



Dave Yost • Auditor of State

WARREN WATER AUTHORITY
JEFFERSON COUNTY

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Dave Yost • Auditor of State

AUDITOR'S REPORT

Warren Water Authority
Jefferson County
P. O. Box 106
Rayland, Ohio 43943

To the Board of Public Affairs

We have selectively tested certain accounts, financial records, files and reports of the Warren Water Authority, Jefferson County, (the Authority) as of and for the years ended December 31, 2015, 2014, 2013 and 2012 following Ohio Administrative Code Section 117-4-02.

There are reportable findings and conditions as a result of performing these procedures. Our reportable findings and conditions follow the financial presentation. Our engagement was not designed to result in expressing an opinion on the accompanying financial statements, and we do not express an opinion on them.

This report is intended solely for the information and use of management, the Authority Board, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and are not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State
Columbus, Ohio

November 21, 2016

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**WARREN WATER AUTHORITY
JEFFERSON COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	2015	2014
Operating Cash Receipts:		
Charges for Services	\$125,629	\$107,463
<i>Total Operating Cash Receipts</i>	<i>125,629</i>	<i>107,463</i>
Operating Cash Disbursements:		
Personal Services	22,056	18,797
Utilities	9,208	8,345
Repairs and Maintenance	10,201	11,526
Other Contractual Services	7,984	2,559
Chemicals and Operating Supplies	42,876	40,166
Office Supplies and Materials	2,225	2,496
Insurance	8,111	257
Rent	715	880
<i>Total Operating Cash Disbursements</i>	<i>103,376</i>	<i>85,026</i>
<i>Operating Income/(Loss)</i>	<i>22,253</i>	<i>22,437</i>
Non-Operating Cash Receipts:		
Earnings on Investments	33	33
<i>Total Non-Operating Cash Receipts</i>	<i>33</i>	<i>33</i>
Non-Operating Cash Disbursements:		
Debt Service	15,308	15,308
Other Non-Operating Cash Disbursements	3,837	457
<i>Total Non-Operating Cash Disbursements</i>	<i>19,145</i>	<i>15,765</i>
<i>Net Receipts Over/(Under) Disbursements</i>	<i>3,141</i>	<i>6,705</i>
Cash Balances, January 1	47,941	41,236
<i>Cash Balances, December 31</i>	<i>\$51,082</i>	<i>\$47,941</i>

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

**WARREN WATER AUTHORITY
JEFFERSON COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

	2013	2012
Operating Cash Receipts:		
Charges for Services	\$109,129	\$108,458
<i>Total Operating Cash Receipts</i>	109,129	108,458
Operating Cash Disbursements:		
Personal Services	16,483	24,754
Utilities	7,787	9,018
Repairs and Maintenance	4,911	2,515
Testing and Licenses	332	698
Other Contractual Services	6,477	7,274
Chemicals and Operating Supplies	38,041	55,882
Office Supplies and Materials	2,622	1,737
Insurance	4,105	2,426
Rent	845	715
<i>Total Operating Cash Disbursements</i>	81,603	105,019
<i>Operating Income/(Loss)</i>	27,526	3,439
Non-Operating Cash Receipts:		
Earnings on Investments	46	183
<i>Total Non-Operating Cash Receipts</i>	46	183
Non-Operating Cash Disbursements:		
Debt Service	15,325	15,308
Other Non-Operating Cash Disbursements	795	795
<i>Total Non-Operating Cash Disbursements</i>	15,325	16,103
<i>Net Receipts Over/(Under) Disbursements</i>	12,247	(12,481)
Cash Balances, January 1	28,989	41,470
<i>Cash Balances, December 31</i>	\$41,236	\$28,989

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

**WARREN WATER AUTHORITY
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015, 2014, 2013 AND 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges for the Warren Water Authority, previously known as Warren Regional Water and Sewer Authority, Jefferson County, (the Authority) as a body corporate and politic. The Authority is directed by a three member Board of Trustees. Board members are appointed for lifetime terms by the Jefferson County Judge. Subdivisions within the Authority are, Warren Authority, Jefferson County and Pease Authority, Belmont County. The Authority provides water and sewer services to residents of the Authority.

The Authority's management believes these financial statements present all activities for which the Authority is financially accountable.

B. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. Deposits and Investments

The Authority's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Authority values Certificates of Deposit at cost.

D. Fund Accounting

The Authority uses fund accounting to segregate cash and investments that are restricted as to use. The Authority classifies all funds as Enterprise Fund Type.

Enterprise Funds

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Authority had the following significant Enterprise Funds:

Water Fund – This fund receives charges for services from residents to cover water service costs

Sewer Fund – This fund receives charges for services from residents to cover sewer services costs.

**WARREN WATER AUTHORITY
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015, 2014, 2013 AND 2012
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Ohio Water Development Authority Fund – This fund receives a portion of water and sewer surcharges used to pay related debt.

E. Budgetary Process

The Ohio Revised Code requires the Board to budget annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund or function level of control, and appropriations may not exceed estimated resources. Appropriation Authority includes current year appropriations plus encumbrances carried over from the prior year (if any). Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) as of January 1.

3. Encumbrances

The Ohio Revised Code requires the Authority to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Authority did not use the encumbrance method of accounting.

A summary of 2015, 2014, 2013 and 2012 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

The Authority records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

The Authority may invest in certificates of deposits

The carrying amount of deposits and investments at December 31 was as follows:

	2015	2014	2013	2012
Demand deposits	\$26,922	\$23,811	\$17,136	\$4,933
Certificates of deposit	24,160	24,130	24,100	24,056
Total deposits and investments	<u>\$51,082</u>	<u>\$47,941</u>	<u>\$41,236</u>	<u>\$28,989</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

**WARREN WATER AUTHORITY
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015, 2014, 2013 AND 2012
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31 2015, 2014, 2013 and 2012 follows:

2015 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
	\$125,662	\$125,662

2015 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
	\$122,521	(\$122,521)

2014 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
	\$107,496	\$107,496

2014 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
	\$100,791	(\$100,791)

2013 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
	\$109,175	\$109,175

2013 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
	\$96,928	(\$96,928)

2012 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
	\$108,641	\$108,641

2012 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
	\$121,122	(\$121,122)

**WARREN WATER AUTHORITY
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015, 2014, 2013 AND 2012
(Continued)**

3. BUDGETARY ACTIVITY (CONTINUED)

Contrary to Ohio law, budgetary expenditures exceeded appropriation Authority by \$122,521, \$100,791, \$96,928, and by \$121,122 for the years ended December 31, 2015, 2014, 2013 and 2012, respectively.

4. DEBT

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
OWDA Water System Expansion Loan	\$168,566	2%

The Authority secured an Ohio Water Development Authority loan to upgrade storage tanks, the booster station and to place additional water lines. The original loan was for \$300,000 plus \$9 accrued interest totaling \$300,009 at 2% interest for 25 years. The first payment date was January 1, 2004 and the last payment date is July 1, 2028. Semi-annual payments of \$7,654 are due July 1 and December 1 each year. Future revenues from the Authority's water utility operations collateralize this loan.

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	OWDA Loan
2016	\$15,308
2017	15,308
2018	15,308
2019	15,308
2020	15,308
2021-2025	76,540
2026-2028	45,924
Total	\$199,004

5. RETIREMENT SYSTEM

The Authority's full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the Plan's retirement benefits, including postretirement healthcare and survivor and disability benefits to participants.

The Ohio Revised Code also prescribes contribution rates. For 2012 through 2015, OPERS members contributed 10% of their gross salaries and the Authority contributed an amount equaling 14% of participants' gross salaries. The Authority has paid all contributions required through December 31, 2015.

**WARREN WATER AUTHORITY
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015, 2014, 2013 AND 2012
(Continued)**

6. RISK MANAGEMENT

Commercial Insurance

The Authority has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

7. RELATED PARTY TRANSACTIONS

The Secretary/Treasurer of the Water Authority is also the owner of J.O. Tax Services. The Authority contracts with J.O. Tax Services for \$75 per month for accounting services.

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AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

Warren Water Authority
Jefferson County
P.O. Box 106
Rayland, Ohio 43943

To the Board of Public Affairs

We have selectively tested certain accounts, financial records, files and reports of the Warren Water Authority, Jefferson County, (the Authority) as of and for the years ended December 31, 2015, 2014, 2013 and 2012 following Ohio Administrative Code Section 117-4-02. Our engagement was not designed to result in expressing an opinion on the accompanying financial statements, internal control over financial reporting, or compliance. We therefore express no opinion on these matters.

