



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



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**FAIRFIELD COUNTY GENERAL HEALTH DISTRICT  
FAIRFIELD COUNTY**

**SCHEDULE OF BOARD MEMBERS AND DISTRICT OFFICIALS**  
As of June 30, 2002

**Board Members**

Ron McMaster, Board President

Jeff Connar

Robert Cottrill

Frank Hirsch

Tana Kagey

Susan Maxwell

Andrew Murray

Larry Rosier

Richard Varney

**District Officials**

Ron Elble, Health Commissioner

Paulette Tiller, Fiscal Officer

Steve Deeters, Sanitarian

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JIM PETRO, AUDITOR OF STATE

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## REPORT OF INDEPENDENT ACCOUNTANTS

Mr. Christopher Jones, Director  
Ohio Environmental Protection Agency  
122 South Front Street  
Columbus, Ohio 43216

At your request, we have conducted a special audit of the Fairfield County General Health District (the District) by performing the procedures enumerated in the attached Supplement to the Special Audit Report for the period April 1, 1998 through June 30, 2002 (the Period), solely to:

- Determine whether the 319 Non-point Water Pollution Grant ("319 grant") expenditures were in accordance with the grant guidelines, federal regulations, and OMB Circular A-87; were accurately reflected in the quarterly reports; and were related to the District's operations.
- Determine whether the District provided the required local match monies as identified in the 319 grant agreement.

This engagement was conducted in accordance with consulting standards established by the American Institute of Certified Public Accountants. The procedures and associated findings are detailed in the attached Supplement to the Special Audit Report. A summary of our procedures and significant results is as follows:

1. We reviewed all recorded 319 grant expenditures and determined whether the expenditures were in accordance with the grant guidelines, federal regulations, and OMB Circular A-87; were accurately reflected in the quarterly reports; and were related to District operations.

Significant Results – We identified \$31,556 related to 10 employees' salaries that were allocated to the grant for which no documentation existed supporting the actual hours worked on grant-related activities. For 2 employees that the District maintained documentation supporting the actual hours worked, we noted only \$5,221 of \$59,455 in payroll charges were grant-related. We issued federal questioned costs for the 319 grant totaling \$85,790 for payroll costs and an additional \$19,611 in unallowable fringe benefits. A review of non-payroll expenditures identified \$7,722 in unallowable grant expenditures for which we issued federal questioned costs.

We noted 92 applicants received cost-share assistance, totaling \$97,442. Of the 60 applicants identified as ineligible, 40 applicants did not reside in the watershed, 15 did not meet other eligibility requirements, and the remaining applicants were paid for work performed outside of the grant period, or the payment exceeded the total project cost. We issued federal questioned costs totaling \$62,854 for ineligible expenditures and issued findings for recovery, totaling \$216, for public monies illegally expended.

We also issued federal questioned costs, in the amount of \$14,084, for the expenditures which exceeded the budgeted amount in the "Equipment" and "Other" categories without an approved budget amendment by the Ohio Environmental Protection Agency (OEPA).

We issued 6 noncompliance citations and 5 internal control recommendations addressing unallowable grant expenditures; quarterly reports; maintaining supporting documentation in accordance with OMB Circular A-87; and guidance provided by OEPA to its grant recipients.

2. We reviewed the in-kind and cash contributions identified as local matching monies in the 319 grant agreement and verified whether the District provided the required local match.

Significant Results – The District reported to OEPA that it had provided \$125,814 of in-kind local match monies. Of the required \$103,073 identified in the 319 grant agreement, the District had documentation supporting only \$2,725 of in-kind local match which met guidelines in OMB Circular A-87 and 40 CFR Chapter 31 Section 24. This resulted in a shortage of 319 grant in-kind local match provided by the District of \$100,348.

Seven organizations agreed to provide in-kind local match monies totaling \$26,100. Six of the 7 organizations were unable to provide documentation supporting \$17,100 of in-kind local match monies.

The eligible cost-share applicants were to provide a cash match totaling \$165,503. Of the \$165,503, only \$36,443 was provided by 32 eligible applicants resulting in a shortage of \$129,060 in local cash match provided.

We issued federal questioned costs totaling \$246,508 for the 319 grant for local match monies not provided.

We issued 2 noncompliance citations relating to the documentation of and valuation of local in-kind match provided.

3. On November 6, 2002, we held an exit conference with the following individuals representing the District:

Ron McMaster, Board President  
Bob Cottrill, Board Member  
Jana Kagey, Board Member  
Richard A. Varney, Board Member  
Deb Kelbarger, Sanitarian

Ron Elble, Health Commissioner  
Paulette Tiller, Fiscal Officer  
Steve Deeters, Sanitarian  
Diana Uther, Sanitarian

On November 22, 2002, we held an exit conference with the following individuals representing OEPA:

Lisa Morris, Chief, Division of Surface Water  
George Elmaraghy, Assistant Chief, Division of Surface Water  
Gregory Smith, Supervising Attorney, Water Programs  
Jennifer Martin, Fiscal Officer, Division of Surface Water  
Martha Spurbeck, Grants Administrator, Division of Surface Water  
Julio Perez, Environmental Specialist II, 319 Program, Division of Surface Water  
John Kessler, Environmental Manager, 319 Program, Division of Surface Water

The attendees were informed that they had five business days to respond to this Special Audit Report. We received responses from the District dated November 15, 2002 and November 20, 2002. In addition, we received a response from OEPA dated December 6, 2002. These responses were evaluated and modifications were made to the attached Supplement to the Special Audit as we deemed appropriate.

This report is intended solely for the information and use of the OEPA and is not intended to be and should not be used by anyone other than these specified parties. However, reports by the Auditor of State are a matter of public record and use by other components of state government or local government officials is not limited.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, sweeping initial "J" and a long, horizontal stroke extending to the right.

Jim Petro  
Auditor of State

September 20, 2002

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## Supplement to the Special Audit Report

### Background

In November 1997, the Fairfield County General Health District (the "District") submitted a 319 Non-point Water Pollution Grant ("319 grant") application to obtain funding for upgrading household aeration systems within the Clear Creek Watershed. The grant was awarded to the District in June 1998 for the period of July 1, 1998 through June 30, 2001. On October 9, 2001, OEPA extended the grant period through March 31, 2002.

On March 12, 2002, OEPA Division of Surface Water employees reviewed the District's grant accounting records and noted the following areas of concern:

- Instances were identified where payroll was allegedly charged incorrectly to the grant.
- Program income earned was possibly being misused.
- Fourteen homeowners, who installed their septic systems prior to applying for grant assistance, could be ineligible for grant assistance.

On May 9, 2002, OEPA Division of Surface Water employees and the Ohio Department of Natural Resources Chief of Audits performed a review of selected District grant accounting records. The review identified the following concerns:

- The District's employees' activity logs identified 58.25 hours spent on the 319 grant for the period of April 2000 through September 2000; however, 826 hours were paid with grant monies. This resulted \$12,002 of unsupported salary charges.
- Federal monies were expended, during the period October 2001 through March 2002, for septic systems upgrades which occurred in 1991 (1) and 1998 (3) prior to the beginning of the grant period.
- Fourteen landowners installed septic systems prior to applying for grant assistance. In addition, the District paid homeowners prior to the work being completed and in some instances, no work was completed. However, the 319 grant agreement indicated the work was to be completed after approval of the homeowner's application.
- In several cases, supporting documentation could not be located for the cost of the work completed and verification the work was performed was not documented.

