



Dave Yost • Auditor of State

**PIKE COUNTY CONVENTION AND VISITORS BUREAU
PIKE COUNTY**

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Dave Yost • Auditor of State

Report on the Financial Statements, Internal Control, and Compliance

Pike County Convention and Visitor's Bureau
Pike County
126 W. 2nd Street
Waverly, Ohio 45690

To the Board of Trustees:

We have selectively tested certain accounts, financial records, reports and other documentation of the Pike County Convention and Visitor's Bureau, Pike County, (the Bureau), as of and for the years ended December 31, 2016, 2015, 2014, and 2013. These procedures were designed to satisfy the audit requirements of Section 117.11, Ohio Rev. Code, and Section 117-4-02, Ohio Admin. Code. Our engagement was not designed as a basis to opine on the accompanying financial statements, internal control over financial reporting, or compliance. We therefore express no opinions on these matters.

Internal Control Over Financial Reporting

Certain of the aforementioned tests relate to internal control over financial reporting. The results of those tests may allow us to identify internal control deficiencies. An internal control deficiency 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, whether caused by error or fraud.

Our internal control tests were not designed to identify all internal control deficiencies that might exist. Therefore, unidentified weaknesses may exist. However, we consider findings 2016-001 through 2016-012 and 2016-016 through 2016-017 reported in the Schedule of Findings to be internal control deficiencies management and those charged with governance should address.

Compliance and Other Matters

We also tested compliance with certain provisions of laws, regulations, contracts, and grant agreements, applicable to the Bureau, noncompliance with which could directly and materially affect the determination of financial statement amounts. The results of our tests disclosed instances of noncompliance we believe could directly and materially affect the determination of financial statement amounts that we reported in the Schedule of Findings as items 2016-001; 2016-003 through 2016-005; 2016-013 through 2016-015; and 2016-018 through 2016-019.

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

Dave Yost
Auditor of State

Columbus, Ohio

November 15, 2018

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PIKE COUNTY CONVENTION AND VISITORS BUREAU*Pike County, Ohio**Statement of Receipts, Disbursements**and Changes in Fund Balances (Regulatory Cash Basis)**For the Years Ended December 31, 2013 - 2016*

	2013	2014	2015	2016	Totals (Memorandum Only)
Cash Receipts					
Lodging Tax	\$79,108	\$81,010	\$81,010	\$81,009	\$322,137
Advances from Reserve Line	300				300
Advances from Credit Line	11,076	5,594	200		16,870
Donations		95,750	62,350		158,100
Ticket Sales			5,910		5,910
Miscellaneous		100	110		210
Unclassified	10,089	8,083	14,914	12,298	45,384
<i>Total Cash Receipts</i>	<u>100,573</u>	<u>190,537</u>	<u>164,494</u>	<u>93,307</u>	<u>548,911</u>
Cash Disbursements					
Current:					
Audit				2,456	2,456
Bank Charges/fees		630	1,045	0	1,675
Contract Payroll			5,205	8,507	13,712
Credit Card Payments		16,974	13,004	10,129	40,107
Dues	860	415	120	570	1,965
Mileage	162	1,067	548	1,116	2,893
Miscellaneous Advertising	7,823	1,591	1,236	1,768	12,418
Miscellaneous Other	5,934	5,291	1,802	2,216	15,243
Office Equipment	2,379			924	3,303
Office Supplies	2,579	23			2,602
Postage	256	128			384
Print Materials	4,708	1,858	1,709	1,439	9,714
Reimbursements			7,338		7,338
Rent	4,950	4,950	4,980	7,350	22,230
Special Events	4,569	3,876	5,126	2,674	16,245
Special Events Sponsorship	0	6,666	1,210	2,255	10,131
Tax	3,434	1,950	719	1,417	7,520
Utilities	3,958	4,358	4,393	5,681	18,390
Salary Executive Director	22,295	21,435	24,011	24,868	92,609
Salary Marketing	8,499	8,186	1,545		18,230
Special Event - Bicentennial	0	27,010	130,683	2,580	160,273
Unclassified	28,983	15,255	17,176	21,632	83,046
<i>Total Cash Disbursements</i>	<u>101,389</u>	<u>121,663</u>	<u>221,850</u>	<u>97,582</u>	<u>542,484</u>
<i>Net Change in Fund Cash Balances</i>	(816)	68,874	(57,356)	(4,275)	6,427
<i>Fund Cash Balances, January 1</i>	<u>990</u>	<u>174</u>	<u>69,048</u>	<u>11,692</u>	<u>81,904</u>
Fund Cash Balances, December 31					
Nonspendable	0	0	0	0	0
Restricted	0	0	0	0	0
Committed	0	0	0	0	0
Assigned	0	0	0	0	0
Unassigned (Deficit)	174	69,048	11,692	7,417	88,331
<i>Fund Cash Balances, December 31</i>	<u>\$174</u>	<u>\$69,048</u>	<u>\$11,692</u>	<u>\$7,417</u>	<u>\$88,331</u>

