



Dave Yost • Auditor of State





# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Ohio Industrial Commission  
30 West Spring St., 7<sup>th</sup> floor  
Columbus, Ohio 43215

We have performed the procedures enumerated below, to which the Ohio Industrial Commission (OIC) has agreed, solely to assist the OIC with the transition between Chief Fiscal Officers, for the period July 1, 2011 through December 31, 2011. As requested by the Commission, the items selected for testing were split between July 1, 2011 through October 23, 2011 and October 24, 2011 through December 31, 2011 for the procedures listed below. This agreed-upon procedures engagement was conducted in accordance with the American Institute of Certified Public Accountants' attestation standards for agreed-upon procedures engagements and compliance attestation. The sufficiency of the procedures is solely the responsibility of OIC. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

This report only describes exceptions exceeding \$10.

### Non-Payroll Expenditures

1. We obtained a listing of vouchers disbursed between July 1, 2011 and December 31, 2011 and haphazardly selected 30 vouchers paid to various vendors between July 1 and October 23, and 30 paid between October 24 and December 31, and determined if OIC performed the following:
  - a) If applicable, requisitions were signed by a supervisor who was authorized by the Executive Director or Department Manager to approve expenses and comply with delegated spending levels.
  - b) Invoices were received, date stamped and entered into the *Invoice Tracking Log*.
  - c) Invoices were reviewed and approved for processing (i.e., Fiscal Management personnel contacted the person in receipt of the goods and determined the goods were in fact reviewed, as documented on the receiving stamp with a date and initials of the person confirming the receipt of the goods; for maintenance agreements or services, the invoices should be signed and dated by the person responsible for monitoring the maintenance or services; and purchasing personnel matches the invoices to the applicable purchase order).
  - d) Vouchers were approved within the Ohio Administrative Knowledge System (OAKS).
  - e) A paper copy of the voucher was signed by the approver and imaged along with any supporting documentation.

We noted no exceptions related to the tested documents for items a, b, d, and e.

Regarding item c, nine invoices did not include a signature and/or date of the person responsible for approving the invoice for processing, as detailed below

**Non-Payroll Expenditures (continued)**

Six of the nine invoices were paid between July 1 and October 23:

Voucher ID	Date	Vendor	Amount
15522	8/31/2011	OPERS	\$ 21,330.26
15632	9/14/2011	Frontier Communications	\$ 45.65
15633	9/14/2011	Cincinnati Bell Telephone	\$ 89.06
15686	9/23/2011	Century Link	\$ 177.97
15688	9/23/2011	Verizon Wireless	\$ 1,123.86
15841	10/13/2011	AT & T Teleholdings Inc.	\$ 953.96

Three of the nine invoices were paid between October 24 and December 31:

Voucher ID	Date	Vendor	Amount
16028	11/10/2011	AT & T Corp	\$ 487.32
16308	12/22/2011	Century Link	\$ 561.58
16367	12/29/2011	Verizon Wireless	\$ 1,043.99

**Official's Response**

- *Voucher 15522*
    - *Agree Invoice from OPERS was not signed. Processor accepted approved authority signature on green requisition as evidence of approval to pay.*
  - *Vouchers 15632, 15633, 15686, 15688, 15841, 16028, 16308, 16367*
    - *Technically agree invoices were not signed. These are mainly phone bills from local districts. The logistics of obtaining a signature is not practical in that it would deter the timely payment process including mailing time, lost documentation, low priority setting by signing parties. Agree that procedures were not strictly adhered to but with special circumstances involved. Procedures will be updated to note these types of billings as exceptions for signature.*
2. We obtained two Monthly Variance Analysis reports between July 1 and October 23, and two Monthly Variance Analysis reports between October 24 and December 31, and compared the actual to projected expenditures by month. We traced five items on the spreadsheet to supporting documentation. We determined if the Monthly Variance Analysis reports contained an explanation for all line items in which the actual amount exceeds the projected amount by either 10% or \$20,000. We noted no exceptions, except as identified below:

The November 2011 Monthly Variance report did not trace and agree to supporting documentation. The Monthly Variance Analysis report recorded Travel expenses as \$28,865 while the supporting documentation recorded Travel expense as \$28,338.84, for a variance of \$526.16.

