GUERNSEY COUNTY COMMUNITY DEVELOPMENT CORPORATION
GUERNSEY COUNTY

REGULAR AUDIT (PUBLIC MONIES)

FOR THE YEAR ENDED DECEMBER 31, 2012

Dave Yost • Auditor of State

GUERNSEY COUNTY COMMUNITY DEVELOPMENT CORPORATION
GUERNSEY COUNTY

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INDEPENDENT AUDITOR'S REPORT

Guernsey County Community Development Corporation
Guernsey County
2090 North Avenue
Cambridge, Ohio 43725

To the Board of Directors:

Report on the Financial Statement

We have audited the accompanying financial statement and related notes of the public monies of the Guernsey County Community Development Corporation, Guernsey County, Ohio (the Corporation), as of and for the year ended December 31, 2012.

Management's Responsibility for the Financial Statement

Management is responsible for preparing and fairly presenting this financial statement; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting the financial statement free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on this financial statement 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 statement is free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Corporation's preparation and fair presentation of the financial statement 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 Corporation'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 the overall financial statement presentation.

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

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1B of the financial statement, the Corporation prepared this financial statement using the cash accounting basis, which is an accounting basis other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the cash basis of accounting described in Note 1B and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Corporation as of December 31, 2012, or changes in financial position thereof for the year then ended.

Opinion on Cash Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash balance of the public monies of the Guernsey County Community Development Corporation, Guernsey County as of December 31, 2012, and its cash receipts and disbursements for the year then ended in accordance with the basis of accounting described in Note 1B.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2014, on our consideration of the Corporation’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 Corporation’s internal control over financial reporting and compliance.

Dave Yost

Dave Yost
Auditor of State
Columbus, Ohio

May 15, 2014

GUERNSEY COUNTY COMMUNITY DEVELOPMENT CORPORATION
GUERNSEY COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCE (CASH BASIS)
PUBLIC MONIES
FOR THE YEAR ENDED DECEMBER 31, 2012

	Public Monies
Cash Receipts	
Intergovernmental	$359,886
Cash Disbursements	
Salaries and Wages	146,444
Payroll Taxes and BWC	8,528
Supportive Services	3,760
Supplies	2,449
Maintenance and Repairs	26,844
Other	34
Disposal	3,364
Facility - Rent and Utilities	7,454
Administrative	33,964
OPWC Grant Projects	2,805
Equipment	64,650
Total Cash Disbursements	300,296
Net Change in Cash Balance	59,590
Cash Balance, January 1	(64,433)
Cash Balance, December 31	($4,843)

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

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NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2012

1. Summary of Significant Accounting Policies

A. Description of the Entity

The Community Development Corporation of Guernsey County (the Corporation), is a not-for-profit corporation that was incorporated in 1996 under the authority of Ohio Rev. Code § 1702. The Corporation is governed by a Board of Directors comprised of business, professional, government and community leaders.

The Corporation's management believes this financial statement presents all activities for the Corporation's public monies for which the Corporation is financially accountable.

B. Accounting Basis

The Corporation chooses to prepare its financial statement on a cash basis of accounting. The Corporation recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

This statement includes adequate disclosure of material matters.

C. Tax Status

The Corporation is a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code. By virtue of Ohio law, the Corporation is not subject to Ohio income taxes.

D. Property, Plant, and Equipment

The Corporation records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statement does not report these items as assets.

2. Equity in Pooled Deposits

The Corporation maintains several checking accounts. At fiscal year end, the Corporation's bank balance was $459,796 and the Corporation's carrying amount of deposits was $437,382. Of the Corporation's bank balance, $352,386 was insured by the Federal Deposit Insurance Corporation and $84,996 was uninsured and uncollateralized. At fiscal year end, the Corporation's carrying amount of deposits for public monies was ($4,844).