See accompanying notes to the basic financial statements

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PIKE CONVENTION AND VISITORS BUREAU

Pike County

Notes to the Financial Statements

For the Years Ended December 31, 2013-2016

Note 1 – Summary of Significant Accounting Policies

Organization

The Pike County Convention and Visitors Bureau (the Bureau) is a nonprofit organization which promotes travel and tourism in Pike County, Ohio. The organization is funded by an excise tax on lodging of transient guests within Pike County. The Bureau is governed by a Board of Trustees composed of at least ten members appointed by members of the Bureau Board of Trustees.

Basis of Presentation

The Bureau's financial statement consists of a statement of receipts, disbursements and changes in fund balances (regulatory cash basis). The financial statement is prepared on the basis of cash receipts and disbursements. Consequently, support and revenue are recognized when received, and expenses are recognized when paid.

Excise tax on lodging is recognized by the Bureau as it is received from Pike County, and may not represent all revenue that is actually due from the lodging establishments. Pike County is solely responsible for collection of the tax.

Fund Accounting

The Bureau maintains its financial records using one fund. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

Basis of Accounting

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.

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.

Deposits

The Bureau had a regular checking account and a checking account for the Bicentennial celebration was opened in 2014.

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

PIKE CONVENTION AND VISITORS BUREAU

Pike County

Notes to the Financial Statements

For the Years Ended December 31, 2013-2016

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Bureau must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable The Bureau classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. The Bureau did not have any nonspendable fund balance classifications during the period 2013 to 2016.

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions. The Bureau did not have any restricted fund balance classifications during the period 2013 to 2016.

Committed Trustees can *commit* amounts via formal action (resolution). The Bureau must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements. The Bureau did not have any committed fund balance classifications during the period 2013 to 2016.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Bureau Trustees or a Bureau official delegated that authority by resolution, or by State Statute. The Bureau did not have any assigned fund balance classifications during the period 2013 to 2016.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Bureau applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 2 – Deposits

The Bureau maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at December 31 was as follows:

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Demand deposits	\$174	\$69,048	\$11,692	\$7,417

PIKE CONVENTION AND VISITORS BUREAU

Pike County

Notes to the Financial Statements

For the Years Ended December 31, 2013-2016

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

Note 3 - Social Security

The Bureau’s employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. Employees contributed 6.2 percent of their gross salaries. The Bureau contributed an amount equal to 6.2 percent of participants’ gross salaries.

Note 4 - Hotel and Lodging Bed Tax and Concentration of Risk

The Bureau received excise tax on lodging establishments which represented 78 percent of total revenues in 2013, 42 percent in 2014, 49 percent in 2015, and 86 percent in 2016. At December 31, 2016, all lodging establishments were current in remitting the excise tax. A reduction in this tax could have a significant impact on the operations of the CVB.

Note 5 – Debt

The changes in the CVB’s credit card debt during 2013 were as follows:

	Outstanding					Outstanding
	12/31/12	Additions - Advances	Additions - Fees & Interest	Additions - Purchases	Deletions	12/31/13
US Bank Business Reserve Line	\$4,869	\$300	\$323		\$5,492	\$0
US Bank Cash Flow Manager	0	10,876			1,258	\$9,618
US Bank Business Platinum VISA Card	6,994	731	1,954	10,855	13,196	\$7,338
Total	\$11,863	\$11,907	\$2,277	\$10,855	\$19,946	\$16,956

The changes in the CVB’s credit card debt during 2014 were as follows:

	Outstanding					Outstanding
	12/31/13	Additions - Advances	Additions - Fees & Interest	Additions - Purchases	Deletions	12/31/14
US Bank Cash Flow Manager	\$9,618	\$5,794		\$6,726	\$12,549	\$9,589
US Bank Business Platinum VISA Card	7,338		\$1,889	1,262	3,889	\$6,600
Total	\$16,956	\$5,794	\$1,889	\$7,988	\$16,438	\$16,189

