

**NORTH OHIO VALLEY AIR AUTHORITY
JEFFERSON COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED SEPTEMBER 30, 1996

**NORTH OHIO VALLEY AIR AUTHORITY
JEFFERSON COUNTY**

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**NORTH OHIO VALLEY AIR AUTHORITY
JEFFERSON COUNTY**

**APPOINTED OFFICIALS
AS OF SEPTEMBER 30, 1996**

NAME	TERM OF OFFICE
Dr. Frank J. Petrolla Board Chairman Jefferson County Representative 3920 Washington Street Weirton, West Virginia 26062.	1/1/95-12/31/98
Paul Zehnder Columbiana County Representative 1323 Fairmont Street East Liverpool, Ohio 43920	1/1/95-12/31/98
Scott Krupinski, Commissioner Jefferson County Representative Market Street Steubenville, Ohio 43952	4/16/97-4/15/01
Ernest Albanese Belmont County Representative Route #1 Belmont, Ohio 43950	1/1/97-12/31/00
Mrs. Anita Wiley, Commissioner Belmont County Representative Main Street, Courthouse St Clairsville, Ohio 44950	1/1/94-12/31/98
Michael P. Halleck, Commissioner Columbiana County Representative 105 South Market Street Lisbon, Ohio 44432	4/16/97-4/15/01
Patrick J. Moore, Auditor Harrison County Representative 144 South Main Street Cadiz, Ohio 43907	1/1/95-12/31/98
Charles Neuhart, Administrator Monroe County Health Dept. 47029 Moore Ridge Road Woodsfield, Ohio 43793	1/1/95-12/31/98

**NORTH OHIO VALLEY AIR AUTHORITY
JEFFERSON COUNTY**

**APPOINTED OFFICIALS
AS OF SEPTEMBER 30, 1996**

NAME	TERM OF OFFICE
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Ms. Connie Little Carroll County Board of Health 24 Second Street NE Carrollton, Ohio 44615	
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	1/1/95-12/31/98
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Legal Counsel

Christopher J. Gagin
200 Sinclair Building
P.O. Box 249
Steubenville, Ohio 43952

Legal Counsel

Joseph J. Bruzzese, Sr.
Freifield, Bruzzese, Wehr, Moreland, Straus and Spahn
P.O. Box #1506
Steubenville, Ohio 43952

Fiscal Agent

Patrick Marshall, Auditor
301 Market St.
Steubenville, Ohio 43952

**NORTH OHIO VALLEY AIR AUTHORITY
JEFFERSON COUNTY**

**ADMINISTRATIVE PERSONNEL
AS OF SEPTEMBER 30, 1996**

TITLE/NAME

TERM OF OFFICE

Director

Richard W. Canestraro
Jefferson County Courthouse
301 Market Street
Steubenville, Ohio 43952

Continuing (A)

Supervisor

Robert Carducci
Jefferson County Courthouse
301 Market Street
Steubenville, Ohio 43952

Continuing (B)

(A) Serves at pleasure of the Board of Directors

(B) Serves at pleasure of Director

NORTH OHIO VALLEY AIR AUTHORITY
JEFFERSON COUNTY

INDEX OF FUNDS

GOVERNMENTAL FUND TYPE:

Special Revenue Fund Type:

General Operating Fund (185)

Retirement Incentive Fund (187)

PROPRIETARY FUND TYPE:

Enterprise Fund Type:

Clean Air Fund (186)



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Board of Directors
North Ohio Valley Air Authority
301 Market Street
Steubenville, Ohio 43952

Report of Independent Accountants

We have audited the accompanying financial statements of the North Ohio Valley Air Authority, Jefferson County, Ohio as of and for the fiscal year ended September 30, 1996. These financial statements are the responsibility of the North Ohio Valley Air Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in paragraph four below we conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, North Ohio Valley Air Authority prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

We were unable to obtain a discussion or evaluation from the North Ohio Valley Air Authority's legal counsel regarding pending or threatened litigation. Additionally, while we did receive written representation from the North Ohio Valley Air Authority's executive director as to certain representations made to us during the course of our audit, we were unable to obtain written representation from the North Ohio Valley Air Authority's finance director.

In our opinion, except for the effects of any adjustments, if any, as might have been determined to be necessary had we been able to obtain a discussion or evaluation of pending or threatened litigation from the North Ohio Valley Air Authority's legal counsel or had we been able to obtain a written representation from the North Ohio Valley Air Authority's finance director as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the combined cash, investments, and combined fund cash balances of the North Ohio Valley Air Authority, as of September 30, 1996, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

As discussed in Note 6 to the financial statements, the North Ohio Valley Air Authority's contract with the Ohio Environmental Protection Agency for air monitoring has not been renewed. The latest contract expired on September 30, 1997. A significant portion of the North Ohio Valley Air Authority's operations were funded through that contract.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 30, 1999 on our consideration of North Ohio Valley Air Authority's internal control structure and a report dated September 30, 1999 on its compliance with laws and regulations, contracts and grants.

Our audit was made for the purpose of forming an opinion on the financial statements of North Ohio Valley Air Authority, taken as a whole. The accompanying Schedule of Federal Financial Assistance is presented for purposes of additional analysis and is not a required part of the financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of management, Board of Directors, and federal awarding agencies and pass-through entities and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.