3. Contingent Liabilities

Amounts grantor agencies pay to the Corporation are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

4. Related Party Transactions

The Corporation contracts with Monster Management, LLC to administer the day to day office operations, project management, and equipment. During 2012, Monster Management earned $64,650 from the National Emergency Grant which was retained by the Corporation to satisfy amounts owed to the Corporation by Monster Management. In addition, the Corporation paid $495 to Monster Management from an Ohio Public Works Commission grant for contractual services. Additionally, the contractor was compensated $31,200 for services performed on the Workforce Investment Act grant.

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

Guernsey County Community Development Corporation
Guernsey County
2090 North Avenue
Cambridge, Ohio 43725

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 statement of the public monies of the Guernsey County Community Development Corporation, Guernsey County, Ohio (the Corporation), as of and for the year ended December 31, 2012, and the related notes to the financial statement, and have issued our report thereon dated May 15, 2014, wherein we noted the Corporation followed the cash basis of accounting.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Corporation'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 statement, but not to the extent necessary to opine on the effectiveness of the Corporation's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying Schedule of Findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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 a 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 Corporation'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. We consider findings 2012-001 through 2012-006 described in the accompanying Schedule of Findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Corporation'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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2012-004 through 2012-008.

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 Corporation's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dave Yost

Dave Yost
Auditor of State

Columbus, Ohio

May 15, 2014

SCHEDULE OF FINDINGS
DECEMBER 31, 2012

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2012-001

Material Weakness

The Corporation received various sources of grant funding throughout fiscal year 2012. The grant agreements, amendments and detailed budgets, which were approved by the Corporation and its grantors, should act as a blue print for the Corporation's planned spending. The Corporation should make applicable personnel familiar with the various grant agreement requirements so that someone who is knowledgeable about these requirements is involved in the expenditure approval process to prevent unallowable expenditures from occurring and/or being submitted to grantors. Furthermore, any changes to grant agreements or approvals from grantor agencies to allow expenditures that were previously excluded from grant agreements and budgets should be formally documented and maintained to provide guidance to the grantor in their program reviews, to the grantees in their spending, and to other organizations, such as the Auditor of State's office or Ohio Department of Job and Family Services.

The following instances were noted where Corporation spending did not clearly appear to coincide with allowable grant documentation:

- The National Emergency Grant period was from September 26, 2011 through May 31, 2012. Rent for the administrative offices utilized by the Corporation was invoiced to the Corporation in quarterly installments during 2012. The Corporation submitted and was reimbursed building rent from the National Emergency Grant for the second quarter of 2012 which included June 2012. The portion of rent costs that was outside of the National Emergency Grant period was $650. Additionally, we noted that the rental agreement that governed this lease was entered into on September 1, 2011, prior to the beginning of the National Emergency Grant. The first payment of rent made to the Lessor was made on September 21, 2011 for $1,000, also outside the grant period. This entire amount was submitted to the grantor and reimbursed in 2011. The next payment of rent that was reimbursed was for $1,950 and covered the period of October through December 2011. The timing of these payments indicates that the initial payment of $1,000 that was expensed to the grant covered only a period of 5 days.

- All utility costs, amounting to $3,054, related to the Corporation's administrative office were expensed to the National Emergency Grant. The location in question (2090 North Avenue, Cambridge, Ohio 43725) was noted by the Corporation to be exclusively used for the National Emergency Grant. However, other documentation, including attachments to grant agreements for the Workforce Investment Act that operated from July 2011 through June 2012 indicated that this address was the headquarters of the Corporation's operations from which the employees paid from the Workforce Investment Act would operate. In addition, we noted utility costs for a location unconnected to the administration of the National Emergency Grant was submitted and reimbursed during 2012 totaling $246.

- The Corporation received $10,000 in National Emergency Grant funds for administrative costs without submitting support for reimbursement. General administrative costs were already expensed to the National Emergency Grant during the grant period such as the salary of the Office Manager, all utility costs and rent associated with the 2090 North Avenue location, and office supplies. Additionally, the Corporation did not have an indirect cost plan to support what types of costs these funds would be reimbursing and evidence that associated administrative costs were not being reimbursed twice.