PIKE CONVENTION AND VISITORS BUREAU

Pike County

Notes to the Financial Statements

For the Years Ended December 31, 2013-2016

The changes in the CVB's credit card debt during 2015 were as follows:

	Outstanding					Outstanding
	12/31/14	Additions - Advances	Additions - Fees & Interest	Additions - Purchases	Deletions	12/31/15
US Bank Cash Flow Manager	\$9,589	\$200		\$8,345	\$8,648	\$9,486
US Bank Business Platinum VISA Card	6,600		1,901	305	3,306	\$5,500
Total	\$16,189	\$200	\$1,901	\$8,650	\$11,954	\$14,986

The changes in the CVB's credit card debt during 2016 were as follows:

	Outstanding					Outstanding
	12/31/15	Additions - Advances	Additions - Fees & Interest	Additions - Purchases	Deletions	12/31/16
US Bank Cash Flow Manager	\$9,486			\$6,955	\$6,635	\$9,806
US Bank Business Platinum VISA Card	5,500		1,590	276	2,355	\$5,011
Total	\$14,986	\$0	\$1,590	\$7,231	\$8,990	\$14,817

The interest rate for the Business Reserve Line was 21.90%. This account was closed in April 2013.

The interest rate for the Cash Flow Manager ranged from 8.25% in 2013 and 2014 to 9.5% in 2016.

The interest rate for the Business Platinum Visa Card for purchases ranged from 18.99% to 28.99% and the interest rate on cash advances ranged from 23.99% to 28.99%.

**PIKE COUNTY CONVENTION AND VISITOR'S BUREAU
PIKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016, 2015, 2014 AND 2013**

FINDING NUMBER 2016-001

Noncompliance / Internal Control Deficiency

Segregation of Duties / Governing Board Monitoring

Ohio Admin. Code Section 117-2-01(D)(4) states that when designing the public office's system of internal control and the specific control activities, management should plan for adequate segregation of duties or compensating controls.

The size of the Bureau's staff did not allow for an adequate segregation of duties; the Bureau's Executive Director performed all accounting functions, including receipting, depositing, disbursing, and reconciling. It is therefore important that the Bureau's Board of Trustees should have monitored financial activity closely.

Due to a lack of adequate policies and procedures regarding financial information monitoring and segregation of duties, the Executive Director did not provide the Board with financial reports to review. The Executive Director did not prepare and present checks to the Board prior to payment, and only the Executive Director's signature was required on the checks. Minute records did not show evidence that the Board approved bills to be paid. Bank reconciliations were not completed by the Executive Director and reviewed and approved by the Board.

The Board should implement policies regarding the review of detailed financial reports and bank reconciliations on a monthly basis. The reviews should be documented in the minute record and/or initialed and dated as reviewed. The Board should also make appropriate inquiries to help determine the continued integrity of financial information. Appropriate inquiries would include:

- Are current receipts and balances sufficient to cover expenditures?
- Are receipts and expenditures in line with prior years?
- If unusual fluctuations in receipts or expenditures occur, is the reason understood?
- Are anticipated receipts being received in a timely manner?

The information obtained as a result of such reviews and inquiries will provide important data necessary to properly monitor the activity of and manage the Bureau.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2016-002

Internal Control Deficiency

Establishment of Policies and Procedures

When designing the public office's system of internal control, management should consider taking steps to ensure officials and employees are provided with policies and procedures so that they have a sufficient understanding to perform job duties as expected.

**FINDING NUMBER 2016-002
(Continued)**

The Bureau did not have a policies and procedures manual to cover travel and mileage reimbursements, expense reimbursements, and leave accrual and usage. These policies should, at a minimum, identify guidelines for allowable travel, allowable expenses to be reimbursed, amount per mile to be reimbursed, rate of leave accrual, method of reimbursement, specific unallowable reimbursement, appropriate documentation for reimbursement, appropriate documentation for leave usage, reporting, monitoring by appropriate levels of management, and other guidelines the legislative body deems appropriate.

Without documented policies and procedures, the Bureau increases the risk that payments may be for unallowable purposes or for incorrect amounts and payments for leave and leave balances may be inaccurate. Lack of documented policies and procedures also increases the risk that errors, theft or fraud will occur and not be detected in a timely manner.

