we had opined on the financial statements.

Disclaimer of Opinion

Due to the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we were unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements for the years ended November 30, 2021, 2020, and 2019.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 10, 2023, on our consideration of the Society'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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an engagement performed in accordance with *Government Auditing Standards* in considering the Society's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio
April 10, 2023

Hamilton County Agricultural Society
Hamilton County
Statement of Receipts, Disbursements and
Change in Fund Balance (Regulatory Cash Basis)
For the Year Ended November 30, 2021

Unclassified Receipts	\$285,112
Intergovernmental Receipts	\$76,294
Total Receipts	<u>\$361,406</u>
Total Unclassified Disbursements	<u>291,244</u>
<i>Excess (Deficiency) of Operating Receipts</i> <i>Over (Under) Operating Disbursements</i>	<u>70,162</u>
Cash Balance, Beginning of Year	<u>26,070</u>
<i>Cash Balance, End of Year</i>	<u><u>\$96,232</u></u>

Hamilton County Agricultural Society
Hamilton County
Statement of Receipts, Disbursements and
Change in Fund Balance (Regulatory Cash Basis)
For the Year Ended November 30, 2020

Unclassified Receipts	\$103,377
Intergovernmental Receipts	\$49,046
Total Receipts	<u>\$152,423</u>
Total Unclassified Disbursements	<u>150,246</u>
Other Matter for Attention No	
<i>Over (Under) Operating Disbursements</i>	<u>2,177</u>
Cash Balance, Beginning of Year	<u>23,893</u>
<i>Cash Balance, End of Year</i>	<u><u>\$26,070</u></u>

Hamilton County Agricultural Society
Hamilton County
Statement of Receipts, Disbursements and
Change in Fund Balance (Regulatory Cash Basis)
For the Year Ended November 30, 2019

Unclassified Receipts	\$168,482
Intergovernmental Receipts	\$4,009
Total Receipts	<u>\$172,491</u>
Total Unclassified Disbursements	<u>151,096</u>
<i>Excess (Deficiency) of Operating Receipts</i> <i>Over (Under) Operating Disbursements</i>	<u>21,395</u>
Cash Balance, Beginning of Year	<u>2,498</u>
<i>Cash Balance, End of Year</i>	<u><u>\$23,893</u></u>

There are no notes to the financial statements.

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OHIO AUDITOR OF STATE KEITH FABER



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

Hamilton County Agricultural Society
Hamilton County
7700 Vine Street
Cincinnati, Ohio 45216

To the Board of Directors:

We were engaged to audit, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts and disbursements, and related notes of the Hamilton County Agricultural Society, Hamilton County, (the Society) as of and for the years ended November 30, 2021, 2020, and 2019, and have issued our report thereon dated April 10, 2023. We did not opine on these financial statements because the Society did not classify receipts and disbursements or provide financial notes for the years ended November 30, 2021, 2020, and 2019. Also we were unable to obtain sufficient evidence to support the unclassified receipts and disbursements for the years ended November 30, 2021, 2020, and 2019.

Internal Control Over Financial Reporting

As part of our financial statement engagement, we considered the Society's internal control over financial reporting (internal control) as a basis for designing audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Society's internal control. Accordingly, we have not opined on it.

A deficiency in internal control 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. *A material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Society's financial statements. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2021-001 through 2021-007 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Society'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 financial statements. However, opining on compliance with those provisions was not an objective of our engagement and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2021-001 and 2021-002.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Society's internal control or on compliance. This report is an integral part of an engagement performed under *Government Auditing Standards* in considering the Society's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio
April 10, 2023

**HAMILTON COUNTY AGRICULTURAL SOCIETY
HAMILTON COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2021, 2020 AND 2019**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2021-001

Material Weakness/Noncompliance – Annual Financial Reporting

Ohio Rev. Code § 117.38 requires cash basis entities to file annual reports with the Auditor of State within 60 days of fiscal year end. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. Furthermore, the report shall contain the amount of collections and receipts from each source as well as the amount of expenditures for each purpose.

