

**MEALS ON WHEELS - OLDER ADULT ALTERNATIVES OF FAIRFIELD COUNTY, INC.  
FAIRFIELD COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED DECEMBER 31, 2014**



**Dave Yost • Auditor of State**



**MEALS ON WHEELS – OLDER ADULT ALTERNATIVES OF FAIRFIELD COUNTY, INC.  
FAIRFIELD COUNTY**

**TABLE OF CONTENTS**

TITLE	PAGE
Independent Auditor's Report .....	1
Statement of Financial Position .....	3
Statement of Activities.....	4
Statement of Functional Expenses .....	5
Statement of Cash Flows .....	6
Notes to Financial Statements .....	7
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by Government Auditing Standards .....	13
Schedule of Findings.....	15

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Meals on Wheels – Older Adult Alternatives of Fairfield County, Inc.  
Fairfield County  
253 Boving Road  
Lancaster, Ohio 43130

To the Board of Director's:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of Meals on Wheels – Older Adult Alternatives of Fairfield County, Inc., Fairfield County, Ohio (the NFP Organization), (a not-for-profit corporation), which comprise the statement of financial position, the related statements of activities and cash flows, as of and for the year ended December 31, 2014, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing those risks of financial statement material misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the NFP Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the NFP Organization's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Meals on Wheels – Older Adult Alternatives of Fairfield County, Inc., Fairfield County, Ohio as of December 31, 2014, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2015, on our consideration of the NFP Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the NFP Organization's internal control over financial reporting and compliance.

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

December 18, 2015

**MEALS ON WHEELS - OLDER ADULT ALTERNATIVES  
OF FAIRFIELD COUNTY, INC.**

**STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2014**

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ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 108,410
Tax levy receivable	705,884
Account receivable	33,700
Inventory	39,715
Prepaid expenses	14,073
Total current assets	901,782
Property and equipment-net	289,752
Deposit	1,000
Total assets	\$ 1,192,534
LIABILITIES AND NET ASSETS	
Current Liabilities:	
Accounts payable	\$ 18,410
Levy accounts payable	26,329
Accrued payroll	27,199
Compensated absences	33,359
Current portion of capital lease payable	5,918
Total current liabilities	111,215
Long-term liabilities:	
Capital lease payable	11,578
Unearned revenue-levy	529,555
Total long-term liabilities	541,133
Total liabilities	652,348
Net Assets	
Unrestricted	540,186
Total liabilities and net assets	\$ 1,192,534

See Notes to the Financial Statements.

**MEALS ON WHEELS - OLDER ADULT ALTERNATIVES  
OF FAIRFIELD COUNTY, INC.**

**STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2014**

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UNRESTRICTED NET POSITION

Support and revenue:	
Local contributions	\$ 3,381
Property tax levy-operating	1,350,000
Service provider contracts	39,759
Grants	125,141
Donations	126,465
Contract meals/cost share/CSFP	137,996
Federal and state grants	407,358
Passport	285,743
County Auditor's levy expense	55,018
In-kind facilities	35,272
Loss on property and equipment disposal	(11,168)
Interest	248
Total support and revenue	<u>2,555,213</u>
Functional and other expenses:	
Nutrition services division	1,624,617
Aging services division	600,294
Service provider contracts	39,759
Grants	118,960
Management and general	159,539
Total functional and other expenses	<u>2,543,169</u>
Change in net assets	12,044
Net assets, beginning of year	<u>528,142</u>
Net Assets, end of year	<u>\$ 540,186</u>

See Notes to the Financial Statements.