The Bureau should develop and implement internal documented policies and procedures for travel reimbursement, expense reimbursements and leave.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2016-003

Noncompliance / Internal Control Deficiency

Reconciliations

Ohio Admin. Code Sections 117-2-01(D)(3) and (5) state that when designing the public office's system of internal control and the specific control activities, management should consider adequate security of assets and records and periodically reconcile them to the accounting records.

Due to a lack of adequate policies and procedures regarding bank reconciliations, the Executive Director did not prepare monthly bank reconciliations to reconcile the bank statements to the cash journal. Further, the Executive Director did not maintain a full and accurate cash journal for the audit period.

Not performing these monthly reconciliations resulted in errors that went undetected by the Executive Director. This could result in the Bureau's financial records being inaccurate and carrying incorrect fund balances, and increases the risk that errors, theft or fraud will occur and not be detected in a timely manner.

The Executive Director should prepare monthly bank reconciliations in a timely manner so that reconciling items can be easily identified and corrections, if necessary, can be made in a timely manner. These reconciliations should be reviewed and approved by the Board. Furthermore, all activity of the Bureau should be properly accounted for within the Bureau's accounting records.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2016-004

Noncompliance / Internal Control Deficiency

Accounting Records

Ohio Admin Code Section 117-2-02(A) requires all local public offices to 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.

Ohio Admin Code 117-2-02-(C) provides that vouchers may be used as a written order authorizing the drawing of a check in payment of a lawful obligation of the public office. Each voucher shall contain the date, purchase order number, the account code, amount, approval, and any other required information. The local office should also attach the supporting documentation to the voucher, such as vendor invoices.

Ohio Admin Code Section 117-2-02(D) provides that all local public offices may maintain accounting records in a manual or computerized format. Such records should include the following:

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 payor, purpose, receipt number, and other information required for such transactions to be recorded on this ledger.
3. Appropriation ledger, which assembles and classifies 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 payroll records including a payroll journal that records, assembles and classifies by pay period the name of employee, the employee's identification number, hours worked, wage rates, pay date, withholdings by type, net pay, and other compensation paid to an employee, and the fund and account charged for the payments.

The following deficiencies existed in the accounting records:

- The Bureau maintained a partial cash journal for 2013, 2014, and 2016; however, it was not maintained or provided for audit for the entire audit period.
- The Bureau did not maintain a receipts ledger or an appropriation ledger that classified receipts and disbursements by accounts.
- The Bureau did not maintain a complete payroll ledger for the entire audit period.
- The Bureau did not use vouchers.
- The Bureau did not maintain the accounting records in such a manner that allowed the presentation of financial statements in a classified format as required by the Ohio Administrative Code.

**FINDING NUMBER 2016-004
(Continued)**

Failure to properly maintain accounting records could result in inaccurate amounts being reported by the Bureau on their annual financial report. Also, not having complete and accurate accounting records increases the risk of spending more than is available. Officials need to have complete and accurate accounting records in order to make informed management decisions.

The Bureau should implement the appropriate procedures to ensure that financial records are sufficiently maintained in order to properly present financial statements in the required format. Additionally, the Executive Director should properly maintain the accounting records and reconcile the cash journal to the bank balances and to the receipts ledger and appropriation ledger monthly.

Using these accounting records will provide the Bureau with information to prepare annual reports in the format required by the Ohio Revised Code and Ohio Administrative Code.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2016-005

Noncompliance / Internal Control Deficiency

Supporting Documentation

Ohio Rev. Code § 149.351 provides that all records are the property of the public office and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under Sections 149.38 to 149.42, Revised Code.

Of the 2,269 transactions tested, we identified 914 transactions where the Bureau did not obtain proper documentation for credit card, Bicentennial account, and business checking account transactions. We were able to perform alternative procedures to determine that \$81,107.08 of the \$153,064.95 tested was expended for a proper public purpose. Transactions for which the Bureau could not provide evidence that they were for a proper public purpose resulted in findings for recovery.

All expenditures should be supported by adequate documentation to show the amount paid was for a proper public purpose. Without proper documentation on file to support expenditures, the Bureau cannot provide accountability that the cost was for a proper public purpose. Expenditures deemed to not be proper public purpose could result in findings for recovery being issued.

Also, of the 219 receipts tested, we identified 95 receipts for which the Bureau did not obtain proper documentation. All receipts should be supported by adequate documentation to show the amount received was properly deposited and accounted for.

The Bureau should develop policies and procedures outlining the security of all records or take a written inventory of all records noting the records description and location. All records should be maintained in a secure central location, such as locked file cabinets or in a locked office, with access limited to specific officials and/or personnel. Disposal of records should only be made in accordance with an approved records retention schedule.