Ohio Rev. Code § 1711.05 further requires every county agricultural society annually file a financial report, in accordance with section 117.38 of the Revised Code and forward it to the Director of Agriculture.

Due to inadequate policies and internal control procedures, the following conditions were noted related to the Society's annual financial reporting:

- The annual reports filed with the Auditor of State for the years ended November 30, 2019, November 30, 2020, and November 30, 2021, were incomplete, inaccurate, and did not include note disclosures.
- The Society filed its annual report with the Auditor of State for the year ended November 30, 2019, on June 1, 2020, and no extension was obtained.
- The annual reports filed with the Director of Agriculture for the years ended November 30, 2019, November 30, 2020, and November 30, 2021, did not agree with the annual reports filed with the Auditor of State or the Society accounting ledgers.

Failure to file an annual report in a timely manner could result in a penalty of twenty-five dollars for each day the report remains unfiled, not to exceed seven hundred fifty dollars. The Auditor of State may waive these penalties, upon the filing of the past due financial report. Additionally, the lack of a sufficiently detailed annual report resulted in auditing difficulties and a disclaimer of opinion.

The Society should file its annual report with the Auditor of State and the Director of Agriculture within the allotted timeframe and include all required elements.

FINDING NUMBER 2021-002

Material Weakness/Noncompliance – Minutes Deficiencies

Ohio Rev. Code § 121.22(C) imposes a duty on the Society to maintain a full and accurate record of their proceedings. Minutes of meetings must be promptly recorded and open for public inspection. Also, the minutes should be signed by at least two Society officials certifying the minutes are approved as prepared.

The following conditions were noted related to the Society's minutes:

- Minutes for meetings were not available for the months of January 2019, February 2019, March 2019, May 2019, June 2019, July 2019, August 2019, September 2019, December 2019, February 2020, April 2020, June 2020, July 2020, August 2020, September 2020, October 2020, November 2020, December 2020, August 2021, September 2021 and November 2021.

**FINDING NUMBER 2021-002
(Continued)**

- Minutes were not signed for seven meetings in 2021, two meetings in 2020, and one meeting in 2019 for which minutes were available.
- There was no evidence that financial reports (budget vs. actual reports) were approved by the Board for two meetings in 2020 and one meeting in 2019 for which minutes were available. Furthermore, the financial reports that were provided to the Board were presented at a summary level which did not adequately detail revenue and expenditure activity.
- Minutes were not approved at a subsequent meeting for three meetings in 2021, two meetings in 2020, and one meeting in 2019 for which minutes were available.
- Minutes did not record that meetings were properly adjourned for six meetings in 2021, one meeting in 2020, and one meeting in 2019 for which minutes were available.

Failure to properly maintain and approve accurate minutes could lead to possible omissions or alterations to the minutes without knowledge by the Board, and in discrepancies in resolutions being passed by the Board which result in disputes between the Society and the public over funds and laws. Failing to receive and approve detailed monthly financial reports inhibits the Board's ability to properly monitor the Society's funds and could result in deficit spending.

The Society should prepare all minutes promptly after each meeting, approve them at the subsequent meeting, require Society officials to sign the minutes, and maintain a complete minutes book. In addition, the Board should be receiving a monthly financial report which presents month and year-to-date budgeted and actual revenue and expenditures and fund balances. This financial report should be approved in the minutes and a copy maintained with the minutes.

FINDING NUMBER 2021-003

Material Weakness – Financial Reporting

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 error or fraud as discussed in AU-C Section 210 paragraphs .A14 and .A16.

Due to deficiencies in the Society's internal controls over financial reporting, the following conditions related to the Society's financial statements and accounting records were identified:

- The opening balance of a financial statement should be equal to the closing balance of the previous year's financial statement. The Society reported an opening balance of \$0 on the 2019 financial statement which was \$2,498 lower than the closing balance of \$2,498 reported in the 2018 financial statements.
- For 2019, total unclassified receipts were overstated by \$82,977, total intergovernmental receipts were understated by \$4,009, total beginning fund balance was understated by \$2,498, total ending fund balance was understated by \$22,938, and total unclassified expenditures were overstated by \$53,532.