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

FINDING NUMBER 2012-001 (Continued)

Material Weakness (Continued)

In addition, various purchases were made and/or submitted for reimbursement toward the end of the National Emergency Grant period that could suggest items were purchased not for a specific proper grant purpose; but rather, for cost-shifting or the use of unspent grant funds still available. The following is a list of purchases noted:

- Some small items with no clear, proper grant purpose were purchased in bulk, such as toilet paper.
- A pre-paid cell phone was purchased on May 14, 2012 with service plan through August 8, 2012. The grant period ended May 31, 2012, with grant fieldwork ending May 18, 2012 according to participant time sheets.
- Clothing and footwear was purchased within the last two weeks of fieldwork performed by participants, including 190 high-visibility t-shirts, 15 high visibility bomber jackets, and 11 pairs of boots. Two weeks prior to the end of fieldwork performed, 11 program participants and one administrative staff person were paid from grant funds according to time sheets. One week prior to the end of fieldwork performed, only six program participants and one administrative staff person were paid from grant funds according to time sheets. Of these items submitted for reimbursement, the grantor did not reimburse the majority of the costs associated with the purchase of t-shirts since the grant budget estimated for only 36 t-shirts. The purchase of some of the bomber jackets was done after all fieldwork was performed according to time sheets, along with the quantity purchased being more than the number of participants involved.
- A combination generator/welder was purchased one month prior to the end fieldwork. The grant budget did not allow for the purchase of a welder. Furthermore, the amount budgeted for the generator was $800, while approximately $1,700 was actually spent.
- A payment for $2,355 for miscellaneous maintenance and repair items for leased vehicles and equipment made on January 4, 2012 was submitted to the grantor as an April 17, 2012 purchase according to the QuickBooks accounting reports submitted with the reimbursement claim form. The invoices that comprised this total were from November and December 2011.
- Several reimbursement requests submitted to the grantor under the National Emergency Grant program reported the same expenditures for more than one reporting period. The majority of these duplications totaling $3,827 was noted and adjusted on future requests. However, fuel charges totaling $312 was claimed for reimbursement twice for the invoiced periods spanning February 27, 2012 through March 4, 2012 and March 5, 2012 through March 16, 2012.

Failure to ensure grant activity fully complies with grant requirements could result in monies being required to be returned to the grantor agency.

We recommend the Corporation familiarize itself with all requirements of its grant contracts and utilize these contracts in determining allowable grant expenditures prior to incurring obligations. Individuals who are knowledgeable of grant requirements should be assigned the responsibility of reviewing and approving each grant transaction, as well as being assigned the responsibility to prepare and/or review reimbursement claims submitted to grantors. All documentation related to modifications of original grant agreements should be maintained to provide appropriate support for expenditures incurred.

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

FINDING NUMBER 2012-002

Material Weakness

The Board of Directors should be responsible for the design and operation of a system of internal control that is adequate to provide for an adequate segregation of duties and reasonable assurance regarding the achievement of the Corporation's objectives. "Internal control" is defined as a process effected 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.

Strong monitoring practices of the Corporation's financial activities are the responsibility of management and the Board of Directors and are essential to ensure proper financial reporting. To serve as informed overseers of the financial reporting process, the Board should convene regularly to perform the following functions:

- Review and approve monthly financial reports, including cash reconciliations;
- Review and approve the financial statements;
- Review budget vs. actual information;
- Ensure that all transactions are properly authorized in accordance with management's policies; and
- Performing analytical procedures over financial data as a part of the overall monitoring process by the Board.

In addition to establishing a strong monitoring function, when designing the Corporation's system of internal control and the specific control activities, the Board and management should consider the following:

- Ensure that accounting records are properly designed and maintained;
- Ensure adequate security for assets;
- Adequate segregation of duties; and
- Overall adequate familiarity with applicable state and federal legislation, including compliance matters related to grant management.