Internal Control over Financial Reporting

During our procedures related to the internal control over financial reporting, we noted matters that, in our judgment, could adversely affect the Authority's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. In addition, those matters could result in the occurrence of misstatements that are caused by error or fraud that would not be detected in a timely manner by employees when performing the assigned functions. These matters are described in the schedule of findings as items 2015-001 through 2015-006.

Compliance and Other Matters

We tested compliance with certain provisions or laws, regulations, contract, and grant agreements, applicable to the Authority. Noncompliance with these requirements could impact the Authority's ability to determine financial statement amounts. The results of our tests disclosed instances of noncompliance or other matters that are reported in the accompanying schedule of findings as items 2015-006 and 2015-007.

We intend this report solely for the information and use of management and the Board.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State
Columbus, Ohio

November 21, 2016

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**WARREN WATER AUTHORITY
JEFFERSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015, 2014, 2013 AND 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2015-001

Material Weakness – Cash Reconciliations

The reconciling of the accounting records to the cash (bank) balances is the most basic and primary control process performed by the Treasurer of an organization. Lack of completing an accurate and timely reconciliation allows for accounting errors, theft and fraud to occur without timely detection. The Treasurer is responsible for reconciling the Water Authority's book (fund) balance to the total bank balance on a monthly basis.

The Water Authority lacked procedures to help ensure reconciliations were performed accurately and timely. During our examination of the Water Authority's cash reconciliation process, we identified the following concerns:

- During 2012 and 2013 Monthly cash reconciliations were not completed, which required a reconstruction of monthly reconciliations by Local Government Services (LGS).
- During 2014 and 2015 Monthly cash reconciliations were not performed in a timely manner since all 24 months were completed subsequent to 2015 by the Treasurer.
- In 2014 and 2015 the Treasurer used unexplained other adjusting factors each month in order to reconcile.
- The Treasurer failed to maintain an accurate outstanding check list in 2014 and 2015.

As a result, the Water Authority's 2014 year end reconciliation shows the Water Authority's book balance to be greater than the depository balance by \$367 and the 2015 year end reconciliation shows the Water Authority's depository balance to be greater than the book balance by \$826. Lack of accurate monthly reconciliations increases the risk of theft/fraud over the cash cycle.

The Treasurer should maintain all bank statements and supporting documentation used to prepare the monthly cash reconciliations. The Water Authority should continue to investigate and review their financial records to determine the origin of the variance, and take corrective action.

FINDING NUMBER 2015-002

Material Weakness – Utility Ledger Reconciliation

The Water Authority utilized manual utility accounting records for January 2012 through March of 2013 and a computer generated water billing and collection system to track charges for services collected and outstanding accounts for April 2013 through December 2015.

While doing a comparison of monthly summary reports versus the Authority's ledgers, we noted that the Water Authority did not maintain any of the manual utility accounting ledgers for the period of January 2012 through March 2013. The Authority began maintaining utility ledgers in March of 2013. However, the water authority has no procedures in place and there was no evidence noted in any of the years the Water authority was reconciling the utility collections per the utility ledgers/system to the amounts posted in the Water Authority's cash journal.

**FINDING NUMBER 2015-002
(Continued)**

We noted variances between the Water Authority cash journal and the Water Authority utility ledgers of \$108,458 in 2012, \$25,313 in 2013, \$29 in 2014, and \$1,376 in 2015. Failure to reconcile collection accounts could lead to utility receipts not being accurately reflected in the cash journal. There is also no assurance that all utility receipts collected were actually deposited with the financial institution.

The Water Authority Treasurer should balance the monthly summary report from the computer generated system to the authority ledgers each month and for the year. This may help ensure that all utility collections are accounted for, posted to the authority ledgers, and deposited with the financial institution.