JIM PETRO
Auditor of State

September 30, 1999

NORTH OHIO VALLEY AIR AUTHORITY
JEFFERSON COUNTY

COMBINED STATEMENT OF CASH AND FUND
CASH BALANCES - ALL FUND TYPES
AS OF SEPTEMBER 30, 1996

CASH

CASH:		
Cash with Fiscal Agent		<u>\$ 203,982</u>

CASH BALANCES BY FUND TYPE

GOVERNMENTAL FUND TYPES:		
Special Revenue Funds		\$ 54,986
PROPRIETARY FUND TYPES:		
Enterprise Fund		<u>148,996</u>
Total		<u>\$203,982</u>

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

**NORTH OHIO VALLEY AIR AUTHORITY
JEFFERSON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES - ALL
GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 1996**

	GOVERNMENTAL FUND TYPES
	Special Revenue
CASH RECEIPTS:	
Federal Revenue	\$ 132,022
State Revenue	490,323
Local Revenue	<u>63,233</u>
Total Cash Receipts	685,578
CASH DISBURSEMENTS:	
Salaries	421,781
Supplies	15,007
Equipment	43,073
Contractual Commitments	50,068
Rent	36,000
Advertising	4,884
Travel Expenses	43,905
PERS	55,892
Worker's Compensation Expenses	20,674
Hospitalization	69,801
Medicare Expense	2,280
Ohio Bureau of Unemployment	<u>3,305</u>
Total Cash Disbursements	766,670
Excess of Cash Receipts Under Cash Disbursements	<u>(81,092)</u>
Other Financing Sources and Uses	
Advances-In	200,000
Advances-Out	(236,500)
Transfer-In	2,241
Transfers-Out	(17,321)
Other Financing Sources	<u>203</u>
Total Other Financing Sources and Uses	(51,377)
Excess of Cash Receipts and Other Financing Sources Under Cash Disbursements and Other Financing Uses	(132,469)
Fund Cash Balance, October 1, 1995	<u>187,455</u>
Fund Cash Balance, September 30, 1996	<u>\$ 54,986</u>

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

**NORTH OHIO VALLEY AIR AUTHORITY
JEFFERSON COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES - PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 1996**

	PROPRIETARY FUND TYPE
	ENTERPRISE
OPERATING CASH RECEIPTS:	
Inspection Fees	\$195,628
Open Burning Fees	200
Asbestos Fees	6,875
Special Studies	163,549
Other Revenue	<u>3,390</u>
Total Operating Cash Receipts	369,642
CASH DISBURSEMENTS:	
Salaries	140,565
Supplies	2,245
Equipment	6,863
Contractual Commitments	62,170
Travel Expenses	100,883
PERS	18,576
Worker's Compensation Expenses	8,267
Hospitalization	884
Medicare Expense	<u>300</u>
Total Operating Cash Disbursements	340,753
Excess of Operating Cash Receipts Over Operating Cash Disbursements	28,889
Other Financing Sources and Uses	
Advances-In	236,500
Advances-Out	(200,000)
Transfer-In	17,321
Transfer-Out	(2,241)
Other Financing Sources	<u>5,371</u>
Total Other Financing Sources and Uses	56,951
Excess of Cash Receipts and Other Financing Sources Over Cash Disbursements and Other Uses	85,840
Fund Cash Balance, October 1, 1995	<u>63,156</u>
Fund Cash Balance, September 30, 1996	<u>\$ 148,996</u>

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

**NORTH OHIO VALLEY AIR AUTHORITY
JEFFERSON COUNTY**

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1996

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(As Required by Various Statutes)

A. DESCRIPTION OF THE ENTITY

The North Ohio Valley Air Authority (NOVAA) was originally formed as an agency as the Steubenville Air Pollution Bureau, located in the Steubenville Building Department. Its jurisdiction was the City of Steubenville and it enforced a local ordinance. The Bureau was formed by city council in March 1967. This agency was funded by federal and city funds.

In 1971, with many larger grants available and enactment of the new Clean Air Act, funds became available to the Bureau from the newly formed United States Environmental Protection Agency. Hearings were held to expand jurisdiction and the final outcome was the formation of the Steubenville Air Quality Region. The new jurisdiction included all of Jefferson, Belmont, Columbiana and Monroe Counties. Harrison and Carroll Counties were added in February 1976. The Agency had resolutions passed in each County in order to have enforcement power.

December 1973 saw another move by the agency, from a city agency to a Jefferson County agency. The need for more office space, a better relationship with county government and a better administrative set were all factors in this move.

On January 9, 1974 the North Ohio Valley Air Authority was formed under Revised Code Section 167 as a Regional Council of Governments.

NOVAA's primary duties include permit handling, complaints, issuance of violation citations, smoke stack observations, air monitoring at test sites, air spills, air alerts, a daily air index and any other emergency that would pertain to air quality.

NOVAA presently employees sixteen (16) individuals. The funding for the agency is primarily federal and state, with other funding coming from local sources.

Management believes the financial statements included in this report represent funds of the North Ohio Valley Air Authority over which the North Ohio Valley Air Authority has the ability to exercise direct operating control.

B. BASIS OF ACCOUNTING

The North Ohio Valley Air Authority prepares its financial statements on a basis of accounting prescribed or permitted by the Auditor of State. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**NORTH OHIO VALLEY AIR AUTHORITY
JEFFERSON COUNTY**

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1996
(Continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
(As Required by Various Statutes)

C. FUND ACCOUNTING

The North Ohio Valley Air Authority maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

GOVERNMENTAL FUNDS

Special Revenue Fund

These funds are used to account for proceeds of specific revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to disbursements for specified purposes.

PROPRIETARY FUNDS

Enterprise Funds

These Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purpose.

D. BUDGETARY PROCESS

Budget

A budget is approved annually by the North Ohio Valley Air Authority Board as required by the North Ohio Air Authority Board By-Laws.

E. PROPERTY, PLANT AND EQUIPMENT

Fixed assets acquired or constructed for general governmental service are recorded as expenditures. Depreciation is not recorded for these fixed assets.