**FINDING NUMBER 2021-003
 (Continued)**

- For 2020, total unclassified receipts were overstated by \$54,222, total intergovernmental receipts were understated by \$49,046, total beginning fund balance was understated by \$23,893, total ending fund balance was overstated by \$27,039, and total unclassified expenditures were overstated by \$8,322.
- For 2021, total unclassified receipts were overstated by \$144,004, total intergovernmental receipts were understated by \$76,294, total beginning fund balance was understated by \$26,070, total ending fund balance was understated by \$21,239, and total unclassified expenditures were overstated by \$20,401.

The financial statements have been adjusted for these errors. The Society did not have procedures in place for effective monitoring of the Society's financial activity, and the accuracy of accounting and financial reporting. It is important that the Board take an active role in monitoring the posting and reporting of such activity. Failure to accurately post and monitor financial activity increases the risk that errors, theft, and fraud could occur and not be detected in a timely manner.

Due care should be exercised when posting entries to the financial records and financial statement preparation. The Society officials should review the Auditor of State Uniform System of Accounting for Agricultural Societies Manual and the chart of accounts to assure that items are being posted to the proper account codes and funds, and update control procedures for review of financial activity so that errors can be detected and corrected in a timely manner.

FINDING NUMBER 2021-004

Material Weakness – Cash Reconciliation Process Errors

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 Treasurer is responsible for reconciling the book (fund) balance to the total bank balance on a monthly basis, and the Board and/or other administrator are responsible for reviewing the reconciliations and related support.

Monthly bank to book reconciliations were not prepared or reviewed each month of 2019, 2020, and 2021. Discrepancies were noted between the reconciled cash balance documented on the Society's bank reconciliations, annual financial reports and the accounting system ledgers as follows:

Date	Bank Reconciliation	Annual Report	Accounting Ledger
November 30, 2019	\$23,893	\$46,831	\$47,035
November 30, 2020	28,384	(969)	(28,834)
November 30, 2021	140,798	117,495	156,975

In addition, there was no evidence of review and approval of the cash reconciliations.

**FINDING NUMBER 2021-004
(Continued)**

Failure to reconcile monthly increases the possibility that the Society 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 Treasurer 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.

FINDING NUMBER 2021-005

Material Weakness – Purchasing Cycle Deficiencies

The maintenance of supporting documentation for non-payroll disbursements is an integral part of a sound and properly functioning control environment to support management's assertions of accuracy and completeness and to substantiate that disbursements were made for proper public purposes.

Page 7 of the AOS Uniform System of Accounting for Agricultural Societies manual states, in part, that expenses shall be recorded when paid in the appropriate expense account and that sufficient supporting documentation shall be retained to support the expense. Such documentation may include invoices, receipts, purchase orders, contracts, or other documentation to substantiate what was purchased, from whom it was purchased, and the purpose of the purchase if not obvious from the existing documentation.

The following conditions related to management controls over the non-payroll disbursements totaling \$311,643, \$143,113, and \$179,990 for 2021, 2020, and 2019, respectively, were identified:

- There was no approval process for expenditures in 2019, 2020, and 2021.
- Checks were not issued in sequential order in 2019, 2020, and 2021.
- The Society paid a total of \$1,150 for internet service at an unused location in 2020.

Failure to establish an approval process for non-payroll disbursements may result in expenditures which are not for proper public purposes. Failure to maintain supporting documentation for non-payroll disbursements could result in the Society paying for goods and services which were not received, results in an insufficient audit trail, and increases the likelihood of fraudulent transactions.