**MEALS ON WHEELS - OLDER ADULT ALTERNATIVES  
OF FAIRFIELD COUNTY, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2014**

	Nutrition Services Division	Aging Services Division	Service Provider Contracts	Grants	Total Program	Management and General	Total
Payroll	\$ 571,586	\$ 196,216	\$ -	\$ -	\$ 767,802	\$ 85,311	\$ 853,113
Payroll tax expense	68,331	23,457	-	-	91,788	10,199	101,987
Personnel benefit	63,063	21,649	-	-	84,712	9,412	94,124
Professional fees	53,860	35,907	-	-	89,767	29,923	119,690
Raw food and related supplies	581,598	-	-	-	581,598	-	581,598
Office supplies	9,769	6,513	-	-	16,282	5,427	21,709
Telephone	1,756	1,537	-	-	3,293	1,098	4,391
Occupancy	17,505	6,366	-	-	23,871	7,957	31,828
Rental/maintenance equipment	6,402	2,489	-	-	8,891	-	8,891
Printing and publications	11,024	7,349	-	-	18,373	6,125	24,498
Vehicle expense	68,947	32,446	-	-	101,393	-	101,393
Conference, training and meetings	1,287	858	-	-	2,145	715	2,860
Insurance	6,070	4,047	-	-	10,117	3,372	13,489
Licenses	974	458	-	-	1,432	-	1,432
In-kind facilities and services	23,985	11,287	-	-	35,272	-	35,272
Contractual services	10,062	191,169	39,759	-	240,990	-	240,990
Grants	-	-	-	118,960	118,960	-	118,960
Miscellaneous	2,972	1,398	-	-	4,370	-	4,370
County Auditor's levy expense	37,412	17,606	-	-	55,018	-	55,018
	<u>1,536,603</u>	<u>560,752</u>	<u>39,759</u>	<u>118,960</u>	<u>2,256,074</u>	<u>159,539</u>	<u>2,415,613</u>
Depreciation	88,014	39,542	-	-	127,556	-	127,556
Total	<u>\$ 1,624,617</u>	<u>\$ 600,294</u>	<u>\$ 39,759</u>	<u>\$ 118,960</u>	<u>\$ 2,383,630</u>	<u>\$ 159,539</u>	<u>\$ 2,543,169</u>

See Notes to the Financial Statements.

**MEALS ON WHEELS - OLDER ADULT ALTERNATIVES  
OF FAIRFIELD COUNTY, INC.**

**STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2014**

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Cash Flows from Operating Activities:	
Change in net position	\$ 12,044
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	127,556
Loss on property and equipment disposal	11,168
(Increase) decrease in operating assets:	
Tax levy receivable	(82,887)
Accounts receivable	(5,383)
Inventory	(16,975)
Prepaid expenses	(1,568)
Increase (decrease) in operating liabilities:	
Accounts payable	(50,117)
Levy accounts payable	(1,947)
Employee withholdings	(14,907)
Accrued Payroll	27,199
Compensated absences	9,544
Unearned revenue - levy	34,834
Net cash (used) by operating activities:	<u>48,561</u>
Cash Flows from Investing Activities:	
Purchase of equipment	<u>(88,645)</u>
Net cash (used) by investing activities	<u>(88,645)</u>
Cash Flows from Financing Activities:	
Payments on capital lease	<u>(5,253)</u>
Net cash (used) by financing activities	<u>(5,253)</u>
Change in cash equivalents	(45,337)
Cash and cash equivalents, beginning of year	<u>153,747</u>
Cash and cash equivalents, end of year	<u>\$ 108,410</u>

See Notes to the Financial Statements.

**MEALS ON WHEELS – OLDER ADULT ALTERNATIVES OF FAIRFIELD COUNTY, INC.  
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2014**

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**Note 1 – Summary of Significant Accounting Policies**

**Organization Description**

Meals on Wheels – Older Adult Alternatives of Fairfield County, Inc. (the Organization) is a nonprofit organization that provides meals, transportation and other services for the elderly. The Organization services are limited to Fairfield County. The Organization is supported primarily through federal and state grants and monies received from the collection of a tax levy for the purposes of providing senior services to Fairfield County Seniors.

**Method of Accounting**

The accounting records are maintained on the accrual basis for financial statement purposes.