**Non-Payroll Expenditures (continued)**

The July, September, November, and December 2011 Monthly Variance reports did not include an explanation for all line items in which the actual expenditure amount exceeded the projected amount by either 10% or \$20,000. The unexplained line items requiring explanations are detailed below:

Month	Items	Dollar Variance	Percentage Variance
July 2011	5341 Communications	(\$ 30)	(100%)
September 2011	5210 Supplies	(\$ 6,987)	(26.0%)
	5230 Travel	(\$ 1,714)	(15.2%)
	5240 Communications	(\$ 3,918)	(14.5%)
	5311 Office Equipment	(\$ 11,645)	(100%)
	5341 Communications	(\$ 195)	(100%)
	Attorney General	(\$277,243)	(87.5%)
November 2011	5220 Vehicle Expense	(\$ 3,263)	(46.7%)
	5230 Travel	(\$ 17,578)	(155.7%)
	5371 DP Equipment	(\$ 6,509)	(23.3%)
December 2011	5311 Office Equipment	(\$ 4,091)	(100%)

**Official's Response**

- *Monthly Variance Report*
    - *Missing explanations for negative budget variance (11 instances)*
      - *Agree – Use of Accounting Date to recognize timing of expense incursion will at times cause a post date transaction if there is an accounting code change or an extended travel report submission time frame (90 days). Financial Reporting area supervisor has been directed in writing to include timely updating and review within his routine duties. CFO will periodically review as part of duties.*
3. We haphazardly selected 20 vouchers paid to various vendors between July 1 and October 23, and 20 paid between October 24 and December 31, and determined if these payments were made in accordance with the following:
- a) Proper OAKS account code & fund were charged.
  - b) Proper public purpose was served by the purchase.
  - c) Voucher properly computed.
  - d) Invoice amount agrees to voucher amount.
  - e) Invoice date precedes voucher date.
  - f) Invoice was paid within 30 days of receipt, or appropriate interest paid, as required by ORC Section 126.30.
  - g) Proper supporting documentation was attached.
  - h) Invoice indicated goods received or services rendered.
  - i) Purchase Order/Controlling Board approval was obtained when required in accordance with ORC Section 125.05 and 127.16.
  - j) A Release and Permit was obtained from DAS when required in accordance with ORC Section 125.05 and 125.06.

**Non-Payroll Expenditures (continued)**

- k) Eligible Voucher checked against the Finding for Recovery Database. To be considered an eligible transaction for this requirement, all the following must apply:
- The transaction is for the purchase of goods or services
  - The transaction is over \$25,000
  - The transaction was bid by the state agency
  - The transaction was not on a state term contract
  - The transaction does not involve federal funds
  - The payment was not to a Medicaid provider

We noted no exceptions related to the tested documents for items a through g, and i through k. Regarding item h, six invoices did not indicate the goods were received or services rendered, as detailed below:

Three of the six invoices were dated between July 1 and October 23:

Voucher ID	Date	Vendor	Amount
15522	8/31/2011	OPERS	\$ 21,330.26
15632	9/14/2011	Frontier Communications	\$ 45.65
15841	10/13/2011	AT & T Teleholdings Inc	\$ 953.96

Three of the six invoices were dated between October 24 and December 31:

Voucher ID	Date	Vendor	Amount
16028	11/10/2011	AT & T Corp	\$ 487.32
16308	12/22/2011	Century Link	\$ 561.58
16367	12/29/2011	Verizon Wireless	\$ 1,043.99

**Official's Response**

- See response for Nonpayroll Expenditures #1 above.