To help ensure that non-payroll disbursements are made for proper public purposes and that expenditures are made in accordance with the Society's budget, the Society should establish a process for approval of non-payroll disbursements. In addition, procedures should be established to ensure that supporting documentation for all purchases of goods and services is maintained and available for inspection.

FINDING NUMBER 2021-006

Material Weakness – Payroll Cycle Deficiencies

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that accounting records are properly designed, verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data.

**FINDING NUMBER 2021-006
(Continued)**

All public officials and management are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the operations of their respective public offices, and to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions.

The following conditions related to management controls over the payroll disbursements totaling \$15,455 and \$20,059 for 2020 and 2019, respectively, were identified:

- There was no evidence that employee pay rates were approved by the Board in the minutes in 2019 and 2020.
- All timecards were not approved by a supervisor in 2019 and 2020.
- There were three instances where the check number per the paycheck stub detail report did not agree to the canceled check number per the bank statements in 2019.
- A paycheck stub was not maintained for nine payroll checks issued in 2019.
- All Society personnel were reclassified from employees to independent contractors for 2021.

Failure to maintain accurate and complete payroll records could result in a lack of financial accountability, errors in the computations of employees' gross pay, and increases the risk that theft, fraud, or errors could occur and not be detected in a timely manner.

The Society should exercise due care in maintaining necessary payroll records and implement control procedures for the approval of employee pay rates and timecards. Furthermore, reclassifying employees as independent contractors may not have been appropriate. The Society should contact the Internal Revenue Service for a determination regarding this action.

FINDING NUMBER 2021-007

Material Weakness – Receipts Cycle Deficiencies

All public officials and management are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the operations of the respective public office. Adequate controls over receipts are essential to provide assurance that collections are accurate, complete, and properly classified for financial reporting purposes.

The following conditions related to management controls over the unclassified receipts, totaling \$285,112 for 2021, \$103,377 for 2020, and \$168,482 for 2019, were identified:

- Schedules of approved fees, rental contracts, or other documentation to support the accuracy and classification of receipts were not maintained for 17 of 20 receipts tested (85%) for 2021, 16 of 18 receipts tested (89%) for 2020, and 11 of 20 receipts tested (55%) for 2019.
- The manual receipt book was missing 83 receipts for 2019; it was unclear whether these receipts were used by the Society or not.

Failure to maintain adequate receipt records results in a lack of accountability and increases the risk of fraud and theft.

**FINDING NUMBER 2021-007
(Continued)**

Controls should be implemented over the receipting process to assure that all receipts are properly accounted for. Such controls should include the following:

- Maintaining supporting documentation for all receipts, including duplicate receipts.
- Maintaining schedules of Board approved fees, rental contracts, etc.

Officials' Response:

We did not receive a response from Officials to the findings reported above.

**HAMILTON COUNTY AGRICULTURAL SOCIETY
HAMILTON COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
NOVEMBER 30, 2021-2019**

Finding Number	Finding Summary	Status	Additional Information
2018-001	Annual Financial Reporting	Not Corrected	Reissued as Finding 2021-001
2018-002	Minutes Deficiencies	Not Corrected	Reissued as Finding 2021-002
2018-003	Finding for Recovery – Renee Young		No repayment made.
2018-004	Financial Reporting	Not Corrected	Reissued as Finding 2021-003
2018-005	Cash Reconciliation Process Errors	Not Corrected	Reissued as Finding 2021-004
2018-006	Purchasing Cycle Deficiencies	Not Corrected	Reissued as Finding 2021-005
2018-007	Payroll Cycle Deficiencies	Not Corrected	Reissued as Finding 2021-006
2018-008	Receipts Cycle Deficiencies	Not Corrected	Reissued as Finding 2021-007
2018-009	Finding for Recovery – Richard Vayo		No repayment made.

OHIO AUDITOR OF STATE KEITH FABER



HAMILTON COUNTY AGRICULTURAL SOCIETY

HAMILTON 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 5/4/2023

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This report is a matter of public record and is available online at
www.ohioauditor.gov