

WARREN WATER AUTHORITY

JEFFERSON COUNTY

Regular Audit

For the Years Ended December 31, 2019 and 2018



OHIO AUDITOR OF STATE
KEITH FABER



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Board of Trustees
Warren Water Authority
PO Box 106
Rayland, Ohio 43943

We have reviewed the *Independent Auditor's Report* of the Warren Water Authority, Jefferson County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2018 through December 31, 2019. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Warren Water Authority is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

November 19, 2020

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Warren Water Authority
Jefferson County
For the Years Ended December 31, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements, and related notes of the Warren Water Authority, Jefferson County, Ohio (the Authority) as of and for the years ended December 31, 2019 and 2018.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating of the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 2 of the financial statements, the Authority prepared these financial statements using 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), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determined, we presume they are material.

Though the Authority does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

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 statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Authority as of December 31, 2019 and 2018, or changes in financial position or its cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

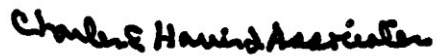
In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements, and related notes of the Warren Water Authority, Jefferson County as of December 31, 2019 and 2018, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Emphasis of matter

As discussed in Note 10 to the 2019 financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Authority. We did not modify our opinions regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2020, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's 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 Authority's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
September 14, 2020

Warren Water Authority
Jefferson County
Combined Statement of Receipts, Disbursements
And Changes in Fund Balances (Regulatory Cash Basis)
For the Year Ended December 31, 2019

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Operating Cash Receipts	
Charges for Services	\$ 117,910
	<hr/>
<i>Total Operating Cash Receipts</i>	<i>117,910</i>
	<hr/>
Operating Cash Disbursements	
Personal Services	31,882
Utilities	7,469
Repairs and Maintenance	4,340
Testing and Licenses	893
Chemicals and Operating Supplies	63,672
Office Supplies and Materials	6,312
Insurance	3,674
Rent	836
	<hr/>
<i>Total Operating Cash Disbursements</i>	<i>119,078</i>
	<hr/>
<i>Operating Income (Loss)</i>	<i>(1,168)</i>
	<hr/>
Non-Operating Cash Disbursements	
Principal Retirement	(12,608)
Interest and Fiscal Charges	(2,700)
	<hr/>
<i>Total Non-Operating Cash Disbursements</i>	<i>(15,308)</i>
	<hr/>
<i>Net Change in Fund Cash Balances</i>	<i>(16,476)</i>
	<hr/>
<i>Fund Cash Balances, January 1</i>	<i>54,601</i>
	<hr/>
<i>Fund Cash Balances, December 31</i>	<i>\$ 38,125</i>
	<hr/> <hr/>

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

Warren Water Authority
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 1 – Reporting Entity

The Warren Water Authority (the Authority), Jefferson County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Authority is directed by a three-member Board of Trustees. Board members are appointed by to lifetime terms by the Jefferson County Judge. Subdivisions within the Authority are Warren Township, Jefferson County and Peace Township, Belmont Township. The Authority provides water and sewer services to residents of the Authority.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Authority’s financial statements consist of a statement of receipts, disbursements and changes in fund balance (regulatory cash basis).

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 of Trustees recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, object level of control, and appropriations may not exceed estimated resources. The Authority must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

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

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

A summary of 2019 budgetary activity appears in Note 4.

Warren Water Authority
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 2 – Summary of Significant Accounting Policies (continued)

Deposits and Investments

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

Capital Assets

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

Note 3 – Compliance

Contrary to Ohio law, the Authority failed to adopt an operating budget and appropriation resolution in 2019. Also, contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Water, Sewer, and OWDA funds by \$58,493, \$60,585, and \$15,308 for the year ended December 31, 2019.

Note 4 – Budgetary Activity

Budgetary activity for the year ended December 31, 2019 follows:

2019 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$0	\$117,910	(\$117,910)
Appropriation Authority	Budgetary Disbursements	Variance
\$0	\$134,386	(\$134,386)

Note 5 – Deposits and Investments

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

Warren Water Authority
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 5 – Deposits and Investments (continued)

	2019
Demand deposits	<u>\$13,463</u>
Certificates of deposit	<u>24,662</u>
Total deposits and investments	<u><u>\$38,125</u></u>

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

Note 6 – Risk Management

Workers' Compensation

Workers' Compensation coverage is provided by the State of Ohio. The Authority pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Commercial Insurance

The Authority has obtained commercial insurance for the following risks:

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

During 2019, the losses did not exceed insurance coverage. There was no significant reduction in limits from last year.

Note 7 - Defined Benefit Pension Plan

Ohio Public Employees Retirement System

All Authority employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Authority contributed an amount equaling 14% of participants' gross salaries. The Authority has paid all contributions required through December 31, 2019.