**Basis of Presentation**

Under the Statement of Financial Accounting Standards Board (FASB ASC 958-205-05-06), Financial Statements of Not-for-Profit Organizations, the organization is required to report information regarding its financial position and activities according to three classes of net assets based upon the existence or absence of donor-imposed restriction. The three classes of net assets are:

*Unrestricted net assets* are not subject to donor-imposed stipulations.

*Temporarily restricted net assets* are subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

*Permanently restricted net assets* are subject to donor-imposed stipulations that may be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

**Concentration of Credit Risk**

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents and accounts receivable. The Organization maintains cash and cash equivalents with various financial institutions to limit exposure with any one financial institution.

The Organization's receivables present virtually no risk of collection since they are due from government agencies and generally received prior to the date of the accountants' report.

**Fair Value of Financial Instruments**

The carrying value of certain of the Organization's financial instruments, including cash, cash equivalents, accounts receivable, accounts payable and short-term debt approximates fair value due to their short-term maturities.

**MEALS ON WHEELS – OLDER ADULT ALTERNATIVES OF FAIRFIELD COUNTY, INC.  
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2014  
(Continued)**

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**Note 1 – Summary of Significant Accounting Policies – Continued**

**Accounts Receivable**

Accounts receivable are shown at their net realizable value. Uncollectible accounts are charged to operations during the period in which they are determined to be uncollectible. Management believes that the direct write-off method closely approximates the reserve method of accounting for uncollectible accounts and believes that a reserve for bad debts is not required at December 31, 2014. There was no bad debt expense or write-offs for the year ended December 31, 2014.

**Contributions**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. There are no temporarily or permanently restricted net assets at December 31, 2014.

**Property and Equipment**

Property and equipment are recorded at cost and depreciated over their estimated useful lives ranging from 3 to 40 years by the straight line method. Repairs and maintenance are charged to operations when incurred and additions and improvements are capitalized. The Organization capitalizes assets with costs exceeding \$1,000 and useful lives in excess of one year.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Functional Allocation of Expenses**

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services receiving the benefit of these costs.

**MEALS ON WHEELS – OLDER ADULT ALTERNATIVES OF FAIRFIELD COUNTY, INC.  
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2014  
(Continued)**

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**Note 1 – Summary of Significant Accounting Policies – Continued**

**Federal Income Taxes**

The Organization has been classified as an other-than private foundation and is tax-exempt under Section 501(c)(3) of the Internal Revenue Code. The Organization is subject to tax on income from any unrelated business.

The Organization has analyzed tax positions taken for filing with the Internal Revenue Service and all State jurisdictions where it operates. The Organization believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Organization's financial condition, results of operations or cash flows. Accordingly, the Organization has not recorded any reserve or related accruals for interest and penalties for uncertain income tax positions at December 31, 2014.

The Organization's Form 990, *Return of Corporation Exempt from Income Tax*, for the year ending 2014 is subject to examination by the IRS, generally for three years after it is filed.

**Contributed Services**

The Organization receives donated services from a variety of unpaid volunteers assisting the organization in the preparation and delivery of meals. See Note 9 for details.

**Note 2 - Inventory**

Inventory consists of food, beverages and supplies and is priced at cost on the first-in first-out basis.

**Note 3 - Cash and Cash Equivalent**

Cash consists of the following accounts:

Cash in bank	\$ 85,921
Cash in bank – van account	9,888
Surety bond – savings account	<u>12,601</u>
	<u>\$108,410</u>

Van Account - Funds in the van account are used as the local matching portion under UMTA Section 16(b)(2) and are designated for the purchase of new vehicles and major repairs on owned vehicles.

The Surety Bond - Savings Account is held because the Organization is exempt from and does not maintain unemployment compensation. This account is interest bearing at a variable rate.

As of December 31, 2014, the Organization had no cash in the bank in excess of the \$250,000 FDIC insurance limit.