Furthermore, the Executive Director should keep supporting documentation for all transactions.

**FINDING NUMBER 2016-005
(Continued)**

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2016-006

Internal Control Deficiency

Disbursement Controls

All public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance for the safeguarding of public funds. Weaknesses noted in the internal controls over disbursements due to a lack of related policies and procedures are as follows:

- The Executive Director is the only signature on the majority of the checks.
- Voucher sheets were not utilized and attached to bills.
- During 2015, the check numbers used by the Bureau and the check number used by the bank did not always agree.

Failure to design and implement sufficient controls over the disbursements of public funds increases the risk that loss or misappropriation of funds could occur and not be detected in a reasonable time period.

To improve controls over disbursements, the Bureau should:

- Adopt and implement a policy that requires at least two officials' signatures on every check.
- Implement the use of vouchers should be implemented, with a voucher attached to each bill and the voucher signed by Board members as documentation that the bill has been reviewed and approved for payment.
- Establish a mileage reimbursement policy as noted in Finding Number 2016-002. Once established, the policy should be followed and any approved deviations from the policy should be noted in the minutes.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2016-007

Internal Control Deficiency

Financial Reports

Accurate financial reporting is a key component of an effective accounting system required to enable the Bureau to properly classify transactions, maintain accountability for funds, distribute funds accurately, and detect fraud and errors in a timely manner.

**FINDING NUMBER 2016-007
(Continued)**

The report should contain the following: (A) amount of collections and receipts, and accounts due from each source; (B) amount of expenditures for each purpose; (C) income of any public service industry that the entity owns or operates, as well as the costs of ownership or operation; and (D) amount of public debt, the purpose of the debt, and how the debt will be repaid.

Due to inadequate policies and procedures over financial reporting the Bureau did not prepare annual financial statements for any of the years under audit.

Failure to prepare annual financial statements in a timely manner after the fiscal year-end could be a symptom of an inadequate accounting system, inadequate training of personnel in understanding the accounting and reporting process, unposted or unreconciled records or other significant issues affecting the control environment, and may even pose fraud risks.

The lack of financial statements makes it difficult for management to monitor financial performance and impossible for the Bureau to be transparent to the public in its financial activity.

The Executive Director should prepare annual financial statements in a timely manner. Further, the Bureau should establish an accounting system capable of accurate financial reporting. All the Bureau's officials should obtain the necessary training needed to obtain an understanding in accounting information and reporting to help with the understanding of these financial statements.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2016-008

Internal Control Deficiency

Receipt Controls

All public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance for the safeguarding of public funds. Weaknesses noted in the internal controls over receipts, due to inadequate policies and procedures, are as follows:

- Pre-numbered duplicate receipts were not prepared.
- Supporting documentation was not maintained as noted in Finding Number 2016-005.
- Documentation for tickets sold for a concert and civil war ball were not maintained.
- Documentation for t-shirts sold was not maintained.

Failure to design and implement sufficient controls over the receipt of public funds increases the risk that loss or misappropriation of funds could occur and not be detected in a reasonable time period.

To improve controls over receipts, the Bureau should prepare and maintain pre-numbered duplicate receipts and maintain supporting documentation for all receipts.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2016-009

Internal Control Deficiency

Minute Records

The minutes of a public meeting of a public body must be "full and accurate." The minutes must state sufficient facts and information to permit the public to understand and appreciate the rationale behind the public body's decisions. See *State ex rel. White v. Clinton County Board of Commissioners* (76 Ohio St. 3d 416) and *State ex rel. Long v. Council of the Village of Cardington* (92 Ohio St. 3d 54).

Due to insufficient policies and procedures, the following conditions related to the minutes were noted:

- For the period of January 1, 2013 through December 31, 2016, minutes were provided for only 11 meetings. No documentation was provided to determine how many meetings were held during our engagement period.
- Prior meeting minutes were not always approved or accepted during Board meetings.
- Minutes were not always signed.
- Votes on official business not always taken. When votes were taken, roll call was not documented.
- Bills were not always approved for payment by the Board and no listing of the bills was provided in the minutes.
- Salaries and hourly wages were not approved.
- Financial reports were not always accepted and approved and copies were not included in the minute record.