The following internal control weaknesses were noted over operations:

- There was no evidence of Board review of budget to actual information to determine if the Corporation was working within their budget which could have assisted the Corporation in recognizing errors. This type of review could have also prevented the Corporation from incurring expenditures in excess of funding available for reimbursement from its grantors and assisted the Corporation in identifying posting errors. Significant errors and omissions were noted in the financial statements as discussed in Finding No. 2012-005.

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

FINDING NUMBER 2012-002 (Continued)

Material Weakness (Continued)

- Items which would typically constitute "reconciling items" at month end, were occasionally adjusted in the accounting system to reallocate this activity as if it occurred in the subsequent month, rather than listed as a reconciling item for the month in which the transaction was initiated. Additionally, a long undetected $5,693 variance between the book and bank balances existed in one of the Corporation's bank accounts at December 31, 2012. While the Corporation performed an internal review of this variance once brought to its attention during the audit, the Corporation did not retain sufficient documentation to evidence the source of these errors and subsequent corrections made.
- Certain disbursements were processed without appropriate supporting documentation as discussed in Finding Nos. 2012-003 and 2012-006.
- Requests for reimbursement forms were submitted to grantor agency that included expenses reported which were not eligible for reimbursement, whether due to unallowability or being outside the grant period. Forms prepared by staff were not adequately reviewed by an individual who was knowledgeable about particular grant requirements who might detect these errors.
- Late fees and sales taxes totaling $105 were paid to various vendors due to untimely payment of obligations incurred and failure to exercise use of tax-exempt status forms.
- Staff employed in the accounting function were not provided adequate training in order to properly execute their fiscal duties.

The above weaknesses can result in an inability to manage and monitor the Corporation's operations in an effective manner. Inaccurate financial reports could lead to management making uninformed decisions regarding the handling of grant activity. Additionally, maintaining and accepting inaccurate financial reporting could allow for errors or fraudulent activity to occur and not be detected by the Board and management.

We recommend the Corporation reconcile all bank accounts to the books on a timely basis. In this process, all reconciling items or errors should be identified and included on the face of the reconciliation. All unreconciled balances should be researched in order to find the known source of the errors, and documentation to support that research and subsequent correction should be maintained. All errors should be corrected on the ledgers following the completion of the reconciliation. We recommend the monthly bank reconciliation be reviewed and approved by an individual with appropriate fiscal authority and by the Board, and that evidence of these reviews and approvals be documented.

Further, we recommend the Board ensure that strong internal control practices of Corporation's financial activities are implemented and operating effectively. This includes, but is not limited to, management and Board's reviewing monthly financial reports, grant reimbursement requests, and individual receipt and disbursement transactions; and ensuring that the financial reports accurately represent underlying budgeted and actual financial activities and cash balances.

Finally, we recommend that adequate training be provided to management and staff to assist them in properly performing assigned duties. Training may be provided internally or externally, and should include matters regarding accounting, maintenance of records, state and federal compliance matters, as well as specific guidelines governing grant requirements.

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

FINDING NUMBER 2012-003

Material Weakness

Disbursements made should be supported by proper documentation to allow those reviewing vouchers for approval to determine whether disbursements are being issued accurately and for proper public purposes. Furthermore, individuals charged with the responsibility to review disbursements and submissions of disbursements for reimbursement from grantors should be knowledgeable about what constitutes proper public purposes according to grant contracts. The following weaknesses were noted regarding disbursements:

- Various disbursements were noted which lacked proper supporting documentation. While management was able to contact vendors and obtain duplicate invoices for some disbursements lacking appropriate supporting documentation, there were $388 in disbursements for which no supporting documentation could be produced. Additionally, as noted in Finding No. 2012-006, time sheets did not exist to support certain payroll disbursements. Furthermore, as noted in Finding No. 2012-007, adequate documentation in the form of accounting reports was not presented for audit to allow for proper testing of withholdings from gross wages and employer payroll-related obligations due to the State of Ohio and Internal Revenue Service.