FINDING NUMBER 2015-003

Material Weakness – Utility Deposits

The Treasurer is responsible for collecting, recording, and depositing of the Authority's utility receipts. During the period of January 2012 through April 2014 we noted where the Treasurer was making deposits of utility receipts. However, as the daily utility receipts/billing stubs were collected they were not batched in accordance with the deposit date but in numerical order by the customer account number. Therefore, we could not identify if the tested utility receipt was deposited with the bank. In addition, we found an envelope in the March 2013 utility collections that contained 11 customer utility collection checks totaling \$742 that were never deposited. Failure to identify if collected amounts are deposited timely could lead to errors, irregularities, misappropriation of assets, or fraud occurring and going undetected for an extended period of time.

The Treasurer should batch all utility collections/billings stubs together that correlate to the utility deposit in order to help substantiate what utility receipts make up the deposit amount. In addition, the Treasurer should deposit all collections with the Authority's financial institution upon receipt. This may help ensure that all collected amounts were properly deposited and may help to ensure there were no errors, irregularities, misappropriation of assets, or fraud.

FINDING NUMBER 2015-004

Material Weakness – Accounting System and Accounting Records

Ohio Admin. Code § 117-2-02 (A) requires all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.

Additionally, **Ohio Admin. Code § 117-2-02 (D)** requires all local public offices to maintain accounting records in a manual or computerized format. The records used should be based on the nature of operations and services the public office provides, and should consider the degree of automation and other factors. Such records should include the following:

**FINDING NUMBER 2015-004
(Continued)**

- (1) Cash journal, which typically contains the following information: The amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transaction.
- (2) Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund the public office uses. The amount, date, name of the payor, purpose, receipt number, and other information required for the transaction can be recorded on this ledger.
- (3) Appropriation ledger, which may assemble and classify disbursements or expenditures/expenses into separate accounts for, at a minimum, each account listed in the appropriation resolution. The amount, fund, date, check number, purchase order number, encumbrance amount, unencumbered balance, amount of disbursement, uncommitted balance of appropriations and any other information required may be entered in the appropriate columns.
- (4) In addition, all local public offices should maintain or provide a report similar to the following accounting records:
 - (a) Payroll records including:
 - (i) W-2's, W-4's and other withholding records and authorizations.
 - (ii) Payroll journal that records, assembles and classifies by pay period the name of employee, hours worked, wage rates, pay date, withholdings by type, net pay and other compensation paid to an employee (such as a termination payment), and the fund and account charged for the payments.
 - (iii) Check register that includes, in numerical sequence, the check number, payee, net amount, and the date.
 - (iv) Information regarding nonmonetary benefits such as car usage and life insurance.
 - (v) Information, by employee, regarding leave balances and usage.
 - (b) Utilities billing records including:
 - (i) Master file of service address, account numbers, billing address, type of services provided, and billing rates.
 - (ii) Accounts receivable ledger for each service type, including for each customer account, the outstanding balance due as of the end of each billing period (with an aging schedule for past due amounts), current usage and billing amount, delinquent or late fees due, payments received and noncash adjustments, each maintained by date and amount.
 - (iii) Cash receipts records, recording cash received and date received on each account. This information should be used to post payments to individual accounts in the accounts receivable ledger described above.

The Water Authority did not maintain an accounting system sufficient to accurately record and report the Water Authority's financial activity as follows:

FINDING NUMBER 2015-004
(Continued)

- (1) The cash journal for 2014 and 2015 did not include revenues collected by the Water Authority. Additionally, neither a receipt ledger nor an appropriation ledger was maintained for 2012-2015. A payroll ledger was not maintained for 2012. The payroll ledgers for 2013-2015 did not include the Check number, check date, or the fund the employee was paid from.
- (2) The Water Authority could not provide sufficient payroll documentation for 2012-2015, such as salary and pay rates, to support whether employees of the Authority were being properly paid. The authority also did not retain any supporting documentation for the 2012 withholding remittances such as the Quarterly 941's, State Tax Remittances, and OPERS monthly remittances.
- (3) The Water Authority could not provide sufficient expenditure documentation for 11 purchases in 2012 and 1 purchase in 2014, such as invoices, to support the amount and purpose of the expenditure being made.
- (4) The Water Authority was unable to provide water and sewer ledgers, including a usage report, billing register, or posted payments ledger for January 2012-April 2013.

The condition of accounting records prohibited us from obtaining sufficient evidential matter in our procedures to express any opinion on the financial statements.