On May 29, 2002, the Director of OEPA submitted a request to the Auditor of State for additional investigation into the above issues identified by his staff during the 2 site visits.

This information was presented to the Auditor of State's Special Audit Committee and on June 20, 2002, the Committee voted to initiate a Special Audit of the 319 Non-point Water Pollution Grant received by the District.

## Supplement to the Special Audit Report

### Issue No. 1 – Review of Grant Expenditures

We reviewed all recorded 319 Non-point Water Pollution grant (“319 grant”) expenditures and determined whether the expenditures were in accordance with the grant guidelines, federal regulations, and OMB Circular A-87; were accurately reflected in the quarterly reports; and were related to the operations of the Fairfield County General Health District (the “District”).

#### Procedures

1. We reviewed the 319 grant agreement and related documentation for guidance on allowable expenditures and documentation requirements.
2. We scheduled the expenditures recorded in the grant fund, identifying specific detail for each type of expenditure, and compared the amount by category to those reported on the quarterly reports to verify the accuracy of the District’s reports.
3. We compared the total expense per category to the budget approved in the grant application and any approved modifications to identify whether the District exceeded its approved budget.
4. For all recorded 319 grant disbursements, we reviewed supporting documentation and determined whether charges to the grant were allowable and documented in accordance with the regulations identified in Result No. 1 of this Issue.

#### Results

1. On June 10, 1998, the Ohio Environmental Protection Agency (OEPA) awarded the 319 grant to the District. The agreement provided the District would complete inspections of aeration septic systems within the Clear Creek Watershed, educate the residents on how to maintain the systems, and provide assistance to 120 homeowners for the upgrading and repairing of ineffective systems to meet current state codes. The District was awarded federal funds of \$257,238 with a requirement that the District provided \$294,676 in local matching funds to be expended during the period July 1, 1998 through June 30, 2001. On October 9, 2001, the OEPA extended the grant period to March 31, 2002. The extension did not include any increase in funding.

The 319 grant agreement included a cost category budget and references to federal circulars as guidance for allowable expenditures. The 319 grant agreement also provided the following provisions relating to grant expenditures:

- The District was to establish and maintain separate accounting records for the grant monies received and expended.
- The District was required to maintain adequate supporting records and documentation for such expenditures. The records and documentation shall provide:
  - An accurate, current, and complete accounting of all project expenditures.
  - Identify the source of the grant monies and how the monies were expended.
  - Provide assurance assets purchased with grant monies were solely used for authorized purposes,
  - Procedures for determining allowable, allocable, and reasonable costs.
- Records will be maintained by the District for three years after the grant was completed and should be maintained in a manner allowing documentation to be readily located.

## Supplement to the Special Audit Report

- The District would comply with the guidelines in 40 CFR Part 30 through Part 34; OMB Circular No. A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and any other applicable OMB Circulars including OMB Circular A-87 *Cost Principles for State and Local Governments* (“OMB Circular A-87”).
2. The table below reflects a comparison between the expenditures recorded in the District’s records and the expenditures by category reported in the quarterly reports to OEPA. For 6 of the 7 categories, the expenditures reported were not supported by the District’s ledgers or accounting records. The District was unable to reconcile the quarterly reports’ federal portion to its ledgers and accounting records. The variances were as follows:

<b>Category</b>	<b>Total Expenditures Per District’s Ledgers</b>	<b>Expenditures Reported to OEPA</b>	<b>Variance</b>
Personnel	\$ 91,011	\$ 83,545	\$ 7,466
Fringe	20,612	15,935	4,677
Travel	1,976	3,598	(1,622)
Equipment	6,474	6,474	-
Supplies	3,572	4,236	(664)
Cost-Share	97,442	91,442	6,000
Other	21,463	20,283	1,180
	<b>\$ 242,550</b>	<b>\$ 225,513</b>	<b>\$ 17,037</b>

We also noted the following during the review of the quarterly reports and the District’s accounting records:

- The District’s accounting records included additional expense categories, such as contractual repairs, advertising, and training, which were not included in the approved 319 grant budget. Therefore, the expenses recorded in the additional categories were included in the “Other” category in the above table. We will recommend the District establish expense line items in its ledgers to reflect only the approved grant expenditure categories or establish a mechanism by which the District can identify which subcategories comprise the approved budget categories.
- Article V, Paragraph 23, of the 319 grant agreement required the submission of quarterly fiscal reports on the 15<sup>th</sup> day following the quarter’s end. The District did not submit 6 of the 15 quarterly reports by the 15<sup>th</sup> day after the end of the quarter.
- The District reported on 6 of the 15 quarterly reports that there were sub-contractual expenditures which were not budgeted in the approved 319 grant agreement. We recommend OEPA compare the quarterly reports to the approved 319 grant agreement to ensure expenditures are reported only in the approved budgeted categories. If any discrepancies are identified, OEPA should contact its grantee to resolve the discrepancies. Any approval by OEPA of expenditures reported outside the established budget categories should be adequately documented by the District and OEPA.

## Supplement to the Special Audit Report

3. The 319 grant agreement provided budgeted amounts for the categories listed below. We calculated the allowable expenditures<sup>1</sup> by category and identified instances where the District exceeded the approved budgeted amount:

Category	Final Budgeted Amount	Allowable Expenditures	Variance
Personnel	\$ 77,159	\$ 5,221	\$ 71,938
Fringe	15,878	1,001	14,877
Travel	3,750	1,402	2,348
Equipment	5,826	6,474	(648)
Supplies	2,225	2,050	175
Cost-Share	150,000	34,414	115,586
Other	2,400	15,836	(13,436)
	<u>\$ 257,238</u>	<u>\$ 66,398</u>	<u>\$ 190,840</u>

Article VII, Paragraph 31, of the 319 grant agreement provided the “agreement, including the project work plan... may not be modified except upon written, signed consent by the parties to this Agreement.” The approved 319 grant budget was included as part of the project work plan. The District did not obtain approval from OEPA to exceed the approved grant budget in the “Equipment” and “Other” categories. We will issue a federal questioned cost in the amount of \$14,084 for the expenditures in excess of the approved budget in those 2 categories.

4. We reviewed the expenditures and the related supporting documentation maintained in the District’s accounting records and identified whether the expenditures were in accordance with the guidelines identified in Result No. 1, for the following categories:

### Payroll

We scheduled the recorded payroll expenditures for the grant period and identified 12 employees’ salaries were allocated to the 319 grant fund. OMB Circular A-87, Appendix C, Section 11 (h) (4) required that for employees who work on multiple activities, the distribution of the employees’ salaries should be supported by personnel activity reports. The District was unable to provide documentation supporting hours allocated to the grant for 10 of the 12 employees, totaling \$31,556. We will issue a federal questioned cost in the amount of \$31,556 for the 319 grant.

The District provided the Daily Environmental Logs for the 2 remaining employees. Steve Deeters, Sanitarian, informed us, in July 2002, that activity with code “59” was related to the 319 grant. We scheduled all of the daily activity with the code “59” into a spreadsheet including the address and the time spent. We utilized the Fairfield County Auditor’s Real Estate computer system to obtain the parcel number for each address that appeared to be within the Clear Creek Watershed.<sup>2</sup> We compared the parcel number to a master listing of parcel numbers within the Clear Creek Watershed generated by Dave Burgei, Fairfield County Geographical Information System Coordinator and verified whether the parcel was within the Clear Creek Watershed.<sup>3</sup>

<sup>1</sup> Allowable expenditures include only those expenditures identified in Result No. 4 as allowable.