As the Board speaks through its record of proceedings, the Bureau should maintain an accurate record of all Board meetings and actions. All votes taken should be accurately documented with roll call. Properly documenting all Board actions will help to assure the Bureau that a complete and accurate record of Board proceedings is maintained.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2016-010

Internal Control Deficiency

Credit Card Policy

If an entity has authority to secure and to use a credit card, the governing board should create and adopt a credit card use policy to strengthen and to maintain internal controls over credit card transactions.

Due to the Bureau's lack of a credit card policy to provide guidance regarding what type of expenses are allowable, the following conditions were identified related to credit card usage by the Bureau:

- The Bureau did not maintain itemized receipts for 26 expenditures totaling \$824.73.

**FINDING NUMBER 2016-010
(Continued)**

- The Bureau did not maintain any supporting documentation for 408 expenditures totaling \$25,790.60. We were able to perform alternative audit procedures to determine that \$6,884.49 was expended for a proper public purpose.
- The Bureau made 14 Cash Advances totaling \$731.

Failure of the Bureau to provide guidance regarding required supporting documentation, allowable expenses, and review of charges for reasonableness resulted in purchases that were not for proper public purpose (See Finding Number 2016-019). The absence of an appropriate policy and thorough monitoring of this activity increases the risk of unauthorized and/or otherwise improper expenditures that do not further the public purpose of the entity and are likely to result in audit findings or other sanctions.

The Bureau should adopt and implement a credit card policy and develop written procedures that could include the following provisions:

- Designation of the person or persons who are empowered to authorize and approve credit card transactions;
- The names and job titles of officers or employees who are authorized to use the cards;
- Limits on the total dollar amount each authorized card user may incur as part of any individual transaction;
- A clear indication that the credit card may be used only for official business and for the benefit of the public entity;
- The disciplinary action or range of disciplinary actions which may be taken in the instances in which the credit card is utilized for other than a proper public expenditure/purpose or in violation of the entity's policies and procedures;
- A prohibition of cash withdrawals;
- A description of the documents which are to be created or secured, and maintained so as to create and preserve an appropriate audit trail;
- A statement signed by each potential card user acknowledging that he/she has read, understands and agrees to abide by the credit card policy;
- A requirement that the cardholders cannot benefit through any type of awards program offered in connection with credit card use (e.g., frequent flier miles), and;
- A stipulation that cardholders immediately notify their direct supervisor if the credit card is lost or stolen.

Additionally, review procedures should be implemented that include a detailed examination of charges and resolution of questioned items.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2016-011

Internal Control Deficiency

Employee Masterfile

Master Files are maintained by entities to help ensure complete and accurate payroll records. As a best practice, the Auditor of State suggests master files contain the following information:

- a. Name
- b. Hiring authorization
- c. Position and authorized salary rate
- d. Department(s) / fund(s) to which salary will be charged.
- e. Deduction authorizations, such as deferred compensation programs or charitable contributions
- f. Federal withholding authorization Form W-4.
- g. State & local income tax withholding authorization
- h. Signed acknowledgement of the Auditor of State's Fraud reporting system.

Due to inadequate payroll documentation policies and procedures, the Bureau did not provide evidence of maintaining payroll master files for any employees.

Failure to maintain payroll master files could result in inaccurate information being posted to the Bureau payroll system or other errors such as inaccurate withholding of payroll taxes.

The Executive Director should create and maintain a personnel master file containing the above elements for each paid employee.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2016-012

Internal Control Deficiency

Payroll Disbursements

All public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance for the safeguarding of public funds. Weaknesses noted in the internal controls over payroll disbursements, due to inadequate payroll documentation policies and procedures, are as follows:

- The Bureau did not formally authorize the salary for the Executive Director in a contract or in the Board minutes.
- The Bureau has employees that have verbally been identified as contracted employees. However, federal tax has been withheld from these employees and no contracts were made available for review.

**FINDING NUMBER 2016-012
(Continued)**

- Time sheets were not always provided to determine employees were paid for correct time worked.

Failure to design and implement sufficient controls over the disbursements of public funds increases the risk that loss or misappropriation of funds could occur and not be detected in a reasonable time period.

To improve controls over payroll disbursements, the Board should:

- Document employees' salaries in a contract and approve the contract and salary amounts in the minutes.
- Determine which employees are actual employees of the Bureau and which are considered independent contractors in order to withhold payroll-related amounts appropriately.
- Require 1) employees document time worked for each pay period, 2) a supervisor's signature as documentation of review and approval on the timesheets, and 3) maintain these items on file.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2016-013

Noncompliance

Federal Payroll Taxes

26 U.S.C. Sections 3401, 3402, 3403, 3404, 3405, and 3102(a) require the employing government to withhold federal income and employment related taxes (such as Medicare). They also require the government to report and remit those tax matters to the appropriate tax authorities and the recipients.