Warren Water Authority
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 8 – Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0% during calendar year 2019.

Note 9 – Contingent Liabilities

The Authority may be a defendant in lawsuits. Although management cannot presently determine the outcome of any suit, management believes that the resolution of any matter will not materially adversely affect the Authority's financial condition.

Note 10 – Subsequent Event

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Authority. The Authority's investment portfolio has incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Authority's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

Warren Water Authority
Jefferson County
Combined Statement of Receipts, Disbursements
And Changes in Fund Balances (Regulatory Cash Basis)
For the Year Ended December 31, 2018

Operating Cash Receipts	
Charges for Services	\$ 120,120
<i>Total Operating Cash Receipts</i>	<u>120,120</u>
Operating Cash Disbursements	
Personal Services	29,837
Utilities	9,205
Repairs and Maintenance	3,799
Testing and Licenses	597
Other Contractual Services	6,875
Chemicals and Operating Supplies	35,450
Office Supplies and Materials	4,284
Insurance	3,026
Rent	834
<i>Total Operating Cash Disbursements</i>	<u>93,907</u>
<i>Operating Income (Loss)</i>	26,213
Non-Operating Cash Receipts	
Interest from Bank	173
<i>Total Non-Operating Cash Receipts</i>	<u>173</u>
Non-Operating Cash Disbursements	
Principal Retirement	(12,360)
Interest and Fiscal Charges	(2,948)
<i>Total Non-Operating Cash Disbursements</i>	<u>(15,308)</u>
<i>Net Change in Fund Cash Balances</i>	11,078
<i>Fund Cash Balances, January 1</i>	<u>43,523</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$ 54,601</u></u>

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

Warren Water Authority
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 – Reporting Entity

The Warren Water Authority (the Authority), Jefferson County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Authority is directed by a three-member Board of Trustees. Board members are appointed by to lifetime terms by the Jefferson County Judge. Subdivisions within the Authority are Warren Township, Jefferson County and Peace Township, Belmont Township. The Authority provides water and sewer services to residents of the Authority.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Authority’s financial statements consist of a statement of receipts, disbursements and changes in fund balance (regulatory cash basis).

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 of Trustees recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, object level of control, and appropriations may not exceed estimated resources. The Authority must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

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

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

A summary of 2018 budgetary activity appears in Note 4.

Warren Water Authority
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 – Summary of Significant Accounting Policies (continued)

Deposits and Investments

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

Capital Assets

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

Note 3 – Compliance

Contrary to Ohio law, the Authority failed to adopt an operating budget and appropriation resolution in 2018. Also, contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Water, Sewer, and OWDA funds by \$51,198, \$42,709, and \$15,308 for the year ended December 31, 2018.

Note 4 – Budgetary Activity

Budgetary activity for the year ended December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$0	\$120,293	(\$120,293)

2018 Budgeted vs. Actual Budgetary Basis Disbursements		
Appropriation Authority	Budgetary Disbursements	Variance
\$0	\$109,215	(\$109,215)

Note 5 – Deposits and Investments

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

Warren Water Authority
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 5 – Deposits and Investments (continued)

	2018
Demand deposits	<u>\$30,129</u>
Certificates of deposit	<u>24,472</u>
Total deposits and investments	<u><u>\$54,601</u></u>

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

Note 6 – Risk Management

Workers' Compensation

Workers' Compensation coverage is provided by the State of Ohio. The Authority pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Commercial Insurance

The Authority has obtained commercial insurance for the following risks:

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

During 2018, the losses did not exceed insurance coverage. There was no significant reduction in limits from last year.

Note 7 - Defined Benefit Pension Plan

Ohio Public Employees Retirement System

All Authority employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Authority contributed an amount equaling 14% of participants' gross salaries. The Authority has paid all contributions required through December 31, 2018.

Warren Water Authority
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 8 – Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0% during calendar year 2018.

Note 9 – Contingent Liabilities

The Authority may be a defendant in lawsuits. Although management cannot presently determine the outcome of any suit, management believes that the resolution of any matter will not materially adversely affect the Authority's financial condition.

Note 10 – Prior Period Adjustments

The Authority's fund cash balance in the December 31, 2017 audit report was \$37,062, which was based on inaccurate accounting records and outstanding checks that were voided. The Authority adjusted the differences in 2018 and increased the January 1, 2018 beginning balance by \$6,461.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the cash balances, receipts and disbursements of the Warren Water Authority, Jefferson County (the Authority) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements and have issued our report thereon dated September 14, 2020, wherein we noted the Authority followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Authority.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider material weaknesses. We consider findings 2019-005 to 2019-007 in the Schedule of Findings to be material weaknesses.

