



**COSHOCTON-FAIRFIELD-LICKING-PERRY  
SOLID WASTE DISTRICT  
LICKING COUNTY**

**SPECIAL AUDIT**

**FOR THE PERIOD  
JANUARY 1, 2000 THROUGH DECEMBER 31, 2001**



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

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**STATE OF OHIO**



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**COSHOCTON-FAIRFIELD-LICKING-PERRY SOLID WASTE DISTRICT  
LICKING COUNTY**

**SCHEDULE OF APPOINTED BOARD MEMBERS AND RELEVANT PERSONNEL  
AS OF DECEMBER 31, 2001**

**COSHOCTON-FAIRFIELD-LICKING-PERRY SOLID WASTE DISTRICT BOARD OF DIRECTORS**

**COSHOCTON COUNTY COMMISSIONERS**

**TERM**

Grant Daugherty	1/01/99 to 1/01/03
Kathy Thompson	1/02/00 to 1/02/04
Lee Wyse	1/03/00 to 1/03/04

**FAIRFIELD COUNTY COMMISSIONERS**

Jon Myers	1/03/01 to 1/03/05
Allan Reid	1/01/99 to 1/01/03
Judith Shupe	1/02/01 to 1/02/05

**LICKING COUNTY COMMISSIONERS**

Albert Ashbrook	1/01/01 to 1/01/05
Jay Baird	12/31/98 to 12/31/02
Marcia Phelps	1/03/01 to 1/03/05

**PERRY COUNTY COMMISSIONERS**

John Altier	1/02/01 to 1/02/05
Thad Cooperrider	1/02/01 to 1/01/05
Charles Van Horn	1/01/99 to 1/01/03

**COSHOCTON-FAIRFIELD-LICKING-PERRY SOLID WASTE DISTRICT -DISTRICT COORDINATOR**

Carol A. Philipps

**GREENVALLEY ENTERPRISES, INC. PERSONNEL**

Alan Prouty, President  
Tim Prouty, Manager  
Lestor Prouty, Manager

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STATE OF OHIO  
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## REPORT OF INDEPENDENT ACCOUNTANTS

Ms. Carol A. Philipps  
District Coordinator  
Coshocton-Fairfield-Licking-Perry Solid Waste District  
675 Price Road  
Newark, Ohio 43055

We have conducted a special audit by performing the procedures enumerated in the attached Supplement to the Special Audit Report for the period January 1, 2000 through December 31, 2001 (the "Period"). These procedures were performed to determine whether amounts paid to vendors were authorized, goods and services were received, payments were accurate, and the policies and procedures relating to the grant agreements were followed.

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 findings is as follows:

1. We gained an understanding of the grant agreements between the Coshocton-Fairfield-Licking-Perry Solid Waste District (CFLP) and Greenvalley Enterprises, Inc., to identify the grant periods, amounts awarded, and applicable provisions regarding submission of documents for reimbursement of costs.

Significant Results: The recycling grant agreements required Greenvalley to lease land from Coshocton county, construct a compost site and office building, operate the site, making it accessible to the general public, and to purchase equipment necessary to process the material received. The recycling grants also required Greenvalley to file complete and accurate quarterly reports with CFLP, identifying all expenditures. The quarterly program status reports were reviewed upon receipt by the CFLP to ensure that the program was in compliance with the approved schedule and expenditures. Further disbursement of quarterly funding was contingent upon the program being in compliance.

In addition to the recycling grant agreements, "Host" allocations were also budgeted by the CFLP Board of Directors to provide funds for Greenvalley to pay labor costs, equipment use, and costs associated with obtaining utilities for the composting facility. Greenvalley was required to submit documentation supporting the expenditure and CFLP would process a reimbursement using the Host funds. As with the recycling grant agreement, the Host agreement required the filing of quarterly program status reports.

2. We determined whether grant funds were expended in accordance with grant agreements, that all requests for reimbursements were adequately documented, and reimbursed costs were incurred by Greenvalley Enterprises, Inc. as reported.