- Disbursements were routinely made using the Corporation's check card. Using this method of payment without compensating controls does not allow for adequate monitoring and/or approval of purchases. The risk of fraudulent activity or errors made without detection is further increased using this method of payment since bank reconciliations were not accurately performed or reviewed during 2012.

- As discussed in Finding No. 2012-002, late fees and sales taxes totaling $105 were paid to various vendors due to untimely payment of obligations incurred and failure to exercise use of tax-exempt status forms. The amount associated with these items should not have been submitted for reimbursement to grantors.

We recommend that all appropriate supporting documentation be retained by the Corporation for all disbursements made, regardless of the method of payments. Controls should be established to document the approval of all electronic payments made using the Corporation's check card or credit card to document proper authorization was granted for items and services purchased. Payments to vendors should be made in a timely manner to avoid interest and late penalties. Any interest, late penalties, or sales taxes that should occur should be deducted from amounts submitted to grantors for reimbursement.

FINDING NUMBER 2012-004

Noncompliance and Material Weakness

National Emergency Grant (NEG) Subgrant Agreement FY12-14-2 between the Guernsey County Department of Job and Family Services (GCDJFS) and Guernsey County Community Development Corporation, Flood Emergency Workforce Response, Article V, Part B, § 5 states:

> Subgrantee shall be familiar with and follow the grantor's procurement plan when procuring equipment, tools, personal protective gear, consumables and all supplies.
>
> > a. Equipment, tools, personal protective gear, consumables and all supplies are limited to those included and approved in the NEG OH-25 grant application process.

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

FINDING NUMBER 2012-004 (Continued)

Noncompliance and Material Weakness (Continued)

b. All lease/purchases must be within the program budget plan and are subject to line item allocations. Leases/purchases outside of the program budget lines, and/or costs for items not included in the program budget, are not to be reimbursed through this agreement.

In addition, Amendment Three, Attachment A, to the agreement, which was approved retroactively to January 1, 2012, included a budget which allowed for only $46,170 in equipment leases.

Throughout the course of the grant period, the Corporation submitted invoices for reimbursement for over $100,000 in equipment and vehicle lease costs; of that amount, $64,650 was submitted for reimbursement during fiscal year 2012. GCDJFS conducted a monitoring visit of the Corporation's grant operations on March 27, 2012, and notified the Corporation that the Corporation had submitted equipment lease costs that had exceeded the budget by approximately $70,000. Equipment charges under this grant program ceased on April 9, 2012 following a letter from GCDJFS wherein it notified the Corporation that a grant program review had been conducted by the Ohio Department of Job and Family Services and determined that funding would no longer cover heavy equipment costs.

Maintenance and repair costs submitted for reimbursement were comprised mainly of costs related to vehicles and equipment leased from Monster Management, LLC, totaling approximately $11,800 during 2012. These costs included the purchase of tires, windshields, fuel pump assembly, air filters, oil filters, wiper blades, tractor parts, and other major mechanical work. Maintenance and repairs costs included in the approved budget provided for audit included minor items such as the purchase of diesel fuel, gasoline, oil, hydraulic fluid and filters for chainsaws.

In addition to maintenance and repair costs related to leased vehicles and equipment submitted for reimbursement, the Corporation was reimbursed for costs totaling $87 paid to provide vehicle maintenance for one of its employees' personal vehicles that was utilized by the employee rather than utilizing the leased vehicles provided. While this matter is not specifically addressed in the body of the grant agreement, an inquiry with the grantor confirmed that this was not an allowable expense under the National Emergency Grant.

We recommend the Corporation review the requirements of its contract and grant agreements prior to incurring obligations and submitting expenditures for reimbursement to ensure only eligible costs are incurred. Individuals who are knowledgeable of grant requirements should be assigned the responsibility of reviewing and approving each grant transaction, as well as being assigned the responsibility to prepare and/or review reimbursement claims submitted to grantors. All documentation related to the Corporation's grants and grant budgets should be maintained on file for reference purposes.