**MEALS ON WHEELS – OLDER ADULT ALTERNATIVES OF FAIRFIELD COUNTY, INC.  
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2014  
(Continued)**

**Note 4 - Property and Equipment**

Property and Equipment consist of the following:

	Balance 1/1/14	Additions	Disposals	Balance 12/31/14
Office equipment	\$124,881	\$ 5,924	\$ 36,505	\$ 94,300
Kitchen equipment	230,511	9,255	23,518	216,248
Vehicles	541,172	73,466	-	614,638
Buildings	8,433	-	-	8,433
	<u>904,997</u>	<u>88,645</u>	<u>60,023</u>	<u>933,619</u>
Accumulated depreciation:				
Office equipment	79,682	14,381	35,278	58,785
Kitchen equipment	160,666	22,587	13,577	169,676
Vehicles	319,876	89,279	-	409,155
Buildings	4,942	1,309	-	6,251
Total Accumulated depreciation	<u>565,166</u>	<u>127,556</u>	<u>48,855</u>	<u>643,867</u>
Net property and equipment	<u>\$339,831</u>	<u>\$(38,911)</u>	<u>\$(11,168)</u>	<u>\$289,752</u>

During 2014, the Organization removed from the books property and equipment disposed of. This resulted in a loss on property and equipment disposal of \$11,168 for the year ended December 31, 2014.

**Note 5 - Line of Credit**

The Organization has an unsecured line of credit established at the Vinton County National Bank. The maximum limit of credit is \$150,000 with an adjustable interest rate equal to the prevailing national rate as published in the Wall Street Journal. The balance due as of December 31, 2014 was \$0.

**Note 6 - Compensated Absences**

Full time employees accrue sick leave benefits at a rate of 15 days per year, to maximum of 30 days. Unused benefits are payable to employees upon voluntary resignation at the rate of 4 days per year of continuous service from unused sick time balances, up to a maximum of 30 days. Vacation days may accrue up to a maximum of 20 days. Employees may request a "Payout" of both vacation and sick hours which must be approved by the Executive Director as an effort to control their balances. The Organization also provides for the accrual of comp-time for exempt employees only. Compensated absences for the year ended December 31, 2014 was \$33,359.

**Note 7 - Federal and State Grants**

Grants are made to the Organization by the U.S. Department of Agriculture and Health, and Ohio Department of Job and Family Services and administered by the Central Ohio Area Agency on Aging. Federal and State Grant III B is for transportation of the elderly and provides home repair and supportive services. Federal and State Grant III C provides the congregate meals and home delivery meals to the elderly and the transportation to deliver the meals to those who are home bound and Grant III E is for the caregiver support program.

**Note 8 - Donations**

Donations are received from recipients of services. The donations received for the year ended December 31, 2014 totaled \$126,465

**MEALS ON WHEELS – OLDER ADULT ALTERNATIVES OF FAIRFIELD COUNTY, INC.  
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2014  
(Continued)**

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**Note 9 - In-kind Facilities and Services**

The Organization has a lease with Lancaster Parks and Recreation Department for space occupied. The lease was renewed on December 31, 2009 for five years, expiring December 31, 2014. The lease was renewed for one year. There is no rent paid to Lancaster Parks and Recreation; however, the Organization reimburses Lancaster Parks and Recreation for a portion of utilities on the basis of area occupied and telephone usage. For the year ended December 31, 2014, in-kind revenue and expenses consisted of \$13,500 for facilities, \$21,772 for services for a total of \$35,272 in-kind contributions.

**Note 10 - Tax Levy Receivable/Deferred Tax Revenue Liability**

On March 2, 2004, Meals on Wheels placed a levy on the general election ballot as Issue 11. The levy passed at 0.5 mills for each one dollar of valuation, which is equal to five cents (\$0.5) for every \$100 of real property valuation. The levy was renewed for another five years in 2008 and again in 2013. The purpose of the levy is to provide services for older adult residents (aged 60 or older), including, but not limited to: home delivered meals, congregate site meals and activities, nutrition education, nutrition counseling, caregiver relief and support services, minor home repairs, transportation and other senior citizens services.