Significant Results: Greenvalley Enterprises, Inc. was reimbursed for \$192,191 in expenditures from the \$197,360 allocated in the grants for 2000 and 2001. The specific expenditure breakdowns documented \$145,332 was expended for various equipment rental and purchases, \$19,266 for site improvements, \$14,000 for salaries, \$6,000 in contracts, \$3,650 for shipping expenses, \$2,884 in utility payments, \$975 for signs, and \$84 for various processing supplies.

We issued findings for recovery of \$29,119 against Greenvalley Enterprises, Inc., for submission of \$15,598 in charges above actual costs, \$9,374 for services and material submitted on false or altered invoices, \$3,797 submitted for material never purchased, and \$350 unrelated to the operation of the composting facility. Additionally Greenvalley received \$855 for expenses reimbursed by CFLP but never remitted to the appropriate vendors.

Greenvalley did not always submit complete and accurate quarterly reports, as required by the grant agreements. The failure of the CFLP to enforce this requirement resulted in the district failing to make equal quarterly payments to Greenvalley. We issued four management comments regarding these and other matters.

On September 27, 2002, we held an exit conference with the following individuals:

Jay Baird	Licking County Commissioner
Albert Ashbrook	Licking County Commissioner
Marcia Phelps	Licking County Commissioner
Kathleen M. Thompson	Coshocton County Commissioner
Leland Wyse	Coshocton County Commissioner
Charles Van Horn	Perry County Commissioner
Thad Cooperrider	Perry County Commissioner
David Northrup	Legal Counsel for CFLP District
Carol Philipps	CFLP District Coordinator
Kim Masters	CFLP Administrative Assistant
Brent Shenk	Assistant Prosecuting Attorney Licking County

The attendees were informed that they had five business days to respond to this Special Audit Report. A response was received from CFLP, evaluated, and modifications were made to the report as we deemed appropriate.

This report is intended solely for the information and use of the Coshocton-Fairfield-Licking-Perry Solid Waste District 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.



Jim Petro  
Auditor of State

August 28, 2002

## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

### BACKGROUND INFORMATION

The Coshocton-Fairfield-Licking-Perry Solid Waste District (CFLP) was formed in March 1989 in accordance with House Bill 592, signed into law in 1988. This bill required that the State of Ohio be divided into Solid Waste Management Districts and that each district develop a plan stating how it would manage solid waste and reduce the waste going to landfills.

As a result of this legislation, the CFLP was formed in March of 1989. Consistent with the CFLP mandate, the district entered into an agreement with Greenvalley Enterprises, Inc., (Greenvalley) on February 3, 2000, to manage and operate a composting facility in Coshocton, Ohio. In addition to the recycling grant agreement, Greenvalley requested and was awarded additional funding in the form of an assistance agreement grant. The assistance agreement funding, also known as a Host agreement, was executed by the CFLP Board of Directors to further assist Greenvalley with meeting expenses and costs in the operation of the recycling center that could not be reimbursed under the recycling grants.

In 2000, the CFLP Board of Directors authorized a total of \$130,675 in grants, comprised of \$84,275 in recycling grant money and \$46,400 in assistance agreement funding. Greenvalley utilized \$129,508 of the 2000 grant money, with \$84,074 coming from the recycling grant and \$45,434 from the Host assistance funding. In 2001, the CFLP Board authorized \$66,685 in grant funding, with \$62,685 in recycling grant money and \$4,000 in assistance funding. Greenvalley utilized only \$62,683 from the recycling grant.

Throughout the Period, Greenvalley officials repeatedly submitted inaccurate quarterly reports to CFLP, while the CFLP District Coordinator continued to work with personnel at Greenvalley, to assist them in correcting report entries and instruct them on specifics relating to required documentation of expenses and costs.