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

FINDING NUMBER 2012-005

Noncompliance and Material Weakness

Ohio Rev. Code § 1702.15 states each corporation shall keep correct and complete books and records of account, together with minutes of the proceedings of its incorporators, members, directors, and committees of the directors or members.

The Corporation utilized accounting software to maintain its accounting records; however, various receipts and disbursements were not properly recorded within the accounting system. The following inaccuracies were noted:

- Separate accounts were established to track the Corporation's grant activity; however, grant receipts received were not posted to the correct accounts. Intergovernmental receipts reported were collectively understated by $106,719 consisting of $15,667 for Workforce Investment Act Grants, $52,809 for the National Emergency Grant, $17,250 for the Subsidized Employment Program Grant and $20,993 for Ohio Public Works Commission Grants.

- Equipment was leased from Monster Management, LLC for the performance of work under the National Emergency Grant in the amount of $64,650; however, disbursements were not posted to the accounting system for these expenses. Due to an outstanding loan between the Corporation and Monster Management, LLC, any amounts due to Monster Management, LLC for the leasing of equipment was not paid in the form of a check. Rather, the amount due to the vendor was retained by the Corporation and considered a reduction of the outstanding debt.

- Administrative costs of $10,000 were not recorded as disbursements under the National Emergency Grant; although this amount was claimed as a cost and reimbursed by the grantor. The Corporation did not have an indirect cost plan.

- Total Salaries and Wages disbursements were understated by $2,566. In addition, excluding the misstatements noted above, the following disbursement line-items were overstated: Payroll Taxes and BWC by $289; Administrative by $7,766; Supportive Services by $1,236; Maintenance and Repair by $92; Other by $35; and Facilities - Rent and Utilities by $152. These disbursements represent differences in expenses recorded within these grant accounts and those submitted for reimbursement to the grantor agency.

In addition to the above misstatements, we also noted various errors posted to the accounting system which were not timely detected that resulted in long unreconciled cash activity. Accurate cash reconciliations were not conducted nor were the monthly balance reports that were prepared properly reviewed by management. As a result, accounting system records were incomplete.

Inaccurate financial reports could lead to management making uninformed decisions regarding the handling of grant activity. Additionally, inaccurate financial reporting could allow for errors or fraudulent activity to occur and not be detected by the Board and management. The above adjustments, to which the Corporation has agreed, have been reflected in the accompanying financial statement.

We recommend that the Corporation post all accounting activity to the accounting system in an accurate and timely manner. We further recommend that thorough monthly reviews of the financial reports and bank reconciliations be conducted by an individual independent of the fiscal operations in order to detect possible errors and omissions, and help prevent the risk of potentially fraudulent activity from occurring and going undetected.

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

FINDING NUMBER 2012-006

Noncompliance and Material Weakness

National Emergency Grant (NEG) Subgrant Agreement FY12-14-2 between the Guernsey County Department of Job and Family Services and Guernsey County Community Development Corporation, Flood Emergency Workforce Response, Article V, Part B, § 1(d) states timesheets will be signed by each participant. Payroll will be based on these timesheets. In addition, Temporary Assistance for Needy Families Subsidized Employment Program Contracts approved May 11, 2012, Part A, § 3 states reimbursements will not be made for vacation, sick leave, plant closures, other paid non-work time, holidays, or overtime hours. Furthermore, in order to satisfy internal control objectives, timesheets should be signed by employees and the appropriate supervisor to provide documentation and certification of their hours worked. Payroll data input should be reviewed for accuracy and completeness. The Corporation's planned payroll control procedures included for time sheets/cards to be completed by Corporation employees documenting hours worked, signed by said employee, and approved by a supervisor and/or Office Manager.

Our tests of payroll disbursements noted the following:

- Time sheets were not completed for employees who performed work related to the Workforce Investment Act grant from January 2012 through the pay period ending April 13, 2012. Gross wages and related payroll costs for this grant totaled $10,176 during this period. Additionally, 30% of time sheets maintained for all grants were not consistently approved by the employee and/or management. In addition, duplicate time sheets and/or cards existed for 2% of time sheets, which contained different hours reported for the same dates in question, leaving it uncertain which time sheets were accurate.