**NORTH OHIO VALLEY AIR AUTHORITY
JEFFERSON COUNTY**

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1996
(Continued)

2. POOLED CASH

All cash deposits and investments of the North Ohio Valley Air Authority are held by Jefferson County, Auditor, as the fiscal agent for the North Ohio Valley Air Authority. The responsibility to obtain collateral to adequately safeguard these assets is the responsibility of the fiscal agent. All cash assets of the North Ohio Valley Air Authority have been adequately safeguarded by F.D.I.C. insurance or by pledged collateral obtained by the fiscal agent as defined under Sections 135.18 and 135.81, Revised Code.

3. INSURANCE

Jefferson County entered into an agreement with the County Risk Sharing Authority (CORSA), in conjunction with the County Commissioners Association of Ohio, to provide insurance coverage on property, buildings, vehicles, and equipment through a self insurance program. The North Ohio Valley Air Authority is insured through the County as part of this agreement. Real property and contents are 100% insured.

4. DEFINED BENEFIT PENSION PLANS

The employees of the North Ohio Valley Air Authority are covered by the Public Employees Retirement System of Ohio. The State of Ohio accounts for the activities of the retirement system, and the amount of that fund is not reflected in the accompanying financial statements. As of September 30, 1996, the North Ohio Valley Air Authority employees contribute 8.5% of their gross wages to the retirement system. The North Ohio Valley Air Authority contributes 13.55% of its employees gross wages to the retirement system.

5. DEFERRED COMPENSATION PLAN

The Jefferson County employees and elected officials, including those employed by the North Ohio Valley Air Authority, may participate in either of two state-wide deferred compensation plans created in accordance with Internal Revenue Code Section 457, one offered by the State of Ohio, the other by the County Commissioners Association of Ohio. Participation is on a voluntary payroll deduction basis. Each plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Deferred wages and any earned income are not subject to taxes until actually received by the employees.

All amounts of compensation deferred under the plans, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the County (without being restricted to the provisions of benefits under the plans), subject only to the claims of the County's general creditors. Participants' rights under the plans are equal to those of general creditors in an amount equal to the fair market value of the deferred account for each participant. The plan agreements state that the County and the plan administrators have no liability for losses under the plan with the exception of fraud or wrongful taking.

**NORTH OHIO VALLEY AIR AUTHORITY
JEFFERSON COUNTY**

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1996
(Continued)

6. SUBSEQUENT EVENTS

As of September 30, 1999 the Ohio Environmental Protection Agency, has not renewed the Local Air Agency Contract between themselves and North Ohio Valley Air Authority a Regional Council of Governments as described in Note 1 to the financial statements. The last contract expired on September 30, 1997. For the fiscal year ended September 30, 1996 ninety-nine percent of the Special Revenue Fund Type's revenue and sixty-four percent of the total revenue received by the North Ohio Valley Air Authority, was received under this contract.

As of the report date, the day to day operations of North Ohio Valley Air Authority have ceased, however, the Council of Governments as described in Note 1 has not been formally dissolved.

**NORTH OHIO VALLEY AIR AUTHORITY
JEFFERSON COUNTY**

**SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 1996**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	GRANTOR'S NUMBER	AWARD AMOUNT
U.S. Environmental Protection Agency Passed through the Ohio Environmental Protection Agency			
Air Pollution Control Program	66.001(A) (B)	FY 96	\$258,579

(A) Selected for testing under the 50% Non-Major Rule.

(B) Program balances are maintained in a subsidiary ledger by the North Ohio Valley Air Authority. Programs are commingled at the County level and are commingled with local funds. It is assumed that federal monies have been expended first.

**FEDERAL
CASH
RECEIPTS**

\$ 132,022

**FEDERAL
CASH
DISBURSEMENTS**

\$132,022



STATE OF OHIO
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Board of Directors
North Ohio Valley Air Authority
301 Market Street
Steubenville, Ohio 43952

**Report on Compliance Based on an Audit of Basic Financial Statements Performed
in Accordance with *Government Auditing Standards***

We have audited the financial statements of the North Ohio Valley Air Authority, (NOVAA), Jefferson County, as of and for the fiscal year ended September 30, 1996, and have issued our report thereon dated September 30, 1999. Our report was qualified because we were unable to obtain a discussion or evaluation from the North Ohio Valley Air Authority's legal counsel regarding pending or threatened litigation nor were we able to obtain certain written representations from the North Ohio Valley Air Authority's finance director. Our report also referred to the loss of certain funding. Except as discussed above we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance with laws, regulations, contracts, and grants applicable to the North Ohio Valley Air Authority is the responsibility of North Ohio Valley Air Authority's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Air Authority's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed the following instances of non compliance that are required to be reported herein under *Government Auditing Standards*.

Findings For Recovery

1. During our review of expenditures made from the North Ohio Valley Air Authority's General Operating Fund, it was noted that Dan Zorbini, an employee of North Ohio Valley Air Authority was issued warrant # 72258 on December 22, 1995 in the amount of \$570.94. Our review of the voucher package revealed that an invoice from Security Products Company totaling \$515.11 was submitted for reimbursement by Dan Zorbini. The invoice indicated that Security Products Company had sold and shipped products which totaled \$515.11 to EESCO Electrical and Electronics, 406 Petrick, Mingo Junction, Ohio.

The North Ohio Valley Air Authority records made available for audit did not provide substantial evidence that Dan Zorbini would be entitled to reimbursement for the products provided by Security Products Company.

As stated above, North Ohio Valley Air Authority reimbursed Dan Zorbini for the purchase of these products. Without supporting documentation, it cannot be established whether the reimbursement in question constituted a proper public purpose. State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951) provides that expenditures made by a government unit should serve a proper public purpose.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Dan Zorbini in the amount of \$515.11 and in favor of the North Ohio Valley Air Authority's General Operating Fund.