In 2002, while reviewing invoices submitted by Greenvalley, the CFLP District Coordinator noticed one of the items submitted was a statement rather than an invoice. The CFLP District Coordinator contacted the vendor to request an invoice for the submitted statement. While speaking with the vendor, the District Coordinator advised that they should also be receiving payment on another invoice in the amount of \$1,303, as it had been previously submitted and approved. The vendor advised the District Coordinator that no such amount was due to his company from Greenvalley and requested that a copy of the invoice be faxed to him. Upon receipt of the faxed invoice, the vendor advised the CFLP District Coordinator that the invoice was not his company's invoice. After discussing this information with the CFLP Board of Directors, the Board retained the legal services of Porter, Wright, Morris and Arthur LLP to assist them. A decision was reached to conduct an independent audit and the accounting firm of Wilson, Shannon and Snow was retained. The preliminary audit confirmed the District Coordinator's information and determined that additional inaccurate or false invoices had been submitted by Greenvalley Enterprises, Inc., totaling \$27,448.

Based on the results of the preliminary audit conducted by Wilson, Shannon and Snow, the CFLP Board of Directors contacted the Auditor of State's Office to request that a special audit be conducted of the grant funds awarded to Greenvalley Enterprises, Inc.

This information was presented to the Auditor of State's Special Audit Committee and on February 15, 2002, the Committee voted to initiate a special audit.

# SUPPLEMENT TO THE SPECIAL AUDIT REPORT

## Issue No. 1 - Review of Grant Agreements

We gained an understanding of the agreements, periods, amounts and reporting requirements of the grants between the CFLP and Greenvalley Enterprises, Inc.

### Procedures

1. We obtained and reviewed copies of the grant agreements between Greenvalley Enterprises, Inc. and the CFLP for calendar years 2000 and 2001. We also obtained copies of the Application Handbook and the Grant Manager's Handbook to gain an understanding of the grant reporting requirements and to determine allowable costs.
2. We scheduled all grant fund expenditures claimed by Greenvalley Enterprises, Inc.
3. We interviewed CFLP personnel to gain a detailed understanding of specific grant provisions.

### Results

1. The CFLP Board of Directors authorized 4 grants totaling \$197,360, to Greenvalley during the Period.

<b>Grant</b>	<b>2000</b>	<b>2001</b>
Recycling Grant	\$ 84,275	\$62,685
Host Allocation	<u>46,400</u>	<u>4,000</u>
<b>Totals</b>	<b><u>\$130,675</u></b>	<b><u>\$66,685</u></b>

The recycling grants allowed for costs associated with equipment purchases, leasing, rent and production, including the cost of shipping from vendors; postage costs to mail promotional material directly related to the recycling activity; processing supplies such as bags, boxes, baling wire; advertising and print/production costs; signs directly related to recycling activity; building lease and site improvement costs; shipping costs to move recyclables from collection points to a recycling facility; contract costs involved in the hiring of outside firms to implement portions of the recycling activity; and contingency costs up to \$200 to cover unexpected over-runs in the above listed line items.

Our review of the Grant Manager's Manual revealed under the "Quarterly Reports" section, that only actual expenditures and not encumbrances, could be included on the quarterly reports that were prepared and submitted for cost reimbursement.

The recycling grants were awarded on a quarterly basis with the first quarterly payment commencing with the signed agreement. Second, third and fourth quarter payments required submission and approval of quarterly reports outlining expenditures.

The Host allocation provided additional monies for the operation of the composting facility. This grant typically paid for salaries, which could not be paid through the recycling grant, but could also be used for equipment purchases and other expenses. The Host allocation grant reimbursed authorized, actual expenses upon receipt and approval of documents showing the expenditure of funds.

## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

2. The CFLP's scheduling of grant expenditures revealed 31 invoices, involving 24 separate vendors. These purchases represented \$149,794 in grant funds. Additionally, Greenvalley turned in time sheets to the CFLP resulting in wage claims of \$18,116. As the budgeted amount in the Host allocation only allotted for \$13,000, and was only increased by \$1,000 through a budget revision, the remaining wage claims were not paid. Greenvalley also submitted claims for rent of equipment that was previously owned by them and utilized in operating the Coshocton composting facility. These rental charges amounted to \$36,202, with only \$27,450 being reimbursed.
3. Carol A. Philipps, CFLP District Coordinator, provided an overview of the application process and explained that the money budgeted in the various categories resulted from a review of the proposed plan contained within Greenvalley's initial grant application and input from the CFLP Board of Directors. The grant application process required Greenvalley to obtain price quotes for project purchases as a means of establishing accurate costs. Ms. Philipps advised that the only other time price quotes were required was whenever a budget revision was requested. Our interviews determined that there had been deviations from the quarterly payment schedule outlined within the grant agreement and that the quarterly reports required by the grant agreements had not been accurately prepared. Despite these problems, the District continued to fund Greenvalley, as they were providing a valuable and needed service to the community.

# SUPPLEMENT TO THE SPECIAL AUDIT REPORT

## Issue No. 2- Grant Fund Expenditures

We reviewed grant fund expenditures from January 1, 2000, through December 31, 2001, (the Period) to determine whether grant funds were expended in accordance with contract agreements, whether all requests for reimbursements were adequately documented and purchases were incurred as reported.

### Procedures

1. We obtained all invoices and requests for reimbursement submitted by Greenvalley and reviewed each, noting any irregularities or alterations, to ensure the supporting documentation agreed with the expenditures and amounts listed on CFLP spreadsheets and/or Greenvalley quarterly reports.
2. We compared expenditures to grant provisions to determine whether expenditures were allowable. We also contacted vendors to verify the accuracy of invoices presented to the CFLP and conducted interviews with Tim and Alan Prouty of Greenvalley.

### Results

1. During the Period, Greenvalley, submitted 31 vendor invoices totaling \$149,794 for equipment and services to the CFLP. Of these 31 invoices, only 3 were originals.

A review of the quarterly reports revealed nine occasions where Greenvalley representatives submitted copies of invoices in the wrong quarter or listed expenses in incorrect budgeted line item categories. These submissions required CFLP personnel to correct the postings and determine whether adequate funds were present in the budgeted categories at the time the purchases were made. Corrected reports showing the adjustments made by the CFLP were sent to representatives of Greenvalley.

Our review of submitted invoices also revealed \$15,024 in expenses that were not recognized or fully reimbursed because Greenvalley personnel failed to ensure adequate money existed in the budgeted line item categories. The agreement provided a budget revision mechanism that would permit a transfer of funds from other categories, thereby ensuring adequate funds. Greenvalley officials successfully utilized this grant feature nine times, but also failed to utilize it on five occasions.

2. Of the 31 invoices totaling \$149,794 submitted to the CFLP by Greenvalley, a detailed review of documents and interviews with vendors and Greenvalley officials revealed the following:
  - A. Fifteen invoices totaling \$76,656 were determined to reflect actual costs incurred by Greenvalley, as verified through vendor contact.
  - B. Seven invoices totaling \$56,849<sup>1</sup>, exceeded the actual costs of \$40,491. For these expenditures, Greenvalley submitted invoices and/or price quotes for higher-priced items, then actually purchased items at a lower cost. As a result, Greenvalley improperly received reimbursements of \$15,598.

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<sup>1</sup>Although the submitted invoices totaled \$56,849, Greenvalley received only \$56,089 in reimbursements due to certain budgeted category fund balances having been exhausted.

## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

- C. One invoice submitted for \$350 was for shipping equipment from a private Greenvalley work site in Springfield, Ohio, to Greenvalley's facility in Adamsville, Ohio. The shipping of this equipment was not related to CFLP operations.
- D. Four invoices, totaling \$855, were submitted to the CFLP for legitimate costs incurred by Greenvalley; however, the vendors were never paid by Greenvalley for the materials supplied.
- E. One invoice, totaling \$3,797, was submitted for tires and accessories which were never purchased.
- F. Four invoices submitted for costs totaling \$9,374, were confirmed by the vendors to be altered or falsified documents. Three of the vendors stated they never provided a service or received payment from Greenvalley and the other vendor confirmed the invoices provided to CFLP by Greenvalley had been altered to reflect \$1,029 more than the actual cost.