- Employees were granted paid time off for certain holidays and half-day paid time off on Fridays that preceded a holiday that occurred on a Monday. These employer-granted leave periods were not consistently or accurately recorded on time sheets. Some time sheets contained entries that indicated an employee had worked their regularly scheduled hours, while other time sheets were marked as a paid holiday. Still other timesheets indicated a full eight hour shift had been worked, when only four hours had been worked and four were paid time off. While not a requirement of all grants, certain grants administered by the Corporation specifically excluded from reimbursement paid holidays and other employer granted paid time off.

- The Corporation paid an employee $531 for the unfavorable personal tax treatment that resulted to the employee from the employee's prior treatment as an independent contractor rather than an employee under the Workforce Investment Act during the first quarter of 2012. This type of expenditure is not allowable under this grant program. In April 2012, the Corporation began compensating individuals paid with Workforce Investment Act monies as employees rather than independent contractors.

The lack of a documented and thorough review and approval process of time sheets could lead to employees being over or under compensated for work performed. Additionally, the lack of an adequate review process could allow errors and/or potential fraudulent activity to go undetected.

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

FINDING NUMBER 2012-006 (Continued)

Noncompliance and Material Weakness (Continued)

We recommend that the Corporation use and retain accurate time cards or time sheets for all hourly employees. The time sheets or time cards utilized should be reviewed for accuracy each pay period and signed by the employee and appropriate level of management for approval. Additionally, we recommend the Corporation follow grant guidelines outlined in each grant agreement when processing payroll for employees.

FINDING NUMBER 2012-007

Noncompliance

Ohio Rev. Code § 5747.06 states that the employer shall deduct and withhold the tax on the date that the employer directly, indirectly, or constructively pays the compensation to, or credits the compensation to, or credits the compensation to the benefit of, the employee. Additionally, 26 U.S.C § 3102(a)(1) requires every employer making payment of wages to deduct and withhold a tax determined in accordance with tables or computational procedures prescribed by the Secretary of the Treasury.

Adequate documentation was not presented for audit to determine whether amounts, approximating $17,392 in employee withholdings and $7,401 in employer contributions, remitted to the Internal Revenue Service and State of Ohio were for the proper amounts. Failure to withhold and remit the appropriate amount of taxes could subject the Corporation to fines and penalties. We noted several payments to the Internal Revenue Service included penalties for late payments. While we noted no evidence that penalty payments to the Internal Revenue Service were paid for with grant funds; penalties resulted, in part, from the late submission of withholdings for employees that were paid for with grant funds.

We recommend the Corporation withhold the required state and federal income taxes and remit the taxes in a timely fashion. Supporting schedules reconciling amounts withheld from employee's pay and the applicable employer's portion should be maintained on file to support amounts remitted.

FINDING NUMBER 2012-008

Noncompliance

26 C.F.R. § 1.6041-1 requires the Corporation to issue IRS Form 1099 to non-corporate companies providing services to the Corporation in excess of $600 per year.

The Corporation utilized the services of an independent contractor, Monster Management, LLC, to provide leased equipment in the amount of $64,650 during 2012. While total direct payments of $64,650 were not made to this contractor, the amount in question was used to retire debt Monster Management, LLC, had outstanding with the Corporation during 2012. The Corporation did not issue a 1099 form for the $64,650.

We recommend the Corporation issue 1099 forms for all required contractors that are paid in excess of $600 per year.

This matter will be referred to the Internal Revenue Service.

Officials' Response: We did not receive a response from Officials to the findings reported above.

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Dave Yost • Auditor of State

GUERNSEY COUNTY COMMUNITY DEVELOPMENT CORPORATION (PUBLIC MONIES)

GUERNSEY 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
JUNE 10, 2014

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