2. During our review of expenditures made from the North Ohio Valley Air Authority's Clean Air Fund, it was noted that Richard Canestraro was issued warrant # 68834 on November 17, 1995 in the amount of \$241.40. Our review of the voucher package revealed that an order form from Preferred Customers Guide, P.O. Box 4108, Huntington Station, NY 11750-4219, for four 150 piece tool kits at \$29.95, two deluxe 200 piece tool kits at \$39.95, and \$6.95 postage and handling for each tool kit was placed by Richard Canastraro, 574 Braybarton Circle, Steubenville, Ohio. The total cost for the tool kits and postage and handling as presented on the order form would be \$241.40. This order form was submitted by Richard Canestraro as evidence for reimbursement.

The North Ohio Valley Air Authority records made available for audit did not provide substantial evidence that Richard Canestraro would be entitled to reimbursement for the products ordered from Preferred Customers Guide.

As stated above, North Ohio Valley Air Authority reimbursed Richard Canestraro for the purchase of these products. Without supporting documentation, it cannot be established whether the reimbursement in question constituted a proper public purpose. *State ex rel. McClure v. Hagerman*, 155 Ohio St. 320 (1951) provides that expenditures made by a government unit should serve a proper public purpose.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Richard Canestraro in the amount of \$241.40 and in favor of the North Ohio Valley Air Authority's Clean Air Fund.

3. During our review of expenditures made from the North Ohio Valley Air Authority's Clean Air Fund, it was noted that the following County Health Boards did not receive the agreed upon 10% payment for inspection fees collected by the North Ohio Valley Air Authority for the fiscal year October 1, 1995 through September 30, 1996. The aforementioned Health Boards and the amounts due for inspection fees are as follows:

Belmont County Health Department	\$181.00
Carroll County Health Department	74.30
Columbiana County Health Department	316.50
Monroe County Health Department	<u>69.50</u>
Total due	<u>\$641.30</u>

The North Ohio Valley Air Authority records made available for audit indicated that the following inspection fees were collected for each County mentioned above for the fiscal year ending September 30, 1996.

Belmont County	\$25,620
Carroll County	17,993
Columbiana County	66,785
Monroe County	28,125

The agreed upon 10% payment for each of these County Health Boards should have been as follows:

Belmont County Health Board	\$2,562.00
Carroll County Health Board	1,799.30
Columbiana County Health Board	6,678.50
Monroe County Health Board	2,812.50

The following payments regarding the 10% payment for inspection fees were made to these County Health Boards for the fiscal year ending September 30, 1996 on June 21, 1996:

Belmont County Health Board	\$2,381.00	Warrant # 84362
Carroll County Health Board	1,725.00	Warrant # 84363
Columbiana County Health Board	6,362.00	Warrant # 84365
Monroe County Health Board	2,743.00	Warrant # 84369

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery is hereby issued against the North Ohio Air Authority's Clean Air Fund in the amount of \$641.30 and in favor of the County Health Departments in the amounts listed in the first paragraph.

See the Schedule of Federal Findings and Questioned Costs for General Requirements Applicable to Federal Financial Assistance Programs and the Schedule of Federal Findings and Questioned Cost for Specific Requirements Applicable to Federal Financial Assistance Programs which also list applicable noncompliance issues reportable under *Government Auditing Standards*.

We considered these instances of noncompliance in forming our opinion on whether North Ohio Valley Air Authority 1996 financial statements are presented fairly, in all material respects, in conformity with basis of accounting which is prescribed or permitted by the Auditor of State as described in Note 1 to the financial statements, and this report does not affect our report dated September 30, 1999.

This report is intended for the information and use of the management, the Board of Directors, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



JM PETRO
Auditor of State

September 30, 1999



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Board of Directors
North Ohio Valley Air Authority
301 Market Street
Steubenville, Ohio 43952

**Report on Compliance With General Requirements Applicable to
Federal Financial Assistance Programs**

We have audited the financial statements of the North Ohio Valley Air Authority, Jefferson County, as of and for the fiscal year ended September 30, 1996, and have issued our report thereon dated September 30, 1999. Our report was qualified because we were unable to obtain a discussion or evaluation from the North Ohio Valley Air Authority's legal counsel regarding pending or threatened litigation nor were we able to obtain certain written representations from the North Ohio Valley Air Authority's finance director. Our report also referred to the loss of certain funding.

We have applied procedures to test North Ohio Valley Air Authority's compliance with the following general requirements applicable to its federal financial assistance program, which is identified in the Schedule of Federal Financial Assistance, for the fiscal year ended September 30, 1996.

- a. Political Activity
- b. Civil Rights
- c. Federal Financial Reports
- d. Allowable Costs/Cost Principles
- e. Drug-Free Workplace Act
- f. Administrative Requirements

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's *Compliance Supplement for Single Audits of State and Local Governments*. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the Air Authority's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

Material instances of noncompliance consist of failures to follow the general requirements that caused us to conclude that the misstatements resulting from those failures are material to the Air Pollution Control Program. The results of our tests of compliance disclosed material instances of noncompliance that are described in the accompanying Schedule of Findings and Questioned Costs.

We considered these material instances of noncompliance in forming our opinion on whether the North Ohio Valley Air Authority's financial statements are presented fairly, in all material respects in conformity with the basis of accounting prescribed or permitted by the Auditor of State as described in Note 1 to the financial statements, and this report does not affect our report dated September 30, 1999 on those financial statements.

With respect to the items tested, North Ohio Valley Air Authority, complied with the requirements listed in the second paragraph, except as described in the attached schedule. However, the extent of noncompliance noted in our testing indicates that, with respect to items that were not tested by us, there is more than a relatively low risk that North Ohio Valley Air Authority may not have complied with the requirements referred to in the second paragraph. These matters were considered by us in evaluating whether the financial statements are presented in conformity with the basis of accounting prescribed or permitted by the Auditor of State as described in Note 1 to the financial statements.