### FINDINGS FOR RECOVERY

From a review of the documentation submitted by Greenvalley Enterprises Inc., and interviews conducted with vendors, we have determined that Greenvalley illegally charged grant funds in the following manner:

- \$15,598 in excess of costs actually incurred.
- \$350 for costs not related to the operation of the composting facility in Coshocton, Ohio.
- \$3,797 for expenses on material that was never purchased.
- \$9,374 for expenses not incurred and/or submitted on altered or falsified invoices.

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Greenvalley Enterprises, Inc., in the amount of \$29,119, and in favor of the Coshocton-Fairfield-Licking-Perry Solid Waste District.

### MANAGEMENT COMMENTS

#### Original Source Documents

During our review of the receipts submitted by Greenvalley Enterprises, Inc., we noted that only two were original invoices or receipts from vendors. The majority of documentation submitted consisted of copies of invoices or bills.

While neither the Grant Manager's Manual nor the specific grant agreements dictated the submission of original receipts, we recommend that all future grant and Host allocation agreements require this. It is clear from our review of submitted documentation and consultation with vendors, that some original paperwork was altered and copied. The altered copies were then submitted to the CFLP. Additionally, reimbursement requests were submitted for materials which had not yet been purchased. Requiring production of original receipts would assist in reducing this potential.

## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

We recommend that the grant agreements be amended to require the grantee to produce original documentation pertaining to the expenditure of grant funds. Submission of original receipts and invoices would allow the grant manager to review actual vendor documentation and thus prevent alterations. Retention of original documentation by the grant manager would also be more likely to prevent loss and inadvertent destruction of records. Copies of records should be maintained by the grantee as required for their business purposes. We also encourage the CFLP to periodically contact vendors to confirm the accuracy of invoices submitted by the grantee.

### Expenditure of Grant Funds

Our review noted that while the recycling grant agreement for 2000 dictated that payments would be made in equal quarterly installments of \$21,068.75, this amount was paid only during the second quarter. The initial payment to Greenvalley made on February 23, 2000, consisted of a double payment and all subsequent payments reflected only the amount remaining from the stipulated quarterly amount after corrections had been made to Greenvalley's quarterly reports. While the Grant Managers Manual provides the latitude to modify the agreement, this should be the exception rather than the schedule of payment exhibited by the District. We recommend that specific language be incorporated within the grant agreement that more appropriately identifies how payments will be made.

### Grantee Accounting Records

Our review of the Greenvalley checking account, revealed that grant funds were deposited into an existing Greenvalley Farms account. Once deposited, the grant funds were co-mingled with other non-grant money and could have been utilized to pay debts not related to the operation of the composting facility. We recommend that the District require the establishment of a separate accounting and checking account system by the grant recipient. Additionally, the grant agreements should stipulate that the Board has the authority to require the production of original grantee bank documents pertaining to the utilization of grant money. Existing grant agreements stipulate that grant funds not utilized must be reimbursed to the District. The establishment of these recommendations would ensure a separate and distinct means by which the District might establish and verify the amount of monies due at the end of the grant period.

### Quarterly Reports

The grant agreement stated that failure to submit timely quarterly reports might result in the forfeiture of quarterly payments. Our review found many instances where Greenvalley had submitted inaccurate quarterly reports that satisfied the timing required by the grant. An example was the submission of expenditures in an incorrect quarter. This required CFLP personnel to correct the entries by posting the expenditure in the correct quarter, which resulted in insufficient funds being available within approved fund categories. In addition to requiring the timely submission of quarterly reports, the agreements should be amended to require accurate quarterly reports. Failure to submit accurate and timely reports should be used as an indicator of potential grantee problems.



STATE OF OHIO  
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**COSHOCTON-FAIRFIELD-LICKING-PERRY SOLID WASTE DISTRICT**

**LICKING 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  
OCTOBER 17, 2002**