Warren Water Authority

Jefferson County

Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*

Page 2


Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are reported in the accompanying Schedule of Findings as items 2019-001 through 004.

We also noted certain matters not requiring inclusion in this report that we reported to the Authority's management in a separate letter dated September 14, 2020.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles E. Harris and Associates, Inc.

September 14, 2020

Warren Water Authority
Jefferson County
Schedule of Findings
December 31, 2019 and 2018

Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS
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Finding Number: 2019-001 – Noncompliance

Adoption of Tax Budget

Ohio Rev. Code § 5705.28(B)(2) provides, in part, for taxing units that do not levy a tax that on or before the fifteenth day of July each year, such taxing authority shall adopt an operating budget consisting of estimated receipts, expenses and debt charges for the ensuing fiscal year. Documents prepared in accordance with such sections are not required to be filed with the county auditor or county budget commission.

The Authority did not adopt an operating budget including the items above for 2019 or 2018. The Authority did not have procedures in place to help ensure budgetary compliance. Failure to follow sound budgetary practices could result in overspending and could cause a weakness in accountability, fiscal integrity, negative cash fund balances and proper reporting.

To help improve control over budgetary procedures, the Authority should create an operating budget with the required elements describe above, ensure the ledgers include budgeted and actual information and maintain the budget and supporting documentation for audit. Implementation of sound budgetary practices may help ensure the Authority is in compliance with the Ohio Rev. Code requirements and may help the Board monitor the fiscal integrity of the Authority.

Finding Number: 2019-002 – Noncompliance

Remittance of Withholdings

Ohio Rev. Code § 145.47(B) provides, in part, the head of each authority should remit payment for retirement contributions within 30 days from the reporting period. In addition, a penalty shall be added when such report is filed thirty or more days after the last day of such reporting period.

During 2018 and 2019, the Authority submitted the Ohio Public Employee Retirement System (OPERS) payments late for 5 and 6 monthly payments, respectively, which resulted in the assessment and subsequent payment of late fees in the amount of \$10 and \$12.

We recommend that the management establish monitoring controls to make sure that the OPERS payments be made on a timely basis.

Warren Water Authority
Jefferson County
Schedule of Findings (continued)
December 31, 2019 and 2018

Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS (continued)
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Finding Number: 2019-003 – Noncompliance

Annual Appropriations

Ohio Revised Code § 5705.38 requires, in part, that on or about the first day of the fiscal year, an appropriation measure be passed.

The Authority did not adopt an appropriation measure for 2019 or 2018 causing 100% of the disbursements to exceed appropriations. This is the result of the Authority not reviewing the above Ohio Revised Code Section. Failure to pass an appropriation measure, which serves as a tool by which disbursements can be monitored, could result in overspending.

The Authority should pass an appropriation measure as required so disbursements can be monitored and to help ensure compliance with the Ohio Revised Code.

Finding Number: 2019-004 – Noncompliance

Deposits of Public Money

Ohio Revised Code § 9.38 requires that a person who is a public official other than a state officer, employee, or agent shall deposit all public moneys received by that person with the treasurer of the public office or properly designated depository on the business day next following the day of receipt, if the total amount of such moneys received exceeds one thousand dollars.

The Treasurer/Secretary is in charge of collecting fees for water and sewer services provided. The Authority did not adopt a policy mandating that collections should be deposited on the same or next day as the receipt of money.

During our testing over the Service Fee receipts, it was noted that 15 out of 20 batches tested in 2018 and 2019 were not deposited until more than one business day after the day of receipt. We recommend that the Authority adopt policies and procedures in compliance with the Ohio Revised Code § 9.38 and start depositing monies on the same or next business day.

Warren Water Authority
Jefferson County
Schedule of Findings (continued)
December 31, 2019 and 2018

Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS (continued)
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Finding Number: 2019-005 – Material Weakness

Cash Reconciliation and Financial Statement Adjustments

Sound accounting practices require that when designing the public office’s system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The reconciliation of cash (bank) balances to accounting system records (book) to the accounting system is the most basic and primary control process performed. Lack of completing an accurate and timely reconciliation may allow for accounting errors, theft and fraud to occur without timely detection.

The Secretary/Treasurer is responsible for reconciling the book (fund) balance to the total bank balance on a monthly basis and the Board is responsible for reviewing the reconciliations and related support.

The Authority lacked procedures to help ensure reconciliations were performed accurately and timely resulting in the following issues:

- The monthly reconciliations during 2019 and 2018 included only 1 of 4 bank accounts of the Authority, thus were insufficient to function as a monitoring process.
- The Authority is carrying \$70.74 and \$25 outstanding checks on the 2019 and 2018 reconciliations, respectively, which should have been voided.
- The Treasurer did not maintain an accurate outstanding check list in 2019 and 2018, causing the accounting adjustments after the Hinkle filing.