During the engagement period the Bureau withheld social security, federal tax and Medicare from employees; however, \$22,773.64 of the amounts that were withheld was not remitted to the Internal Revenue Service as of December 31, 2016 due to insufficient policies and procedures at the Bureau... The fund balance of the Bureau at December 31, 2016 was \$7,417, which is insufficient to remit the amount owed to the Internal Revenue Service.

Failure to promptly remit employment related taxes could result in unnecessary payments and penalties and interest.

The Bureau should monitor payroll data to determine withholdings are paid in a timely manner.

This matter will be referred to the Internal Revenue Service.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2016-014

Noncompliance

State Payroll Taxes

Ohio Rev. Code §5747.06, requires the employing government to withhold state income related taxes. They also require the government to report and remit those tax matters to the appropriate tax authorities and the recipients.

As a result of inadequate payroll policies and procedures, the Executive Director did not remit any of the withheld state payroll taxes as required. The check stubs reflect amounts withheld for state tax. However, \$3,287.50 was withheld for state taxes and not remitted to the State of Ohio Department of Taxation.

The Bureau could incur penalties and interest due to the payments not being made for the required amounts.

The Executive Director should withhold the correct amounts from payroll, and submit the required reports and contribution/withholding remittances in a timely manner to help ensure compliance with applicable laws and regulations and to avoid interest and penalties.

This matter will be referred to the State of Ohio Department of Taxation.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2016-015

Noncompliance

W-2 and 1099 Forms

26 C.F.R. Sections 1.6041-1 and 1.6041-2 require the employing government to report certain payments of compensation on either a Form 1099 or a Form W-2.

The Executive Director did not issue either a Form 1099 or a Form W-2 to all contactors or employees for the period January 1, 2013 through December 31, 2016 due to insufficient payroll policies and procedures. Form W-2s were issued for one employee for 2014 and 2015. Form 1099s were issued for only 2 contractors for 2013 and 2014.

The Bureau could incur penalties and interest due to the non-filing of the above noted forms.

The Executive Director should prepare and distribute the above noted forms in a timely manner to help ensure compliance with applicable laws and regulations and to avoid interest and penalties.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2016-016

Internal Control Deficiency

Check Images

Auditor of State (AOS) Bulletin 2004-010 states an auditor can regard electronic imaging of checks as evidence when performing an audit. The Bulletin provides, in part, that a bank may use the electronic image to create a "substitute check" for a bank that chooses to continue receiving paper checks. This substitute check has the same legal effect as the original paper check. A substitute check is a paper reproduction of the original check that: contains an image of the front and back of the original check; bears a magnetic ink character recognition (MICR) line containing all of the information appearing on the original check's MICR line, with certain exceptions; conforms, in paper stock, dimension, and otherwise, with generally applicable banking industry standards for substitute checks; and is as suitable for automated processing as the original check. A substitute check that meets these requirements and bears the following legend is considered to be the legal equivalent of the original paper check.

For governments that do not receive their cancelled original or substitute checks, Auditor of State recommends that governments request that their banks send images of the front and back of all issued checks. This will enable governments to review and scrutinize the transactions and ensure that the payees as well as the various endorsements are appropriate. As monthly bank statements are received, reconciliation between check numbers and the amounts paid should be conducted promptly. If questionable items are identified, governments should immediately request their bank investigate these items for possible adjustment to the government's account.

Furthermore, a government may want to request a substitute check or the best available source document from the bank (e.g., copy of the front and back of the check) when a questionable item is identified that requires investigation.

Throughout the engagement period, the bank provided optical imaging of the front side of each canceled check. For all of 2015 and 2016, the bank did not provide optical images of the reverse side of the canceled checks for the disbursements. There was no indication for reason for the change. By not having the reverse side of the check, it is not possible to ensure that the payees as well as the various endorsements are appropriate. This could result in a lack of sufficient evidence or could result in a failure to follow the records retention laws.

The Executive Director should consult with the bank to have the bank provide images of both the front and reverse side of each canceled check for disbursements. As an alternative, the bank could send the original canceled checks back to the Bureau.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2016-017

Internal Control Deficiency

Authorized Signatories

Checking account authorized signatory cards should contain only those persons authorized to write checks. Signatory cards should be updated timely in the event of changes in authorized personnel.