The Organization recognizes as a receivable the difference between what was appropriated by the County for the levy and what has been released to Meals on Wheels for payment of expenditures. Amount unearned is recorded as unearned revenue.

As of December 31, 2014 the Organization has unappropriated funds at the County in the amount of \$1,538,505.

**Note 11 - Capital Lease Obligation**

Capital lease obligation for purchase of a new copier in 2012 provides for monthly payments of \$642 including imputed interest at approximately 12% a year through 2017. The lease payment includes equipment, maintenance services, and taxes.

Future minimum lease payments under the capital lease as of December 31, 2014 are:

Years Ending December 31:

2015	\$ 5,918
2016	6,669
2017	<u>4,909</u>
Total	17,496
Less: current portion	<u>5,918</u>
Total long-term lease	<u>\$11,578</u>

The copier was capitalized for \$29,008. As of December 31, 2014 the copier had accumulated depreciation of \$13,537, with a net book value of \$15,471.

**Note 12 – Subsequent Events**

The Organization has evaluated subsequent events through May 29, 2015, the date which the financial statements were available to be issued.

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# Dave Yost • Auditor of State

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

Meals on Wheels – Older Adult Alternatives of Fairfield County, Inc.  
Fairfield County  
253 Boving Road  
Lancaster, Ohio 43130

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Meals on Wheel – Older Adult Alternatives of Fairfield County, Ohio (the NFP Organization) as of and for the year ended December 31, 2014, and the related notes to the financial statements, and have issued our report thereon dated December 18, 2015.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the NFP Organization's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the NFP Organization's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the NFP Organization's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency in internal control. We consider finding 2014-001 to be a significant deficiency.

***Compliance and Other Matters***

As part of reasonably assuring whether the NFP Organization's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 2014-001.

***NFP Organization's Response to Findings***

The NFP Organization's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the NFP Organization's response and, accordingly, we express no opinion on it.

***Purpose of this Report***

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



**Dave Yost**  
Auditor of State

Columbus, Ohio

December 18, 2015

**MEALS ON WHEELS—OLDER ADULT ALTERNATIVES OF FAIRFIELD COUNTY, INC.  
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2014**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2014-001**

**Abuse/Significant Deficiency**

*Generally Accepted Governmental Auditing Standards (GAGAS)*, 2011 Revision, chapter 4.07, defines abuse as a “behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary business practice given the facts and circumstances. Abuse also includes misuse of authority or position for personal financial interests or those of an immediate or close family member or business associate.” Appendix 1, Supplemental Guidance, Section A.08c and A.08e provides the following examples of abuse to include “misusing official’s position for personal gain” and “making procurement or vendor selections that are unnecessarily extravagant or expensive”.

On January 1 of 2010, Phyllis Saylor, then executive director of the Meals on Wheels Older Adult Alternatives of Fairfield County, Inc., (Meals on Wheels), contracted with her son, Randall Saylor to provide computer IT / maintenance support and consulting services and other related activities to Meals on Wheels. An annual contract was entered into each year from January 1, 2010 to September 26, 2013. Each annual contract provided for a defined maximum hours of service per week to be paid at \$65 per hour for services provided inside the Agency and \$50.00 per hour for services provided outside the Agency. The table below outlines the contracted amount in comparison to the actual amounts paid.

<b>Year</b>	<b>Maximum Hours per Contract</b>	<b>Hours Annual</b>	<b>Actual Hours Billed</b>	<b>Excess Amount Paid</b>	<b>Total Annual Amount Paid</b>
2010	1,040		1,797.50	\$37,862.50	\$ 76,237.18
2011	1,300		2,145	\$42,250	\$105,084.23
2012	2,080		2,491	\$20,800	\$131,667.98
2013	1,520		1,737.75	\$ 9,150	\$ 87,198.75

Meals on Wheels contracted with a different company starting in November of 2013 and paid \$34,500 in 2014 for the same or very similar services.