As a result, the Authority's 2018 year-end reconciliation show the Authority's book balance exceeded the depository balance by \$186.21. Failure to reconcile monthly increases the possibility the Authority will not be able to identify, assemble, analyze, classify, and record its transactions correctly or to document compliance with finance related legal and contractual requirements. Further, the lack of accurate monthly reconciliations increases the risk of theft/fraud over the cash cycle and could lead to inaccurate reporting in the annual financial statements.

The Secretary/Treasurer should record all transactions and prepare monthly bank to book cash reconciliations, which include all bank accounts and all fund balances. The variances noted above should be investigated, documented and corrected. Variances between bank and book amounts could result in possible findings for recovery issued against responsible officials/employees. In addition, the Board should review the monthly cash reconciliations including the related support (such as reconciling items), document the reviews and approve the reconciliations.

Warren Water Authority
Jefferson County
Schedule of Findings (continued)
December 31, 2019 and 2018

Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS (continued)
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Finding Number: 2019-006 – Material Weakness

System of Internal Controls

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

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

Internal control consists of several components, one of which is monitoring, which is a process that assesses the quality of internal control performance over time.

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

Some effective monitoring controls include:

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

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

Warren Water Authority
Jefferson County
Schedule of Findings (continued)
December 31, 2019 and 2018

Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS (continued)
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Finding Number: 2019-006 – Material Weakness (continued)

The Authority has the following deficiencies related to their system of internal controls:

- No one independent of the purchasing process reviewed the activity to ensure the accuracy, appropriateness, or allowability of the expenditures; In 2019 and 2018 checks were only signed by the Treasurer. The checks only being signed by one person in conjunction with the lack of board monitoring and segregation of duties could lead to unallowable expenditures and increase the risk of theft/fraud;
- No evidence that an adequate segregation of duties exists;
- The Board did not consistently review and approve expenditures prior to being made to ensure they were accurately recorded, necessary and for a public proper purpose;
- No evidence of the Board's review of bank reconciliations; and
- No evidence of monitoring by the Board over monthly and audited financial statements and revenue and expenditure reports.

The Water Authority should improve internal controls over reporting by implementing the following:

- Receive Board approval on all payments prior to being made;
- Receipts and disbursements should be reconciled to the bank deposits, customer ledgers, and financial ledgers on a monthly basis. Supporting documentation should be available for each figure on the reconciliation; and
- Present monthly bank reconciliations to the Board for their review, and approval should be documented in the minutes.

Finding Number: 2019-007 – Material Weakness

Accounting System and Accounting Records

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

Warren Water Authority
Jefferson County
Schedule of Findings (continued)
December 31, 2019 and 2018

Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS (continued)
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Finding Number: 2019-007 – Material Weakness (continued)

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

1. In addition, all local public offices should maintain or provide a report similar to the following Payroll records:
 - a. Payroll journal that records, assembles and classifies by pay period the name of employee, hours worked, wage rates, pay date, withholdings by type, net pay and other compensation paid to an employee (such as a termination payment), and the fund and account charged for the payments.
 - b. Information regarding nonmonetary benefits such as car usage and life insurance.
 - c. Information, by employee, regarding leave balances and usage.

The Authority did not maintain an accounting system sufficient to accurately record and report its financial activity, their accounting system had the following deficiencies:

- The Authority could not provide sufficient payroll documentation for 2019 and 2018, such as salary and pay rates, to support whether employees of the Authority were being properly paid.
- The Authority lacked procedures to ensure the preparation of complete and accurate cash journal, receipts ledger, and appropriation ledger.

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

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

Warren Water Authority
Jefferson County
Schedule of Findings (continued)
December 31, 2019 and 2018

Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS (continued)
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Finding Number: 2019-007 – Material Weakness (continued)

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

Management’s Response:

We did not receive a response from Officials to these findings.

Warren Water Authority
Jefferson County
 Schedule of Prior Audit Findings (Prepared by Management)
 December 31, 2019 and 2018

Finding Number	Finding Summary	Status	Additional Explanation
2017-001	Noncompliance – Adoption of Tax Budget	Not Corrected	
2017-002	Noncompliance – Remittance of Withholdings	Partially Corrected	
2017-003	Noncompliance – Annual Appropriations	Not Corrected	
2017-004	Internal Control Deficiency – Cash Reconciliation	Partially Corrected	
2017-005	Internal Control Deficiency – System of Internal Controls	Not Corrected	
2017-006	Internal Control Deficiency – Accounting System and Accounting Records	Partially Corrected	

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OHIO AUDITOR OF STATE KEITH FABER



WARREN WATER AUTHORITY

JEFFERSON COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 12/3/2020

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