Board of Directors
North Ohio Valley Air Authority
Report on Compliance With General Requirements
Applicable to Federal Financial Assistance Programs
Page -2-

This report is intended for the information and use of the management, the Board of Directors, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



JIM PETRO
Auditor of State

September 30, 1999



STATE OF OHIO
OFFICE OF THE AUDITOR

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Board of Directors
North Ohio Valley Air Authority
301 Market Street
Steubenville, Ohio 43952

**Schedule of Findings for General Requirements
Applicable to Federal Financial Assistance Programs**

Schedule of Findings

Finding: Federal Financial Reports contained inaccurate and unreliable financial data.

CFDA # 66.001 - Air Pollution Control Program Grant Fund

- a. Condition: The North Ohio Valley Air Authority submitted quarterly expenditure reports which incorrectly reported the financial activities in regards to the Air Pollution Control Program Grant.
- b. Criteria: The Federal General Requirement, Federal Financial Reports, provides that reports are to contain accurate and reliable financial data, to be presented in accordance with the terms of the applicable agreements.
- c. Effect: The quarterly expenditure reports are misleading and/or incorrect.
- d. Cause: Neither the Governing Board or the Director of the North Ohio Valley Air Authority verified the accuracy of the quarterly expenditure reports prior to their submission to the Ohio E.P.A.
- e. Recommendation: North Ohio Valley Air Authority should accurately prepare the quarterly expenditure reports and either the Governing Board or the Director should review the reports for accuracy.



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OFFICE OF THE AUDITOR

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Board of Directors
North Ohio Valley Air Authority
301 Market Street
Steubenville, Ohio 43952

**Report on Compliance With Specific Requirements Applicable to
Non-Major Federal Financial Assistance Program Transactions**

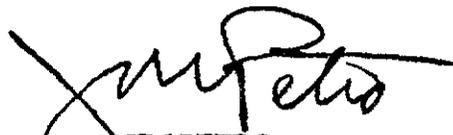
We have audited the financial statements of North Ohio Valley Air Authority as of and for the year ended September 30, 1996 and have issued our report thereon dated September 30, 1999. Our report was qualified because we were unable to obtain a discussion or evaluation from the North Ohio Valley Air Authority's legal counsel regarding pending or threatened litigation nor were we able to obtain certain written representations from the North Ohio Valley Air Authority's finance director. Our report also referred to the loss of certain funding.

In connection with our audit of the financial statements of North Ohio Valley Air Authority, and with our consideration of North Ohio Valley Air Authority's control structure used to administer federal financial assistance programs, as required by Office of Management and Budget Circular A-128, Audits of State and Local Governments, we selected certain transactions applicable to the Air Authority's nonmajor federal financial assistance program for the year ended September 30, 1996. As required by OMB Circular A-128, we have performed auditing procedures to test compliance with the requirements governing types of services allowed or unallowed, matching level of effort, or earmarking, and special tests and provisions that are applicable to those transactions. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on North Ohio Valley Air Authority's compliance with these requirements. Accordingly, we do not express such an opinion.

Material instances of noncompliance consist of failures to follow the specific requirements that caused us to conclude that the misstatements resulting from those failures are material to the Air Pollution Control Program. The results of our tests of compliance disclosed material instances of noncompliance that are described in the accompanying Schedule of Findings and Questioned Costs.

The results of our tests indicate that, with respect to the items tested, North Ohio Valley Air Authority complied with those requirements, except as described in the attached schedule. However, the extent of noncompliance noted in our testing indicates that, with respect to nonmajor program transactions not tested by us, there is more than relatively low risk that North Ohio Valley Air Authority, may not have complied with the requirements referred to in the preceding paragraph. These matters were considered by us in evaluating whether the financial statements are presented in conformity with the basis of accounting prescribed or permitted by the Auditor of State as described in Note 1 to the financial statements.

This report is intended solely for the information and use of management, the Board of Directors, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.


JIM PETRO
Auditor of State

September 30, 1999



STATE OF OHIO
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**Schedule of Findings and Questioned Costs for Specific Requirements
Applicable to Federal Financial Assistance Programs**

Schedule of Findings

Finding: Requests for budget transfers and/or program revisions were made later than thirty days after the beginning of the quarter.

CFDA # 66.001 - Air Pollution Control Program Grant Fund

- a. Condition: The North Ohio Valley Air Authority submitted a Revised Appendix B Budget Information for Fiscal Year 1996 Air Pollution Control Program Grant on May 28, 1997.
- b. Criteria: Local Air Agency Contract; Article III B. Budget # 4 states that all requests to the Ohio EPA for budget transfers and/or program revisions must be made as soon as practical, but not later than thirty days after the beginning of the quarter in which the budget transfer and/or program revision is proposed to be effected.
- c. Effect: North Ohio Valley Air Authority submitted a request to the Ohio EPA for a budget transfers and/or program revisions later than thirty days after the beginning of the quarter in which the budget transfers and/or program revisions were proposed to be effected.
- d. Cause: North Ohio Valley Air Authority failed to submit requests for budget transfers and/or program revisions within thirty days after the beginning of the quarter in which the budget transfers and or program revisions were proposed to effect.
- e. Recommendation: All requests for budget transfers and/or program revisions related to the Air Pollution Control Program Grant should be submitted no later than thirty days after the beginning of the quarter in which the budget transfers and/or program revisions were proposed to be effected.

Schedule of Questioned Costs

1. **Question Costs:** \$2,019.88 for the payment of meals.