The Water Authority lacked procedures to ensure the preparation of complete and accurate cash journal, receipts ledger, and appropriation ledger.

The Water Authority should also establish specific procedures to effectively control each payroll disbursement transaction, including but not limited to the following:

- (1) Complete and accurate payroll ledgers should be maintained and should include the check number, check date, payee, wage rate, hours worked, gross pay, withholdings, and net pay;
- (2) The payroll ledger should include month-to-date, quarter-to-date, and year-to-date totals for each employee for each year;
- (3) Time sheets (when applicable) should be utilized and should be signed by the employee and an immediate supervisor attesting to their validity;
- (4) All wage rates, new hires, and appointments should be formally approved by the Board and noted in the minute record; and
- (5) All withholding remittances should be maintained and on file including the Federal 941 reports, State Income Tax remittances, and monthly OPERS reports and remittances.

The Water Authority should retain all invoices to help substantiate the amount and purpose of the purchase.

The Water Authority should prepare and maintain water and sewer ledgers including a usage report, billing register, or posted payments ledger.

The officials should review the guidelines contained in the Ohio Administrative Code to guide them in maintaining the necessary accounting records. Implementation of the suggested procedures may help provide the means to determine that the financial activity of the Water Authority is properly reported and accounted for.

FINDING NUMBER 2015-005

Material Weakness – System of Internal Controls

Ohio Admin. Code § 117-2-01 (A) provides that all public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for their respective public offices in certain categories. "Internal Control" is defined as a process affected by an entity's governing board, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Reliability of financial reporting;
- Effectiveness and efficiency of operations;
- Compliance with applicable laws and regulations; and
- Safeguarding of assets.

Internal control consists of the following component, among others: monitoring, which is a process that assesses the quality of internal control performance over time.

Monitoring controls are comprised of regular management and supervisory activities established to oversee whether management's objectives are being achieved. Effective monitoring controls assist management in assessing the quality of internal control performance over time. This process involves assessing the design and operation of controls on a timely basis and taking necessary corrective actions. Monitoring controls should assist management in identifying unexpected results and/or possible misstatements.

Some effective monitoring controls include:

- Regular review of monthly financial statements;
- Review of revenues and expenses with independently accumulated information (budgets, past performances, peer group representatives, etc.);
- Review of large or unusual fluctuations;
- Identification of unusual fluctuations;
- Comparison of financial statement position and operating results;
- Comparison of predefined key performance indicators based on the financial statements;
- Review of items which have been outstanding for extended periods of time (outstanding check listing for payroll and non-payroll transactions);
- Ensuring that an adequate segregation of duties exists; and
- Review of monthly bank reconciliations by someone independent of their preparation.

Lack of effective monitoring controls could lead to theft of entity funds, expenditure of funds contrary to the directives of the governing body, undetected errors affecting the monthly bank versus book reconciliations.

**FINDING NUMBER 2015-005
(Continued)**

During our review of the records we noted the following:

- There was no evidence in 2012 and 2013 the Board approved expenditures prior to being made, nor did they review expenditures after they were made to ensure they were accurately recorded, necessary and for a proper public purpose;
- No one independent of the purchasing process reviewed the activity to ensure the accuracy, appropriateness, or allowability of the expenditures; In 2014 and 2015 checks were only signed by the Treasurer and in 2012 and 2013 the checks were signed by two individuals. The checks only being signed by one person in conjunction with the lack of board monitoring and segregation of duties could lead to unallowable expenditures and increase the risk of theft/fraud.
- No evidence of the Board members or management's monitoring controls over the monthly and annual financial statements; the revenue and expenditures internal control process; ensuring that an adequate segregation of duties exists;
- No evidence of the Board review of the monthly bank reconciliations; and
- The Water Authority did not provide any minutes of the Board meetings for 2012.

The Water Authority lacked procedures to help ensure required records are maintained. The lack of record keeping greatly increases the risk of misstatement, fraud and abuse related to non-payroll and payroll disbursements, and receipt transactions. These weaknesses significantly reduce management's ability to effectively monitor the finances and make appropriate operating decisions.