<sup>2</sup> For those addresses which were located in townships other than those included in the Clear Creek Watershed, per the map provided by the OEPA, we performed no further review.

<sup>3</sup> Per David Burgei, Fairfield County Geographical Information System (GIS) Coordinator, he obtained the map from the OEPA and entered the data into the system. In instances where the parcel was not listed and it appeared it could be located within the Clear Creek Watershed, we contacted Perry Orndorff, Fairfield County Soil and Water Conservation District Program Administrator, to verify whether the parcel was within the Clear Creek Watershed.

## Supplement to the Special Audit Report

For those parcels within the Clear Creek Watershed, we calculated the time spent by the 2 employees during the grant period. We utilized the pay rate, obtained from the Fairfield County Auditor's Office, and calculated the payroll costs associated with the time spent inspecting parcels within the Clear Creek Watershed. We identified 238.41 hours<sup>4</sup>, with payroll costs of \$4,661, related to inspections performed by Mr. Deeters and 69.99 hours, with payroll costs of \$560, related to inspections performed by Darla Warthman within the Clear Creek Watershed. Total payroll expenses allocated by the District to the 319 grant for these 2 individuals totaled \$59,455. Of the \$59,455, only \$5,221 was identified as eligible grant expenditures. Therefore, we will issue a federal questioned cost for the 319 grant in the amount of \$54,234.

As noted, we identified \$5,221 in eligible payroll costs. Associated with the eligible payroll costs are the related fringe benefits at a fixed percentage.<sup>5</sup> Utilizing the fixed percentages provided by the District, we calculated \$1,001 in eligible fringe benefits related to the \$5,221 in payroll costs. However, the District expended \$20,612 in federal funds for fringe benefits resulting in \$19,611 in unallowable expenditures. We will issue a federal questioned cost in the amount of \$19,611 for the 319 grant.

### Non-Payroll Expenditures

Non-payroll expenditures included the budgeted categories of "Supplies", "Travel", "Equipment", and "Other." We reviewed 115 expenditures, totaling \$33,485, and identified 56 expenditures, totaling \$7,722, as unallowable grant expenditures. We will issue a federal questioned cost for the 319 grant, in the amount of \$7,722, for the following unallowable expenditures:

- 6 expenditures, totaling \$393, were incurred prior to the signing of the 319 grant agreement on June 10, 1998. Article II, Paragraph 17, of the 319 grant agreement provided "grantee shall not utilize or otherwise expend any grant monies awarded under this Agreement, for payment of expenses or debts incurred prior to the effective date of this Agreement." Article II, Paragraph 7, indicated the agreement is effective based on the date of the last required signature on the agreement or June 10, 1998.
- 3 expenditures, totaling \$479, were for 2 employment advertisements and the purchase of a truck decal. We were unable to identify how the expense related directly to the 319 grant.
- 13 expenditures, totaling \$3,900, were related to the hiring of an independent contractor who performed various duties including data entry and answering phones. OMB Circular A-87 Section C (1) (j) provided for a cost to be allowable, the expenditure must be adequately documented. No supporting documentation was available identifying the hours worked on the 319 grant and non-grant related activities.
- 8 expenditures, totaling \$425, were related to the purchase of supplies. No supporting documentation existed identifying the expenditures' relationship to the grant.
- 2 expenditures, totaling \$350, were related to the attendance by the District employees at unrelated conferences.
- 9 expenditures, totaling \$431, were mileage reimbursement to various District employees where the destinations were either not within the Clear Creek Watershed or were unrelated to the grant.
- 15 expenditures, totaling \$1,744, were related to vehicle repair and the purchase of gasoline. As indicated in the Payroll Results, we determined 4.25%<sup>6</sup> of the Sanitarian's time spent was grant related. Since the District did not maintain documentation supporting the allocation of the expenses, totaling \$1,821, and the expenses were incurred by the Sanitarian or his assistant working on the 319 grant, we allocated 4.25% of the expenses as allowable and the remaining 95.75% as unallowable.

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<sup>4</sup> This was equal to 4.25% of Mr. Deeters' time during the grant period.

<sup>5</sup> These benefits include Public Employees Retirement System (13.55%); Bureau of Workers Compensation Premium (3.2179%); and Medicare (1.45%). The Fiscal Officer indicated the health insurance plan Mr. Deeters participated in was equal to 4.5% of his gross wages.

<sup>6</sup> See footnote no. 4.

## Supplement to the Special Audit Report

### Cost-Share Expenditures

Per the Project Work Plan in the 319 grant agreement, the District was to provide assistance to eligible applicants based on a sliding income scale. The District was unable to provide documentation supporting the existence of the sliding income scale. Upon completion of the application, the application was to be submitted to the Subcommittee<sup>7</sup> for approval. Of the 92 applicants receiving payments totaling \$97,442:

- 87 applications indicated the amount of assistance approved.
- 44 applications were signed by the Advisory Committee Member or Subcommittee Member approving the amount.
- 86 applications listed an amount approved that agreed to the amount disbursed.
- 4 applications could not be located.
- 1 application did not indicate the amount of assistance nor was it signed by a Subcommittee member.

Per the 319 grant agreement and application completed by the applicant, the following 10 eligibility criteria were required to be met:

- Applicant must reside within the Clear Creek Watershed,
- Applicant must own the property receiving the upgrade or repair,
- Applicant must be current on property taxes paid.
- The property must have an aeration septic system,
- Applicant was approved only once for funding,
- The work should be for a septic upgrade or repair,
- Only one payment allowed per parcel,
- An application must be completed,
- The applicant may not be a member of a governing body or a County elected official, and
- Invoices must be maintained supporting the work performed.

Of the 92 applicants, we determined only 30 applicants were eligible for payments, totaling \$31,700.

Two ineligible applicants received monies, totaling \$2,400; however, the applicants subsequently returned those monies to the District.

We identified the following 58 ineligible applicants, who received assistance totaling \$61,142 for which we will issue federal questioned costs:

- 40 applicants (\$43,042) did not reside within the boundaries of the Clear Creek Watershed.
- 2 applicants received payments, totaling \$2,400, in which no work has been performed as of August 2002. The 319 grant agreement indicated grant monies were to be expended for the upgrade or repair of the aeration septic system during the grant period. These two applicants provided invoices indicating the work was performed in August 2002. Since the work occurred outside the grant period, the expenditure was unallowable under the 319 grant agreement.
- 1 applicant (\$500) provided a \$175 receipt for septic repair and a \$1,350 receipt for basement drain repair. The \$325 of the \$500, received from the District that was used by the applicant for basement drain repair was unrelated to the upgrade or repair of an aerator septic system.
- 1 applicant (\$900) was not current on his property taxes.
- 11 applicants (\$11,000) did not own the property at which the work was performed.
- 2 applicants (\$2,400) did not complete an application.
- 1 applicant (\$900) received payment for work performed to install a new septic system,

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<sup>7</sup> The Subcommittee consisted of members from the Advisory Group, which was established to operate the grant, to determine which applicants were eligible for assistance.