CFDA # 66.001 - Air Pollution Control Program Grant
 - a. **Condition:** North Ohio Valley Air Authority paid for meals without itemized purchase receipts or invoices accompanied by a signed and dated certificate stating the purchase of food and/or beverages was for a conference, meeting, or seminar.
 - b. **Criteria:** Local Air Agency Contract; Article V General Provisions B. #6 b. States "Expenditures for the purchase of food and /or beverages will only be allowed when the associated itemized purchase receipt or invoice is provided, accompanied by the statement below and signed by the person responsible for the expenditures relative to the event:

"I certify that this purchase of (food and/or beverages) on [date(s)] was for a (conference, meeting or seminar), and that no liquor or other alcoholic beverages was included"."
 - c. **Effect:** Air Pollution Control Program Grant Funds were expended for meals without the associated itemized purchase receipt or invoice and without the required certificate.
 - d. **Cause:** The Governing Board of the North Ohio Valley Air Authority paid for meals without the proper documentation as described above.
 - e. **Recommendation:** The Governing Board of the North Ohio Valley Air Authority should not pay for meals without the proper support documentation.

2. **Question Costs:** \$1,204.46 for the payment of meals.

CFDA # 66.001 - Air Pollution Control Program Grant

- a. Condition: North Ohio Valley Air Authority paid for meals without a signed and dated certificate stating the purchase of food and/or beverages was for a conference, meeting, or seminar.
- b. Criteria: Local Air Agency Contract; Article V General Provisions B. #6 b. States "Expenditures for the purchase of food and /or beverages will only be allowed when the associated itemized purchase receipt or invoice is provided, accompanied by the statement below and signed by the person responsible for the expenditures relative to the event:

"I certify that this purchase of (food and/or beverages) on [date(s)] was for a (conference, meeting or seminar), and that no liquor or other alcoholic beverages was included"."
- c. Effect: Air Pollution Control Program Grant Fund were expended for meals without the required certificate.
- d. Cause: The Governing Board of the North Ohio Valley Air Authority paid for meals without the proper documentation as described above.
- e. Recommendation: The Governing Board of the North Ohio Valley Air Authority should not pay for meals without the proper support documentation.

3. Question Costs: \$1,783.43 for the payment of lodging.

CFDA # 66.001 - Air Pollution Control Program Grant

- a. **Condition:** North Ohio Valley Air Authority paid for lodging without any support documentation. The support documents should be a copy of a sign in sheet from an event, agency, or organization, or an official agenda or itinerary describing the type of meeting, conference, seminar, retreat, training, or employee recognition event.
- b. **Criteria:** Local Air Agency Contract; Article V General Provisions B. #6 a. and d. require the following procedures for direct billing and payment of expenses relative to conferences, meetings, seminars, retreat, training, or employee recognition event: A copy of a sign in sheet from an event, agency, or organization. An official agenda or itinerary describing the type of meeting, conference, seminar, retreat, training, or employee recognition event.
- c. **Effect:** Air Pollution Control Program Grant Fund were expended for lodging without a copy of a sign in sheet from the event, agency, or organization or an official agenda or itinerary describing the type of meeting, conference, seminar, retreat, training, or employee recognition event.
- d. **Cause:** The Governing Board of the North Ohio Valley Air Authority paid for lodging without the proper documentation as described above.
- e. **Recommendation:** The Governing Board of the North Ohio Valley Air Authority should not pay for lodging without the proper support documentation.

4. **Question Costs:** \$6,062.36 for payments for products and services from the Air Pollution Control Program Grant's approved travel budget which were determined not to be travel related products and services.

CFDA # 66.001 - Air Pollution Control Program Grant

- a. **Condition:** North Ohio Valley Air Authority expended Air Pollution Control Program Grant Funds, which were designated for travel within the "Budget Information" form (Appendix B) for products and services which were determined not to be travel related.
- b. **Criteria:** Local Air Authority Contract; Article III; B. Budget paragraph 3 provides that program funds, which include the non-state as well as the state program funds, shown on the "Budget Information" form (Appendix B), must be used for those costs specifically incurred for the approved program. These funds are to be expended for the purpose stated and for those items enumerated in the approved budget unless an approved transfer is made.
- c. **Effect:** Air Pollution Control Program Grant Funds which were budgeted for travel were expended for products and services which were not travel related.
- d. **Cause:** The Governing Board of the North Ohio Valley Air Authority paid for products and services with Air Pollution Control Program Grant Funds designated for travel which were not travel related.
- e. **Recommendation:** The Governing Board of the North Ohio Valley Air Authority should not pay for products and services that are not travel related with the Air Pollution Control Program Grant Funds which are designated for travel.

5. **Question Costs:** \$1,239.91 for payments made from the Air Pollution Control Program Grant's approved equipment budget which were determined not to be for equipment as specified within the "Budget Information" form (Appendix B).

CFDA # 66.001 - Air Pollution Control Program Grant

- a. **Condition:** North Ohio Valley Air Authority expended Air Pollution Control Program Grant Funds, which were designated for specific equipment within the "Budget Information" form (Appendix B), for equipment and products which were not specified within the "Budget Information" form (Appendix B).
- b. **Criteria:** Local Air Authority Contract; Article III; B. Budget paragraph 3 provides that program funds, which include the non-state as well as the state program funds, shown on the "Budget Information" form (Appendix B), must be used for those costs specifically incurred for the approved program. These funds are to be expended for the purpose stated and for those items enumerated in the approved budget unless an approved transfer is made.
- c. **Effect:** Air Pollution Control Program Grant Funds which were budgeted for specific equipment purchases were expended for equipment and products which were not specified by the "Budget Information" form (Appendix B).
- d. **Cause:** The Governing Board of the North Ohio Valley Air Authority paid for equipment and products with Air Pollution Control Program Grant Funds which were not the equipment specified in the "Budget Information" form (Appendix B).
- e. **Recommendation:** The Governing Board of the North Ohio Valley Air Authority should not pay for equipment and products which are not specified within the "Budget Information" form (Appendix B).