The Water Authority should improve internal controls over reporting. All payments should be approved by the Board before being made. Receipts and disbursements should be reconciled to the bank deposits, customer ledgers, and financial ledgers on a monthly basis. Supporting documentation should be available to document the reconciliation. Bank reconciliations should be monitored by the Board and initialed to indicate their review.

FINDING NUMBER 2015-006

Non-Compliance/Material Weakness – Budgetary Procedures

Ohio Rev. Code § 5705.28 (B)(2) (a)states the taxing authority of a taxing unit that does not levy a tax is not required to adopt a tax budget pursuant to division (A) of this section. Instead, on or before the fifteenth day of July each year, such taxing authority shall adopt an operating budget for the taxing unit for the ensuing fiscal year. The operating budget shall include an estimate of receipts from all sources, a statement of all taxing unit expenses that are anticipated to occur, and the amount required for debt charges during the fiscal year. The operating budget is not required to be filed with the county auditor or the county budget commission.

(b) Except for this section and sections 5705.36, 5705.38, 5705.40, 5705.41, 5705.43, 5705.44, and 5705.45 of the Revised Code, a taxing unit that does not levy a tax is not a taxing unit for purposes of Chapter 5705 of the Revised Code. Documents prepared in accordance with such sections are not required to be filed with the county auditor or county budget commission.

(c) The total appropriations from each fund of a taxing unit that does not levy a tax shall not exceed the total estimated revenue available for expenditures from the fund, and appropriations shall be made from each fund only for the purposes for which the fund is established.

**FINDING NUMBER 2015-006
(Continued)**

The Water Authority did not adopt an operating budget, estimate receipts from all sources, estimate anticipated expenses for 2012 through 2015. In addition, the water authority did not follow the above Ohio Revised Code requirements as stated in (b) above. Failure to follow sound budgetary practices could result in overspending and could cause a weakness in accountability, fiscal integrity, and proper reporting.

To improve control over the budgetary procedures, the water authority should:

- Adopt an operating budget that includes an estimate of receipts from all sources, a statement of all taxing unit expenses that are anticipated to occur, and the amount required for debt charges during the fiscal year.
- Budgeted resources and appropriations plus amendments during the year, if any, should be approved in the minutes each year.
- Actual receipts should exceed estimated resources in each fund each year. Estimated resources may be amended via the board minutes.
- The ledgers should contain estimated resources and appropriations approved by the Board.
- Budgeted versus actual reports should be printed and monitored by the Board throughout the year for unfavorable variances.
- All budgetary forms should be maintained in a file and presented for audit.

Implementation of sound budgetary practices could help ensure the water authority is in compliance with the Ohio Revised Code requirements and could help ensure fiscal integrity for the water authority.

FINDING NUMBER 2015-007

Non-Compliance – Annual Appropriation Measure

Ohio Rev. Code § 5705.38 states that on or about the first day of the fiscal year, the taxing authority of each subdivision or taxing unit shall pass an appropriation measure, and thereafter during the year, it may pass any supplemental appropriation measure as it finds necessary, based on the revised budget or the official certificate of estimated resources or amendments of the certificate.

The Authority did not adopt an appropriation measure for 2012-2015. Although the Authority is required to prepare a budget they are not required to file the budget with the County Budget Commission, nor are they required to utilize purchase orders or certify their expenditures as they are not a taxing authority.

Failure to pass an appropriation measure, which serves as a tool by which disbursements can be monitored, could result in overspending. The Authority should pass an appropriation measure each year in their minutes as required. Disbursements should be monitored throughout the year to ensure that they are within the board approved appropriations in each fund. Appropriation amendments may be approved in the minutes as needed throughout the year.

The Authority should approve a budget and appropriations and utilize it as a tool to help ensure there are no disbursements made that exceed appropriations.

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**WARREN WATER AUTHORITY
JEFFERSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2015, 2014, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-001	Ohio Admin. Code § 117-2-02(D)	No	Reissued as Finding 2015-004
2011-002	System of Internal Controls	No	Reissued as Finding 2015-005
2011-003	Ohio Rev. Code § 5705.38	No	Reissued as Finding 2015-007
2011-004	Ohio Rev. Code § 5705.28(B)(2)	No	Reissued as Finding 2015-006

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Dave Yost • Auditor of State

WARREN WATER AUTHORITY

JEFFERSON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 13, 2016**