## Supplement to the Special Audit Report

2 applicants (\$2,200) included invoices for work performed outside of the grant period. Article II, Paragraph 17, of the 319 grant agreement dated June 10, 1998 provided “grantee shall not utilize or otherwise expend any grant monies awarded under this Agreement, for payment of expenses or debts incurred prior to the effective date of this Agreement as specified in Paragraph 7.” Article II, Paragraph 7, indicates the agreement is effective based on the date of the last required signature on the agreement which was June 10, 1998. The following table summarizes payments to applicants for expenses incurred outside of the audit period:

Recipient	Amount Paid	Expenses Incurred in the Grant Period	Expenses Incurred Outside the Grant Period
Jerry Knotts	\$ 1,200	\$ 795	\$ 405
Darrell Patterson	1,000	165	835
	<u>\$ 2,200</u>	<u>\$ 960</u>	<u>\$ 1,240</u>

The expenses incurred by these 2 applicants outside of the audit period were for work completed in 1995.

We reviewed the invoices provided by the 31 eligible applicants to ensure the invoices included sufficient detail to identify the work performed and that the work was performed during the grant period. We identified 2 instances in which an estimate was provided as supporting documentation. We contacted the vendor who verified the estimate also served as the invoice for the work performed. In addition, we identified 13 instances in which payment was issued prior to the completion of the work. We will recommend the District verify the work was completed prior to payment to ensure only eligible and completed services are reimbursed to the applicant.

The invoices were compared to the reimbursed amount to ensure the amount paid to the 31 eligible applicants did not exceed the total cost of the repair or upgrade of the septic system. OEPA indicated in Appendix 9 “Ohio EPA’s 319 Program: What You Should Know”, from *A Guide to Developing Local Watershed Action Plans in Ohio*, that “the total federal cost-share to any individual cannot exceed 75% of the total cost of the practice.” The 319 grant agreement was silent on this provision. Jennifer Martin, OEPA’s Division of Surface Water’s Fiscal Officer, indicated on August 2, 2002, the total amount spent on each resident cannot exceed more than 100% of the project cost. We recommend OEPA amend its publication to reflect the federal grantor’s guidelines.

We identified 8 instances in which the reimbursed amount exceeded 75% of the total project cost, 2 reimbursements were equal to the total project cost, and 2 exceeded 100% of the total project cost.

The following table identifies those reimbursed more than the total project cost<sup>8</sup>:

Name	Amount Reimbursed	Total Project Cost	Variance
Ray Sisco	\$ 900	\$ 469	\$ 431
Charlotte Danner	900	684	216
	<u>\$ 1,800</u>	<u>\$ 1,153</u>	<u>\$ 647</u>

A Finding for recovery will be issued against Charlotte Danner for \$216 in favor of the District’s Fund 7311 for public monies illegally expended. In addition, we will issue a questioned cost for the 319 grant in the amount of \$647. We considered issuing a finding for recovery against Ray Sisco for \$431; however, on October 25, 2002, Mr. Sisco reimbursed the District the \$431.

<sup>8</sup> Only expenditures incurred during the period June 10, 1998 through June 30, 2002 were included.

## Supplement to the Special Audit Report

5. Our review of the recorded 319 grant expenditures also identified the following internal control weaknesses or noncompliance:
- Article IV, Paragraph 18, of the 319 grant agreement, required the grantee to “establish and maintain separate accounting records for the management of grant monies awarded under this Agreement.” The District recorded the receipt and expense of the grant monies in Fund 7311 which also included monies received from a previous legal settlement with Mid American Waste.
  - Article IV, Paragraph 19, of the 319 grant agreement, provides the grantee should maintain adequate, supporting documentation for such expenditures. Article IV, Paragraph 20, provided the records should be maintained on file for three years after the closure of the date of the agreement. Per District Officials, the Daily Environmental Logs supporting the hours worked by the Sanitarian in 1998 were destroyed.
  - The District did not maintain sufficient documentation to support the payments for local cost-share monies to the applicants including invoices identifying the work performed. As a result, we contacted the vendors and applicants directly to obtain supporting documentation.
  - We were unable to reconcile the documentation provided by the District to its January 2002 through March 2002 quarterly report.

### Findings for Recovery Repaid Under Audit

#### Payments in Excess of the Cost of the Project

We identified Ray Sisco was reimbursed \$900 by the District for work performed totaling \$469. Therefore, he was reimbursed \$431 in excess of the total project cost. We considered this as a finding for recovery. On October 25, 2002, Mr. Sisco reimbursed the District the \$431. We will consider this as a finding for recovery repaid under audit.

#### Finding for Recovery

#### Payment in Excess of the Cost of the Project

Article IV, Paragraph 19, of the 319 grant agreement, provided the grantee’s records shall provide “control and accountability for all grant monies awarded under this Agreement, property and other assets and assurance that grant monies awarded under this Agreement are used solely for the authorized purpose.” Jennifer Martin, OEPA’s Division of Surface Water’s Fiscal Officer, indicated, on August 2, 2002, the total amount spent on each resident cannot exceed more than 100% of the project cost.

We identified Charlotte Danner provided receipts totaling \$684 for the work performed and was reimbursed \$900 by the District. As a result Ms. Danner was reimbursed \$216 in excess of the total cost of the project.

As noted in the previous findings for recovery, Mr. Deeters was served as the Project Representative, who was responsible for performance of the duties and obligations of the grant.

In accordance with the foregoing facts, a finding for recovery is hereby issued against Charlotte Danner and Steve Deeters and the Westfield Company, his bonding company, jointly and severally, for \$216 for public monies illegally expended, in favor of the District’s Fund 7311.

## Supplement to the Special Audit Report

### Questioned Costs

#### Expenditures in Excess of Approved Budgeted Amounts

Article VII, Paragraph 31, provided the “Agreement, including the project work plan . . . may not be modified except upon written, signed consent by the parties to this Agreement.” The work plan in the 319 grant agreement included a budget for the following expense categories: “Personnel”, “Fringe”, “Travel”, “Equipment”, “Supplies”, “Cost-Share”, and “Other”.

We compared the allowable expenditures<sup>9</sup> by category, as recorded by the District, to the approved budgeted categories and any subsequent amendments.

We identified the following instances where the actual allowable expenditures exceeded the approved budget:

<b>Category</b>	<b>Final Budgeted Amount</b>	<b>Allowable Expenditures</b>	<b>Variance</b>
Equipment	5,826	6,474	(648)
Other	2,400	15,836	(13,436)
	<u>\$ 8,226</u>	<u>\$ 22,310</u>	<u>\$ (14,084)</u>

We are issuing federal questioned costs for the 319 Non-point Water Pollution Grant in the total amount of \$14,084.

#### Payroll Expenditures

Office of Management and Budget Circular A-87, *Cost Principals for State, Local, and Indian Tribal Governments* Appendix C Section 11 (h) (4) requires employees who work on multiple activities, the distribution of the employees’ salaries should be supported by personnel activity reports.

The following grant expenditures were determined to be unallowable:

- The District was unable to provide documentation to support the actual hours charged to the grant for 10 of the 12 employees’ salaries, totaling \$31,556.
- A review of the supporting documentation for the time charged by Steve Deeters and Darla Warthman identified \$5,221 in allowable payroll charges for work performed within the Clear Creek Watershed. The District allocated \$59,455 in payroll charges to the grant for these two employees. Therefore, \$54,234 in payroll charges were identified as unallowable.
- The District also allocated \$20,612 in related fringe benefits to the grant. Based on allowable payroll expense of \$5,221, only \$1,001 in fringe benefits should have been allocated to the 319 grant. The remaining unallowable \$19,611 was for the fringe benefits related non-grant duties.

We are issuing a federal questioned cost for the 319 Non-point Water Pollution Grant in the total amount of \$105,401.