6. **Question Costs:** \$19,632.51 for payments made from the Air Pollution Control Program Grant's approved contract budget which were determined not to be for contractual services as specified within the "Budget Information" form (Appendix B).

CFDA # 66.001 - Air Pollution Control Program Grant

- a. **Condition:** North Ohio Valley Air Authority expended Air Pollution Control Program Grant Funds which were designated for specific contractual services within the "Budget Information" form (Appendix B), for services and products which were not specified within the "Budget Information" form (Appendix B).
- b. **Criteria:** Local Air Authority Contract; Article III; B. Budget paragraph 3 provides that program funds, which include the non-state as well as the state program funds, shown on the "Budget Information" form (Appendix B), must be used for those costs specifically incurred for the approved program. These funds are to be expended for the purpose stated and for those items enumerated in the approved budget unless an approved transfer is made.
- c. **Effect:** Air Pollution Control Program Grant Funds which were budgeted for specific contractual services were expended for services and products which were not specified by the "Budget Information" form (Appendix B).
- d. **Cause:** The Governing Board of the North Ohio Valley Air Authority paid for services and products with Air Pollution Control Program Grant Funds which were not the contractual services specified in the "Budget Information" form (Appendix B).
- e. **Recommendation:** The Governing Board of the North Ohio Valley Air Authority should not pay for services and products which are not specified within the "Budget Information" form (Appendix B) with the Air Pollution Control Program Grant Funds.

7. **Question Costs:** \$3,739.75 for payments made from the Air Pollution Control Program Grant's approved budget for other expenses which were determined not to be for other expenses as specified within the "Budget Information" form (Appendix B).

CFDA # 66.001 - Air Pollution Control Program Grant

- a. **Condition:** North Ohio Valley Air Authority expended Air Pollution Control Program Grant Funds which were designated for specific other expenditures within "Budget Information" form (Appendix B), for other expenditures which were not specified within the "Budget Information" form (Appendix B).
- b. **Criteria:** Local Air Authority Contract; Article III; B. Budget paragraph 3 provides that program funds, which include the non-state as well as the state program funds, shown on the "Budget Information" form (Appendix B), must be used for those costs specifically incurred for the approved program. These funds are to be expended for the purpose stated and for those items enumerated in the approved budget unless an approved transfer is made.
- c. **Effect:** Air Pollution Control Program Grant Funds which were budgeted for specific other expenditures were expended for other expenses which were not specified by the "Budget Information" form (Appendix B).
- d. **Cause:** The Governing Board of the North Ohio Valley Air Authority paid for other expenses with Air Pollution Control Program Grant Funds which were not the other expenses specified in the "Budget Information" form (Appendix B).
- e. **Recommendation:** The Governing Board of the North Ohio Valley Air Authority should not pay for other expenses are not specified within the "Budget Information" form (Appendix B) with the Air Pollution Control Program Grant Funds.

- 8. Question Costs:** \$53,821.50 was transferred or advanced out of the Air Pollution Control Program Grant Fund and paid into the Clean Air Fund.

CFDA # 66.001 - Air Pollution Control Program Grant Fund

- a. Condition: North Ohio Valley Air Authority transferred funds from the Air Pollution Control Program Grant Fund to the Clean Air Fund.
- b. Criteria: Local Air Agency Contract; Article III B. Budget # 4 Requires transfers (which may include obtaining an approved revised Appendix B proposed budget) to have prior approval from the Ohio E.P.A
- c. Effect: *Air Pollution Control Program Grant Fund were transferred and advanced to the Clean Air Fund without prior approval from the Ohio E.P.A.*
- d. Cause: The Governing Board of the North Ohio Valley Air Authority transferred and advanced funds from Air Pollution Control Program Grant Fund to the Clean air Fund without prior approval from the Ohio E.P.A.
- e. Recommendations: The Governing Board of the North Ohio Valley Air Authority should have prior approval for any and all transfers and advances out of the Air Pollution Control Program Grant Fund.

9. **Questioned Costs:** \$115,000 was budgeted for payment from the Air Pollution Control Program Grant Fund to the Retirement Incentive Program Fund.

CFDA #66.001 Air Pollution Control Program Grant

- a. **Condition:** North Ohio Valley Air Authority budgeted \$115,000 from the Air Pollution Control Program Grant Fund for payment to the Retirement Incentive Program Fund. These funds were never paid to the Retirement Incentive Program.
- b. **Criteria:** Local Air Authority Contract; Article 3; B. Budget paragraph 3 provides that program funds, which include the non-state as well as the state program funds, shown on the "Budget Information" form (Appendix B), must be used for those costs specifically incurred for the approved program. These funds are to be expended for the purpose stated and for those items enumerated in the approved budget unless an approved transfer is made.
- c. **Effect:** Air Pollution Control Program Grant funds that were designated for payment to the Retirement Incentive Program Fund were not on hand as of September 30, 1996 and had not been paid to the Retirement Incentive Program Fund.
- d. **Cause:** The Governing Board of the North Ohio Valley Air Authority did not follow required guidelines.
- e. **Recommendation:** The Governing Board or the Director of the North Ohio Valley Air Authority should review Air Pollution Control Program Grant budgets and expenditures to provide assurance that Air Pollution Control Program Grant funds are properly expended.



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**Report on Internal Control Structure Based on an Audit of Basic Financial Statements
Performed in Accordance With *Government Auditing Standards***

We have audited the financial statements of the North Ohio Valley Air Authority, Jefferson County as of and for the fiscal year ended September 30, 1996 and have issued our report dated September 30, 1999. Our report was qualified because we were unable to obtain a discussion or evaluation from the North Ohio Valley Air Authority's legal counsel regarding pending or threatened litigation nor were we able to obtain certain written representations from the North Ohio Valley Air Authority's finance director. Our report also referred to the loss of certain funding.