The authorized signatory confirmation obtained during the engagement contained a board member that is no longer part of the board as of December 31, 2014 due to inadequate policies and procedures related to authorized signatories.

**FINDING NUMBER 2016-017
(Continued)**

Not updating the authorized signatories with the bank could result in unauthorized transactions.

The board should immediately up-date the authorized signatory cards on file at the bank to reflect personnel currently authorized to issue checks, and immediately update the signatories for any future changes as well.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2016-018

Noncompliance / Finding For Recovery

Checking Account Expenditures

Ohio Rev. Code Section 5739.09(A)(2) restricts the Bureau to spending lodging tax specifically for promotion, advertising, and marketing of the region in which the county is located.

AG Op. Nos. 83-054 and 2003-039, provide added support that a convention and visitors bureau must use public monies for the public purposes of conventions and tourism.

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only.

Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper Public Purpose states that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect. The Bulletin further states that the Auditor of State's Office does not view the expenditure of public funds for alcoholic beverages as a proper public purpose and will issue findings for recovery for such expenditures as manifestly arbitrary and incorrect.

Due to insufficient policies and procedures, the Bureau did not provide supporting documentation for the following expenditures. We were unable to determine whether these expenditures were allowable:

- Executive Director Sharon Manson was paid for \$22,602 as reimbursement for business expenses, however no receipts were provided to document her expenses.
- The Bureau did not provide support to document proper public purpose for electronic transactions including withdrawals and overdraft fees totaling \$9,692.
- The Bureau did not provide support to document proper public purpose for other expenditures totaling \$25,075.

In accordance with the forgoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Sharon Manson in the amount of \$57,369, and in favor of the Pike County Convention and Visitor's Bureau's operating fund.

**FINDING NUMBER 2016-018
(Continued)**

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.* (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Revised Code Section 9.39; *State, ex. Rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att'y Gen. No. 80-074.

Accordingly, a Finding for Recovery is hereby issued against the following:

Julia Dixon, Trustee, who signed 41 of the checks resulting in the finding, is jointly and severally liable, in the amount of \$13,334 and in favor of the Pike County Convention and Visitor's Bureau's operating fund.

Juli Manning, a former Trustee, who signed ten of the checks resulting in the finding, is jointly and severally liable, in the amount of \$1,786 and in favor of the Pike County Convention and Visitor's Bureau's operating fund.

The Bureau should draft, approve, and implement policies and procedures requiring proper support for all transactions including original receipts for business expense reimbursements and proper public purpose documentation related to electronic transactions (including withdrawals and overdraft fees) and other transactions of the Bureau. Approval of such policies and procedures should be memorialized in the minutes.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2016-019

Noncompliance / Finding For Recovery

Credit Card Expenditures

Ohio Rev. Code Section 5739.09(A)(2) restricts the Bureau to spending lodging tax specifically for promotion, advertising, and marketing of the region in which the county is located.

AG Op. Nos. 83-054 and 2003-039, provide added support that a convention and visitors bureau must use public monies for the public purposes of conventions and tourism.

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only.

Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper Public Purpose states that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect. The Bulletin further states that the Auditor of State's Office does not view the expenditure of public funds for alcoholic beverages as a proper public purpose and will issue findings for recovery for such expenditures as manifestly arbitrary and incorrect.

**FINDING NUMBER 2016-019
(Continued)**

Due to insufficient policies and procedures over credit card expenditures, the Bureau did not provide supporting documentation for the following expenditures. We were unable to determine whether these expenditures were allowable due to the Bureau not providing support:

- Cash Advances in the amount of \$731.
- Cash advance fees in the amount of \$140.
- Interest on cash advances in the amount of \$6,174.
- Interest on purchases in the amount of \$433.
- Late fees in the amount of \$546.
- Over-limit fees in the amount of \$109.
- Various purchases, including but not limited to concert tickets, food and hotels in the amount of \$19,888.

In accordance with the forgoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Sharon Manson in the amount of \$28,021, and in favor of the Pike County Convention and Visitor's Bureau's operating fund.

The Bureau should draft, approve, and implement policies and procedures for credit card expenditures requiring proper support for all transactions and document its determination of items considered to be for a "proper public purpose" as noted above. Approval of such policies and procedures should be memorialized in the minutes.

Officials' Response:

We did not receive a response from Officials to this finding.