On November 8, 2013, Deputy Legal Counsel of the Auditor of State’s office was appointed the special prosecutor to review complaints related to annual contracts entered into with Randall Saylor and whether there were criminal violations related to Ohio Revised Code § 2921.42 *Having an unlawful interest in a public contract* and Ohio Revised Code § 2913.02 *Theft; aggravated theft*. The Deputy Legal Counsel of the Auditor of State’s office concluded that the Executive Director would not be considered a public official or an agent of state due to the fact the .5 mil property tax levy language states that the funds generated are to be provided directly to Meals on Wheels, a 501(C)(3) organization. Based on the levy language; Fairfield County could not control how Meals on Wheels spent property tax levy funds. Because Meals on Wheels acted independently and without county oversight, there was not a violation of Ohio Rev. Code § 2921.42. In addition there was not a violation of Ohio Rev. Code § 2913.02. Although, then, Executive Director Phyllis Saylor signed the checks for the excessive payments to her son, the Board was still made aware of the payments through the annual tax filing and annual audit reports they received for review.

While it was determined that there was no violation of law, the excessive payments made to Randall Saylor and the use of the Executive Director’s position by Phyllis Saylor for the financial benefit of her son as described above meet the GAGAS definition of abuse, which we consider to be of a material nature.

**MEALS ON WHEELS—OLDER ADULT ALTERNATIVES OF FAIRFIELD COUNTY, INC.  
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2014  
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (continued)**

**FINDING NUMBER 2014-001 (continued)**

**Abuse/Significant Deficiency**

There was a lack of monitoring, accountability, and prudent care taken by the Board of Directors to oversee the use of property taxes provided to the organization for the purpose of serving the elderly of Fairfield County. During the time frame of the contracts with Randall Saylor, Meals on Wheels did not have a purchasing policy in place to sufficiently identify and prevent abuse. On October 23, 2014, a Financial Management Policies and Procedures Manual was adopted which included a purchasing policy.

The nepotism policy in the Personnel Policies and Procedures Manual during the time frame of the above contracts did not affect existing staff members prior to September 19, 2011. Phyllis Saylor was hired by Meals on Wheels before September 19, 2011. Currently, the nepotism policy in the Personnel Policies and Procedures Manual is to be agreed to by each employee at the time of hire.

We recommend that the Board of Directors take actions to ensure the employees of Meals on Wheels are held accountable to ensure public funds are being spent in a prudent manner to serve the elderly of Fairfield County. Also the internal controls identified in Meals on Wheel's Financial Management Policies and Procedures Manual should be implemented for each financial transaction. In addition, the nepotism policy within the Personal Policies and Procedures Manual should be modified to apply to all employees of Meals on Wheels no matter the date they were hired by the agency.

**Official's Response:**

The Board of Trustees wishes to thank the State of Ohio Auditor's Office for their thorough and diligent audit of the organization. We appreciate the opportunity to respond to the Finding of Abuse outlined on your report. We believe that this finding fully justifies the actions taken by the board as outlined below.

Upon discovery of the facts in this matter, the Board of Trustees swiftly took the following actions:

1. Immediate termination of the IT contract with Randall Saylor.
2. Immediate termination of employment of Executive Director Phyllis Saylor
3. Investigation of and subsequent termination of Assistant Director Ritta Seitz.
4. A competitive bid search and contract award for a new IT service provider.
5. A competitive search and the subsequent hiring of Anna Tobin as the new Executive Director.
6. Bylaws were amended to schedule regular board meetings on a monthly basis.
7. Adoption of new and strengthened internal controls including the adoption of a financial management policy, implementation of dual controls, and establishment of a finance committee.

In the months following this discovery, many board members resigned and were replaced. In addition, new or revised policies and procedures at both the Board and Organizational levels were implemented to prevent such a situation from ever happening again.



# Dave Yost • Auditor of State

**MEALS ON WHEELS-OLDER ADULTS ALTERNATIVES OF FAIRFIELD COUNTY**

**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  
FEBRUARY 23, 2016**