Except as described above, we conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of the North Ohio Valley Air Authority is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with managements' authorization and recorded properly to permit the preparation the financial statements in conformity with the basis of accounting prescribed or permitted by the Auditor of State as described in Note 1 to the financial statements. Because of inherent limitations in any internal control structure, errors or irregularities may never the less occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of North Ohio Valley Air Authority for the fiscal year ended September 30, 1996, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures, and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

We noted a certain matter involving the internal control structure and its operation that we consider to be a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

North Ohio Valley Air Authority
Jefferson County
Report on Internal Control Structure Based on
an Audit of Basic Financial Statements Performed
in Accordance With *Government Auditing Standards*
Page -2-

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we considered the reportable condition referred to above to be a material weakness. This condition was considered in determining the nature, timing, and extent of the procedures to be performed in our audit of the financial statements of the North Ohio Valley Air Authority, for the fiscal year ended September 30, 1996.

The Director authorized expenditures without the approval of the Board of Directors. Board members were presented financial reports that indicated total disbursements rather than a detailed list of expenditures which would include a list of vendors, amounts to be paid, and amounts due. The payment vouchers required no Board member's signature, only that of the Director. This allowed significant expenditures to be made without the knowledge or approval of the Board of Directors, which resulted in Federal Questioned Costs.

We recommend that a detailed list of expenditures should be provided to the Board Members for review and approval. This would reduce the risk that significant expenditures could be made without the knowledge of the Board.

This report is intended solely for the information and use of management, the Board of Directors, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



JIM PETRO
Auditor of State

September 30, 1999



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**Report on the Internal Control Structure Used in
Administering Federal Financial Assistance Programs**

We have audited the financial statements of the North Ohio Valley Air Authority, Jefferson County, as of and for the fiscal year ended September 30, 1996 and have issued our report thereon dated September 30, 1999. Our report was qualified because we were unable to obtain a discussion or evaluation from the North Ohio Valley Air Authority's legal counsel regarding pending or threatened litigation nor were we able to obtain certain written representations from the North Ohio Valley Air Authority's finance director. Our report also referred to the loss of certain funding.

Except as discussed above, we conducted our audit in accordance with generally accepted auditing standards; *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget Circular A-128, *Audits of State and Local Governments*. Those standards and OBM Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

In planning and performing our audit for the fiscal year ended September 30, 1996, we considered the internal control structure of the North Ohio Valley Air Authority, in order to determine our auditing procedures for the purpose of expressing our opinion on the North Ohio Valley Air Authority's financial statements, and to report on the internal control structure in accordance with OBM Circular A-128. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal financial assistance programs. We have addressed internal control structure policies and procedures relevant to our audit of the financial statements in a separate report dated September 30, 1999.

The management of the North Ohio Valley Air Authority is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in conformity with the basis of accounting prescribed or permitted by the Auditor of State as described in Note 1 to the financial statements and that federal financial assistance programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or instances of non-compliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering federal financial assistance programs in the following categories:

ACTIVITY CYCLES

Revenue
Budgetary
Purchasing
Payroll

GENERAL REQUIREMENTS

Political Activity
Civil Rights
Federal Financial Reports
Allowable Costs/Cost Principles
Drug-Free Workplace
Administrative Requirements

SPECIFIC REQUIREMENTS

Types of Services Allowed or Unallowed
Matching, Level of Effort, or Earmarking
Special Tests and Provisions

CLAIMS FOR ADVANCES AND REIMBURSEMENTS

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

During the fiscal year ended September 30, 1996, the Air Authority had no major federal financial assistance programs and expended 100% of its total federal financial assistance under the following nonmajor federal financial assistance program, Air Pollution Control Program (CFDA #66.001).

We performed tests of controls, as required by OMB Circular A-128, to evaluate the effectiveness of the design and operation of the internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements and amounts claimed or used for matching that are applicable to the aforementioned non-major program. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

North Ohio Valley Air Authority
Jefferson County
Report on the Internal Control Structure Used in
Administering Federal Financial Assistance Programs
Page -3-

We noted a certain matter involving the internal control structure and its operation that we consider to be a reportable condition under standards established by the American Institution of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that , in our judgement, could adversely affect North Ohio Valley Air Authority's ability to administer federal financial assistance programs in accordance with applicable laws and regulations.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure policies and procedures used in administering federal financial assistance would not necessarily disclose all matters in the internal control structure that might be a reportable condition and, accordingly would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we considered the reportable condition referred to above to be a material weakness as defined above. This condition was considered in determining the nature, timing, and extent of the procedures to be performed in our audit of the compliance of the North Ohio Valley Air Authority, with requirements applicable to its nonmajor federal financial assistance program for the fiscal year ended September 30, 1996.

The Director authorized expenditures without the approval of the Board of Directors. Board members were presented financial reports that indicate total disbursements rather than a detailed list of expenditures which would include a list of vendors, amounts to be paid, and amounts due. The payment vouchers required no Board member's signature, only that of the Director. This allowed significant expenditures to be made without the knowledge or approval of the Board of Directors, which resulted in Federal Question Costs.

We recommend that a detailed list of expenditures should be provided to the Board Members for review and approval. This would reduce the risk that significant expenditures could be made without the knowledge of the Board.

This report is intended solely for the information and use of management, the Board of Directors, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



JIM PETRO
Auditor of State

September 30, 1999



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**NORTH OHIO VALLEY AIR AUTHORITY
JEFFERSON COUNTY**

CLERK'S CERTIFICATION

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

By: *Susan Babbitt*
Clerk of the Bureau

Date: MAR 28 2000