**Inventory**

1. We obtained OIC's inventory listing and determined if the Asset Management System Transmittal letter was filed as required by the Ohio Revised Code, Section 125.16. In addition, we verified OIC submitted the required additions and deletions lists. No exceptions were noted.
2. We haphazardly selected 20 items from the inventory listing dated December 31, 2011. We attempted to locate the items and determined if they were properly tagged. We noted three of 20 items selected were not located in the designated area as noted on the OIC Inventory Listing and one item was not properly tagged, as detailed below. We noted no exceptions for the remaining 17 tested items.

Asset Tag	Asset Title	Physical Asset Location	Asset Report Location
E68692 *	Axis Camera Compact Fixed Dome	Tag number no longer exists	Information Technology – 8 <sup>th</sup> Floor Storage Room
E69400	HP DC5800 Desktop Monitor	10 <sup>th</sup> Floor in an employee's cubicle	Medical Services Hearing Room #3
E69472	HP DC5800 Desktop Monitor	10 <sup>th</sup> Floor in an employee's cubicle	Claims Support Test Pod on the 8 <sup>th</sup> Floor

\* Asset #E68692 "Axis Camera Compact Fixed Dome". The tag number was accidentally created as a duplicate tag and no longer exists. The item is associated with a different tag number located in an office outside of Columbus.

## Inventory (continued)

### **Official's Response**

- *Asset Tag E68692*
    - *Agree. This is a learning curve issue as we converted to the OAKS Asset Management system from an internal system. Item was created in AM as an initial purchase and also as a "Basic Add". Duplicate electronic record was not removed from system. AM system functionality is now fully understood for situations like these.*
  - *Asset Tags E69400, E69472*
    - *Agree. Tag location is comprised of two physical locator fields being Department and Document ID. The latter is an optional field periodically used to identify a specific location within the department. E69400 was not updated when Medical Services was moved to the tenth floor. E69472 was not updated.*
3. We haphazardly selected 20 items from the agency floor and traced these items to the inventory listing to ensure they were identified on the listing and properly tagged. We noted no exceptions.
  4. We haphazardly selected six items which had been disposed of during July 1, 2011 through December 31, 2011 and determined if the appropriate salvage forms were on file for the tested items. We noted no exceptions.
  5. We haphazardly selected five vouchers for equipment purchases (account category 530) made between July 1 and October 23, and five vouchers for equipment purchases (account category 530) made between October 24 and December 31, and determined whether these items were included as additions on the inventory listing, a purchase order was approved for costs exceeding the \$300 threshold, and the item was properly tagged. We noted voucher #16129, dated November 30, 2011, had an inventory addition item of #E67262 "Desktop Replacement Notebook." We could not verify this asset was properly tagged because the individual responsible for the asset was out on leave and, according to management, had possession of the asset. The Desktop Replacement Notebook purchase totaled \$1,230. The voucher in question also included nine other Desktop Replacement Notebooks for which we noted no exceptions. No other exceptions were noted.

## Daily Cash Balancing

1. We obtained eight Daily Cash Balance Reports between July 1 and October 23, and eight Daily Cash Balance reports between October 24 and December 31, and determined if Fiscal Management reviewed and approved the daily cash reconciliation as evidenced by the current daily balance for fund 5W30 agreeing to the OAKS Ledger inquiry or by including a notation explain why these amounts did not reconcile. No exceptions were noted.
2. We obtained five Daily Cash Balance Reports/ Cash Deposits between July 1 and October 23, and five Daily Cash Balance Reports / Cash Deposits between October 24 and December 31, and determined the accuracy and completeness of these reconciliations by tracing the cash amounts to supporting documentation. No exceptions were noted.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on the OIC's receipts, disbursements, asset management, and compliance with certain laws and regulations. Had we performed additional procedures, other matters might have come to our attention that we would have reported to you.

This report is intended solely for the information and use of the Ohio Industrial Commission and is not intended to be, and should not be used by anyone else.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

**Dave Yost**  
Auditor of State

June 20, 2012



# Dave Yost • Auditor of State

**OHIO INDUSTRIAL COMMISSION**

**FRANKLIN 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  
JULY 10, 2012**