#### Non-Payroll Grant Expenditures Prior to Grant Period

Article II, Paragraph 17, of the 319 grant agreement, dated June 10, 1998, provided that the “grantee shall not utilize or otherwise expend any Grant monies awarded under this Agreement, for payment of expenses or debts incurred prior to the effective date of this Agreement as specified in Paragraph 7.” Article II, Paragraph 7, indicates the agreement is effective based on the date of the last required signature on the agreement.

We identified \$251 in expenditures categorized as “Supplies” and \$142 expenditures categorized as “Travel” which were incurred prior to the June 10, 1998 date.

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<sup>9</sup> See footnote no. 1

## Supplement to the Special Audit Report

We are issuing federal questioned costs for the 319 Non-point Water Pollution Grant in the total amount of \$393.

### Non-payroll Expenses Unrelated to the Grant

Article IV, Paragraph 19, of the 319 grant agreement provided the grantee’s records shall provide “control and accountability for all grant monies awarded under this Agreement, property and other assets and assurance that grant monies awarded under this Agreement are used solely for the authorized purpose.”

We reviewed the expenditures and identified 50 expenditures, totaling \$7,329, as unallowable expenditures because the expenses were unrelated to the provision of services in the Clear Creek Watershed or supporting documentation did not exist indicating the relationship to the 319 grant.

We are issuing federal questioned costs for the 319 Non-point Water Pollution Grant in the amount of \$7,329.

### Ineligible Cost-Share Recipients

Exhibit B’s Project Summary, of the 319 grant agreement, indicated eligible applicants will reside within the Clear Creek Watershed. In addition, the approved grant application and the homeowner application for assistance included guidelines identifying the eligibility requirements. A review of the 92 payments to applicants identified the following unallowable expenditures:

- 40 applicants, with payments totaling \$43,042, were ineligible because the homeowners did not reside within the Clear Creek Watershed boundaries.
- 2 applicants, with payments totaling \$2,400, received payment for work that was completed in August 2002, even though the grant was closed June 30, 2002.
- 1 applicant received \$500. He provided documentation of \$175 related to septic repair. The remaining \$325 was related to the repair of a basement drain and was unrelated to the grant.
- 15 applicants, with payments totaling \$15,200, did not meet all of the eligibility requirements.
- Article II, Paragraph 17, of the 319 grant agreement, dated June 10, 1998, provided “grantee shall not utilize or otherwise expend any grant monies awarded under this Agreement, for payment of expenses or debts incurred prior to the effective date of this Agreement as specified in Paragraph 7.” The following table summarizes payments, totaling \$1,240, to applicants for expenses incurred outside of the grant period:

<b>Recipient</b>	<b>Amount Paid</b>	<b>Expenses Incurred in the Grant Period</b>	<b>Expenses Incurred Outside the Grant Period</b>
Jerry Knotts	\$ 1,200	\$ 795	\$ 405
Darrell Patterson	1,000	165	835
	\$ 2,200	\$ 960	\$ 1,240

- Article IV, Paragraph 19, of the 319 grant agreement indicated that the grantee’s records “shall provide control and accountability for all grant monies awarded under this Agreement, property and other assets and assurance that grant monies awarded under this Agreement are used solely for the authorized purpose.” Jennifer Martin, OEPA’s Division of Surface Water’s Fiscal Officer, indicated on August 2, 2002, the total amount spent on each resident cannot exceed more than 100% of the project cost.

## Supplement to the Special Audit Report

The following table identifies those reimbursed more than the project cost:

Name	Amount Reimbursed	Total Project Cost	Variance
Ray Sisco	\$ 900	\$ 469	\$ 431
Charlotte Danner	900	684	216
	<u>\$ 1,800</u>	<u>\$ 1,153</u>	<u>\$ 647</u>

We are issuing federal questioned costs for the 319 Non-point Water Pollution Grant in the total amount of \$62,854.

**Total Federal Questioned Costs in this Issue:           \$190,061**

### Noncompliance Citations

#### Quarterly Reports

Article V, Paragraph 23, of the 319 grant agreement required the submission of quarterly fiscal reports on the 15<sup>th</sup> day following the quarter.

Six of the 15 quarterly reports were not filed by the 15<sup>th</sup> day after the quarter. In addition, the quarterly reports did not accurately reflect the grant expenditures because ineligible expenses were included in the reporting of federal and local match expenditures.

We recommend the District file all quarterly reports in accordance with the 319 grant agreement and the reports should reflect the activity included in the District's ledgers which are allowable per the grant guidelines. The information included on the reports should be reconcilable to the District's accounting records.

#### Budget Amendments

Article VII, Paragraph 31, provided the 319 grant agreement, including the project work plan, "may not be modified except upon written, signed consent by the parties to this Agreement." The work plan in the 319 grant agreement included a budget for the following expense categories: "Personnel", "Fringe", "Travel", "Equipment", "Supplies", "Cost-Share", and "Other".

We noted that the expenditures exceeded the budgeted amount in 2 categories. No budget amendments were obtained from OEPA for the "Equipment" and "Other" categories. No evidence existed indicating the District monitored the budget to ensure it was not exceeded without prior OEPA approval.

We recommend the District monitor the grant budget and request budget amendments when it appears the expenditures will exceed the budget. We also recommend when establishing the fund on the District's ledgers that the expense items reflect the items listed in the approved grant budget.

#### Applicant Eligibility

The Project Work Plan Summary, approved in the 319 grant agreement, indicated the "advisory group will be responsible for developing guidelines for who will receive the cost share. It will be based on a sliding fee scale." Steve Deeters, Sanitarian, indicated the sliding scale was not developed and that a Subcommittee, created by the Advisory Board, was responsible for determining who was eligible. Mr. Deeters also indicated minutes for the Subcommittee were not maintained.

We recommend in District follow the guidelines of the 319 grant agreement when determining eligibility. If the District decides to amend the method of assessing eligibility, the District should obtain approval from the grantor agency prior to altering the eligibility process.

## Supplement to the Special Audit Report

### Grant Expenditures Prior to Grant Period

Article II, Paragraph 17, of the 319 grant agreement, dated June 10, 1998, provided that the “grantee shall not utilize or otherwise expend any grant monies awarded under this Agreement, for payment of expenses or debts incurred prior to the effective date of this Agreement as specified in Paragraph 7.” Article II, Paragraph 7, indicated the agreement was in effect based on the date of the last required signature on the agreement.

We identified 6 expenditures which occurred prior to the receipt of federal funds. These expenditures were paid with the local monies from the Mid American Waste settlement. At a later date, non-grant expenditures were paid with federal funds to repay the fund for those federal expenditures paid with local funds.

We recommend the District expend federal funds for allowable grant expenditures only.

### Commingling of Grant Funds

40 CFR Chapter 31 Section 20 (b) (2) provides that the financial management systems of the grantees “must maintain records which adequately identify the source and application of funds provided for federally-assisted activities.” Article IV, Paragraph 18, of the 319 grant agreement requires the grantee to “establish and maintain separate accounting records for the management of grant monies awarded under this Agreement.”

We noted that the grant monies were commingled with monies received from a settlement with Mid American Waste. The accounting records did not reflect the source of funding for the expenditures. However, the District was able to provide a listing of the expenditures paid with the local funds.

We recommend each time the District receives a federal grant, they establish a separate fund to account for the activity of the grant to ensure monies are spent for eligible expenditures.

### Supporting Documentation

40 CFR Chapter 31 Part 20 (b) (7) provides, that “accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and sub-grant award documents, etc.”

Article IV, Paragraph 19, of the 319 grant agreement provides the grantee should maintain adequate supporting records and documentation for such expenditures. Article IV, Paragraph 20, provided the records should be maintained on file for three years after the closure of the date of the agreement.

The District was unable to provide the following records when requested:

- 1998 Daily Environmental Logs supporting the payroll charges to the federal grant.
- Invoices to support the homeowner’s total project cost.
- Applications for 4 homeowners who received assistance.
- Supporting documentation for the local match monies which agreed to the local match recorded on the January through March 2002 quarterly financial report.

In addition, the District’s accounting records reflected expense categories not approved as part of the 319 grant budget.

We recommend all records be maintained to support the grant expenditures in accordance with the records requirement. In addition, the expense categories on the District’s ledgers should reflect those approved as part of the grant budget.

## Supplement to the Special Audit Report

### Management Comments

#### Monitoring of Quarterly Reports

Each quarter the District submitted a report identifying the amount of federal and local match expenditures. We identified 6 instances where the District included expenditures in a category not approved in the 319 Non-point Water Pollution grant application. In addition, we noted 5 instances where the local match fringe benefits exceeded the local match wages. Upon review of the reports obtained from OEPA, no indication of a review being performed existed indicating OEPA verified the expenditure categories were approved as part of the grant or whether the budget for the grant had been exceeded.

We recommend OEPA compare the quarterly reports to the approved 319 grant agreement to ensure only eligible categories of expenditures are reported and the expenditures were within the approved budget. In addition, OEPA should review the relationship of the expenditures to the objectives of the grant for reasonableness and request additional supporting documentation for items which appear unusual or unreasonable. Any approval by OEPA of expenditures reported outside the established budget categories should be adequately documented by the District and OEPA. We also recommend that OEPA conduct periodic on-site monitoring visits to review whether grantees are meeting program objectives and conducting both grant program and fiscal activities in accordance with the approved grant agreement.

#### Allocation of Salaries

Steve Deeters, Sanitarian, performed inspections for the grant program and for other District programs. Each day, he completed a Daily Environmental Log to document the time spent for each inspection and indicated code "59" for the inspection. When allocating his payroll charges, Paulette Tiller, Fiscal Officer allocated a flat percentage of Mr. Deeters' wages to the grant instead of allocating actual charges. In addition, 11 other employees salaries were allocated to the grant based on a flat percentage instead of the actual time worked on the grant. As a result, we issued questioned costs of \$31,556 for salaries allocated to the grant because we were unable to identify the actual hours spent on grant related activities.

We recommend the District develop a system to track actual hours worked on each grant by employees and allocate the salary related to the hours worked. The District should maintain documentation supporting these charges in accordance with OMB Circular A-87. In addition, we recommend the District implement separate codes for work performed on federal grants to ease the tracking of hours worked on the grant. In addition, the documentation supporting grant-related charges should be reviewed for accuracy by a supervisor.

#### Allowable Expenditures

We identified 56 non-payroll expenditures allocated to the 319 grant fund which were unrelated to the grant. As part of the 319 grant agreement, the District agreed to follow the guidance provided in various literature indicated in Result No. 1. District Officials indicated they were not aware of the requirements within the literature mentioned and indicated they were not made aware of the guidelines by the OEPA. However, the District Officials attended training provided by the OEPA on allowable grant activities. As a result of not following this guidance, we issued federal questioned costs totaling \$7,722.

We recommend each time the District obtains a grant that the officials review the guidance and assurances it has agreed to provide to ensure the District is aware of the documentation requirements and allowable grant expenditures. In addition, OEPA should include, as part of its grant training, information regarding these requirements including the types of documentation to be maintained to support costs allocated to the grant, records retention requirements, and examples of allowable and unallowable grant expenditures.

## Supplement to the Special Audit Report

### Cost-Share Applications

A review of the application and approval process for distribution of cost-share monies identified the following weaknesses:

- 4 homeowners' applications could not be located
- 1 application did not indicate the amount of assistance to be provided
- 44 applications were not signed by an Advisory Board or Subcommittee member
- 60 of the homeowners receiving assistance were ineligible for assistance.
- 13 instances were identified where payment occurred prior to the completion of the work. Of the 13 instances, 2 homeowners completed the work in August 2002 after the grant period expired.

In its first meeting the Advisory Board identified and approved the criteria for a homeowner to receive assistance. After this initial meeting, no evidence exists to indicate the Board met again or that the Board or Subcommittee followed up on the application to ensure the homeowner was eligible for reimbursement. As a result, questioned costs totaling \$62,854 and findings for recovery totaling \$216 were issued as for payments to ineligible applicants or for unallowable expenditures.

We recommend in future grants the District verify and maintain documentation supporting homeowner eligibility and verify that the homeowner meets all of the requirements; that the work was completed during the grant period; and obtain documentation to support the costs of the work performed prior to the disbursement of grant monies. In addition, OEPA should verify this process is in place prior to the disbursement of monies for cost-share assistance to ensure grant monies are expended in accordance with the 319 grant agreement.

### Cost Share Payments vs. Total Project Cost

A comparison of the payment to the homeowner versus the homeowner's total project cost identified 8 instances where the payment was at least 75% of the project, 2 instances where the payment equaled the total project cost, and 2 instances where the payment exceeded the project cost.

OEPA indicated in Appendix 9 "Ohio EPA's 319 Program: What You Should Know", from *A Guide to Developing Local Watershed Action Plans in Ohio*, that "the total federal cost-share to any individual cannot exceed 75% of the total cost of the practice." The 319 grant agreement was silent on this provision. Jennifer Martin, OEPA's Division of Surface Water's Fiscal Officer, indicated on August 2, 2002, the total amount spent on each resident cannot exceed more than 100% of the project cost. As a result, we issued a finding for recovery for \$216, a finding for recovery repaid under audit for \$431, and a federal questioned cost for \$647 for payments in excess of the total project cost.

We recommend the OEPA amend its guidelines to reflect the guidelines provided by the U.S. Environmental Protection Agency and include this information in the 319 grant agreement.

## Supplement to the Special Audit Report

<b>Issue No. 2 – Review of Local Match Monies</b>
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We reviewed the in-kind and cash contributions listed as local matching monies in the 319 grant agreement and verified whether the District provided the required local match.

**Procedures**

1. We reviewed Attachments 4 and 5 of the 319 grant agreement and identified the in-kind services and cash matching requirements.
2. We contacted the groups listed in Attachments 4 and 5, with the exception of the District, and verified whether the in-kind services were provided as identified in Result No. 1.
3. We reviewed the documentation maintained by the District, identified the in-kind it match provided, and verified the matching services provided were related to the performance of the grant and documented in accordance with the requirements identified in Procedure No. 1.
4. We determined whether required cash match identified as the “Homeowner’s of Clear Creek Watershed costs” in Attachment 5 was provided.

**Results**

1. Attachment 4 of the 319 grant agreement, entitled “Role and Match Commitment Summary” identified the organization and the corresponding types of match to be provided. Attachment 5 entitled “Match Commitment” provided additional detail on the types of match to be contributed by various organizations. The following organizations agreed to contribute an in-kind match by providing the listed services:

Organization	Amount of In-Kind Contribution	Types of Services To Be Provided
Fairfield County General Health District	\$ 103,073	Grant administration, vehicle use and maintenance, facility use, phone and a computer.
Fairfield County Recycling and Litter Prevention Program	9,000	School programs and a newsletter
Lancaster Board of Realtors	7,800	Conducting realtor workshops, homeowners education program, compiling a database for surveys, news articles, and advisory group member
Fairfield County Commissioners	5,300	Postage and Computer Consultant
Fairfield Soil & Water Conservation District	1,000	Advisory group member, newsletter article, and technical assistance as needed
Friends of Clearcreek, Inc.	1,000	Newsletter article and monitoring of the watershed
Fairfield County Farm Bureau, Inc.	1,000	Newsletter, advisory group member, and presentations at monthly meeting and the annual banquet
Ricketts Excavating	1,000	BMP demonstration site and advisory group member
	\$ 129,173	

## Supplement to the Special Audit Report

The homeowners located in the Clear Creek Watershed, who received assistance, would contribute a cash match of \$165,503. The match would be the portion of the total project cost paid by the homeowner less any payments received from the District.

When it signed the 319 grant agreement, the District indicated that it had the “financial capability (including funds sufficient to pay the non-federal share of project costs) to ensure proper planning, management, and completion of the project described in the work-plan.” Article VII, Paragraph 57, indicated the District would comply with 40 CFR Part 30 through 40 CFR Part 34 including appendices. 40 CFR Part 31 Section 24 provided guidance for the valuation of in-kind services and documentation to be maintained to meet local matching requirements.

2. Representatives of the organizations identified in the table in Result No. 1, excluding the District, provided the following information regarding the in-kind match contributed:

### Fairfield County Recycling and Litter Prevention Program

Ms. Patty Bratton indicated she served on a committee and provided several services towards the match. However, she indicated she did not recall the amount of the match. Ms. Bratton provided documentation supporting calculations of time spent by Program employees and invoices for items Program employees purchased to provide the following 319 grant-related activities: 1998 and 1999 Teacher Workshops; 1998 curriculum development, 1999 school presentations, a quarterly newsletter, and the 1998 Earth camp. Based on the documentation maintained by Ms. Bratton, we determined the Program provided its in-kind match contribution.

### Lancaster Board of Realtors

Gary Bartlett, President, replied the Lancaster Board of Realtors did not maintain documentation to support the in-kind services provided. Mr. Bartlett also indicated that he verbally obtained information from his staff that the District did make a presentation to the members concerning the Clear Creek Watershed project. However, he was unable to provide any documentation regarding this seminar. The records provided by the District did not include any information regarding the seminar. However, copies of the technical service reports provided by the OEPA included a sign in sheet for a seminar with the realtors. We were unable to obtain documentation supporting the calculation of \$7,800 in in-kind match services provided.

### Fairfield County Commissioners

Jackie Long, Fairfield County Commissioners Clerk, indicated the Commissioners did pay for the postage expense incurred by the District. However, the Commissioners were unable to calculate the amount of postage expense related to the grant because the postage was not allocated to the District's different grants. Randy Carter, Fairfield County Data Processing Department Head, indicated that he performed services for various departments including the District, which included generating mailing lists for different watersheds. Mr. Carter indicated he was unable to locate any documentation specifically addressing the Clear Creek Watershed. We were unable to obtain records supporting \$5,300 of in-kind match services provided.

### Fairfield County Soil and Water Conservation District (SWCD)

Perry Orndorff, SWCD District Program Administrator, indicated he served as an Advisory Group member and met with the District several times to answer questions. Mr. Orndorff stated he believed SWCD “more than met the \$1,000 in-kind local match.” However, no documentation supporting the costs associated with the services was provided.

### Friends of Clearcreek, Inc.

Jo Teschner-Caruzzi, President, indicated she was familiar with the 319 grant fund and the match commitment made by the Friends of Clearcreek of \$1,000. She said the organization provided “visual inspections and in stream monitoring” as services for the match commitment. Upon completion of the inspection and monitoring, all of the records were forwarded to the Fairfield County Soil and Water Conservation District.

## Supplement to the Special Audit Report

We spoke with Perry Orndorff, Fairfield County Soil and Water Conservation District Program Administrator, who stated the Friends of Clearcreek inspected the Clearcreek tributary on numerous occasions. However, these inspections were for the Clear Creek Watershed grant obtained by the SWCD. Mr. Orndorff indicated he did not maintain documentation supporting the hours spent related to the District's grant. Therefore, we were unable to obtain documentation supporting the costs associated with the in-kind match services provided.

### Fairfield County Farm Bureau, Inc.

Tammy Bennett, Fairfield County Farm Bureau, indicated she spoke with Jim Ginther, former Ohio Farm Bureau Federation Organization Director. Mr. Ginther informed her that the Farm Bureau allowed the District to speak to the Policy Development Committee concerning the 319 grant. In addition, the Bureau allowed the District to set up a "booth" at the Farm Bureau's annual County meeting. Ms. Bennett indicated she was unable to place a dollar amount on its in-kind local match contribution of \$1,000.

### Ricketts Excavating

Michael Ricketts provided a copy of a letter from the District to Ricketts Excavating asking whether Mr. Ricketts would be willing to provide a demonstration site, explain how a septic system was installed, and serve on an advisory board that meets once a year. Mr. Ricketts indicated he did not recall making a commitment to the 319 grant fund for the \$1,000 in-kind match monies.

Based on the above interviews and documentation provided, we were unable to support the in-kind match contributions totaling \$17,100 as required by 40 CFR Part 31 Section 24(a) (6). We will issue a federal questioned cost for the 319 Non-point Water Pollution grant in the total amount of \$17,100.

3. We reviewed the documentation provided by the District supporting \$125,814 of in-kind match reported to OEPA on its quarterly reports. We reviewed the available documentation provided by the District for the in-kind local match and identified the following:

### Payroll

The District allocated salaries of the Health Commissioner, Fiscal Officer, and 2 Sanitarians' wages to the 319 grant. We were unable to obtain documentation supporting the hours worked by the Health Commissioner and the Fiscal Officer. We obtained the Daily Environmental Logs for the 2 Sanitarians and scheduled the addresses where the inspections were performed and the related time spent. Using the Fairfield County Auditor's website, we obtained the parcel number for the address. We compared the parcel number to the listing generated by the Fairfield County Geographical Information Systems Department<sup>10</sup> and determined whether the parcel was within the Clear Creek Watershed.

We calculated the hours spent performing inspections within the Clear Creek Watershed and calculated the payroll costs associated with the grant utilizing rates obtained from the Fairfield County Auditor's Office. Based on a total of 232.27 hours spent by the 2 Sanitarians, payroll costs of \$2,180 were related to the grant and paid with non-federal grant monies.

### Fringes

We were unable to obtain documentation to support the percentages of gross wages for health insurance. We calculated the fringe benefits related to the allowable in-kind payroll costs of \$2,180 for Public Employees Retirement System (13.55%), Medicare (1.45%), and Bureau of Workers Compensation premiums (3.2179%). We calculated \$397 in fringe benefits associated with the allowable in-kind payroll costs paid, of \$2,180, with non-federal grant monies by the District.

For the following categories, the District allocated in-kind expenses either by allocating a certain percentage to the grant or by allocating the expense equally to the number of programs utilizing the item purchased. We were unable to obtain support for the calculation of the flat percentage used to allocate the remaining costs. In addition, when prorating the costs based on the number of programs, Fund 7311 Nuisance Abatement/319 grant was treated as one program; however, the fund accounts for two separate programs. Therefore, prorating the cost to the fund as one program was deemed unreasonable.

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<sup>10</sup> See footnotes no. 2 and 3.

## Supplement to the Special Audit Report

The following expenditures by category were included in the local in-kind match to be provided by the District:

### Travel

The District allocated travel expenses of the Health Commissioner, Fiscal Officer and the Director of Environmental Services. Of these expenditures, 1 voucher, totaling \$90, was related to the performance of the 319 Non-point Water Pollution grant and paid with non-federal funds.

### Supplies

The District allocated items such as gasoline, chemicals, office supplies, and printing supplies to the in-kind match. We identified 4 expenditures, totaling \$745, related to the performance of the grant. Since the Environmental Daily logs maintained by Mr. Deeters indicated only 4.25% of his time was spent on the grant<sup>11</sup> and the rest of his time with other programs, we allocated 4.25% or \$32 as an allowable in-kind match by the District.

### Other

The District recorded on its quarterly reports items under the categories of "Sub-contractual" or "Other." Since the 319 grant agreement did not provide an allocation for the "Sub-contractual" category, these expenses were included in the "Other" category. Types of expenses included the allocation of expenses for phone bills, internet service, copiers, temporary receptionist wages, fair booths, independent audit fees, a new computer, training, and other expenditures.

Of these expenditures, we identified 10 expenditures, totaling \$614, related to the duties performed by the Sanitarian for the 319 grant and other programs. As a result, we allocated 4.25%<sup>12</sup> of these expenditures to the in-kind match of the grant or \$26.

Based on the above expenses, we were able to support \$2,725 of local in-kind match provided by the District. As indicated in Result No. 1, the District was to contribute \$103,073 in in-kind match monies resulting in a shortage of \$100,348 of in-kind local match monies provided. The remaining expenditures of \$123,089 did not meet the documentation requirements for allocating costs per OMB Circular A-87 Appendix C Section 11 (h)(4) or Article IV, Paragraph 19, of the 319 grant agreement. We will issue a federal questioned cost for the 319 Non-point Water Pollution Grant in the amount of \$100,348.

4. We obtained the invoices submitted by the 32 eligible applicants and calculated the homeowner's total project cost after reimbursement from the District. We identified the applicants provided \$36,443 in local cash match monies resulting in a shortage of \$129,060 in local match monies not provided by the District as required in the 319 grant agreement. Therefore, we will issue a questioned cost for the 319 Non-point Water Pollution Grant in the amount of \$129,060.

### **Questioned Costs**

#### Fairfield County General Health District's In-Kind Local Match

40 CFR Part 31 Section 24(a) (1) provides a definition of matching costs as "allowable costs incurred by the grantee, sub-grantee or a cost-type contractor under the assistance agreement."

Article IV, Paragraph 19, of the 319 grant agreement provided the grantee's records shall provide "control and accountability for all grant monies awarded under this Agreement, property and other assets and assurance that grant monies awarded under this Agreement are used solely for the authorized purpose."

OMB Circular A-87 Appendix C Section 11 (h)(4) required employees who work on multiple activities that the distribution of the employees' salaries be supported by personnel activity reports.

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<sup>11</sup> See footnote No. 4 and Issue No. 1 Result No. 4 for further explanation.

<sup>12</sup> See footnote no. 4.

## Supplement to the Special Audit Report

The District identified on its quarterly reports that it provided \$125,814 in local in-kind match monies provided. We compared the documentation supporting the items identified as local in-kind match to the 319 grant agreement and OMB Circular A-87. We identified allowable in-kind match expenditures of \$2,725. According to the 319 grant agreement, the District was required to provide an in-kind local match of \$103,073 resulting in a shortage of 100,348 in in-kind local match funds.

We are issuing a federal questioned cost for the 319 Non-point Water Pollution grant in the amount of \$100,348.

### Third Party In-Kind Local Match Contributions

40 CFR Part 31 Section 24(a)(6) provides "costs and third party in-kind contributions counting towards satisfying a cost sharing or matching requirement must be verifiable from the records of the grantees, and sub-grantee or cost-type contractors. These records must show how the value placed on the third party in-kind contributions were derived."

We contacted the 7 organizations listed in the 319 grant agreement as providing \$26,100 in local in-kind match contributions. Six of the 7 organizations were unable to provide documentation supporting the value of the in-kind contribution of \$17,100 provided to the District for the 319 grant.

We are issuing a federal questioned cost for the 319 Non-point Water Pollution grant in the amount of \$17,100.

### Homeowner Local Cost Match

On May 11, 1998, Bob Cottrill, President of the Fairfield County General Health District signed the 319 Non-point Water Pollution grant agreement which included the following provision:

"By signing below, Grantee assures and certifies that the specific information detailed in this Agreement, including the project work plan attached as Exhibit B, hereto, is current, accurate and complete, and that the Grantee has the legal authority to apply for State and Federal assistance, and the institutional, managerial and financial capability (including funds sufficient to pay the non-federal share of project costs) to ensure proper planning, management, and completion of the project described in the workplan."

Exhibit B included Budget Summary listing the amount of local match funds to be provided by expense category. The Budget Summary indicated the District would provide matching funds of \$165,503 in the Cost Share category.

We identified 32 eligible applicants, who contributed \$36,443 in local match for the program. Therefore, \$129,060 in local match monies were not provided by the District as required in the grant budget and the above grant provision.

We are issuing federal questioned costs for the 319 Non-point Water Pollution Grant in the amount of \$129,060.

**Total Federal Questioned Costs in this Issue:                    \$246,508**

## Supplement to the Special Audit Report

### Noncompliance Citations

#### Fairfield County General Health District's In-Kind Local Match

40 CFR Part 31 Section 24(a) (1) and (2) sets forth the allowable methods satisfy a cost-sharing or cost matching requirement as the following: "(1) Allowable costs incurred by the grantee, sub-grantee or a cost-type contractor under the assistance agreement. This includes allowable costs borne by non-Federal grants or by other cash donations from non-Federal third parties. (2) The value of third party in-kind contributions applicable to the period to which the cost sharing or matching requirement" 40 CFR Part 31 Section 24(a)(6) provided "costs and third party in-kind contributions counting towards satisfying a cost sharing or matching requirement must be verifiable from the records of the grantees, and sub-grantee or cost-type contractors. These records must show how the value placed on the third party in-kind contributions were derived."

Article IV, Paragraph 19 part c, of the 319 grant agreement provides that the grantee's records shall provide "control and accountability for all grant monies awarded under this Agreement, property and other assets and assurance that grant monies awarded under this Agreement are used solely for the authorized purpose."

The District identified on its quarterly reports that there was \$125,814 in local in-kind match monies provided. A review of the available documentation identified only \$2,725 as eligible in-kind services.

We recommend the District review the grant and OMB Circular A-87 guidelines to ensure services identified as in-kind services meet the grant requirements.

#### Third Party In-Kind Local Match Contributions

40 CFR Part 31 Section 24(a)(6) provides "costs and third party in-kind contributions counting towards satisfying a cost sharing or matching requirement must be verifiable from the records of the grantees, and sub-grantee or cost-type contractors. These records must show how the value placed on the third party in-kind contributions were derived."

The District did not maintain documentation to support the value of in-kind services provided by third parties.

We recommend whenever in-kind services are provided for match contributions that the District maintain sufficient documentation to identify the value of the services provided.



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**FAIRFIELD COUNTY GENERAL HEALTH DISTRICT**

**FAIRFIELD COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 17, 2002**